

OECD WORK ON  
**TAX AND  
DEVELOPMENT**



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List of acronyms .....	3
Preface by Pascal Saint-Amans.....	4
The OECD's interconnected approach to tax and development .....	5
Raising the profile of tax and development as an international priority .....	6
The potential of taxation to drive development .....	9
Promoting development through tax capacity building and innovation .....	10
Combatting tax avoidance to ensure a fair deal for all.....	12
The BEPS package .....	13
The OECD/G20 Inclusive Framework on BEPS .....	15
Addressing BEPS: Increasing resources for development.....	17
Promoting developing country participation in the Inclusive Framework on BEPS.....	17
Supporting countries in building tax capacity .....	18
Tax Inspectors Without Borders (TIWB) .....	20
Tackling tax evasion through transparency and co-operation .....	21
Focus on illicit financial flows (IFFs).....	21
Increasing transparency through information exchange .....	21
The Global Forum on Transparency and Exchange of Information for Tax Purposes .....	23
Fighting tax crime.....	26
Capacity building in tax and crime .....	28

Promoting collaboration, capacity and coherence.....	30
The Platform for Collaboration on Tax .....	30
The Task Force on Tax and Development .....	32
The Forum on Tax Administration (FTA) .....	33
Regional partnerships .....	33
Leveraging OECD expertise to support taxation and development.....	35
Global Revenue Statistics .....	35
The Global Relations Programme .....	36
Development co-operation.....	37
Focusing on the future .....	38
Designing and implementing international tax standards .....	38
Leveraging experience and expertise to underpin development.....	40
Expanding the reach of tax policies.....	40
Supporting partnerships for development.....	41
Key publications .....	42
Key links .....	44
About us.....	45

# List of acronyms

<b>AAAA</b>	Addis Ababa Action Agenda	<b>GRP</b>	Global Relations Programme
<b>ADB</b>	Asian Development Bank	<b>IDB</b>	Inter-American Development Bank
<b>AEOI</b>	Automatic Exchange of Financial Account Information	<b>IMF</b>	International Monetary Fund
<b>APEC</b>	Asia-Pacific Economic Co-operation	<b>IOTA</b>	Intra-European Organisation of Tax Administrations
<b>ASEAN</b>	Association of South-East Asian Nations	<b>LAC</b>	Latin America and the Caribbean
<b>ATAF</b>	African Tax Administration Forum	<b>LDC</b>	Least-developed country
<b>BEPS</b>	Base Erosion and Profit Shifting	<b>LIC</b>	Low-income country
<b>CIAT</b>	<i>Centro Interamericano de Administraciones Tributarias</i> /Inter-American Centre of Tax Administrations	<b>LMIC</b>	Lower-middle-income country
<b>CREDAF</b>	<i>Cercle de Réflexion des Dirigeants des Administrations Fiscales</i>	<b>MLI</b>	Multilateral Instrument
<b>CTPA</b>	Centre for Tax Policy and Administration	<b>ODA</b>	Official Development Assistance
<b>DAC</b>	Development Assistance Committee	<b>SDG</b>	Sustainable Development Goal
<b>DRM</b>	Domestic Resource Mobilisation	<b>PITAA</b>	Pacific Islands Tax Administrators Association
<b>EC</b>	European Commission	<b>TFTC</b>	Task Force on Tax Crimes and Other Crimes
<b>ECLAC</b>	UN Economic Commission for Latin America and the Caribbean	<b>TIWB</b>	Tax Inspectors Without Borders
<b>EOIR</b>	Exchange of Information on Request	<b>UMIC</b>	Upper-middle-income country
<b>FTA</b>	Forum on Tax Administration	<b>UN</b>	United Nations
<b>GDP</b>	Gross Domestic Product	<b>UNDP</b>	United Nations Development Programme
<b>GST</b>	Goods and Services Tax	<b>UNESCAP</b>	United Nations Economic and Social Commission for Asia and the Pacific
		<b>VAT</b>	Value added Tax
		<b>WBG</b>	World Bank Group

# Preface by Pascal Saint-Amans



**Pascal Saint-Amans**  
CTPA Director

The work of the Centre for Tax Policy and Administration (CTPA) has changed dramatically in recent years, including in relation to the role of development and developing countries in our work. I am proud that an increasing number of developing countries are now integrated into our work, as equal members of the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) and the OECD/G20 Inclusive Framework on BEPS (the Inclusive Framework), with a voice on the creation and implementation of new international tax standards.

This has been an evolving process. As globalisation increased, the challenges of cross-border taxation have extended beyond the OECD membership, and the CTPA accelerated our dialogue with developing countries accordingly.

This started with our Global Relations Programme (GRP) in the early 90's which has provided training and capacity building for over 25 000 tax officials from the developing world. Since then, we have created a Task Force on Tax and Development, we have expanded our *Global Revenue Statistics* database to cover more than 90 countries by the end of 2018, we have established audit programmes through our Tax Inspectors Without Borders (TIWB) initiative and we have set up tax crime investigation academies throughout the world.

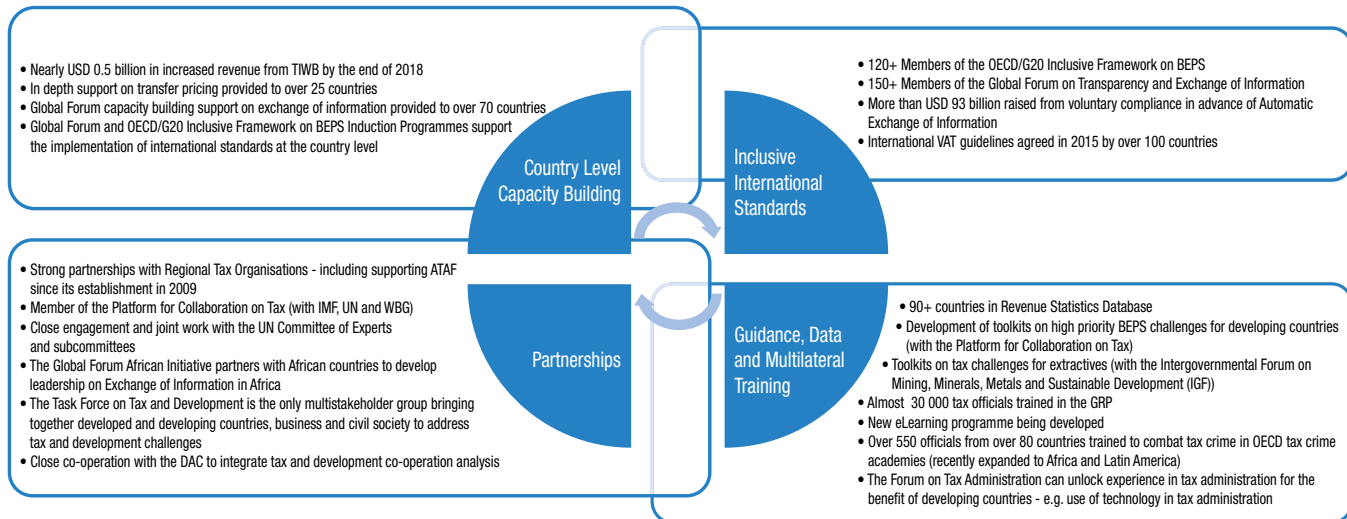
Of greatest significance however has been the establishment of the Global Forum and the Inclusive Framework, which have brought dozens of developing countries into the heart of the work of the CTPA. This has fundamentally changed the nature of how we operate, ensuring development is an integral concern across all of our work. It has also raised expectations as the CTPA is now seen as a key actor in the Domestic Resource Mobilisation (DRM) agenda.

This process has been inspired by the wider development landscape, most recently with the Addis Ababa Action Agenda (AAAA) and the Sustainable Development Goals (SDGs). These agreements provide both a framework and a vision for how we can continue to develop international co-operation in taxation to benefit development. The CTPA has been, and will continue to be, inspired by that vision that sees development as a universal agenda, and we will continue to mainstream development across all of our work. This booklet sets out how we have been doing this, and how we intend to do more in the future.

# The OECD's interconnected approach to tax and development

The OECD has a unique role to play in supporting developing countries to generate domestic revenues to finance their sustainable development. It combines the development and monitoring of international standards, with guidance and

training, a range of partnerships, and practical on the ground support. These are mutually reinforcing with improvements in one area supporting improvements in the others.



# Raising the profile of tax and development as an international priority

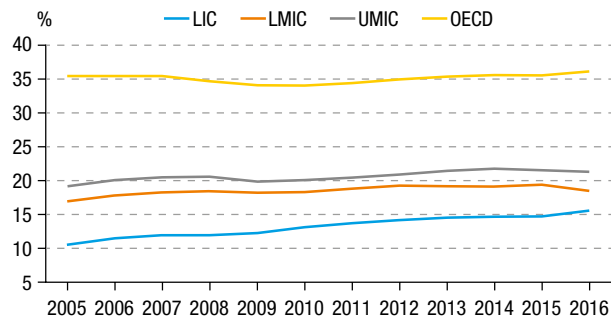
The 2008 financial crisis prompted some serious rethinking by citizens, countries and institutions worldwide. The growing interconnectedness of the global economy brought with it both risks and opportunities, pointing to the need to shore up international co-operation.

Tax was high on the agenda. Many countries were feeling the need DRM: to bolster their DRM so as to gain self-reliance



and weather external shocks. While the ratio of tax to Gross Domestic Product (GDP) in OECD countries averaged 33% in 2008, in developing countries it was only around half this level, indicating that there was great potential yet to be exploited. However, before the crisis some countries had been making significant progress; for example between 1998 and 2005, reforms in Rwanda had resulted in an increase in domestic revenue from 9% to nearly 15% of GDP.

**Tax Revenues by Country Classification 2005-2016 (in % of GDP)**



At the same time, the media began giving wide coverage to tax. This included revelations that multinationals were exploiting weaknesses in the international tax system to pay very little tax in the countries where they were operating, as well as the ways in which individuals were hiding assets offshore.

In April 2009, G20 leaders in London committed to tackling tax havens, declaring: “The era of banking secrecy is over.” They mandated the OECD to help put in motion some of the biggest changes in international taxation in 100 years, starting with banking secrecy and expanding to the taxation of multinational enterprises.



The OECD was ready for the challenge, having driven the global fight against tax evasion for more than two decades. Its approach was based on the development of strong tax transparency standards; promotion of global buy-in to ensure a level playing field for all; support to country tax programmes; and monitoring of progress against commitments. The OECD’s experience, and its partnership with the G20, enabled a major overhaul of the international tax architecture, focused on enhancing transparency, addressing tax evasion and avoidance, improving tax policy and, increasingly, leveraging the potential of tax for development.

In 2013, the OECD launched the G20-mandated Base Erosion and Profit Shifting (BEPS) Project. While this agenda was not driven by development considerations, the resulting era of heightened co-operation promised to provide tools and opportunities for all countries.



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In Ethiopia, in July 2015, heads of state and government came together to discuss how to finance the soon-to-be-launched SDGs. They expressed a “strong political commitment to address the challenge of financing and creating an enabling environment at all levels for sustainable development in the spirit of global partnership and solidarity” (AAAA, 2015).

### Relative Distribution of Key Sources of Finances for Development by Country Classification



green= tax revenue/ blue= concessional financing (Official Development Assistance (ODA)+other concessional financing)/ red= private market finance (external)

This commitment to co-operation was accompanied by a growing focus on taxation as a development priority, not least as it is clearly the primary source of financing for development. The AAAA recognised that to unlock the potential of countries to realise their own development priorities, the design and delivery of “modernised, progressive tax systems, improved tax policy and more efficient tax collection” were high on the list of must-dos. As world leaders made solid commitments to scale up international tax co-operation, the AAAA recognised the important roles of the Global Forum (see page 23), the OECD work on BEPS (see page 15) and TIWB (see page 20).

The SDGs also put tax at the heart of development. In 2015 SDG 17 (*Strengthen the means of implementation and revitalise the global partnership for sustainable development*) made its first target: “Strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.”

## The potential of taxation to drive development

Taxation enables governments to invest in development, relieve poverty and deliver public services to underpin long-term growth. Strong tax systems not only raise crucial revenues: they also promote inclusiveness, encourage good governance, improve the accountability of governments to their citizens and cultivate social justice. By increasing transparency and fairness, and countering corruption, national revenue systems also improve the enabling environment for private investment.

Yet LICs face a number of challenges in making the most of this potential: they have small tax bases and large informal sectors; their levels of per capita income, domestic savings and investment are relatively low; and they are often seriously constrained by weak institutions, governance and

lack of capacity. External challenges – such as aggressive tax avoidance by multinational enterprises and tax evasion by wealthy individuals through schemes to hide assets offshore – also put them at a distinct disadvantage.

Above and beyond the direct benefits to developing countries themselves, international co-operation in the area of taxation is essential in today's globalised world. Tax regimes can no longer be perceived as national affairs, but rather involve a complex series of actions, actors and impacts that are far more than local in nature. Combatting tax evasion, BEPS and abusive transfer pricing practices, illicit financial flows (IFFs), corruption and bribery – among others – requires transparency, shared knowledge and data, co-ordinated efforts, and implementation of common, robust standards. Such actions can realise the potential of taxation to help drive development on a global scale.



# Promoting development through tax capacity building and innovation



For decades, development has been a fundamental objective of the OECD as its name suggests. Yet with the advent of the SDGs, it became increasingly clear that all actors needed to look again at how it was engaging on development across multiple policy areas. For OECD, this meant, on the one hand, ensuring that its tools and approaches were relevant to and accessible by all countries – developed and developing alike.

On the other, it meant viewing all areas of policy and standard setting through a development lens and making the necessary adjustments to mainstream development concerns into all areas of policy making, and therefore into all areas of OECD work. At the same time, the growing interdependence of policy concerns – from tax to gender to education to climate – called for an equally integrated set of solutions. The OECD's multi-disciplinary approach helps draw critical links among diverse areas of public policy.

## About the Centre for Tax Policy and Administration (CTPA)

To ensure better policies – and better results for all – the OECD has consolidated its work on tax and development: the CTPA is the hub of the OECD's work on tax. It supports, and is the Secretariat to, the OECD Committee on Fiscal Affairs (CFA) and also hosts the Global Forum. As such, the CTPA underpins the Organisation's leading role in developing international tax rules and standards, addressing tax barriers to trade and investment, and tackling tax evasion and avoidance. The CTPA's expertise in tax and related policy areas, combined with

OECD's extensive mandate and broad technical know-how, allows the Organisation to develop innovative, cutting-edge standards, and to do so in record time.



Increasingly, the CTPA engages with a large number of non-OECD, G20 and developing countries as well as with business, labour and civil society. It has been successful in bringing on board a growing number of countries – both OECD members

and non-members – to combat tax evasion and avoidance. This unprecedented inclusiveness heralds a new era of co-operation.

The CTPA actively supports governments in the implementation of tax standards. It supports the CFA and the Global Forum to undertake peer reviews to ensure commitments are met and collects and analyses high-quality revenue data to support the design of tax policy for a range of government objectives, including for inclusive and environmentally friendly growth. Increasingly, the CTPA focuses on capacity building in developing country tax administrations, at the same time reinforcing co-operation with international and regional organisations. The CTPA continues to strengthen its work on Global Revenue Statistics and is helping to deal with the tax challenges arising from digitalisation.

The overarching objective of these efforts is to help countries deliver the results needed to fulfill the ambitious 2030 Agenda for Sustainable Development. The following sections outline some of the progress made to date, as well as the huge potential that remains to be tapped.

# Combatting tax avoidance to ensure a fair deal for all

The global landscape has changed dramatically since the international tax rules were first written in the 1920s. Globalisation, evolving business models and shifting geopolitics have brought with them new economic opportunities and challenges, making it imperative to update many of the original tax rules.

One of the priorities in this reform process is countering tax avoidance strategies that exploit gaps and mismatches in tax rules, artificially shifting profits to low or no-tax locations. Known as BEPS, these schemes involve some strategies that are illegal, although most are not. BEPS undermines the fairness and integrity of tax systems, allowing businesses that operate across borders to gain a competitive advantage over domestic enterprises either by avoiding becoming part of the tax base or by shifting profits offshore.

The OECD conservatively estimates that every year, USD 100 to 240 billion in corporate tax revenue is lost to BEPS. Although these stakes are high for governments around the world, for developing countries BEPS is of particular significance. Developing countries rely heavily on corporate income tax, particularly from multinational enterprises. Moreover, their taxpayers are less likely to voluntarily comply with the tax laws when they see multinational corporations legally avoiding income tax. This is why engaging developing countries in the international tax agenda is fundamental.

At its core, the OECD/G20 BEPS Project aims to ensure that international tax rules don't facilitate shifting corporate profits away from where the real economic activity and value creation takes place. This involves:

- ▶ improving the coherence of tax rules across borders
- ▶ reinforcing substance requirements (real or actual presence), and
- ▶ enhancing transparency and certainty.



## The BEPS package

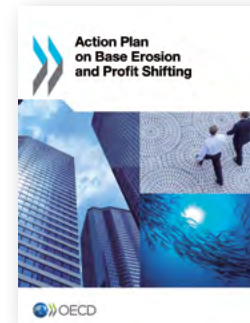
In 2015, the OECD and G20 delivered a comprehensive package of policy tools to support governments in addressing the gaps in the international tax system. In addition to the OECD and G20 countries, a number of developing countries were invited to participate in the project, which took place over two years, and consultations were held with countries in all regions. The International Monetary Fund (IMF), the World Bank Group (WBG) and the United Nations (UN) also participated in the project, as did regional tax organisations.

The BEPS package covers the 15 areas identified in the 2013 BEPS Action Plan and provides a range of tools to counter BEPS.



The OECD/G20 BEPS Project has facilitated greater coherence and clarity in international tax rules, while also strengthening and broadening the application of international tax norms. It has identified common approaches and best practices for the effective implementation of these norms and standards.

The OECD/G20 BEPS Project also supported the creation of the Multilateral Instrument to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the Multilateral Instrument or MLI), which allows countries to rapidly update their tax treaties in line with the BEPS measures. Over 100 countries took part in the negotiations of the MLI which provides an efficient mechanism for updating the 3 000+ bilateral treaties that are currently in force. At the end of 2018, over 85 jurisdictions have joined the MLI and the number of adherents continue to grow. Its implementation ensures that tax treaties serve only their intended purpose – preventing double taxation – without creating opportunities for unintended double non-taxation of cross-border income through avoidance or evasion.





Signing Ceremony for the MLI; 67 countries and jurisdictions signed at the OECD in Paris, France in June 2017.

Aside from promoting international tax co-operation, the implementation of BEPS-related measures can, in itself, create the necessary domestic political context for reducing or removing inefficient taxes and for strengthening anti-avoidance measures beyond corporate taxation. To help in their implementation, OECD member countries provide tailor-made support to selected countries. For example, France and Belgium have helped deliver capacity building programmes in Mauritania, Morocco and Tunisia.

The international tax transparency agenda is also driving the digitalisation of tax administrations, creating a demand for high-quality domestic data that prompts countries to reinforce information technology systems and builds up the expertise needed for managing large quantities of tax data.

#### Key actions to tackle BEPS

1. Addressing the tax challenges of the [digital economy](#).
2. Neutralising the effects of [hybrid mismatch arrangements](#).
3. Designing effective [controlled foreign company rules](#).
4. Limiting base erosion involving [interest deductions](#) and other financial payments.
5. Countering [harmful tax practices more effectively](#), taking into account transparency and substance.
6. Preventing the granting of [treaty benefits](#) in inappropriate circumstances.
7. Preventing the [artificial avoidance of permanent establishment status](#).
- 8-10. Aligning [transfer pricing](#) outcomes with value creation.
11. [Measuring and monitoring BEPS](#).
12. Strengthening transparency through [mandatory disclosure rules](#).
13. Harmonising and improving [transfer pricing documentation and country-by-country reporting](#).
14. Making [dispute resolution mechanisms](#) more effective.
15. Simplifying implementation through the [multilateral convention to implement tax treaty related measures to prevent BEPS](#).

## The OECD/G20 Inclusive Framework on BEPS

The OECD/G20 Inclusive Framework on BEPS was established in June 2016 to respond to the G20's call for broad and consistent implementation of the BEPS package, as well as to the AAAA's call for efforts in international tax co-operation to be universal in approach and scope.

Today, over 120 countries and jurisdictions, accounting for over 90% of the world's GDP, work on an equal footing through the Inclusive Framework to develop tools and approaches for combatting tax avoidance. All members participate in the decision-making plenary and the technical working groups.

### The mandate of the Inclusive Framework

- Complete the remaining standard-setting work required under the BEPS Action Plan.
- Review the implementation of the four BEPS minimum standards through a peer-review process.
- Monitor new developments relating to BEPS and measure their impact.
- Support the implementation of BEPS measures, working to develop further guidance and practical toolkits that target priority issues identified by low-capacity developing countries.

Making the Inclusive Framework as accessible as possible encourages the participation of developing countries in BEPS standard setting and implementation, providing a venue for putting forward their specific ideas and concerns.

### BEPS minimum standards

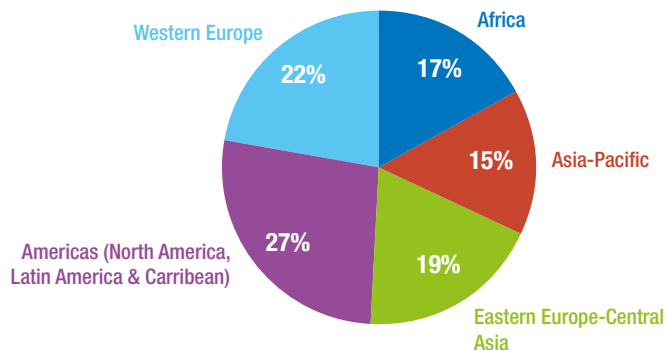
1. Countering harmful tax practices more effectively, taking into account transparency and substance (Action 5).
2. Preventing the granting of treaty benefits in inappropriate circumstances (Action 6).
3. Improving transfer pricing documentation and country-by-country reporting (Action 13).
4. Making dispute resolution mechanism more effective (Action 14).





Regional events help to reach prospective member countries and to extend the Inclusive Framework's coverage. Its regional composition reflects the global nature of BEPS challenges and the need for holistic solutions, as well as the broad commitment to addressing BEPS through enhanced international co-operation.

#### Regional composition of the Inclusive Framework (at the end of 2018)



#### The OECD/G20 Inclusive Framework on BEPS - Results on the ground

Around 70 countries and jurisdictions have implemented the obligation for relevant multinational enterprises to file country-by-country reports. These reports contain information on where a multinational enterprise records profits and sales, employs staff, holds assets and pays and accrues taxes.

Over 70 jurisdictions have signed the Multilateral Competent Authority Agreement, designed to operationalise the exchange of country-by-country reports between jurisdictions that are parties to the Multilateral Convention on Mutual Administrative Assistance on Tax Matters. This has created a network of more than 1 800 bilateral exchange relationships.

Information on more than 16 000 tax rulings has been exchanged among tax administrations around the world, arming them with useful data about potential risks to their own tax base and shedding light on possible BEPS mismatches in different jurisdictions.

Over 100 preferential tax regimes were amended, or were in the process of being amended, to ensure that they no longer pose a risk by enabling base erosion or profit shifting.

# Addressing BEPS: Increasing resources for development

There are many benefits to be gained, on all sides, by encouraging developing country participation in the BEPS agenda:

- ▶ wider implementation of the BEPS minimum standards
- ▶ inclusive standard setting and policy development
- ▶ enhanced legislative, organisational, and human resource capabilities in developing countries.

The OECD work on BEPS and development is based on several mutually reinforcing pillars:

- ▶ promoting meaningful participation of developing countries in the Inclusive Framework (including through twinning and Induction Programmes)
- ▶ supporting countries in building their tax capacity
- ▶ developing guidance and learning tools

## Promoting developing country participation in the Inclusive Framework on BEPS

To ensure they can meet their commitments as Inclusive Framework members, countries need to mobilise both technical skills and political support.

In 2017, twinning arrangements and Induction Programmes were introduced to help members participate effectively in the BEPS work.

**Twinning arrangements** consist in pairing new Inclusive Framework members with more experienced partners to help them come up to speed quickly on procedures and activities. There are currently eight partnerships in place. In the process, the experienced partners gain insights into priorities, challenges and policy from a developing country perspective. The scope and content of each arrangement is tailored to the needs of the participating countries and supported by the OECD Secretariat as needed.

**Induction Programmes** are demand-driven and the countries or jurisdictions requesting them set their own priorities. Modelled on the already extensive and successful Global Forum Induction Programmes, these programmes foster political buy-in for legislative changes by ensuring that key decision makers are informed of the advantages of policy change, are brought up to speed on international developments, and can monitor progress. The outreach and assistance lent to each country extends beyond tax officials, often involving a wider stakeholder group such as parliamentarians or the judiciary.

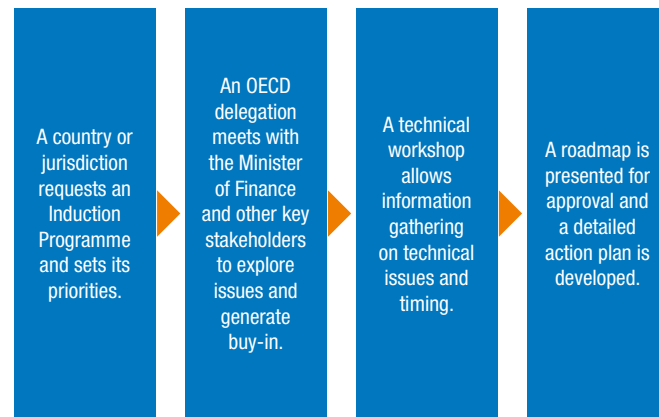
### Joining forces in Thailand: A case study

Thailand embarked on a joint Inclusive Framework-Global Forum Induction Programme in May 2017. An OECD delegation, including both BEPS and transparency experts, met with the Minister of Finance and then conducted a two-day workshop for officials. The programme helped officials to develop a comprehensive understanding of the BEPS and tax transparency agendas, and of how they work together (for example, which transparency mechanisms are needed to implement the BEPS minimum standards).

As a result:

- A joint BEPS/Global Forum Roadmap was developed and endorsed by the Minister of Finance.
- Thailand committed to joining the MLI.

### How Induction Programmes work



### Supporting countries in building tax capacity

The OECD has a strong programme of assistance to developing countries on key international tax issues. This covers a range of issues, from the central role of tax systems in state building, to taxation in the extractive industries, to the effectiveness of tax incentives as a policy tool to attract investment.

Developing countries often request OECD assistance in applying BEPS norms and standards and this support is often delivered in partnership. For example, in Africa the CTPA partners with the African Tax Administration Forum (ATAF), the European Commission (EC) and the WBG to lend tailored, country-level assistance for capacity building in numerous countries. The

programmes address transfer pricing and other BEPS related issues, taking a holistic approach to building capacity while improving tax collection. The assistance of the OECD may include support in drafting relevant transfer pricing legislation to implement BEPS recommendations.

Much of the knowledge and experience from these programmes feed back into Inclusive Framework discussions and into the development of toolkits by the Platform for Collaboration on Tax (see page 30). This feedback has proven particularly effective in Africa, thanks largely to ATAF's consultations and participation at regional meetings and in the Inclusive Framework plenaries.

Meetings of CTPA staff with Ministers and officials have provided many countries – for example Botswana, Tunisia, Viet Nam and Zambia – with the knowledge and confidence they need to join the Inclusive Framework. Nonetheless, support is not conditional on membership. Advice to countries and jurisdictions that have not yet joined the Inclusive Framework is ongoing.

The business community is a rich source of knowledge, experience and insights into the challenges countries face in applying the BEPS standards. Their in-depth, specialised knowledge on value chains and business structures can be invaluable to tax authorities as they strive to assess the range of activities, products and processes on the domestic scene. Since the creation of the Inclusive Framework, business perspectives have been an integral part of many country programmes.

### Harnessing industry expertise

Involving businesses in efforts to apply BEPS norms and standards makes sense from many points of view: it offers the opportunity to tap into industry and management expertise; it provides access to innovative models and approaches; and, perhaps most important, it helps to promote dialogue between business and tax authorities.

An example helps to illustrate the case. In diamond-producing countries, it is essential that value estimates be as accurate as possible if the country is to receive an appropriate share in the form of taxes. Yet assessing the value of rough diamonds for tax purposes is uniquely challenging. Rather than considering the “four C’s” (cut, colour, clarity and carat) used by diamond jewellery buyers, rough-diamond valuers focus on the potential of a stone once it has been cut and polished. This makes factors such as shape important, since shape determines how a stone can be cut to maximise yield. Furthermore, traders can monitor as many as 11 000 (or more) pricing points, and these may fluctuate daily.

By involving diamond industry experts in training events for African tax officials, the CTPA helped to boost their understanding of the processes used by companies to sort and aggregate rough diamonds for sale. At the same time, the officials were able to build a more collaborative relationship with business.

## Tax Inspectors Without Borders (TIWB)

Launched in Addis Ababa in July 2015, TIWB is a joint initiative of the OECD and the United Nations Development Programme (UNDP). It leverages the particular strengths of each organisation – the OECD’s tax expertise and UNDP’s on the ground presence in developing countries – to support countries in building their tax audit capacity.

With almost 40 programmes operational at the end of 2018 and covering all global regions, TIWB enables targeted, real-time learning by doing. Tax audit experts visit tax administrations in developing countries, sharing their knowledge and skills with local tax officials on general audit practices or specific international tax matters.



As it has strengthened and grown, TIWB has placed increasing emphasis on South-South co-operation to expand its pool of experts and build developing country perspectives into the assistance provided. In 2017, two Kenya Revenue Authority transfer pricing experts were deployed to provide technical assistance on audits of multinational enterprises to their counterparts in the Botswana Unified Revenue Service - the first South-South TIWB deployment.

As of October 2018, the tax audit assistance lent by TIWB in just ten countries had helped to collect over USD 414 million in additional revenues. TIWB programmes are also having a behavioural impact on taxpayers. In Africa, for example, multinational enterprises are increasingly aware of growing expertise and vigilance among local tax authorities, which in turn is encouraging a more co-operative compliance environment.

### Increases in tax collection under TIWB



# Tackling tax evasion through transparency and co-operation

## Focus on illicit financial flows (IFFs)

The international movement of money, illegally or illicitly, is a global concern impacting all countries. IFFs have several sources and channels including bribes, tax evasion, criminal earnings, cash smuggling, shell corporations, informal value transfer systems, trade based money laundering, and fraudulent customs invoicing. By hiding certain income flows from the sight of tax authorities and other law enforcement agencies, IFFs impede effective domestic resource mobilisation. The global concern on the adverse impact of IFFs is reflected in the international commitment to counter IFFs in the SDG Target 16.4 (*By 2030, significantly reduce illicit financial flows and arms flow, strengthen the recovery and return of stolen assets and combat all forms of organised crime*). Addressing IFFs has a particularly high profile in Africa where policy responses are being championed by former President Thabo Mbeki, in his role as Chair of the High Level Panel on Illicit Financial Flows from Africa.

Tax evasion is a significant component of IFFs and the tax system is often the entry point for policy responses to other IFF sources and channels, for example money laundering and bribery. Much of the work carried out by the OECD in the field of taxation directly or indirectly supports the global and country-level effort to fight IFFs.

## Increasing transparency through information exchange

Tax transparency and exchange of information is the best universal weapon to fight IFFs, shedding light on the legal and beneficial ownership of companies and other legal entities and arrangements located offshore, which are most often used to carry out illegal activities that result in IFFs. Greater inter-agency co-operation as promoted by the OECD's work on tax and crime, and ongoing capacity building are also critical to tackling IFFs as are the OECD's *Ten Global Principles* for fighting tax crimes. To the extent that tax avoidance is considered as part of IFFs, the BEPS package of 15 measures, as well as the OECD/UNDP TIWB initiative offer solutions and tailored bilateral support.

### Standards for information exchange

The OECD has developed important international standards for both the Exchange of Information on Request (EOIR) and the Automatic Exchange of Financial Account Information (AEOI). The implementation of these standards provides developing countries with vital, up-to-date information for effective administration of taxes.

The **EOIR** standard calls for making information that is “foreseeably relevant” for tax purposes available and accessible to tax authorities, for the purposes of exchanging it with their counterparts in other countries on the basis of legal agreements. This includes: information on the identity of the beneficial owners of companies and other legal entities; arrangements such as partnerships and trusts; accounting information; and bank account information. All members of the Global Forum have committed to implementing the EOIR standard.

AEOI takes this co-operation a step further, making the exchange of certain financial account details automatic, without the need for a request, based on the global AEOI. Financial institutions in the jurisdiction in which income or assets are located automatically share the financial account information of non-resident persons with the tax authorities of the jurisdiction in which those persons are resident for tax purposes. The exchange of information occurs on a regular basis (usually annually). Over 100 jurisdictions, including practically all major financial centres, have agreed to automatic exchanges.



## The Global Forum on Transparency and Exchange of Information for Tax Purposes

Since the OECD established the Global Forum in 2009 it has been the driving force behind global acceptance of international standards for tax transparency and the exchange of tax information. Today, more than 150 countries and jurisdictions participate in the Global Forum.



The Global Forum monitors the implementation of the EOIR standard through a comprehensive, rigorous and robust peer review process conducted by assessors from its member countries and overseen by a 30-member Peer Review Group. The peer review examines legal and regulatory frameworks in member jurisdictions and the effectiveness of practical implementation, pinpointing

the improvements that are needed to meet the EOIR standard.

The Global Forum is also monitoring, assessing and providing assistance in the implementation of the AEOI standard. The framework for full-scale peer reviews is now under development.

Achieving the practical implementation of automatic exchange of information presents challenges for many developing countries. It requires knowledge, political will, information technology, human resources, legal frameworks, rigorous confidentiality and data protection safeguards, and resources to ensure the information received is put to effective use. Often developing countries lack capacity in these areas or face competing priorities. *The Global Forum's Plan of Action for Developing Countries Participation in AEOI (2017)* sets the framework to support developing countries in their progress. Over a dozen countries are already receiving technical assistance under this Plan. A central feature of this plan is the provision of assistance to developing countries to help them implement satisfactory information security management practices to allow them to receive the large volumes of information that are exchanged automatically.

The Global Forum operates a technical assistance programme which helps its members to implement the EOIR and AEOI standards, and addresses any gaps identified through the process of assessment. As jurisdictions become members, they gain access to a dedicated team of specialists, as well as to an online helpdesk and other resources. The type of assistance provided ranges from basic to intensive depending on jurisdictions' needs and expected outcomes. These can vary from increasing awareness of the standards to capacity building and organisational changes. The Global Forum's approach to technical assistance is delivered over a wide range



of programmes delivered on-site and off-site in collaboration with others (e.g. the multilateral development banks) including:

- ▶ Induction Programmes for new members
- ▶ high-level political engagement and consultations with major government and financial sector stakeholders, including industry consultations
- ▶ preliminary assessment of EOIR and AEOI capacities for developing countries
- ▶ legislative advice and drafting support for putting in place AEOI and EOIR legislation/regulations, including on beneficial ownership
- ▶ support from leading experts on information security management on confidentiality and data safeguards
- ▶ assistance with becoming a party to multilateral EOI instruments
- ▶ operational advice on setting up EOI organisation and units
- ▶ bilateral projects to stimulate peer-to-peer learning (AEOI pilot projects).



### A Call for Action in Africa



The *Yaoundé Declaration*, which was made at a ministerial meeting alongside the 2017 Global Forum annual plenary in Cameroon, called on all African countries to fully benefit from the most recent

improvements in global tax transparency. In this context, African Ministers of Finance, Economy and Integration have called upon the African Union “to lead in the tax transparency and information exchange agenda for Africa, and foster stronger collaboration among countries and regions to stem illicit flows and enhance domestic resource mobilisation on the continent”.

The number of signatories under this Declaration is rapidly growing; more than 20 African jurisdictions have already adhered to its text. The declaration was also endorsed by France and the United Kingdom.

This rapidly growing push from African countries seeks to put the fight against tax evasion at the forefront of the African policy agenda. This happens alongside the Africa Initiative, a dedicated programme initiated by the Global Forum in 2014, which helps achieve targets by African countries with respect to tax transparency and exchange of information.

In 2018 alone over 70 countries have benefitted from such support. Although technical assistance is provided on a country-basis and is tailored to each country’s needs, much attention is also paid to exploring regional synergies.

Recognising the special circumstances of African countries in 2014, the Global Forum launched programmes aimed at helping unlock the potential for transparency and EOI in Africa. This was followed by similar initiatives in Latin America and Asia. These initiatives are anchored in inter-agency co-operation between the Global Forum and regional organisations and multilateral development banks.



## Fighting tax crime

Tax crimes undermine citizens' confidence in their governments, affect tax morale and deprive governments of revenues needed for sustainable development. Tax crime generally refers to intentional conduct that violates a tax law, although each jurisdiction has its own specific definitions of tax crimes and its own organisational structure for investigating them. The OECD's work on tax crime is built on three pillars: setting standards and best practices; capacity building; and measuring impact by tracking improvements in legal and operational capability to fight tax crime. This work, supported by the G20, is carried out by the OECD's Task Force on Tax Crimes and Other Crimes (TFTC). The TFTC works to improve

co-operation among tax and law-enforcement agencies, including anti-corruption and anti-money laundering authorities.

Drawing on the knowledge and experience of government agencies around the world, the OECD has set out ten essential principles for effectively fighting tax crimes. The expertise available across the OECD and other international organisations such as the Financial Action Task Force, including on bribery and corruption, and on anti-money laundering, contributed to the formulation of these principles. This landmark guide allows jurisdictions to benchmark their legal and operational frameworks and identify areas where improvements can be made.



## Ten Global Principles for fighting tax crime

### Principle 1 – Ensure tax offences are criminalised



Jurisdictions should have legal frameworks in place to ensure that violations of tax law are included as a criminal offence, and that effective sanctions apply. This helps to send a message that nobody is above the law, acting as a deterrent for people considering evading their tax responsibilities.

### Principle 2 – Devise an effective strategy for addressing tax crimes

Each jurisdiction should have a detailed strategy for addressing the tax crimes it specifies as criminal offenses.

### Principle 3 – Have adequate investigative powers

A jurisdiction must have the powers required to successfully investigate tax crimes.

### Principle 4 – Have effective powers to freeze, seize and confiscate assets

Freezing, seizing and confiscating assets should be within the capabilities of the jurisdiction.

### Principle 5 – Put in place an organisational structure with defined responsibilities

Establishing a clear organisational model with defined responsibilities for fighting tax and other financial crimes allows for efficient allocation of responsibilities, as well as transparency and accountability for the use of resources and the deployment of strategies.

### Principle 6 – Provide adequate resources for tax crime investigation

Tax crime investigation agencies should ensure they have the resources needed to carry out their investigations.

### Principle 7 – Make tax crimes a predicate offence for money laundering

Predicate offences produce funds or assets that may then be laundered to obscure their illegal source (for example, drug trafficking). Designating a crime as a predicate offence allows the offender to be charged with the offence itself, as well as with money laundering. This may allow authorities greater scope to secure a conviction and/or impose penalties. Given the links between tax crimes and other financial crimes such as money laundering, this principle reflects the Financial Action Task Force Recommendation on money laundering offences.

### Principle 8 – Have an effective framework for domestic inter-agency co-operation

As tax crimes become more complex, a whole of government approach is needed to tackle them effectively. Tax crime and other financial crime investigations can benefit from the involvement of a number of government agencies, each having unique strengths or information that can support the other's investigation. Having an effective legal and administrative framework can facilitate information sharing, joint investigations and other forms of inter-agency co-operation. This is essential for ensuring an effective “whole of government” approach to tax crimes and financial crimes.

### Principle 9 – Ensure that international co-operation mechanisms are available

Tax crimes frequently have an international element. Because investigation agencies are limited by jurisdictional boundaries, international co-operation is essential. A legal agreement should set out the terms and procedural requirements for this co-operation.

### Principle 10 – Protect the suspects' rights

A person accused of committing a tax crime must be afforded basic fundamental rights.

## Capacity building in tax and crime

Equipping all countries to effectively combat tax crimes and other related financial crimes is essential for domestic resource mobilisation and ensuring fair tax systems. This is particularly so for developing countries where enormous sums are lost in illicit flows.



The OECD International Academy for Tax Crime Investigation provides in-depth, practical training on financial crime investigation. It helps countries deter, detect, investigate, prosecute, and recover the proceeds of financial crimes, by developing the skills of criminal investigators through intensive training courses on the latest investigative techniques and emerging risks. The programme also trains participants on the effective implementation of the best practices developed by the OECD. Training is provided by an international faculty of senior tax and financial crime investigators, prosecutors, judges, and subject matter experts in money laundering, anti-corruption, terrorist financing and crypto-assets. Since the

launch in April 2013, over 550 officials from over 80 countries have been trained.

There are now three international centres of the Academy: the first was established at the Economic and Financial Police School of the Guardia di Finanza, in Ostia, Italy. A Pilot Africa Academy Programme for Tax and Financial Crime Investigation was launched in 2017 in Nairobi, Kenya. This was followed in 2018 by the creation of a Latin American Academy in Buenos Aires, Argentina. The regional Academies provide demand-driven training that addresses the specific needs in the region and builds on regional experience and best practices in tackling illicit flows.

Capacity building efforts are also supported by the biennial OECD Forum on Tax and Crime. The Forum on Tax and Crime brings together officials from around the world to strengthen capabilities to combat financial crimes such as tax evasion, bribery, corruption and money laundering. By promoting international and cross-government co-operation, it works to build a comprehensive, global response to tax crime. Participants in the Forum benefit from lessons learned around the world, share insights on emerging risks and advances in investigative techniques, and identify areas for future international collaboration.



# Promoting collaboration, capacity and coherence

To promote the coherence of global tax policies and practices, and to boost developing country capacity to apply them, the OECD co-operates with a range of international organisations, as well as with governments, businesses and organisations worldwide.

## The Platform for Collaboration on Tax

In 2016 the OECD, IMF, UN and WBG – the main international organisations working on taxation – launched the Platform for Collaboration on Tax. The Platform hosts regular discussions on the design and implementation of standards for international tax matters, strengthens capacity building, delivers jointly developed guidance and provides a venue where partners can share information on their activities. It also brings issues of relevance to the attention of the Inclusive Framework.

To promote a coherent approach to the technical advice offered to developing countries, the Platform members have agreed

to produce a range of toolkits. In addition the 2016 Platform report for the G20 *Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries* has provided clear recommendations on how to improve tax capacity building efforts.

## Toolkits for developing countries

The Platform for Collaboration on Tax is producing practical toolkits to enhance developing countries' mobilisation of domestic resources and promote their influence in the design of international tax rules. The toolkits focus on BEPS-related issues identified by developing countries as their key tax challenges.

**1. Tax incentives** were identified as a top priority by developing countries. This toolkit looks at the efficiency of tax incentives (their impacts, costs and benefits), as well as at best practices for granting, monitoring and assessing tax incentives.



## 2. Transfer pricing comparables.

This toolkit helps developing countries address the difficulties they encounter in accessing comparables data for transfer pricing. It also looks at how to apply internationally accepted transfer pricing principles, in particular in the absence of comparables data. The toolkit includes a supplementary report on **mineral product pricing**.

**3. Indirect transfers of assets.\*** Offering policy options for implementing the rules on taxing the indirect transfers of assets, this toolkit also outlines effective mechanisms for identifying transactions, as well as the best tax collection processes.

## 4. Implementing effective transfer pricing documentation.\*

The BEPS package introduced new recommendations for transfer pricing documentation as well as a minimum standard on country-by-country reporting. This toolkit discusses policy

choices and provides examples and model legislation to facilitate the effective implementation of these measures.

**5. Tax treaty negotiation.\*** Low-income developing countries must take into account numerous tax policy considerations before engaging in bilateral tax treaties. This toolkit helps them to prepare and offers guidance for the negotiation process.

**6. Base-eroding payments.\*** This toolkit will deal with particular types of payments that are often identified by developing countries as being high risk for base erosion, such as interest, royalties and management fees.

Information on the Platform for Collaboration on Tax and these toolkits can be found at: [www.oecd.org/tax/platform-for-collaboration-on-tax.htm](http://www.oecd.org/tax/platform-for-collaboration-on-tax.htm).

\* Currently under preparation.



### A practical toolkit on mineral product pricing

Some of the key BEPS challenges for developing countries have to do with the extractive industries: gold, copper and iron ore, thermal coal, and rough diamonds, among others.

Mining activity is an important source of revenue for many developing countries. For their tax auditors, however, understanding the particulars of each industry can be challenging. Practices, market structures and business strategies differ widely across minerals. Auditors know that excessive payments and fees erode the tax base, but how does an audit team decide whether such payments are legitimate or not? Strengthening their understanding of how products are commonly priced can help.

In 2017, the Platform for Collaboration on Tax published an OECD led report on mineral pricing. The report – which contains case studies on gold, iron ore, thermal coal and copper – was tested by developing countries and refined based on their feedback. It proposes a methodology for systematically building an understanding of mineral trading and describes common industry practices.

### The Task Force on Tax and Development

The Task Force on Tax and Development is a unique body that brings together governments, businesses, civil society and international and regional organisations. Together they work to build an environment in developing countries that will enable them to collect appropriate and adequate tax revenues and build effective states.

Created in 2010, the Task Force is co-chaired by a developed and a developing country; its members meet annually. Through the Task Force, TIWB was piloted and the first discussions on issues such as country-by-country reporting took place at the OECD. Work emerging from the Task Force has been endorsed widely; for example, the Addis Tax Initiative endorsed the Task Force *Principles for International Engagement in Supporting Developing Countries in Revenue Matters*.

To ensure that it remains relevant, the Task Force focuses on areas where the multi-stakeholder model adds value and enables new thinking to be developed and disseminated. In the coming years, the Task Force focus areas will include the implementation of whole-of-government approaches to tax and development; technology in the tax system; and tax morale and trust.

## The Forum on Tax Administration (FTA)

The FTA is a platform for tax commissioners from 51 OECD member and non-member countries, including G20 members, to engage in dialogue with their counterparts as well as with key stakeholders (including business and individual taxpayers, tax intermediaries, tax policy makers and financial regulators). It promotes and supports co-operation among countries and works with other OECD fora, as well as international and regional tax organisations.

The FTA offers members a space to identify, discuss and influence global trends; develop new ideas to enhance taxpayer services; and exchange experiences in fortifying tax administrations around the world. This includes increasing efficiency, effectiveness and fairness, as well as reducing the costs of compliance. The FTA's studies are made available worldwide in the form of reports and guidance notes. The FTA also developed the Common Transmission System for AEOI, and is making it available to developing countries. Its Capacity Building Network is increasingly active in helping developing countries in areas such as the use of technology in taxation.

## Regional partnerships

Regional tax organisations and other political and economic bodies play a crucial role in channelling inputs and fostering co-ordination among members of the Inclusive Framework,

and also represent countries that are unable to participate directly. For example, countries learn from experiences in addressing BEPS issues from their neighbours – who often have similar social, economic and fiscal features. This approach also helps to maintain consistency in BEPS implementation across regions.

In **Africa**, the OECD works with ATAF on high priority BEPS issues, including through secondments. ATAF ensures that the voice of its members is heard in the Inclusive Framework, and that the challenges of capacity constrained countries in Africa are addressed. Francophone Africa has also been actively engaged in the *Cercle de Réflexion et d'Échange des Dirigeants des Administrations fiscales* (CREDAF).

In **Asia**, the Asia Pacific Economic Co-operation (APEC) and the Association of South East Asian Nations (ASEAN) offer a mix of political engagement and technical workshops. In addition, partnerships with the UN Economic and Social Commission for Asia and the Pacific (UNESCAP) and the Asian Development Bank (ADB) help Asian countries work together to tackle BEPS challenges.

In **Eastern Europe and Central Asia**, the Intra-European Organisation of Tax Administrations (IOTA) provides its members a platform for exchanging experiences and best

practices on important issues and current developments concerning practical aspects of tax administration. The OECD and IOTA have co-organised several regional meetings of the Inclusive Framework on BEPS and training seminars in the region.

The island states of the **South Pacific** face their own BEPS issues and capacity challenges. Participation in the Pacific Islands Tax Administrators Association (PITAA) has enabled a diagnostic analysis of these challenges, in close co-operation with local officials and regional bodies, the ADB and the IMF.

In **Latin America and the Caribbean (LAC)**, the Inter-American Centre of Tax Administrations (CIAT) supports co-operation with international and regional organisations as well as academics. In addition, the LAC Fiscal Policy Forum promotes exchange with international and regional organisations such as the UN Economic Commission for Latin America and the Caribbean (ECLAC), CIAT and the Inter-American Development Bank (IDB).



# Leveraging OECD expertise to support taxation and development

The standards developed by the OECD have been tried and tested over time in its member countries. Yet it is not always straightforward to put this expertise and experience at the service of developing countries. On the one hand, OECD tools and guidance must be adapted to meet the special needs of developing countries; and on the other, developing country priorities for development must feed into and guide global processes. The following are a few examples of the mechanisms the OECD has put in place to make this happen.

## Global Revenue Statistics

Countries need reliable, up-to-date statistics on public revenue for assessing economic structures, designing tax and customs policies, implementing administrative reforms, and engaging in international dialogue and co-operation around tax policy. As the importance of taxation in international trade and development grows, so does the need for data that is comparable from country to country.

To inform domestic and international tax analysis and policy-making, the OECD's *Global Revenue Statistics* project

makes available high-quality, detailed, comparable statistical tax revenue data for countries worldwide, reaching more than 90 countries by the end of 2018. Its *Global Database* and annual *Revenue Statistics* publications (prepared in collaboration with regional organisations, with financial support from the European Union) provide data for countries in the OECD, Africa, Asia-Pacific, and Latin America and the Caribbean, allowing for comparisons among countries within and across regions. Country-specific tables on tax revenue and tax-to-GDP ratios are broken down by the main tax categories and by levels of government.

*Global Revenue Statistics* builds on two core OECD strengths: the production of high-quality, harmonised statistics, and the provision of a forum for peer dialogue across diverse areas of



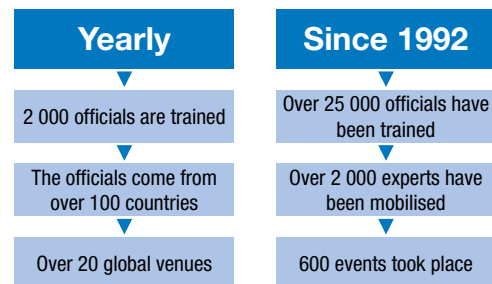
public policy. It is based on a common, regularly refined and internationally recognised methodology developed by and for tax policy makers. The OECD leverages *Global Revenue Statistics* comparable data, as well as OECD's multidisciplinary approach, to assess tax systems and produce concrete recommendations on a country-by-country basis in its *Tax Policy Reviews*.

### The Global Relations Programme

The OECD Global Relations Programme in taxation (GRP) was created in 1992 to enhance domestic resource mobilisation by promoting the exchange of knowledge and experiences among OECD and non-OECD countries. The GRP consists of a series of multilateral training events designed to foster policy dialogue and capacity building, focusing on global standards, guidelines and best practices in tax administration and tax policy.



### The reach of the Global Relations Programme



The GRP brings together tax officials from around the world for training in one of the six OECD Multilateral Tax Centres (Vienna, Austria; Budapest, Hungary; Ankara, Turkey; Seoul, Korea; Mexico City, Mexico; Yangzhou, China) or in other host countries. The OECD provides event leaders for the seminars and OECD members make their experts available, covering their costs.

Japan has been a longstanding and important sponsor of the GRP.

The GRP promotes South-South collaboration and the integration of experts from non-member countries in its programme. More and more, it is partnering with regional tax organisations to reach more countries and avoid duplication. The GRP is also moving progressively into eLearning and blended learning with the aim of having a full eLearning platform available in 2019.

## Development co-operation

OECD figures show that the share of official development assistance (ODA) allocated to tax matters is relatively very low. To promote development co-operation for taxation, the Organisation lends strong support to the Addis Tax Initiative. This initiative connects developing countries committed to improving their tax systems with development funders who have collectively agreed to double their support to tax capacity building between 2015 and 2020.

To monitor progress in improving ODA spending on tax issues, the OECD created a new reporting code, allowing analysts using the ODA database to easily identify development assistance provided for tax purposes. The analysis of recent data shows that:

- ▶ ODA to domestic resource mobilisation represented a small fraction of total ODA: 0.15% in 2015 and 0.23% in 2016.
- ▶ This funding came from a small number of donors, with just three providing over 60% of all commitments in 2015, rising to 72% in 2016.
- ▶ The top ten recipients accounted for 56% of all disbursements in 2015, rising to 79% in 2016.
- ▶ The least-developed countries (LDCs) received 47% of total ODA for tax matters in 2015, a share significantly higher than the overall average of ODA to LDCs that year

(only 28%); this trend changed dramatically, however, in 2016 when only 17% of total disbursements went to LDCs.

- ▶ The number of countries receiving no ODA support for tax matters grew. In 2015, 14 LDCs received no support, while this number increased to 18 in 2016; 12 other LICs and LMICs received no support in 2015, rising to 14 in 2016.
- ▶ Some countries received support for tax matters from multiple donors: Ghana had seven donors in 2015, rising to eight in 2016 and Tanzania had seven donors both years. In addition to these, the number of countries with four or more donors was nine in 2015 (Cambodia, El Salvador, Burkina Faso, Indonesia, Malawi, Mozambique, Ukraine, Viet Nam and Zambia) and eight in 2016 (Ethiopia, Kenya, Kosovo<sup>1</sup>, Niger, Pakistan, Rwanda, Senegal, Uganda). Too many donors in one country can result in duplication and inconsistency, especially if co-ordination is not good.

The OECD is also actively engaged with international efforts to track progress on commitments above and beyond ODA. Its new *Global Outlook on Financing for Development* will provide a holistic framework for understanding the links among aid, tax, investment, philanthropy and remittances, making it possible to maximise their combined developmental impact.

1. This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence.

# Focusing on the future

The work outlined in this booklet gives an idea of the panorama of undertakings led by the OECD's CTPA to contribute to development through the improvement of coherence, fairness, capacity and transparency in the global field of taxation. While work will continue on all of these fronts, the following sections outline some of the key areas of concentration for the future.

## Designing and implementing international tax standards

### *OECD/G20 Inclusive Framework on BEPS*

The 125 (and counting) members of the Inclusive Framework will continue to monitor the implementation of BEPS Actions, and to develop new standards to continue the fight against international corporate tax avoidance. The CTPA will support developing countries in engaging effectively in these processes, and in effectively implementing the tools and standards.

### *Transparency*

For the more than 150 Global Forum members, primarily developing countries, implementing the global standards – particularly for AEOI and beneficial ownership – can be challenging. While donors are providing some support, more resources are needed. To enable developing countries to benefit

to the maximum from tax transparency, the CTPA will work to ensure that capacity building is available and to raise political support.

### *Tax and crime*

The OECD is the only norm-setting body in the area of tax and crime, providing essential tools to enable countries to benchmark themselves and identify areas for improvement. The CTPA will work to ensure that developing countries have a voice in new standard- and norm-setting work, and in establishing best practices.

The OECD's International Academy for Tax Crime Investigation is well known and respected, with a network of alumni and expert trainers around the world. Because the demand from developing countries to participate in the courses far outpaces supply, the CTPA will focus on expanding the reach of the academies (for example in Asia).

Bespoke bilateral capacity building efforts in tax crime investigation, complemented by tailored impact measurement, are now being piloted. The OECD is leveraging its expertise with TIWB to open a new, targeted TIWB programme for tax crimes.

### **Value added tax (VAT)**

VAT is the most important source of tax revenue for most low-income and developing countries, on average accounting for around one-quarter of their total tax revenue. When well designed and well operated, VAT systems can raise significant revenue with less damage to economic activity than many other taxes. They also can be relatively simple to administer and comply with.

The OECD has developed the International VAT/GST Guidelines, the only truly global set of standards for improving the design and operation of VAT systems. These standards build on analysis of the experiences of over 100 countries and

international organisations. They include effective solutions for the key VAT challenges that developing countries are facing, including in the context of the digital economy.

Developing countries have expressed great interest in deepening co-operation with the OECD for the effective implementation of the standards. The CTPA will develop toolkits and deliver VAT policy design workshops targeted at their specific needs, including the effective use of VAT in the digital economy. CTPA will also carry out reviews of VAT systems in response to demand from individual countries or groups of countries to help in identifying the scope for increasing compliance and revenues.





## Leveraging experience and expertise to underpin development

### *Tax administration*

The members of the FTA, mainly from developed countries, have unparalleled experience and expertise in the challenges and opportunities faced by tax administrations. Greater sharing of their knowledge, including regarding new technologies and tools, can help satisfy the increasing appetite for peer-to-peer training. The CTPA will focus on developing the FTA's Capacity Building Network to support the development and introduction of new technology tools. It will also develop new tools for assessing the capabilities of developing countries' tax administrations to support them in carrying out resource-efficient planning for development.

### *Global Revenue Statistics and country-specific tax policy analysis*

Most low-income and developing countries have scope to improve the design of their tax systems. Proposals for reform, however, need to take into account the specific circumstances of each individual country. *OECD Tax Policy Reviews* provide in-depth and comparative assessments of countries' tax systems as well as country-specific advice that covers the full spectrum of tax policy, based on analysis carried out in close collaboration with the country under review. Increasing the coverage of the *OECD Global Revenue Statistics* project will enable targeted tax-policy advice to benefit an even larger group of developing

countries in their efforts to mobilise domestic resources. Low-income economies, for example, show particular interest in corporate income tax design and in the effective and efficient use of tax incentives.

## Expanding the reach of tax policies

### *Environmentally related taxes*

Applying excise taxes to goods or services whose consumption has adverse environmental and health effects discourages their use. Improving the design and integration of such taxes can increase public revenues, improve environmental outcomes and support countries' nationally determined contributions to the *Paris Agreement*. Yet these taxes are under-used in nearly all countries.



Developing countries can, for example, steer investment towards sustainable transport modes by introducing and reforming environmentally related taxes. Experience shows that transport-related excise duties are effective in countries with high levels of informality, as they are fairly easy to administer, collect and enforce. Environmental taxes can also mobilise investment in sustainable infrastructure (for example, electricity generation).

The OECD produces uniquely comprehensive and detailed statistics on the use of carbon pricing and on revenues raised through environmentally related taxes. It is also at the forefront of the analysis and design of tax policies that carefully weigh the trade-offs and synergies between pollution reduction and revenue generation. There is significant potential for the CTPA to use this experience to support developing countries in the design and integration of environmental and tax policy.

## Supporting partnerships for development

### *Tax and development co-operation*

The CTPA works closely with a number of stakeholders to build support for taxation in development co-operation programmes. This includes informing and improving capacity building, as well as making the links between taxation and other key development priorities, such as governance and accountability.

The CTPA will continue to advocate for keeping taxation issues high on the development co-operation and financing for development agendas. It will work through the Task Force on Tax and Development to enhance developing countries' DRM capacity and to influence the design of international tax rules. And it will continue to provide analysis and recommendations through the Platform for Collaboration on Tax, on subjects such as tax morale and whole-of-government approaches to capacity building.



# Key publications

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- ▶ *Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting* (brochure),  
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- ▶ Revenue Statistics covering OECD, Latin American and Caribbean Countries,  
[www.oecd.org/fr/ctp/revenue-statistics-in-latin-america-and-the-caribbean-24104736.htm](http://www.oecd.org/fr/ctp/revenue-statistics-in-latin-america-and-the-caribbean-24104736.htm),  
Asian Countries, [www.oecd.org/tax/revenue-statistics-in-asian-countries-2017-9789264278943-en.htm](http://www.oecd.org/tax/revenue-statistics-in-asian-countries-2017-9789264278943-en.htm),  
and African countries, [www.oecd.org/ctp/revenue-statistics-in-africa-2017-9789264280854-en-fr.htm](http://www.oecd.org/ctp/revenue-statistics-in-africa-2017-9789264280854-en-fr.htm)
- ▶ *Taxing Energy Use 2018: Companion to the Taxing Energy Use Database*,  
<https://doi.org/10.1787/9789264289635-en>

# Key links

- ▶ Base Erosion and Profit Shifting: [www.oecd.org/tax/beps](http://www.oecd.org/tax/beps)
- ▶ The 15 BEPS Actions: [www.oecd.org/tax/beps-actions.htm](http://www.oecd.org/tax/beps-actions.htm)
- ▶ The Inclusive Framework on BEPS: [www.oecd.org/tax/beps/beps-about.htm](http://www.oecd.org/tax/beps/beps-about.htm)
- ▶ Regional meetings of the Inclusive Framework on BEPS: [www.oecd.org/tax/beps/beps-regional-meetings.htm](http://www.oecd.org/tax/beps/beps-regional-meetings.htm)
- ▶ Automatic Exchange of Information portal: [www.oecd.org/tax/automatic-exchange/](http://www.oecd.org/tax/automatic-exchange/)
- ▶ Forum on Tax Administration: [www.oecd.org/tax/forum-on-tax-administration](http://www.oecd.org/tax/forum-on-tax-administration)
- ▶ Global Forum on Transparency and Exchange of Information for Tax Purposes: [www.oecd.org/tax/transparency/](http://www.oecd.org/tax/transparency/)
- ▶ Global Relations calendar of events: [www.oecd.org/ctp/tax-global/global-relations-calendar-of-events.htm](http://www.oecd.org/ctp/tax-global/global-relations-calendar-of-events.htm)
- ▶ Global Revenue Statistics: <http://oe.cd/global-rev-stats-database>
- ▶ Statebuilding and Accountability: [www.oecd.org/tax/tax-global/work-on-statebuilding-accountability-effective-capacity-development.htm](http://www.oecd.org/tax/tax-global/work-on-statebuilding-accountability-effective-capacity-development.htm)
- ▶ Task Force on Tax and Development: [www.oecd.org/tax/tax-global/tax-and-development.htm](http://www.oecd.org/tax/tax-global/tax-and-development.htm)
- ▶ Tax and crime: [www.oecd.org/tax/crime/](http://www.oecd.org/tax/crime/)
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- ▶ Tax database: [www.oecd.org/tax/tax-policy/tax-database.htm](http://www.oecd.org/tax/tax-policy/tax-database.htm)
- ▶ Tax Inspectors Without Borders: [www.tiwb.org](http://www.tiwb.org)
- ▶ Tax policy analysis & statistics: [www.oecd.org/tax/tax-policy/](http://www.oecd.org/tax/tax-policy/)
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