

Concept Note

for

The Platform for Collaboration on Tax

International Monetary Fund (IMF)

Organization for Economic Collaboration and Development (OECD)

United Nations (UN)

World Bank (WB)

A. Context and Background

A core agenda...

Strengthening tax systems—policy and administration—has emerged as a key development priority, being a core part of the Sustainable Development Goals (SDG) framework and the Addis Ababa Action Agenda. The international organizations (IOs)¹ already provide extensive support to countries' tax efforts in capacity building, policy reform, standard setting and implementation, policy dialogue and knowledge sharing. Yet significant additional tax revenues, raised in fair and efficient ways, are required to meet the global development challenges. The IOs welcome the increased emphasis on taxation, recognize their responsibility to further support countries' efforts, and see deepening their collaboration and cooperation as an essential component of strengthening tax systems.

At the same time, the increased linkages between economies and progress in reform that has already been made are making ever clearer the commonality of many of the challenges that advanced, emerging and developing countries face. This makes it ever more urgent to fully exploit the potential synergies from bringing more closely together the experiences and expertise that the IOs, with their different priorities and roles, have built up.

The IOs propose to create a new Platform as a central vehicle for their enhanced cooperation, enabling them to develop a common approach, deliver joint outputs, and respond to requests for a global dialogue on tax matters. This note describes the Platform, and how it will support the IO's work in all their member countries.

...In a new environment

An era of unprecedented international cooperation on tax matters is now underway, boosted by progress on exchange of information since 2009 led by the OECD and Global Forum on Transparency and Exchange of Information for Tax Purposes and, more recently the G20/OECD BEPS project, with more inclusion of developing countries in making significant changes to the international rules. This evolving environment is underpinned by a series of converging initiatives and actions, including the recent decision to enhance the resources of the UN Committee of Experts in order to strengthen its effectiveness. Other developments include a new joint IMF/WBG initiative on strengthening tax systems in developing countries and fostering inclusive policy discussions, a partnership between the OECD and UNDP on *Tax Inspectors Without Borders* plus the Addis Tax Initiative designed to dramatically increase donor support for building tax capacity in poorer countries.

¹ For the purposes of this note, this refers to the IMF, OECD, UN and WBG.

...With new expectations for International Organisations

These converging developments are raising expectations, not least for coherent action among the IOs. G20 Leaders have called for the OECD to develop an Inclusive Framework for the implementation of the BEPS project globally, and welcomed support from the IMF, OECD, UN and WBG to help developing countries to voice their own perspectives and implement this agenda.

BOX 1: The Platform and the Inclusive Framework—Links and Synergies

In response to the November 2015 call by G20 Leaders, the OECD is developing an Inclusive Framework for BEPS implementation. The Framework will monitor and support BEPS implementation, review progress made in the implementation of the BEPS measures and in particular of the minimum standards included in the BEPS package, and will complete some limited remaining technical work related to the BEPS Actions, (e.g. finalizing transfer pricing guidance on the application of transactional profit split methods on financial transactions). The Framework will include a mix of government tax officials from G20, OECD, and developing countries. The IMF, UN and WBG will be observers to the Framework, as is already the case in the OECD's Committee on Fiscal Affairs.

The Platform will produce, as a major collective output of the IOs, the eight toolkits and reports that the G20 has requested the IMF, OECD, UN and WBG to develop. Most of these aim to translate the complexity of BEPS outcomes (in relation, for instance, to transfer pricing), into user friendly guidance for low capacity countries. Others address international tax issues not included in the BEPS project (such as indirect transfers of assets). The development of the toolkits will be informed by discussions in the Inclusive Framework. Beyond this, the Platform is also expected to identify and analyze emerging international tax issues, especially those of interest to developing countries—including with a view to possibly bringing them to the attention of the Inclusive Framework.

The IOs of course have their own mandates for action in the tax area. They have already received requests from the G20, notably on toolkits. A further G20 request for a report from the IOs on more general capacity issues on DRM and tax systems development is expected. These will require more joint efforts and more requests for collaborative work are anticipated. Developing countries themselves, particularly low income countries, are seeking both more capacity support and greater influence on designing international rules. The interface between the Platform and the Inclusive Framework that the OECD has been requested to develop is described in Box 1 overleaf.

A positive starting point from which to deepen collaboration.

There is already a strong basis on which to deepen collaboration among the IOs in pursuit of these increased expectations. Examples include the IOs' effective collaboration on a recent report on tax incentives in low income countries² and, earlier, on a flagship report for the G20 to

² <http://www.oecd.org/tax/tax-global/options-for-low-income-countries-effective-and-efficient-use-of-tax-incentives-for-investment.pdf>

identify the key tax challenges facing developing countries.³ Another instance is the joint work of the IMF and OECD on taxation and debt bias, part of a report on non-financial corporate leverage coordinated by the FSB for the G20.⁴

B. Objectives

The overarching aim for cooperation among the IOs is to better support governments in addressing the tax challenges they face. The Platform will provide a means to help achieve this, by providing a structured and transparent framework for:

1. Producing concrete joint outputs and deliverables under an agreed work plan, implemented in collaboration by all or selected IOs, and leveraging each institution's own work program and comparative advantage. The outputs may cover a variety of domestic and international tax matters.
2. Strengthening dynamic interactions between standard setting, capacity building and technical assistance (experience and knowledge from capacity building work feeding into standard setting and vice-versa, including timing of implementation).
3. Sharing information on activities more systematically, including on country level activities.

C. Principles to Guide Cooperation

The following key principles will guide cooperation among the IOs within the Platform:

1. The IOs will continue to act to fulfill their own mandates and within their own rules of procedure.
2. The substantive analysis, research, drafting of technical papers and the other activities undertaken within the Platform will be carried out by the staff of the IOs, based on their comparative advantages and capabilities. All of the Platform's products will therefore be the responsibility of the IO staff involved, and not that of the Platform itself.
3. The cooperation will seek consensus, but differences in views may be reflected in the outputs where consensus cannot be found.

³ IMF, OECD, UN and World Bank (2011), *Supporting the Development of More Effective Tax Systems – A Report to the G-20 Development Working Group*, imf.org/external/np/g20/pdf/110311.pdf.

⁴ The FSB, together with the BIS, IMF, IOSCO, OECD, and WBG, prepared a report on the factors that shape the liability structure of corporates focusing on the implications for financial stability, with the IMF and OECD collaborating on the section dealing with debt bias. (2015) *Corporate Funding Structures and Incentives*, <http://www.fsb.org/2015/09/corporate-funding-structures-and-incentives/>

D. Governance Arrangements

IOs will establish an effective institutional setting to meet the objectives above, and to produce concrete outputs, such as those suggested under (E) below, as follows:

1. Membership

- The IMF, OECD, UN and WBG are the members of the Platform. Each member will designate an appropriate senior official as the main contact point and representative to the Platform, as described in Para 3 below.
- The members will continue to involve regional organizations (e.g. regional development banks), regional tax organizations (e.g. ATAF, CIAT, CREDAF), and donors in their activities on a regular basis—including through the Platform.
- Discussions will be conducted with government officials, and with other major stakeholders, such as civil society, academics and business.

2. Administrative Support

- Administrative support will include coordinating the organisation of meetings, both of Platform members, and, as appropriate, occasional conferences or workshops with country officials, preparing agendas and summary records, and monitoring agreed tasks and deadlines in relation to the joint outputs.

3. Meetings

- Physical meetings of members will be held three times a year, preferably back-to-back with other international events. Each Member will be represented by its main contact point for the Platform, namely: the Director of, or B-level staff in, the Fiscal Affairs Department of the IMF; Director/Deputy Director CTPA OECD or CTPA Division Heads; Senior Director Government Global Practice (GGP) and Director Public Service & Employment (PSP) WBG; Director of the Financing for Development Office, UN DESA.
- Technical level meetings will be held as needed either physically, or by video conferencing. Meetings with regional organizations/regional tax organizations/donors will take place at least once a year.
- Conferences and other events for interaction with government officials will also be organized as agreed by the Platform members. A major conference will take place once every two years (continuing the valued tradition established by the International Tax Dialogue (ITD)), preferably beginning in late 2017.

4. Transparency

- The Platform will be operated transparently, making its work plan and outputs available:
 - to the general public (through, for example, a website)
 - to government stakeholders, including the G20 and other fora (written and oral reports)
 - to donors providing financial support.

E. Activities

The Platform will focus on the development of joint outputs and on information sharing and coordination.

Joint Outputs

The Platform will jointly produce the following outputs, to be published under the Platform brand:

E1. Develop appropriate tools for developing countries in the taxation of Multinational Enterprises (MNEs), including in relation to the new measures from the BEPS reports.

Context The taxation of MNEs covers a broad range of issues, including not only those dealt with under the BEPS package, but also, for instance, tax incentives, comparability issues and the indirect transfer of assets. These issues affect all countries. More specifically, the G20 DWG has requested the IOs to develop toolkits to assist developing countries to address a set of these issues, some of which feature in the BEPS outcomes while others are outside the scope of the BEPS work.

Collective IO action The work on toolkits is already underway with different IOs leading the work according to the particular expertise needed for each toolkit.

Outputs The first of these, the report on tax incentives, has been delivered. The IOs will continue to work together on the 7 remaining toolkits requested by the G20, which will be delivered between now and March 2018. The Platform members have responsibility for the production of the toolkits and the Inclusive Framework will contribute to their development. Several of the toolkits fall clearly under the BEPS project umbrella (on transfer pricing, for instance). The 6th toolkit on comparability can benefit heavily from the Transfer Pricing BEPS outputs and can provide important input for potential future work in the standard setting area on

simplification measures that are also effective in protecting the tax base. The work on the indirect transfer of assets could lead to important input and policy questions in relation to the existing international standards. The preparation of the toolkits will require substantial work from all the IOs, and will be a major activity of the Platform through to March 2018.

E2. Support interested developing countries to participate in the implementation of the BEPS package and input into future global standard setting on international taxation.

Context As described above, an Inclusive Framework for monitoring in the post-BEPS environment is under construction. Work will be needed by the IOs to support interested countries in implementing and adapting the rules and applying them in a consistent manner.

Collective IO action As requested by the G20 the OECD will lead the work on building and implementing the Inclusive Framework referred to above, involving all interested countries on an equal footing. The other IOs will contribute to that work and to the wider international tax agenda, by a) using their expertise to advise on a mode of implementation of the BEPS outcomes that is fit for purpose for developing countries that may be interested in joining the Inclusive Framework; b) using their expertise to support developing countries' wishing to participate actively in the Inclusive Framework and c) identifying gaps, loopholes or problems for developing countries and feed this into the discussions of the Inclusive Framework. The IMF, UN and WBG will be observers to the main body and the subsidiary bodies that are part of the Inclusive Framework.

Outputs Joint analyses of, for example:

- gaps, loopholes or problems for developing countries;
- timing or other issues regarding implementation of international standards in developing countries.

E3. Capacity Development Issues.

Context Building effective tax systems in developing countries will require an intensification of developing countries' reform efforts, assisted by coordinated support, advice, training and technical assistance offered by the IOs and others.

Collective IO action There are several areas in which joining forces will have clear benefits to the IO's members: ensuring synergies and an effective division of labor among the major providers based on transparent information about who is doing what and a recognition of the IO's distinct comparative advantages; the development of common training materials, jointly owned by the IOs, and other resources to exploit synergies and reduce duplication or inconsistencies in advice.

Outputs Outputs are expected to include:

- Common and jointly owned training materials, including matter linked to the standard setting process, and the development of 'training of trainers' programs, to maximize impact at minimum cost.
- Reports on the impact of effective IO assistance on tax reforms in developing countries.

E4. Improving awareness to build comprehensive and effective exchange of information mechanisms.

Context Effective exchange of information (EOI) is fundamental to addressing profit shifting and illicit financial flows. The Multilateral Convention on Mutual Administrative Assistance in Tax Matters (Multilateral Convention) is the most comprehensive multilateral instrument available for all forms of tax cooperation to tackle tax evasion and avoidance. As the most inclusive global tax body, the Global Forum on Transparency has made rapid progress in monitoring the standards for EoI and ending bank secrecy. Extending this work further to ensure more countries join the Global Forum and sign the Multilateral Convention are the next steps.

Collective IO action To sustain the Global Forum's momentum, the IOs could combine their efforts to further raise awareness in developing countries of the impact of following the agreed international standards.

Output Analysis of and statement on the benefits/cost for developing countries engaging in international exchange of information provisions.

E5. Taxation and the ‘Informal’ Economy

<u>Context</u>	The term ‘informality’ embraces, in the tax context, a wide range of concerns: the incentives and disincentives for micro/small businesses to enter the tax system; the design of that system in light of the significant costs of collection for tax administrations; the wide varieties of forms of non-compliance; and understanding the trade-offs between revenue objectives, tax base broadening and state legitimacy objectives.
<u>Collective IO action</u>	‘Informality’ is a tax concern for all countries, though the extent and nature of the issues differ, There is little authoritative advice on how to frame the tax and informality issues facing developing countries in particular, and little guidance for policy makers and administrators. The IOs have an opportunity to fill this gap.
<u>Outputs</u>	Joint policy papers, analysis and guidance.

E6. Information Sharing and Coordination among the Members

In addition to the specific outputs proposed above, the Platform provides a venue for coordination and information sharing on a set of high priority tax issues. A non-exhaustive set of topics is listed below for illustrative purposes. Every two years the Platform will also organize Global Conferences, which are expected to engage the leadership of the IOs, and can discuss key current issues in a broader context.

1. Revenue Statistics

Reliable, comparable revenue data is critical to tax analysis, and for the SDG monitoring process. This requires the IOs to share information and coordinate their efforts and exploit their differing comparative advantages in developing data on revenue collection and ensuring that data available is used effectively.

2. Tax Administration Diagnostics

There are opportunities for cross learning between the partner organizations on tax administration diagnostic work (TADAT, RA-FIT and FTA).

3. Natural Resource Taxation, including in fragile states.

There is a need for significant efforts to address the tax challenges in the extractives industries, made more acute by recent falls in the prices of many commodities.

4. Tax treatment of aid-funded goods and services.

The ITD work,⁵ including draft guidelines that were discussed by the UN Committee of Experts on International Cooperation on Tax Matters,⁶ has had some impact with four donors stopping the practice of claiming exemptions. The ITD analysis is out of date and there is a need to share updated information on the costs to developing countries.

EMBARGOED

⁵ International Tax Dialogue (2006), "Tax treatment of donor-financed projects: A discussion paper prepared by the International Tax Dialogue."

⁶E/C.18/2007/CRP.12