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TAX AND DEVELOPMENT REPORT FOR 2015

REPORT TO CFA AND DAC

Report from the Co-Chairs of the Task Force on Tax and Development
CFA Meeting: 27 January 2016
DAC Meeting (TBC)

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Please bring your own copy of this document to the meeting as no additional copies will be available in the meeting room.

For further information please contact Ben Dickinson: Tel: +33 1 45 24 22 83, Email: Ben.Dickinson@oecd.org

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EXECUTIVE SUMMARY

This report from the Co-Chairs of the Task Force on Tax and Development (South Africa and the Netherlands) provides an overview of work completed under the Tax and Development Programme in 2015.

2015 has been a watershed year for tax and development. The new Sustainable Development Goals (SDGs), adopted in September, are broad and ambitious, calling on all countries – be they upper, middle or low income – to make tangible improvements to the lives of their citizens. The goals encompass social, environmental and economic aspects and include taxation in the goals on governance and means of implementation. The SDGs have been supported by the 3rd International Conference on Financing for Development held in Addis Ababa, Ethiopia which provided a global focus on Domestic Resource Mobilisation (DRM).

In addition, in November G20 Leaders endorsed the final package of measures under the G20/OECD Base Erosion and Profit Shifting (BEPS) Project, a significant step forward in improving international tax rules to ensure taxes are paid where economic activity occurs. G20 Leaders noted the importance of timely, widespread and consistent implementation of the BEPS Actions, including by developing countries. As an essential complement to BEPS, nearly 100 countries have committed to the standard to exchange information for tax purposes on an automatic basis.

The Tax and Development Programme and the Task Force have made a contribution to these developments. The OECD has worked with the UN on proposing targets and advising on statistical data sources related to taxation for the SDGs. At Addis, the profile of taxation was boosted by OECD supported events on BEPS, Tax Inspectors Without Borders, information exchange and the Addis Tax Initiative. The Programme has supported the participation of developing countries in the BEPS project and has provided support in implementing BEPS related measures, especially in the field of transfer pricing. In particular, the Programme has continued its close work with the G20 Development Working Group (DWG) under the Turkish Presidency. The Task Force has supported these developments in a variety of ways, including through dialogue in the Task Force on Tax and Development which met twice in 2015, on BEPS and Developing Countries (March) and in Plenary (November).

On **Tax Avoidance**, the Task Force has:

- Actively engaged with developing countries on the BEPS project to ensure their voices were heard in the development of the BEPS standards.
- Begun work to develop tools and guidance to translate the BEPS Action Plan into practical support for lower capacity developing countries, as mandated by the G20 (working with international and regional organisations). This work will continue into 2016 with delivery of the two toolkits on comparability and the indirect transfer of assets.
- Developed practical tools to assist developing countries to improve their understanding of mineral product transactions, for delivery to the G20 in 2016. Four consultation documents are currently available for review.
- Scaled-up country activities on transfer pricing from 5 to 18 developing countries, to assist them in applying the OECD's transfer pricing norms and standards.
- Launched and scaled-up the Tax Inspectors Without Borders partnership with the United Nations Development Programme (UNDP). This will significantly extend the global reach of efforts to

build audit capacity. TIWB deployments have assisted countries to increase their tax collected by over USD 185 million between 2012 and 2014 (and including some early reporting from 2015). These figures include TIWB assistance components (working on anonymized company cases) provided through the OECD programme on transfer pricing in Colombia, Kenya, Vietnam, Zambia and Zimbabwe.

- Under the Deauville Partnership Middle East and North Africa (MENA) Programme, made progress with Tunisia to improve fiscal transparency, with the Government of Tunisia preparing an amendment to its Tax Code in the Finance Bill for 2016 to broaden access to bank information for exchange of information for tax purposes with its treaty partners. In addition, the Task Force has also assisted Tunisia on BEPS issues, with a 2-year action plan underway that was designed by GoT with OECD support. A similar Deauville tax project with Morocco has begun.

On **Tax Evasion**, the Task Force has:

- Assisted developing countries to participate in the Global Forum on Transparency and Exchange of Information for Tax Purposes, which helps them overcome obstacles to engage in exchange of information. Results from improved capacities are emerging, with Uganda and the Philippines, for example, reporting significant recoveries.

- Assisted developing country participation in the Oslo Dialogue on Tax and Crime. The OECD International Academy for Tax Crime Investigation continues to train developing country officials, bringing together officials from different domestic agencies to promote stronger inter-agency coordination. The total number of officials trained is now over 100. As a result there is evidence of improved enforcement in Cameroon, Costa Rica and Ghana.

On **Tax Policy**, the Task Force has:

- With the IMF, UN and World Bank Group (WBG), developed a report for the G20 DWG, "*Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment*". This report takes a fresh look at tax incentive policies in low income countries and offers tools to support implementation (COM/CTPA/CFA/DCD/DAC(2015)1).

- Completed reviews of tax incentives for investment, as part of the OECD Investment Policy Reviews (IPRs), including in Kazakhstan and Vietnam, and developed regional guidelines on Tax Incentives with the Southern African Development Community (SADC).

- Updated the OECD's Policy Framework for Investment (PFI), revising its Tax Policy chapter. The revised chapter equips policy makers with an important tool to assess tax policy choices, taking account of new forces reshaping the global taxation landscape (such as BEPS).

- Continued its active role developing comparable revenue statistics to underpin tax policy analysis and decision-making, with the 2015 publication of the Revenue Statistics publications for Latin America (fourth edition) and Asia (second edition), and preparations underway for the first Africa edition to be published in 2016. These statistics will be an important contribution to the monitoring of the tax related targets in the SDGs.

On **State Building, Aid and Development Cooperation**, the Task Force has:

- Contributed to the design and launch of the Addis Tax Initiative, including working with the International Tax Compact to deliver the evidence underpinning the Initiative. The evidence was published in July in the report "*Examples of Successful DRM Reforms and the Role of International Co-operation*" (DCD/DAC(2015)23).

- Published and launched reports "*What Drives Tax Morale?*" COM/CTPA/CFA/DCD/DAC(2014)7 and "*Building Tax Culture, Compliance and Citizenship: A Global Source Book on Taxpayer Education*" (COM/CTPA/CFA/DCD/DAC(2014)6) to support the development of taxpayer education strategies.

- Developed a new purpose code for monitoring ODA targeting tax systems development in the OECD/DAC Creditor Reporting System allowing for monitoring progress against SDG17.1 and the donor's Addis Tax Initiative commitments.

Financing

- From an original budget of EUR 3.9 million for the 2015/16 biennium, the DAC agreed an adjustment of EUR 2.5 million to cover work on BEPS and developing countries and the Deauville project for Morocco (see DCD/DAC(2015)39), bringing the total budget for the Tax and Development Programme to EUR 6.4 million in 2015-2016. Voluntary Contributions of almost EUR 6 million have been received and are fully committed based on current planning.

Immediate Next Steps for 2016:

- Work with the UN to provide revenue statistics to support monitoring of SDG 17.1 concerning taxation in close consultation with the IMF and WBG.

- Monitor donor commitments to double their efforts through the ATI and support the process with relevant aid statistics.

- Help establish the new inclusive framework for BEPS implementation by supporting the participation of developing countries.

- Hold a Task Force meeting on BEPS implementation and developing countries on 1st March in Paris.

- Support the development of 7 further toolkits to translate the BEPS deliverables into user friendly guidance for developing countries.

- Expand OECD/WBG/EC transfer pricing/BEPS capacity building support to 20 countries in 2016.

- Ensure TIWB is a fully operational OECD/UNDP project.

- Complete three further tax incentives reviews on a demand-led basis.

- Plan next steps on taxpayer morale and taxpayer education, including evaluation strategies.

- Develop a Programme of Work and Budget (PWB) for Tax and Development for 2017/18.

ACTION REQUIRED

This document is submitted to CFA and DAC members for INFORMATION.

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THE TAX AND DEVELOPMENT REPORT FOR 2015

Introduction

1. The joint CFA-DAC Tax and Development Programme began in 2011, to enhance the enabling environment for developing countries to collect appropriate and adequate tax revenues and to build effective states. In January 2014, the DAC and CFA extended the Programme to end-2016 and agreed a PWB for the 2015/16 biennium (see COM/CTPA/CFA/DCD/DAC(2014)2/REV1).

2. 2015 has been a watershed year for tax and development. The new SDGs, adopted in September, are broad and ambitious, calling on all countries – be they upper, middle or low income – to make tangible improvements to the lives of their citizens. The goals encompass social, environmental and economic aspects and place DRM, curbing tax evasion and fighting illicit financial flows at the top of the international development agenda as the main source of sustainable development finance. SDG 17.1 aims to s*trengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.*

3. The SDGs have been supported by the 3rd International Conference on Financing for Development held in Addis Ababa which provided a global focus on DRM. All UN member states agreed on the core principles of fair and transparent international tax systems, where OECD work in this area is central.

4. On international tax standard setting, in November 2015, G20 Leaders endorsed the final package of measures for a comprehensive, coherent and co-ordinated reform of the international tax rules, developed under the G20/OECD BEPS Project.[1] In their November communique, G20 Leaders noted widespread and consistent implementation will be critical to the effectiveness of the project and urged timely implementation of these measures by developed and developing countries.[2] Recognising the challenge, G20 Leaders called on the OECD to develop an "inclusive framework by early 2016 with the involvement of interested non-G20 countries and jurisdictions which commit to implement the BEPS project, including developing economies, on an equal footing".

5. An essential complement to combating BEPS risks is information exchange between tax authorities, and 2015 has seen considerable progress in this regard, with 96 countries now committed to the new standard for automatic exchange of information (AEOI), including key global financial centres. In Antalya, G20 Leaders "reaffirm[ed] their previous commitments to information exchange on-request as well as to automatic exchange of information by 2017 or end-2018".

6. The Tax and Development Programme and the Task Force have made a contribution to each of these developments and events. The OECD has worked with the UN on proposing targets and advising on statistical data sources related to taxation for the SDGs. At Addis, the profile of taxation was boosted by OECD supported events on BEPS, TIWB, information exchange and the ATI (See **Annex 1** for details). The Programme has supported the participation of developing countries in the BEPS project and ensured these countries have had a voice in shaping the international tax rules and have support in implementing BEPS related measures, especially in the field of transfer pricing. In particular, the Programme has continued its close work with the G20 Development Working Group (DWG) under the Turkish Presidency. This report sets out further details of the OECD contribution.

[1] This project addresses tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no tax locations where there is little or no real activity. The final package of measures contained 15 Action Items.

[2] See paragraph 15 of G20 Leaders Communique, Antalya, Turkey, November 16, 2015

7. To support the dialogue on these developments, the Tax and Development Task Force has met twice in 2015 to review and guide the work of the Programme, with an initial meeting focused on BEPS and developing countries in March, followed by its 5th plenary meeting in November. The Co-Chair's Outcomes statements are provided at **Annex 2** and **Annex 3** respectively.

8. The remainder of this report provides more detail of the Programme's work in 2015 and is structured around issues of tax avoidance; tax evasion; tax policy; and statebuilding, aid and international development cooperation. The report concludes with an update on financing and next steps.

Tax Avoidance

Base Erosion and Profit Shifting (BEPS) and developing countries

9. In November 2015, G20 Leaders endorsed the final package of measures for a comprehensive, coherent and co-ordinated reform of the international tax rules. The 15 BEPS Actions equip governments with domestic and international instruments to address tax avoidance and ensure that profits are taxed where economic activities are performed and where value is created. Developing countries face many, if not all, of the current international tax challenges and will need significant support as the BEPS Project moves into its implementation phase.

10. In November 2014, the OECD launched its strategy for deepening developing country engagement in the BEPS Project[3], based on three pillars: (i) direct participation of developing countries in the Committee on Fiscal Affairs (CFA) and its subsidiary bodies, (ii) regional networks of tax policy and administration officials, and (iii) capacity building. Task Force efforts to support these pillars are outlined below.

Direct participation

11. Sixty-two countries, including thirteen developing countries[4] and all non-OECD G20 countries, participated directly in the BEPS Project by attending the meetings of the CFA (the key decision-making body of the BEPS Project) and its subsidiary bodies (the Working Parties and Focus Groups responsible for carrying out the technical work). Two regional tax organisations, ATAF (African Tax Administration Forum) and CIAT (Inter-American Centre for Tax Administration), have also participated in the CFA and all technical Working Parties/Focus Groups.

12. Developing counties contributed substantially to the technical direction of the work, including providing significant input on Action 7 (Artificial Avoidance of Permanent Establishment Status), Action 10 (cross-border commodity transactions/revisions to Chapter 1 of the Transfer Pricing Guidelines) and Action 4 (interest deductions and other financial payments). These contributions have directly impacted on the BEPS outcomes. They are reflected in, for example:

- Action 4 (clarifications on the role of withholding taxes and on the ability of countries to obtain information to apply group-wide rules);

- Action 7 (amending the conditions of Article 5(4) and Article 5(5) of the Model Tax Convention and anti-fragmentation rules);

[3] A BEPS and Developing Countries account was established with contributions from several donors. Separate progress reports on planned activities have been sent to contributors.

[4] Albania, Azerbaijan, Bangladesh, Georgia, Jamaica, Kenya, Morocco, Nigeria, Peru, Philippines, Senegal, Tunisia and Vietnam.

- Action 10 (the need for clearer definitions of a participant in a cost contribution arrangement); and

- Action 10 (clarification in the transfer pricing guidelines of the use of the "CUP method" for transfer pricing analysis of commodities and deemed pricing date guidance).

13. These modifications will assist developing countries change their tax rules to address some of their most significant risks from BEPS. At the 21-22 September 2015 CFA meeting where the BEPS reports were reviewed and formally adopted, 11 developing countries attended and participated,[5] together with ATAF and CIAT.

Regional networks - events

14. In 2015, two rounds of consultative meetings were organised based on five regional/linguistic groupings, in close co-operation with other international organisations (IMF, UN and WBG) and relevant regional tax organisations. These meetings have been important in reaching out to low and lower middle income countries that have been unable to engage fully in Paris-based BEPS discussions.[6]

The regional groupings are:

- Africa, in partnership with ATAF;

- Latin America and the Caribbean, in partnership with CIAT;

- Asia and Pacific Region, in co-operation with the Study Group on Asian Tax Administration Research (SGATAR) and the Pacific Islands Tax Administrators Association (PITAA);

- French-speaking countries, in partnership with CREDAF (Centre de Rencontres et d'Etudes des Dirigeants des Administrations Fiscales); and

- Eastern Europe and Central Asia, in co-operation with the Intra-European Organisation of Tax Administrations (IOTA).

15. The first round of regional meetings focused on the key priorities identified by developing countries in the BEPS Project, so that inputs could be fed into the Project effectively. The second round of meetings focused on (1) providing an update of the BEPS outputs and collecting input on implementation opportunities and challenges, (2) providing an overview of the toolkits (discussed below) to be delivered and collecting relevant input, and (3) collecting feedback on the design of an inclusive implementation and monitoring framework.

[5] Bangladesh, Georgia, Jamaica, Kenya, Morocco, Nigeria, Philippines, Peru, Senegal, Tunisia and Vietnam.

[6] Meeting summaries are available at: Latin America (November); Asia-Pacific (November); Eastern Europe and Central Asia (October); Eastern Europe and Central Asia (March); French speaking countries (February, French only); Latin America (February); and Asia-Pacific (February).

Capacity building – toolkits

16. The OECD, together with other International Organisations and working with regional tax organisations, have been mandated[7] by the G20 DWG to develop tools and guidance to translate the BEPS Action Plan into practical support for lower capacity developing countries. These will be developed and progressively delivered in 2016-2017. A toolkit on tax incentives (outside of the BEPS Action Plan, but of high priority for developing countries) was delivered in 2015, (see detail under the Tax Policy section below). Work has begun on these toolkits, with the first on comparability, the indirect transfer of assets (outside of the BEPS Actions), tax treaty policy and transfer pricing documentation to be delivered in 2016.[8]

Extractive industries capacity building – supplementary work on mineral product pricing

17. Supplementary work for the G20 DWG on the pricing of mineral products sold in intermediate forms has progressed well. Natural resource taxation continues to be a pressing issue for many developing countries, including the particular challenge of verifying commodity prices reported by (and the resulting taxable profits of) Multinational Enterprises (MNEs) extracting and exporting mineral commodities. The G20 DWG has asked the International Organisations to respond to these pricing concerns as part of the toolkit to assist developing countries address difficulties in accessing data on comparable transactions (CTPA/CFA/WP6/NOE2(2015)25/CONF).

18. In 2015 the Tax and Development Programme led the development of practical tools to assist developing countries to improve their understanding of mineral product transactions. Case studies on mineral product pricing practices for gold, copper and iron ore products were released for consultation in November 2015.[9] These have been developed with the assistance of interested OECD member countries, developing countries and international and regional organisations. The Development Centre's Policy Dialogue on Natural Resource-Based Development has been a valuable venue for discussing and developing this work.

A new inclusive framework for BEPS implementation

19. G20 Leaders, who endorsed the BEPS package at their Summit in Antalya in November 2015, noted "Widespread and consistent implementation will be critical in the effectiveness of the project". To monitor the implementation of the BEPS project globally, they called on the OECD to develop an inclusive framework with the involvement of interested non-G20 countries and jurisdictions which commit to implement the BEPS project, including developing economies, on an equal footing. They welcomed efforts by the IMF, OECD, UN and WBG to provide appropriate technical assistance to interested developing economies in tackling the domestic resource mobilisation challenges they face, including from BEPS. G20 Leaders also acknowledged that interested non-G20 developing countries' timing of implementation may differ from that of other countries and expressed the expectation that the OECD and other international organizations would ensure that the circumstances of interested non-G20 developing countries are appropriately addressed in the framework.

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[7] The 2014 Report on BEPS and Developing Countries identified priority areas for developing countries and called for the development of toolkits and reports to assist countries with some of the most pressing tax issues they face. This report is available at CTPA/CFA/WP6/NOE2(2015)18/CONF

[8] For the toolkit scoping note, please see CTPA/CFA/WP6/NOE2(2015)22/CONF.

[9] These documents can be found at: http://www.oecd.org/tax/tax-global/work-on-extractive-industries.htm

20. The inclusive framework, currently under development, will monitor and support 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 outstanding technical work related to the BEPS Actions (e.g. finalising transfer pricing guidance on the application of transactional profit split methods and on financial transactions). The Task Force will support the participation of developing countries in the framework.

Transfer Pricing

21. At the request of developing countries, and in partnership with the EC and the WBG, the Tax and Development Programme is actively building capacity in developing countries to support the application of the OECD's transfer pricing norms and standards, through tailored country-level assistance. These programmes address other BEPS related issues in addition to transfer pricing, so that a holistic approach is taken to improving tax collection. The programmes have started work to raise awareness in countries of the BEPS solutions and to support countries with their BEPS implementation plans. In 2015, this has resulted in the following:

- In **Botswana**, following a review of the transfer pricing legislation, revised laws including transfer pricing documentation requirements are scheduled to be passed in early 2016. Skills building workshops for the Botswana Unified Revenue Service (BURS) on transfer pricing and related BEPS issues have been held in 2015 and will continue through 2016 and 2017.

- In **Cambodia**, a dedicated transfer pricing audit unit is being formed and following a review of the transfer pricing legislation, plans are underway to introduce revised legislation in 2016.

- In **Colombia**, transfer pricing adjustments made as a result of audits of multinational enterprises have increased revenues ten-fold from USD 3.3 million in 2011 to USD 33 million in 2014. New transfer pricing legislation has been passed, and a new transfer pricing Decree has been implemented. Organizational restructuring has also occurred and risk assessment procedures are in place. Colombia has now started the process of introducing a transfer pricing advance pricing agreement (APA) programme.

- In **Ethiopia**, a new Transfer Pricing Directive was introduced in October 2015 and a skills building programme commenced in November 2015 to assist the tax administration start a substantive transfer pricing audit programme, now that the Directive is in place.

- In **Jamaica**, revised transfer pricing and Permanent Establishment legislation has recently been passed by Parliament and new transfer pricing regulations have been recently introduced. Skills building workshops for the Tax Administration of Jamaica (TAJ) on transfer pricing and related BEPS issues have been held in 2015 and will continue through 2016 and 2017.

- In **Kenya**, the programme working closely with the WBG has provided extensive skills building on transfer pricing and other BEPS issues for the Kenyan Revenue Authority (KRA). Revenue collection from transfer pricing audits has doubled from USD 52 million for year ended 30 June 2012 to USD 107 million for year ended 30 June 2014. An Advance Pricing Agreement programme is planned to be implemented in 2016, providing a more transparent and predictable investment climate.

- In **Malawi,** working closely with *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ), a diagnostic of the Malawi transfer pricing legislation and regulations has been carried out and a suggested approach with regard to a revision of the transfer pricing legislation and

regulation will be presented in 2016. Skills building workshops for the Malawi Revenue Authority (MRA) on transfer pricing and related BEPS issues have been held in 2015 and will continue in 2016 and 2017.

- In **Morocco**, the Tax and Development Programme started a support programme on fiscal connectivity, effective tax systems and improved transparency for the Government of Morocco sponsored by the Deauville Partnership MENA programme in 2015 (see related activity below). The programme is assisting Morocco to implement the international EOI standards, address transfer pricing and BEPS, and compile reliable revenue statistics. Currently a diagnostic of existing transfer pricing legislation and regulations is being undertaken. In 2016, at least two capacity building transfer pricing events will be organised for the Moroccan tax authorities.

- In **Nigeria**, working in partnership with the EU and WBG a review of the transfer pricing legislation and regulations was carried out in 2015 and recommendations made for changes to the guidance provided to taxpayers. Skills building workshops for the Federal Inland Revenue Service (FIRS) on transfer pricing and related BEPS issues were held in 2015 and will continue through 2016 and 2017.

- In **Peru**, extensive skills building on various BEPS issues has been undertaken in 2014 and 2015 to meet the specific requirements of the Peruvian tax administration to build its capacity.

- In **Sri Lanka**, the Inland Revenue Department (IRD) has created a dedicated transfer pricing audit unit and will pass transfer pricing legislative changes in early 2016. Skills building workshops for the IRD on transfer pricing and related BEPS issues have been held in 2015 and will continue through 2016 and 2017.

- In **Tunisia**, support on a comprehensive tax reform programme sponsored by the Deauville Partnership MENA Programme continued in 2015. Following the 2014 BEPS diagnostic mission, workshops for the Tunisian tax authority on transfer pricing and related BEPS issues were held in 2015 and will continue through 2016 and 2017.

- In **Vietnam**, the Programme, working closely with the EU and WBG, has assisted the tax administration to significantly increase its capacity to enforce its transfer pricing rules, resulting in an increase in the number of audits conducted by the tax administration from 1 audit in 2012 to over 100 audits in 2014, that resulted in revenue collection in 2014 of USD 40 million. The programme has also provided support on organizational changes in the tax administration, and policy issues relating to legislation, APAs, safe harbours and thin capitalization.

- In **Zambia,** the Programme is working with the IMF, Norway and the WBG. As a result of assistance being provided to the Zambian Revenue Authority on improved transfer pricing legislation, new regulations and transfer pricing documentation rules will be introduced in the near future. Zambia reports tax revenues collected from audits increased from USD 3.22 million in 2012 to USD 7.91 million in 2013.

- In **Zimbabwe**, revised transfer pricing legislation, regulations and new transfer pricing documentation rules were announced in the November 2015 Budget, to be implemented in 2016. Skills building workshops for the Zimbabwe Revenue Authority (ZIMRA) on transfer pricing and related BEPS issues have been held in 2015 and will continue through 2016 and 2017. Zimbabwe has reported that it is already increasing revenue collected due to the support it is receiving under this programme. Revenue from investigations work increased from USD 160 million in 2014 to USD 211 million in the first nine months of 2015.

22. Contributions from the business community have been an integral part of some of these country programmes. Industry experts, from Rio Tinto and Unilever for example, have been provided under the auspices of the Business and Industry Advisory Committee (BIAC) to the OECD. As a result, several developing countries have noted they have benefitted from understanding taxpayer's industries and have built a more collaborative relationship with business.

23. The effectiveness of the support is leading to increased demand from other countries for similar assistance. 18 low/lower middle income countries now receive OECD support on transfer pricing and the PWB target of working with 20 countries in 2016 will be reached.

Tax Inspectors Without Borders (TIWB)

24. TIWB facilitates targeted, tax audit assistance programmes in developing countries across the globe. Under TIWB, tax audit experts work alongside local officials of developing country tax administrations on current direct and indirect tax audits and audit related issues concerning international tax matters and share general audit practices for specific cases.

25. In 2015 the Task Force delivered a review of the pilot programme, outlining successes and lessons learned (COM/CTPA/CFA/DCD/DAC(2015)2/REV1). The review pointed to the need to extend the global reach of TIWB, to address funding, to increase access to potential experts and for a higher-impact governance structure. As a result, the OECD and UNDP agreed to join forces on TIWB with the aim of scaling-up the initiative, to increase political support and to surmount various constraints that were encountered during the pilot phase of the project. The new partnership was launched at a high profile event on 13 July 2015 at the third conference on Financing for Development in Addis Ababa (see COM/CTPA/CFA/DCD/DAC(2015)4).

26. The OECD and UNDP are currently establishing a joint TIWB Secretariat and installing a high level TIWB Governance Board, co-chaired by OECD and UNDP, including governments from donor and developing countries, regional organisations, civil society and business. A TIWB deployment financing mechanism will be administered by UNDP. The aim is to deliver 15 TIWB deployments in 2016, facilitated by UNDP's network of country offices. The Secretariat is also working closely with the Forum on Tax Administration to attract an increased number of serving and recently retired tax officials for TIWB.

27. In 2015 the TIWB Secretariat continued to provide assistance to developing countries in establishing TIWB expert deployments with serving officials from OECD countries. Such programmes are now running in Albania (with officials from Italy), Ghana (Netherlands), Senegal (France), Lesotho (UK) and Rwanda (UK).

28. New programmes are being planned in Botswana, Cameroon, Ethiopia, Liberia, Malawi and Nigeria. Additionally, Cambodia, Costa Rica, Democratic Republic of Congo, Dominican Republic, Ecuador, Georgia, Jamaica, Papua New Guinea, and Peru have expressed their interest in establishing TIWB programmes.

29. Cumulative increases in tax collection as a result of TIWB programmes include:

- **Colombia**: Increase in tax revenue from USD 5.83 million in 2012 to USD 33 million in 2014 = USD 27.17 million;
- **Kenya**: Increase in tax revenue from USD 52 million in 2012 to USD 107 million in 2014 = USD 55 million;

- **Senegal** reports increased revenue as a result of their TIWB project with France: audit adjustments to taxes owing have resulted in an additional USD 12.3 million of tax revenue in 2015;

- **Vietnam**: Increase in tax revenue from USD 3.9 million in 2013 to USD 40 million in 2014 = USD 36.1 million;

- **Zambia**: Increase in tax revenues from USD 3.22 million in 2012 to USD 7.91 million in 2013 = USD 4.69 million; and

- **Zimbabwe**: Revenue from investigations work increased from USD 160 million in 2014 to USD 211 million in the first nine months of 2015.

30. In summary, expert deployments have assisted countries to increase their tax collected by over USD 185 million between 2012 and 2014 (and including some early reporting from 2015). These figures include TIWB assistance components (working on anonymised company cases) provided through the OECD programme on transfer pricing in Colombia, Kenya, Vietnam, Zambia, and Zimbabwe, mentioned in the section on transfer pricing above.

Middle East and North Africa regional assistance

31. The Tax and Development Programme support to the Government of Tunisia (GoT) on a comprehensive tax reform programme was started in 2014, sponsored by the Deauville Partnership MENA Programme. Progress has been made to improve transparency, with the GoT preparing amendments to its Tax Code in the Finance Bill for 2016 to broaden access to bank information for exchange of information for tax purposes with its treaty partners. This will also allow the GoT to obtain information on residents of Tunisia with foreign bank accounts. The GoT received technical assistance to be able to benefit from the Multilateral Convention on Mutual Assistance and be better prepared for the Global Forum on Transparency Phase 1 review.

32. Important progress has also been made to assist Tunisia to counteract BEPS. The GoT has adhered to the OECD Declaration on BEPS and a 2 year action plan, which is in the process of being delivered, was designed by GoT with OECD support to tackle BEPS and transfer pricing related issues. In addition, a detailed proposal for reforming the Tunisian VAT Code and for aligning it with international standards and best practices has also been developed, which is being reviewed by the Tunisian Ministry of Finance. Tunisian tax officials have also attended the OECD Academy for Criminal Tax Investigation (see related activity on the Oslo Dialogue). A similar Deauville Partnership supported tax reform programme in Morocco started in 2015. Results will be reported in the course of 2016.

Tax Evasion

Exchange of information

33. The exchange of information for tax purposes is an essential tool for tax authorities in the fight against illicit financial flows. Global engagement on effectively implementing the international standards on transparency and exchange of information contributes to the integrity of the international financial and tax system. This occurs by requiring laws and practices that foster transparency, enabling international coordination on combatting tax evasion and driving improvements in the implementation of anti-money laundering and anti-corruption frameworks.

34. Following on from the endorsement of a new single global standard for Automatic Exchange of Information (AEOI) in 2014, the Global Forum has been active in assisting developing countries to overcome obstacles to participation in the new standard, supported by the Tax and Development Programme. At the end of 2015, 96 countries were committed to the new standard for AEOI, including almost all global financial centres. The work to support developing countries implement this standard has included intensive training programmes, as well as bilateral and trilateral tailored support services focussing on drafting legislation and implementing confidentiality requirements.

35. The Global Forum continues to support the effective implementation of the standard of exchange of information on request (EOIR), particularly focussing on ensuring that developing countries are making use of this tool for their own DRM purposes. Encouraging results are emerging. For example, Uganda and the Philippines have reported significant recoveries as a result of recent information exchanges. The Philippines recovered more than USD 1 million in 2014 and a multiple of this amount is currently under appeal. Uganda collected USD 4.5 million in one case as a result of information received in 2014 and a further USD 2 million in another case in 2015.

Oslo Dialogue

36. The Task Force has continued to actively support the Oslo Dialogue in 2015, to improve the ability of developing countries to detect and investigate financial crimes such as tax evasion, bribery and corruption, and money laundering and to recover the proceeds of those crimes. The Task Force supports this process, fostering developing country engagement with the Oslo Dialogue and its training activities.

37. A key pillar of the Oslo Dialogue was the inauguration of the OECD International Academy for Tax Crime Investigation (the Academy) in 2014, bringing together government officials from different domestic agencies to promote stronger inter-agency and international co-operation and to foster an international network of financial crime investigators. In 2015, the Academy continued to train officials from developing countries, with over 120 officials now trained from 30 developing countries. Training is provided by an international faculty of senior tax and financial crime investigators, prosecutors, judges and specialists. The Academy Programme has led to improved enforcement in some countries. For example, Cameroon has enacted new legislation targeting fraudulent VAT refunding (carousel fraud) and strengthened collaboration between government agencies; Costa Rica has updated its manuals for detecting and acting against tax and other financial crimes; and Ghana has enacted sales suppression laws, which combat the use of technology such as cash registers to falsify financial records. The Programme builds on the best practices, handbooks and other studies carried out by the OECD.

38. The OECD report "*Improving Co-operation between Tax and Anti-money Laundering Authorities - Access by Tax Administrations to Information Held by Financial Intelligence Units for Criminal and Civil Purposes*" was released at the recent Forum on Tax and Crime in Amsterdam, in September 2015. This report provides the key recommendation, that subject to the necessary safeguards, tax administrations should have the fullest possible access to the Suspicious Transaction Reports (STRs) received by the Financial Intelligence Unit (FIU) in their jurisdiction. To achieve this, jurisdictions should look to not only provide the legislative framework to allow tax administrations access to STRs, but also look to ensure the operational structure and procedures to facilitate the maximum effectiveness in the use of STRs.

Tax Policy

Tax incentives

39. Tax incentives continue to feature as a major concern for tax administrations. When poorly designed, they can significantly undermine local DRM efforts. Mandated by the G20 DWG and working

with the IMF (leading) and WBG, the Task Force has contributed to a report *"Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment"* (see COM/CTPA/CFA/DCD/DAC(2015)1) which takes a fresh look at tax incentive policies in low income countries, drawing on recent country experiences and an extensive range of academic and other studies. Since much of the pressure to offer incentives stems from an awareness of those offered by other countries, the report also discusses options for international coordination to address the risk of mutually damaging spillovers from tax competition. The final paper was submitted to DAC and CFA in November 2015 (see COM/CTPA/CFA/DCD/DAC(2015)5) and to the DWG. The report has been made public through the websites of the International Organisations involved.[10]

40. In 2015, the Task Force also completed several reviews of tax incentives for investment, as part of the OECD Investment Policy Reviews (IPRs):

- **Vietnam.** A comprehensive assessment of taxation-related issues, paying particular attention to tax incentives for investment in Vietnam was conducted in 2015. Recommendations were made to (1) improve governance, including through tax expenditure analysis and deliberation of tax expenditure reports; and (2) to promote greater transparency of tax incentives for investment, including through reduction of discretionary power in granting tax incentives in order to facilitate accountability and reduce opportunities for rent seeking and corruption.

- **Kazakhstan.** Analysis of Kazakhstan's tax incentives system was conducted as part of the OECD IPR for Kazakhstan. Recommendations included policy choices aimed at removing preferential corporate tax rates, repealing tax allowances and ironing out tax rate differentials to improve the neutrality and equity of the tax system.

- In addition to the country reviews above, significant additional **regional work was conducted with the Southern African Development Community (SADC)**. Regional Guidelines on Tax Incentives were elaborated drawing on the common standards for policy design and implementation of the SADC community. Further, an implementation roadmap of the regional investment reform agenda, including on tax incentives for investment, was developed, focusing on actionable and practical steps to improve the investment climate across the SADC area.

41. The Task Force also contributed to revisions of the OECD Policy Framework for Investment (PFI) in 2015, revising the Tax Policy chapter (one of the twelve chapters of the PFI) which was approved by the CFA and published (see CTPA/CFA(2015)19/REV1 and CTPA/CFA(2015)19/REV2).[11] Revisions on tax policy take into account the numerous lessons learnt through the application of the PFI worldwide, as well the new developments reshaping the global taxation landscape such as the BEPS project. It equips policy-makers with an important tool to assess tax policy choices that would be attractive to investment, and to evaluate a country's tax burden against its development objectives.

Revenue statistics

42. The OECD has continued its active role developing comparable revenue statistics to underpin tax policy analysis and decision-making and as an important data source for SDG goal 17.1 on monitoring progress on taxation. The OECD's Global Revenue Statistics Programme supports the production of high quality revenue statistics across OECD and non-OECD countries on a comparable basis, allowing progress on international DRM commitments to be monitored.

[10] The full report is available at: http://www.oecd.org/tax/tax-global/options-for-low-income-countries-effective-and-efficient-use-of-tax-incentives-for-investment.pdf

[11] For further information, see: http://www.oecd.org/investment/pfi.htm

- **Latin America**: In March 2015 the OECD published the fourth edition of Revenue Statistics in Latin America and the Caribbean. It is a joint publication by the OECD, the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), CIAT, and the Inter-American Development Bank (IDB). The 2015 edition incorporates two special chapters. The first considers an alternative approach to the way government fiscal revenues are accounted for. In particular it examines the usefulness of taking into account two additional sources of revenues or "revenue equivalent" in addition to the tax revenues traditionally considered. The second describes the trends in revenues from non-renewable natural resources and discusses the drivers of the increases observed since the year 2000.

- **Asia:** The second edition of Revenue Statistics in Asian countries was published in 2015 including data from Indonesia, Japan, Korea, Malaysia and the Philippines, under a joint project of the OECD and with the Asian Development Bank (ADB). A special feature in this edition provides country profiles on recent tax administration and related reforms in Indonesia, Malaysia and the Philippines. The Task Force held a technical seminar with 13 countries and the ADB in Seoul in October 2015.

- **Africa:** Together with its regional partner organisations (the African Development Bank-AfDB, ATAF, CREDAF, the African Union Commission-UAC, and the World Customs Organisation – WCO) the Task Force will publish, in early 2016, the first edition of Revenue Statistics in Africa, covering Cameroon, Côte d'Ivoire, Mauritius, Morocco, Rwanda, Senegal, South Africa and Tunisia. The Task Force also held a technical seminar, funded by the EU, in Rabat in February 2015.

State Building, Accountability and Development Co-operation

State-building and Accountability

43. The Task Force has continued its work to promote state-building and accountable governance through taxation. The report "*What Drives Tax Morale?*" (COM/CTPA/CFA/DCD/DAC(2014)7) was published in March 2015 and seeks to gauge the attitudes of taxpayers in developing countries to paying taxes. The report outlines several factors that may influence people's willingness to pay taxes and highlights several policy considerations that may assist developing country governments design their tax systems.

44. In addition, the Task Force published the report "*Building Tax Culture, Compliance and Citizenship: A Global Source Book on Taxpayer Education*" (COM/CTPA/CFA/DCD/DAC(2014)6) as an OECD book to support regional organisations in their efforts to support their members on taxpayer education strategies. The publication captures innovative strategies for taxpayer education in 28 countries in order to provide ideas and inspiration to revenue authorities in developing countries. In July 2015 the report was presented at a technical workshop on Taxpayer Education organised by *Fundación Internacional y para Iberoamérica de Administración y Políticas Públicas* (FIIAPP), a partner in the project, in Bolivia. In November 2015 the report was officially launched at a seminar as part of the Task Force plenary meeting.

Taxation and Development Co-operation

45. As noted earlier, 2015 saw DRM issues receive increased attention as means to achieve the SDGs. The OECD provided important evidence demonstrating the impact of international support on tax systems development, and was a partner in the creation of the Addis Tax Initiative (ATI), which seeks to double support to tax matters by 2020. The publication "*Examples of Successful DRM Reforms and the*

Role of International Co-operation" (DCD/DAC(2015)23, a joint OECD/ITC paper), was published and presented at the Third International Conference on Financing for Development in Addis Ababa, at the launch of the ATI. The report includes seven country case studies and reviews reforms and the role international co-operation has played. Findings suggest international co-operation can make very important contributions to tax reform.

46. The OECD is working closely with the ATI participants to develop a monitoring framework for the Initiative, building on existing efforts to improve the monitoring of ODA by developing tax-specific monitoring tools. In particular, the Secretariat supported the creation of a new, separate purpose code for monitoring ODA targeting tax systems development in the OECD/DAC Creditor Reporting System in 2015. This tax code supports authoritative statistics on donor support for tax systems development and allows monitoring donors' ATI commitments as well as SDG 17.1.

47. Finally, the Task Force continues to support the *Global Partnership for Effective Development Co-operation* (GPEDC) which has identified taxation as one of its core priorities. The Task Force supports and monitors the DRM related Global Partnership Initiatives agreed at the Mexico meeting of the Global Partnership in July 2014. The Task Force will support the GPEDC's High Level Meeting which will take place in Kenya in November 2016.

Financing

48. From an original budget of EUR 3.9 million for the 2015/16 biennium, the DAC agreed an adjustment of EUR 2.5 million to cover work on BEPS and developing countries and the Deauville project for Morocco (see DCD/DAC(2015)39), bringing the total budget for the Tax and Development Programme to EUR 6.4 million in 2015-2016. Voluntary Contributions of almost EUR 6 million have been received and are fully committed based on current planning.

Immediate next steps

49. The priority next steps for the Task Force in 2016 are as follows:

- Work with the UN to provide revenue statistics to support monitoring of SDG 17.1 concerning taxation in close consultation with the IMF and the WBG.
- Monitor donor commitments to double their efforts through the ATI and support the process with relevant statistics.
- Help establish the new inclusive framework for BEPS implementation by supporting the participation of developing countries.
- Support the development of 7 further toolkits to translate the BEPS deliverables into user friendly guidance for developing countries.
- Hold a Task Force meeting on BEPS implementation and developing countries on 1st March in Paris.
- Expand OECD/WBG/EC transfer pricing/BEPS capacity building support to 20 countries in 2016.
- Ensure TIWB is a fully operational OECD/UNDP project.

- Complete three further tax incentives reviews on a demand led basis.
- Plan next steps on taxpayer morale and taxpayer education, including evaluation strategies.
- Develop a PWB for Tax and Development for 2017/18.

ANNEX 1: TASK FORCE ON TAX AND DEVELOPMENT CONTRIBUTIONS TO THE THIRD INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT

ADDIS ABABA, 13-16 JULY 2015

1. Launch of the Addis Tax Initiative

This event was organised by the donor community, the OECD and the International Tax Compact. OECD DAC Chair Erik Solheim chaired the meeting, which included the following speakers: Minister of Finance and Economic Development (Ethiopia), Cabinet Secretary for the National Treasury (Kenya), Minister of Finance and Economic Planning (Ghana), State Secretary in the Federal Ministry for Economic Cooperation and Development (Germany), Commissioner for International Cooperation and Development (European Commission), Secretary of State for International Development (United Kingdom), Minister for Foreign Trade and Development Cooperation (Netherlands), and Associate Administrator of USAID (United States).

Key points included:

- The centrality of tax to the FFD debate was universally agreed. The wider benefits of the contribution of taxation to growth and poverty reduction were recognised as was taxation as the antidote to aid dependence.

- Launch of the Addis Tax Initiative which commits donor signatories to double aid and co-operation to tax matters by 2020 and address policy coherence issues; commits developing countries to increase their domestic resource mobilisation (DRM) efforts.

- Acknowledgement of OECD work to demonstrate the results from development co-operation on tax matters (the joint OECD/International Tax Compact discussion paper on Examples of successful DRM reforms and the role of international co-operation was presented).

- The UK launched a pilot project on the automatic exchange of information between Ghana and UK authorities.

- Recognition by Ministers from Ethiopia, Ghana and Kenya that the work of the OECD on BEPS and the Global Forum on EoI are a critical part of the DRM agenda and should be a key feature of the Initiative.

2. Helping domestic resource mobilization through Tax Inspectors Without Borders (TIWB)

OECD Secretary General Angel Gurría and UNDP Administrator Helen Clark hosted and opened this event to launch TIWB. Speakers included OECD Director of the Centre for Tax Policy and Administration, Assistant Administrator and Director of the Regional Bureau for Africa (UNDP), Vice Minister of Finance form Colombia, Commissioner General of the Ghana Revenue Service, Ambassador at large for Development Co-operation in the Dutch Ministry of Foreign Affairs, and the Executive Director of the Tax Justice Network - Africa. Key points included:

- Universal welcome from governments and civil society alike for this highly practical contribution to the financing for development agenda, and concrete action to help developing countries address cross border tax avoidance through audit support.

- Strong support for the OECD/UNDP partnership: the OECD's strength on tax matters and networks of experts complemented by UNDP's global reach and network of offices in developing countries.

- Recognition that the testing phase has already delivered concrete results with significant revenue gains for several countries (Kenya and Colombia), providing strong evidence for scaling up the project.

- A call to action to stakeholders to gear up support: donors to provide resources; tax administrations to provide high quality experts; governments in developing countries to identify their needs in the area of audit.

- Illustration of the power of TIWB through a live case of Ghana being twinned with the Netherlands on a TIWB audit.

- South-South TIWB co-operation will be an essential feature of TIWB going forward.

- Widespread and positive media coverage for one of the most concrete deliverables at the FFD conference.

3. Mobilising domestic resources through tackling Base Erosion and Profit Shifting (BEPS)

The OECD Secretary-General opened this event which was hosted by OECD and UN DESA. Speakers included the OECD Director of the Centre for Tax Policy and Administration; the Director of the UN's Financing for Development Office; the Director of Research in the African Tax Administration Forum; the Senegalese Minister of Economy, Finance and Planning, the Jamaican Minister of Finance and Planning, the Senior Lecturer in the Faculty of Law and the University of Nairobi, and the Deputy Director Fiscal Affairs Department in the IMF.

Key points included:

- Recognition that developing countries suffer from BEPS issues more than developed countries owing to their reliance on corporate income tax.

- OECD Secretary-General Gurría demystified and explained the extensive work undertaken by the OECD with developing countries on the BEPS project, including their direct participation in the project, regional dialogue, the development of toolkits and technical support to 20 developing countries, which has already led to concrete revenue gains.

- Strong partnerships on BEPS and related areas between the OECD and UN (who launched a Handbook on base erosion issues), IMF, the WBG and regional tax organisations were welcomed.

- The benefits of participation in the BEPS project were highlighted by Senegal and Jamaica. Reforms to transfer pricing, treaty abuse and on managing tax incentives were identified as concrete benefits.

- Acknowledgement that the BEPS project was a much needed and urgent response to close tax avoidance loopholes, not a panacea for all international tax problems.

- Calls from civil society for further inclusion of developing countries' voice on international tax matters.

- Recognition of the BEPS-related negative spill over effects on developing countries, derived from cross border tax rules.

4. Linking transparency and exchange of information to domestic resource mobilization

The OECD Secretary-General opened this event which was hosted by the Global Forum and the French Ministry of Finance. Dr Donald Kaberuka, President of the African Development Bank, delivered the keynote address. Ministers of Finance from South Africa, India, the Seychelles, and Colombia intervened either from the panel or the audience. Other representation included: the Minister of Finance and Economic Planning from Ghana; the Executive Director from the African Tax Administration Forum; the Director of Public Service and Performance, Governance Global Practice in the WBG; the Deputy assistant secretary at the French Treasury, the Director of International Relations and UK Envoy to the post-2015 Development Goals, and the Policy and Advocacy Manager of the Tax Justice Network - Africa.

Key points included:

- Recognition that tax evasion is a big problem for developing countries and adversely affects domestic resource mobilisation.

- Huge advances have been made over the past 5 years on tax transparency due the political attention on the issue and work of the Global Forum.

- The need for developing countries to seize the opportunities presented by the recent advances in tax transparency.

- The importance of strong and capable tax administrations amongst African countries.

- India’s determination to address the problem of tax evasion through a new tough Black Money Act and enhanced international tax co-operation.

- Ghana’s commitment to automatic exchange of information (AEOI) through a pilot with the UK. (The AEOI pilot was also announced on 15 July at the launch of the Addis Tax Initiative).

- The importance of linking this agenda to wider good governance.

ANNEX 2: CO-CHAIR STATEMENT ON THE MEETING OF THE OECD TASK FORCE ON TAX AND DEVELOPMENT[12] PARIS, MARCH 2015

The OECD's Task Force on Tax and Development met in Paris, France, on 18 March 2015, to obtain feedback from the regional network meetings on the OECD/G20 BEPS Project and to discuss capacity building support to developing countries. 238 participants from governments, international and regional organisations, civil society and business attended the meeting and welcomed the central role the Task Force has played in ensuring that developing countries have a voice in the development of the work on Base Erosion and Profit Shifting (BEPS). The meeting of the Task Force was part of a week of global meetings including the Global Forum on Transfer Pricing on 16 and 17 March and the Public Consultation on Transfer Pricing on 19 and 20 March. The Global Forum was attended by more than 240 delegates from over 90 jurisdictions and 11 international organisations and focussed on the practical impact of the current BEPS work on transfer pricing. Additionally, a number of developing countries signed up for direct participation in the Public Consultation. The input received from all the meetings will be fed back to the Working Party 6 meeting next week.

BEPS dialogue with developing countries

As mandated by the G20 Leaders the OECD has initiated a structured dialogue process that is based on three pillars to strengthen the engagement with developing countries. The Task Force meeting discussed progress made on each pillar:

i. Direct participation in the CFA and its subsidiary bodies

The Task Force meeting welcomed the direct participation of 14 developing countries[13] and the Regional Tax Organisations (ATAF and CIAT) in the work of the Committee on Fiscal Affairs and the Working Party ("WP") meetings on the BEPS Project. Through this direct participation, developing countries and Regional Tax Organisations are able to provide input at the working and decision-making levels, and to ensure that their specific concerns are taken into account in the solutions developed to tackle BEPS.

ii. Regional Networks of tax policy and administration officials

The chairs of the regional consultations fed back the main outcomes of their meetings highlighting the areas of highest priority for their members and participants. Some regional organisations have been mandated by their members to create internal technical working groups to input their members' responses to the BEPS Project. The meeting welcomed the establishment of these working groups and emphasised the key role that regional organisations have in representing their members and ensuring BEPS solutions meet the needs of developing countries. The Task Force called on countries to provide the financial and technical support required by regional organisations.

The Task Force also noted the importance of maintaining political interest in addressing BEPS risks whilst ensuring the right balance between Domestic Resource Mobilisation and Foreign Direct Investment and the importance of input from business and civil society organisations in the BEPS work.

[12] Co-Chaired by South Africa and the Netherlands, the Task Force is a multi-stakeholder advisory group set up to help to improve the enabling environment for developing countries to collect taxes fairly and effectively. This statement reflects the views of the Co-Chairs and not necessarily those of all stakeholders.

[13] Albania, Azerbaijan, Bangladesh, Croatia, Georgia, Jamaica, Kenya, Morocco, Nigeria, Peru, Philippines, Senegal, Tunisia, and Vietnam.

iii. Capacity building support

The meeting welcomed the call of the G20 to the international and regional organisations to develop toolkits to assist developing countries with the practical implementation of BEPS measures. The meeting discussed the two toolkits scheduled to be delivered in 2015 on tax incentives and transfer pricing comparability data:

- The meeting expressed concerns over the current lack of coherence in granting tax incentives, the lack of capacity to conduct effective cost/benefit analysis, and the lack of transparency on governance of tax incentives. It welcomed the work on a paper by international organisations to assist Low Income Countries in a better use of investment tax incentives.

- The meeting noted the challenges developing countries face in building effective transfer pricing regimes due to the lack of comparability data. Discussions highlighted that countries use a broad range of approaches in an attempt to address the difficulties of finding comparability data and the Task Force therefore considered the toolkit providing assistance to developing countries on this issue is very important.

The meeting also discussed the transfer pricing capacity building programmes and the impact they have had to date in the recipient countries. Experiences shared by recipient countries demonstrated that the type of capacity development that has been provided can be very effective. Demand for such assistance is exploding and technical resource is limited. The meeting recognised that the challenge now is how to further expand the programmes to more countries. The Task Force noted there is a need for a different approach possibly looking for regional mechanisms to both assist in delivering capacity building and in developing the toolkits to implement the BEPS solutions.

Next steps

As Co-Chairs, we encourage international and regional organisations and all stakeholders to support the structured dialogue process and the ongoing capacity development efforts. We particularly call on all countries and organisations:

- to provide concrete input and to participate in consultations to support the practical implementation of BEPS measures and to provide capacity building support in other key areas; and

- to give priority to providing the technical resources needed to expand the country capacity building programmes.

ANNEX 3: CO-CHAIR'S STATEMENT FROM THE FIFTH MEETING OF THE TAX AND DEVELOPMENT TASK FORCE[14] (PARIS, NOVEMBER 2015)

The OECD's Task Force on Tax and Development met in Paris, France, on 2-3 November 2015, to review progress on tax and development made in 2015, including in relation to the UN Sustainable Development Goals (SDG's), the Financing for Development Conference, the Addis Tax Initiative, and the **G20/OECD Base Erosion and Profit Shifting (BEPS) Project**. We took stock of how the actions of all stakeholders, including business and civil society, can support the SDG's and we looked ahead to plan future actions. Over 200 participants from governments, international and regional organisations, civil society and business participated and welcomed the role the Task Force can play in helping developing countries to raise revenues efficiently and fairly.

The Task Force welcomed the strong recognition of the importance of **domestic resource mobilisation (DRM) and taxation** in both the **SDG's** and recent outcomes from the third UN Conference on **Financing for Development** in Addis. We noted the importance of tracking progress on taxation (SDG 17) and in that regard the vital need for the Task Force to support the production of strong, comparable and transparent revenue statistics. Better revenue statistics also enable more informed public policy discussion on tax issues. The Task Force stands ready to help gather these comparable statistics. We welcomed the spirit of the Addis Outcome Statement, that DRM is a primary source of finance for development and the importance of addressing international tax evasion and avoidance in that regard. The Task Force welcomed signatories to the **Addis Tax Initiative** and we encourage others to join the initiative, including those providers of Official Development Assistance who will together double their support for tax matters by 2020. We recognised the need to build on work done by the OECD and International Tax Compact in recording the positive impact of foreign assistance on taxation.

The Task Force welcomed the **recent delivery of the final package** of measures under the **G20/OECD BEPS Project**. These measures have the potential to help developing countries address some of the most pressing DRM issues. We were encouraged by the efforts already begun by the OECD to create a more inclusive framework which will include all countries in the discussion of BEPS-related issues, and the implementation of BEPS Action Items. The views of developing countries on the new framework are warmly, and urgently, welcomed. As mandated by the G20, and working with the International Organisations, the Task Force has supported the development of practical tools to translate the BEPS Action Items into approaches suitable for developing countries wherever needed, and on related topics. The Task Force welcomed the report on **Options for Low Income Countries' Effective an Efficient Use of Tax Incentives for Investment**, finalised by the International Organisations in October 2015. The meeting also welcomed the progress made on **assisting developing countries to better understand mineral product pricing practices.** We heard from developing countries about the importance and impact of the Task Force's joint OECD/WBG/EC transfer pricing work, including contributions from business, and the need to scale up our efforts in light of BEPS implementation. We also noted the need to invest in building expertise in the developing world to build local capacity to address tax evasion and avoidance concerns.

The Task Force reaffirmed the importance for international and regional organisations, donors, the private sector and business to work coherently to deliver assistance to avoid duplication and fragmented initiatives.

[14] This statement reflects the views of the Co-Chairs and not necessarily those of all stakeholders.

We welcomed the new partnership between the OECD and UNDP to scale up the **Tax Inspectors Without Borders (TIWB)** initiative which stands ready to assist developing countries to tackle audit challenges. The global reach, country-level network and local knowledge of UNDP will complement the OECD's capability in international tax issues. The Task Force noted progress in Ghana and Senegal with TIWB operations. We look forward to the programme being fully operational in 2016, and agreed all stakeholders have a role to ensure the initiative succeeds, whether through promoting the initiative, making experts available, or with funding.

The Task Force welcomed the efforts of the **Global Forum on Transparency and Exchange of Information for Tax Purposes** to assist developing countries to benefit from the emerging standard on automatic exchange of information. We will promote transparency and information exchange standards to support progress against SDG 16 which targets the reduction of illicit financial flows. The pilot work mandated by the G20 and the Africa Initiative of the Global Forum have made good progress, and we encourage all developing countries to ensure that they participate in the enhanced global efforts in this area.

The Task Force welcomed the efforts of the **Oslo Dialogue** to include developing countries in the process to promote a **whole-of-government approach to fighting tax and other financial crimes**. We support capacity development efforts to ensure developing countries benefit from the Oslo Dialogue and the OECD's International Academy for Tax Crime Investigation.

The Task Force acknowledged important work that has been developed by the OECD and partners in **assessing tax morale**. We warmly welcomed this as a "bottom-up" approach to monitoring and benchmarking the views of everyday taxpayers on paying taxes. We note the opportunities for the Task Force to play a much greater role in scaling up this effort on a global scale.

We welcomed the launch of the OECD publication "**Building Tax Culture, compliance and citizenship: A Global Source Book on Taxpayer Education**", which illustrates the innovations underway in how governments can reach out to inform their taxpayers, to strengthen tax morale and tax compliance .We will support voluntary efforts for peer learning among developing countries that build on the findings. The Task Force also welcomed the recent launch of the EU-Latin American Taxpayer Education Network and encouraged the further promotion of greater global networking in support of peer learning and lesson learning on taxpayer education strategies.

Summary of Immediate Next Steps

We propose the Task Force and Secretariat:

Track the process to monitor the SDGs and feed in revenue statistics to support SDG 17.1, starting in 2016.

Monitor the Addis commitments, particularly donor commitments to double their efforts through the Addis Tax Initiative, starting now.

Support the establishment of the new inclusive framework for BEPS implementation by February 2016.

Support the development of 7 further toolkits to translate the BEPS deliverables into user friendly guidance for developing countries, starting now.

Expand the OECD/WBG/EC transfer pricing/BEPS capacity building support to at least 20 countries by 2016.

Ensure Tax Inspectors Without Borders is a fully operational OECD/UNDP project by early 2016.

Host a technical meeting for interested stakeholders on planning next steps on taxpayer morale and taxpayer education, including evaluation strategies by March 2016.

We plan to meet again in plenary in 2017.