

**Revenue's Role in the Quest for Inclusive Development:
What Works and What Can Work Better?
South-South Sharing of Successful Tax Practices (S⁴TP)
New York University 22-23 May 2008**

REPORT OF MEETING

A meeting entitled "Revenue's Role in the quest for Inclusive Development: What works and what can work better? South-South Sharing of Successful Tax Practices (S⁴TP)" was held on 22 and 23 May 2008 at New York University.¹ On the evening prior to the meeting on 21 May, a reception for speakers and moderators was hosted by the Permanent Mission of Guatemala to the United Nations.

The meeting was part of a project undertaken by the Special Unit on South-South Cooperation of the United Nations Development Programme, in close cooperation with the Financing for Development Office of the United Nations Department of Economic and Social Affairs and two Non-Governmental Organisations: the New Rules for Global Finance Coalition and the Tax Justice Network.

The project on South-South Sharing of Successful Tax Practices (S⁴TP) is designed to enhance cooperation among developing countries on tax matters by sharing experiences, and also to help identify areas where cooperation among developing countries needs to be enhanced to ensure that international tax norms are shaped in their development and application by developing country perspectives, experiences and realities. It was noted that while this first meeting had been kindly seed-funded by the Special Unit on South-South Cooperation, further meetings would be subject to funding being available.

The focus on this first meeting was on sharing experiences on taxation in the following areas: extractive industries, including mining and fishing, maintaining an effective and independent judiciary, balancing the interest of various stakeholders in the tax system, transfer pricing, including the treatment of intangibles, organising and modernising tax administration, compliance and the use of technology, including possibilities for closing the "information gap" often suffered by tax authorities.

The following Report of the meeting outcomes does not imply that any particular participant of the group agreed to all the conclusions or any particular conclusion, but is reflective of the group's thinking as a whole on the issues before it.

¹ The meeting was participated in by following experts from the governmental, academic and private sectors; Ms. Madina Abazhanova, Expert of the Specialized Unit of the Tax Committee, Ministry of Finance, Republic of Kazakhstan; Ms. Cristiane Coelho, Brazilian Federal Treasury Attorney's Office, Mr. Robert Couzin, Counsel, Couzin Taylor LLP, Canada; Mr. Vimal Gandhi, President, Income Tax Appellate Tribunal, India; Mr. Robert Green, Caplin & Drysdale, USA; Mr. Martin Grote, Tax Specialist, National Treasury, South Africa; Mr. Brahim Kettani, Director of Legislation, Studies and International Cooperation, Directorate of Taxation, Ministry of Economy and Finance, Morocco; Mr. Mustapha Kharbouch, Chief, International Tax Treaties Service, General Tax Administration, Morocco; Mr. Pramod Kumar, Member, Income Tax Appellate Tribunal, India; Mr. Yixin Liao, Professor, Law School of Xiamen University, People's Republic of China; Ms. Carolina Musalem, Senior Advisor on International Tax Matters to the Commissioner, Chilean Tax Administration; Mr. Sosimi Olusegun, Federal Inland Revenue Service of Nigeria, Mrs. Ifueko Omoigui-Okauru, Executive Chairman, Federal Inland Revenue Service and Chairman of the Joint Tax Board, Nigeria; Mr. David Rosenbloom, Director, International Tax Program, New York University, USA; Ms. Carolina Roca Ruano, Superintendent, National Tax Administration, Guatemala; Mr. Stig Sollund, Director General, Tax Law Department, Ministry of Finance, Norway; Mr. David Spencer, Attorney and Tax Justice Network International, USA; Mr. Vito Tanzi, former Director, Fiscal Affairs Department, IMF and former Undersecretary, Ministry of Economy and Finance, Italy; Mr. James Trowbridge, New Rules for Global Finance, Mr. Daniyar Tulegenov (presenting a paper on behalf of Mr. Tomas Balco), Kazakhstan Institute of Management, Mr. Victor Thuronyi, Senior Counsel, Legal Department, IMF; Mrs. Sabina Walcott-Denny, Commissioner, Inland Revenue, Barbados; and Mr. Michael G. Waweru, Commissioner General, Kenya Revenue Authority. H.E. Ambassador Gert Rosenthal, Permanent Mission of Guatemala to the United Nations was an observer at some of the sessions, as was Ms. Coralie Bryant, Woodrow Wilson Center for International Scholars. Mrs. Ifueko Omoigui-Okauru agreed to be Rapporteur for the meeting.

corruption and tax revenue authorities in developing countries should, therefore, strive for attaining higher levels of transparency in respect of revenue collections from the natural resources sector;

10. There is a need, in addressing tax related aspects of development, to consider not just how to enhance capabilities in the areas of tax policy and administration, but also how to nurture an independent and capable tax judiciary, and a transparent and effective system of related business law;

Going forward it was recognised that there is much that could be done to improve South-South cooperation in the tax sphere, both on the day to day level but also in enhancing inputs of countries generally into international tax norms that would inevitably affect them.

1. In particular participants and the organisers of the S⁴TP project should:
 - a. Share experiences on the topics of this meeting with those not at this meeting using United Nations channels (including through the proposed publication of presentations) but also using other networks in parallel;
 - b. Organise or re-organise (as may be applicable) for transfer pricing – as it was an ongoing issue of great relevance to tax systems generally. This would include:
 - i. building capacity to deal with current issues, including dealing with issues of transfer

- v. Promoting ongoing beneficial exchange of experiences, both what has worked and what has not, including in areas of general administration and promoting a “tax culture” and confidence in the tax system internally and externally. This would allow decisions to be taken in an informed way that expedites improvements and efficiencies in tax systems, draws upon pooled experience and makes it a more collective and enduring resource, while allowing such informed decisions to be taken in the developmental and cultural context of particular countries;
 - vi. Addressing in practical ways the frequent mismatch of negotiation and other skills and of available information as between developed and developing countries in bilateral tax treaty negotiations and in negotiations with transnational corporations; and
 - vii. Ensuring in all the above that there is a focus on dealing (in a needs-driven way) with both technically complex areas of taxation, such as resource taxation and transfer pricing, as well as the basic tax administration curriculum and the structural and operational issues for effective tax administrations.
- b. Further work on the possibility of projects to enhance capabilities in the area of transfer pricing and related issues, including supporting developing countries in:
- i. Addressing current issues, such as difficult transfer pricing issues, in an equitable and coherent manner;
 - ii. Examining, in particular, the impact of transfer pricing involving intangibles and in service industries (e.g., tourism);
 - iii. Considering the possible role of “safe harbours” and other simplified methods in balancing the needs for a fair outcome, an administratively workable system and greater certainty in transfer pricing cases;
 - iv. Considering the application of comparable price methodologies in small developing countries, where there is a lack of suitable comparators; and
 - v. Examining, in parallel, possibilities for an alternative and widely acceptable approach for ensuring reasonable outcomes from the perspective of tax systems and taxpayers other than the arm’s length standard, in view of the difficulties recognised on all sides with that approach;
- c. Work on developing a record of comparative tax law on key issues for publication and use in developing countries, recognising that no one model will be appropriate in all cases;
- d. The possibilities for having an International Tax Appeal Tribunal in place of arbitration clauses in Tax Treaties, as well as other options to increase cooperation amongst the “tax judiciary” internationally to increase the capabilities of a key aspect of any effective tax system;
- e.

- j. In general, how best to further develop all areas covered at the conference, including issues in the taxation of resources (such as transparency and governance issues in relation to such taxation) and organisational and compliance issues for countries, with a practical approach.

The UN Secretariat agreed to send participants materials on the Doha Review Conference on Financing for Development, as well as some further information on previous work done on a Basic World Tax Code as requested at the meeting, and other relevant materials relevant to the increased cooperation with a view to effective tax systems that assist sustained development.

The UN Secretariat also agreed to further explore opportunities, with other partners in the S⁴TP project, to further the two aspects of the project - enhancing cooperation among developing countries on tax matters by sharing experiences, and also helping to identify areas where cooperation among developing countries needs to be enhanced to ensure that international tax norms are shaped in their development and application by developing country perspectives, experiences and realities.