Economic and Social Council
Special event on International Cooperation in Tax Matters
(New York, 28-31 May 2013)

Special meeting of ECOSOC on International Cooperation in Tax Matters (29 May 2013)

Pursuant to its resolution 2012/33, ECOSOC will hold, on 29 May 2013, a one-day meeting to consider international cooperation in tax matters, including institutional arrangements to promote such cooperation, with the participation of representatives of national tax authorities. The discussion at the meeting will be informed by a report of the Secretary-General on further progress achieved in strengthening the work of the Committee of Experts on International Cooperation in Tax Matters (E/2013/67).

The format of the meeting will be modeled on a similar meeting held by the Council on 15 March 2012, which was well received by delegations. The center piece of the meeting will be an official launch of the *UN Practical Manual on Transfer Pricing for Developing Countries* (the "Manual"), which was adopted by the Committee at its last session (Geneva, 15-19 October 2012). The Manual was authored by the Committee in order to help mitigate developing countries' vulnerability to abuse and revenue loss from tax evasion in the complex area of transfer pricing, resulting from their limited and insufficient capacities and resources in this area.

Transfer pricing refers to setting of prices in international transactions, in which transfer of goods, services, capital or intangible property takes place between two related companies, i.e. parts of the same multinational enterprise, such as parent and subsidiary or two subsidiaries controlled by the same parent. Today, it is one of the most important topics in international taxation as a significant share of global trade takes place within multinationals rather than between them. Transfer pricing is not inherently illegal or abusive, but it can lead to mispricing, which can then lead to loss of tax revenue to countries. Unlike in transactions between two independent multinationals, where the market dictates the price, when trade takes place between two related companies within one multinational, they may wish to artificially distort the price in order to minimize their overall tax liability. Effectively, they would shift profits to low-tax jurisdictions while transferring losses and dedu6.9(t)6T1tssses T01 Tc7.0015 T58.00

The launch will include panel presentations and distribution of the publication (on flash drive), as well as promotional materials (posters, press releases and flyers). The launch will be followed by a panel discussion on "*Transfer pricing challenges for developing countries*", featuring presentations by country representatives, including Brazil, China and India, representing countries, which have significant experience in implementing viable approaches to applying the "arm's length" principle despite the common challenges faced by developing countries.

The meeting will also feature a panel discussion on "*International tax cooperation: Capacity development"*, with the participation of major international organizations active in the tax area, such as the UN, IMF, World Bank, OECD, the Inter-American Centre of Tax Administrations (CIAT) and the African Tax Administration Forum (ATAF). Subsequently, an interactive discussion will be held on "*Current issues in countering international tax avoidance and tax evasion*", which would serve to broaden the discussion on tax avoidance and evasion beyond transfer pricing, including other issues of tax base erosion and profit shifting. The panelists will include representatives of the OECD and the European Commission, as well as academia, including Prof. Philip Baker and Prof. Hugh Ault.

Expert Group Meeting on Extractive Industries Taxation (28 May 2013)

In preparation for the ECOSOC meeting, the Financing for Development Office (FfDO) of UN-DESA is organizing an expert group meeting with a view to advancing the current priority areas of the work programme of the Committee. Specifically, the expert group meeting will focus on taxation of the extractive industry sector, which is one of the new agenda items selected by the Committee for its 9th session (Geneva, 21-25 October 2013).

In developing countries, taxes on extractive industries often do not contribute as much as they

National Tax Authorities (NTAs), and other competent authorities in developing countries to effectively identify and assess their needs in the area of double tax treaty negotiation and administration.

The prevention or elimination of international double taxation is a significant aspect of countries' investment climate, which is a critical factor in attracting FDI. International law places very few limits on the tax sovereignty of countries. As a result, income from cross-border investment and activities may generally be taxable both in the source country, which is the country where investment or other activity takes place, and in the residence country, which is the country of the investor or trader, according to their respective domestic tax laws. Double tax treaties are bilateral agreements between two countries, which allocate taxing rights over such income between these countries and thus aim at preventing double taxation