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3. UN Course on Double Tax Treaties

Final technical review of the course modules

The last batch of draft modules to comprise the “UN Course on Double Tax Treaties” based on the 2011 UN Model was reviewed during the final technical review (New York, 11-13 December 2013) with the participation of 2 members of the Committee (Armando Lara Yaffar and Cezary Krysiak), 3 authors of the course materials and 3 representatives of relevant authorities of developing countries in Latin America. Following the meeting, the core modules of the course were finalized.

One session of the meeting was dedicated to planning the first pilot event utilizing the course material, to be delivered for the Latin America and Caribbean region. Sng64(F)6-a0.480ne s watoursd td(ou

possible and carrying out a “train-the-trainer” programme in order to enable regional experts to deliver it.

4. Negotiation of tax treaties

Papers on Selected Topics in Negotiations of Tax Treaties for Developing Countries

interactive discussions of major concerns for developing countries with a view of ensuring that these are taken into account by the draft papers.

2nd workshop on the same topic was organized by FfDO, in cooperation with the OECD Center for Tax Policy and Administration, on 23 September 2014 at the OECD Headquarters in Paris, France. The workshop was attended by 15 tax officials from 12 developing countries (Argentina, Bangladesh, Dominican Republic, Ecuador, Indonesia, Lesotho, Malaysia, Philippines, Viet Nam, Uganda, Uruguay and Zimbabwe). The workshop was also attended by 3 members of the Committee, 3 representatives of the African Tax Administration Forum (ATAF), representative of ITC and 5 representatives of the OECD.

The Paris workshop focused on the following topics: (1) Preventing the artificial avoidance of PE status; (2) Neutralizing effects of hybrid mismatch arrangements; (3) Limiting interest deductions; (4) Taxation of capital gains; (5) Preventing tax treaty abuse; and (6) Transparency and disclosure. Nine experts from academia presented their draft papers on these topics, followed by parallel discussions in small groups comprising representatives of developing countries, international and regional organizations and other experts, with a view of ensuring that the papers fully take into account the challenges faced by developing countries in these areas. Participants took part in discussions enthusiastically and actively engaged in South-South sharing.

Participants of the workshop were also invited to attend the OECD meeting with non-OECD Economies and International Organizations, which was held on 24 September 2014 at the OECD Headquarters in Paris. During that meeting, the UN consultants, who drafted papers for the UN workshop, reported on the discussions at the workshop and other relevant UN work in the areas of: (a) wasteful tax incentives designed to attract investment; (b) indirect transfers of assets; and (c) excessive payments to foreign affiliated companies in respect of interest, service charges, management and technical fees and royalties. On 25-26 September 2014, during the OECD Global Forum on Tax Treaties, the UN consultants reported on UN work in the areas of: (a) preventing treaty abuse; (b) preventing the artificial avoidance of PE status; and (c) making dispute resolution mechanisms more effective. These UN inputs to the OECD meetings served the purpose of providing the perspective of developing countries and inputting into the OECD project on BEPS.

The authors will now revise their papers taking into account the feedback received from developing countries. Following that the papers will be edited and finalized to comprise a coherent publication, which will be issued in March/April 2015 and subsequently used to deliver technical cooperation activities at the country level. It will also serve as concrete input to the preparatory process of the 3rd Conference on Financing for Development (Addis Ababa, Ethiopia, 13-16 July 2015) and thus to the financing framework for the post-2015 development agenda, in the area of domestic resource mobilization.

7. Transfer Pricing

UN Course on Practical Issues in Transfer Pricing for Developing Countries

The first technical review by the Steering Group of the sample modules to comprise the “UN Course on Practical Issues in Transfer Pricing for Developing Countries”, based on the UN

Transfer Pricing Manual was held in New York, on 16-18 December 2013. The Steering Group's mandate is to ensure that the materials adequately reflect content of the Manual and the needs of developing countries. The participants in the meeting included 4 authors, 4 members of the Steering Group (Stig Sollund, T.P. Ostwal, Nishana Gosai and Jose Madariaga Montes), 6 representatives of relevant authorities from developing countries and a representative of the OECD. During the meeting, two sample modules of the course, namely: "Introduction to Transfer Pricing" and "Comparability Analysis" were presented by respective authors. Following their presentations designated country representatives served as "Discussants" and gave short presentations providing comments with a view to ensuring that the proposed materials adequately reflected needs and priorities of their countries. The remaining authors, who were just beginning their work on the respective modules provided overview of their proposed modules and raised some issues for discussion.

The meeting featured very interactive and vibrant discussion among all participants. Many practical suggestions were made on how to improve the materials and make them more relevant to the realities of developing countries. South-South sharing aspect emerged very prominently at the meeting. All participants expressed their great interest in further work on the course and reconfirmed demand in their regions for the UN capacity development activities in the area of transfer pricing.

The second ½-day technical meeting was held in New York on 11 April, 2014 during which the course module on "Transfer pricing methods" was reviewed.

The last technical meeting to review the remaining modules of the course will take place on 10-12 December in Panama City, Panama with the participation of the members of the Steering Group, all authors of the course modules and 12 representatives of developing countries. CIAT will provide assistance in organizing the meeting. Following this meeting, all modules of the course will be finalized and used to deliver capacity development initiatives.

In addition, in response to demand from developing countries, an additional 1-day introductory module on transfer pricing is being developed by a consultant to address the needs of officials with no experience in transfer pricing. This module might be delivered as a prerequisite to the UN Course in order to bring the participants up to speed and enable them to fully benefit from the UN Course. However, it could also serve as a self-standing general introduction to transfer pricing.

of key indicators of TTCs, which could be applied by tax authorities on an ongoing basis to measure and assess such costs with a view to targeting reforms to reduce them.

On 20-21 November 2013, a workshop was held in Panama City, Panama, to discuss and review the above-mentioned methodology, as well as the results of its pilot implementation in two countries (Costa Rica and Uruguay), with representatives from national tax authorities of 13 Latin American countries. In follow up to this meeting, the methodology was revised and fine-tuned to take into account the feedback and comments provided by the participants.

This project raised significant interest in Latin America. In addition to the pilot countries, other countries in the region committed to implement initiatives aimed at measuring and assessing TTCs with a view to reducing them. Brazil joined the project on a self-funded basis and is currently testing the application of the proposed methodology to measure TTCs in its own system. Moreover, Ecuador, Dominican Republic, Guatemala and Panama expressed their interest in undertaking work on TTCs in the near future as part of their action plans.

In order to further disseminate the results of the project, a final publication entitled “*Measuring Tax Transaction Costs in Small and Medium Enterprises*” was issued and is available in English at http://www.un.org/esa/ffd/documents/TTC_Eng.pdf and in Spanish at http://www.un.org/esa/ffd/documents/TTC_Sp.pdf. It provides national tax administrations in developing countries with a methodology that allows them to identify and measure TTCs for taxpayers and tax institutions, thereby assisting in identifying possible reforms aimed at reducing these costs with a view to fostering greater tax compliance. This could lead to more effective and efficient tax systems supporting the desired level of investment, and result in sustainable increase in government revenues available to fund countries’ development goals.
