

**Committee of Experts on International
Cooperation in Tax Matters
Seventeenth session**

Geneva, 16-19 October 2018

Item 3 (c) (ix) of the provisional agenda

Taxation of development projects

Tax Treatment of ODA Projects

Note by the Secretariat

Summary

This note is presented FOR DECISION at the meeting of the Committee to be held in Geneva on 16-19 October 2018.

The note provides a short background on the work done on the tax

Background

1. At the fifteenth session of the Committee (Geneva, 17-20 October 2017), a number of members and observers stressed the importance of addressing the issue of the tax treatment of ODA projects and the Committee decided that the next step would be to have a paper prepared for discussion at the sixteenth session of the Committee.

2. That paper, note E/C.18/2018/CRP.5, included an annotated version of the 2007 draft guidelines that had been first discussed at an informal meeting that took place on 12 February 2018 in the margins of the first global conference of the Platform for Collaboration on Tax on “Taxation and the Sustainable Development Goals” (held at the UN headquarters in New York on 14-16 February 2018). The issue of the tax treatment of ODA projects was also raised during that conference itself and the Platform Partners’ Statement that was released at the closing of the conference indicated that the Platform’s Partners (i.e. the International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations and W 1 088 ODA projects

Pay special attention to the experience of developing countries and of governmental and inter-governmental donor agencies.

Ensure that its work draws upon and feeds into, as appropriate, the relevant work on the issue done in other fora, especially the Platform for Collaboration on Tax.

The aim of the Subcommittee shall be to present to the Committee a revised version of the 2007 Draft Guidelines for consideration with a view to their adoption at the first meeting of the Committee in 2020. Updates on the progress of the work shall be provided to the Committee at each preceding session. The Subcommittee may request the Secretariat to develop necessary inputs and provide necessary support within its resources.

ANNEX

Summary of the Panel on Taxation of ODA projects at the 2018 ECOSOC Special Meeting on International Cooperation in Tax Matters

1. The panel session on “Taxation of ODA Projects” was moderated by Mr. Jacques Sasseville from the Secretariat and featured presentations by Mr. Abdoufatah Moussa Arreh, Head, Tax Policy Unit, Ministry of Economy and Finance, Djibouti (delivered by Mr. Sasseville in the absence of Mr. Moussa Arreh); Ms. Titia Stolte-Detring, Deputy Head of Division, International Tax Section, Federal Ministry of Finance, Germany; Ms. Elfrieda Stewart Tamba, Commissioner General, Liberia Revenue Authority, and Mr. Christophe Waerzeggers, Senior Counsel, International Monetary Fund. The panel also featured interventions by the following speakers from the floor: H.E. Mr. Marc Pecsteen de Buytswerve, Permanent Representative of Belgium to the United Nations; Mr. Dang Ngoc Minh, Deputy Director General, General Department of Taxation (GDT), Ministry of Finance, Viet Nam, and Ms. Natalia Aristizabal Mora, Vice-Chairperson, Committee of Experts on International Cooperation in Tax Matters.

2. The moderator introduced the session by noting the commitment, included in the Addis Ababa Action Agenda, to “consider not requesting tax exemptions on goods and services delivered as government-to-government aid, beginning with renouncing repayments of value-added taxes and import levies.”

3. Mr. Sasseville presented the slides prepared by Mr. Moussa Arreh, which first described the importance of foreign-funded development projects in the economy of Djibouti, where the amounts spent on such projects are almost equivalent to the State’s entire budget. It was estimated that in recent years, the wide range of tax exemptions (from both direct and indirect taxes) granted to donors with respect to these projects resulted in a loss of tax revenues corresponding to between 10% and 15% of the total tax revenues of Djibouti. Administering these exemptions

inconsistency in the tax system. In light of the efforts of Vietnam in increasing the mobilization