INTER-AGENCY TASK FORCE
ON FINANCING FOR DEVELOPMENT

Issue Brief Series

The Platform for Collaboration on Tax

International Monetary Fund (IMF)
Organisation for Economic Co-operation and Development (OECD)
United Nations (UN)
World Bank Group (WBG)

July 2016

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

FINANCING FOR DEVELOPMENT

More Information
http://www.un.org/esa/ffd/ffd-follow-up/inter-agency-task-force.html

The Platform for Collaboration on Tax
IMF, OECD, UN, WBG

Introduction

Strengthening tax systems - policy and administration – has emerged as a key development priority, as a core part of the Sustainable Development Goals (SDG) framework and the Addis Ababa Action Agenda. The international organizations (IOs – IMF, OECD, UN, WBG) already provide extensive support to countries' tax efforts in capacity building, policy reform, standard setting and implementation, policy dialogue and knowledge sharing. Yet significant additional tax revenues, raised in fair and efficient ways, are required to meet the global development challenges. The IOs welcome the increased emphasis on taxation, recognize their responsibility to further support countries' efforts, and see deepening their collaboration and cooperation as an essential driver of strengthening tax systems.

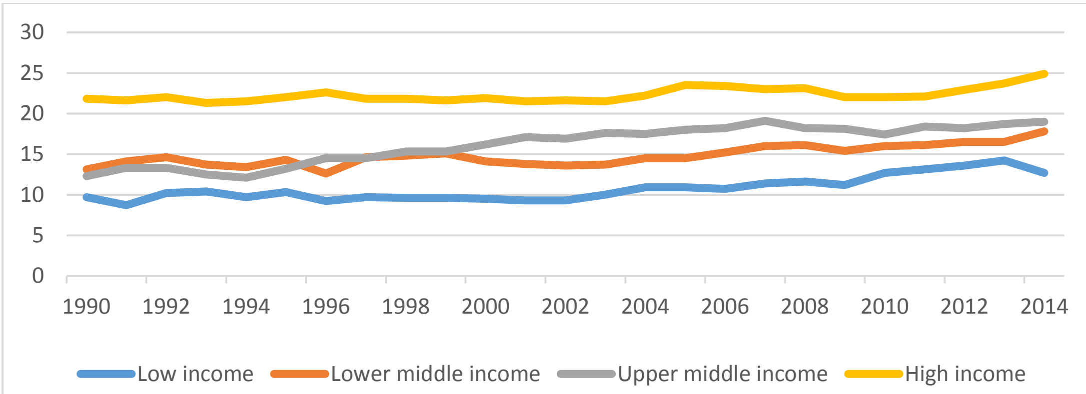
At the same time, increased globalisation increased the significance of international tax issues. This makes international cooperation on taxation more important than ever, and highlights the urgent need to bring more closely together the experiences and expertise that the IOs, with their different priorities and roles, have built up.

The Platform for Collaboration on Tax, bringing together the IMF, OECD, UN and WBG, is a significant new development to ensure effective international tax cooperation, to help realise the ambitions of Addis.

Stocktaking

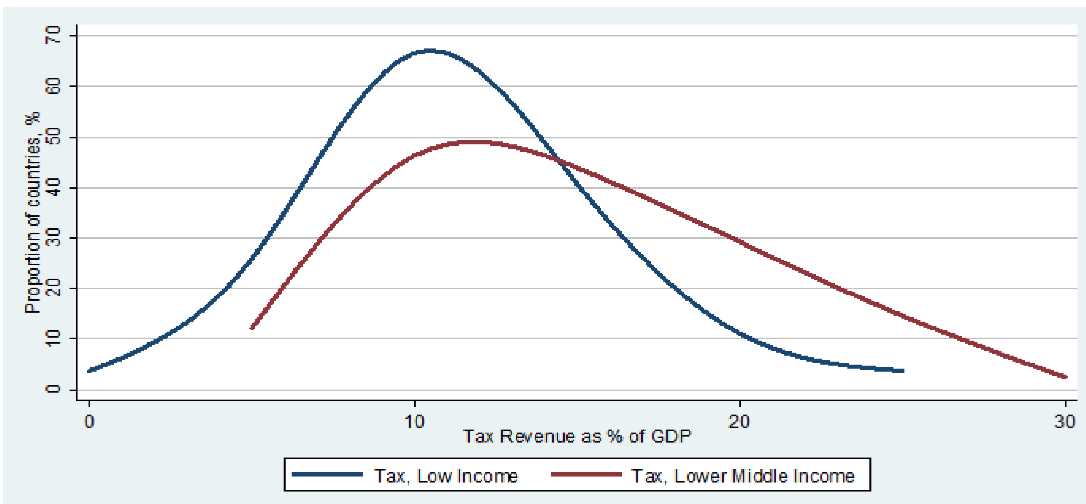
There has been a slow but marked increase in tax ratios since around the turn of the century with a slow-down in the pace in increase since the global financial crisis (Figure 1)though there is wide variation across countries (Figure 2). There is no single target for the tax ratio appropriate to all countries: their potential, (in terms of resource endowments and geographic location) differ, as do governments' views as to an appropriate level of taxation. There is increasing evidence, however, that it is hard to secure lasting growth with a tax ratio below around 15 percent. The median tax ratio in low income countries was around 13 percent in 2013, with just under 40% of LICs having ratios below 15 percent, on average by about 4 percent of GDP.

Figure 1: Development in tax ratios (median, by income group)



Source: WoRLD data.

Figure 2: Distribution of tax ratios, 2013



Source: WoRLD data.

Alongside this there have been significant developments, especially since the 2008 financial crisis, in international tax cooperation, and an era of unprecedented international cooperation on tax matters is now underway. This has been boosted by progress on exchange of information since 2009 led by the OECD and Global Forum on Transparency and Exchange of Information for Tax Purposes and, more recently the G20/OECD BEPS Project, both of which have seen more inclusion of developing countries in making significant changes to the international rules.

Both the Global Forum and the new Inclusive Framework on BEPS are now open to all countries wishing to join, and all members are on an equal footing. This evolving environment is underpinned by a series of converging initiatives and actions, including the recent decision to enhance the resources of the UN Committee of Experts in order to strengthen its effectiveness.

Other developments include a new joint IMF/WBG initiative on strengthening tax systems in developing countries and fostering inclusive policy discussions, a partnership between the OECD and UNDP on Tax Inspectors Without Borders plus the Addis Tax Initiative designed to dramatically increase donor support for building tax capacity in poorer countries. These developments are already having an impact, with meaningful progress being made in many countries.

International Organisations response – Platform for Collaboration on Tax

These developments and the ambition of the Addis Agenda and the SDGs are raising expectations, not least for coherent action among the IOs. As such the IOs have come together to form a Platform for Collaboration on Tax to boost their co-operation in tax matters.

The overarching aim for cooperation among the IOs is to better support governments in addressing the tax challenges they face[1]. The Platform will provide a means to help achieve this, by providing a structured and transparent framework for:

1. Producing concrete joint outputs and deliverables under an agreed work plan, implemented in collaboration by all or selected IOs, and leveraging each institution's own work programme and comparative advantage. The outputs may cover a variety of domestic and international tax matters.

2. Strengthening dynamic interactions between standard setting, capacity building and technical assistance (experience and knowledge from capacity building work feeding into standard setting and vice-versa, including timing of implementation).

3. Sharing information on activities more systematically, including on country level activities.

The activities already planned include:

- Developing appropriate tools for developing countries in the taxation of Multinational Enterprises (MNEs), including in relation to the new measures from the BEPS reports.
    - 8 toolkits are planned by March 2018[2], the first on tax incentives[3] has been delivered.

- Supporting interested developing countries to participate in the implementation of the BEPS package and input into future global standard setting on international taxation.
    - The Platform will complement the Inclusive Framework on BEPS, through identifying gaps, loopholes or problems from developing countries and feeding this analysis into

[1] For full details of the Platform see the concept note - http://www.un.org/esa/ffd/wp-content/uploads/2016/04/concept-note-platform-for-collaboration-on-tax.pdf

[2] For the full list see - http://www.oecd.org/ctp/addressing-developing-countries-international-tax-concerns.htm

[3] http://www.oecd.org/tax/tax-global/options-for-low-income-countries-effective-and-efficient-use-of-tax-incentives-for-investment.pdf

the Inclusive Framework discussions. Platform members will also use their expertise to advise on implementation and support developing countries' active participation.

- Capacity Development Issues
    - Common and jointly owned training materials, development of training programmes, and reports and recommendations on the impact of assistance on tax reform efforts in developing countries[4].

- Improving awareness to build comprehensive and effective exchange of information mechanisms
    - Cost/benefit analyses for developing countries engaging in international exchange of information provisions.

[4] The first report on capacity building by the Platform for the G20 will be published in 2016.