DRAFT SUMMARY RECORD
FOURTH MEETING OF THE OECD TASK FORCE ON TAX AND DEVELOPMENT
SEOUL, KOREA, 30 – 31 OCTOBER 2013

Session I: Welcoming address from the Government of Korea, introductions from the Co-Chairs and Secretariat

1. Mr Lee Suk-Joon, Vice-Minister of Strategy and Finance gave the welcoming address on behalf of the Government of Korea. He expressed how fair and effective taxation is a priority for Korea on its domestic agenda, at the international level and in its development cooperation efforts. He highlighted the important role that domestic resource mobilisation played in Korea's remarkable transformation from a major recipient of aid to a significant donor.

2. The Co-Chairs of the meeting, Edwin Visser (Deputy Director General, Ministry of Finance, the Netherlands) and Logan Wort (Executive Secretary, African Tax Administration Forum, for South Africa) welcomed participants. Ben Dickinson (Head, OECD Tax and Development Programme) noted the Task Force's advisory role to the OECD's Committee on Fiscal Affairs and Development Assistance Committee and updated delegates on the progress made to date in six areas: Tax Inspectors Without Borders (TIWB); transfer pricing; tax incentives for investment; mobilising donor support for tax system development; tax morale and taxpayer education; and exchange of information in support of the Global Forum on Transparency and Exchange of Information on Tax Matters.

Session II: Base Erosion and Profit Shifting and developing countries

3. Renata Fontana (OECD Secretariat) introduced the OECD/G20 BEPS project and the 15-point Action Plan to address double non-taxation by multinational enterprises (MNEs). She explained how all countries stand to benefit and outlined how developing countries are being brought into the process.

4. Ms Allen Kagina (Commissioner General, Uganda Revenue Authority) spoke to developing country perspectives on BEPS. She identified risks related to revenue loss and citizen discontentment due to BEPS issues. She encouraged the OECD to engage developing countries in BEPS discussions; to recognise the heterogeneity of developing countries when considering solutions, and the inclusion of harmful tax incentives in BEPS topics.

5. Johan Fourie (Manager, South African Revenue Service; Facilitator of the Domestic Resource Mobilisation Pillar, G20 Development Working Group) described the efforts of the G20 Development Working Group to keep tax high on the development agenda. He noted the G20 Leaders ambitious deadlines for a roadmap for action on BEPS and automatic exchange of information (AEOI) by February 2014 with full implementation by December 2015.

6. Alexander Trepelkov (Director, Financing for Development Office, UN-DESA) confirmed UN support for the OECD/G20 BEPS project and outlined UN activities to address BEPS issues including the UN Tax Committee which has established a BEPS sub-committee. He underscored the UN's commitments to work with the OECD including through joint capacity development initiatives with developing countries and facilitating developing country input into work on BEPS issues by both organisations.

7. Alex Prats (Principal Economic Justice Advisor, Christian Aid) noted that civil society considers the OECD/G20 Action Plan to tackle BEPS to be a positive step, but that it might not be effective to address the most fundamental flaws of the current system. He encouraged meaningful engagement of developing countries in decision making on BEPS, and he presented several recommendations, including that developing countries be invited to join OECD working groups examining BEPS issues on an equal footing; that regional tax organisations (RTOs), such as ATAF and CIAT, take a leadership role in facilitating BEPS regional consultations; and that all key players - OECD/UN/RTOs/G20 Development Working Group/IMF - cooperate to ensure the process is as inclusive and efficient as possible. He informed the meeting that CSOs have established an expert BEPS monitoring group, whose main focus will be on how the BEPS initiative can have a positive impact on human development.

8. Delegates welcomed global action to address BEPS issues; stressed that developing countries must have a voice, and expressed support for regional meetings to feed into the OECD/G20 BEPS project.

9. The Co-Chair concluded that next steps would include the formation of a BEPS Africa group, under the leadership of ATAF with CREDAF as soon as possible; hold regional information sharing and consultation events in Africa and Latin America, and hold a Task Force meeting dedicated to BEPS in March 2014 to inform a written submission into the OECD/G20 BEPS project, by June 2014.

Session III: Transparency of Multinational Enterprise Reporting

10. Lee Corrick (OECD Secretariat) reported that the Task Force work on the transparency benefits from the public registration of statutory accounts had led to progress on country by country reporting, particularly the work on a common template for the global allocation of profits and taxes paid being taken forward by the G8, G20 and OECD. He noted that the Task Force has been providing assistance to developing countries considering a public registration requirement and helping with the design of Transfer Pricing Return Schedules. He emphasised that countries were made aware that introducing a public registration requirement was not mandatory and was a decision for the country to make. In addition, the Task Force work and debates on country by country reporting (CBCR) fed into the G8 summit in 2013 leading to the call for the OECD to develop a common template for CBCR to tax administrations. This is being taken forward under Action 13 of the BEPS Action Plan.

11. José Correia Nunes (Head of Unit, Development and Cooperation, EuropeAid, European Commission) provided an update on the European Transparency and Accounting Directive. He described lessons learned by the EU in dealing with the challenges of introducing CBCR. He underscored the importance of the complementarity of international efforts, notably that the EU's CBCR will work side by side with the Extractive Industries Transparency Initiative (EITI).

12. William Morris (Chair of the Taxation and Fiscal Policy Committee, Business and Industry Advisory Committee) emphasized that the CBCR template should be a high level mapping of where profits arise and taxes are paid. He stressed that business should engage with tax administrations in developing countries and BIAC has published a Statement of Tax Best Practices and Statement of Tax Principles to guide engagement. If countries do not find these are being applied they should feed that back to BIAC.

13. María Villanueva Serrano (Policy Advisor, Oxfam) outlined the information civil society considers to be essential under CBCR, noting that such information is also important for investors, customers and other stakeholders. She argued that CBCR should cover all sectors; that the information provided by MNEs should be publicly available, not just to tax administrations, in order to hold companies and governments to account; and that disclosure should be compulsory not voluntary.

14. Delegates welcomed the Task Force's efforts while noting that financial reporting standards are the responsibility of the Accounting Standards Board, and that the use of financial statements for transfer pricing comparability purposes is limited.

15. The Co-Chair concluded that next steps would be to continue to assist developing countries with designing Transfer Pricing Return Schedules; act as a platform to input into work on BEPS Action 13, and continue to track transparency developments, including EC, business and civil society initiatives.

Session IV: Tax Inspectors Without Borders

16. Caroline Malcolm (OECD Secretariat) gave an update on Tax Inspectors Without Borders: an initiative to deploy the transfer of tax audit knowledge and skills for complex international cases, through a real time, 'learning by doing' approach. The initiative received strong support from the G8 and G20. Now in the implementation phase, work is focused on establishing the Advisory Board, developing the TIWB database, drafting the TIWB Toolkit and setting up pilot projects.

17. Diego González-Béndiksen (Head of International Audit Unit, Department of Tax and Customs, DIAN, Colombia) expressed Colombia's strong support for TIWB and indicated that it has developed two proposals for pilots which it would fund. Fredrik Aksnes (International Director, Norwegian Tax Office) highlighted some of the lessons learned from Norway's experience on supporting international audits in several African countries. Dr Alois Daton (Commissioner of Taxation, Papua New Guinea Internal Revenue Commission) indicated PNG's interest in being one of the pilot projects, specifically in the resource sector, and has set aside funds to help do so. The Chair noted additional expressions of interest in the Advisory Board from Zambia and Spain.[1] Marian Bette (Senior Policy Adviser, Ministry of Finance, the Netherlands) provided reflections on indicators and measures of success for TIWB and suggested drawing upon relevant work of the Forum on Tax Administration (FTA).

18. Delegates welcomed progress to establish TIWB and offered a range of suggestions to ensure its success, including to work with the World Bank given its global presence; to explore the potential for joint audits and south-south co-operation; to be aware of capacity constraints and the need for tailor-made support particularly in very low-income countries. Civil society and business voiced their support for TIWB and willingness to participate on the Advisory Board; business offered to help where appropriate on knowledge sharing on risk management and pricing methodologies.

19. The Co-Chair concluded that next steps would be to conduct pilots in Colombia, Ghana, Rwanda and Zambia and report on these by mid-2014; finalise establishment of the Advisory Board comprising the Task Force Co-Chairs, representatives of governments, civil society and business; prepare a practical Toolkit by February 2014; and plan a public launch opportunity in early 2014.

Session V: Building Transfer Pricing Capacity

20. Lee Corrick (OECD Secretariat) introduced the OECD, EC and World Bank Transfer Pricing Capacity Building programme being delivered to 8 developing countries and the EAC, with requests from many others. Lessons learned from the programme are informing the policy process, for example, the lack of comparability data available to developing countries led to a G8 call for the OECD to find solutions.

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[1] Noting these expressions of interest, the Co-Chairs extended to Spain and Zambia an invitation to join the TIWB Advisory Board in addition to those members proposed during the meeting. The invitations were accepted, and the full list of TIWB Advisory Board members is: Co-Chairs (South Africa and the Netherlands), France, Papua New Guinea, Spain, the UK, Zambia, ATAF, CIAT, the OECD's Business and Industry Advisory Council (BIAC), and civil society (through CCFD-Terre Solidaire).

21. Diego González-Béndiksen (Head of International Audit Unit, DIAN, Colombia) highlighted the impact of the programme in Colombia including revised legislation, a reorganisation of DIAN to enable it to work more effectively on transfer pricing risk, and increased revenue from transfer pricing adjustments and improved voluntary compliance. Edward Akpakli (Chief Inspector of Taxes, Large Taxpayers Office, Ghana Revenue Authority) described the significant risk to the tax base from transfer pricing in Ghana and how the programme helped to introduce new transfer pricing regulations and supporting guidance and deliver skills building workshops. Maurice Oray (Deputy Commissioner, Head Policy Unit Audit, Domestic Taxes Department, Kenya Revenue Authority) explained how the programme has helped to build the skills of KRA auditors on advanced transfer pricing issues leading to more audits being completed and higher tax revenue with an increase in tax collected from transfer pricing adjustments of USD 52M for year ended 30 June 2012 to USD 85M in year ended 30 June 2013. Aimable Kayigi (Deputy Commissioner, Large Taxpayers Office, Rwanda Revenue Authority) noted Rwanda's concerns over significant loss to the tax base from transfer pricing and how the programme helped to draft new transfer pricing guidelines and provide skills building. Mr Nguyen Chien Thang (Vice Manager, Department of Reform, General Department of Taxation) noted that Vietnam entered the programme to improve transfer pricing regulations, strengthen capacity to carry out transfer pricing audits and to consider potential simplification measures and for help with the introduction of an advance pricing agreement programme; it has made progress in all these areas. Joseph Nonde (Assistant Director, LTO Mining Audit, Zambia Revenue Authority) described Zambia's request for a country programme as it identified significant transfer pricing risk, for example of 22 mining MNEs only 2 pay corporation tax. Since the start of programme transfer pricing legislation has been revised and adopted, and regulations are being drafted.

22. Komal Mohindra (Senior Private Sector Development Specialist, Business Taxation, Investment Climate, World Bank Group) indicated that the partnership has been very effective largely due to its flexibility to meet each countries specific needs. The challenge is how to scale up the current programme to meet exploding demand. José Nunes (EC) expressed EU support for the partnership. He noted that support from other development partners such as GIZ has been critical to its success.

23. Delegates were impressed with the progress being made and the concrete results being delivered, including increased revenue yields for several countries. The meeting noted that this work should remain practical and demand-driven; and that the programme's coverage should be expanded without delay. The Secretariat expressed enthusiasm for bringing the business perspective to the programme as was done in Colombia with Rio Tinto providing a Mining Engineer to explain the Mining sector business.

24. The Co-Chair concluded that next steps would be to scale up support to developing countries from the joint OECD, World Bank and EC transfer pricing programme, and report back on these efforts by mid-2014; and produce a scoping paper on transfer pricing comparability issues, by March 2014. The provision of business experts would be very welcome.

Session VI: Transparency, Exchange of Information, and Addressing Tax Evasion & Illicit Financial Flows

Issue A: Transparency and Exchange of Information on Request

25. Renata Fontana (OECD Secretariat) described the Global Forum on Transparency and Exchange of Information on Tax Matters, and how its members, including 60 developing countries, work to address tax evasion through country reviews and ratings. She explained the multilateral Convention on Mutual Administrative Assistance in Tax Matters, as the most powerful tool for international tax co-operation and exchange of information, including AEOI. She concluded with efforts to build capacity on transparency and EOI in developing countries which include in-depth pilot projects in Ghana and Kenya, supported by the Task Force.

26. Mr Chunpu Lee (Director, International Cooperation Division, State Administration of Taxation) gave an overview of China's efforts to enhance tax transparency and fight against tax evasion through its work in the Global Forum (including as Vice-Chair), engagement in the network of Multilateral Convention and participation in the OECD/G20 BEPS project. He spoke of the importance of widening regional cooperation and offered to help enhance the capacity of developing countries in the Asia-Pacific region.

27. Lincoln Marais (Director: Institutional Development, ATAF) outlined the challenges facing African countries in exchanging information and efforts to address these. He highlighted key ATAF tools and activities including the ATAF/OECD Practical Guide on Exchange of Information for developing countries.

28. Delegates expressed support for international action on tax transparency and appreciation for the tools available to developing countries to ensure that they can benefit. They noted that bilateral exchange and effective communication are crucial for international cooperation in cross-border audits and that transparency in the banking sector and MNEs is key. Delegates asked for additional support for capacity building and suggested that countries could benefit from greater regional training activities.

29. The Co-Chair concluded that next steps would be to continue to help developing countries prepare for the Global Forum peer review process and encourage more developing countries to join the Multilateral Convention.

Issue B: Transparency and Automatic Exchange of Information for Tax Purposes

30. Caroline Malcolm (OECD Secretariat) explained AEOI, its benefits and the requirements involved to make it work. She highlighted that the G20 identified AEOI as a new global standard, committing to begin to exchange information automatically among G20 members by the end of 2015. G20 Leaders called on the Development Working Group to develop a roadmap for developing country participation in AEOI.

31. Komal Mohindra (World Bank Group) presented preliminary findings of a 3-country study on the challenges with implementing AEOI which include political will, resources and technology, some of which have significant cost implications.

32. Ms Kim S. Jacinto-Henares (Commissioner, Bureau of Internal Revenue, the Philippines) noted that while she can see the benefits of AEOI there are serious concerns with the expectation to move to the new standard when they are still struggling to implement EOI on request and mobilise sufficient resources to do so. She identified fears of compliance fatigue, and concerns that the goal posts are always being moved.

33. Maurice Oray (Deputy Commissioner, Head Policy Unit Audit, Domestic Taxes Department, Kenya Revenue Authority) spoke about Kenya's involvement in the Global Forum, the benefits of the pilot projects, and the challenges still faced in making the legal framework changes, and carrying out EOI on request in practice. He reiterated Kenya's commitment to the Global Forum and EOI on request while highlighting the challenges to AEOI and questioning whether it was a priority.

34. The meeting welcomed the global trend towards AEOI led by the G20, noting the need for a clearly defined single global standard for all countries, whilst acknowledging and accommodating capacity constraints in developing countries and the need for realistic timescales. Delegates described relevant EU and US efforts (FATCA). Civil society encouraged recognition of differences among developing countries and taking a staged approach to build their AEOI capacities over time with financial support to do so, for instance, by considering the acceptance of non-reciprocity during an agreed transitional period. Business

signalled its support for EOI, both on request and automatic, while encouraging consistency across initiatives.

35. The Co-Chair concluded that next step would be to contribute a report to the Global Forum and the G20 Development Working Group on the opportunities and constraints facing developing countries in undertaking AEOI, by mid-2014.

Issue C: Transparency and Exchange of Information: the relationship with illicit financial flows

36. Ben Dickinson (OECD) introduced the topic highlighting illicit flows leaving the developing world and ending up in OECD countries; the exact amounts are unknown. He described a soon to be released report on OECD members' efforts to stem money laundering, bribery, etc. and the role of aid in this process; and how the Oslo Dialogue on Tax and Crime is facilitating international and inter-agency cooperation in the area of tax and crime.

37. Johan Fourie (South Africa) illustrated the issues with the example of the illicit tobacco trade (estimated lost revenue of USD 50 billion globally; and USD 500 M in South Africa). He noted that inconsistent approaches and priorities of various countries and agencies are creating opportunities for illicit activities across borders. He emphasised the need for inter-agency/whole-of-government, international and government-business cooperation, citing efforts in the areas of tax, customs and financial intelligence, and encouraged consideration of a Customs EOI standard.

38. Delegates discussed their experiences including natural resource trafficking in Tanzania and agreed that further efforts to encourage inter-agency and international co-operation on tax and crime are welcome within the overall framework of the Oslo Dialogue. The meeting welcomed efforts to measure progress by OECD countries to stem illicit flows from the developing world. Civil society stressed the importance of promoting public disclosure of beneficial owners of companies, foundations and trusts, as a key step to combat illicit financial flows.

39. The Co-Chair concluded that next steps would be to work with the OECD to mobilise possible resources for new work on illicit financial flows and report back on progress by mid-2014.

Session VII: Tax Policy – Natural Resource Taxation, Tax Incentives and Evidence-Based Policy Design

Tax Policy Issue A: Natural Resource Taxation

40. Ben Dickinson (OECD) introduced the topic indicating that natural resources are possibly the biggest fiscal challenge facing many developing countries. Several developing countries have expressed to the Task Force the need for a neutral international space where countries can share best practices and experiences on the technical issues that arise in taxing natural resources.

41. Joseph Nonde described Zambia's challenges with natural resource taxation including the lack of capacity to monitor copper and cobalt production and quality levels and difficulties in valuing the gemstones produced in the country. Zambia is aiming to put into place a system to transparently monitor levels of production and wants to achieve a balanced policy of protecting its tax base and encouraging foreign investment. A forum to discuss these issues with other resource-rich countries would be very beneficial.

42. Delegates noted the importance of engaging in natural resource taxation, particularly to facilitate the sharing of experience among countries on tax policy design and identified issues for a potential

exchange including tax incentives and deductions. The importance of a clear division of labour with other international partners was raised.

43. The Co-Chair concluded that next steps would be to work with the OECD to mobilise possible resources for new work on natural resource taxation and report back on progress by mid-2014.

Tax Policy Issue B: Tax Incentives for Investment

44. Ben Dickinson (OECD) introduced the topic by noting that addressing tax incentives is a critical challenge in both OECD and non-OECD countries alike and describing the first five tax and investment country reviews carried out using the governance and transparency principles developed by the Task Force.

45. Jordi Prat (Vice Minister of Finance, Costa Rica) described Costa Rica's experience with tax incentives. He reinforced that broader factors such as strong institutions, rule of law, and commitment to public health and education are more important than tax incentives in creating a positive investment climate. He highlighted that the Tax and Development Programme's review of Costa Rica showed that tax incentives have been beneficial, bringing in highly value-added, high-tech companies. He spoke to the importance of transparency and good governance of tax incentives and making them as targeted as possible.

46. Anwar Shah (Advisor, World Bank Institute) presented the findings of his study on "Fiscal Incentives for Investment and Innovation" which reinforced the importance of political economy factors, infrastructure, and transparency in the governance of tax incentives for promoting FDI. He identified particularly wasteful and ineffective measures such as tax holidays while identifying how well targeted and governed tax incentives could be beneficial in certain cases.

47. Delegates spoke to examples of tax incentives that do not work and the lack of coordination amongst granting bodies in many countries, and encouraged the Task Force to work with EITI and other CSOs to gather data on out-flows and to explore possible links with BEPS work. BIAC noted that simple, clear, efficient tax systems focused on raising revenues in a sustainable manner without tax incentives are preferred by business. It referred to its statement on tax incentives that encourages business to only take official, transparent incentives. Civil society suggested that the Task Force organise a debate on the harmful consequences of tax competition; that the OECD elaborate a practical tool on how to assess the effectiveness and efficiency of tax incentives; and that the OECD develop recommendations for regional economic groups on how to transit from unsustainable tax competition to cooperation.

48. The Co-Chair concluded that next steps would be to carry out further reviews of tax incentives in developing countries on a demand-led basis; and a knowledge sharing event on tax incentives in 2014 would be organised.

Tax Policy Issue C: Evidence-based tax policy and revenue statistics

49. Socorro Velazquez (Director, Planning and Institutional Development, Inter-American Center of Tax Administrations, CIAT) described the Latin American and Caribbean Fiscal Initiative, an OECD, CIAT, ECLAC and IDB partnership to foster fiscal policy dialogue in the Region. A key output is the 'Revenue Statistics in Latin America' database and publication that compile and present comparable data on tax ratios and structures, providing a crucial tool for tax policy and administration and tax.

50. Jocelyn Pierre (OECD Secretariat) outlined efforts to develop similar projects in Asia and Africa. The OECD is working with regional institutions such as the ADB and ATAF to identify a preliminary panel of diverse countries and establish solid partnerships in each region.

51. Delegates emphasised the importance of partnership and coordination among regional and international organisations to ensure a value added for any new data requests and reports. The Task Force work on measuring tax morale and best practices in taxpayer education was identified as underling the importance of engaging citizens on both issues of fair and transparent tax policy design and administration as the basis for state building.

52. The Co-Chair concluded that next steps would be to work with the OECD to mobilise possible resources for new work on revenue statistics and report back on progress by mid-2014.

Session VIII: Aid, Development Cooperation and Taxation

53. Luis D. González (Economic Affairs and Cooperation, Embassy of Mexico) presented Mexico's aspirations for the April 2014 Ministerial meeting of the Global Partnership for Effective Development Co-operation which it will host. He noted the key themes for the Ministerial that have emerged to date, including domestic resource mobilisation and highlighted priorities for Mexico: engagement of civil society, cooperation with middle-income countries, and South-South and triangular cooperation.

54. Jon Lomoy (Director, Development Co-operation Directorate, OECD) positioned the Ministerial as an occasion to give political profile to the work of the Task Force as a model of moving from ideas to implementation, showcasing examples of the catalytic power of aid for domestic resource mobilisation emerging from the Task Force, and possibly to launch TIWB. He noted that the Global Partnership would help to bring domestic resource mobilisation to the centre of post-2015 development financing discussions.

55. Alexander Trepelkov (UN) provided an update on the UN-led process to develop a post-2015 replacement framework for the Millennium Development Goals. He underscored that within the UN, domestic resource mobilisation is very high on the agenda and welcomed inputs to inform the UN process, noting that the Global Partnership would make an important contribution.

56. Delegates discussed the importance of enhancing international support for building tax system capacity in developing countries and encouraged making domestic resource mobilisation a part of the post-2015 framework, including consideration of bringing in micro-finance and earmarking of taxes for development into the discussions.

57. The Co-Chair concluded that next steps would be for the Task Force to offer its support to raise the profile of international tax matters in development cooperation in preparing the Ministerial meeting in Mexico; and in highlighting the importance of taxation in the development of the post-2015 framework.

Session IX: Co-Chairs Summary and Next Steps

58. The Co-Chairs presented their draft Co-Chairs statement (Annex A), thanked delegates for their hard work and directed the Secretariat to heed the calls to prioritize, create a programme of work and budget, identify key outputs, and deliver the programme for the coming three years. They directed the Secretariat to communicate the Task Force discussions and proposals to the relevant OECD Committees for approval. The Task Force will reconvene in plenary in 2015. Materials from the meeting will be available at: www.oecd.org/ctp/tax-global/taxanddevelopment.htm.

59. Mr Yoonjin Kang (Director, Tax Treaties Division, Ministry of Strategy and Finance, the Republic of Korea) provided closing remarks on behalf of the Government of Korea, encouraging the Task Force to take a balanced approach to helping developing countries with tax system design, administration and statistics, and specifically to help prepare developing countries for AEOI and FATCA.

60. Jon Lomoy (OECD) thanked the co-chairs, the Secretariat and the host, Korea, for a successful meeting echoing the overall signal to prioritise and to be aware that success depends on working with others.

61. The Task Force was honoured to listen to Mr Joon-Kyung Kim, President of the Korea Development Institute, speaker at the Task Force dinner 31 October.