

Developing Tax Partnerships



involving non-OECD Economies in the global debate on international taxation

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The OECD

Overall Objective of the OECD

The OECD has the broad objective of developing a wide range of human capacity across all economic and social policy areas, making use of policy dialogue and peer review backed by high-quality, analytical work and the willingness of policy makers to exchange good practices.

It aims to promote sound, sustainable growth and poverty reduction through global sharing of principles and values that the OECD promotes – commitments to democracy, market-based economies, and open, rule-based and non-discriminatory trading and financial systems, supported by good governance.

The OECD programme of co-operation on taxation is highly valued by all the stakeholders. In many instances, these programmes have made a direct and measurable contribution to the development of tax policy and administration in the NOEs and improved bilateral relationships between OECD countries and the partners. The OECD, and its partners, manages an efficient program that delivers quality results and demonstrable outcomes for the recipient countries.

(Independent Evaluation Services, Canada and the United Kingdom)

 OECD Headquarters, Paris



Current OECD Member Countries:

- Australia
- Austria
- Belgium
- Canada
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Greece
- Hungary
- Iceland
- Ireland
- Italy
- Japan
- Korea
- Luxembourg
- Mexico
- the Netherlands
- New Zealand
- Norway
- Poland
- Portugal
- Slovak Republic
- Spain
- Sweden
- Switzerland
- Turkey
- the United Kingdom
- the United States

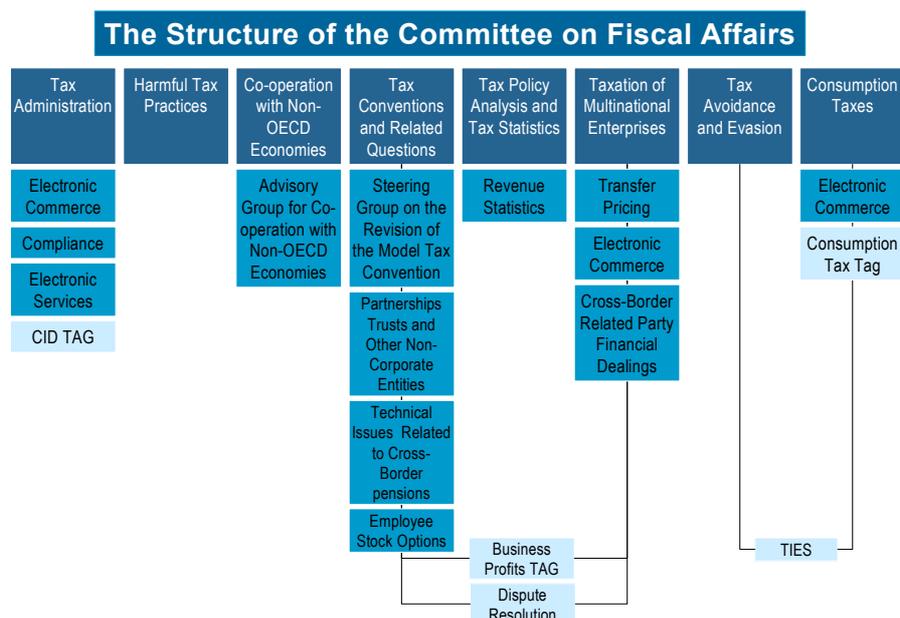
Taxation and the OECD

The OECD, through the work of its Committee on Fiscal Affairs (CFA), is one of the recognised leaders in the development of standards and guidelines encouraging co-operation in international tax matters. The CFA was established in 1971 to provide a forum for policy makers to discuss international and domestic tax issues.

The Committee seeks to eliminate tax measures which distort trade and investment flows, to prevent double taxation, to counteract tax evasion and avoidance and to promote best practices in tax policy and administration.

The CFA's work programme is carried out by subsidiary bodies where participants are primarily drawn from OECD countries.

Structure of the Committee on Fiscal Affairs



Partnerships and the CTPA

In taxation, the OECD's Committee on Fiscal Affairs (CFA) functions as a forum in which policy makers can contribute to and be involved in a dialogue on key international tax issues. The association of countries outside of the OECD membership in the dialogue is of mutual interest to both OECD countries and our non-OECD partners.

The partnership programme on taxation is aimed at enabling countries to secure their tax bases and to promote the flow of foreign direct investment. A country's ability to combat poverty, provide education, health and welfare services, and improve its infrastructure depends on its ability to collect taxes in an efficient and effective manner. At the same time foreign direct investment can be encouraged through the adoption of tax systems which are transparent, certain in application and equitable.

The partnership programme on taxation is an indispensable part in the development and promotion of global tax standards and good practices.

The Partnerships in Taxation aim to

- Bring non-OECD Economies into the global debate on international taxation, achieving through dialogue, a consensus on international standards and guidelines
- Share experience on the implementation of measures which, in partnership economies, assist in sustainable development through a predictable tax base and enhanced ability to attract foreign direct investment

The OECD program of co-operation has been used to set up the taxpayer services division in the Administration and Collection Department and in providing for taxpayers rights under the new laws on tax administration and collection

(China)

Developing Tax Partnerships

The development of partnerships with economies outside the OECD is a critical part of the Organisation's work. While the ultimate aim of the OECD is to achieve a rising living standard for member countries, this cannot be achieved under an increasingly interdependent global economy without the support of growth and prosperity in economies outside of the OECD membership. The OECD's cooperation with its partners is designed

- to fulfil its responsibility to contribute to the sound development of the world economy, and through it,
- to maximise the relevance and impact of the work of the Organisation for its members.

Developing partnerships in taxation is particularly important because taxation problems cannot be resolved on a purely national basis:

- As economic and financial barriers disappear, tax differentials have a greater impact on trade and investment flows. Clear and transparent tax rules on cross-border trade and investment flows play an important role in attracting and retaining foreign direct investment.

OECD countries have been exchanging information for many years and have systems in place that facilitates the exchange. The OECD program assists Non-OECD Economies in developing appropriate systems with their tax administrations. It also promotes the provision of necessary safeguards to protect the confidentiality of the information

(the United States)

- Anti-competitive tax policies have worldwide effects. Tax competition can be of benefit but it needs to be fair, transparent and carried out in a context where all countries are prepared to assist their partners in the enforcement of their own tax laws.
- The internationalisation of business enables corporations or individuals to hide income or move it offshore. Tax officials operate only within their sovereign borders, while taxpayers move freely and are able to manage their international activities to minimise their overall tax burden. In this context international co-operation between authorities is in the interests of all.

What we Deliver

The OECD's tax partnerships are founded on the expertise of the OECD's Committee on Fiscal Affairs. The Committee is a world leader in developing tax policy on tax treaties, transfer pricing, international tax avoidance and evasion (including harmful tax practices), exchange of information and bank secrecy, consumption taxes (including electronic commerce), tax administration and taxation of financial innovations/institutions.

The OECD programme has resulted in a lot of (informal) bilateral contacts which are very useful when negotiating with Non-OECD Economies or when other problems occur in relation to these economies (the Netherlands)

These areas form the core of the partnership dialogue.

Issues	Objective	Focus	Standards / Guidelines	Benefits
Tax Treaties	Develop with the partners the skills for the negotiation and application of bilateral tax treaties	Negotiation of tax treaties, detailed examination of tax treaty provisions and issues in their implementation	OECD Model Tax Convention on Income and on Capital	Expanding tax treaty networks, Improved capacity in negotiation and treaty application
Transfer Pricing Guidelines	Encourage the adoption and effective implementation of OECD Transfer Pricing Guidelines	General principles, implementation and administrative issues in the OECD approach to transfer pricing problems	OECD Transfer Pricing Guidelines	Transparent, effective and efficient administration of transfer pricing problems and disputes
Exchange of Information and Bank Secrecy	Share experience with regards to exchange of information, identify areas and propose ways for improvement	Provide practical guidance on how to remove barriers to access to bank information	OECD approaches to Effective Exchange of Information; OECD report on "Improving Access to Bank Information for Tax Purposes"	Improve effective exchange of information while taking into account taxpayers' rights

Issues	Objective	Focus	Standards / Guidelines	Benefits
Tax Incentives	Survey the types of incentives and issues in their design and administration	Tax incentives in corporate and personal income taxes and consumption taxes, are examined with practical examples taken from OECD countries and Non-OECD Economies		Develop effective tax incentives that minimise potential economic distortions
International Tax Avoidance and Evasion	Examine tax avoidance and evasion problems in international transactions and possible responses	Examine common structures used to avoid and evade taxes and examine strategies that tax administration could adopt to counteract these structures	OECD approaches to Effective Exchange of Information; OECD report on “Improving Access to Bank Information for Tax Purposes”	Develop ways to protect a country’s tax base through improving access to bank information, effective exchange of information and other international ‘good practices’
Auditing Multinational Enterprises	Examine the legal and practical issues that a country is likely to face when auditing multinational enterprises	Administrative provisions, information requirements and the audit process needed to facilitate the work of tax examiners. It also deals with complex international taxation issues that could arise in the taxation of multinational enterprises		Provide the partners with a frame of reference for issues that they are likely to encounter when dealing with multinational enterprises

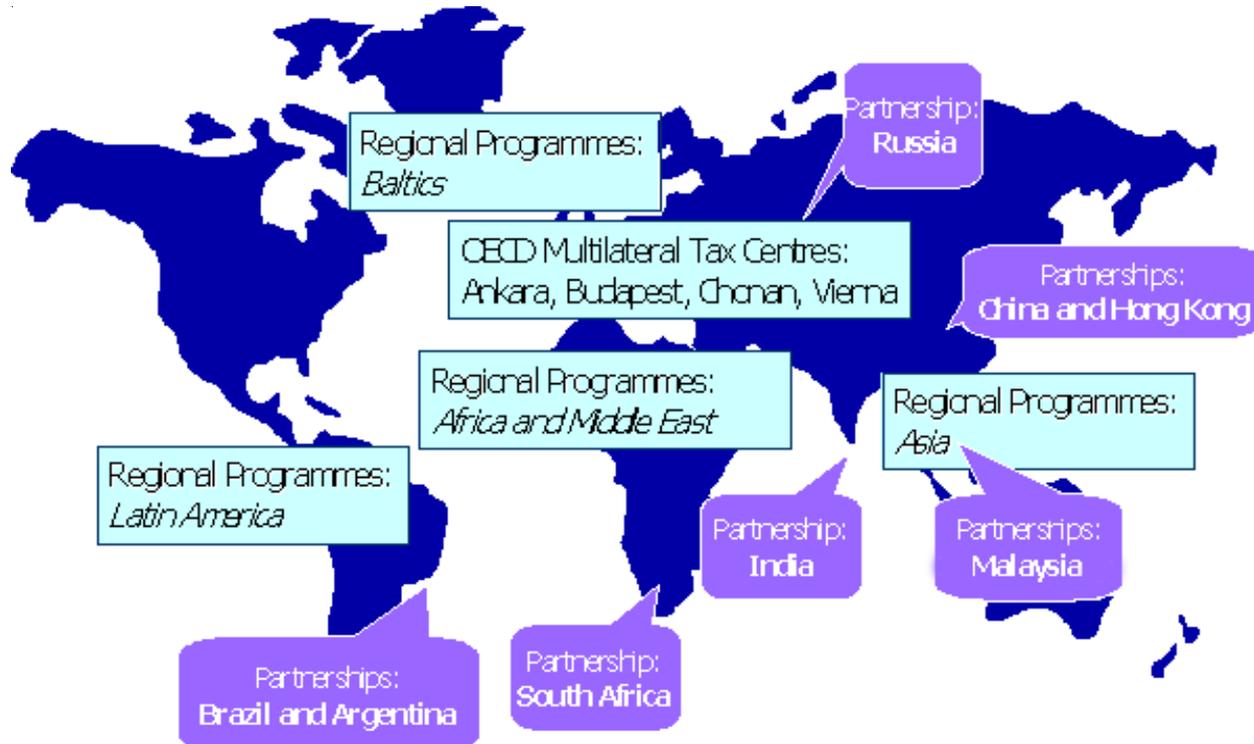
Issues	Objective	Focus	Standards / Guidelines	Benefits
Value Added Tax	Provide an understanding of how VAT law is developed and how the tax operates at the international level	Impact of VAT on international trade, place of supply issues for both goods and services and more specific issues such as new means of transport, e-commerce, the financial services sector and telecommunications		Improved policy and administration of VAT and encourage greater simplification and cohesion between countries' systems
Taxation of Financial Instruments or Institutions	Explore how tax systems need to be modernised to adapt to the new global financial and capital markets	Examine appropriate tax policies toward innovative financial instruments and financial institutions that encourage the development of financial markets and provide sufficient protection to the tax base		Encourage the development of tax policies that promote the development of financial markets, but at the same time protect the countries' tax base against avoidance and evasion practices made possible by financial market developments

*OECD events influenced Bulgarian Non-Member positions and triggered some changes in the Bulgarian Tax Treaty Model
(Bulgaria)*

World-wide Tax Partnerships

The OECD's programme of co-operation on taxation with Non-OECD Economies (NOEs) began in 1992. Following the first programme of co-operation with Russia, which focused on taxation issues for transition economies, the OECD's programme of co-operation on taxation has developed significantly both geographically and thematically.

The taxation partnership is now a worldwide network of partnerships encompassing the OECD Multilateral Tax Centres, partnerships with individual countries, co-operation with international and regional tax organisations and active consultation with businesses.



Current Non-OECD Partners

The following countries participate in OECD events on taxation:

Albania	Georgia	Pakistan
Algeria	Hong Kong	Papua New Guinea
Angola	India	Peru
Argentina	Indonesia	the Philippines
Armenia	Israel	Qatar
Azerbaijan	Ivory Coast	Romania
Bangladesh	Kazakhstan	Russia
Bahrain	Kyrgyzstan	Senegal
Belarus	Laos	Singapore
Botswana	Latvia	Slovenia
Brazil	Lesotho	South Africa
Bulgaria	Lithuania	Sri Lanka
Cambodia	Macedonia, FYR	Swaziland
Cameroon	Malawi	Tajikistan
Chile	Malaysia	Tanzania
China, People's Republic of	Malta	Thailand
Chinese Taipei	Mauritius	Tunisia
Congo, Democratic Republic of	Moldova	Turkmenistan
Croatia	Mongolia	Ukraine
Ecuador	Morocco	Uzbekistan
Egypt	Mozambique	Venezuela
Estonia	Namibia	Vietnam
Gabon	Nepal	Zambia
	Nigeria	Zimbabwe
	Oman	

Work is underway to draft the law on Transfer Pricing and in the process we shall take into account OECD Transfer Pricing Guidelines as well as the expertise of staff who participated in the OECD events.

(Azerbaijan)

Expertise gained in OECD events has been used to improve corporate tax legislation, in drafting law provisions regarding indirect methods of taxation, taxation of associated persons, thin capitalization, transfer pricing, tax incentives etc. Advice from OECD experts has also been used to carry out the tax administration reforms

(Latvia)

Flexible Programmes

The programme of co-operation is flexible and focussed according to the nature of the mutual interests between OECD and its partners. In general, it is possible to identify three different forms of partnership approaches:

1. **Comprehensive partnership**– with particular countries is based on a three year rolling programme of co-operation both bilaterally and multilaterally and association of partners with the work of the CFA, annual negotiations/outcome analysis and co-ordination with other international partners such as the International Monetary Fund and the World Bank through the International Tax Dialogue.
2. **Flexible partnership** – includes a bilateral discussion of the needs and priorities of particular countries, delivered through multilateral events with opportunities for demand driven bilateral dialogues on key issues and linkages with international tax organisations.
3. **Development focussed partnership** – aims at securing a country's tax base and providing a clear and transparent tax system to attract Foreign Direct Investment. It reflects the wider development agenda and is focussed primarily on tax administration as well as tax policy. The OECD's flexible approach to the development of tax partnerships recognises and reflects the complex international economic relations between a state, international businesses and international organisations. In this context, taxation partnerships with particular states are necessarily intertwined with other partnerships with international organisations and international businesses.

The OECD programme has impacted in that tax administrations are aware of generally accepted guidelines and in some cases are quite familiar with them. It creates a good basis for ongoing dialogue

(An International Business)

Relations with International Organisations

A critical component of the OECD's tax partnerships is the co-operative programmes with other tax organisations. Partnerships with international organisations aim to co-ordinate and undertake joint technical co-operation on taxation issues and to share information to avoid duplication of effort and build on each other's work.

- Asian Development Bank (ADB)
- Centre de Rencontre et d'Etudes des Dirigeants des Administrations Fiscales (CREDAF)
- Commonwealth Association of Tax Administration (CATA)
- Inter-American Centre of Tax Administration (CIAT)
- International Seminar on Taxation (ISTAX)
- Intra-European Organisation of Tax Administrations (IOTA)
- Southern African Development Community (SADC)
- Study Group on Asian Tax Administration and Research (SGATAR)

In 2001, the OECD together with a number of the organizations above set up the **Committee on International Organisations on Tax Administration (CIOTA)**. The objective of this committee is to exchange views on emerging issues and promote

In the case of our country, some of the taxation issues which we have been able to significantly refined and improved as a direct results of the OECD programme of co-operation are:

- 1. Transfer pricing*
 - 2. Treatment of double taxation*
 - 3. Development of effective revenue codes for E-commerce*
 - 4. Exchange of Information & Bank Secrecy*
 - 5. Taxation of Financial Instrument (Thailand)*
-

good practices in tax administration.

Co-operation also takes place with other relevant international organizations. The **International Tax Dialogue (ITD)** was established as a joint initiative by the staffs of the IMF, OECD and the World Bank to facilitate increased co-operation on tax matters between governments and international organizations. The objective of the ITD is to encourage increased dialogue between governments on tax systems, identify and share good practices in taxation, provide a clear focus for technical assistance and avoid duplication of effort in respect of assistance activities.

The ITD operates a free, multilingual, multinational internet site to help facilitate these objectives. www.itdweb.org provides an opportunity for tax officials to share experience and knowledge on taxation issues. A range of both administrative and policy topics are covered with over 1400 documents currently available. The site also includes news, calendar events, links and a research guide. Discussion groups and a database of technical assistance activities will be coming soon. The site can be accessed in English, Spanish, French, Norwegian, Japanese and Russian.

To find out more visit www.itdweb.org

Architecture

The partnership programmes are delivered through an expanding network of OECD Multilateral Tax Centres and in-country training facilities.

OECD Multilateral Tax Centres

There are currently four OECD Multilateral Tax Centres in Austria, Hungary, Korea and Turkey, respectively. The purpose of these centres is to assist tax officials to develop and implement effective and efficient tax policies. These centres serve as an effective interaction mechanism by exploring regional interlocutors, absorbing region-specific demands and transmitting OECD messages to policy makers.

In-Country Tax Centres

There are currently two in-country tax centres that we have developed with our partners:

- *Beijing International Tax Training Centre (BITTC)* Around five weeks of seminars and workshops are organised for Chinese tax officials at the centre every year. The seminars offered cover both tax policy and tax administration issues. Since its launch in 1997, a total of 42 seminars have been organised at the Beijing Centre. On average, these seminars are attended by around 60-80 participants per seminar.

- *Moscow International Tax Centre (MITC)* Since its creation in 1993, more than 100 activities have been organised at the Moscow centre, ranging from two day workshops for high-level officials on strategic management to two week seminars on technical tax issues. More than 4,000 Russian tax officials have participated in programmes to date. Policy dialogue events are currently held for more senior Russian officials using the facilities at the MITC.

In addition, other in-country tax centres are currently under discussion.

Architecture – OECD Multilateral Tax Centres

	Austria (Vienna)	Hungary (Budapest)	Korea (Chonan)	Turkey (Ankara)
Website			www.kipf.re.kr/ taxcenter	www.gerlirler.gov.tr
Date of Creation	1992	1992	1997	1993
Weeks of Events since Creation	117 weeks	86 weeks	26 weeks	120 weeks
Participants since creation	over 1800 tax officials	over 1600 tax officials	over 500 officials	over 2700 tax officials
Countries Invited	Central and Eastern Europe, the Baltic States	Central and Eastern Europe, the Baltic States	Asia including Central and South East Asia	the Balkans, Central Asia, the Commonwealth Independent States and Mongolia

*We follow closely the OECD's principle
on what is arm's length basis
(Singapore)*

Methods of Delivery

The programme of co-operation consists of experience sharing and policy dialogue. This dialogue develops progressively as the programme of co-operation with a particular country deepens.

Experience sharing takes place in a multilateral setting where experts from OECD countries and NOEs share their respective country experiences, the problems they have faced and solutions they have adopted.

Policy dialogue focuses on the problems which NOEs face in dealing with particular tax policy and administration issues, emphasise 'good practice' and are usually focussed on a topic that is demand driven.

The OECD events on auditing has facilitated our policy and administration procedures from formal assessment to self assessment.
(Malaysia)



Meeting the Expectation of Our Stakeholders

The key stakeholders of the taxation partnerships are the partners, governments of the OECD member countries and international businesses. The partnership programme reflects a strong mutual recognition by all these stakeholders of the need to develop a common framework to discuss international taxation issues.

Partners For our partners, the partnership programme aims at developing and implementing acceptable solutions to the taxation problems that they face.

OECD Countries The OECD countries share the concerns of our partners in the needs to develop international solutions to taxation issues. The partnership programme is an indispensable part in the development and promotion of global tax standards and best practices, particularly in the areas of negotiation, application and interpretation of tax treaties, transfer pricing and effective exchange of information between tax administrations.

International Businesses The promotion of tax policies that aim to be neutral and tax rules that are clear and transparent and tax administrations that are both effective and efficient provide the certainty and confidence that international businesses require to allow them to carry out their businesses in an efficient manner.

The impact is that negotiations go more smoothly with these countries as they are more inclined to follow the OECD Model in their negotiations and generally have a better understanding of tax treaty policy

(Canada)

Evaluation and Outcomes

The partnership begins with an initial assessment of needs that is used to establish a clear set of objectives. These objectives provide a benchmark for evaluations that are carried out periodically.

Evaluations of the taxation partnerships take place at two levels. Firstly, all OECD events are subjected to rigorous independent evaluation. Participants at OECD events are surveyed at the conclusions of each event and their comments are analysed and fed into the redevelopment of the partnership programme.

However, we recognise that quantitative measures of a programme of this type are in short supply and that legislative developments are influenced by a number of factors and do not necessarily indicate the success of the programme. Consequently it is necessary to maintain close ties with the administration benefiting from the programme to discuss its impact and effectiveness over a period of time. Other ways of measuring the impact of the programme are also developed through dialogue with partner governments. These dialogues are intended to glean objective, measurable outcomes that the partnership has achieved in terms of concrete legislative or policy developments.

Personal contacts established through deliveries of the OECD events on Exchange of Information and Bank Secrecy has led to some improvement in the quality of exchanges.

(the United Kingdom)

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