



## **Task Force on Tax and Development Reference Group Meeting 26 January 2018 - Summary Record**

**Co-Chairs:** Reijer Janssen (Netherlands) and Refiloe Mokoena (South Africa)

**Delegates:** James Cole, Laura Wilson (DFID), Bevon Sinclair, Marlene Parker (Jamaica), Johan Langerock, Susana Ruiz Rodriguez (Oxfam), Matthew Gbonjubola (Nigeria), David Chitaishvili (Georgia), Brian Jenn (US Treasury), Thulani Shongwe (ATAF), Josias Biver (Netherlands), Hein Zillikens (Netherlands), Franz Tomasek, Yanga Mputa (South Africa), Amadou Abdoulaye Badiane (Senegal), Ruth Wachira, Josephine Muchiri (Kenya), Roman Ragot (France), Pascal Saint-Amans, Ben Dickinson, Joseph Stead, Peter Green (OECD Centre for Tax Policy and Administration) Camila Olate Campos, Jose René Orozco, Angel Melguizo (OECD Development Centre)

The Co-Chairs opened the meeting, and summarised the activities of the Reference Group so far.

### **Item 1 – Allocation of Taxing Rights**

Brian Jenn (US Treasury) was invited to provide a presentation on the recent US tax reform, and how questions on the allocation of taxing rights had been raised in those discussions, these included issues around how effective existing transfer pricing rules were perceived (or not) to be in the US.

In the discussion a number of points were raised these included: the centrality of the definition of permanent establishment in this debate, it was proposed we need a better definition that all countries will agree on; developing countries need to look at what is in their power to fix domestically, as well as what can be agreed at the international level; consideration needs to be given to what it is possible to tax – immobile factors are easier to tax than mobile (but this raises other issues in terms of the idea that tax should be levied where the value is created).

It was agreed that these issues are of vital importance for developing countries, but no clear next steps were identified. The Task Force should continue to monitor this issue especially as the work on the digital economy develops, and the implications of the US tax reform become clearer. It was noted that there are several overlapping functions that the Task Force, or other group may need to examine further in the near future: review how far existing tools/standards address the issues developing countries face on taxing rights; the opportunities for developing countries taxing rights that may emerge from reforms such as the US Tax reforms; what US and other countries tax reforms indicate about the direction of travel for further international tax reform and the need to begin research on the risks and opportunities this may present to developing countries.

### **Item 2 – Tax Morale**

The OECD Development Centre presented the initial findings of research that has been prepared in collaboration with the CTPA.

There was significant interest in this work. Oxfam noted that they were also undertaking work on tax morale, and how building tax morale required a different approach from technical capacity building. Other comments welcomed the work, and expressed desire for further work by the Task Force to help understand the tax policy issues that can affect tax morale – this could include looking at issues around how the efficiency of tax administration affects morale. There was also significant interest in extending the work to include consideration of the private sector – for example how tax incentives affect tax morale, how tax burdens differ among and between businesses and individuals, and how cooperative compliance can work in developing country context.

It was agreed that the Task Force should continue to work in this area; the research will be turned into a short report to be launched later in the year. If the calendar permits a meeting will be convened to discuss the findings of this research with a wider community, and to identify further steps the Task Force may take – this could include revisiting previous work on taxpayer education.

### **Item 3 – Whole of Government Approaches to building capacity in developing countries**

The Netherlands shared their experience of a whole of government approach, outlining how tax and development is a shared policy between the Ministry of Finance and Ministry of Foreign Affairs, and outlined some examples of how this worked in practice – including how policy on tax treaties with developing countries was shared between the ministries, and that there are regular round-tables jointly hosted by the ministries with all stakeholders.

The discussion covered the need for whole of government approaches in both OECD and developing countries. Examples were given of other OECD countries previously having problems with a joined up approach to tax and development, and the challenges of negotiating new approaches among ministries. From the developing country perspective the relationships between the executive, legislature and tax administration were described as often challenging, especially in getting legislation introduced/passed. The need to place technical reforms in a wider country context was stressed.

It was agreed that the Task Force should continue to do further work in this area, as a first step, in collaboration with the Forum on Tax Administration, the Secretariat will undertake a survey, and collect case studies of existing practice from among the FTA Capacity Building Network, and produce a report drawing on the findings. Further thinking will be done on possible next steps around whole of government approaches in developing countries – including in how to enhance OECD BEPS induction programmes to include the whole of government.

### **Item 4 – Technology**

Peter Green of the OECD Forum on Tax Administration Secretariat presented the work that the FTA is planning on the use of technology in developing country tax administrations. The intention is to produce an initial scoping paper showcasing some existing best practice, and addressing some of the big issues around technology in administration including pre-conditions for successful use of technology, and issues around procurement. There is potential for this initial report to lead to further work (for example a series of ‘how to’ notes).

In the discussion the proposal was warmly welcomed, and both examples and questions to address were raised. The role of incentives to encourage a shift to digital were highlighted, as well as the need to have simplified systems that will work in rural areas where the only access may be via telephone. It was also highlighted that a country strategy towards the digitalisation of administration may be wider than just the tax administration, and it may be more successful if part of a government wide digitalisation approach; such an approach may also offer economies through developing combined systems with other ministries (e.g. Ministry of Justice).

The proposed FTA work was supported by the Task Force, and the Task Force requested to remain consulted as the work progressed.

The Co-Chairs closed the meeting. Further meetings on the individual items will be arranged as required throughout the year, and the reference group will be reconvened either virtually or physically as required.