

Overview

Pursuant to its resolution 2012/33, the Economic and Social Council held, on 29 May 2013, a one-day special meeting to consider international cooperation in tax matters, including institutional arrangements to promote such cooperation, with the participation of representatives from national tax authorities and ministries of finance.

The main event of the meeting was an official launch of the UN Practical Manual on Transfer Pricing for Developing Countries (the Manual), which had been adopted by the Committee of Experts on International Cooperation in Tax Matters (the Committee) at its

FfDO/UN-DESA organized jointly with the International Tax Compact (ITC), a technical capacity-building meeting on “Tax treaty administration and negotiation”, held on 30-31 May 2013.

A week-long series of official and expert-level meet

effective and efficient tax systems,
and tax administration processes and
a program is being implemented with lim-
ited resources and relies on joint work with
others to avoid duplication and promote com-

Ms. Marlies de Ruiter, Head,
Tax Treaty, Transfer Pricing &
Financial Transactions Division,
Center for Tax Policy and
Administration, OECD, stressed
the importance of building
developing countries' tax-admin-
istration skills and the benefits

these skills provided to those countries. Commenting
on the impact of aid in this area, the speaker demon-
strated, with country examples, that a relatively small
amount of aid delivered to tax administrations could
yield important outcomes in terms of the amount of
taxes collected by these administrations. Overall, how-
ever, according to the speaker, very little Official Devel-
opment Assistance (ODA) was generally applied towards
tax administrations and tax policies. Speaking about the
OECD capacity development programs in taxation, she
emphasized the inclusiveness of the OECD's initiatives,
such as the Global Forum on Transfer Pricing and the

Task Force on Taxation and the International Development of
Page 44p P8 3491(g a)-(ia)-27(I D)3(e)-13(v)12(e)15(o)15(p)17(m)13(t)76(n t)-116(r)su5(s a)-20(r)s16(l)

technical assistance providers. In conclusion, the speaker expressed the view that there was a lot to be done in capacity development in the area of taxation and, in view of the limited resources available, each organization should focus its activities on its comparative advantage. He also pointed out that the group of organizations active in the area of taxation was becoming increasingly large and diverse, which was desirable but made it critical and challenging to manage the emerging relationships.

Mr. Richard Stern, Global Product Specialist for Business Taxation, World Bank Group, presented an overview of the

World Bank TB7(r19(n i)24(17(m)16(p)6(n)25(t)7(e)-2(d a)-21(n o)15(v)12(e)7(r)-34(v

countries. The Manual provides explanatory guidance with examples on how to apply the “arm’s length principle” in accordance with Article 9 of the UN Model. It also reflects the realities of developing countries at their relevant stages of capacity development and pays special attention to the experiences of these countries.

Panel discussion on “Transfer pricing challenges for developing countries”

The discussion was moderated by **Mr. Michael Leonard**, the Secretary of the Committee, who began the discussion by stating that transfer pricing frameworks had been getting more attention since the beginning of the international financial crisis. Various factors contributed to this, including the need for domestic resource mobilization amidst economic downturn, heightened media and civil society awareness and discussions at the G20 level. Challenges related to transfer pricing are the same for developed and developing countries. However, developing countries are often less well equipped to deal with them.

Ms. Phensuk Sangasubana (Thailand), Head, International Tax Division, Bureau of Tax Policy and

Mr. Alexander Trepelkov, Director, Financing for Development Office, UN-DESA, emphasized the relevance of transfer pricing issues for the Financing for Development agenda, as a result of an increased role of multinational groups and intra-group transactions in global trade and investment flows. The speaker provided examples of how transfer mispricing could lead to profit shifting, and thus reducing the amount of tax revenue available to countries for funding their development objectives. Apart from tax base erosion and tax evasion, it can also lead to double taxation, which undermines the investment climate for foreign direct investment.

Mr. Armando Lara Yáñez (Mexico), Chairperson, UN Committee of Experts on International Cooperation in Tax Matters outlined the history of the work of the Committee on transfer pricing. He emphasized that the Manual had been intended for practical use from the start, and the views of all Member States were taken into account in its development. It was a “living document”, with some of its technical details still under discussion. Noting that the Manual had been drawn up with few resources, he asked ECOSOC to consider allocating greater resources to the Committee in the future for its other equally important work streams. He also expressed gratitude to the Subcommittee on Transfer Pricing, which had undertaken “gargantuan” efforts to draft the Manual.

Mr. Stig Sollund (Norway), Coordinator, Subcommittee on Transfer Pricing, outlined the key features of the Manual. He started his presentation by delineating the reasons why the Manual was needed, including the need for tax to develop and sustain public services, importance of determining the right amount of profits of companies to a country’s tax base, and avoiding double taxation of business profits. Then, the speaker briefly described the chapters of the Manual and outlined its main contributions from the point of view of developing

the economic sector of the taxpayer. According to the speaker, the predetermined margins methodology has many advantages, such as its easy and low-cost application and implementation for taxpayers and the tax administration, stable expectations, a level playing field for companies and the fact that it renders comparables unnecessary.

Ms. Anita Kapur (India), Member, UN Committee of Experts on International Cooperation in Tax Matters, outlined how, in her view, developing countries should proceed with their transfer pricing journey. The speaker stressed that stable legislation, public database, skill development of tax auditors and performance management should be established before the beginning of

