

Extending the Dialogue on International Taxation¹

Satoshi OHUCHI
Senior Outreach Advisor
Centre for Tax Policy and Administration

17th Tax Conference
Tokyo, 11 October 2007

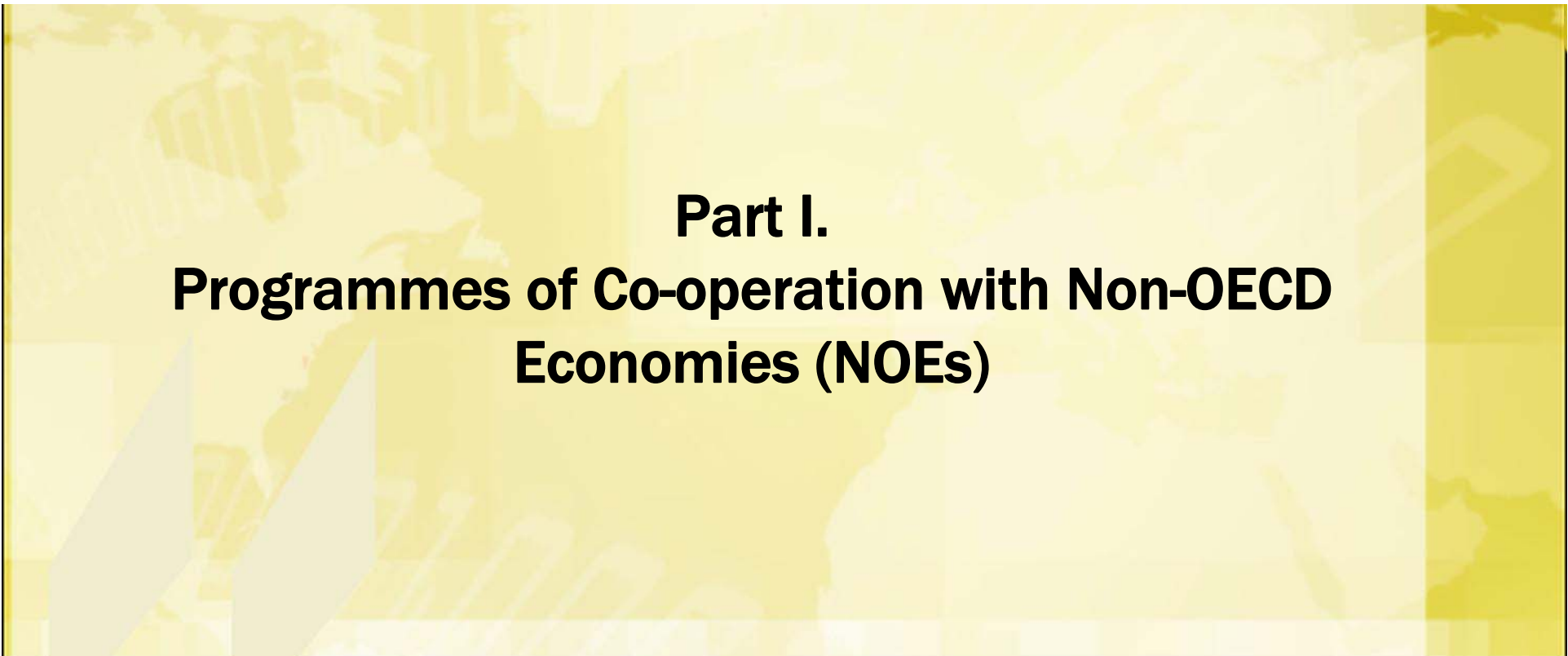
¹ The views expressed in this paper are the views of the author and do not necessarily reflect the views or policies of the Asian Development Bank (ADB) or its Board of Directors or the governments they represent. ADB makes no representation concerning and does not guarantee the source originality, accuracy, completeness, or reliability of any statement, information, data, finding, advice, opinion, or views presented.

Main Parts

Part I. Programmes of Co-operation with Non-OECD Economies (NOEs)

Part II. Involvement of Non-OECD Economies in OECD Model Tax Convention

Part III. International Tax Dialogue (ITD)

A light yellow background featuring a faint world map. A large, stylized, light-colored graphic element resembling a double-headed arrow or a stylized 'K' is positioned on the left side of the map.

Part I.
**Programmes of Co-operation with Non-OECD
Economies (NOEs)**

A Modern and Relevant OECD

- **Ministerial Council decision in May 2007 to enlarge organisation. Dialogue has begun with Chile, Israel, Slovenia, Russia and Estonia who are initial candidates for membership. Other candidates for membership may also be included as the process develops**
- **Alongside the enlargement process, Council has also agreed to strengthen dialogue with Brazil, People's Republic of China (PRC), India, Indonesia, and South Africa.**
- **But continuing emphasis on partnership programmes broadening dialogue with all non-members is of critical importance.**

The Committee's Response to the Changing Global Tax Environment

- **Promote international tax co-operation:**
 - **Setting global guidelines,**
 - **Monitoring their implementation**
 - **Providing effective dispute settlement mechanisms**
- **Improve the analytical base for tax reform**
- **Strengthen the focus on tax administration issues**

Limited Membership, Global Partnership

Why involve NOEs ?

- To assist in the development of NOEs' tax systems
- Global guidelines need global acceptance

How ?

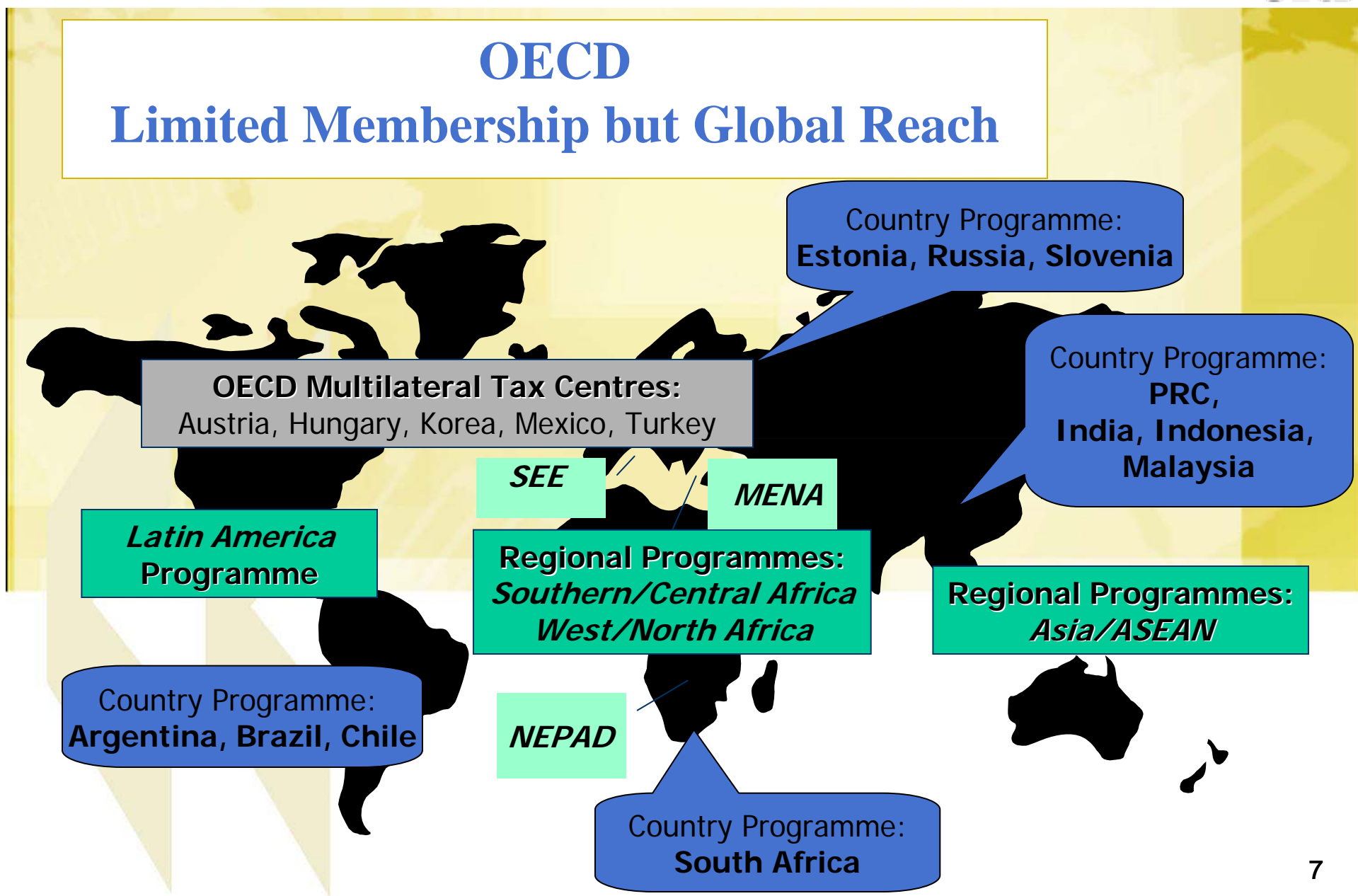
- Developing partnerships internationally and regionally: ITD and CIOTA
- Multilateral, regional and in-country programmes
- Over 750 events with NOEs since early 1990s including around 20,000 tax officials

Outcomes?

- Twenty-five NOEs set out position on Model, many NOEs basing transfer pricing legislation on 1995 Guidelines
- Better tax policy and administration

OECD

Limited Membership but Global Reach



Committee on Fiscal Affairs (CFA) Strategic Objectives of the CFA Programme with NOEs

- **Removal of tax obstacles to cross-border investment and trade in goods, services and people.**
- **Ensuring a fair sharing of the international tax base.**
- **Improving the domestic tax base of NOEs, particularly LDCs, so that they can finance their development.**
- **Integration of the NOE programme as a key part of the CFA's overall work programme.**

The CFA's architecture for dialogue

Better to use a differentiated approach to dialogue with NOEs taking into account their positioning.

CFA has adopted a three fold approach:

- 1. Comprehensive engagement**
- 2. Flexible engagement**
- 3. Development focussed engagement**

1. Comprehensive Engagement

- **Integrated approach to cover all contacts**
 - Includes multilateral, regional and country programmes
 - May include Full observership
 - Includes accession and enhanced engagement countries

- **Currently implemented in respect of Chile, Estonia, Israel, Russia, Slovenia (all accession countries), and Brazil, PRC, India, Indonesia, and South Africa (all enhanced engagement countries)**

2. Flexible Engagement

- **Covers countries which are not yet prepared for a full-fledged engagement but has a close interest in the tax work of OECD**
- **These countries are involved in multilateral co-operation through Global Forum and regional programmes, supplemented by bilateral contacts**
- **Around 25 countries in this category, including in Asia Philippines, Singapore, Thailand and Viet Nam**

3. Development Focussed Engagement

- **Aimed at enhancing partnerships with less developed economies in Africa, Asia and Latin America, focus very clearly on links between tax and development**
- **Objectives of the engagement are to encourage sustainable development primarily by providing a tax environment which facilitates FDI and helping LDC to improve their domestic tax systems**

What do we do?

- **Deliver events designed to promote dialogue**
- **Our events bring together**
 - **Experts from OECD member countries**
 - **Experts from Non-OECD economies responsible for subjects under discussion**
 - **In a multilateral (sometimes bilateral) environment**
- **Focused on**
 - **key international and domestic tax policy issues, or tax administration of mutual interest to all participants**
- **To achieve**
 - **Greater understanding among all parties of possible approaches to particular problems**
 - **Clearer view of good practices in dealing with core issues**
 - **Participants bring back knowledge and ideas to help shape reform processes in own administrations**

How do we ensure relevance?

- **Negotiation of relevant topics with countries and regional and international tax organisations**
- **Use of current experts active in the area with practical insights into issues**
- **Event evaluations by participants**
- **Impact surveys**
- **Annual progress reports/needs assessments**
- **Advisory Group for Co-operation with Non-OECD Economies**

2008 Main Topic areas

- **Tax treaties**
- **Transfer pricing**
- **Taxation of financial aspects**
- **Exchange of Information**
- **Tax policy reform**
- **International avoidance and evasion**
- **Tax administration and risk assessment**
- **Auditing**
- **VAT compliance**

Key developments for 2008

- **Differentiated programme work especially in key areas of treaties and transfer pricing**
- **Deepening involvement with ASEAN countries**
- **MENA project gathers momentum**
- **Increasing aid agency interest in tax and governance**
- **Development of partnership based Tax Centre for African countries**

Direct Benefits

Partner events assist in

- **developing legislative norms in key policy areas**
- **reconciling local and international standards in operating tax systems**
- **reforming administrative structures**
- **training tax officials to improve performance**
- **increasing awareness of global issues and solutions**
- **reinforcing the global tax community**

Proposed OECD Events at the Korea Tax Centre in 2008 (to be confirmed)

- **Taxation of Financial Markets (18-22 Feb)**
- **Tax Incentives (10-14 Mar)**
- **Tax Treaty Issues (21-25 Apr)**
- **Auditing Small and Medium Sized Enterprises (20-24 Oct)**
- **Transfer Pricing (14-18 Jul)**

Participating Economies

- **Bangladesh**
- **Cambodia**
- **PRC**
- **Hong Kong, China**
- **India**
- **Indonesia**
- **Lao PDR**
- **Malaysia**
- **Maldives**
- **Mongolia**
- **Nepal**
- **Papua New Guinea**
- **Philippines**
- **Russia**
- **Singapore**
- **Sri Lanka**
- **Taipei, China**
- **Thailand**
- **Viet Nam**

Proposed Other ASEAN Events in 2008 (to be confirmed)

Indonesia

- **Tax Treaty Issues (10-15 Mar)**
- **Transfer Pricing (21-25 Jul)**

Malaysia

- **Tax Treaty Negotiations (3-7 Mar)**
- **Transfer Pricing (26-29 May)**
- **Taxation of Financial Markets (20-24 Oct)**
- **Auditing Multinational Enterprises (1-5 Dec)**

Singapore

- **Transfer Pricing (1-5 Dec)**

The Partnership Program: Keys to Success and Challenges:

- Programme jointly driven by both OECD countries and Non-OECD Economies
- Focus on activities where OECD has comparative advantage. (the CFA has uncontested role as the setter of international tax standards and guidelines)
- Use of member country expertise, (use very few consultants) and cost-effectiveness of multilateral approach.

How can Non-OECD Countries have a say in what we do?

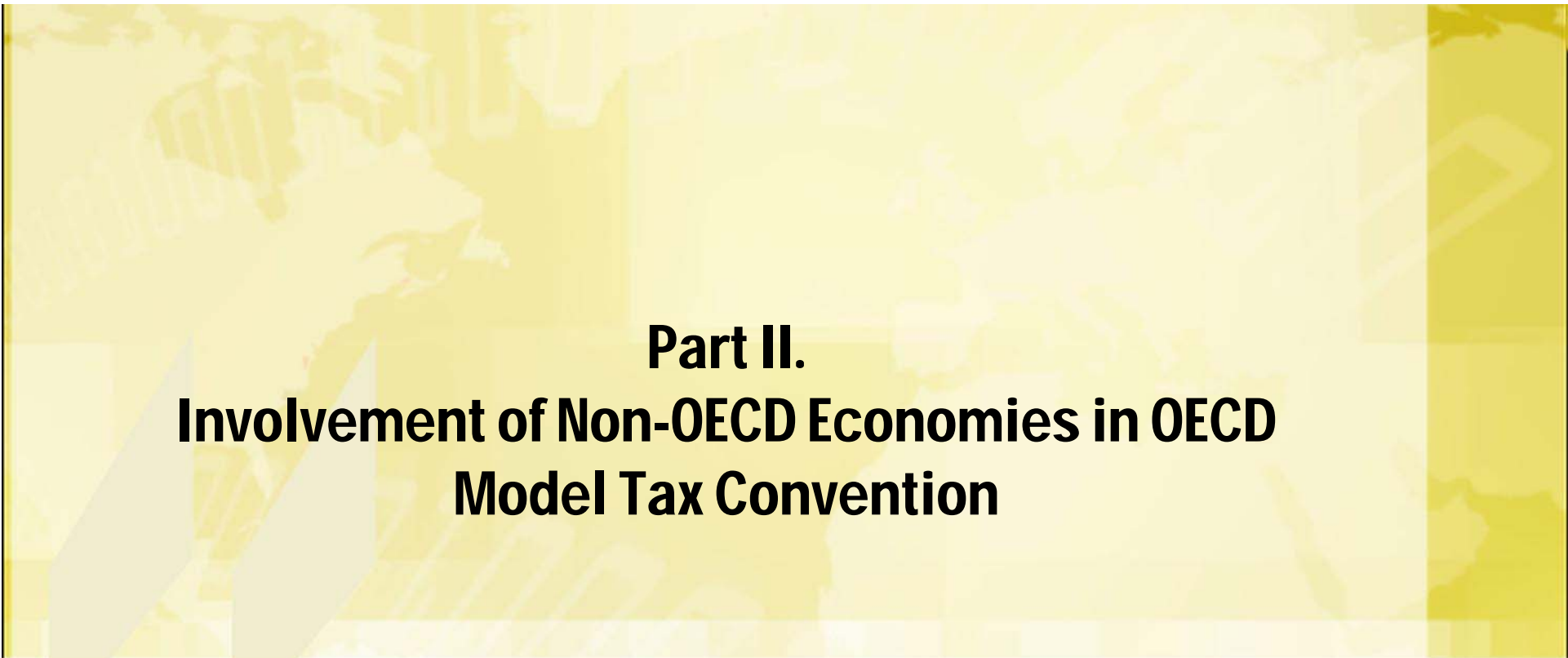
- **Using the open communications channels**
 - **Event evaluations by participants (Do the individual events meet the participant/country needs?)**
 - **Periodic surveys of impact on Non-OECD countries (Do the events achieve a lasting benefit?)**
 - **Attendance at our annual Advisory Group for Co-operation with Non-OECD Economies meetings (hosted by Slovenia in 2007, to be hosted by Chile on 31 March to 2 April 2008) and impact reports**
 - **State their position on the OECD Model Tax Convention**

- **And developing new channels**
 - **Contacting the outreach unit**
 - **Informal meetings**

It's your programme

The success of the programme largely relies on you

- **telling us what you want, how you like it when it is delivered, and what benefits it has had**
- **letting us know what we could be doing in addition and what we should improve**
- **using the experiences gained to maximise the impact of ideas you think are useful and relevant**

A light yellow background with a faint world map. A large, stylized, light-colored graphic element resembling a double-headed arrow or a stylized 'S' is positioned on the left side of the slide.

Part II.

Involvement of Non-OECD Economies in OECD Model Tax Convention

OECD Model Tax Convention on Income and on Capital

Provides a means of settling on a uniform basis the most common problems that arise in the field of international juridical double taxation.

- 1. OECD Member countries have largely conformed to the Model when concluding or revising bilateral conventions.**
- 2. Basic document of reference in negotiations between Member and Non-Member countries even between Non-Member countries, as well as in the work of other international organisations in the field of double taxation.**
- 3. Widely accepted guide to the interpretation and application of the provisions of existing bilateral conventions.**

Indicating Positions on the OECD Model Tax Convention

- Positions are not binding and can be changed
- Closer alignment with OECD's work
 - access to WP1 documents (during development of policy)
 - opportunities for comments
- Knowing views:
 - influences OECD's work;
 - assists negotiations; and
 - provides greater certainty of applications

Countries that have already indicated their positions in the OECD Model Tax Convention

25 Non-OECD Economies have officially stated their positions on the 2005 update of the OECD Model Tax Convention

In Asia

- **PRC**
- **Malaysia**
- **Philippines**
- **Thailand**
- **Viet Nam**

India will shortly state their position

A large yellow rectangular area with a faint world map background. On the left side, there are two large, stylized, light-colored arrows pointing downwards and to the right.

Part III. International Tax Dialogue (ITD)

International Tax Dialogue

The International Tax Dialogue (ITD) is a collaborative arrangement involving the IDB, IMF, OECD, UN and World Bank to encourage and facilitate discussion of tax matters among national tax officials, international organisations, and a range of other key stakeholders.

increase cooperation

share good practice, knowledge and experience

improve tax policies and administration

International Tax Dialogue

Activities have focussed on creating dialogue opportunities through:

- **Online resources**
- **Conferences and forums**
- **Shared technical assistance information**

Online resources

- **www.itdweb.org is a free, multilingual, multinational internet site operated by the ITD. The site provides a mechanism for countries and organisations to share knowledge and experience with each other, quickly, easily and globally**

www.itdweb.org

- **A broad range of both administration and policy topics are covered:**
 - **Tax policy**
 - **Personal & corporate income tax**
 - **VAT/GST & sales tax**
 - **Other taxes**
 - **Domestic tax avoidance & evasion**
 - **Taxation of multinationals**
 - **Treaties**
 - **Other international issues**
 - **Tax procedure**
 - **Organisation and management of tax administration**
 - **Service delivery & community relationships**

www.itdweb.org



- **Over 2700 documents from a range countries and organisations are currently available with more added everyday**
- **Documents can be accessed through a tax topic structure, by keyword, country, date, language, etc**
- **Information is available in 8 languages: English, Dutch, French, German, Japanese, Norwegian, Spanish and Russian. Online translation facilities are provided.**
- **Other resources include: news, events calendar, extensive range of links and contact information for more than 100 countries**

www.itdweb.org

- **Success lies in the knowledge and experience national tax organisations share with one another**
- **All countries are encouraged to share their own information using the site**
- **Adding documents is very quick and easy and can be done from anywhere in the world**

Conferences and forums

- **The first global conference was held in March 2005, in Rome, on Value Added Tax (VAT) topics**
- **240 participants from 97 countries and organisations attended**
- **The next conference to be held 16-18 October 2007 in Buenos Aires will consider Taxation of Small and Medium Sized Enterprises.**

For Further Information

Contact : satoshi.ohuchi@oecd.org