UN Tax Committee

H.E. Collen Vixen Kelapile
President,
ECOSOC,
United Nations

Excellency,

Thank you for your letter of 3 December 2021 inviting us to provide substantive inputs into the 2022 High Level Political Forum (HLPF). We are pleased to contribute to this important work. As the Committee has not been in Session since your letter, we respond in our capacities as Co-Chairpersons of the Committee.

## Background

Your request relates to the 2022 HLPF theme of: *"Building back better from the coronavirus disease (COVID-19) while advancing the full implementation of the 2030 Agenda for Sustainable Development.* We note in particular that the 2022 HLPF will review progress toward SDGs: 4 on quality education, 5 on gender equality, 14 on life below water, 15 on life on land, and 17 on partnerships for the Goals. The Forum will take into account the different and particular impacts of the COVID-19 pandemic across these SDGs and the integrated, indivisible and interlinked nature of the Goals.

You asked us to showcase findings, research, data and policy recommendations from the Committee of Experts on International Cooperation in Tax Matters (the Committee) on specific aspects of an SDG-driven response to the COVID-19 pandemic and the SDGs under review.

## The Committee and its Mandate

The Committee is a non-governmental subsidiary body of ECOSOC, and is globally recognized for its work in norm- and policy-shaping and for the practical guidance provided in the area of international tax cooperation, an area of increasing focus in the context of achieving the 2030 Agenda.

The Committee comprises 25 members, nominated by Governments and acting in their expert capacity. The members are appointed by the Secretary-General after notification is given to ECOSOC, for a term of four years.

The Committee has the following mandate (ECOSOC Resolution 2004/69):

- Keep under review and update as necessary the United Nations Model Double Taxation Convention between Developed and Developing Countries and the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries;

- Provide a framework for dialogue with a view to enhancing and promoting international tax cooperation among national tax authorities;

- Consider how new and emerging issues could affect international cooperation in tax matters and develop assessments, commentaries and appropriate recommendations;

- Make recommendations on capacity-building and the provision of technical assistance to developing countries and countries with economies in transition;

- Give special attention to developing countries and countries with economies in transition in dealing with all the above issues.

The Committee's Work

The Committee generates practical guidance for governments, tax administrators and taxpayers to help strengthen tax systems, with a view to mobilizing financing for sustainable development. It operates by means of Subcommittees and small groups proposing and drafting guidance for the Committee's approval. The breadth of the Committee's work programme means there are currently 11 subcommittees and 4 smaller groups.

Through its work, the Committee aims to prevent "double (or multiple) taxation" as well as "non-taxation" and assists countries to broaden their tax base, strengthen their tax administrations and to curb international tax evasion and avoidance. It also provides guidance in using taxation to achieve certain health or environmental goals. In this respect its work is closely linked to achieving all the SDGs and to addressing impediments to achieving them, including shocks to international and domestic systems such as the COVID-19 pandemic.

The Committee finds guidance in the yearly ECOSOC Special Meeting on International Cooperation in Tax Matters, and the 2021 Special Meeting was especially useful in its consideration of the issues of tax and inequality, tax and health, and environmental taxes, as outlined in the informal summary of the meeting.

With a view to enhancing and promoting international tax cooperation among national tax authorities, the Committee has identified and been working on new and emerging or increasingly important international tax issues, such as taxation of the increasingly digitalized and globalized economy, dispute avoidance and resolution, and environmental and health-related taxes.

Inequalities are widely recognized as having deepened during the pandemic, and the Committee's work is grounded in reducing tax inequalities between individuals, companies in similar positions, and between countries.

The Committee is also responsible for making recommendations to UN DESA on capacity-building activities supporting tax administrations in developing countries. In all of its work, the Committee gives special focus to least developed countries and others in special situations, including small island states and landlocked countries.

Input to Review

In responding to your questions, we will address the issues raised in the categories to the extent not already addressed above:

(a) ***Progress, experience, lessons learned, challenges and impacts of the COVID-19 pandemic on the implementation of SDGs 4, 5, 14, 15 and 17 from the vantage point of your intergovernmental body, bearing in mind the three dimensions (economic, social and environmental) of sustainable development and the interlinkages across the SDGs and targets, including policy implications of their synergies and trade-offs;***

As evidenced by the Report of the Committee's 23rd Session, held in October 2021, and the Agenda of the 24th Session, now to be held virtually on April 4-7 and 11-12, 2022, the Committee works to fulfil its mandate across a wider range of tax issues than ever before, reflective of the central role of taxation in achieving sustainable development in all its dimensions.

Taxation and the Sustainable Development Goals is now a regular and scene-setting agenda item at Committee sessions. At the 23rd Session of the Committee a secretariat paper on the issue was considered, and after discussions where the importance of SDG approaches informing Committee work was noted, several topics of particular relevance to developing countries were acknowledged, including: taxation of the informal economy; taxation to promote gender equality; tax and health; tax transparency; and illicit financial flows. The Committee, as noted in the report, then agreed:

(a) To continue to discuss taxation and the Sustainable Development Goals regularly during sessions, as a permanent agenda item;

(b) To request the secretariat to provide regular updates on taxation and the Sustainable Development Goals, at each session:

(i) To preserve the focus of the Committee's work in the area;

(ii) To identify any gaps in guidance;

(iii) To establish priorities for technical work to be carried out by the secretariat; and

(c) To have subcommittees reflect on the link between their work and the Goals.

It was also agreed that the Committee at its 24th Session in April will consider whether to conduct a public consultation to receive feedback about priority topics concerning taxation and the SDGs for developing countries.

Given the cross-cutting and fundamental nature of the topic, taxation and the SDGs has increasingly been a lens through which the Committee identifies, prioritizes and assesses the impact of its work. The Committee contributes directly to the achievement of SDG 17 (partnerships for the goals) through the promotion of international tax cooperation and the support to developing countries in the revenue mobilization area, owing to their approach which aims to involve multiple stakeholders, and to recognize the interests of all stakeholders in tax systems. The Committee has internalized the importance of all stakeholders in achieving both efficient and effective tax systems and the SDGs. This is evidenced in the many current Committee guidance publications.

By promoting fair and effective tax systems, which support both revenue and trade and investment for development, through guidance products and through advising UN DESA on capacity building activities, the Committee's work contributes to achieving the interlinked SDGs as a totality. It does this by addressing the three dimensions of sustainable development:

1) Economic: including guidance on tax systems that takes into account not only revenue and tax expenditure issues but also places that guidance in the context of a wider trade and investment climate and development plans;
2) Social: guidance that supports social justice and equity, the rule of law and its place in supporting and promoting social ends, including better health; and
3) Environmental: including through the role of tax in addressing the impact of extraction on the environment, as well as carbon taxation.

The Committee also makes specific contributions in relation to particular SDGs. For example, in relation to SDG 14 and 15 and other environmental goals the Committee developed the United Nations Handbook on Carbon Taxation for Developing Countries and the United Nations Handbook on Selected Issues for Taxation of the Extractive Industries by Developing Countries (2018 edition, 2021 edition forthcoming). The latter addresses, for example, the role of taxation in safe and effective decommissioning of offshore as well as onshore extractive facilities.

In relation to Goal 5 (gender equality), the Committee for the first time has a majority female membership. Strengthening the role of women in tax policy development, encouraging gender responsive tax policy (on both the revenue and expenditure sides) and supporting gender-sensitive capacity development measures will be an increasingly significant component of the Committee perspective.

There are certainly challenges in achieving coherent and integrated consideration of what are by themselves deep and complex fields of study, but diverse, multi-stakeholder and multi-disciplinary approaches can multiply the Committee impact and help draw the connections to tax and other policy-makers and administrators, itself encouraging more holistic, integrated and practically relevant tax policy and administration. Political will is needed to support this work.

(b) ***Assessment of the situation regarding the principle of "leaving no one behind" against the background of the COVID-19 pandemic and for the implementation of the 2030 Agenda, within the respective areas addressed by your intergovernmental body;***

Taxation affects the achievement of the SDGs both in financing terms, including through effective domestic resource mobilization, and in helping reducing inequalities, within the broader objective of leaving no one behind. Progressive tax systems have played an especially important role in this respect, but as rules become outdated, are subject to avoidance or evasion, or weigh more heavily on capital than labour, the effectiveness of tax as an instrument for equality is dulled and the contribution of high wealth individuals and corporations to development falls. This has a social cohesion and tax morale impact. Effective Committee guidance, drawing upon the best work of others, and drawing attention to it, as well as the Committee's own thinking, can help support this role of reducing inequality in times when it is otherwise increasing and when confidence in tax systems is often fragile.

Committee workstreams such as on the UN bilateral Model Tax Convention, on transfer pricing (profit shifting), on value added taxes, on taxing the digitalized and globalized economy and on wealth taxes, are directly relevant to this issue, but leaving no one, including no country, behind, is central to the Committee work generally.

(c) ***Actions and policy recommendations in areas requiring urgent attention in relation to the implementation of the SDGs under review;***

The following actions and policy recommendations as referenced in the Secretary-General's Report "Our Common Agenda" are very relevant, recognizing that (as the Secretary-General noted) taxation is one of the most powerful tools of government, critical to investing in public goods and incentivizing sustainability:

- Governments should consider using taxation to reduce extreme inequalities in wealth, as an important signal in the wake of severe pandemic impacts;
- Taxation can also drive a sustainable and just transition, as governments shift subsidies from activities that damage the environment to those that sustain and enrich it;
- Any new approach to taxation will need to embed the principles of sustainability while also considering the views and capacities of developing countries; and
- A reformed international tax system is needed to respond to the realities of growing cross-border trade and investment and an increasingly digitalized economy while also addressing existing shortcomings in fair and effective taxation of businesses and reducing harmful tax competition. In such a reform, the perspectives of all countries must be heeded, including the potential for asymmetrical impacts on countries at different stages of development.

We also note that these actions and policy recommendations require an investment in taxation systems that countries should be prepared to make, and which those in a position to do so should strongly support.

(d) ***Policy recommendations, commitments and cooperation measures for promoting a sustainable, resilient and inclusive recovery from the pandemic while advancing the full implementation of the 2030 Agenda;***

The suggestions at (c) above address both these aspects.

(e) ***Key messages for inclusion into the Ministerial Declaration of the 2022 HLPF.***

Apart from the messages inherent in (c) above, an essential message is that perspectives on tax and the SDGs take into consideration social, economic and environmental priorities. This necessitates tax policymakers and administrators seeing their work in that broader perspective and non-tax officials working more closely than ever with tax officials to achieve the SDGs. This process is itself beneficial to deeper understanding of the many dimensions of sustainable development, quite apart from the improved outcomes.

To successfully integrate tax and SDG considerations, multi-stakeholder, multi-disciplinary and multi-representational (including multi-generational) approaches are needed. It needs political support and whole of government approaches to succeed.

The UN Tax Committee is a uniquely relevant forum to achieve the balance, and the SDG focused tax guidance, that the current times, including pandemic recovery, demand. Member States should support that role, and participate actively in the Committee sessions and work, to improve it, and to benefit even more from it.

Please accept, Excellency, the assurances of our highest consideration

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| *[signed]* | *[signed]* |
| Liselott Kana | Mathew Gbonjubola |
| Co-Chairperson | Co-Chairperson |