



European Commission Work streams on DRM 2012/2013



EC Communication "Tax and Development" (2010)

- *synergies between tax and development policies*
- *comprehensive approach to tax reform (seen from a governance, state building and growth perspective)*
- *to assist partner countries in building efficient, fair and sustainable tax systems and administrations in line with the principles of good governance in tax matters*
- *to enhancing domestic revenue mobilisation*
- *emphasised in the EC Communication "Budget Support to Third Countries" and "Agenda for Change"*



EC Communication on "Budget Support" (2011)

Specific focus on Domestic Revenue Mobilization

- Crucial to financing development policies and promoting MDGs, fiscal stability and sustainable growth
- Central for state building, fostering citizenship and domestic accountability
- Provides sustainable and more predictable public funds and reduces aid dependency
- Part of the eligibility criteria Macroeconomics and Public Finance; part of political dialogue

WORK STREAMS ON DRM



Tripartite Initiative EC-OECD-WB on Transfer Pricing

- *A joint programme for strengthening capacity in developing countries in the transfer pricing area*
- **Aim:**
 - **to enhance capacity to adopt, and effectively implement, transfer pricing rules in accordance with the arm's length principle**
 - **to increase DRM and to improve the investment climate**
 - **Drawn upon the EC study on Transfer Pricing and Developing Countries and long-standing work by OECD and WB**
 - **Partner countries to date: Colombia, Honduras, Ghana, Kenya, Vietnam**



Study on feasibility and effectiveness of tax reforms

- ***To collect evidence, start a data bank and offer guidance on***
 - *drivers of and constraints on tax policy changes*
 - *legal and institutional transformation underlying tax policy and administrative reforms*
 - *determinants of effectiveness of policy reforms*
- ***How?***
 - *Multiple case studies (nine across 4 continents)*
 - *Conducted with strong, common methodology that ...*
 - *...could continue to be used for further studies to enrich the data bank*



Study on feasibility and effectiveness of tax reforms

To be analysed

- Process to reach political agreement**
- capacity of tax administration to adapt to new tasks**
- right mix of tax legitimacy and control to ensure the respect for tax law by tax payers**
- economic structure and the macroeconomic challenge**
- policy advice provided by international institutions**



Study on feasibility and effectiveness of tax reforms

- **Team(4 experts – multi disciplinary) selected and on the way to be contracted;**
- **Seeking for involvement of interested and competent stakeholders, to discuss the methodology and later on comment results;**
- **First meeting probably in January.**
- **Study to be finished and presented end 2013**



Communication on Tax Fraud and Evasion

- *EC Communication on concrete ways to improve the fight against tax fraud and evasion June 2012- covering both direct taxation and VAT*
- *Outlines: necessity to build, maintain and enhance systems of information exchange and major importance of swift adoption by the Council of the amending proposal on the Savings Directive and of the proposal for a Quick Reaction Mechanism that would allow MS stopping VAT carousel fraud.*



Action Plan against tax fraud and evasion and good governance

- *Communication foreseen for adoption in December 2012 will specify a series of concrete actions also on tax havens and aggressive tax planning to support the development of the existing good governance policy in the tax area.*
- *Aims:*
 - Closing loopholes and potential for abuse of MS` tax systems
 - Improving the efficiency of measures taken at national level to counter tax avoidance
 - Improving the leverage that MS have towards third countries in tax matters



Exchange of Information

EU Directive on administrative cooperation in the field of taxation of February 2011

- More efficient automatic exchange of information with the help of the common electronic forms.

EU Savings Taxation Directive (extended scope)

- To better ensure the taxation of interest payments which are channelled through intermediate tax-exempted structures and to cover certain types of non-interest income.
- Currently under discussion in the Council.



Revenues from Natural Resources

*Legislative Proposals for amending the
Transparency and Accounting Directives (October
2011)*

- **requires disclosure of payments to governments on a country and project basis by listed and large non-listed companies with activities in the extractive and forestry sectors**
- **Discussions in Parliament and Council (co-decision)**
- **Possible adoption by the end of 2012**



Cooperation with Regional Organisations

ATAF

- *Support to various conferences (Auditing of Multinational Enterprises, EOI & TIEA, indirect Taxes, Transfer Pricing)*

CIAT

- *Support to various conferences (tax intelligence, tax burden, electronic invoicing)*
- *Development of an electronic invoicing system*



Support to International Organisations

Support to:

- *UN (Manual on Transfer Pricing)*
- *WB EITI Multi Donor Trust Fund*
- *IMF Topical Trust Funds on Tax Policy and Administration and on Managing Natural Resource Wealth*
- *IMF-RTACS*
- *OECD (ITD, Task Force Tax and Development)*
- *OECD/WB on Transfer Pricing*
- *International Tax Dialogue*
- *EITI*



Thank you