

TASK FORCE ON TAX AND DEVELOPMENT MEETING IN CAPE TOWN, MAY 2012

CO-CHAIRS STATEMENT¹

The OECD's Task Force on Tax and Development met in Cape Town, South Africa on 9-10 May. OECD and non OECD Governments, international and regional organisations, civil society and business took stock of the progress made since the previous meeting on 11-12 April 2011 and explored further ways to help developing countries better mobilise their domestic resources.²

To respond to the demands expressed by developing countries, the main proposals of the Task Force are:

The Task Force fully supports the development and testing of the **'Tax Inspectors Without Borders'** initiative. Within the framework of the Task Force, the OECD will develop this initiative to deploy the right experts at the right time in the right places, to help, for example, with complex international tax audits filling an important gap in the current provision of assistance. By the end of 2013, an independent foundation should be put in place to run this innovative programme.

State building and capacity development are core to the development agenda and the Task Force advanced a set of **international engagement principles** to improve the quality and coherence of international support in tax matters, which should be used to monitor performance. The Task Force emphasised the importance of policy coherence in donor countries.

The Task Force agreed that tax policy design is also key to better ensure the mobilisation of domestic resources. In particular, addressing tax incentives is a key challenge in both OECD and non-OECD countries alike and the Task Force welcomed the OECD's proposed new service to undertake **tax and investment reviews. These reviews will be based on principles** promoting transparency in the granting and administration of **investment-related tax incentives. The reviews will be carried out** on a demand-driven basis, building on the governance and transparency principles developed to date. We noted that for the sake of coherence, donor governments should move to make the exemptions they claim on aid funded goods and services fully transparent, in line with the 2011 Busan Partnership for Effective Development Co-operation.

Base erosion and profit shifting are also a source of concern in all countries including developing countries. **The Task Force welcomed increased international cooperation in the area of Transfer Pricing** including the support delivered to Colombia, Ghana, Kenya, Rwanda, and Vietnam by the joint OECD, EC, and World Bank programme. We noted the need for developing countries to better influence the setting of international tax standards, was fully acknowledged. As a mechanism to enable developing countries to feedback their experience on the applicability of OECD standards and guidelines, the Task Force noted the recently established **Global Forum on Transfer Pricing and welcomed the development of a practical transfer pricing needs assessment tool to support developing countries. The Task Force encouraged additional work to improve availability and access to relevant comparables.**

¹ Co-chaired by South Africa and the Netherlands the Task Force on Tax and Development is a multi-stakeholder advisory group to the Committee on Fiscal Affairs and the Development Assistance Committee. It plays a key role in the OECD strategy on development, drawing in particular on the views of developing countries, civil society and business experts.

² There was broad consensus on the conclusions and anticipated deliverables, although some stakeholders expressed divergent views. This statement reflects the views of the Co-Chairs and not necessarily those of all stakeholders.

On the issue of **Multinational Enterprise financial reporting**, we welcomed the report indicating the transparency benefits from the local registration of statutory accounts. We encouraged the OECD to make this work public so it can be used by all countries. We agreed the Task Force had a valuable role in tracking international transparency developments on an ongoing basis. This issue should remain on the Task Force agenda in order to monitor and discuss further developments.

We welcomed the progress made by the **Global Forum on Transparency and Exchange of Information for Tax Purposes** in supporting the participation of developing countries. We noted that some developing countries are joining the **Multilateral Convention on Mutual Administrative Assistance** and we encouraged others to follow. The Task Force noted that South Africa will be hosting the next GF meeting in October, and anticipate that a number of African countries will soon join the Global Forum. Appropriate technical assistance has been and will continue to be delivered to these countries.

We noted the early efforts made by the international and regional organisations to better co-operate on **diagnostic, benchmarking and surveying work in tax administration**, noting the risks of duplication. We encourage the participating the organisations to strengthen their efforts to improve collaboration. Consideration of the costs to developing countries of participating in multiple exercises was paramount

The Task Force welcomed the near completion of a report on tax morale and encouraged further work, in particular to compile the best practices in tax payer education leading to the preparation of a toolkit for developing countries.

We, the Co-Chairs, direct the secretariat to create a programme of work and budget, to identify the outputs, and deliver the programme through fewer meetings, streamlined governance and smarter working. The Task Force discussions and proposals will be communicated to the relevant OECD Committees for approval. The Task Force will progress its work in these core areas and will reconvene before the end of 2013.

Summary of Main Anticipated Deliverables by end 2013

1. Tax Inspectors Without Borders.
2. Outcomes from pilot testing of improved principles on donor coherence.
3. Outcomes of tax investment reviews and revised transparency principles.
4. Reports from the 5 Transfer Pricing focus countries; reports on the use of the needs assessment tool; progress report on the development of relevant comparables.
5. Tax morale report leading to a tax payer education toolkit.
6. The Task Force will be informed on progress made on Exchange of Information and measuring progress in tax administration.