



Overview

In 2012, the Financing for Development Office (FfDO) began developing its Capacity Development Programme on International Tax Cooperation. ECOSOC, in its resolution 2012/33, recognized FfDO's work in this area and mandated it to continue, in partnership with other stakeholders.

Owing to the fact that FfDO provides secretariat support to the Commiro

fer Pricing for Developing Countries (the “UN Manual”). Taking this into account, a new focus of the capacity development programme in the near future will be on strengthening the capacity of developing countries to apply the transfer pricing analysis and, in particular, the arm’s length principle to transactions between associated enterprises of multinational groups. FfDO will shortly commence activities aiming at development of a comprehensive set of training tools based on the UN Manual.

The third area of focus of the capacity development programme is on tax administration. To advance work in this area, FfDO, jointly with the Inter-American Center of Tax Administrations (CIAT) is implementing a project with a view to strengthening capacity of NTAs of developing countries in Latin America to reduce tax transaction costs and thereby maximize their tax revenues.

During the past year, further progress has been made in developing the above-mentioned capacity development programme as reported below.

Relationship with the Committee

Owing to the fact that FfDO provides secretariat support to the Committee, its programme of capacity development draws, to a large extent, on the products of the Committee with a view to disseminating and operationalizing them as capacity development tools for the benefit of developing countries. In devising its capacity development programme, FfDO also takes full advantage of the unique expertise and networks of the Committee members, who have been providing support to this programme in a generous way on pro-bono basis. Several Committee members have been involved in almost every activity up to date.

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The first area of focus of the programme is on strengthening capacity to negotiate, administer and interpret tax treaties, drawing on the 2011 version of the UN Model. Many developing countries lack adequate understanding of the provisions of the UN Model, especially of the new, 2011 version. Moreover, many developing countries lack adequate skills and experience to efficiently negotiate, interpret and administer tax treaties. This may result in difficult, time-consuming and, in the worst case scenario, unsuccessful negotiation or application of tax treaties. To address these knowledge and skills gaps, FfDO is developing a comprehensive set of training materials, including:

- UN Course on Double Tax Treaties;
- UN Capacity Development Programme on Double Tax Treaty Negotiation; and
- UN Capacity Development Programme on Administration of Double Tax Treaties.

The *UN Course on Double Tax Treaties* is the most basic capacity development tool of the series, which introduces the fundamentals of tax treaties and provides participants with a good understanding of the UN Model. It covers the recent updates to the UN Model, as well as the similarities with and differences from the OECD Model Convention on Income and on Capital (the “OECD Model”). In addition to analyzing the treaty rules for the allocation of taxing rights between countries over cross-border income, the course deals with treaty provisions for the elimination of international double taxation and administrative provisions aimed at ensuring effective application of tax treaties. The course includes practical examples and case studies to enable participants to gain confidence in applying the knowledge and skills acquired during the course. The course targets officials in the MoFs and NTAs at various skill levels and it is expected that full version can be delivered in 4-5 days. The respective programmes on negotiation and administration of tax treaties will be more advanced and target more specialized officials in the MoFs and NTAs respectively.

The work on developing the *UN Course on Double Tax Treaties* is advanced and is expected to be finalized in 2013. A selected group of renowned experts, both from developed and developing countries and represent



ing all the regions of the world, has been contracted to develop power point slides and accompanying text for respective modules of the course. Due to the novelty of this initiative in the context of a truly global organization like the United Nations, the above-mentioned experts embarked on this project with extraordinary enthusiasm and, notwithstanding the limited funding, committed to deliver extensive top-notch materials, the production of which would normally require much more substantial resources.

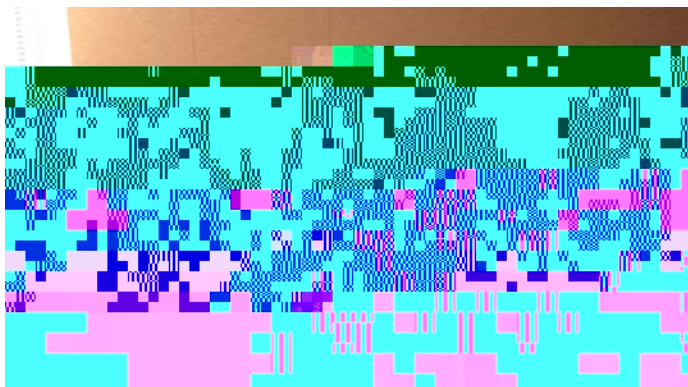
Produced materials have been undergoing technical review in order to ensure that they adequately reflect positions, priorities and interests of developing countries. The most suitable choices for technical reviewers are members of the Committee as custodians of the UN Model and authors of its 2011 update, who generously agreed to undertake this function on pro-bono basis. To date, two technical reviews were held: (1) on 12-13 October 2012 in Geneva; and (2) on 26-27 January 2013 in Rome. A final technical review will be held in the fall of 2013, after which the course will be finalized. A training event is planned for the first quarter of 2014. At the later stage, regional plug-ins for the course will be

most significant similarities and divergences between the UN Model and the OECD Model were discussed, particularly as they related to the issue of what inputs to the materials, which relate to the UN Model. It was also decided that a number of practical papers needed to be developed on the negotiation of tax

able to it under domestic law, with a view to avoiding double taxation and encouraging investments. In addition, the Seminar included a panel discussion on current issues in international taxation and the future of international cooperation in tax matters from a developmental perspective were discussed.

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On 13-14 December 2012, an Expert Group Meeting on "Tax Treaty Negotiation and Capacity Development" was held in New York. Experts, including mostly members of the Committee, shared their experiences in the area of double tax treaty negotiation, with a focus on the needs of developing countries at different levels of development and with diverse macroeconomic conditions and goals. They also reviewed the existing knowledge on the subject, as well as available materials and capacity development tools, including those developed by the Committee. Then, they determined how and to what extent these resources could be effectively used and needed to be improved on (to be used for the purposes of delivering capacity development initiatives in the area. They also put forward proposals on content and implementation of such capacity development activities. Specifically, it was decided that instead of developing its own course on tax treaty negotiation, the United Nations should join forces with the OECD, which already has a very comprehensive training programme in this area. The role of the United Nations

ties of developing countries participated in the meetings, representing the following countries: Bangladesh, Barbados, Cambodia, Costa Rica, Dominican Republic, Ecuador, Georgia, Ghana, Kazakhstan, Lao People's Democratic Republic, Lesotho, Malawi, Morocco, Myanmar, Namibia, Panama, Peru, Republic of Moldova, Senegal, Thailand, United Republic of Tanzania, Uruguay and Zimbabwe.

The meetings contributed to: (1) identifying the needs of developing countries in the area of tax treaty negotiation and administration; (2) taking stock of the available capacity development tools at the disposal of developing countries; and (3) determining the actual skills gaps and challenges faced by developing countries in negotiating and administering their tax treaties.

In follow-up to the Rome meetings, a number of papers focusing on the area of administration of tax treaties, were drafted by selected experts. The draft papers will then be presented by the authors during a 2-day meeting to be held in New York on 30-31 May 2013, with the participation of 35 representatives of the NTAs and MoFs from developing countries, with a view to further revising them to comprise *The Handbook on Selected Issues in Administration of Tax Treaties for Developing Countries*.

The Handbook on Selected Issues in Administration of Tax Treaties for Developing Countries

