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Other matters for consideration

**The Role of Taxation and Domestic Resource Mobilization in the
Implementation of the Sustainable Development Goals**

Note by the Secretariat

The aim of this paper is to provide the United Nations Committee of Experts on International Cooperation in Tax Matters (United Nations Tax Committee) with an overview of how their work can help realize the commitments related to taxation as a source of domestic resource mobilization (DRM), within the [2030 Agenda for Sustainable Development](#) (2030 Agenda), including the [Addis Ababa Action Agenda of the Third International Conference on Financing for Development](#) (Addis Agenda). The Addis Agenda is an integral part of the 2030 Agenda, contextualizing its means of implementation targets with concrete policies and actions.

Within this context, the [Secretary-General's Strategy for Financing the 2030 Agenda for Sustainable Development \(2018 – 2021\)](#) has the objective to accelerate progress in key areas. It highlights that, while the United Nations will support the development of sustainable development strategies at the country and regional level, including through capacity-building support, “countries must also strengthen and increase the effectiveness of their tax systems to generate the domestic resources for funding the government contribution to meeting the SDGs”.

This paper aims to raise the following questions, for consideration by the United Nations Tax Committee, and for enhancing their role in feeding into intergovernmental discussion on relevant issues: (a) What are priority linkages between the programme of work of the United Nations Tax Committee and the commitments of the Addis Agenda and 2030 Agenda related to taxation as a source of DRM? (b) How can the United Nations Tax Committee strengthen these linkages? (c) How can the United Nations Tax Committee raise the awareness about the relevance of international tax issues for the 2030 Agenda? (d) How can the United Nations Tax Committee ensure that its work takes

into consideration the different needs of countries at different levels of development and in different situations, and that it caters to different levels of capacity of tax officials?

The present paper explores the links of the work of the United Nations Tax Committee with global policy efforts to spur the implementation of the 2030 and Addis Agendas. Fiscal policy is a fundamental tool for DRM. However, fiscal policy is much wider than DRM, as it refers to the use of government revenue generation and expenditure to influence economic outcomes. This paper focuses on government revenues; within the realm of domestic revenue generation, it focuses on revenues from taxation, recognizing that there are many other non-tax government revenues, such as tariffs, interest receipts received from loans given by the government and dividends and profits received from public sector companies.

The paper also aims to highlight that taxation plays a fundamental role in the achievement of the SDGs, which goes beyond financing. For example, fiscal policies can contribute to the reduction of inequalities and the broader objective of leaving no one behind. In this respect, the United Nations Tax Committee, within its mandate, may consider placing greater emphasis on providing guidance on such aspects of taxation.

I. Taxation in the context of the 2030 Agenda and the Addis Agenda

On 25 September 2015, the United Nations General Assembly adopted the 2030 Agenda for Sustainable Development as the agreed framework for international development. It is the successor to the Millennium Development Goals (MDGs). The 2030 Agenda sets out 17 objectives, known as the Sustainable Development Goals (SDGs), and 169 targets on issues ranging from ending extreme poverty and hunger to education, health, gender equality, water, energy, the economy and employment, biodiversity and ecosystems, and peaceful and inclusive societies, including a fundamental commitment to leave no one behind.

The Addis Agenda, adopted on 16 July 2015 by world leaders in Addis Ababa, Ethiopia, establishes a strong foundation to support implementation of the 2030 Agenda. The Addis Agenda provides a comprehensive set of policy actions by Member States, with a package of over 100 concrete measures to achieve the SDGs by promoting inclusive economic growth, protecting the environment, and promoting social inclusion. The Action Agenda draws upon all sources of finance, technology and innovation, promotes trade and debt sustainability, harnesses data and addresses systemic issues.

The mobilization and effective use of domestic resources are central to the pursuit of sustainable development. Taxation is a powerful tool to help finance achievements of the SDGs. Adequate domestic and international fiscal policies can also play an important role in reducing inequalities and promoting positive sustainable development patterns.

Such fiscal policies can be targeted to promote gender equality (for instance, by providing fiscal incentives to economic sectors where women are prominent economic actors, such as small enterprises); to protect the environment (for example, by incentivizing domestic and foreign investment in the production of renewable energy); to encourage healthy lives and well-being (for instance, by taxing alcohol and exempting healthy foods); etc. Fiscal policies can simultaneously achieve both a resource mobilization objective, and promote sustainable consumption and production patterns, as in the case of tobacco taxation, or in the elimination of fossil fuel subsidies, among others.

Within this context, the Addis Agenda recognizes the critical role to be played by development-oriented tax policies, modernized and progressive tax systems and more efficient tax collection procedures. While welcoming efforts by countries to set nationally defined domestic targets for enhancing domestic revenue as part of their national sustainable development strategies, United Nations Member States also commit to providing international support to those in need to reach these targets.

(i) Taxation trends in developing countries: a brief overview

As highlighted in the 2018 report of the Inter-agency Task Force (IATF) on Financing for Development, large gaps in revenue mobilization remain between least developed countries (LDCs), middle-income countries and countries in developed regions, with the 2016 gaps rising to levels not seen since 2008. Median tax/gross domestic product (GDP) ratios continued to increase in small island developing States (SIDS) and in middle-income countries, although at a slower rate, with a median ratio of 17.9 per cent. For LDCs, median tax revenue declined in 2016 to 13.3 per cent of GDP. Of the 42 LDCs with reported data, 19 increased their tax-GDP ratios in 2016.

Developing and developed countries usually rely on a different composition of tax revenues, with corporate and trade taxes usually constituting a higher proportion of revenues in developing countries. Developed countries continue to have greater proportions of personal income and goods and services taxes. While resource-rich countries usually depend less on income and consumption taxes as a source of revenue, they can be exposed to higher fiscal risks because of the high volatility of revenues associated with resource extraction and fluctuating economic cycles.

During 2017, the 2016 International Survey on Revenue Administration (ISORA) was completed with 135 tax administrations participating. The survey found that while 91 per cent of tax administrations have strategic plans, only 64 per cent publish them. Such finding is an indication of the level of transparency and accountability of surveyed administrations towards citizens, and suggests that there is potential for improvement.

In Africa, the large share of subsistence and smallholder agriculture in the economy and the high unemployment rate result in narrow tax bases, reducing the potential of tax collection. In some countries, the political and economic elite remain outside the tax base. The informal sector, which contributes to a large part of GDP in some countries (particularly in Africa), also may not be taxed, although many in this sector are in extreme poverty. In Latin America and the Caribbean, the Economic Commission for Latin America and the Caribbean (ECLAC) estimates that tax non-compliance is equivalent to 2.4 per cent of GDP for value-added tax (VAT) and 4.3 per cent for income tax, worth a combined total of \$340 billion in 2015. Estimates of VAT point to an average evasion rate of roughly 28 per cent, with evasion of income tax estimated to be more severe, averaging 50 per cent of income tax receipts (as compared to theoretically generated tax collections), although there is significant heterogeneity at the national level. Evasion rates are estimated to be higher for corporate than for personal income tax, and within personal income, much higher for self-employed persons than employees.

(ii) Opportunities and challenges for taxation in financing the SDGs

Tax revenues finance basic public services delivery and help achieve the SDGs. Improving taxation requires the political will to adopt the right mix of tax policies, and to develop the administrative capacity to implement them. The need for enhanced domestic actions to improve taxation has been well-recognized for decades and received a significant boost from the adoption of the Addis Agenda.

The Addis Agenda recognizes domestic resources are primarily generated by economic growth, and domestic tax policies can play a crucial role in this context, by stimulating growth and promoting relevant economic sectors.

Taxation is one of the most important ways in which developing countries can mobilize domestic resources for investment in sustainable development. However, as discussed in para. 9, substantial gaps in raising tax revenues persist between developed and developing countries, where public revenues are still largely insufficient to meet the SDGs.

The Addis Agenda addresses several challenges and opportunities related to taxation, including the need to enhance revenue administration and improve tax policies, including broadening the tax base and integrating the informal sector into the formal economy. It stressed the commitment to reduce and eventually eliminate illicit financial flows, and to reduce opportunities for tax avoidance. It identifies that strengthened national regulation and international tax cooperation will be used. It commits to enhance disclosure and transparency, and that States should ensure that all companies pay taxes to the Governments of countries where economic activity occurs and value is created. It stresses that efforts in international tax cooperation should be universal in approach and

scope and should fully take into account the different needs and capacities of all countries.

(iii) The role of taxation in sustainable development: beyond financing

In addition to generating funding for investments in the SDGs, taxation can spur inclusive and sustainable development in other ways. For example, more gender responsive tax policies may help achieve SDG 5 on gender equality and the empowerment of all women and girls. One of many powerful tools to affect gender equality through taxation are tax policies related to small and medium-sized enterprises (SMEs), since in most developing countries women are overrepresented as employees in small and medium-sized business and at the lowest wage levels.

Tax policies may also have an impact on other areas in sustainable development, such as infrastructure investment (domestic and foreign tax incentives), environmental sustainability (carbon taxes), and health outcomes (taxes on harmful and unhealthy products). It is important to recognize the interconnectedness of taxation with the goals outlined in the 2030 Agenda. In general terms, tax policies are supportive of the SDGs if they help realize one or more SDGs without jeopardizing others. For example, tax incentives for relevant projects by multinational enterprises may increase their investment into domestic infrastructure (thereby supporting SDG 9 on building resilient infrastructure) but will also result in foregone tax revenues in the source country. Those losses are often compensated for by increasing taxes on goods and services. Indeed, as indicated in para. 9 above, the value of such taxes collected by developing countries has generally increased over the past decade, particularly in the LDCs. This trend has important implications on the progressivity of the tax system as taxes on goods and services, including VAT, usually have regressive effects. Consequently, they may disproportionately affect marginalized groups of the population and increase inequality (hindering the attainment of SDG 10), which in turn could cause a range of additional effects on sustainable development.

(iv) Global cooperation in tax matters

The current level of international cooperation on tax matters is unprecedented. The commitment to strengthening the effectiveness and operational capacity of the United Nations Tax Committee was a cornerstone of the Addis Agenda. Another key milestone was passed in 2017, as 49 jurisdictions began exchanging information under the Automatic Exchange of Information standard developed by the OECD and the G20 (see section II(i)(c) below). In total, the international legal network for the automatic exchange of offshore financial account information under the Common Reporting Standard (CRS) now covers over 90 jurisdictions, with additional ones set to follow suit

soon. Moreover, in response to the G20 call for broad and consistent implementation of the Base Erosion and Profit Shifting (BEPS) package, the OECD/G20 Inclusive Framework on BEPS was established in June 2016, and in its first 24 months, over 115 countries and jurisdictions became members.

The Platform for Collaboration on Tax (the Platform), a joint effort launched in April 2016 by the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the United Nations (UN) and the World Bank Group (WBG), is designed to intensify the cooperation between these organizations on tax issues. The Platform formalizes regular discussions between the four organisations on the design and implementation of standards for international tax matters, strengthens their ability to provide capacity-building support to developing countries, and helps them deliver jointly developed guidance. It also increases their ability to share information on operational and knowledge activities around the world.

The Platform held its First Global Conference on 14-16 February 2018 at the United Nations Headquarters in New York. The Conference focused on the general directions for tax policy and administration needed to meet the SDGs; Platform partners agreed on 14 key objectives for collaboration in support of the SDGs, spanning transparency measures, analytical research, in country work, and efforts to strengthen outreach to developing countries.

One of the objectives of the Platform partners is to enhance taxation in developing countries through technical assistance and capacity building, including in the development and implementation of medium-term revenue strategies (MTRS). An MTRS is a 5-10-year plan that originates in a social contract between the Government and its citizens on the level of revenue mobilization needed to progressively reach the funding needed to achieve the 2030 Agenda. In most cases it will require a comprehensive reform of tax policy and administration to meet the revenue goal and a strengthened legal framework to enable the policy design and administration reform to help balance revenue agency powers and the right of taxpayers. Besides generating revenues, MTRS would therefore also help build citizens' trust in government through wide stakeholder engagement.

Additionally, regional organizations joined forces in the Network of Tax Organisations (NTO), which was created to provide a forum for cooperation and coordination between member organizations, strengthen institutional capacities, and enhance the efficiency and effectiveness of tax administrations worldwide. The heads of the nine participating tax organizations came together in February 2018 for the first NTO Strategy Planning Workshop and met again in May 2018 to formalize their enhanced cooperation. The members represent tax administrations in Africa, the Caribbean, members of the

Commonwealth, Europe, Francophone countries, Islamic countries, Latin America, the Pacific and West Africa.

II. Strengthening existing links between the agenda of the United Nations Tax Committee, the 2030 Agenda and the Addis Agenda

Section II highlights some of the priority issues where the work of the United Nations Tax Committee is, or could be, most significantly related to the goals and means of implementation outlined in the 2030 and Addis Agendas. The aim of this section is to highlight how the Committee's work can (i) leverage and help realize those goals, as well as (ii) how it could further feed into the intergovernmental discussion on the means of implementation, in support of national integrated financing strategies for sustainable development.

Taxation affects the achievement of the SDGs both in financing terms, including through effective DRM, and in helping reducing inequalities, within the broader objective of leaving no one behind. As highlighted in the key findings of the 2018 Development Cooperation Forum, the two objectives should be aligned both in policy and in capacity-building terms, by providing relevant guidance to developing countries: *“Policy advice and capacity-building in relation to domestic resource mobilization must not focus exclusively on increasing domestic revenues but also take into account equity issues”*¹.

Within this context, four priority issues were identified, for the Committee's consideration: (i) international tax cooperation, including its role in curbing illicit financial flows; (ii) the challenges and opportunities presented by the digitalisation of the economy; (iii) tax exemptions of official development assistance projects, a long-standing issue on the Committee's agenda; (iv) the role of taxation in addressing gender inequality, within the framework of the United Nations gender mainstreaming efforts.

(i) International tax cooperation

Taxation can impact the implementation of SDGs through cross border effects. Recent years have seen increased discussion on the global impact of domestic tax policies, in particular spillovers, where tax rules and practices in one country directly or indirectly affect tax revenues, and thus financing for the SDGs, in other countries. Tax spillovers are often caused by domestic rules and regulations enabling aggressive tax planning or abusive tax practices. Spillovers that may cause revenue losses in developing countries can arise through an impact on real activities (investment), the shifting of paper profits, increased tax evasion, or by encouraging harmful tax competition between countries.

¹ Official Summary of the Sixth Biennial High-Level Meeting of the Development Cooperation Forum (United Nations Headquarters, New York, 21-22 May 2018): [E/2018/73](#), para 31

However, spillover effects can also take on a positive nature when developed countries introduce transparency measures and anti-abuse measures.

Increasing revenue mobilization is not enough if countries' resources are simultaneously drained as a result of illicit financial flows (for instance, tax evasion). Aggressive tax planning strategies, which may or may not be legal, exploit gaps and mismatches in international tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity—also known as base erosion and profit shifting (BEPS).

In this context, recent years have witnessed a strong political momentum among countries to curtail the wide range of tax planning techniques that allow some multinational enterprises to pay little or no tax anywhere in the world, causing an erosion of the tax base.

Given the greater reliance of developing countries on revenues from corporate tax, profit shifting negatively affects domestic resource mobilization in developing countries more significantly than in developed countries due to lack of specialized skills and resources, and results in substantial forgone tax revenue and higher costs of tax collection. Therefore, strengthening the capacity of developing countries to protect and broaden their tax base is critical to meet the challenges posed by the 2030 Agenda, since it will increase the amount of revenues available for financing sustainable development, and ensure those resources are mobilized within a framework of coherent policies aimed at achieving the SDGs.

(a) Double tax treaties

Developing countries often face structural limitations in raising domestic revenue, such as the existence of informal economic activities, ineffective tax systems, and lower incomes to tax. Furthermore, the Addis Agenda notes that many LDCs do not receive sufficient foreign direct investment that could help diversify their economies.

By negotiating double tax treaties, developing countries can eliminate double taxation and reduce barriers to cross border trade and investment. As a result, they may play a role in increasing foreign investment; get a greater access to foreign technology and skills; increase certainty for taxpayers and tax administrations; and avoid fiscal evasion. These outcomes can promote economic growth, and, hence, assist in achieving the SDGs.

Each country has specific circumstances that determine their priorities when negotiating double tax treaties. While tax treaties are often beneficial to developing countries, there are also significant costs, such as capacity challenges in negotiating tax treaties; loss of immediate revenue; risk of treaty shopping and treaty abuse; as well as the need for legal changes to the domestic tax laws. By understanding the reason for entering treaty

negotiation, developing countries can carefully weigh the pros and cons of tax treaties and design more effective treaty policies to achieve their desired outcomes. In this context, work performed by the United Nations Tax Committee may be tailored for countries in special situations, such as SIDS and LDCs, and cater to different levels of capacity of tax officials.

Moreover, addressing issues related to the taxation of services can contribute to the protection of the tax base of developing countries, and maintain domestic revenue sustainability. These issues are especially relevant for developing countries, as they may lack the normative and administrative framework to prevent multinational enterprises to avoid taxation or reduce the amount of tax payable to a source country (the country where the income is generated). Base erosion may occur in the case where services are performed in a country by a non-resident company and rendered to a resident company. Common reduction/avoidance mechanisms may include the deduction of costs in the source country for the payment of such services by the resident company (that is to say, the recipient of services), while, due to inadequate provisions in domestic tax law or tax treaties, the source country may not be able to tax income from services derived by the non-resident company performing activities in that country.

Challenges related to the taxation of royalties, which would be addressed through an update in the United Nations Model Double Taxation Convention between Developed and Developing Countries (United Nations Model Convention), may also translate into a barrier for DRM. Similarly to services, the payment of royalties and interests and other financing expenses may result in a deduction in the source country, while no tax is levied on the resulting income; such mechanism can generate tax base erosion, in particular in developing countries, which often lack an adequate legislative framework for preventing abuse.

(b) Dispute avoidance and resolution

The mutual agreement procedure (MAP) is a dispute resolution mechanism, addressed in the work of the United Nations Tax Committee, which countries may use to resolve any disputes or difficulties that arise in applying a double tax treaty. MAP aims to ensure that such disputes would result in a decision on the allocation of taxing rights between contracting states, and they would not hinder the treaty goal of preventing international double taxation. It is important that competent authorities reach a timely agreement on issues submitted to the MAP. However, several sources, including the 2018 IATF report, highlight that dispute resolution often leads to unnecessarily long wait times for the taxpayer.

The Tax Administration Diagnostic Assessment Tool (TADAT) is designed to provide an assessment of the health of key components of a country's tax administration, by

analysing nine key performance areas that cover most tax administration functions, processes and institutions. Among assessed countries, some patterns, gaps, and policy recommendations emerge from the assessments, including a general need by tax administrations for more reliable and complete data, and increased efficiency of certain processes, including dispute resolution.

Effective dispute avoidance and prompt resolution may reduce the administrative burden, and often results in a better relationship between taxpayers and the State and this results in more certainty and security for the citizens of the country. As a consequence, citizens may have an increased perception of tax certainty, as well as the trust in the fairness of the tax and legal systems, creating a better investment climate. These results would have a positive impact on achieving the SDGs both by improving trust in government, and by stimulating private investments which may contribute to financing sustainable development.

(c) Transparency

Transparency is an important attribute of national institutions (SDG 16). Fiscal transparency means that the tax laws are understandable to taxpayers, and that they can easily obtain clear indications on how they should comply with such laws in specific cases. Fiscal transparency also relates to the collection and spending of tax revenues. Taxpayers care about knowing that the collection system is fair and that evasion is effectively tackled, as well as whether revenues are used in areas that they value.

The effectiveness of fiscal policies can be enhanced by the greater ability of governments to collect, process and act on information, relating to both public service delivery and tax collection. The digitalization of the economy and new technologies provides opportunities to increase efficiencies and save costs in public financial management. Supporting tax administration and collection, access to more and better data, as well as improved data management systems can also lead to better policy design.

To discourage hiding of income and wealth, countries are implementing stronger rules on the disclosure and exchange of beneficial ownership information. Technological advances might support the creation and exchange of information from beneficial ownership registries.

A key milestone in international tax cooperation to enhance transparency was reached in 2017, as 49 jurisdictions began exchanging information under the Automatic Exchange of Information standard, which requires tax authorities to automatically exchange financial account information of non-residents with the tax authorities of the account holders' country of residence. A further 53 jurisdictions started or will start such exchanges in 2018.

It should however be noted that a systemic imbalance persists in the application of these norms, and structural hindrances to the participation of developing countries are still present. While the European Union has proposed reforms to its anti-money laundering rules that will advance the collection and sharing of beneficial ownership in that region, many LDCs and middle-income countries currently have no way to automatically receive such information. This leaves opportunities for tax avoidance and evasion through the use of shell companies, trusts and other opaque financial structures.

The agreed policy recommendations from the November 2017 meeting of the UNCTAD Intergovernmental Expert Group on Financing for Development emphasized the need for enhanced developing-country participation in current initiatives to improve international tax cooperation.

Illicit financial flows

While improved tax administration and better tax policies at the domestic level are essential, illicit financial flows (IFFs), including trade mis-invoicing, represent a major obstacle to efforts to mobilize domestic resources for sustainable development. Although estimating the volume of IFFs can constitute a major challenge, United Nations Member States have repeatedly expressed their deep concern about IFFs and called for greater international cooperation to combat them.

Tackling IFFs has positive effects that go beyond domestic resource mobilization, by also building trust in the fairness of the tax, legal and financial systems, the efficiency of law enforcement, and in government as a whole. In this respect, international tax cooperation and greater transparency contributes to combating and preventing IFFs and helps address the challenges and opportunities related to technological advances.

Prioritizing domestic and international efforts to curb IFFs could significantly enhance the role of taxation in domestic resource mobilization in developing countries. Moreover, it is also important to provide tools to countries to make it possible for them to assess their own vulnerabilities to IFFs.

Whole-of-government approaches take on additional significance because combatting IFFs requires cooperation amongst many different agencies and ministries. To achieve relevant benefits, there also needs to be cooperation between the private and the public sector, and appropriate support by government authorities.

(ii) Digitalisation of the economy

The Addis Agenda calls for taxes to be paid “where economic activity occurs and value is created”. However, digitalisation of business models generates issues in the

application of this principle, because of the difficulties associated with defining and measuring the value of intangibles and the location of value creation.

The digitalisation of business and finance also has potential for improving tax revenue collection, and mitigate tax avoidance and evasion; however, the sustained pace of technology innovation could also pose greater challenges for abuse. The institutional framework at the global level is not currently able to take advantage of the opportunities or counter the risks presented.

Policy issues

Greater access to information and enhanced digital systems and processing capabilities open new options for policymakers. While digital information supports administrations in improving the enforcement of existing rules and facilitates compliance, access to broader information can also drive better tax policies and offer opportunities to reduce inequalities through a fairer allocation of the tax burden among citizens.

At the same time, inadequate rules for the taxation of rapidly growing on-line businesses, furnishing an increasing amount of digital goods and services, generate greater opportunities for tax avoidance. The international community is currently debating whether fundamental changes in the international tax system are needed to ensure the tackling of tax evasion and avoidance, as well as efficiency and fairness across countries in the allocation of taxing rights. Several key features of digital companies pose significant challenges for current policies and norms related to international corporate taxation: sales with little or no physical presence; heavy reliance on intangible assets; and “user-generated value”.

Issues related to permanent establishment are of particular concern. Under existing rules in most double tax treaties and domestic legislation, digital companies often have no liability to pay income tax in jurisdictions where they have users and customers, because those rules require some form of physical presence. This has opened a broader debate on the allocation of taxing rights and attribution of income to the residence country.

There is also disagreement on how “user-generated value” should affect taxing rights. Digital economy business models make heavy use of data to realise profit, while users of online services generate information that has commercial value. Much of the data collected is extremely valuable, but there is no agreement on whether, or how, to attribute value to the creation and use of data. The lack of a universal tax standard also opens the possibility for fragmentation in approaches to this issue across jurisdictions and creates incentives towards unilateral action to counter risks to the tax base.

There is currently no consensus in the international community on how to adapt international tax rules to the digitalisation of the economy, and whether specific tax treatment should be applied to digital companies.

The United Nations Tax Committee has established a subcommittee to consider necessary revisions to the United Nations Model Convention, as well as to provide revised policy guidance on the taxation of the digitalized economy. The Task Force on the Digital Economy (a subsidiary body of the OECD Inclusive Framework on BEPS) is examining the tax challenges of digitalisation and released an interim report on the findings in March 2018, with a final report expected by 2020. The European Commission also issued two proposals in April 2018, suggesting both a long-term solution and interim measures in this area. Both proposals by the European Commission and by the OECD stress the importance of cooperation and coordination, in light of divergent views among their membership.

Digital technologies and tax administration

Application of technology to tax administration, including tax enforcement, can make more information available and enable revenue authorities to widen the tax base, identify and mitigate compliance risks, more effectively identify and prosecute evaders, and ultimately provide deterrence and stimulate voluntary compliance.

Automated information systems can also improve compliance, expand the tax base, and enable revenue authorities to identify and mitigate risks related to tax avoidance and evasion. Other possible benefits include improving government service delivery and levelling the playing field for tax payers; they can also make enforcement more effective by enabling revenue authorities to share information across borders, and therefore decrease tax transaction costs for governments.

Distributed ledger technology (also called blockchain) is increasingly being applied by public administrations, as data and transactions infrastructure and has features which may lower costs for tax administrations.

On the resource mobilization side, the increased use of digital payments also provides better means of verifying economic outcomes of taxpayers and can help formalize and tax informal economic activities. However, as described above, digitization also brings new opportunities for tax-avoidance and profit-shifting and other financial integrity issues.

At the national level, administrations would need to ensure sufficient investments not only in their own capacities to take advantage of digitalization, but also in ensuring access and inclusiveness of all individuals and businesses. Enhanced data collection also

increases the responsibility of governments to protect citizens' privacy and to adopt regulatory frameworks that prevent abuse.

Challenges and opportunities in tackling IFFs through digital technologies

New technologies such as blockchain and digital currencies, allowing for anonymity of transactions, can increase the risk of illicit finance, and countries may tackle this issue by strengthening regulations on markets that are contributing to the illicit movement of resources.

As the regulatory environment adapts, however, digital technologies can also assist countries in combating IFFs through improved customs administrations, application of anti-money laundering rules, better enforcement and operation of beneficial ownership registries and financial supervision. Digital technologies allow rapid processing of large data sets, which can assist in identifying and pursuing illicit transactions. For example, the Legal Entity Identifier (LEI) system, which assigns each distinct legal entity a unique 20-character identifier to enable easier tracking of transactions and counterparty exposures, has the potential to assist in conducting due diligence and reduce compliance costs.

(iii) Tax exemptions for Official Development Assistance (ODA)

The Addis Agenda contains a commitment by Member States to “consider not requesting tax exemptions on goods and services delivered as government-to-government aid, beginning with renouncing repayments of value-added taxes and import levies.” (para. 58), based on the consideration that such exemptions, although allocating a greater share of aid to development projects, run counter to broader efforts to reduce exemptions in tax systems, and to the overall aim of strengthening the mobilization of domestic resources.

Within this framework, the United Nations Tax Committee produced draft guidelines in 2007 and is continuing discussion on their update and approval. The issue has been gaining momentum in the international community, including in the framework of the 2018 special meeting of the Economic and Social Council (ECOSOC) on international tax cooperation (New York, 18 May 2018), with several donor countries adopting the practice to refrain from asking for tax exemptions on development projects, and the Platform stating the intention to “review current practice, and provide guidance and recommendations, on the tax treatment of ODA funded goods and services.”

(iv) Gender and taxation

Tax systems and tax policy can be used as powerful tools to address inequality, including gender inequality. Incorporating a gender dimension in fiscal policies is crucial to ensure the mainstreaming of gender equality and to contribute to the overcoming of existing biases in society. Gender responsive budgeting can also influence how fiscal policy is designed and implemented and improve the efficiency and equity of the overall budget process.

Gender bias in taxation can take the form of provisions in tax law or regulations which explicitly impose different rules on men and women; or which implicitly but consistently have different impacts on men and women. Discriminatory tax and domestic resource mobilization policies, whether direct or indirect, perpetuate existing bias in society, and can have impacts that go beyond revenue mobilization: they can undercut women's access to decent paid work and income security; reinforce women's role in providing unpaid care; and limit women's access to productive assets, wealth and other economic opportunities.

To be gender responsive, tax policies and the tax mix adopted by a government can be structured in a progressive manner and designed to reduce implicit bias. A gender analysis of personal income tax should consider four main issues: insufficient tax relief for minimum basic living costs; the impact of shifts to flat-rate personal taxation; joint taxation of adult couples; and the 'tying' of social benefits to income.

Indirect and consumption taxes affect women disproportionately more than men, given the regressivity of the tax and the over-representation of women in low-income groups. Considering that indirect taxation (in particular VAT) is increasing its importance in the revenue mix in developing countries, more progressive taxes can be explored, while specific actions to adjust indirect taxes can also be taken². Presumptive taxes and fees³, particularly those assessed at the subnational level, may also have implicit gender bias, which should be taken into account by subnational authorities raising their own revenues.

From a society point of view, the financing of public services through taxation can have a great impact on the lives of women, by reducing the need for individuals to provide domestic work and unpaid care (traditionally performed by women more than men). In this context, the 2018 IATF report calls for countries to conduct comprehensive and

² Kathleen Lahey, *Gender, Taxation, and Equality in Developing Countries: Issues and Policy Recommendations* (New York, UN-Women, April 2018). Available at <http://gender-financing.unwomen.org/en/resources/g/e/n/gender-and-taxation-discussion-paper>

³ Presumptive taxation involves the use of indirect means to ascertain tax liability, which differs from the usual rules based on the taxpayer's accounts. Examples include flat taxes on informal traders in markets.

holistic gender impact analysis of fiscal systems, in addition to analysis on individual taxes, to ensure that revenue and expenditure are more gender responsive and promote gender equality. It also calls for the mainstreaming of the gender dimension in all aspects of tax policy and administration, including when devising MTRS.

III. Conclusions

The work of the United Nation Tax Committee can assist the achievement of the 2030 and Addis Agendas' goals by prioritizing actions that consider and strengthen the links between the SDGs and the Committee's work programme.

Taxation and effective revenue mobilisation play a crucial role in meeting the challenges posed by the 2030 Agenda and helping finance achievement of the SDGs. As highlighted in the present paper, several issues dealt with by the United Nations Tax Committee have the potential to significantly increase such revenue in developing countries. However, relevant challenges are still present, in particular for developing countries, due to the lack of adequate domestic tax legislation, tax administration capacity and international agreements, as well as the inherent issues posed by the changing economic environment, including the digitalization of the economy and the increase of potential for illicit financial flows. In this context, the United Nation Tax Committee may prioritize areas where specific measures could generate greater revenue in developing countries, taking also into consideration the specific solutions which could be proposed for countries in special situations (such as LDCs or SIDS).

Taxation affects the achievement of the 2030 Agenda beyond its role in financing the SDGs. As outlined in the paper, fiscal policies oriented to sustainable development can contribute to reducing inequality, including through gender responsive tax policies. When discussing the impact of taxation on the SDGs it is important to recognize their interconnectedness. The United Nations Tax Committee, in fulfilling its mandate, may also consider placing greater emphasis to such aspects of taxation which aim to reduce inequality and promote positive behavioural patterns.