

**TEMPLATE: Submission to 7th BRICS Summit
Ufa, Russia 8-9 July 2015**

**Financing for Development: Ensure Developing Countries have a Seat at the Table to Reform Global
Tax Rules**

One of the five priorities of the Presidency of Russian Federation for BRICS 2015 is ‘to Facilitate Multilateral Financial Cooperation and the Reform of the International Financial System’¹. With the Financing for Development Conference in Addis Ababa on 13-16 July, the BRICS Summit comes at a timely moment to commit to ensuring that the outcome document at Addis Ababa is ambitious and delivers on the reform of the international financial system.

A proposal that would be the cornerstone of success in Addis Ababa is establishing a Universal, Intergovernmental Commission on tax matters under the UN to ensure that all developing countries are equal partners in reforming global tax rules and that the UN plays a leading role in international tax cooperation. We appreciate the support of BRICS countries in the Financing for Development negotiations so far, which has been vital to ensuring that the issue of a universal, UN intergovernmental body on tax has stayed high on the agenda. This remains one of the most positive outcomes that can be delivered in Addis Ababa in favour of developing countries. As political negotiations intensify in Addis Ababa, the pressure is also high to compromise but we believe that the substance of the proposal - creating a UN intergovernmental commission on tax - cannot be compromised. Considering the leverage that the BRICS group enjoys, strong commitment and coordination on this issue will be crucial to deliver this transformational outcome in Addis Ababa.

Why the support from BRICS matters:

1. BRICS have been the most vocal in challenging the dominance of the richest countries in the world in the international tax regime. This is evident in their departure from the OECD standard in areas such as transfer pricing. For the BRICS grouping to stay relevant, using the collective bargaining power and leverage to continue to challenge the current tax regime, which is working against the interests of developing countries, is crucial. At the heart of this, is the importance of international tax cooperation and the need for UN to lead as the universal forum that allows all countries to participate on equal footing.
2. The bias of tax treaties in favour of residence countries - mostly developed countries - is a key issue that the BRICS countries have been challenging. This is a shared struggle with other developing countries, who as source countries, continue to lose huge amounts of revenue without a robust global forum to address this. The recent OECD BEPS initiative has been unwilling to tackle this, despite developing countries excluded from the initiative raising the issue that balance between source and residence taxation is significant for them in the regional BEPS consultations in 2014². With an estimated 85% of world trade affected by tax rules in tax treaties³, it is unacceptable that

¹ <http://en.brics2015.ru/>

² <http://www.oecd.org/ctp/Co-chairs-summary-Seoul-2014.pdf> and <http://www.oecd.org/ctp/co-chair-summary-LACregional-consultation-BEPS.pdf>

³ Tsilly Dagan: BRICS- The Potential of Cooperation

developing countries continue to be left out of tax norm setting and decisions are made by a club of rich countries in Paris.

3. Current international tax architecture does not represent the interests of BRICS or other developing countries. A joint proposal by IMF, OECD and World Bank published in 2002 at the time of the Monterrey Conference stated that *'Although it has extensive contacts with non-OECD countries and considerable awareness of developing country issues through its non-member programs, the **OECD does not represent the views of developing countries***⁴. While the OECD BEPS initiative has involved G20 developing countries on equal footing, not a single low income country is involved in decision making.
4. Currently, the UN Tax Committee has an extremely limited budget of some \$175,000/year, meets only five days a year, with members that work in their personal capacity and the Secretariat consists of 2.5 full-time staff members. In contrast, OECD's Centre for Tax Policy and Administration (CTPA) is well resourced with a budget of EUR 10million as per 2013 financial statement (which includes EUR 4million for the work of the Global Forum). They are able to hire experienced staff at the Secretariat, establish working parties where technical documents are produced, which are then approved by the intergovernmental Committee on Fiscal Affairs (CFA).
The FfD conference presents an opportunity for BRICS to play a leadership role in ensuring the balance of power shifts in regard to international tax cooperation.
5. Since 2011, G77 and China has repeated its calls for an intergovernmental UN body to ensure all developing countries have an equal say on tax matters. These statements can be found here:
2011: <http://www.g77.org/statement/getstatement.php?id=110727C>
2012: <http://www.g77.org/statement/getstatement.php?id=120727>
2013: <http://www.g77.org/statement/getstatement.php?id=130529>
2014: http://www.un.org/esa/ffd/wp-content/uploads/2014/09/ICTM2014_StatementG77China.pdf
2015: <http://www.un.org/esa/ffd/wp-content/uploads/2015/04/2015esm-SouthAfrica.pdf>

G77 and China has continued to express disappointment on the lack of movement to fulfil this mandate in this limited annual exercise. The FfD3 Conference in Addis Ababa is the only forum in the near future that can change this.

We thank you for your consideration of these points and hope that you use this opportunity to positively impact the trajectory of the current international tax regime and cooperation.

Signed by,

⁴ <http://www.imf.org/external/np/fad/itd/2002/031302.htm>