

Architecture for international tax cooperation

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FACTI ISSUES NOTE

The FACTI Panel published its [interim report](#) on 24 September 2020.

The FACTI Panel will hold a series of high-level virtual regional consultations with global stakeholders from 9 to 23 November 2020. The consultations aim to discuss possible means to address the shortcomings identified in the interim report. To orient the consultations a series of short issues papers are being presented along with guiding questions for the consultations.

INTRODUCTION

The institutional architecture to address tax evasion and tax avoidance lacks an international convention such as the United Nations Convention against Corruption and United Nations Convention against Transnational Organized Crime, which have near universal coverage. The institutional environment of international tax cooperation is instead dominated by voluntary forums, bilateral tax treaties and more recently multilateral instruments.

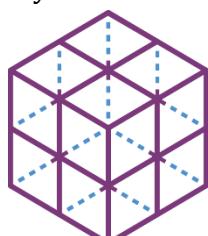
The process of setting international tax norms and standards is largely led by the OECD and the G20, though the UN Committee of Experts on International Cooperation in Tax Matters has a role through its model treaty and innovative approaches.

Inclusiveness is crucial for legitimacy, as opposed to mere legality, making norms more likely to be trusted, accepted and implemented. The OECD/G20 have designed two important frameworks to address tax cooperation, the Inclusive Framework on BEPS and the Global Forum on Transparency and Exchange of Information for Tax Purposes. However, developing countries

are only invited to participate in these frameworks on the condition that they agree to implement the underlying standards and norms, although most of them were excluded from the process of negotiation and elaboration.

International tax norms, dominated by the OECD, are currently under re-negotiation. The world is therefore at a critical juncture for ensuring that norms meet the needs of developing countries and adequately promote financial accountability and integrity.

The FACTI Panel received proposals on how to improve international tax cooperation. The first set of proposals encouraged the Panel to focus on gaps in the existing frameworks in international tax cooperation, particularly, the OECD-housed Global Forum and the Inclusive Framework on Base Erosion and Shifting (BEPS). The second set of proposals urged the Panel to focus on the institutional deficit in terms of establishing a truly inclusive global tax body, such as an intergovernmental UN body, enhancing the space to explore the full potential of the UN system in this area, and encouraging



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regional collaboration among developing countries in the area of taxation, especially at political level.

The Panel will explore how to develop a more coherent, nuanced and equitable approach to international tax cooperation to tackle tax avoidance and evasion. In the Panel's view, this understanding should build on the Addis Ababa Action Agenda's call for international tax cooperation that is "universal in approach and scope and should fully take into account the different needs and capacities of all countries".

LOOKING FORWARD

The Panel identified elements of institutional deficits and is considering proposals for structural changes. These include regional cooperation structures, as well as global ones, considering the lack of a universal

global institution or legal instrument in the tax sphere. Consideration is needed as to how the many existing and new measures and instruments are joined up and coherent.

Guiding question for the consultations:

- **How can international tax cooperation be more inclusive and universal given the array of existing arrangements and institutions?**
- **How can the role of regional arrangements be enhanced to further promote international tax cooperation?**
- **Can governance reforms sufficiently increase cross-border trust to enable effective international cooperation on tax issues; and can there be sufficient trust without them?**

Further details on the high-level regional consultations can be found on the FACTI Panel website: <http://www.factipanel.org/events>.

