



# BLUEPRINT FOR A CENTRE FOR MONITORING TAXING RIGHTS

## IMPLEMENTATION NOTE ON FACTI PANEL RECOMMENDATION 11A BY SHAHID HAFIZ KARDAR

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*Members of the FACTI Panel are producing implementation notes on how they see the FACTI Panel Recommendations being implemented in practice. The notes are meant as supplementary to the FACTI Panel report and recommendations, and seek to provide more detail on how all actors can take actions on the FACTI Panel blueprint for financial integrity for sustainable development. The notes, however, represent the views of their authors, and not of the whole FACTI Panel.*

**RECOMMENDATION 11A:** ESTABLISH A CENTRE FOR MONITORING TAXING RIGHTS TO COLLECT AND DISSEMINATE NATIONAL AGGREGATE AND DETAILED DATA ABOUT TAXATION AND TAX COOPERATION ON A GLOBAL BASIS.

### INTRODUCTION

To improve financial integrity, it is essential to have neutral and authoritative data, including gender- disaggregated data, collected, collated, and analysed by an inclusive multilateral body. Without data, it is impossible to effectively assess progress and make informed decisions to advance shared global aims on strengthening financial integrity.

To counter aggressive tax planning and tax evasion it is important to continue to produce and use taxation data. This has been the focus of most norm development in the last decade, with tax transparency standards strengthened and automatic exchange of information for tax purposes initiated and operational. These developments, mostly at OECD-housed initiatives, are to be lauded.

Yet, there are still many glaring gaps in the publication of global tax data, such as gaps in the publication of country aggregates of corporate country-by-country reporting as well as limited aggregate information on automatic exchange of information under the common reporting standard. There is a lack of a neutral body with universal membership that takes responsibility for such tasks.

### PROPOSED SOLUTION

The FACTI Panel has recommended closing these gaps and improving systematic, regular and frequent global data collection and dissemination. The bare minimum to begin addressing the massive scale of tax avoidance and evasion is to obtain consistent annual data related to taxation and tax cooperation on a fully global basis.

To create an effective Centre for Monitoring Taxing Rights, the international community needs to agree on a host agency and its funding, data reporting standards, transparency and use of data.

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## IMPLEMENTATION

**Host agency:** The FACTI Panel repeatedly emphasised the importance of universality and inclusivity in financial integrity matters. This is in line with the 2030 Agenda for Sustainable Development call to leave no one behind and the Addis Ababa Action Agenda insistence on tax cooperation that is universal in scope. Thus, a body with universal membership is needed. The FACTI Panel proposed that the International Monetary Fund would be a natural choice for much of this work, given its work on producing global revenue statistics. The Panel also proposed that the United Nations can collaborate with the IMF under the auspices of an intergovernmental tax body (see Recommendation 14B). Funding for the staff to operate this centre should be part of a regular budget not voluntary subscriptions, but the costs also need to be fairly distributed so that all countries would be willing to contribute.

The FACTI Panel also insisted on building on what is already working, and in this case this implies cooperation is desired with agencies that have led on data gathering to date, e.g. the OECD and the Global Forum for Exchange of Information for Tax Purposes. A cooperative model is already working between the IMF and OECD on revenue statistics and can be extended and expanded. However, a role for the United Nations is also important, especially as it serves as an inclusive forum for tax norm setting. In addition, it has expertise in multiple areas, beyond tax norm setting, such as the statistical work on the tax components of the indicator on illicit financial flows being developed by UNCTAD for SDG 16.4, and the Government Revenue Dataset published by UNU-WIDER. It should have access to disaggregated data, subject to reasonable redactions for bona fide confidentiality reasons, to help conduct analysis. The IMF and UN also have existing mechanisms for such cooperation.

**Data reporting areas and standards:** The centre should be responsible for developing templates for data collection, maintaining standards, collating information, and disseminating data and analysis in three main areas: international tax cooperation practices, aggregated corporate tax information, and gender-disaggregated income tax related data.

1. To improve the data on tax cooperation practices at global and regional levels, the centre needs to systematise, universalise, and combine the current piecemeal approaches for data on: exchange of tax information on request, automatic exchange of financial account information, and; exchange of information on corporate income reporting, including country-by-country reports and their associated data. The centre can also be tasked with collating and publishing information related to new norms and standards that are being developed in relation to taxation of group global profits in the context of the digitalizing economy. This may involve different datasets and information in the short term and the long term, depending on the final agreements made on this topic in norm-setting venues. It should be noted that the centre, based at the IMF, need not focus on the monitoring of tax treaty developments, as in this area the UN can play a stronger role given its expertise in servicing and hosting a repository for treaties. Cooperation between the UN and the Fund can ensure appropriate interlinkages of databases and standards.

2. Updated data standards will be needed on corporate tax information in order to improve the ability of governments and external stakeholders to assess whether all taxpayers are indeed paying taxes where economic activity occurs and value is created. At a minimum, disaggregated data should be collected on: declared corporate profits, taxes paid, corporate real economic activity (e.g. employment, sales), the location of assets and their beneficial owners. Beneficial ownership data may be linked to national dataset and efforts at international cooperation on them.
3. Gender-disaggregated data has been emphasised in 2030 Agenda, yet gender-disaggregated financial & fiscal data is missing in most contexts. Lower-income households often pay a higher share of their total incomes in tax because of indirect taxes, and rely on public services, and at the same time are more likely to include women. Gender disaggregated data is essential information with broader application than just on taxing rights, for example on strategic procurement to support women-owned business and expenditure to ensure gender-responsive budgeting. It is essential to collect gender data in domestic tax systems in a way that covers both corporate income tax and personal income tax, including from assets held in trust. Such data will have broad usefulness to policy making, as efforts are made to reduce inequalities, but analysis of it can also be useful in tax and financial crime enforcement. Fully disaggregated data is needed to ensure that fiscal systems can ameliorate rather than systematically exacerbate intersectional inequalities.

**Transparency and use of data:** The FACTI Panel has emphasized the principle of maximising transparency in all aspects of financial integrity policy making and institutions. This applies equally to efforts to collect and disseminate data. Publication of data has many benefits, including increasing trust in institutions, enabling independent accountability such as via the media, and allowing researchers to advance global knowledge and understanding. There are legitimate personal privacy protections needed, such as redacting residential addresses, or allowing anonymous data for people vulnerable to being targeted for abuse or crimes. However, a reasonable standard of protection and privacy are possible while still maintaining open, public data systems.

Data publication will help inform risk-based approaches to enforcement, as well as norm setting and capacity building. Debates about domestic enforcement priorities can be enhanced, and certain international enforcement collaborations can be pursued based on the public data. Capacity building providers can also better understand the needs and demands of client countries. Finally, public data, and the associated analysis can improve dynamic norm setting processes. Agreeing to some of the more ambitious proposals made by the Panel, such as full public country-by-country reporting by multinational entities, will take time. During the transition to full public information, it is essential that country authorities and universal multilateral institutions, such as the IMF and the United Nations, have access to disaggregated data. Countries will use the data for national risk assessment and enforcement, while international institutions can use them for analytical purposes, publishing analysis and aggregated data to enhance progress on financial integrity.

## LOOKING FORWARD

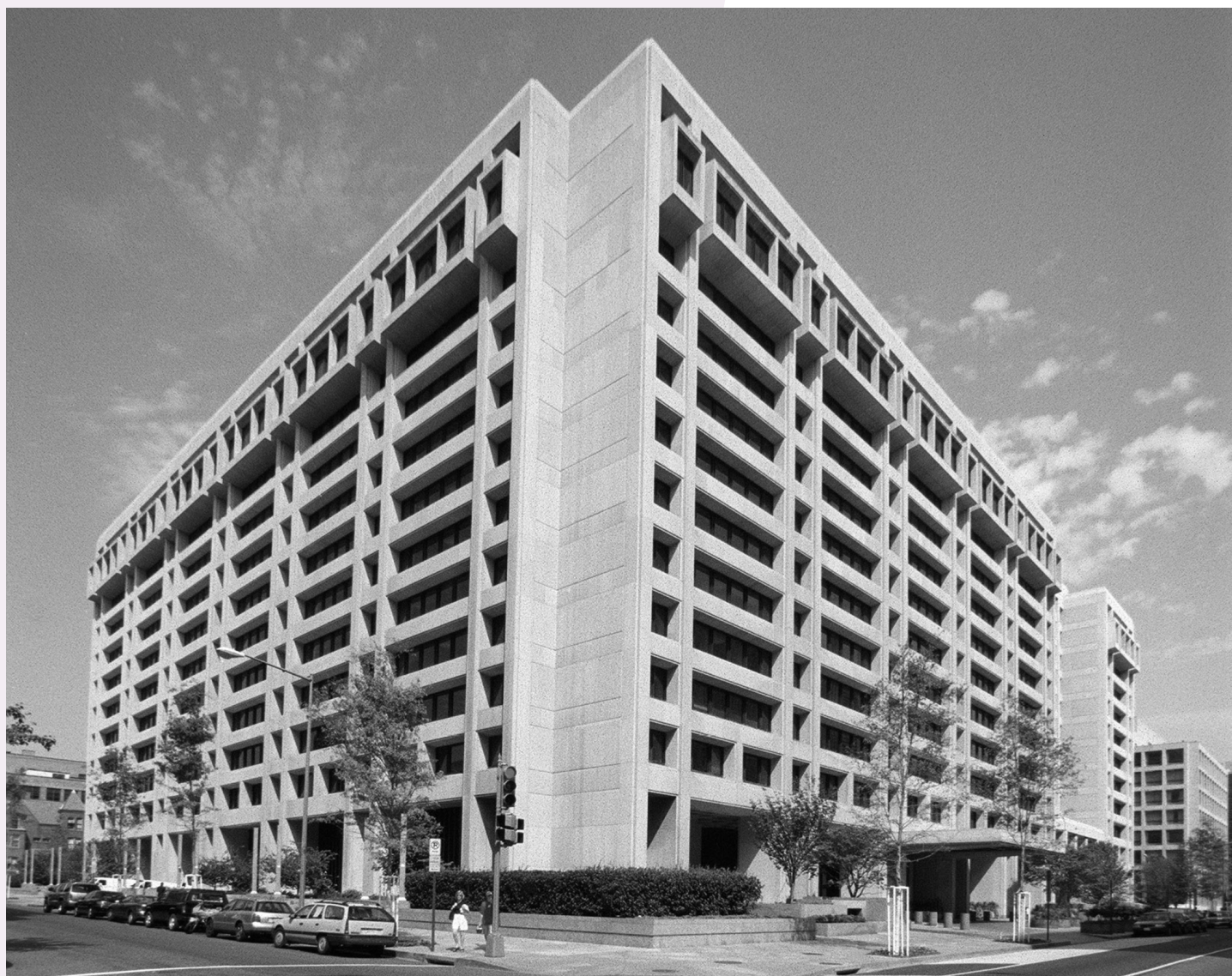
United Nations Charter bodies such as the General Assembly or Economic and Social Council could invite the IMF to create a centre for monitoring taxing rights.

To create a centre at the IMF, a policy needs to be agreed through the IMF's governing mechanisms. The IMF Executive Board is the appropriate venue for taking action, though IMF staff should also consult with colleagues at the OECD, Global Forum and United Nations while developing the final proposal for the IMF Board. Approval by the Board will demonstrate the wide acceptance of the idea and help ensure mutual accountability for participation in data collection efforts.

Gathering and publishing this data is essential for the creation of a system of financial integrity. If Member States cannot agree to create this centre at the IMF, as suggested by the FACTI Panel, they should move quickly to establish it at another fully inclusive international body, such as within a UN department or entity.

There are a number of key policy frameworks that need to be built upon and used as the centre comes together. Among others, this will include: the IMF Fiscal Transparency Code, the Standard for Automatic Exchange of Financial Account Information in Tax Matters (2nd edition, which includes the

Common Reporting Standard), the Exchange of Information Working Manual, and the Guidance on the Implementation of Country-by-Country Reporting: BEPS Action 13. The tax transparency guidance by the Global Reporting Initiative is also a widely recognised, technically robust standard for country by country reporting, and can be built on for future mandatory corporate reporting requirements.



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## ANNEX: POSSIBLE RESOLUTION LANGUAGE

Below is possible language for use in a United Nations General Assembly resolution:

We invite the International Monetary Fund to establish a Centre for Monitoring Taxing Rights which will build on the efforts of the OECD and multiple UN agencies to collect and disseminate national aggregate and detailed data about taxation and tax cooperation.

## ANNEX: FURTHER READING

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