

Executive summary

Effective tax systems are a critical building block for increased domestic resource mobilisation which is essential for sustainable development, promoting self-reliance, good governance, growth and stability, with particular relevance to developing countries. At the same time, the move to implementation of the G20 tax priorities, namely Base Erosion and Profit Shifting (BEPS) and Automatic Exchange of Information (AEOI), is triggering a parallel shift towards greater inclusiveness of developing countries in the international tax dialogue to ensure that the global problem of international tax evasion and avoidance can be tackled with a global solution.

As a result, tax co-operation has now reached unprecedented levels. Much work has been, and is being, undertaken by various international stakeholders to assist developing countries in building their tax capacity. Notably, in February 2016, the G20 Finance Ministers and Central Bank Governors welcomed a proposal of developing a tax platform jointly by the IMF, OECD, UN and WBG, and called on them to recommend mechanisms to help ensure effective implementation of technical assistance programmes, including how countries can contribute funding for tax projects and direct technical assistance. The international organisations were invited to report back with recommendations at the next meeting to be held on July 2016 (G20 Communiqué, February 2016).

Tax administration lies at the heart of the tax capacity building process. Sharing practical expertise and building and maintaining relationships between tax administrations are critical for effective co-operation. Although priorities and circumstances vary widely across developing countries, the drive to elevate the collective standard of tax administration is an issue of great importance for the tax administration community. FTA member countries play a significant role in tax administration capacity building. This report sets out how the FTA and its member countries can best organise themselves to contribute to capacity building efforts in a co-ordinated and cost-effective way. Fully aware of and recognising the leading work by the international organisations (IMF, WBG, UNDP and the various OECD initiatives) and regional bodies, this report seeks to complement, not duplicate, ongoing work in capacity building, by offering a view from the tax administration community perspective, both in relation to G20 priorities and more generally.

This study is the outcome of a mapping exercise and a survey of FTA member countries, and has drawn on the insights and expertise of a nine-country task team. Together, these inputs have revealed the following:

- **International co-operation is vital and of strategic importance to tax administrations.** In an increasingly integrated international tax system, engaging those beyond the FTA is mutually beneficial and core to the effectiveness of global tax administration – and it is critical to the consistent implementation of BEPS and AEOI.

- **FTA member countries play a key role in supporting capacity building efforts**, both through their engagement in the international and regional tax organisations and through the provision of bilateral support to developing country tax administrations.
- **How donor tax administrations organise for capacity building influences the achievement of meaningful outcomes and efficiencies.** For donor tax administrations, capacity building strategies that prioritise this kind of support can help focus attention where it is most needed, particularly where whole-of-government approaches are in place to amplify benefits; where core or long-term funding enables tax administrations to deliver assistance in a more structured way, rather than on an ad hoc basis; and where sound diagnostics are used as a basis to systematically plan and evaluate their capacity building activities.
- **The increasing demand for capacity building, and the extent to which it draws on scarce knowledge and skills, compels tax administrations to work smarter in delivering assistance.** In practice, not only does this call for more cohesive and strategic ways of working with other stakeholders to avoid duplication and better identify best practices, but also that innovation be embraced. In this regard, solutions – such as the Knowledge Sharing Platform, a global online tool that enables tax administrations and tax organisations to more broadly and instantaneously share knowledge, expertise and innovative practices with counterparts – can serve as a complementary enabling environment and support tool, both generally and in relation to BEPS and AEOI implementation assistance.
- **The value and application of a common approach to capacity building assistance by donor tax administrations merits further exploration.** The FTA is well positioned to facilitate these deliberations, by drawing on the experiences of its member countries, along with their respective relationships with other developing country administrations and/or institutional stakeholders.

Recommendations

In light of these findings, this report offers four key recommendations to guide the early efforts of the FTA and its member countries.

1. **That the FTA and its members adopt and advance a common Tax Administration Capacity Building Framework.** This report proposes a conceptual framework to assist with both individual and collective identification, planning, sequencing and evaluation of initiatives. Although preliminary, it nevertheless offers a starting point for further deliberations on a model for determining where and how to target and invest resources, not only for tax administrations in their individual capacity but also among the collective community of support providers.
2. **That the FTA and its members help strengthen domestic efforts in capacity building by seeking to apply a “whole-of-government” approach in their jurisdictions.** Recognising the benefits in doing so, countries that have shown leadership in this area have begun integrating tax administration activities to development. Whole-of-government approaches, in which priorities and responses are aligned among a donor country tax administration, development agency and finance department, can facilitate more focused and sustainable efforts in improving tax administration capacity.

3. **That the FTA and its members participate in the development of the Knowledge Sharing Platform.** The Knowledge Sharing Platform prototype has been designed to foster closer co-operation with others and to create efficiencies in sharing expertise to support capacity development, and in its end state, is intended for use by all interested tax administrations. With appetite strong among FTA members for innovation in how knowledge is shared, it follows that the FTA should seek to capitalise on the benefits of leveraging technology. As a key partner, the FTA will participate in the governance of the Knowledge Sharing Platform by joining its “Editorial Board” to help shape the Platform’s future development, including its co-ordinated management and curation of content.
4. **That the FTA establishes a Capacity Building Network to connect to the work of others.** A number of initiatives are currently underway and have resulted in unprecedented co-operation among international and regional organisations. While some FTA members are part of these organisations and initiatives, more could be done to connect the FTA and its members to support and complement these efforts, with a view to producing mutual and tangible benefits. At the outset, this Network will:
 - a. Lead work to further refine the Capacity Building Framework;
 - b. Establish and strengthen partnerships with other organisations and programmes;
and
 - c. Explore methods that could support better co-ordination with other organisations.



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