Chapter 2

Overview of current tax capacity building landscape

This chapter examines the current capacity building landscape through the respective lenses of international priorities, institutional stakeholders, and recent key developments. It then explores the role of donor tax administrations in supporting capacity building efforts.

Effective tax systems are critical for ensuring that developing economies have sustainable sources of government revenue and can help support good governance. At the same time, the shift from policy to implementation of the G20 tax priorities, namely Base Erosion and Profit Shifting (BEPS) and Automatic Exchange of Information (AEOI), is also triggering a parallel shift towards greater inclusiveness of developing countries in the global tax dialogue. These challenges create an increasing demand for tax capacity building for developing countries, and call for multilateral and bilateral initiatives to be best organised to address this demand in a co-ordinated, cost-effective and sustainable way.

The role of capacity building for effective taxation

Tax and non-tax revenue are vital components of domestic resource mobilisation (DRM), aimed at providing governments with independent resources for investing in development, delivering public services, and increasing state capacity, accountability and responsiveness to their citizens. The quality of the tax system – both tax policy and tax administration – is itself a central pillar of state-building and good governance (OECD, 2013:26). This is true for both developed and developing countries. It is notable that developing countries' domestic resources provide by far the largest share of financing for development, even in the poorest countries. In 2012, total tax revenues collected in Africa were 10 times greater than what countries received in the form of official development assistance (ODA).

Box 2.1. **Tax administration capacity building needs**

Priorities and circumstances vary widely across developing countries, but there is considerable commonality in the core challenges they face. Capacity in all areas remains work in progress, and work to improve fundamental operations (e.g. taxpayer education, information management, auditing, and debt collection), remains critical, as well as ensuring stable and empowered management.

Source: IMF Report on *Current Challenges in Revenue Mobilization* (IMF, 2015b).

Raising tax revenue, however, poses many challenges for developing countries. Specific challenges that loom especially large include weak tax administrations, low taxpayer morale and compliance, corruption and poor governance, prevalence of "hard-to-tax" sectors, a small tax base and the missing reciprocal link between tax and public and social expenditures. In addition, many developing countries continue to depend heavily on trade tax revenues, yet trade liberalisation increasingly reduces revenue from tariffs on imports and exports, obliging them to seek other sources from which to generate tax revenue. Striking the right balance between creating an attractive tax regime for domestic and foreign investment (e.g. through lower tax rates on corporate income or through tax expenditures), and securing the necessary revenues for public spending, is another key policy dilemma. Developing countries also face challenges in designing and implementing effective transfer pricing and information exchange regimes, and more generally in improving transparency. Tax capacity building is therefore an absolute precondition for developing countries to mobilise domestic resources for an eventual exit from aid dependency and the accomplishment of the Sustainable Development Goals agreed to in September 2015 through the United Nations process.

BEPS and automatic exchange of information

In the meantime, a globalised economy has put a strain on the international tax framework, revealing weaknesses that create opportunities for BEPS, thus requiring a bold move by policy makers to restore confidence in the system and ensure that profits are taxed where economic activities take place and value is created. In September 2013, G20 Leaders endorsed the ambitious and comprehensive Action Plan on BEPS and in 2015 applauded the timely delivery of the BEPS report package. Importantly, the final package of BEPS measures included new minimum standards on: country-by-country reporting, treaty shopping, curbing harmful tax practices, and, effective mutual agreement procedures.

Box 2.2. **BEPS in the developing country context**

Developing countries face difficulties in building the capacity needed to implement highly complex rules and to challenge well-advised and experienced MNEs. These include:

- competing priorities, often with inadequate staffing;
- uncompetitive compensation for staff working on international tax avoidance issues, leading to a constant drain to the private sector, particularly the large accountancy firms, that when combined with lack of experience, results in a well-known asymmetry when officials are confronted by well-advised large companies; and
- a lack of established practices for settling disputes with large corporations.

Source: OECD (2014b: 33).

Acknowledging that developing countries face specific policy issues and implementation challenges that are not always shared with developed countries, in November 2014 the OECD launched a new strategy for deepening developing countries’ engagement in the BEPS Project, with direct participation in the CFA and its technical working groups by more countries and by regional tax organisations as well as the establishment of regional networks and a ramping up of capacity-building support. This engagement includes the development of tools specifically designed for developing countries to address all of the key BEPS concerns they expressed, as well as those not captured by the BEPS Action Plan. This also means that a significant number of developing countries were at the table and actively involved in the crucial decisions on BEPS solutions. Over the next two years, practical and administrable tools will be presented to ensure that developing countries can address their BEPS concerns effectively and efficiently.

International progress is also being made in the fight against tax evasion. In July 2014, the OECD developed and endorsed a proposal for a new single global standard for automatic exchange of information in response to a request by G20 leaders at their summit in September 2013. The standard calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis.

Developing countries stand to gain from the implementation of this new global standard in their fight against illicit financial flows, by increasing their revenue collection and deterring tax evasion. G20 governments have mandated the OECD-hosted Global Forum on Transparency and Exchange of Information for Tax Purposes, working with the

OECD Task Force on Tax and Development, to help developing countries identify their needs for technical assistance and capacity building in order to participate in and benefit from automatic exchange of information. In September 2014, the Global Forum presented its roadmap to the G20 spelling out how developing countries can overcome obstacles to participate in the automatic exchange standard and meet its requirements. The roadmap describes a staged approach for how developing countries can participate in the new standard and includes an outline for pilot projects to be undertaken between developing and developed country partners, working with the Global Forum Secretariat, to address awareness and capacity constraints (OECD, 2014a: 172-173).

Need for broader response

As both BEPS and AEOI are moving to implementation, they demand the full participation of tax administrations from developed and developing countries to ensure that the global problem of international tax evasion and avoidance can be tackled with a global solution, and that developing countries can also reap the benefit of the G20's international tax agenda. To this end, the G20 Development Working Group (DWG) agreed to the "G20 Response to 2014 Reports on Base Erosion and Profit Shifting and Automatic Exchange of Tax information for Developing Economies" at its September 2014 Meeting, which was endorsed by G20 Finance Ministers later that month. The response outlines "New Action 3: Strengthen Capacity" as a priority area for the DWG's domestic resource mobilisation work for 2015 and beyond, and acknowledges the essential and inherent role of capacity building, including assistance provided by tax administration experts, to the comprehensive implementation of BEPS and AEOI (G20, 2015b).

Box 2.3. **G20 Development Working Group**

The G20 Development Working Group has developed a guiding framework for responding to capacity issues arising from the G20 tax agenda. Efforts to strengthen developing countries' capacity in tackling BEPS and implementing the new standard for AEOI should:

1. be sequenced with support for other tax priorities, where necessary starting with the building blocks for effective tax systems;
2. target areas of priority identified by partner governments, considered on a case-by-case basis;
3. be co-ordinated within and between providers of development co-operation;
4. include consideration of developing countries' capacity to reap the benefits of reforms; and
5. promote developing countries' participation in the international tax architecture.

Source: G20 Development Working Group guiding framework for responding to capacity issues arising from G20 agenda (G20, 2015b: Annex 4).

This concern was further echoed and addressed by the **Addis Tax Initiative** launched in July 2015 by 30 jurisdictions (including 17 FTA member countries[1]) at the Third International Conference on International Financing for Development in Addis Ababa, Ethiopia, which established a commitment to accelerate international capacity building. To do so, the **Addis Tax Initiative** called for participating providers of international support to collectively double their technical co-operation in the area of domestic revenue mobilisation and taxation by 2020 – a commitment made in anticipation that the need for capacity building support in tax administration and tax policy will outstrip funding availability, and one that was eagerly welcomed by developing country partners with a reciprocal commitment to step up their own efforts to drive forward reforms (The Addis Tax Initiative Declaration, 2015).

Institutional landscape

Various international actors play a key role in tax capacity building support for developing countries. With strong institutional links, multilateral organisations (i.e. international and regional tax organisations) maintain an ongoing dialogue on key tax reform issues with government through a variety of ways.

For instance, the OECD, through its Tax and Development Programme, Global Relations Programme, Tax and Crime Programme, as well as the Global Forum on Transparency and Exchange of Information for Tax Purposes, seeks to improve the enabling environment for developing countries to build up their capacity in collecting tax fairly and efficiently.

Box 2.4. **OECD Global Relations Programme**

The Global Relations Programme is an extensive and integrated global programme that serves as the OECD's primary outreach mechanism between its Committee on Fiscal Affairs (CFA) and non-OECD member countries (including regional tax organisations). The Programme has as a core element an annual series of approximately 75 interactive learning events covering a broad range of tax policy and administration topics that are delivered primarily to participants from non-OECD economies (including developing countries) with the support of FTA member country experts, for a collective annual contribution of over EUR 3 million. Learning events are delivered through an infrastructure of multilateral tax centres which span the globe.

Source: OECD global relations in taxation, www.oecd.org/tax/tax-global.

The IMF provides policy advice to strengthen macroeconomic policies and technical assistance to build state capacity in government agencies (for example, revenue collection, public finance and investment management, and effective spending), and resources to boost economic resilience against adverse shocks. It has also started deepening its focus on strengthening revenue mobilisation in developing countries, and will further enhance its technical assistance efforts in supporting and strengthening nationally-built revenue reform strategies and apply its recently built and tested tools to deliver effective support in building revenue capacity.

The World Bank has a long history in supporting domestic revenue mobilisation (DRM) in developing countries. In response to the Addis Tax Initiative, the WBG has developed a strategic focus and coherent framework to its work on DRM through the Global Tax Programme. The overall purpose of the programme is to support reform by a wide range of instruments, including analytical work, technical assistance, investment and development policy lending. In particular, it can implement a broad package of activities tailored to a country's specific policy and capacity development needs and assist the respective authorities to address key aspects of international tax issues within the context of the Addis Tax Initiative and beyond.

The UNDP positions capacity development as the organisation's overarching service to programme countries, and approaches it with a five-step process cycle, which includes: 1. Engage stakeholders on capacity development; 2. Assess capacity assets and needs; 3. Formulate a capacity development response; 4. Implement a capacity development response; 5. Evaluate capacity development (UNDP, 2008).

The European Union (EU) has provided significant assistance to developing and accession countries, for instance, through EU budget support programmes which funded twinning projects as well as the European Commission's funded EUROSOCIAL programme (focused on Latin America) and Structural Reform Support Service (focused on EU member states).

In the broader landscape of tax administration capacity building, regional tax organisations also play an important role. These organisations, including the Inter-American Centre for Tax Administration (CIAT), the African Tax Administration forum (ATAF), the Centre de rencontres et d'études des dirigeants des administrations fiscales (CREDAF), the Intra-European Organisation of Tax Administrations (IOTA), the Commonwealth Association of Tax Administrations (CATA), and the Study Group on Asian Tax Administration and Research (SGATAR), as well as the BRICS nations (Brazil, Russia, India, China, South Africa), share a common focus on strengthening capacity in member country tax administrations through knowledge sharing and exchange, and, where relevant, serve as leading promoters of south-south co-operation which are sources of information and experience that are an important asset for developing countries.

Finally, taxation is increasingly an area of focus for national development agencies, which typically have scope within their suite of funding mechanisms to invest in bilateral technical assistance work (OECD, 2013).

Nonetheless, until recently, tax as a development issue has been somewhat neglected by much of the international community, despite some high rates of return and evidence of success. Currently, only around 0.1% of official development assistance (ODA) (excluding that provided by the International Monetary Fund) goes to support the development of tax systems in developing countries. The share of aid specific to developing countries tax reform in the total ODA of OECD member countries was only 0.22% in 2012, a figure that had nonetheless risen from around 0.05% in 2006. International support to tax reform has, in the view of many observers and several surveys, been effective. For instance, within the broader area of support to core public sector services, including civil-service and judicial reform, tax reform is among the areas where the World Bank deems its aid to have been most effective (ITC and OECD, 2015: 4).

Recent key developments

Support for G20 priorities

BEPS consultations through G20/OECD processes have revealed capacity building to be one of the biggest challenges faced by developing countries. Not only does this impact their ability to address BEPS issues generally, but moreover, gaps in capacity, along with a lack of effective legislation, may present opportunities for simpler, but potentially more aggressive tax avoidance than is typically encountered in developed economies (OECD, 2014b: 33).

In view of the need for concrete support to assist developing countries implement BEPS action items, in 2014 the G20 mandated the development of eight practical toolkits to be delivered over the 2016-2018 period by the OECD in co-operation with other international and regional tax organisations (OECD, 2015b). These toolkits are intended to contain reports, guidance, model legislation, train the trainers materials and other tools to facilitate the work of tax administrations.

Box 2.5. **BEPS Toolkits for Developing Countries**

1. Report on tax incentives
2. Tools on lack of comparables for transfer pricing purposes
3. Report on indirect transfers of assets
4. Toolkit on transfer pricing documentation requirements
5. Toolkit on tax treaty negotiation
6. Toolkit on base eroding payments
7. Toolkit on supply chain restructuring
8. Toolkit on assessment of BEPS risks

Source: OECD (2014c).

Additionally, in 2015, regional networks were established to facilitate an ongoing and more structured dialogue process on BEPS with a broader group of developing countries, particularly low-income countries, with the participation of regional tax organisations where relevant.

At the third meeting of BRICS' Heads of Tax Authorities, held in Moscow in November 2015, commissioners agreed that it is in the common interest for both developed countries and developing countries to combat international tax avoidance, and furthermore, that developing countries who are interested should be involved and be provided with technical assistance in the implementation of BEPS actions.

Engagement of developing countries on BEPS (and on the international tax agenda in general) is a welcomed and encouraged practice as it is essential to ensuring that they receive appropriate support for the challenges they face. Further, the OECD has since developed an inclusive framework for the global implementation of the BEPS project, which was endorsed by G20 Finance Ministers at their February 2016 meeting. This approach will see all interested and committed jurisdictions participating on an equal footing to review the implementation of the BEPS minimum standards, as well as monitor the package as a whole and complete the remaining elements of the BEPS standard-setting work. Importantly, the framework recognises the important role that tax administrations – and the FTA – will have in supporting the implementation process.

Likewise, in 2014 the G20 asked the Global Forum, working with the World Bank Group and other organisations, to facilitate pilot projects to assist developing countries to implement the new standard on automatic exchange of financial account information for tax purposes. With the assistance of G20 countries, several pilot projects began in 2015.

It is also notable that in 2015 the G20 Development Working Group called on members to "increase peer-to-peer efforts to meet individual targets for support to developing country tax administration capacity building". Further, with momentum around tax co-operation continuing to build in the context of the G20 agenda, international organisations – specifically the OECD, the UN, the IMF and the World Bank – agreed in early 2016 to establish a "platform for collaboration on tax" to deliver joint outputs and support work on tax issues in their respective member countries (OECD, 2016).

Box 2.6. **Spain's AEOI pilot with Colombia**

In the context of its membership in the Global Forum on Transparency and Exchange of Information, Spain is supporting Colombia's implementation of the Common Reporting Standard (CRS) for the automatic exchange of information (AEOI). The project – the first of several pilots, and the most advanced – makes use of peer-to-peer knowledge transfers while employing a step-by-step approach to implementation, having as an objective that Colombia implement and benefit from AEOI in a timely manner. Spain's leadership in promoting the CRS, and its significant experience with automatic exchange of information, were key factors in its decision to enter into this pilot partnership project with Colombia.

The pilot project considers three main components that together underpin successful implementation. Spain and Colombia, with support from the Global Forum and the World Bank Group, have worked on these components, which encompass the need for:

- an adequate legal framework (i.e. the legislation needed to develop to implement CRS, including that which imposes a reporting obligation on financial institutions);
- administrative capacity (i.e. human resources and information technology infrastructure); and
- confidentiality and data safeguards (i.e. adequate rules and procedures).

Source: Spanish Tax Agency.

Tax Inspectors Without Borders

Established first as a feasibility study in 2013 under the auspices of the OECD Tax and Development Programme, the Tax Inspectors Without Borders (TIWB) initiative was officially launched as a partnership between the OECD and the United Nations Development Programme (UNDP) in 2015 during the Third International Conference on Financing for Development as a means to support developing countries build tax audit capacity in view of broader DRM objectives. TIWB enables the transfer of tax audit knowledge and skills

Box 2.7. **Netherlands' TIWB experience: Ghana Project**

The first TIWB pilot programme was set up between Ghana (GRA) and the Netherlands (NTCA). The scope of the programme was to work jointly on tax audit and audit related issues regarding transfer pricing, such as risk assessment and case selection. Dutch experts have worked in Ghana together with and alongside their GRA counterparts on actual cases. Although the pilot phase of the programme was temporarily put on hold by unforeseen circumstances (the Ebola crisis), upon its resumption, the programme continued with good results and concrete outcomes. Procedures on risk assessment and case selection were improved and the tax audit approach on TP-related aspects was developed further. After a two year period, the pilot phase concluded. Both the GRA and the NTCA consider the outcomes and concrete results achieved thus far to be positive, and supported the project's continuation as a regular TWIB programme. The pilot phase also demonstrated that the TIWB concept in its pure form (and as described in the TIWB Toolkit) has added value as a niche area in technical assistance. The GRA and the NTCA will therefore continue their joint efforts on TIWB under a regular TIWB-programme for the coming years.

Source: Tax and Customs Administration, Netherlands.

to tax administrations in developing countries through a real time, "learning by doing" approach. This knowledge and skill transfer is accomplished through the deployment of experts (currently serving or recently retired tax officials) who work directly with local tax officials on current audits and audit-related issues concerning international tax matters. A number of pilot projects and international tax workshops are already underway.

Tax Administration Diagnostic Assessment Tool

In 2015, the IMF and several international partners (European Commission, the IMF, Germany, Japan, Netherlands, Norway, Switzerland, United Kingdom and the World Bank) released the Tax Administration Diagnostic Assessment Tool (TADAT). TADAT is available for use by country authorities and those assisting them.

TADAT is designed to provide an objective and consistent assessment of the health of key components of a country's system of tax administration. It works by evaluating a tax administration in each of nine performance outcome areas:

- the integrity of the registered taxpayer base;
- the extent of understanding about the compliance risks in the tax system;
- the quality of support provided to taxpayers to promote voluntary compliance;
- the extent to which taxpayers meet their filing obligations;
- the extent to which taxpayers meet their payment obligations;
- the accuracy with which taxpayers declare their tax obligations;
- the adequacy of tax dispute resolution;
- the efficiency of tax administration; and
- the level of accountability and transparency.

Assessment results can then be used to identify the relative strengths and weaknesses in a tax administration's systems, processes, and institution. TADAT also provides a basis for monitoring and evaluating reform progress towards established targets, through repeat assessments.

Notably, the 2015 Addis Tax Initiative Declaration highlighted TADAT as a helpful development in view of the broader benefits that diagnostic assessments of country tax systems can bring to bear in terms of determining where capacity building will be most effective (The Addis Tax Initiative Declaration, 2015).

Revenue Administration Fiscal Information Tool

In 2012, the IMF developed the web-based Revenue Administration Fiscal Information Tool (RA-FIT) to generate a standardised set of data from and for all customs and taxation administrations on a regular basis, allowing them to monitor basic aspects of their performance more effectively and compare themselves against peers while at the same time enabling better technical assistance work by having data in advance of planned activities. To date, RA-FIT has been used in two instances: first in 2012 to gather information from more than 80 developing countries, and subsequently in 2014 by the same group with additional input from up to 38 members of CIAT. Additionally in 2014, the OECD signed a Letter of Intent with the IMF, IOTA and CIAT to jointly use the RA-FIT platform to collect and share data and information from their respective members tax administrations on a common set of data elements.

Tax and Development Transfer Pricing Assistance Programme

In 2011, the OECD's Task Force on Tax and Development, in partnership with the European Commission and World Bank Group, began a programme of support for developing countries seeking to implement or strengthen their transfer pricing rules. To date, country-specific support initiatives have been put in place in sixteen jurisdictions, and a regional project is also underway in West Africa.

Box 2.8. **Selected Transfer Pricing Assistance Programme results**

- In Colombia, revenues increased ten-fold from USD 3.3 mln in 2011 to over USD 33 mln in 2014 from transfer pricing adjustments made as a result of audits of multinational enterprises.
- In Vietnam, the number of audits conducted by the tax administration increased from 1 audit in 2012 to 40 audits in 2013, giving rise to transfer pricing adjustments of USD 110 mln by the end of 2013.
- In Zambia, revenue from audits has increased from USD 3.22 mln in 2012 to USD 7.91 mln in 2013.
- In Kenya, revenue collection from transfer pricing audits has doubled from USD 52 mln in 2012 to USD 107 mln in 2014.

Source: Developing Capacity in Transfer Pricing, OECD (2015c).

This programme has had a significant impact in many countries through the introduction of transfer pricing rules aligned with international standards and the establishment of specialist units to carry out the transfer pricing work. Revenue from transfer pricing audits has also increased. Importantly, this work is closely aligned with existing country tax reform programmes and establishes the foundation for other support or activities, such as the TIWB initiative, to further expand the impact of the programme.

Task Force on Tax and Development

The OECD Task Force on Tax and Development, co-chaired by senior representatives of the Governments of South Africa and the Netherlands, brings together stakeholders to discuss current tax and development issues facing developing countries. Its role is to advise the OECD's Committee on Fiscal Affairs (CFA) and the Development Assistance Committee (DAC) in delivering its Tax and Development Programme. Since its creation in 2010, its members meet annually to monitor progress and identify areas of opportunity for working with developing countries. The Task Force most recently met in November 2015, where it recognised (among other issues) "the need to invest in building expertise in the developing world to build local capacity to address tax evasion and avoidance concerns" and reaffirmed "the importance for international and regional organisations, donors, the private sector and business to work coherently to deliver assistance to avoid duplication and fragmented initiatives" (OECD, 2015b).

Role of tax administrations

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. It is perhaps unsurprising then that for the tax administration community, the drive to elevate the collective standard of tax administration is an issue of great importance.

As discussed above, ensuring that developing countries can reap the full benefits of international tax reforms has important implications, not only in terms of DRM but also in terms of the integrity of the reforms themselves; without consistent application of tools and methods, the effectiveness of any new measure is unlikely to reach its full potential. As key donor tax administrations, FTA member countries play a key role in supporting capacity building efforts, both via their engagement in the international and regional tax organisations and as part of bilateral support to developing country tax administrations. For instance, a recent study (G20, 2015b: Annex 3) of the tax-related development co-operation efforts undertaken by G20 members confirmed that support is indeed being provided, and moreover, noted that:

- to the extent reported, assistance has largely targeted low and lower-middle income countries;
- despite broad geographic distribution of activities overall, there are pockets of concentrated activities, raising the likelihood of multiple G20 members undertaking bilateral tax-related development co-operation with a given recipient country;
- the focus of G20 assistance tends to be on matters of domestic taxation (i.e. core building blocks) rather than international taxation – although this does not come at the complete exclusion of working relationships with international or regional tax organisations which tend to focus efforts on international taxation matters; and
- the vast majority of activity appears to be undertaken in the form of bilateral, regional or multilateral initiatives funded through official development assistance (ODA) mechanisms, with technical assistance activities being among the most common – perhaps explaining in part the emphasis on the core building blocks of taxation.

Box 2.9. **Italy's engagement with Albania**

Italy is working with Albania to improve tax administration capacity on multiple fronts. In the context of their mutual membership in the Global Forum for Transparency and Exchange of Information, Italy has partnered with Albania to implement an AEOI pilot project. In particular, Italy will offer assistance on four dimensions of CRS implementation: regulatory provisions; data security and protection; information technology and informatics support; and, information exchange. The Italian contribution to the pilot project will be in the form of supporting technical implementation of CRS, consulting and training Albanian tax officials (classes and on-the-job) to allow the Albanian Government to make the first automatic exchange of information according to the CRS by the end of September 2018. Italy and Albania will continue their joint efforts on AEOI pilot project for the coming years.

Separately under the auspices of the TIWB initiative, the Agenzia delle Entrate (AdE) has also concluded in 2015 a co-operation agreement with Albania for the deployment of an Italian transfer pricing expert to the Albanian Tax Administration (ATD) for a one year period carrying out a "learning by doing" approach in dealing with complex international tax matters. The project was divided in two stages: the first one devoted to risk assessment analysis; and, the second to audits of taxpayers analysed in the first phase, and enhancing and promoting taxpayer compliance with the aim to understand the taxpayer's business. Both AdE an ATD consider the outcome and concrete results of TIWB project achieved. The successful outcome of the project is the result of the commitment of the TIWB working group composed of Italian and Albanian tax officials.

Source: Agenzia delle Entrate, Italy.

Separate OECD work has found that technical assistance is a central element in virtually every aid programme on taxation and that many host country tax officials favour assistance that takes the form of experts who work long-term "in the trenches" to serve as mentors and respond to changing needs (OECD, 2013).

However, amid the full range of capacity building initiatives and commitments, donor tax administrations are confronting growing demand for expertise that is increasingly difficult to match, with further increases anticipated with the implementation of BEPS and AEOI.

Box 2.10. **Developing countries and BEPS**

Capacity building to address BEPS issues has been identified as key cross cutting challenges for developing countries, particularly as the implementation of the BEPS measures begins. However, it is also important to be aware that although the implementation of the G20 tax agenda sets extra demands for capacity building, developing countries still have increasing expectations in broader tax implementation topics such as how to achieve higher levels of tax compliance and prevent tax fraud, and how to build capacity for improving cross-border taxation.

Source: Developing countries and BEPS, www.oecd.org/tax/developing-countries-and-beps.htm.

Note

1. The 17 countries are: Australia, Belgium, Canada, Denmark, Finland, France, Germany, Indonesia, Italy, Korea, Luxembourg, Netherlands, Norway, Slovenia, Sweden, United Kingdom and United States.

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