

TAX INSPECTORS WITHOUT BORDERS

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TIWB accelerates in 2018

by James Karanja, Head of TIWB Secretariat

In October, the OECD and UNDP launched the Tax Inspectors Without Borders (TIWB) 2017/18 Annual Report, highlighting important progress made over the last year (May 2017 to April 2018), with exciting growth in programmes and new partnerships. With an impressive 46 active or completed programmes to date in over 28 countries and jurisdictions, the initiative has already resulted in over USD 414 million in reported additional tax revenues. In addition, we have new South-South programmes with India, Mexico, and the Slovak Republic joining as Partner Administrations. Their experts are deployed to Eswatini, Colombia, and the Maldives, respectively.

TIWB continues to demonstrate excellent value for money and a significant return on investment. On average, for every USD 1 spent on all TIWB activities between 2013 and 2018, there was a more than USD 100 increase in collected tax revenues by Host Administrations. The Secretariat continues to receive solid support from a growing number of regional and multilateral partners such as the Africa Tax Administration Forum (ATAF), the Pacific Islands Tax Administrations Association (PITAA) and Inter-American Center of Tax Administrations (CIAT), as well as the OECD's Forum on Tax Administration (FTA).

In November, the TIWB initiative was proudly featured among key global projects fostering the peace through international co-operation at the recently concluded [Paris Peace Forum](#). The Forum presented an excellent opportunity for the Secretariat to engage global leaders and highlight the initiative's efforts to strengthen co-operation on tax matters and enhance domestic resource mobilisation by developing countries. The TIWB Secretariat is planning another Experts' Roundtable and Stakeholders' Consultative Forum in Paris on 18 February 2019. The Forum will provide opportunities for stakeholders directly involved in TIWB programmes to take stock of progress and share experiences.



Paris Peace Forum high-level panel, "Fiscal Erosion and Tax Evasion: Connecting the Dots", discussing the impact of TIWB programmes at the Grande Halle de la Villette on 12 November 2018.

L to R: **Satu SANTALA**, Director-General for Development Policy, Finnish Ministry of Foreign Affairs; **Abdoulaye MAR DIEYE**, Assistant Administrator, UNDP; **Monica BHATIA**, Head of the Global Forum on Transparency and Exchange of Information for Tax Purposes Secretariat; **Pascal SAINT-AMANS**, Director of the Centre for Tax Policy and Administration, OECD; and **Marlene PARKER**, Chief Tax Counsel, Legislation, Treaties and International Tax, Tax Administration Jamaica

TIWB in numbers...

13 Partner Administrations

25 active TIWB Experts

32 Host Administrations

65 deployments by April 2019

414M USD in increased tax revenues

Reflections



By Her Excellency Ngozi Okonjo-Iweala, TIWB Governing Board Member, former Finance Minister of Nigeria, and current Chair of the Global Alliance for Vaccines and Immunization (GAVI)

TIWB: You have been an important international advocate for institution building and governance reform in Africa. What drives your passion for the subject?

H.E. Okonjo-Iweala: Africa's natural and people resources are boundless, which if properly nurtured can lead to great prosperity. Institutions involved in collecting, managing and overseeing public financial resources are essential to the achievement of the African dream and must be appropriately empowered to

ensure discipline, predictability of the policy environment, and public accountability.

Building strong institutions, processes and systems takes time and efforts are bearing fruit. I strongly believe however, that this is the only way to build public confidence and address societal challenges such as corruption, rising inequalities, serious youth unemployment and lack of infrastructure that hold development back.

My journey as a proponent of governance and institutional reform in Africa is deeply rooted in Africa's inspiring transformational story since the turn of the century. The 80s and 90s were lost decades for Africa. As a result, with the advent of political and economic reforms in the 2000s, many African nations saw a reversal of negative per capita growth to robust growth averaging over 5% of GDP with sound management of macro-economic policy frameworks, such stabilisation of interest rates, inflation and debt levels, combined with debt relief. This led to increasing confidence in Africa with increasing inflows of Foreign Direct Investment and attractive investment opportunities. However, Africa needs to work hard to maintain this confidence in light of recent challenges of slow growth and rising debt levels.

Additionally, major international stakeholders, both private companies and state-led enterprises, have heavily invested in Africa, some exploiting vast African resources and markets. Nevertheless, there is hope. The information and communication technology revolution, a vast African population, mainly comprising youth, are now increasingly capable of orchestrating demands for their rights to a better life through better governance. They deserve a chance at achieving their dreams. This is what gives me strength to arise every morning.

TIWB: What issues must Africa overcome in order to marshal adequate resources domestically for development?

H.E. Okonjo-Iweala: We do not collect enough taxes in Africa. According to the [World Bank](#), the average tax-to-GDP ratio in 2013 for sub-Saharan Africa was just 15.8%. Aid is a diminishing factor and more focus on domestic resource mobilisation is becoming central to most African governments. With low tax-to-GDP ratios and high debt-servicing obligations, most countries are still unable to mobilise enough resources to finance development. High dependence on commodities is a major issue and hence importance of diversifying their economies to weather economic shocks from falling commodity prices. Improving tax policy and administration is also a critical part of the revenue effort.

Government has a role to boost trust and accountability of institutions handling public resources and demonstrate prudent fiscal management. Lack of trust leads to an even deeper spiral of deprivation as people shy away from providing resources for government to spend. A very strong nexus exists between responsible tax and government spending and clear benefits.

TIWB: What would success look like for TIWB in addressing these issues? What do you see as a future for TIWB?

H.E. Okonjo-Iweala: Tax Inspectors Without Borders has made commendable efforts in the past two years, including its increased focus on South-South co-operation, towards deploying tax audit experts to host tax administrations in Africa and beyond.

The success of TIWB in aiding recovery of USD 414M is a clear indicator that much more can be recovered through sustained TIWB efforts. Billions of dollars of tax due remain outside the reach of most developing countries tax administrations. Developing countries will not be able to deliver on the [Sustainable Development Goals](#) without a quantum increase in mobilisation of domestic public resources. TIWB must wholly embrace this task, alongside other development partners.

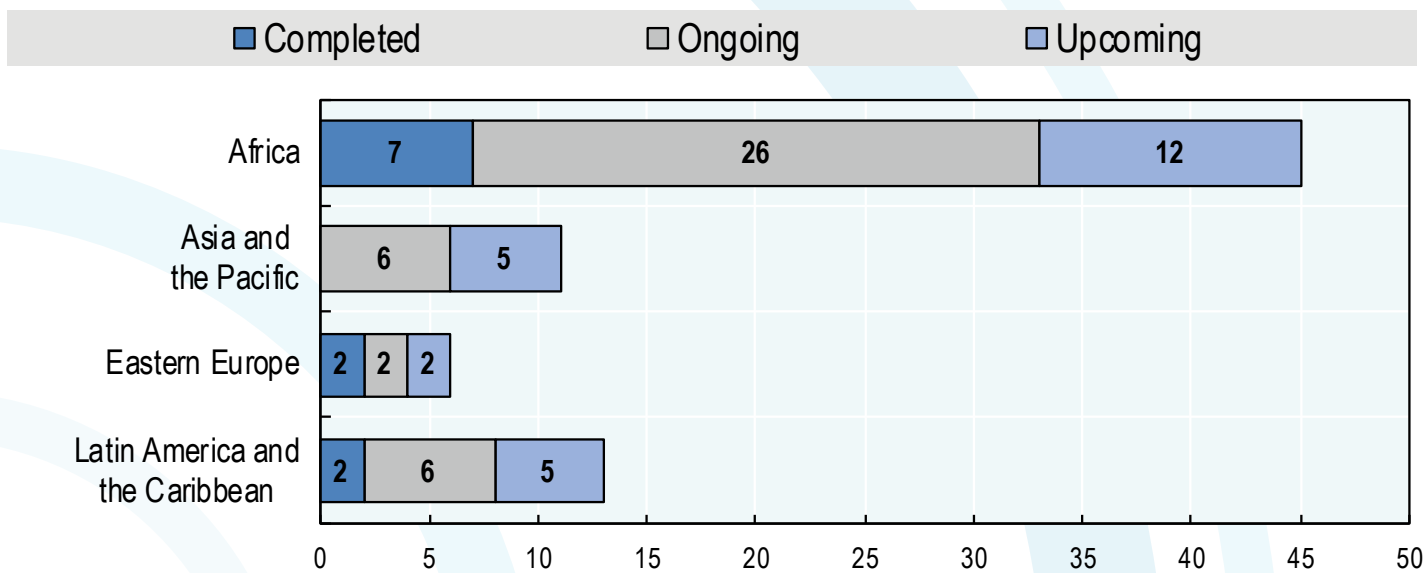
Secondly, the initiative must continue to play its role as a catalyst to encourage businesses to uphold even higher standards of responsible tax behaviour and avoid the reputational risks associated with aggressive tax planning.

Lastly, it is striking that an initiative with such a high rate of return is still in need of donor funding. Why

is this? If we had more support for TIWB, we could deliver so much more revenue. Additionally, expand the Secretariat to support implementation given the exponential growth of programmes. Development partners can do more to successfully scale this initiative and deliver billions of dollars in additional revenue. There is a need to discuss the way forward to capitalise on the good work being done and all future possibilities for building capacity in developing countries.

Regional distribution of TIWB Programmes

TIWB aims to maintain a regional balance in the support it provides through its global programmes. The graph below highlights the number and status of TIWB programmes by region.



TIWB launches pilot support for tax criminal investigations in 2018

Countries around the world face a common threat of increasingly complex and innovative forms of financial crimes. In this era of “banking without borders”, substantial sums can be moved covertly among multiple jurisdictions with relative ease and great speed by exploiting modern technology. Consequently, criminal activities such as tax evasion, corruption, money laundering and other illicit financial flows are becoming more sophisticated and borderless, threatening the strategic, political and economic interests of states globally. This not only undermines the rule of law and public trust, but also creates an uneven playing field for compliant taxpayers and citizens.

To help address these issues, the OECD is launching a series of tailor-made pilot programmes in select developing countries, aimed at enhancing criminal investigation capability in tax related matters. The pilot programmes will complement ongoing training programmes conducted at the OECD International Academies for Tax Crime Investigation in Argentina, Italy, and Kenya.

The pilot programmes will provide hands on support to local officials from experienced financial crime investigators; through working on anonymised, complex tax evasion cases on a real-time basis. The programmes will focus on a ‘Whole of Government’ approach to fighting tax and other financial crimes. These programmes may therefore involve agencies beyond the tax administration, such as, the Financial Intelligence Units, police, anti-money laundering/terrorism financing- authorities, anti-corruption authorities, asset recovery agencies and prosecutors, all of whom bring unique and important perspectives, sources of data, and investigative powers and skills to the investigation of financial crimes. Emphasising the “learning by doing” approach, this support has previously resulted in substantial upgradation of skills in other functional areas of tax administration.

The pilot programmes will be demand-driven and focus on the specific requirements of each host government. This form of technical assistance is expected to enhance investigative skill sets of developing country tax officials and to build stronger institutional mechanisms for fighting financial crimes, including effective risk management, eventually leading to a better culture of voluntary compliance and increased revenue.

TIWB Objective = 100 Deployments





TIWB supporting Egypt's Vision 2030

By May Abo Ghally, OECD Tax Advisor

Since January 2018, a TIWB programme has supported 20 Egyptian Tax Administration (ETA) auditors from both the Transfer Pricing (TP) and Large Taxpayers (LTP) team in reviewing Egyptian TP audit cases, as well as a potential Advanced Pricing Agreement (APA) case. One of the TP audit cases has now been finalised with a TP adjustment amounting to EGP 66.6m (USD 3.7m) and tax due amounting to EGP 16.6m (USD 932k). This case represents Egypt's first TP audit case that has a stand-alone TP audit report incorporating a full TP analysis of the taxpayer's controlled transactions under audit, to be included as part of the Corporate Income Tax audit report. This is indeed a great milestone for ETA and the TIWB programme. I have had the privilege of working on the programme as an Arabic-speaking tax expert who brings relevant regional and cultural dynamic to support the lead TIWB expert during his missions. My presence as the local expert resulted in an increased level of interaction and confidence of the ETA auditors, being able to communicate their concerns and questions in Arabic.

TIWB assistance has had an impact at multiple levels. Firstly, skills transfer and organisational capacity building have improved. There has been noticeable progress in terms of ETA TP auditors' ability to critically analyse taxpayers' TP documentation, use TP methodologies, perform comparable searches, ask relevant questions and conduct TP audits with strong technical arguments and a results-oriented approach. TIWB assistance has helped build TP auditors' confidence when collaborating with other ETA teams and discussing with local taxpayers, while at the same time, creating a better understanding of risk assessment, audit strategies and techniques within ETA. The remote assistance provided in-between missions by the TIWB experts has also helped create an open dialogue with ETA auditors to advance on the preceding mission's action points and deliver better results.



"The TIWB programme in Egypt has provided an invaluable transfer pricing audit experience to our tax inspectors. Thanks to the "learning by doing" approach embedded at the heart of this customised support programme, our tax inspectors are truly progressing and experiencing from the peer-to-peer technical assistance they receive on real audit cases, and how to effectively apply global best practices in their transfer pricing audits."

Yasmine Hammad, Technical Assistant to Minister of Finance, Tax Policy

Secondly, a change in mind-sets has occurred. Following the issuance of 2010 TP guidelines, initial communication with large taxpayers was strained due to relative unpopularity of TP with the Egyptian taxpayer population. Due to improved technical capacity of ETA through TIWB, however, this communication has improved significantly and there has been a noticeable shift in the taxpayers' attitudes, resulting in an improved response rate to the TP audit-related requests.

Thirdly, ETA has improved its knowledge management through a tailored and user-friendly TP Audit Manual, which was created during the TIWB programme. The TP Audit Manual is a living document for the TP team used as reference tool for audits and risk assessment processes.

"A successful transfer pricing assistance programme should aim both at providing advice that factors in local context and operational constraints, as well as knowledge-sharing with the local tax administration through concrete examples and real-time audits. These are today's best practices in this area. So far, the TIWB missions to Egypt have been a success because we have strived to maintain the right balance between these two objectives and at the same time, encourage the Egyptian transfer pricing team to progressively work towards participating in today's global conversation around transfer pricing and the taxation of multinational enterprises."

R. Angel, TIWB expert

The TIWB programme in Egypt is popular, as more auditors from the ETA LTP team are keen to attend workshops and share their audit files with the TP team. This has forged greater collaboration across ETA. The TIWB-ETA partnership is bringing greater certainty and potentially more revenues to Egypt through greater co-operation and increased taxpayer confidence.

Taxation has long been a part of Egyptian civilisation. The first known system of taxation appeared in Ancient Egypt around 3000 - 2800 BC during the First Dynasty of the Old Kingdom of Egypt. Taxation remains a key component of Egypt's revenues to date, presenting 70.4% of the budget for the fiscal year 2017-2018.

In 2011, post-revolution and following a period of instability, the Egyptian government embarked on an ambitious reform agenda "[Egypt Vision 2030](#)" to achieve sustainable development and improve Egyptians' quality of life. Strengthening the tax system in Egypt is a core element of this Vision. Furthering this cause, in 2016, the Egyptian Ministry of Finance (EMOF) launched its "Vision 2022" to set stable, short and long-term tax policies in order to achieve the economic, fiscal and social objectives of tax, and raise Egypt's current tax-to-GDP ratio of 14.6% to 19% by 2022.

The same year, Egypt became an active member of the OECD's Inclusive Framework on Base Erosion and Profit Shifting (BEPS), working together on an equal footing with other members to develop and implement solutions to problems arising from gaps and mismatches in the international tax rules, sometimes leading to tax avoidance strategies adopted by multinational enterprises (MNEs). To support the implementation of the BEPS minimum standards, EMOF updated its Transfer Pricing (TP) guidelines and with OECD's capacity building assistance developed the ETA TP practice. However, the need to apply these guidelines and for hands-on assistance to effectively audit MNEs led to a request for support under the TIWB initiative. The UNDP and European Union co-fund the TIWB programme in Egypt.

Press Articles

- » [L'évasion fiscale n'est pas qu'un problème de pays riches \(Jeune Afrique, 13 Nov 2018\)](#)
- » [Tax evasion of multinational corporations - "Every dollar invested in Tax Inspectors without Borders has produced an average of one hundred dollars in tax revenue to developing countries" \(Aamulehti, 19 Oct 2018\)](#)
- » [Tax evasion aid: Providing inspectors brings money to developing countries \(Suomen Kuvalehti, 19 Oct 2018\)](#)
- » [Fiscalité: les inspecteurs sans frontières ont recueilli 414 millions de dollars \(Le Figaro, 4 Oct 2018\)](#)
- » [Inspectores Fiscales Sin Fronteras: Ayudar los países en desarrollo a recaudar su parte justa \(CIAT blog, 25 Sept 2018\)](#)
- » [Opinion: 3 years since the launch of Addis Tax Initiative, what's been achieved? \(Devex, 20 Aug 2018\)](#)
- » [L'initiative « Inspecteurs des impôts sans frontières » au service de la mobilisation des ressources intérieures \(Revue européenne et internationale de Droit Fiscal, Mar 2018\)](#)

Sun, Sea, Sand and Beyond

By Gail Hurley, UNDP TIWB Project Manager, and James Karanja, Head of TIWB Secretariat



Tourism today is among the fastest growing ‘industries’ in the world. For Small Island Developing States (SIDS) specifically, tourism revenues are even more important. The United Nations World Tourism Organisation, estimates that **tourism accounted for over 25% of GDP** in at least seven SIDS in 2014, creating much needed job opportunities and bringing in foreign exchange. The OECD estimates that in 2016 international tourism revenue amounted to **USD 1.22 trillion** worldwide.

Appropriately taxing the tourism sector – a key economic sector for most SIDS – and strengthening the capacities of national tax administrations is even more critical, as many SIDS have come under increasing international pressure to diversify their economies and move away from financial services.

Multinational enterprises are major players in the tourism sector and this presents several challenges for tax administrations in SIDS. Firstly, hotel operators have various business models – from large resort owners and operators, to managed and franchised hotels, to marketing companies and booking agents. Navigating the complexities involved with the varying business models poses considerable difficulties for SIDS’ tax administrations that lack the sector-specific knowledge about how the different business models work, particularly as they relate to the allocation of income and costs amongst the various players.

Secondly, there is extensive fragmentation of diverse operators in the tourism supply chain – from those offering all-inclusive accommodation, to villas and bed and breakfasts, many operating through online booking portals making the traceability of operators’ income very difficult. Technology can sometimes be both friend and foe.

Thirdly, considerable **transfer pricing** risks emerge since the majority of hotel owners/operators do business with entities in low tax jurisdictions thus making the bulk of income ‘earned’ in these low tax jurisdictions not subject to taxation in the country of source. Other audit risks include intra-group services, foreign exchange risk and overstatement of capital asset values.

There are serious skills deficiencies within many SIDS tax administrations. Local tax auditors need not only to have expertise in transfer pricing, but also to understand the intricacies of the tourism industry. Without these two key skills, tax administrations will lose much-needed revenue.

TIWB is quickly gaining ground in the niche area of international tax audit assistance aimed at tackling suspected tax abuses in diverse sectors, including the tourism sector. Technical assistance provided by TIWB is just one component of a broader suite of interventions that aim to ensure better management of the tourism industry and greater transparency across SIDS. Other efforts by SIDS to improve tax yields from the tourism sector include a review of incentive regimes, enactment of transfer pricing and advance pricing agreement legislation. Countries and jurisdictions may also benefit from the signing of robust exchange of information instruments, such as the **OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters**, and the establishment of specialised units to facilitate the auditing of cases with transfer pricing issues.

Following positive feedback received from a **TIWB learning event** focused on tourism sector held at the United Nations in April 2018 in New York, the initiative is keen to team up with other development partners to organise a technical audit event on tourism in 2019. This event will bring together both audit and industry experts to discuss how to ensure that booming tourism contributes to achieving domestic resource mobilisation goals in developing countries.

The TIWB initiative is also working with partners such as the Business and Industry Advisory Committee (BIAC) to the OECD and regional tax associations to identify industry experts who can provide a better understanding of the specific hotel business value chains to tax officials and disseminate best practices.

Recommended Reading

- » [Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries](#)
- » [Handbook on Selected Issues in Protecting the Tax Base of Developing Countries](#)
- » [Limiting the Impact of Excessive Interest Deductions on Mining Revenue](#)
- » [Monitoring the Value of Mineral Exports: Policy Options for Governments](#)
- » [Practical Manual on Transfer Pricing for Developing Countries](#)
- » [Report on the fourteenth session of the Committee of Experts on International Cooperation in Tax Matters](#)
- » [Tax Incentives in Mining: Minimising Risks to Revenue](#)
- » [Toolkit for Addressing Difficulties in Accessing Comparable Data for Transfer Pricing Analyses](#)
- » [Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2017](#)

Announcements



L to R: **Ben Dickinson**, Head of Global Relations and Development, OECD Centre for Tax Policy and Administration; **Hon. Charles Abel**, Deputy Prime Minister, Papua New Guinea

Papua New Guinea formalises TIWB programme request

On 18 October 2018, Deputy Prime Minister of Papua New Guinea, Honorable Charles Abel, formally requested a TIWB programme for the Internal Revenue Commission to tackle tax base erosion and profit shifting issues in the mining, forestry and fishing sectors. This was achieved in the margins of the Asia-Pacific Economic Cooperation Finance Ministers' meeting in Port Moresby, Papua New Guinea, and represents the inaugural TIWB operation for the Pacific region in PNG. The programme will commence in early 2019, bringing together audit and industry sector experts.



L to R: **Lee Corrick**, OECD Seconded to ATAF Secretariat; **Logan Wort**, Executive Secretary, ATAF Secretariat

Lee Corrick, TIWB Expert receives ATAF Award

Lee Corrick received the prestigious "Certificate of Exceptional Contribution" during the recent ATAF 5th General Assembly in Gaborone, Botswana. The award acknowledges Mr. Corrick's stellar contribution to improving tax systems in Africa. His excellent service was recognised under ATAF/OECD/UNDP partnerships providing guidance on primarily anonymised casework in TIWB programmes in Botswana, Kenya, Uganda, Zambia and Zimbabwe, among others.



L to R: **Ben Dickinson**, Head of Global Relations and Development, OECD Centre for Tax Policy and Administration; **Faith Mazani**, Commissioner General Zimbabwe Revenue Authority; **Logan Wort**, Executive Secretary, ATAF Secretariat

TIWB Zimbabwe programme launched in partnership with ATAF

A new TIWB programme for Zimbabwe was announced at the ATAF 5th General Assembly on 23-25 October in Gaborone, Botswana. An exchange of letters between Zimbabwe Revenue Authority (ZIMRA), ATAF and OECD, kick-started the partnership, which will see TIWB experts deployed to Harare to assist on extractives audits in early 2019.

"Effective tax systems are a cornerstone of development and we are committed to build our international audit capacity through the TIWB initiative. In order to foster African exchange and support, we gratefully accept the African Tax Administration Forum's collaboration in providing the technical assistance under a TIWB programme."

Faith Mazani, ZIMRA Commissioner General



L to R: **Radha Kulkarni**, UNDP Project Advisor; **Nasheeth Thoha**, Assistant Resident Representative, UNDP Maldives; **Silvia Karelová**, TIWB Expert, Head of International Taxation Unit, Financial Directorate of the Slovak Republic; **Yazeed Mohamed**, Commissioner General of Taxation, MIRA; **Asma Shafeeu**, Director General, Planning and Development MIRA; **Amna Khalifa**, TIWB Project Manager

Maldives launches new TIWB programme with Slovakia

On 13 August 2018, officials from the TIWB Secretariat presided over the official signing of Terms of Reference to launch a bilateral TIWB programme between the Maldives and the Republic of Slovakia. Silvia Karelová is the first female lead TIWB expert. The programme will focus on transfer pricing as well as audit-related aspects of international exchange of information (EOI) and application of tax treaties.

"With complex and cross-border tax evasion being one of the top emerging issues in the field of taxation, putting systems in place to mitigate the consequences of such attempts is a priority for Maldives. The TIWB programme gives us access to expertise that we would not otherwise have, and gives our staff the opportunity to be trained by leading experts in the field of transfer pricing and international taxation."

Yazeed Mohamed, Commissioner General of Taxation, Maldives Inland Revenue Authority (MIRA)



New video featuring the TIWB programme in Senegal

The OECD Secretariat recently produced a new video featuring the TIWB programme in Senegal. The Secretariat was also honoured to see the video produced by Tax Administration Jamaica, hailing the successes of their TIWB programme supported by Germany. Both videos are now available on <http://www.tiwb.org/resources/media/>.

For more information and to stay up to date on all of
Tax Inspectors Without Borders' programmes:

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