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Study Guide

**Economic and Social Council of the United
Nations**

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Letter of Welcome

Dear ECOSOC delegates,

It is our pleasure to be your chairs in this Heidelberg MUN Conference in 2019!

The topics you will discuss, representing your states' policy, are of utmost importance in today's world. In line with the theme of the conference: "Redefining Order", you, the Economic and Social Council, will be debating the following topics:

A. Rethinking the role and functioning of development aid in the economic south

B. Addressing economic and social inequalities through a redefined tax framework

The study guide should give you a brief overview of where we, as chairs, expect the debate to go. We highly encourage you to read the study guide first before doing any additional research as you would find the sources as well as the information very useful and a helpful starting point.

Before we give you the overview of the topics, we would like to introduce the council and its functions, so that you know the powers ECOSOC has and where the limitations to the council stand. We hope that you feel prepared for HDMUN 2019 after reading the study guide. If you have any questions, do not hesitate to contact us. We will link our email addresses below.

We are very excited to meet you all and spend these wonderful conference days with you. We hope to have a dynamic and fruitful debate, with serious as well as funny moments. See you in Heidelberg at the end of May!

Yours sincerely,

Shelly Hanani and Rana Abdullah Rauf Khan

Introduction to the Committee

The Economic and Social Council (ECOSOC) elevates to the position of one of the key committees established in 1945 through the Charter of United Nations. The council works in three paradigms - economic, social, and environmental.

ECOSOC is comprised of numerous smaller entities that have been dedicated to work upon sustainable development and provide guidance and coordination. Its central role is to identify emerging challenges, promote innovation, and achieve sustainable development and strengthen the notion of growth by making sure that General Assembly votes upon much required resolution of which one significant example is the Resolution 68/1.

ECOSOC offers a unique vantage point to promote productive dialogues among policymakers, parliamentarians, youth, business personnel and academics. ECOSOC has structured its work on the core theme of global importance for sustainable development by emphasizing upon combined economic, social and environmental concerns. ECOSOC has always encouraged agreement on coherent policies and actions that link the pillars of sustainable development.

Topic A: Rethinking the role and functioning of development aid in the economic south

Introduction

Aid can take up many forms and one of these forms is development aid. Development aid encompasses the aid given to developing countries, either from developed countries or non-governmental organizations, which are in the areas of the environment, the economy, society and even politics. This aid may be sometimes put towards the sustainable development goals of 2030, which were set by the UN, which will be discussed further down in this study guide¹.

Usually, these developing countries are referred to as the Global South or economic south, seeing as most of them are in the Southern Hemisphere, excluding Australia, New Zealand and others. This term was coined because of the fact that referring to these countries as the Third World seemed to place an inferior-superior relationship that suggested it to be impossible for these countries to change the circumstances they found themselves in, which people nowadays, however, know not to be true¹.

Looking into the topic, it may seem that development aid on the outside has good intentions, since it intends to help developing nations reach the status of developed countries. However, a lot of problems arise with development aid. The biggest problem being neo-colonialism. Neo-colonialism refers to a new way of colonialism, which is done through cultural influence and globalization rather than full military or political control over a country. At first glance, one may not notice that a country is being colonized in such a manner, but it happens more often than one may think. A big issue involving neo colonialism are Multinational Corporations, or MNCs, which are often heavily criticized for having neo-colonialist tendencies, as most of their profits are returning to the countries their head office is located at. Furthermore, they tend not to be accountable for problems, such as sweatshops and forced labor that occur in developing nations, as they usually need to be held legally accountable in their headquarter country, which almost never occurs².

Neo-colonialism arises through development aid, as a country either becomes completely dependent on another country or more specifically their capital, money or firms/industries. Haiti, for example, depends heavily on foreign

aid, especially from the US as a form of GDP. So, instead of focusing on sustainable development, the focus is put on short-term development aid when Haiti is hit with a natural disaster, such as an earthquake for instance. Another problem that arises is that the US holds economic power and control over Haiti and that it could therefore dictate its politics and intervene in issues in the country as it has already done several times in the 20th century, as well as in the 21st, when it came to embedding American values and culture into Haiti³.

Another problem that arises through development aid is dumping, especially of food. Food is one of the main means of giving aid to developing countries. However, what happens in this case is that developed countries send food, which is heavily subsidized. This means that the product is either being sold at a lower market price or in this case it is being given for free. This completely undermines the developing countries economy, seeing as they are still heavily dependent on agriculture as their main source of income and therefore cannot compete with the cheaper food markets from developed nations. Even though it is meant for a good purpose, for example, short-term humanitarian relief, it can cause huge economic problems in the long-term⁴.

History of the Topic

Aid is embedded in history since colonialism started. Britain and other great powers colonized the world and provided goods and capital to their colonized government, the provisions sent, however, were never enough for development, besides only benefitting unequally the richer rather than the poorer, seeing as puppet regimes were corrupt. This is where dependency and the problem of aid, which actually did not reach the poor, finds its origin⁵.

After the Second World War, the UN and its financial organizations were established to overlook aid and distribute it in a more egalitarian and organized fashion. The focus of aid at that time was put into industrialization as Europe had been destroyed by the World War and was thus in the need of it. Even though the aid was well received and helped people and governments in Europe, it did not do the same to the Global South, as financial organizations were mostly controlled by the west and led therefore to power imbalances and lastly a failure in industrializing the Global South. This continued into the late 1950's and 60's. The financial organizations were based to tackle decolonization, which had created a power vacuum in former colonies. But instead of providing a different solution, they were accused of filling up that vacuum through neo-

colonialism, as they would bring in Western norms and values into a country, which sometimes would not fit these norms and values and would sometimes ruin the economy⁵.

In the 1970's there was a shift in development aid from a focus on the industry to societal problems, such as poverty, health, etc. While industrialization did affect economic growth in developing nations it did not decrease poverty, which had been the central issue of these nations. The economic growth masked the fact that the aid was not reaching the poor as developing nations seemed to be doing better on purely economic terms. In the 1980's, however, development aid staggered. The developed nations entered an economic depression. They had to attend to their needs in their own economies and could not give out much aid to developing nations. Even though the provision of development aid did not fully stop, it shrank to a trickle. In the year 2000, the UN and its member states came together to form the millennial goals, which were planned to be achieved by the year 2015. One of these goals stated that the developed nations needed to invest 0.7% of their GNI (Gross National Income) into development aid for the Global South. A lot of countries, however, have yet to reach that mark⁵.

In 2005, 91 countries signed the Paris Declaration stating that they would not accept economic growth as an indicator of effective aid, which development aid falls into, but rather look at other factors, such as alignment of resources, types of recipients, etc. This event placed a major milestone, seeing as before economic growth masked the problem of poverty as it stayed the same or even grew in these nations⁵.

Discussion of the Problem

There are many problems that come with development aid, some of which are mentioned above. This section will deal with its main issues and how these affect the whole world. A problem that often occurs with development aid is originated through the information asymmetry that presents itself between those giving the aid and those receiving it, that thus creates a lack of cooperation and planning. Information asymmetry, in this case refers to either the misallocation of resources, such as too much money being put into one sector of the economy, which it is not needed for, or the distributor giving aid in forms of produce, like seeds, which are genetically modified, for instance. As

one may see, information asymmetry can go both ways. The number of aid agencies keep on growing at an alarming rate and therefore it is much harder for them to cooperate with one another to increase efficiency. The key problem here is clear. There might be a lot of agencies out there that are making aid go to waste by either duplication or overlapping with what other agencies are doing in that same region and due to that there might also be gaps in which much needed aid is not provided⁶.

Another problem that arises is the difficulty to measure results and whether these can be trusted. Many different agencies have different manners of measurement and usually solely focus on their target area. Whilst the OECD has a system of presenting data of all the aid that gets sent to developing nations, there is still not a full system in place to check how effective that aid actually is⁶.

Dependency is an issue, which was touched upon in the first half of this study guide. A lot of post-conflict small islands have been known to be heavily dependent on aid, as have most African nations. Dependence can not only give reason for a donor country or agency to be involved in politics or decision-making in the country but also increases the risk of the “Dutch Disease”, which means that one economic sector flourishes, while the others are declining its production. The countries that are especially most affected by these are the post-conflict small islands⁷.

A question that comes up often is who should be responsible to deliver and get aid. Most of the times governments take over the job and there is a lack of private involvement. However, in the last few years agencies have taken over that role and thus the related has arisen. A government is easier to make accountable for their actions, while a firm is not. A government can be held accountable in international law, as it is subject to it, therefore they can be easily tried in an international court. Whereas, a firm can only be tried in a domestic court and that happens only when there is a case opened with enough evidence. A firm is not subject to international law, for now⁷.

Another issue is the one of spending on unnecessary goods, which sometimes can cause dumping as demand for that good stays the same but supply increases and therefore market price goes down. This happens often when food is delivered to a developing nation, whose exports are heavily dependent on agriculture. If food is being brought into that country, then the supply becomes high, driving market prices down and ultimately decreasing revenue and profit for the seller, which are usually farmers⁷.

With aid sometimes comes mixed motives. Countries or NGOs who provide aid usually do not do it just because they want to help but also sometimes because behind their apparent interests and actions there are political motives. The perfect case can be seen in the example given earlier in this study guide: Haiti. Haiti is heavily dependent on development aid from the USA. But, the reason why the USA is sending that development aid is because the USA has political motives. It got involved politically multiple times, especially with overthrowing of a corrupt dictator. This is a part of neo-colonialism, as a country imposes its culture and values on another country. Another problem with mixed motives is that NGOs sometimes like coherence with their policies or goals, especially if they have been accused of bribery or something similar⁷.

Previous UN Involvement

The UN tried to tackle this problem through many different ways. One important one is the Sustainable Development Goals (SDGs) that are monitored by the UNDP since 2016. These try to promote prosperity, peace, end poverty, etc. They are also trying to solve the biggest problems in the world today that both developing nations, as well as developed nations, endure. The important SDG's for this topic are number 10 and 16⁸.

Goal 10 focuses on tackling income inequality. In the last few years income inequality has risen in developing nations by over 11 percent. Income inequality is highest in the Middle East, due to its colonial past. It is one of the few areas that was still mandated after the Second World War and still experiences the repercussions of that mandate, including the disparity between rich and poor, the rich being in this case people that immigrated into the country. According to the UNDP in order to reduce income inequality, a country or firm or even an individual must contribute to: "improving the regulation and monitoring of financial markets and institutions, encouraging development assistance and foreign direct investment to regions where the need is greatest. Facilitating the safe migration and mobility of people is also key to bridging the widening divide"⁸.

Goal 16 focuses on: "peace, stability, human rights, and effective governance based on the rule of law"⁸ to achieve sustainable development. It focuses on conflict zones, such as post-colonial areas, especially islands. It is aimed at reducing all forms of violence, including sexual harassment, "and work

with governments and communities to find lasting solutions to conflict and insecurity”⁸.

The UNDP also launched a campaign to create the UN Development Assistance Framework, which gives a deeper insight on how to tackle the Sustainable Development Goals. It was developed from the SDGs. Its main purpose is to tackle the SDGs, one by one, and making sure to handle development and development aid⁹.

Possible Solutions

One possible solution is to further the idea of the Paris Declaration and turn it into actual legislation, where defining the purpose of aid is the main obstacle to tackle. Once the purpose has been defined, then it is easier to monitor aid and whether it is done well or not. This could be done through the ambitious project of the UN Development Assistance Framework.

Another possible solution is to tackle the problem of NGO cooperation and general improvement of personnel in NGOs. NGOs need to be transparent, so that the public knows where the aid is going to. Tackling aid transparency should be one of the main focuses in the world of today, as information asymmetry, does not only cause lack of cooperation between NGOs and agencies but also creates a sense of mistrust between both the donor and the recipient. This can be tackled through legislation and regulation⁷.

The last and probably most important solution here to be mentioned is the south to south cooperation. UNOSSC is the UN Office for South South Cooperation and defines it as follows: “South-South cooperation is a broad framework for collaboration among countries of the South in the political, economic, social, cultural, environmental and technical domains. Involving two or more developing countries, it can take place on a bilateral, regional, sub-regional or interregional basis”¹⁰. The main purpose of South-South cooperation is to strengthen their voice in the world, as well as their bargaining power. For example, recently a 30-million-dollar trust fund was sent to the FAO (Food and Agriculture Organization) to fund South-South cooperation on agriculture technologies and more with a focus on Africa. Another example is UNESCO funding South-South cooperation in education. South-South cooperation can help achieve the sustainable development goals sometimes faster than North-South cooperation can, as they know each others cultures better and also have a similar functioning economy. North-South cooperation sometimes does

not work, as seen in the Haiti case, as the North tries to impose a similar structured economy and political sphere, as seen in the North and therefore can sometimes actually destroy the economy because of the drastic change. South-South cooperation, however, can stop that problem because the countries that are working with each other have similar cultures and economies and therefore such a drastic change would not be imposed on them but rather would slowly be done on their own¹¹.

Bloc positions

EU: The European Union is one of the biggest development aid donors in the world. It seeks legislation and regulations to govern the world of aid to ensure Human, economic development and good governance. Their work on five pillars to ensure the world reaches the SDGs: people, planet, prosperity, peace and partnership. When focusing on people, the EU wants to end world hunger and poverty while ensuring that it is done with dignity and equity. The presented pillar on planet focuses on protecting future generations from environmental destruction and exploitation of resources. Development aid sent is used abroad to invest into environment friendly projects. The EU funds projects in many different sectors but the most important are: human rights and democracy, food and agriculture, economic growth, human development, infrastructure, environment, energy and migration. There are over 150 partner countries in the Global South and it is wished to be expand on¹².

The USA: The US is the biggest aid donor in the whole world. According to the broadest definition of aid the US spent over 49 billion dollars in 2016 on aid, 42 percent of that aid being on long term development aid. The country focuses on funding projects that promote economic growth and prosperity in developing countries, with a focus on the world's poorest countries. Half of this development aid goes to funding health projects, such as treatment of HIV (AIDS), family health and birth, supporting and establishing government subsidised health care and much more. The focus of these health projects are mostly put in Africa. However, Donald Trump, the current president of the US stated that he wants to severely cut the amount of aid the US is providing because he thinks that the US should not intervene in any other country and that there needs to be a focus on improving domestic life first before improving any other country's¹³.

China: China has started to provide aid later than western countries. Only starting in the 1950s, the amount of aid that is provided by China has steadily been increasing over the years but has not reached the amount that the West provides yet. Africa is one of the biggest receivers of China's aid with almost half of their foreign aid going into the continent. In comparison to Europe's and the US' focus on societal aspects of life, China focuses on infrastructure with more than 61 percent of the aid given to Africa, which is used to build infrastructure and develop it. However, there have been some concerns as to the motivations of China providing that aid. Concerns of dependency, seeing as China is the biggest supplier of aid when it comes down to infrastructure only, and spread of values, such as authoritarianism, have been stated over the last couple of years. Even though China denies all of these accusations, there is evidence that China in all likelihood knows that the loans that it is granting through the development aid will never be repaid and instead intends to exploit the national resources of the region as payment. Additionally, "many people in Africa have complained that workers are not treated fairly, the environment has not been well considered, and much of the Chinese-built construction is shoddy and dangerous"¹⁴.

Relevant international documents

Here are the links to relevant international documents, most which have been discussed in this study guide.

[UNDP Sustainable Development Goals](#)

[OECD Donors and Receivers List](#), which is a list of developed countries and the amount of aid they send. This is shown either by country or by sector of aid.

[ECOSOC Background Study on strengthening framework for aid effectiveness](#), which will provide an overview on what has been done to tackle the problem of having no international definition of aid and what has been done to solve the problems that come with it.

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Topic B :Addressing economic and social inequalities through a redefined tax framework

Introduction

To elevate living standards of all our citizens and ensuring that more money goes into the treasury is through reforming our tax collection systems. The treasury must be filled not by increasing taxes but by increasing tax collection. During financial crises, for instance, tax avoidance and tax planning have always been an issue. Corporations benefit from complex tax codes and make use of International tax havens, preventing essential services from being initiated and thus resultantly making the common people have a higher tax burden on their shoulders.

History of the topic

Every company needs to pay a tax upon their profit earnings no matter what country they find themselves in, most of them however, end up using tax avoidance and evasion tactics in order to avoid paying taxes. Less taxes mean less money going into the states treasury, thus resulting in the underfunding of services like free healthcare, transport, education.

Tax evasion creates unfair competition in the markets. It increases the marginal cost for companies who fully pay their taxes and must sell a more expensive product as a result.¹

Tax havens also create many problems:

1. Damaging tax competition
2. Inefficient allocation of investment
3. Effects of secrecy
4. Tax havens and the financial crisis
5. Illegal transfer pricing

To combat the problem of tax havens, the EU and OECD member countries have taken steps to introduce a new anti-tax avoidance law. The

finance minister for the European countries has adopted the idea to ensure that big industry giants will be forced to pay their taxes in full transparency. The European Council has agreed on a draft for this law addressing all the possible tax avoidance practices and has also proposed to ensure and strengthen rules against corporate tax evasion. It has been built on a previous proposal of tax erosion and profit sharing (BEPS).

The anti-BEPS directive establishes several **legally binding measures against aggressive tax planning**.² It aims to address situations where corporate groups take advantage of disparities between national tax systems in order to reduce their overall tax liability.³ For this purpose, it provides for legal provisions against aggressive tax planning relating to:

1. Interest limitation
2. Exit taxation rules
3. Controlled foreign company rules
4. General anti-abuse rule
5. Rules on hybrid mismatches

Discussion of the problem

Taxes:³

Taxes are levied by the government on any activity, product or income. Taxes are essential for a functioning state and a necessity to bring about a change in the societies by investing in:

1. Social infrastructures
2. Financial public goods: Healthcare, education, transport
3. Support capitalism and social development

Tax avoidance has always been there, but Germany, for example, has lost 32 billion dollars in a year solely in the banking sector to tax havens and foreign corporations that have started skimming taxes.

Tax Minimization Continuum:

A tax minimization continuum is intended to be used to evade taxes although it also gives us a measure on whether how aggressive the tax

avoidance has been and helps us thus plan commercial activities with tax as a factor in mind that helps utilizing relief features of governments for certain activities.

Tax Evasion:

It is a criminal activity directed towards reducing liable taxation upon a company. This involves the criminal charges of theft, fraud, or forgery in relation to tax, or statutory offences of tax evasion, depending on the jurisdiction concerned. Tax evasion involves the misrepresentation of the facts to the tax authorities by deliberate or reckless concealment or omission.

Corporate tax planning:

Tax planning is the organizing form used by both corporations and governments although for a completely opposite purpose. Corporations use it to pay the lowest possible tax and governments use it for highest possible after-profit tax extraction. These methods are used:

1. Avoiding or postponing income reorganization⁴:
 - A type A reorganization is of particular benefit to the target's shareholders, who can receive cash, debt, or preferred stock as part of the purchase price, while retaining tax-deferred status on the purchase price paid with the acquiring corporation's stock. It is not commonly used when there are valuable contracts in place, which may be terminated when the target is liquidated at the end of the reorganization. While other consideration besides stock can be paid under a type A reorganization, the price paid under a type B reorganization must be solely in stock. And while the target is dissolved in a type A reorganization, it can be retained in a type B reorganization. A type B reorganization is most useful when the target must be retained, usually because it has valuable contracts that would otherwise be terminated if the entity were to be liquidated.
 -
2. Changing tax jurisdictions (tax havens)⁵:
 - A simple way to extract money from a company tax free is for the owners of that company to loan money to it. In this case, instead of paying out a dividend after tax, a company pays out interest to a shareholder. The shareholder, who may be offshore, receives the

profits tax free, and the company pays a lower amount of corporation tax than if it had not taken any loans. A similar technique is used by multinational companies to shift cash to tax havens.

3. Controlling the classification of income:

4. Accountancy firms, law firms and banks usually help in these tasks.

Tax havens

The term is used to refer to areas or countries with low or non-existent rates of tax.

When presented with a choice between operating in a country where taxes are low or in a country where taxes are higher, the businesses will choose to opt for the country with lower tax burdens and will also contemplate that this is their duty to their shareholders.

Countries with very limited resources often use their tax policies to attract investments and the companies are quick to take advantage of this.

However, there are some companies that believe that tax competition has amounted to irresponsible behavior on part of the countries concerned and companies have encouraged it by taking part in this nonsensical tradition of theirs.

Fundamental Ethical Principles and Issues

Many believe ethics or ethical business practices to be a farce and the concepts of honesty and transparency to be a hoax. Companies who are determined to behave in an ethical manner should always be aware that there should be no attempts to misrepresent any facts or hide them from the tax authorities.

Companies may also present arguments on that tax systems of a country are just a statute and the system is not only artificial but incorrect and there should be no right amount of tax to be paid. Individuals who take a stand

against this may sometimes be dismissed from their jobs. This is also classified as unlawful termination.

They may argue that the tax system is entirely a creature of statute, that the system is itself artificial and arbitrary, so there is no right amount of tax except in the sense of what is arithmetically correct.

What is Anti-Tax Avoidance Package

It is an easier and effective way of corporate taxation⁶.

The package has intended to:

1. Avoid aggressive tax planning,
2. Increase tax transparency
3. Create fair competition in market

The member states will be able to take a coordinated strike against tax avoidance and ensure that the companies pay their liable taxes. European Commission presented its communication in January 2016 and claims that the results for this package may save 50 to 70 billion Euros each year. ATA package has offered to prevent companies from taking advantages of any legislature or misusing bilateral tax agreements.

It will help Member States take more stronger and coordinated action against tax avoidance and ensure that those companies pay tax wherever they make their profits in the EU member states.

To further help and garner support for the ATA package⁷ from the common people EU studied tax planning of each company and released indicators called taxation papers to present, tax avoidance and reasons for economic downturns to the media.

The topic is high on the political agenda within the OECD/G20, the EU and several other countries, which have increased initiatives to ensure that taxation duly takes place where economic value is generated and where the economic activity is carried out.

To apply the ATA package, we must⁸:

1. Identify model ATP structures
2. Based on the ATP structures, identify ATP indicators which facilitate or allow ATP
3. Review the corporate income tax systems of the EU Member States by means of the ATP indicators, in order to identify those tax rules and practices (or lack thereof) that result in Member States being vulnerable to ATP

Independent federal tax experts should be hired to review and assess the tax systems. The methodology will be systematic and easy to communicate and avoid any chances of risking aggressive tax planning.

ATP structures

Seven model ATP structures exist which are presented in the list that appears immediately below. The study considers four well-known corporate tax structures identified by the OECD and adds an additional three model ATP structures. The seven model structures are:

- A hybrid financing structure
- A two-tiered IP structure with a cost-contribution arrangement
- A one-tiered IP with a cost-contribution arrangement
- An offshore loan structures
- A hybrid entity structure
- An interest-free-loan structure
- A patent-box ATP structure

According to the definition of ATP given by European Commission Recommendation on Aggressive Tax Planning, ATP consists “in taking advantage of the technicalities of a tax system or of mismatches between two or more tax systems for the purpose of reducing tax liability. It may result in double deductions (e.g. the same cost is deducted both in the state of source

and residence) and double non-taxation (e.g. income which is not taxed in the source state is exempt in the state of residence).⁹

This is a process of two steps:

First: All member states have access to information sent by member state issuing or amending an advance cross-border ruling or an advance pricing agreement.

Second: Member states may request additional information to avoid tax loopholes

Second: Member states may request additional information to avoid tax loopholes

Responsibility of Anti-Tax Avoidance Package Practices¹⁰

Action 1: Address the tax challenges of the digital economy

Action 2: Neutralize the effects of hybrid mismatch agreements

Action 3: Strengthen CFC rules

Action 4: Limit base evasion via interest deductions and other financial payments

Action 5: counter harmful tax practices more effectively, considering transparency and substance

Action 6: prevent treaty abuse

Action 7: Prevent the artificial avoidance of PE status

Action 8: Assure that transfer pricing outcome are in line with value creation

Action 9: Establish methodologies to collect and analysis data on BEPS and the actions to address it

Action 10: Require taxpayers to disclose their aggressive tax planning arrangements

Action 11: Re-examine transfer pricing documentation

Action 12: Make dispute resolution mechanisms more effective

Action 13: Develop a multilateral instrument

How to establish Tax justice?¹¹

First: CCCTB should have a common tax scheme established for all member state countries to ensure a law to validate taxes.

Second: Every Multinational company should need to pay taxes based on the profit of the country that they are operating in.

Third: Tax havens should be marked. The areas should be black listed and detailed information should take out.

Fourth: Whistleblower visas should be awarded. (they may be working on public or private sectors and inform details to the government about proper tax)

Fifth: To give proper remuneration to honest tax advisers

Sixth: To develop the relationship between government and companies by ensuring good communication

Current Situation

Approval and implementation

The agreement was reached following discussions by the Economic and Financial Affairs Council. The Council held a silence procedure. No objections were raised thus unanimity was reached.

The member states had until December 31st, 2018 to transpose the directive into their national laws and regulations, except for the exit taxation rules, for which they will have until December 31st, 2019. Member states that

targeted rules to interest limitation rules may apply them until the OECD reaches agreement on a minimum standard or until January 1st, 2024 at the latest.

Panama Scandals and its impact¹²

A huge leak of documents has come in front of the world on how the rich and powerful people of governments or non-governmental organizations use tax havens to hide their wealth. The files were leaked out from one of the world's most secretive or hidden companies, a Panamanian law firm called Mossack Fonseca.

The files show how Mossack Fonseca clients were able to abuse money systems, dodge sanctions and avoid taxation from their countries.

There are links with data that shows that 12 current or former heads of state, governments and dictators accused of looting money from their own countries and transferring the money to offshore accounts crippling the economies of their respective states.

Mossack Fonseca stated that it had functioned for 40 years and never had been accused or charged with criminal wrong-doing.

List of people who are involved with it:

The International Consortium of Investigative Journalists (ICIJ) released the full list of companies and individuals in the Panama Papers on 10 May 2016.

List of Heads of States and Government who were involved in Panama Scandal.

More than 60 relatives and associates of heads of state and other politicians are involved in this tax haven process.

Billion-dollar money laundering ring involving some very close associates of Russia's President, Vladimir Putin.

Brother-in-law of China's President Xi Jinping;

Ukraine President Petro Poroshenko;

Argentina President Mauricio Macri;

The late father of UK Prime Minister David Cameron;

Three of the four children of Pakistan's Prime Minister Nawaz Sharif who was then arraigned and kicked out of office.

The documents show that Iceland's Prime Minister's Wife also involved here and later he had to resign.

Football's world governing body, FIFA.

Part of the documents suggest that a major member of FIFA's ethics committee, Uruguayan lawyer Juan Pedro Damiani, and his firm provided legal assistance for at least seven offshore companies linked to a former FIFA vice president arrested last May as part of the US inquiry into football corruption which created a severe buzz in the sports news too.

Panama Scandal created the major shakes about the process of tax havens and later governments were concerned and came up with the ATA package.

Bloc positions

EU has a stern position in ATA package;

India has started the GAAR rule to catch tax thievery in 2017 and proposed a crackdown on corporations. Also introduced demonetization to stop black money from entering the markets;

Pakistan has been on the crackdown of big political players and kingmaker business figures named in the Panama Papers;

Anti-avoidance techniques in the United Kingdom

UK did not have a GAAR and relied on the judiciary to formulate ATA doctrines;

USA also thinking of implement this as companies like Walmart avoid paying taxes and has now been the victim of major tax havens, most of the US banks and companies were involved in panama scandals too. But it is not interested in following EU's ATA package;

Canada mostly goes wherever US tells it to;

South Africa has a highly complex legislation which does not necessarily achieve the purpose of stopping avoidance.

Asian Countries and implementation of ATA package and GAARs

Asia accounted for 38.8% of the estimated \$7.8 trillion that developing countries lost due to illicit financial outflows in 2004-2013, and as a whole region Asia's ratio of national tax revenue to GDP is among the lowest in the world – about half that in Europe and lower than Africa and Latin America.

Authorities in developing Asia have responded; Bangladesh, Pakistan, India and Indonesia are already investigating their own citizens named in the documents, and other Asian countries are expected to follow suit.

But even before the latest revelations, tax authorities in developing Asia were already working on better ways to counter international tax evasion schemes and boost domestic tax revenues. They have been increasingly aiming to strengthen their international networks and capacity to obtain relevant information from taxpayers, including from financial institutions, and to exchange information with foreign tax authorities.

Questions a Resolution Should Answer

1. Can the entire world follow this ATA Package?
2. What may be the success rate if implemented?
3. How to ensure companies will pay attention?
4. How many citizens are benefitted by this rule?
5. What are the bindings of this rule?
6. How to overcome those bindings?
7. How to create awareness and importance of tax among citizens?

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