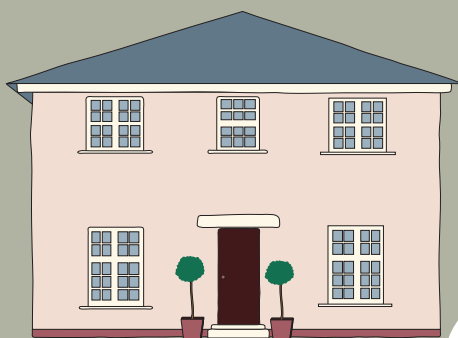




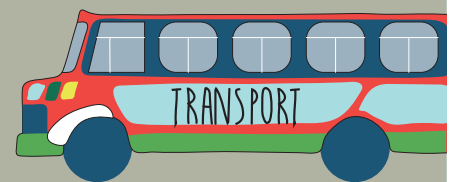
Ministry for Foreign
Affairs of Finland

Taxation for Development

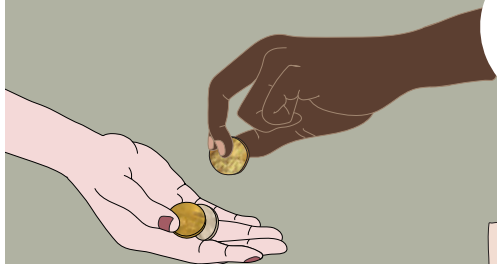
Abstract of Finland's Action Programme 2020–2023



SOCIAL HOUSING



Taxes are necessary
to realise human
rights



SECURITY



PICTURE HUMAN RIGHTS
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Purpose of the action programme — why do we need taxes?

A properly functioning tax system and a competent tax administration are prerequisites for the development and financing of all activities of societies in developing countries. Taxes provide funding for education, infrastructure, legal institutions, social protection and other public services, on which growth and the social systems protecting human rights are based. Taxation and the benefits and services funded through taxes can reduce economic inequalities and enhance gender equality and sustainable production and consumption patterns.

Tax administrations in developing countries are facing a variety of different challenges. Most of the people in these countries live in the informal economy. Companies and citizens do not trust the tax administrations, which rely on poorly functioning information systems. Employees of the tax administrations are inadequately trained. Aggressive tax planning by multinational corporations and harmful tax competition between countries are also a particularly serious threat to development in the countries of the Global South. Digitalisation of international trade has created new challenges. One problem is how to tax e-commerce, in which large global corporations make substantial profits in countries (in Africa, Finland and elsewhere) in which they do not have any legal presence.

With its Taxation for Development Action Programme, Finland seeks to support developing countries in their efforts to strengthen their own tax systems and to make their voices heard in the global tax policy negotiations. As laid out in the Government Programme, Africa is the focus area of this work.

Finland's Taxation for Development Action Programme has three main pillars:

1. Strengthening the taxation capacity of developing countries
2. Ensuring the tax responsibility and transparency of companies supported with development cooperation funding
3. Strengthening the position of developing countries in the global tax policy

Finland seeks to achieve these objectives by following means:

- Finland will keep its international pledge (Addis Tax Initiative 2015) to double its taxation for development funding. Finland will achieve this funding level (EUR 8.6 million) by the year 2022.
- The Finnish Tax Administration will continue its cooperation with Tanzania and, working jointly with ATAF (African Tax Administration Forum), the umbrella organisation of African tax administrations, it will also extend the cooperation to other African countries.
- Finland will expand its cooperation with ATAF also in other areas and will provide funding for its membership training and research activities. The African Tax Research Network (ATRN), operating in conjunction with ATAF, is cooperating with

such bodies as the Helsinki-based United Nations University World Institute for Development Economics Research (UNU-WIDER).

- Finland will provide financial support for African civil society organisations that work together to promote fair taxation through the Tax Justice Network Africa (TJNA). The aim is to bring together governments, researchers and civil society actors to strengthen tax culture in Africa and to defend the joint positions of African countries on global tax policy issues.
- Funding for TIWB (Tax Inspectors Without Borders), a joint initiative of the UNDP and the OECD, where Finland is member of the Governing Board, will allow tax inspectors of developing countries to benefit from peer learning in the taxation of multinational corporations. In the Board of EITI (Extractive Industries Transparency Initiative), Finland can promote the tax responsibility of global oil, gas and mining industries and governments of developing countries, and their dialogue with civil society actors.
- As outlined in the Government Programme, the Ministry for Foreign Affairs will promote research work to combat and regulate tax havens.
- Companies supported with development cooperation funding will be required to adhere to the principles of tax responsibility and to produce transparent financial statements and tax data on a country-by-country basis. Guidelines on this will be prepared for all development cooperation business support instruments. ■