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Special meeting on international cooperation in tax matters

Summary record of the 10th meeting
Held at Headquarters, New York, on Monday, 18 March 2024, at 10 a.m.

President: Mr. Šimonović (Vice-President) . . . . (Croatia)

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In the absence of Ms. Narváez Ojeda (Chile), Mr. Šimonović (Croatia), Vice-President, took the Chair.

The meeting was called to order at 10.10 a.m.

Agenda item 18: Economic and environmental questions (*continued*)

(g) International cooperation in tax matters (*continued*)

Opening of the special meeting

1. **The President** said that the annual special meeting provided a global forum for inclusive, evidence-based and action-oriented discussions on international tax cooperation and had been instrumental in advancing dialogue on taxation and promoting policies to build more inclusive, fair and effective tax systems. The meeting was held back-to-back with the spring session of the Committee of Experts on International Cooperation in Tax Matters, thus informing and making more accessible the work of the Committee to strengthen international tax cooperation.

2. Financing for development was at a crossroads, with the window to rescue the Sustainable Development Goals and prevent catastrophic climate change closing. Financing lay at the heart of the achievement of the Goals. Collective international action and support were needed to put the Goals back on track, strengthen institutions in the context of technological change, and address gaps and weaknesses in the international financial architecture.

3. The General Assembly, in its resolution 78/230, had established the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation. With a view to informing the work of the Ad Hoc Committee, the objectives of the current meeting were as follows: (a) to identify international rules or practices that posed the most significant barriers to domestic resource mobilization by developing countries; (b) to examine how protocols to a framework convention could be used to make substantial progress in addressing tax-related illicit financial flows and cross-border services; and (c) to explore how the work towards a framework convention could complement ongoing initiatives, including the reform of the international financial architecture. The afternoon meeting would be focused on the role of net wealth taxes in promoting equality and financing the Goals.

4. **Ms. Kana** (Co-Chair of the Committee of Experts on International Cooperation in Tax Matters) said that her Committee gave special attention to the needs of developing countries in its work to shape international norms and policies and produce targeted, practical guidance. It sought to help countries to mobilize domestic resources for sustainable development by broadening their tax base, strengthening tax administration and curbing tax avoidance and evasion. By listening to feedback from Member States and diverse stakeholders, the Committee worked to develop practical policy options that were suited to developing countries.

5. The Committee had approved, at its session in October 2023, guidance that would assist developing countries in administering their transfer pricing rules and was working on additional guidance on applying those rules to the pharmaceutical and agricultural industries. The Committee had also approved the addition of a subject-to-tax test to the United Nations Model Double Taxation Convention between Developed and Developing Countries, the inclusion of payments for the use of software in the definition of "royalties" and an update of the United Nations Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries.

6. The Committee had discussed the appropriateness in the digital world of the provisions of the United Nations Model Convention that allowed taxation of income from the provision of services only when a physical presence test had been met. The Committee was drafting a single article to replace a number of different provisions. If adopted, the new article would allow taxation by the payer country whether or not the taxpayer had any physical presence in that State and would simplify tax administration for developing countries by allowing taxation on a gross withholding basis rather than requiring the determination of net income arising from the taxable activity. The Committee was also discussing moves towards simpler gross basis taxation with respect to insurance premiums and the alternative provision relating to income from international traffic. It was developing a ground-breaking multilateral instrument to facilitate the rapid adoption in bilateral tax treaties of agreed changes to the United Nations Model Convention.

7. In recent years, the Committee had expanded its work to address policy concerns of developing countries related to indirect taxes, including health taxation. The Committee supported the achievement of the Sustainable Development Goals through cross-cutting work on energy transition for sustainable development. It worked on other issues of tax policy and administration that could directly affect domestic resource mobilization by developing countries and the effectiveness of international tax cooperation, such as

digitalizing tax administration and increasing tax transparency. The Committee sought to highlight the interrelationship of tax, trade and investment policies and the need for holistic, whole-of-government and sustainable development approaches to tax policies and administration. The Committee and its subcommittees engaged with tax experts from the Department of Economic and Social Affairs in United Nations capacity development activities related to tax and domestic resource mobilization in developing countries.

8. **The Deputy Secretary-General**, in a pre-recorded video statement, said that the window to achieving the Sustainable Development Goals was closing fast and only a fraction of the Goals were on track at the midway point towards 2030. At the Sustainable Development Goals Summit, held in September 2023, Member States had agreed to scale up efforts to rescue the 2030 Agenda for Sustainable Development, which included strengthening investments in the Goals and reforming the international financial architecture. International tax was at the heart of those efforts because achieving the Goals hinged on the strategic use of public investment, which required a robust foundation of resource mobilization. In the globalized economy, where goods, services, capital, data and people were flowing across borders, resource mobilization must include international tax. Effective tax policies were central to fostering economic growth, reducing inequality, fostering public trust and accountability, and promoting the rule of law. The institutions and policies that guided international tax were a key pillar of the international financial architecture. That architecture must be strengthened to enable effective and just tax collection in the global economy and be governed in a way that reflected the current composition and needs of the world.

9. In December 2023, the General Assembly had resolved to strengthen international cooperation and explore how to make it fully inclusive and more effective alongside existing initiatives. The Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation had launched its work the previous month. The deliberations in the current special meeting would be invaluable in shaping how such a framework convention could complement and build on existing efforts, including those of the Organisation for Economic Co-operation and Development (OECD). They could also chart the course for the development of early protocols on combating tax-related illicit financial flows and levying taxes on cross-border services. Future protocols could encompass other areas in which tax cooperation could be beneficial, such as the wealth tax recently discussed by the Group of 20 (G20).

10. The present deliberations would serve as a springboard for the Summit of the Future, to be held in September 2024, and for the Fourth International Conference on Financing for Development, to be held in 2025. The current gathering would also provide a unique opportunity to strengthen international cooperation and advance multilateralism in addressing the most pressing challenges. Participants should therefore actively engage in discussions, share their insights and foster collaboration. Collective action could help to shape a future of inclusive, equitable and sustainable development that truly left no one behind.

Keynote address

11. **Mr. Diokno** (Member of the Monetary Board of the Central Bank of the Philippines), accompanying his statement with a digital slide presentation, said that the International Monetary Fund (IMF), in its world economic outlook update of January 2024, had reported that the moderation of inflation and steady growth were opening up brighter prospects for the global economy, with global growth projected at 3.1 per cent in 2024 and 3.2 per cent in 2025. IMF had called upon countries to renew their focus on fiscal consolidation in order to build resilience against future shocks, raise revenue for new spending priorities and curb the rise of public debt. Policymakers were facing the challenge of balancing the needs for fiscal consolidation, domestic resource mobilization and investment attraction through effective tax policy.

12. The growing role of consumption taxes in building effective tax systems must be addressed in global discussions. The global policy trajectory suggested a shift from income taxes to consumption taxes, such as value added tax (VAT), as the preferred revenue source of advanced and emerging economies. Countries had been reducing corporate income tax rates and offering tax incentives to attract more foreign direct investment flows. Recent trends in tax policy reform indicated a sustained broadening of the VAT base and an increase in the VAT rate from 1990 to 2018. However, an opposite trend had been observed in income-based taxes, such as corporate income tax and personal income tax, which suggested a shift from income taxes to consumption taxes in the revenue mix of Governments.

13. On the basis of analysis of the IMF Resident Representative Office in the Philippines, while the shift to consumption taxes was not prominent in some economies, the share of consumption taxes in Asia and the Pacific and countries of the Association of Southeast

Asian Nations (ASEAN) had increased more relative to income taxes over the past two decades. In OECD countries, the overall share of consumption taxes in total taxation had fallen from 36.2 per cent in 1965 to 30 per cent in 2020. As a percentage of gross domestic product (GDP), however, their consumption taxes had risen from 8.7 per cent to 9.9 per cent over the same period. Meanwhile, the share of general consumption taxes in total tax revenue had almost doubled over that period in OECD countries, from 11.9 per cent to 20.8 per cent on average. In contrast, their share of specific consumption taxes, such as taxes on tobacco, alcohol and fuel, had more than halved during that period, as consumption of those products might have decreased.

14. The shift from income taxes to consumption taxes was supported by several reasons. First, consumption taxes were found to be less vulnerable to the effects of globalization. OECD had highlighted the need to shift the tax mix away from income taxes towards taxes that had less-negative impacts on economic growth, including consumption taxes, and thus make the tax system more resilient. As globalization allowed income and capital to be more mobile, the tax base of income-based or capital-based taxes became more susceptible to erosion. Second, consumption taxes were more progressive and might lower inequality by about 2 to 3 per cent. As household income increased, a smaller proportion of it tended to be spent on goods and services from the informal sector, which were not subject to VAT. Higher-income groups effectively spent more on goods and services with VAT. Third, consumption taxes were more neutral than income taxes. Consumption taxes were based on spending rather than income or wealth and therefore did not have a direct impact on savings or investment decisions, nor did they influence current or future consumption. Lastly, consumption taxes were efficient in raising tax revenue, and their share of GDP tended to be relatively stable over time, even during economic downturns. Some consumption taxes were also easier to administer than income taxes.

15. The adoption by the General Assembly of resolution 78/230 marked an important stride towards effective, inclusive and lasting solutions to global tax challenges. For progress to be made by the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation, the following principles must be upheld: the United Nations must ensure the meaningful participation of emerging markets and developing economies in global tax discussions; capacity-building must be accessible in order to promote peer learning and encourage effective contributions by all stakeholders; solutions must be cost-effective and easy to implement, with attention given to the unique policy contexts and needs of Member States, in particular developing economies; and the United Nations must collaborate with existing international tax cooperation initiatives, such as the OECD- G20 Inclusive Framework on Base Erosion and Profit Shifting, to achieve its objectives without duplicating efforts.

16. Since 2016, the Government of the Philippines had been working to align the domestic legal framework with the minimum standards for base erosion and profit shifting, with support from development partners, including OECD and the Asian Development Bank. The Philippines had formalized its participation in the Inclusive Framework on Base Erosion and Profit Shifting and had signified its intention to join the statement on a two-pillar solution to address tax challenges arising from the digitalization of the economy. In early 2023, the Philippines had joined the initiative launched by the Global Forum on Transparency and Exchange of Information for Tax Purposes with the aim of enhancing the implementation of international tax transparency standards across Asia. With a view to boosting revenue generation, financing development, reducing the friction costs of investments and adopting global best practices, the Government was pursuing several measures, including the imposition of VAT on foreign and local digital service providers, reforms of the taxation of passive income and financial intermediaries, and improvements to the real property valuation and assessment system.

Panel 1: "Promoting inclusive and effective international tax cooperation at the United Nations"

17. **Mr. Yaffar** (Partner at KPMG in Mexico; and former Chair of the Committee of Experts on International Cooperation in Tax Matters), moderator, said that the panellists would discuss important recent developments in tax policy, including in relation to the fight against tax evasion and tax illusion, the development of standardized rules, the exchange of information, efforts to combat illicit flows and the abuse of treaties, improvements to dispute resolution mechanisms, transfer pricing matters and the harmonization of taxation rules. The speed of those changes and tax policy proposals created challenges in terms of implementation and administration and could generate significant obstacles to effectively increasing tax revenues.

18. Those realities had been reflected in the report of the Secretary-General on the promotion of inclusive and effective international tax cooperation at the United Nations (A/78/235). The report contained a number of

fundamental points, including that the mobilization and effective use of domestic resources was central to financing sustainable development; that effective participation in international tax cooperation implied that procedures must take into account the different needs and capacities for all countries to meaningfully contribute to the norm-setting processes, without undue restrictions; and only such participation that was freely chosen ensured that countries could provide an input to and take ownership of the substantive outcomes, thereby enabling a fully inclusive and more effective system for all stakeholders. The report contained proposals that would be discussed during the year, but the focus of the panel would be on what was happening in real life in developing countries and on how to effectively raise tax collection in order to meet the future needs of a given country.

19. **Mr. Gbonjubola** (Co-Chair of the Committee of Experts on International Cooperation in Tax Matters), panellist, said that the world was facing many economic inequalities, and there was a need for efforts towards the achievement of the Sustainable Development Goals that would alleviate the situation of developing or underdeveloped countries. Unilateral efforts had been made in various countries and regions to make the tax base work for all, but the universality that was required had not been achieved. It was therefore imperative to discuss international taxation at the United Nations.

20. In terms of the potential benefits and impacts of a United Nations framework convention on international tax cooperation, the starting point was that the establishment of a truly universal and global platform for discussing international taxation would foster universally acceptable standards across the world, thus eliminating the usual dichotomy between the approaches of the United Nations and OECD to taxing rights. Efficient information-sharing among all jurisdictions and countries of the world would be another important benefit. Tax information that was shared could be used to prosecute other crimes, in contrast to the current situation whereby tax information was used only for tax purposes. There would be greater transparency in the global financial system and more clarity regarding the movement of funds from one country to another, making it easier to police the system. The framework for prosecuting financial crimes across the world would become universal, and criminals would have nowhere to hide.

21. With a United Nations platform for discussing international taxation, the barriers to domestic revenue mobilization in developing countries would be removed. Currently, many goods and services moved across the world without being recorded because there was no universal standard for tracking and recording cross-border transactions. Tax presence rules differed from country to country. A United Nations framework convention would make it easier to establish unified taxation standards, rules and definitions and thus make it more difficult for people to evade taxes. A number of tax treaties had been concluded between developing countries and other countries that were not based on economic indicators but rather were dictated by political exigencies. The wide differences between the definitions of a permanent establishment and of the taxation of business profits in the United Nations Model Convention and the OECD Model Convention on Income and on Capital made it difficult for source countries to maximize revenue arising from transactions and economic activities in their jurisdictions. Other hindrances to the ability of developing countries to raise revenue were the antics of multinational companies, some of which were bigger than many developing countries in terms of their financial muscle and their ability to command political support. Many multinationals forced developing countries to grant tax waivers by threatening either to move out of existing business facilities or to establish new ones.

22. **Ms. Oo** (Deputy Director-General of the International Revenue Dept in Myanmar; and Member of the Committee of Experts on International Cooperation in Tax Matters), panellist, speaking via video link and accompanying her statement with a digital slide presentation, said that the establishment of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation was a welcome initiative. She wished to provide general comments and specific insights on key issues related to General Assembly resolution 78/230, namely, standardized transfer pricing documentation, the automatic exchange of information, access to beneficial ownership information for competent authorities, the harmonization of tax treaties, the Inclusive Framework on Base Erosion and Profit Shifting and the need for a consistent legal framework.

23. Most developing countries had embarked on reforms and were seeking to modernize their tax administration. They faced common and unique challenges in assessing and collecting taxes, including extreme resource limitations, language barriers, insufficient information and communications technology (ICT) infrastructure and poor tax legislation. The OECD and United Nations transfer pricing guidelines were currently not available in all the languages of developing countries and could therefore be misunderstood or misinterpreted by tax officers in those countries. The introduction of standardized

transfer pricing documentation was an important step forward, but the utility of such documentation was dependent on a comprehensive understanding of the transfer pricing guidelines and the ability to analyse and interpret them.

24. While the automatic exchange of information was a good initiative, clear guidelines were needed on the kinds of information that were to be exchanged. Many developing countries had limited access to information such as bank records. ICT infrastructure was not fully developed in some developing countries, and information was therefore not readily available or was not stored on electronic devices. Information was often not held centrally or was available only in the local language. Revenue administrations in developing countries struggled to identify beneficial ownership or the assets of an entity in their own jurisdiction due to poor registration and reporting systems.

25. Many developing countries faced challenges in the harmonization of international agreements because of resource constraints, language barriers and limited experience. They often lagged in incorporating recommended changes into existing agreements owing to outdated frameworks.

26. Developing countries had not been well served by and struggled to apply the principles of the Inclusive Framework on Base Erosion and Profit Shifting. They lacked staff with the skills to examine complex international structures and international transactions, and did not have access to commercial transfer pricing databases to perform effective comparative strength analyses or studies.

27. Her observations were intended to assist the Ad Hoc Committee by providing practical examples of the difficulties faced by developing countries in implementing rules that were too complex. The biggest barrier to tax cooperation facing developing countries was their development capacity. Greater understanding of the difficulties faced by those countries and greater coordination and cooperation between donors would help to break down that barrier.

28. **Mr. Antunes** (Coordinator-General for International Economic Cooperation, Ministry of Finance of Brazil), panellist, said that the drafting of an effective United Nations framework convention on international tax cooperation was essential for achieving the Sustainable Development Goals, reversing growing social inequalities and mobilizing resources to address the looming climate crisis. As holder of the G20 presidency, Brazil was helping to build the international political momentum needed for a framework convention.

29. It was important to recognize the significant progress on international tax cooperation over the past decade, including better information-sharing, technical cooperation for enhanced domestic revenue mobilization and the establishment of minimum corporate tax levels. Nevertheless, it was clear to countries in the global South and to civil society that a fair and progressive international taxation system was a long way off. The European Union Tax Observatory had recently reported that the effective tax rate for billionaires globally was equivalent to 0 per cent to 0.5 per cent of their wealth. With a debt crisis looming in several low-income countries, it was increasingly clear that the world was not on track to achieve the Goals by 2030. Despite intense talks and progress on international taxation, the super-rich continued to evade paying a fair share of taxes and were more mobile than ever, thanks to technological changes and the increasing ease of cross-border payments. Energized, politically powerful and constantly evolving international tax cooperation centred on a United Nations framework convention was needed to ensure that the super-rich paid their fair share.

30. In the past decade, G20 had provided the political impulse for the international taxation agenda, mostly with OECD through the Inclusive Framework on Base Erosion and Profit Shifting. Brazil would continue to mobilize G20 to conclude ongoing negotiations, follow up on the implementation of existing agreements and support new negotiations for a framework convention. By bringing together countries of the global North and global South, G20 could bridge differences, set a positive cooperation agenda and contribute to the success of a framework convention. The G20 talks in 2024 had begun with a meeting of ministers of finance and central bank governors at which an initiative for a coordinated minimum tax on the wealthiest individuals had been proposed. Despite holding mixed views on the initiative, ministers had expressed support for various forms of progressive taxation. A report on the proposal would be made public later in the year, and a tax cooperation symposium would be convened in Brazil in May 2024 to deepen technical exchange on issues such as taxation, inequalities, beneficial ownership, tax benefits and wealth taxation ahead of a G20 declaration on international taxation. The challenge of reaching a consensus on international taxation matters was significant, but common political ground must be sought to pave the way for more technical negotiations on a framework convention.

31. The Government of Brazil, which was currently implementing a major domestic tax reform, was also committed to a progressive international taxation agenda. In a globalized world, countries must work

together through the Group of 7, G20, the Group of 77 and China, OECD and the United Nations to intensify their coordination efforts.

32. **Mr. Power** (Co-Chair, Organisation for Economic Co-operation and Development-Group of 20 Inclusive Framework on Base Erosion and Profit Shifting; and Chair, Committee on Fiscal Affairs of the Organisation for Economic Co-operation and Development), panellist, said that the context following the General Assembly's adoption of resolution 78/230 was different from the context a year earlier, when many countries had expressed concerns with the process established by General Assembly resolution 77/244, namely the undermining of recent achievements and the development of a multilateral legal instrument without real discussion on its content or purpose. Those concerns had not disappeared completely, but countries were now actively and constructively considering how the process could best contribute to effective tax cooperation and thus support inclusive growth, domestic resource mobilization and the Sustainable Development Goals.

33. With regard to a United Nations framework convention on international tax cooperation, it was important to understand the aims and priorities of the main proponents of General Assembly resolution 78/230. Given that one of the challenges for other intergovernmental forums had been the lack of inclusivity in agenda-setting, the current meeting as well as the forthcoming meetings of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation were valuable opportunities to hear from a wider audience. It was equally important to understand the role that members of the Ad Hoc Committee envisaged for a framework convention in supporting their aims, considering the range of solutions available for tackling international tax policy issues and the fact that some solutions might not require a legal basis.

34. It was also important to build on recent progress in international tax cooperation. Substantial developments, considered unrealizable 15 years earlier, had been achieved, shaped by a diverse group of countries. Examples of intergovernmental forums convened by OECD included: the Global Forum on Transparency and Exchange of Information for Tax Purposes to tackle offshore tax evasion; the Oslo Dialogue developed by the Task Force on Tax Crime to develop principles, practices and capacity-building initiatives to address tax crime more comprehensively; and the Inclusive Framework on Base Erosion and Profit Shifting to combat multinational tax avoidance and harmful tax competition. In addition, a multilateral convention on Pillar One of the Inclusive Framework would soon establish an agreed basis for countries to tax multinational profits from remote market participation. More, however, could be done for countries with different needs, capabilities and capacities, such as overcoming the obstacles preventing some developing countries from accessing country-by-country reports. Recent initiatives should therefore be furthered, complemented or supported rather than fundamentally reinvented.

35. Regardless of the decision-making basis, broad support should be sought throughout the process. That had been crucial for other initiatives and could help countries to compromise on their objectives. Striving for broad support also did not preclude a focus on issues of relevance to only certain countries, nor the collective development of solutions designed with the knowledge that only some countries would implement them. The recent consensus-based outputs of the Inclusive Framework on Base Erosion and Profit Shifting, for example, had included a new simplified transfer pricing approach for distribution activities specifically for low-capacity jurisdictions and a new subject-to-tax rule for developing countries to reclaim source taxing rights surrendered under treaties that had given rise to risks of abuse. The ability to pursue targeted and tailored approaches under a United Nations framework convention would depend largely on its design, and would be easier if regulatory obligations were confined to protocols rather than being part of a framework convention itself.

36. Sustainable governance and operating procedures should be considered when drafting the terms of reference. Although he did not recognize all the challenges in the Secretary-General's report (A/78/235) regarding the inclusivity and decision-making processes of OECD intergovernmental forums, it was clear that some things could be improved, such as the pace of work and the shaping of agendas. Such considerations were not easy when delivering complicated projects within compressed timelines, balancing different views and taking into account political pressure, but it was important to consider them in advance.

37. International organizations and forums must continue to collaborate on international tax matters, including through joint United Nations-OECD workshops on helping developing countries to negotiate tax treaties; the joint United Nations Development Programme-OECD Tax Inspectors Without Borders initiative; and the platform for collaboration on tax involving the United Nations, OECD, the World Bank and IMF. Much of the collaboration between international and regional organizations was less

visible, but effectively brought together their expertise, strengths and resources to tackle policy problems. Given the breadth and complexity of the challenges, such collaboration – and the harnessing of different perspectives and areas of expertise – would remain essential to achieving global policy aims. Losing sight of that complexity and adopting binary or rivalrous characterizations would get in the way of the ultimate objective.

38. **Mr. Dean** (Professor of Law, University of Boston School of Law), respondent, accompanying his statement with a digital slide presentation, said that the United Nations was capable of guiding the future of global tax policy. Although attempts in the 1950s to protect source taxation had not been successful, despite the wave of independence that had swept across the developing world in subsequent decades, the United Nations had, at the same time, been instrumental in introducing fairness into the international postal system. A new approach, proposed by Colombia, had been adopted by secret ballot in 1969 under the auspices of the Universal Postal Union to ensure that developing countries, which received large quantities of mail from industrialized countries, were entitled to their fair share of postal revenue.

39. The future of global tax policy would be decided by the Economic and Social Council. The solution did not have to be complicated but could be as simple and powerful as it had been in the case of the postage stamp, if it were also based on fairness.

40. **Mr. Hammarstedt** (Director, International Tax Policy, Confederation of Swedish Enterprise), respondent, said that business fully supported efforts to strengthen international tax cooperation, the primary goal of which should be to reduce uncertainty and stabilize the international tax system for everyone's benefit. A fair, stable system would increase private investment in global development and growth to meet environmental and social objectives, since public investment alone was not enough.

41. Businesses expected greater cooperation between countries and policy standard setters, including for dispute prevention and resolution, and were concerned by tensions between the United Nations and OECD. A consensus process was needed, as success would be dependent upon agreement and compromise between all parties to find globally acceptable solutions. Failure to address countries' differing needs and find common ground might lead to further disputes, destabilization of the international tax system and decreased investment.

42. Decisions must be based on globally agreed principles to avoid excessive taxation and the discriminatory treatment of cross-border business, create a level playing field and reduce the risk of double taxation and increased administration. Cooperation rather than duplication of work could lead to sound policymaking, fair taxation and certainty for businesses, and the timeline should allow for inclusive consultation with stakeholders to achieve stable rules. The invitation for input prior to the first meeting of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation was therefore a welcome move.

43. **Mr. Kwoba** (Observer for Uganda), speaking on behalf of the Group of 77 and China, said that intergovernmental discussions on addressing gaps in tax matters were important steps in the right direction. Progress towards achieving the Sustainable Development Goals was off track and developing countries continued to face a $4 trillion financing gap annually. Inclusive and effective international tax cooperation was critical for achieving the Goals and enabling developing countries to mobilize domestic resources to address financing needs. It was important to discuss such cooperation in an inclusive global forum at the intergovernmental level, taking into consideration existing international and multilateral arrangements. Inclusive and effective platforms were needed to design and discuss international rules and norms at the United Nations. The Group therefore welcomed the decision by the General Assembly in resolution 78/230 to establish the Member State-led open-ended Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation, as well as the adoption by consensus of the outline and modalities of its work, and looked forward to the conclusion of the process.

44. Such steps would help to strengthen international tax cooperation, as agreed in the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, and involve all States, especially developing countries, in setting tax-related international rules and norms. That was critical to addressing the issues that hindered developing countries' ability to mobilize domestic resources to address financing needs. The Group was committed to strengthening the inclusiveness and effectiveness of international tax cooperation while fully taking into account countries' different needs and capacities.

45. Speaking on behalf of the Group of African States, he said that evaluating the Goals at the midpoint of the 2030 Agenda had revealed significant gaps in implementation and an urgent need for effective financing. To mobilize domestic resources for the Goals and for Agenda 2063: The Africa We Want, tax

administration must be refined and the capacity for revenue generation broadened. A critical component would be the collective commitment to preventing and combating illicit financial flows, strengthening regional and international cooperation and adopting good practices for asset return and recovery, by enhancing international cooperation and strengthening national institutions to combat illicit flows and money-laundering.

46. Reforming international tax cooperation was of paramount importance in sculpting the future, especially for developing economies. The adoption of a United Nations framework convention on international tax cooperation would pave the way for a more equitable and sustainable global economy, and reforming international tax cooperation was an integral part of reforming the current international financial architecture, which was no longer fit for purpose.

47. The Group welcomed the adoption at the organizational session in February 2024 of the outline and modalities of work of the Ad Hoc Committee and looked forward to the successful completion of the process. The adoption of a United Nations framework convention would have a profound impact on empowering developing countries with more resources and accelerating their economic development and stability. By addressing tax avoidance and evasion, a framework convention would be a vital tool in redirecting critical resources back to the countries most in need, thereby reinforcing the integrity of the global financial system.

48. Enhancing international tax cooperation was essential for establishing baseline tax norms and tackling the challenges resulting from an increasingly digitized economy and profit-shifting by multinationals and would boost resource mobilization for development by widening the tax base, strengthening tax systems and fuelling growth, resilience and sustainability.

49. The essence of a framework convention was ensuring that developing countries had a voice in the formation of international norms and creating a level playing field on which nations could thrive equitably, thus bridging the disparity between the affluent and the impoverished and fostering justice and equality. The Group therefore emphasized the importance of cooperating and adapting solutions to meet the needs of all nations and ensure equitable benefits.

50. Some of the most significant barriers to domestic resource mobilization faced by developing countries that should be addressed as priorities under a framework convention included taxation of the digital economy, tax transparency, exchange of information, harmful tax regimes, mutual administrative assistance, tax treatment of artificial intelligence and technical cooperation for the exchange of expertise and best practices. Further collaboration and adaptability were needed to address the complexity of finalizing a framework convention and establishing a fair and inclusive blueprint to benefit all nations.

51. **Ms. Wood** (United Kingdom) said that her country was committed to a more inclusive, effective and responsive international multilateral system. Reforms to the international financial architecture must be complemented by more effective international tax cooperation, since all Member States needed to maximize domestic revenue and resource mobilization to achieve the Sustainable Development Goals. Unless gaps in the implementation of tax rules were addressed, lost revenue for low- and middle-income countries would only increase. A United Nations framework convention on international tax cooperation could play an important role, and the United Kingdom welcomed the opportunity to participate in shaping it.

52. International tax cooperation already had a strong record of delivery, including through joint inter-organizational work such as the Tax Inspectors Without Borders programme, which had collected approximately $2 billion of additional tax. A framework convention should build on the success of such partnerships, as well as other work on capacity-building and the digitalization of tax administrations by the Committee of Experts on International Cooperation in Tax Matters. New initiatives should complement existing work by making the international tax system certain and credible for all and maintaining tax sovereignty for all countries. Maximizing the impact of a framework convention required the widest possible support, to avoid exploitation that could lead to illicit financial flows and damage States' economies. Lastly, she asked the panel to elaborate further on the best mechanisms to ensure that work at the United Nations avoided the risk of fragmentation in the tax system.

53. **Mr. Protto** (Observer for Argentina) said that inclusive and effective international tax cooperation contributed to achieving the Sustainable Development Goals, enabling developing countries in particular to mobilize domestic resources to finance sound pro-growth policy decisions. Cooperation was essential for stabilizing the international tax system, and General Assembly resolution 78/230 allowed all interested jurisdictions to engage in international discussions to design global solutions to relevant tax challenges. A level playing field was key, with all jurisdictions expected to allocate the resources needed to best represent themselves in the complex process of

concluding a United Nations framework convention on international tax cooperation and, in the long term, developing new international tax standards.

54. It was important to avoid duplicating the work of other forums, especially the Committee of Experts on International Tax Cooperation in Tax Matters, which would provide technical assistance for the measures required. Countries should participate actively and negotiate constructively, striving for consensus in decision-making. Argentina was committed to strengthening the inclusiveness and effectiveness of international tax cooperation, while fully taking into account the different needs and capacities of all countries.

55. **Ms. Gento Kamara** (Observer for Sierra Leone) said that promoting inclusion in international tax cooperation, was critical for building the capacities of developing countries to deal with aggressive tax avoidance and tax evasion. The importance of robust tax systems and effective collaboration between nations could not be overstated in a globalized and interconnected world. Sierra Leone had therefore made its manual tax systems fully digital. At the heart of international tax cooperation was the imperative of building and strengthening the capacity of nations to administer and enforce tax laws effectively. That required a multifaceted approach encompassing technical assistance, knowledge-sharing and institutional capacity-building initiatives tailored to countries' individual needs. As well as fostering a culture of transparency, accountability and good governance within tax administrations, capacity-building should be tailored to address the evolving dynamics of the digital economy and emerging trends in international taxation. As digitalization transformed the economic landscape and challenged traditional tax norms, it was important to equip tax authorities with the skills and tools needed to navigate the complex terrain. Effective international cooperation in tax matters therefore hinged on the collective commitment to build and strengthen the capacity of nations to administer tax systems effectively, in order to achieve a more equitable, transparent and sustainable global tax regime.

56. **Ms. Asuncion** (Observer for the Philippines) said that her country had considered the gaps and weaknesses in the Inclusive Framework on Base Erosion and Profit Shifting before signing it. Nonetheless, the Philippines was committed to ensuring tax fairness between nations and recognized that international cooperation was the only way to address cross-border tax issues, incessant base erosion and profit shifting, close tax gaps and design sufficient measures to address international tax problems. The Philippines agreed with the statements of several panellists on reconciling and harmonizing ongoing efforts by OECD, and the work under way by the United Nations to find the most effective way to be more inclusive was of the utmost importance. Proposed measures should take into consideration existing bilateral and multilateral agreements and support domestic resource mobilization initiatives and the Sustainable Development Goals. Her country was fully committed to participating in the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation by advocating inclusive reforms to ensure the fair distribution of tax revenue and promote sustainable development globally.

57. **Ms. Milambo** (Zambia) said that the United Nations was the only global organization with the systems and capacity to bring together countries' diverging needs and priorities and attempt to create an equitable and efficient global tax system. Although the Inclusive Framework on Base Erosion and Profit Shifting had made significant strides in defining problems in the current international tax system, the resulting solutions had not comprehensively addressed the needs of developing countries. For example, the proposed minimum global corporate tax rate of 15 per cent was well below the average domestic rate of about 20 per cent in Africa, and convergence around 15 per cent had been an extreme compromise for countries with higher rates. The establishment of a robust, transparent international tax structure under the auspices of the United Nations would therefore be a building block for broader reform of the currently lopsided and fragmented international financial architecture.

58. The development of protocols to address the taxation of digital cross-border transactions was equally important in the light of the digitalization and globalization of business, which had resulted in the remote provision of traditional services such as medical consultations. Such services were undertaxed, eroding the strained tax bases of developing countries. Discussions on drafting proposals could provide positive insight into the procedures and frameworks needed in a United Nations framework convention on international tax cooperation to address developing countries' diverging needs. Fundamental issues relating to the exchange of information, including the simplification of country-by-country reporting requirements, should be a priority for a framework convention, which had the potential to improve long-term sustainable development by facilitating equitable taxation globally and contributing to the 2030 Agenda.

59. **Ms. Angela Ang** (Observer for Mexico) said that international tax cooperation was suited to the current

global environment, and a United Nations framework convention on international tax cooperation should seek to avoid duplication by complementing other initiatives. Potential synergies with other forums should be found while focusing on Governments' priorities, especially those of developing countries, and taking into consideration their different capacities. With regard to reforming the international financial architecture, a framework convention could be a main tool for establishing mechanisms to improve the control of international transactions, requiring the participation of financial institutions to create environmental co-responsibility in the payment of taxes, in particular on income derived from financial transactions.

60. A framework convention could establish the main directives for the structure of parties' international responsibilities regarding illicit financial flows. Such protocols could be the principal instrument for including specific mechanisms of international cooperation, in particular for detecting, investigating and tackling tax-related illicit financial flows, as well as measures to improve the legal framework and joint work of tax administrations on taxing income from cross-border services.

61. It was necessary to rethink mechanisms for strengthening international tax cooperation, in order to address barriers to domestic resource mobilization. Participation in the exchange of tax information and assistance in tax collection could be a significant economic burden for developing countries. Furthermore, a net wealth tax was a worthwhile starting point for fighting inequality, but could have a limited effect. If such a tax were applied, it should be done in a coordinated manner by a majority of countries and should complement the income tax system to avoid overtaxing investments. Countries had abandoned net wealth taxes in the past as they could have negative collateral effects if not designed carefully, such as discouraging savings and long-term investment. Policymakers should establish mechanisms to mitigate such effects and ensure that net wealth taxes were targeted at capital that did not contribute to generating productive businesses.

62. Lastly, since international cooperation on wealth taxes in countries that chose to adopt them was a key element in preventing forum shopping, the coordinated implementation of such taxes by a wide range of countries as a complementary component of their income tax systems could be desirable.

63. **Mr. Tun** (Observer for Myanmar) said that his country was adversely affected by illicit financial flows, especially since the military coup d'état of February 2021. Under the elected civilian Government, Myanmar had been making progress in its fight against corruption and the enforcement of money-laundering rules. However, the breakdown of the rule of law following the coup had led to an increase in transnational organized crime, including cross-border smuggling, online scams and drug trafficking, all of which negatively affected taxation. Combating corruption and strengthening the rule of law played a key role in making taxation more effective and enhancing international tax cooperation, which was critical for developing countries. It was important for the international community to explore effective means of cooperation and take decisive measures to curb illicit financial flows.

64. **Ms. Sieverdingbeck** (Germany) said that inclusive, fair and effective international tax cooperation, both in procedural and substantive terms, played a pivotal role in fostering global equity and prosperity. International efforts to promote greater tax transparency, as well as fair taxation on a global scale, were critical in that regard. Germany also supported the mobilization of domestic resources to finance national development plans that were aligned with the Sustainable Development Goals in a socially just manner and in line with climate and environmental goals.

65. Germany was honoured to be a member of the bureau of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation. A future framework convention and its protocols must be based on comprehensive analysis and consideration in order to ensure their sustainability. In that regard, the Ad Hoc Committee should be given an ample time frame in order to enable it to conduct high-quality analysis and thorough discussions. At the same time, the process must be inclusive, as any multilateral process hinged on the attainment of a critical mass of participation. It was thus necessary to draw upon all available expertise and the existing work and analysis of other major stakeholders, such as OECD, the World Bank and IMF. Upholding stability and legal certainty in taxation required common multilateral norms, and the avoidance of inconsistent or competing standards. The United Nations had an indispensable role, particularly in supporting developing countries with domestic resource mobilization and fostering intergovernmental dialogue to enhance the inclusiveness and effectiveness of international tax cooperation. Germany stood ready to contribute constructively to the drafting process with a view to achieving a robust framework convention that embodied the principles of fairness, transparency, inclusivity and effectiveness for all Member States.

66. **Ms. Ado** (Nigeria) said that the evolution of the global economy, marked by digitalization and complex financial flows, presented both opportunities and challenges. A collaborative and unified approach was needed to support countries to mobilize domestic resources and participate in the global tax system on an equal footing. The adoption of General Assembly resolution 78/230 was a significant step towards the establishment of a United Nations framework convention on international tax cooperation, and reflected the shared commitment of the international community to addressing the deficiencies of the current system. Such a framework convention would provide a critical opportunity for developing countries to harness their fiscal policies for the development of their societies, and should address tax evasion and avoidance, the challenges associated with the digital economy and the need for equitable tax rights for all nations, issues which were central to a fair, equitable and just global economic system. The framework convention should also include a platform for ongoing dialogue, thereby supporting all nations to adapt to the rapidly changing economic landscape, and should serve to encourage innovation in tax policy and tax administration with a view to helping developing countries to keep pace with digitalization and globalization. Nigeria therefore welcomed the establishment of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation and looked forward to an outcome which would enable every country to overcome the barriers of an outdated and unfair tax system.

67. **Mr. Ramloll** (Mauritius) said that Mauritius welcomed the decision by the General Assembly to initiate dialogue on a United Nations framework convention on international tax cooperation. The challenges faced by small island States with small tax bases and limited natural resources should be taken into account in the discussions: it would be desirable for the framework convention to facilitate capacity-building for tax collection and administration in small developing countries. It should also provide for simple and effective dispute resolution mechanisms, level the playing field with respect to the taxation of digital and non-digital services and encourage tax incentives that would foster economic growth and domestic resource mobilization. However, before the framework convention could be developed, it was necessary to draft its terms of reference, which should be done inclusively, with the participation of all Member States.

68. **Ms. Ang** (Observer for Singapore) said that the United Nations had an important role to play in complementing the work carried out by other forums for international tax cooperation, as well as in designing and driving capacity-building efforts for developing countries. Consensus-based decision-making was vital to ensure that a future United Nations framework convention was truly inclusive and led to meaningful, effective and stable outcomes for all. It was also important to build on existing efforts and to identify international tax cooperation issues which required further work in order to ensure that the framework convention and protocols that were subsequently developed could effectively meet the needs of Member States. Identifying priority issues early on would also be key to implementing solutions in collaboration with other relevant organizations.

69. It was necessary to create and maintain conditions conducive to global economic growth. Tax was not the goal in and of itself, but one of many means to achieving the Sustainable Development Goals. It was in the collective interest of all jurisdictions to work towards solutions that enhanced economic growth, increased resources for all and provided much-needed tax certainty. Moreover, such solutions would benefit from widespread support. Singapore looked forward to adopting draft terms of reference for the framework convention that all jurisdictions could support, and to participating actively in an inclusive process that resulted in stable and effective outcomes.

70. **Ms. Natale** (Canada) said that her country supported international cooperation to achieve fair and effective taxation. Canada also supported efforts to strengthen countries’ capacity to mobilize resources for development. It understood the desire of some Member States to have international tax arrangements that would better support development and was encouraged by the improvement of existing tax cooperation arrangements over the past several years.

71. Canada looked forward to participating in the discussions of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation, with a view to achieving an outcome that benefited all jurisdictions. The effectiveness of any framework convention or protocol would largely depend on the number of States that decided to implement it, which in turn depended on how such a convention or protocol was negotiated. As such, the Ad Hoc Committee should seek to achieve the broadest possible consensus at every stage of its work. In addition, the initiative should be guided by a thorough assessment of the aspects of domestic and international tax systems where further tax cooperation would enhance domestic resource mobilization and by the identification of reforms that would address gaps and complement existing instruments and arrangements.

Close coordination with other multilateral institutions would be key in that respect.

72. **Mr. Pinder** (Observer for the Bahamas) said that for over six decades, international tax policy, as formulated and dictated by OECD, had failed to address the challenges and development dynamics of the global South. Imbalances in the international financial architecture, coupled with inconsistent, biased and contradictory tax policies, had undermined the right to development and stifled growth in countries such as his. The Bahamas relied on tourism and financial services, making it vulnerable to external economic shocks and the impacts of the climate crisis. The international financial architecture had been designed by countries of the global North, and it did not support sustainable, resilient prosperity in the global South. Moreover, the arbitrary blacklisting of vulnerable countries perpetuated economic disenfranchisement and was contrary to their right to development.

73. The drafting of a future framework convention on international tax cooperation should spark a process that increased the legitimacy, stability, resilience and fairness of international tax rules. It should serve to establish a legal basis for inclusive, effective international tax cooperation, while ensuring respect for the tax sovereignty of Member States and addressing the unique challenges faced by developing countries. Inclusive, diverse and equitable systems were needed to support the achievement of the Sustainable Development Goals. The framework convention should facilitate a more collaborative approach to policymaking, a re-evaluation of existing tax treaties between developed and developing countries and a focus on domestic tax policies in developing countries, the impact of the climate crisis and the resources needed to achieve the Goals.

74. **Mr. Abudu-Birresborn** (Observer for Ghana) said that, in General Assembly resolution 77/244, Member States had agreed to begin intergovernmental discussions on ways to strengthen the inclusiveness and effectiveness of international tax cooperation through the evaluation of additional options. The adoption of that resolution reflected Member States' recognition that neither OECD, nor the Committee of Experts on International Cooperation in Tax Matters, nor any other forum provided fully inclusive and effective institutional arrangements for international tax cooperation. General Assembly resolution 78/230 had subsequently offered Member States a unique opportunity to work together on the basis of shared values and principles. However, they must be prepared to subordinate their narrow economic interests, and those of their economic groupings, to the goal of fully inclusive and more effective international tax cooperation.

75. Member States should develop terms of reference for a United Nations framework convention on international tax cooperation that were aspirational and conducive to a system where all countries, regardless of their size or economic power, played an equal part in setting the international tax cooperation agenda. Coordinated, principle-based approaches were needed to ensure international tax cooperation and norm-setting that would serve to curb illicit financial flows and support the achievement of the Sustainable Development Goals and the Addis Ababa Action Agenda.

76. **Mr. Heartney** (United States of America) said that a key focus of the initial stages of the work of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation should be identifying areas of agreement in order to forge a sound foundation for a better approach to international tax cooperation. There should be an emphasis on compromise with a view to building terms of reference that reflected a range of inputs and had the potential to stand the test of time. A final text that did not enjoy consensus was unlikely to provide material benefits to any country.

77. When developing the terms of reference, the Ad Hoc Committee should make every effort to ensure that the process was complementary to, and not duplicative of, existing processes in other forums, thus limiting the fragmentation of efforts to strengthen international tax cooperation. In addition, the discussion should not be limited to the possibilities mentioned in General Assembly resolution 78/230. The scope of the terms of reference should include areas in which the United Nations had a long and distinguished record, such as building countries' capacity by equipping them with the necessary skills and sharing expertise, and supporting their domestic resource mobilization by marshalling resources and assisting with the development of medium- and long-term revenue strategies. Such a focus would provide a clear basis for the United Nations to work with other organizations, each leveraging their unique strengths and competencies. It had long been recognized that capacity-building and domestic resource mobilization had outsized impacts on the achievement of the Sustainable Development Goals. For instance, in its February 2023 policy paper on international corporate tax reform, IMF had cited studies according to which international corporate tax reforms could provide low-income countries with up to 0.4 per cent of their GDP in revenue, whereas resource mobilization and capacity-building reforms could yield more than 8

per cent of GDP in revenue. Prior initiatives in that area had produced meaningful results and there was considerable scope to expand on such efforts.

78. **Mr. Majogoro** (United Republic of Tanzania) said that his country welcomed General Assembly resolution 78/230 and the intention of the United Nations to take a more inclusive approach to international tax cooperation, taking developing countries' interests into account. Governments like that of the United Republic of Tanzania confronted illicit financial flows in their day-to-day work to mobilize revenue for socioeconomic development. His country took part in regional and international initiatives aimed at combating illicit financial flows and made maximum use of the existing instruments for international tax cooperation. However, it was important to leverage all available tools, and the United Republic of Tanzania would therefore participate fully in the work of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation to ensure a successful outcome.

79. **Mr. Uribe** (Colombia) said that Colombia recognized the critical importance of adopting multilateral solutions to the challenges posed by taxation in a fully globalized and highly digitized economy, which currently transcended the traditional notions of physical presence that underlay existing tax rules. Unilateral measures taken by countries at the national level had also demonstrated that the movement of capital, companies, functions, risks and assets had reached a point where national borders were inadequate for taxing truly global taxpayers. The Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation embodied the possibility of reaching international agreements that would enable all countries to expand their tax bases by taxing incomes, particularly the largest fortunes in the world, which were currently not being taxed by any country. The terms of reference for a framework convention should, therefore, include the principle of progressivity with a view to taxing the greatest incomes and fortunes on the planet.

80. In addition, in view of the climate crisis, it was essential to mobilize every available instrument, including international taxation, to combat climate change. It was possible to mobilize tax resources at the international level without affecting the development of the countries of the global South through global taxes which would be used to fund collective climate action. Colombia was aware that its proposals were innovative: while they could benefit from and build upon the achievements under the inclusive OECD framework, they also included commitments that had not been previously discussed and that could foster international tax cooperation to an even greater extent in support of the Sustainable Development Goals. It was important that synergies and coordination with existing tax cooperation efforts be taken into account in the framework convention. Every effort should be made to ensure that all Member States participated in the process, because without truly inclusive participation, the decisions taken would lack legitimacy.

81. Lastly, with regard to the statement made by Mr. Antunes of Brazil, his delegation welcomed the leadership of Brazil in international tax cooperation and supported the global wealth tax initiative proposed by the Finance Minister of Brazil at the latest meeting of the G20 finance ministers, in February 2024. His delegation would be interested to hear more about how the tax cooperation symposium to be held in May 2024 would contribute to the current discussions on international tax taking place at the United Nations.

82. **Mr. Chowdhary** (Observer for the South Centre) said that the South Centre was an intergovernmental think tank of developing countries, with 55 member States from Asia, Africa and Latin America and the Caribbean.

83. For international tax rules to be inclusive and effective, they must be adopted in an inclusive and effective manner. Thus, the primary function of a United Nations framework convention should be to solve the governance problem in the existing international system and establish a genuinely rules-based architecture that could facilitate multilateral agreements on current and future international tax rules on the basis of fairness, equity, transparency, democracy and inclusiveness, and bring coherence and efficiency to the international tax system.

84. The future framework convention should be light, with a small number of articles. The main objective should be to create a strong conference of parties able to perform any function it deemed necessary. Membership to the conference should be limited to sovereign countries; tax haven jurisdictions such as the Cayman Islands, British Virgin Islands and others which were not independent countries should not be allowed to join, in keeping with the United Nations principles of sovereign equality and "one country, one vote". The conference should be able to develop rules as it saw fit, ranging from non-binding guidelines to binding international rules and treaties, as one-size-fits-all approaches rarely worked in international taxation.

85. A framework convention focused on solving the governance problem could be drafted within a reasonably short period of time. It should be designed in

such a way that it could come into effect even if major developed countries chose not to join it. The South Centre strongly supported hybrid participation in the work of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation. That would enable developing countries which might not be able to afford the travel to take part, and would be a first step to demonstrating inclusiveness and effectiveness in international tax cooperation at the United Nations.

86. Specific substantive issues could only be considered once the framework convention was completed and there was a process in place for negotiating protocols. At the current time, the most that the Ad Hoc Committee could do was to recommend potential topics for consideration in a set of initial protocols. On the basis of consultations with its member States, the South Centre recommended that the following priority issues for developing countries be considered: illicit financial flows; taxation of digital and non-digital services; exchange of information, in particular for services and wealth including non-financial assets and immovable property; taxation of high-net-worth individuals; environmental taxation; tax incentives; and the fast-track instrument currently being developed by the Committee of Experts on International Cooperation in Tax Matters.

87. **Mr. Connors** (Observer for the International Chamber of Commerce) said that international tax architecture was of critical importance in fostering cross-border trade, investments and ultimately economic growth. A coordinated global tax system built on the principles of stability, certainty and consistency was essential for creating an environment conducive to economic prosperity.

88. With respect to the work of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation, consensus-based decision-making was crucial: without broad buy-in from Governments, any new tax process risked being fragmented and ineffective, resulting in increased uncertainty for taxpayers and administrations alike. In addition, the Ad Hoc Committee should seek to be inclusive in its consultations in order to gain a range of insight into the practical aspects of the international tax system, different business models and complex value chains, as well as harnessing the expertise of its own membership. It should ensure that there was ample time for its members and all other stakeholders to review texts, in order to achieve the best possible outcomes. It was also important for the Ad Hoc Committee to leverage existing frameworks in order to mitigate inconsistencies and enhance tax certainty. The primary goal of the initiative should be to reduce uncertainty and stabilize the international tax system. Coordination among intergovernmental organizations would be highly beneficial in that regard. Lastly, it was important for the Ad Hoc Committee to address illicit financial flows. Multinational businesses and small and medium-sized enterprises had nothing to fear from clearly identified tax rules, but they were disadvantaged by the informal economy, which suppressed economic growth and wages, threatened health and safety and undermined efforts to deliver greater equality and achieve the Sustainable Development Goals.

89. **Mr. Yaffar** (Partner at KPMG in Mexico; and former Chair of the Committee of Experts on International Cooperation in Tax Matters), summing up the discussion, said that a key message that had emerged was that, to date, the responses to the new economic environment were insufficient. There was a need for a greater focus on developing countries in order to build more comprehensive and effective solutions, which, in turn, required revision of the international financial architecture. However, the question now was how that architecture should be changed, who exactly would be involved and what the time frame would be. It was clear that capacity-building in developing countries was urgently needed: new policies without increased capacity to implement them would not be of benefit to those countries, but with proper tax administrations and tax policies, developing countries would be able to collect more resources for development. He asked the panellists to share their visions for the work ahead.

90. **Mr. Power** (Co-Chair, Organisation for Economic Co-operation and Development-Group of 20 Inclusive Framework on Base Erosion and Profit Shifting; and Chair, Committee on Fiscal Affairs of the Organisation for Economic Co-operation and Development) said that it was clear from the discussion that it was necessary to continue to cooperate, and to strengthen cooperation, on international tax issues, while seeking to avoiding establishing duplicative or competing standards. As Mr. Yaffar had said, capacity-building and domestic tax base design were essential to enhancing the international tax system. Ms. Oo had mentioned that some countries, especially developing countries, faced challenges in implementing internationally agreed outputs. Part of the solution lay in tailoring and simplifying outputs, but a more important component was capacity-building to ensure that developing countries had access to, understood and were able to use internationally agreed outputs. Many efforts were already under way in that area, through OECD, the United Nations and other organizations, but it was

necessary to enhance those efforts, and a United Nations framework convention could provide the opportunity to do so.

91. With respect to the keynote remarks made by Mr. Diokno, he said that it would be important to help developing countries to better implement consumption taxes. His own country, the United Kingdom, collected approximately $200 billion in VAT and roughly a further $60 billion in other excise taxes, including on fuel and alcohol, making consumption tax revenue equivalent to roughly 8 per cent of its GDP, while corporation tax yielded approximately $100 billion, or 3 per cent of its GDP. That ratio was the result of a gradual trend, but it reflected the relative strengths of consumption tax: it was more neutral, more efficient to administer, less cyclical, less vulnerable to abuse and less damaging to growth. Therefore, developing countries should be supported to make the shift to consumption taxes, as part of the domestic resource mobilization agenda.

92. With respect to the remarks made by Mr. Antunes, OECD was working closely with the G20 presidency, including on broad issues of tax and inequality, and specifically on considerations related to the taxation of high-net-worth individuals. Such taxation was separate from the broader challenges related to the global mobility of workers and the issues that such mobility could create for corporation tax and personal income tax systems. As the Secretary-General had indicated in his report (A/78/235), the way in which tax challenges were identified and framed could predetermine the nature and scope of the responses to those challenges, as well as the order of priority for dealing with them. It was thus necessary to conduct thorough analysis in order to understand the nature and scale of tax challenges and to what extent those challenges could be dealt with at the domestic level. Only then did it make sense to consider the merits, practicalities and risks of more coordinated solutions. He looked forward to working with the G20 presidency on that analysis, and to the tax cooperation symposium to be held in Brazil in May 2024.

93. **Mr. Gbonjubola** (Co-Chair of the Committee of Experts on International Cooperation in Tax Matters) said that there appeared to be a consensus that a United Nations framework convention would enhance tax cooperation and strengthen the implementation of global tax rules. With regard to the question raised by the representative of the United Kingdom on how to avoid fragmentation, the United Nations framework convention would be a win-win solution, as every country would be able to take part in setting the agenda. That would be a change from the past: some existing tax rules had been established on the basis of the agendas of a subset of countries, but were applicable to all countries.

94. Countries' ability to implement tax rules was also an important consideration. Certain rules, including the standard for the automatic exchange of information and rules related to transfer pricing, had been designed with a particular set of countries in mind, without consideration of the ability of other countries to implement them. Those rules were easy for many of the countries in the global North to implement, but difficult for many of the countries in the global South.

95. **Mr. Antunes** (Coordinator-General for International Economic Cooperation, Ministry of Finance of Brazil) said that it was clear from the discussion that complementarity was essential. The United Nations, OECD and other stakeholders must work together and domestic resource mobilization must be harnessed alongside international tax revenue. It was also clear from the discussion that a G20 declaration on international taxation was badly needed.

96. Brazil was in agreement with Mexico with respect to a net wealth tax. It was essential to cooperate in order to tax the richest individuals. Responding to the representative of Colombia, he said that Brazil recognized the leadership of Colombia, and Latin America more broadly, on strengthening international tax cooperation, including through the establishment of the Regional Tax Cooperation Platform for Latin America and the Caribbean. The taxation cooperation symposium to be held in May 2024 would build on the work of the Platform, and Brazil would find ways for all countries to participate in the symposium, so as to benefit from all possible support.

97. **Mr. Yaffar** (Partner at KPMG in Mexico; and former Chair of the Committee of Experts on International Cooperation in Tax Matters) said that the task of strengthening international tax cooperation to make the international tax system fairer was daunting, but necessary, and would benefit every country in the world.

The meeting rose at 12.55 p.m.