



## ECOSOC Special Meeting on International Cooperation in Tax Matters

18<sup>th</sup> March 2024

### **PROMOTING INCLUSIVE AND EFFECTIVE TAX COOPERATION AT THE UN**

Excellencies,

The South Centre, an intergovernmental think tank of developing countries with 55 Member States from Asia, Africa and Latin America, congratulates the Chair and Members of the Bureau on their appointment to the all-important ad hoc committee to elaborate the Terms of Reference (ToR) for a UN Framework Convention on International Tax Cooperation (“UN Tax Convention”). The Ad Hoc Committee has a genuinely historic mandate as it has to design the architecture of the long-standing demand of the developing world for a UN Tax Body.

Excellencies,

There can never be inclusive and effective international tax rules as long the *process to make these rules* is not inclusive and effective.

Thus, the core requirement of the UN Tax Convention should be to solve the governance problem in the existing international system and create a genuinely inclusive *rules-based* architecture which can facilitate multilateral agreements on current and future international tax issues on the basis of fairness, equity, transparency, democracy and inclusiveness and bring coherence and efficiency to the international tax system.

The Convention should be kept “light”, with a small number of articles. The core idea should be to create a strong Conference of Parties (COP) able to perform any function it deems necessary, especially setting the agenda and having the power to decide *through democratic voting* whether the outputs produced are satisfactory or not. Membership to the COP should be restricted to sovereign countries and tax haven jurisdictions such as the Cayman Islands, British Virgin Islands, and others which are not independent countries should be disallowed from Membership, in keeping with the UN principles of sovereign equality and one country one vote.

The COP should be able to come up with whatever types of rules it sees fit. They could range from non-binding guidelines to international binding rules and treaties. The need for a wide range of modalities of international tax standards is based on the reality that one-size fits all approaches rarely work in international taxation. While for some regimes a minimum of effectiveness may need the participation of a significant number of states, others can

operate on a bottom-up basis, creating cooperation between willing states that can gather momentum and spread more widely.

A Convention focused on solving the essential problem of governance can be finished within a reasonably short period of time. It should also be designed in such a way that it can come into effect even if major developed countries choose not to join it.

We also strongly support the need for hybrid participation in the Ad Hoc Committee so developing countries who may not be able to afford travel can also participate. This would be the first step to demonstrating practically inclusiveness and effectiveness in international tax cooperation at the United Nations.

Regarding specific substantive issues, this can only happen after the Framework is completed and has a process in place for how protocols should be negotiated. At this stage, the most the Ad Hoc Committee could do in this regard is to recommend potential topics for consideration in a set of initial protocols.

Based on consultations with our Member States, we recommend the following as priority issues for developing countries in no particular order:

1. Illicit Financial Flows
2. Taxation of services (digital or non-digital) given the base eroding nature of those payments.
3. Exchange of information especially for a) services b) wealth including non-financial assets, and immovable property.
4. Taxation of high and ultra-high net worth individuals.
5. Environmental taxation.
6. Tax Incentives.
7. UN Fast Track Instrument presently being developed by the UN Tax Committee

We reiterate our full support to our Member States and other developing countries in the forthcoming intergovernmental discussions in this regard.

I thank you.