



## **Statement by the South Centre at the 2024 Social Forum of the Human Rights Council**

*Excellencies, ladies and gentlemen,*

The upcoming Fourth International Conference on Financing for Development in 2025 (FFD4) provides a major opportunity to deliver much-needed reforms to the international financial architecture including the tax system which can provide much needed revenues to developing countries which are essential for the fulfilment of human rights. As the phrase goes, 'rights need resources'. The South Centre would like to suggest five concrete policy reforms in this regard which can be part of the outcomes of FFD4.

*First*, a commitment to complete the UN Framework Convention on International Tax Cooperation (FCITC) and the two early protocols, including the one on cross-border services, by the existing agreed upon timeline of September 2027 and to bring it into effect as soon as possible through signature and ratification by all UN Member States.

The protocol on cross-border services must include automated digital services, such as online advertising, which are the main source of revenue for Big Tech firms. This will finally provide the world with a viable multilateral solution for taxing one important component of the digital economy and end the *de facto* tax exemption enjoyed by the Big Tech firms.

Second, the UN Tax Committee has finalized a Fast Track Instrument (FTI) which can incorporate the international tax standards of the UN Model Tax Convention into multiple bilateral tax treaties simultaneously. This can greatly promote the international tax standards of the UN. It can also enable bloc negotiations where multiple developing countries can jointly negotiate or renegotiate their tax treaties with developed countries, which is not possible right now. However, it needs to be converted into a treaty in order to be implementable. The text of the Fast Track Instrument will be presented to the ECOSOC by the UN TC in April in New York next year and we urge all developing countries to come forward and take the text up for conversion into a treaty.

Third, public country by country reporting of how much tax multinational enterprises pay in the jurisdictions where they operate. A similar form of reporting can be considered for High Net Worth Individuals, especially billionaires. This will contribute to curb tax evasion and avoidance and prevent illicit financial flows.

Fourth, there needs to be an intergovernmentally agreed understanding that tax avoidance is a part of Illicit Financial Flows. This can put an end to the argument that tax avoidance is permissible because it is 'legal'.

Fifth, transfer pricing rules are a major tool in the fight against tax avoidance by multinational enterprises. However, effectively applying them requires access to databases which are controlled by an oligopoly and are prohibitively expensive. The relevant data can be transformed into a global public good, produced by the United Nations, and made available to developing countries for free.

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