PUBLIC SERVICES
INTERNATIONAL

The global union federation of workers in public services

ENGLISH

SPECIAL BRIEFING

UN Tax Cooperation

RECENT STEPS TOWARDS INCLUSIVE AND EFFECTIVE GLOBAL TAX RULES

Introduction

Last December, the United Nations General Assembly took an unprecedented step towards a new institutional setting for global tax rules. By adopting a Resolution on the "promotion of inclusive and effective tax cooperation at the United Nations", the 193 UN Member States have agreed to begin intergovernmental discussions at UN Headquarters on ways to strengthen the inclusiveness and effectiveness of international tax cooperation.

The Resolution has been put forward by the African Group. This is not the first time that African countries are showing such leadership. Already in 2019, the Group called for a UN Convention on Tax, stressing the role of such Convention in tackling illicit financial flows. **This time, their initiative has been successful and the Resolution was passed by consensus.**

The text potentially paves the way towards the UN becoming the main standard-setting body on international taxation. This is a PSI long-standing demand. The Resolution, however, is a political document cautious in its formulation. Whilst the UN is a more inclusive forum for developing global tax rules, the interests that have shaped the previous attempts to reform the tax rules will also try to shape the UN process. We must expect strong resistance from corporations, tax havens and proponents of neoliberal economics.

This PSI briefing note first recalls why strengthening the UN role on international taxation is an important step to fix the current broken corporate tax rules. It then describes what might happen in the next few months and explains how trade unions should get involved.

WHAT IS AT STAKE?

LEGITIMATE AND ACCOUNTABLE DECISION-MAKING

The taxation of multinational enterprises is fundamental to finance quality public services and public investment for sustainable and inclusive growth. It is essential for the fight against economic and political inequality, realization of human rights and a just climate transition. Effective corporate tax rules also ensure that businesses invest their profits into employment and productive capacities rather than shifting cash to tax havens for the sole benefit of shareholders and financial services.

To achieve these objectives, the current rules need significant strengthening. $ 483 billion continue to be lost to corporate tax dodging every year. In previous briefings, PSI has described how the recent global tax deal has established some welcome principles and will likely raise significant revenue from the largest global corporations, but is unlikely to be sufficient to curb current trends.

Corporate tax avoidance is particularly detrimental in the Global South where countries are more reliant on corporate tax revenues and more in need of public investment. The contribution of corporate income tax to the total tax revenue in developing economies is significantly higher than in OECD countries.

Some of the problems can be addressed by governments at national or regional level. But as multinational corporations know no border, comprehensive and fair solutions also need to be global.

The OECD, mandated by the G20 countries, has since 2015 assumed the role of global policy-setter. The legitimacy of these global standards can be questioned due to the OECD limited membership: 38 countries, mostly in Global North, which have a history of giving more weight to the concerns of capital exporters (predominantly in the global north) than capital importers (predominantly in the global south). Further, the OECD has a history of failing to look beyond the discredited neoliberal solutions that underpins the current global economic architecture.

In response to these criticism, the OECD has put in place an Inclusive Framework in which the governments of 135 jurisdictions have been able to present tax reform proposals and argue their positions. To date, this Inclusive Framework has proved insufficient to overcome the persistent domination of G20/OECD standards by developed economies. As an illustration, the most recent global tax agreement has prioritised providing taxing rights to the home countries of the large corporations it is seeking to tax. This goes against PSIs longstanding demand that taxation rights be given to the countries where the economic activity takes place.

Whilst developing countries are losing most in relative terms, it is important to also understand that most developed countries also lose large amounts from the current rules. The State of Tax Justice 2021(SoTJ) published by PSI, GATJ and TJN, shows that high income countries lose over 90% of the total global tax losses and that more than two thirds of OECD countries are net losers from the current global corporate tax system. It also shows that only four tax havens facilitate over 55% of all global tax losses in both the Global North and South – and that all four (UK, Netherlands, Luxembourg and Switzerland) are European – effectively stealing from the Global South and the rest of Europe.

In addition to legitimacy issues, the effectiveness of the decision-making can be questioned. The current G20/ OECD tax standards display significant concessions to low tax countries and private interests, such as those of the financial sector. These standards are as a result unlikely to provide sufficiently strong models to empower countries around the world to address corporate tax avoidance and tax competition.

One driver for these concessions is the lack of transparency of the G20/ OECD decision-making process, making it overly difficult for non-member states, the labour movement and other progressive forces to scrutinize the technical work of the OECD Secretariat and to build power for change.

In this context, PSI clear demand is for a global Convention to set international tax norms. The Convention should be negotiated and administered by a global body, inclusive of all countries on an equal basis.

PSI considers that the logical place for such a body is the United Nations due to its worldwide membership. The UN have a record of inclusive and transparent decision-making on global issues, for instance on combating climate change (the UN Framework Convention on Climate Change).

ESTIMATED REVENUE IMPACT OF G20/OECD GLOBAL MINIMUM TAX BY COUNTRY TYPE CLASSIFICATION

Classification	No. of countries in sample	Revenue in € 2021 billion	Revenue as % of corporate income tax revenue
Country type			
Developed	35	191.3	19%
Developing	11	14.2	2%
Least developed	.	.	.
Income level			
High income	35	191.2	18%
Upper middle income	9	13.7	3%
Lower middle income	2	0.6	1%

Source: EU tax observatory, October 2021

WHAT COULD UN TAX COOPERATION LOOK LIKE

Civil society has put forward concrete proposals on what tax governance under the auspices of the UN could look like (see for instance the Eurodad proposal for a UN Convention on Tax and the South Centre policy brief on Streamlining the Architecture of International Tax).

Countries would need to negotiate a legally binding document, in the form of a Convention (i.e. an International Treaty), which would then have to be ratified by all countries. This Convention would set objectives, key principles and core institutions for an international governance.

Once a Convention is in place, a Conference of Parties (COP) would give the newly created institutions specific mandates to work on and review the implementation of the Convention. In that sense, the COP would take decisions a bit like the current G20 mandates but on a fully inclusive basis since all countries would be represented.

WHAT'S NEXT? KEY MOMENTS GOING FORWARD

As a first step, the Resolution requests the UN Secretary-General Antonio Guterres to prepare a report as the basis for further intergovernmental discussions. The Secretary-General report is expected to be presented at the next General Assembly in September 2023.

The report is to review existing instruments for international tax cooperation and to formulate recommendations to strengthen the inclusiveness and effectiveness of such cooperation. The report will analyse a series of options for next steps, also taking into consideration their viability.

The Secretary-General is asked to prepare that report in consultation with various officials and experts but also with relevant stakeholders. Already, his office has announced its intention to invite inputs from civil society, business and academia through regular online consultations.

In parallel, a series of statutory meetings at UN Quarters offer several opportunities for policy and technical discussions.

Unions should actively intervene with their government representatives ahead of these meetings.

According to the projected roadmap for 2023, key dates will be:

- 31 March 2023: ECOSOC Special Meeting on International Tax Matters
- 17-20 April 2023: Financing for Development Forum
- 10-19 July 2023: High Level Political Forum on Sustainable Development
- 18-21 September 2023: Prep. meeting for Summit of the Future, SDG Summit, High-level Dialogue on Financing for Development

SECOND PHASE

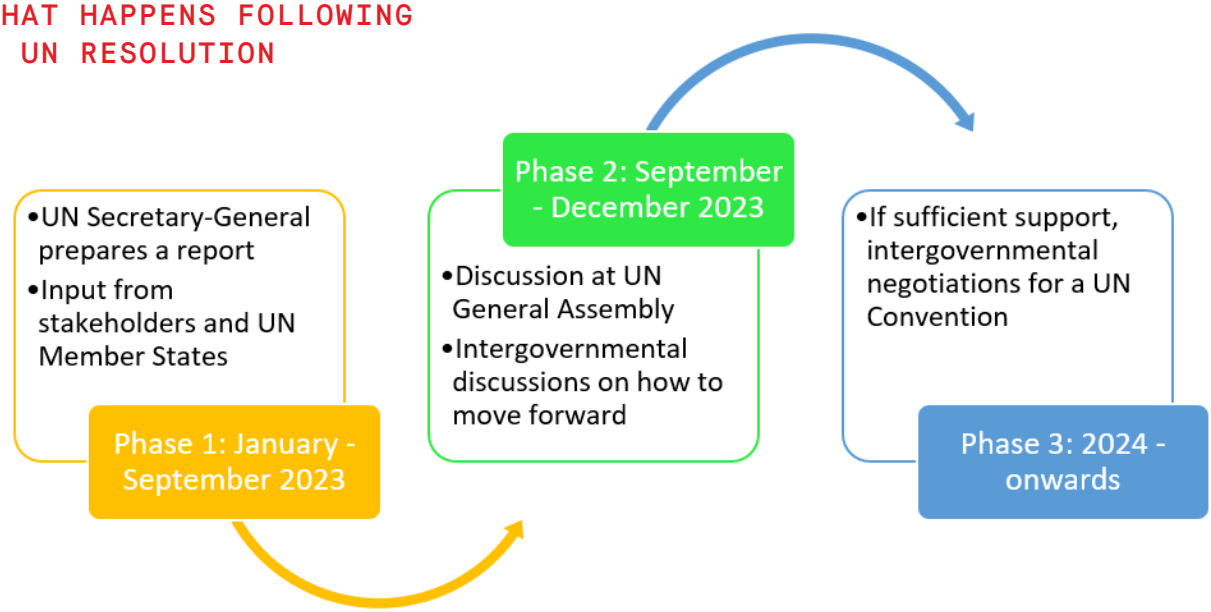
Following the presentation of the Secretary-General report to the General Assembly, a second phase will kick off involving longer negotiations between countries. Whilst the Resolution unequivocally calls for intergovernmental discussions on various ways to strengthen the inclusiveness and effectiveness of international tax cooperation, it leaves open the question of whether or not a Convention should put in place a formal structure for creating an international tax governance under the auspices of the UN.

The key discussions during this second phase will therefore be whether sufficient political support can be found to trigger institutional discussions with budgetary implications. If so, intergovernmental negotiations will take place with a view to draw up a Convention, which will then have to be ratified by UN Member States.

Key dates during that second phase will include:

- September 2023: Opening of the 78th Session of the General Assembly
- October 2023: Opening of 2nd Committee Discussion
- November 2023: General Assembly 2nd Committee discussion
- December 2023 : Conclusion of discussion at the General Assembly

WHAT HAPPENS FOLLOWING A UN RESOLUTION



A KEY ROLE FOR TRADE UNIONS

There is a long way to go before the emergence of a truly global governance on international taxation and the road ahead remains uncertain. Tax havens, competing institutions such as the G20 and the OECD, and the corporations that influence them, are unlikely to willingly let go of their influence. Trade unions should therefore educate their members, communicate on this issue publicly and urge their governments to clearly support intergovernmental negotiations for a UN Tax Convention. Active involvement by the labour movement, especially ahead of the key dates highlighted above, is an indispensable element of success.

All unions should demand their governments support for a more inclusive global tax governance, oppose tax havens and stop prioritizing corporate profits over funding public services.

It will be necessary to identify governments which are likely to obstruct progress and to focus communication and advocacy activities in these countries. The following table 2 lists UN Member States which either expressed reservations at the UN Resolution or did not express a public position.

Trade unions advocating for a UN Tax Convention are likely to be told that this would duplicate the work of the OECD, which has now developed an in-depth expertise on extremely technical aspects, and create risks of multiple and contradictory standards. They will also hear that the recent G20/ OECD global tax deal must not be cast away. For its supporters, the deal whilst not perfect constitutes a historic first step towards curbing tax competition. Overall, one should expect that the current power-play at OECD headquarters would also find its way at the UN.

As a response to these objections, it should be recalled that the objective is not to throw away current initiatives that have been put in place to curb corporate tax avoidance and illicit financial flows.

On the contrary, what is needed is an improved coordination of numerous existing instruments (UN tax Committee, FACTI panel, OECD/ G20 Inclusive Framework, Global Forum on Transparency and Exchange of Information etc.) and further strengthening of them on an inclusive global basis. Increased accountability and legitimacy will strengthen existing achievements, not weaken them, and offer a basis for robust improvement.

A question that should be at the heart of intergovernmental discussions should therefore be how existing expertise and resources can be tapped into, in the context of an inclusive and transparent institutional setting.

Furthermore, it is undeniable that the interests of tax havens and countries with neoliberal governments will remain the same in a UN context. However, a larger membership where all countries enjoy the same set of prerogatives will change the current dynamics.

A serious reflection should thus be engaged on how to put in place decision-making procedures that can be both effective and take account of the reality of national sovereignty. The consensus requirement that currently prevails in OECD quarters may be an even worse idea in a larger forum. Above all, full transparency must be guaranteed so that proposals and related impact assessments are open to public scrutiny.

It is also fundamental to underline that fixing broken corporate tax rules goes beyond short-term national interests. The real target is to end the use of tax havens that enable the chronic under-taxation of profitable multinationals, which feeds into insufficient tax revenue globally.

COUNTRIES SUPPORTING THE RESOLUTION WITH RESERVATIONS

Albania, Andorra, Australia, Austria, Belgium, Bulgaria, Canada, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Honduras, Hungary, Iceland, Ireland, Israel, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Micronesia, Monaco, Montenegro, Netherlands, New Zealand, North Macedonia, Panama, Poland, Portugal, Romania, San Marino, Serbia, Slovakia, Slovenia, South Korea, Spain, Suriname, Sweden, Switzerland, Ukraine, United Kingdom, United States

COUNTRIES WHICH DID NOT EXPRESS A PUBLIC POSITION ON THE RESOLUTION

Afghanistan, Armenia, Azerbaijan, Belarus, Cambodia, Haiti, Jamaica, Kiribati, Marshall Islands, Nauru, Palau, Samoa, St. Lucia, St. Vincent and the Grenadines, Tajikistan, Tonga, Turkmenistan, Uzbekistan, Vanuatu, Venezuela

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