

ITUC-PSI written inputs to the INC on the UN Framework Convention on International Tax Cooperation

10 July 2025

Table of Content

Cover letter	2
Workstream I – UN Framework Convention	4
Workstream I abstract	4
Our responses to paragraph 10 of the issue note are as follows:	4
On sub-question (a):	4
On sub-question (b)	5
On sub-question (c):	5
Our responses to paragraph 15 of the issue note are as follows:	6
On sub-question (a):	6
On sub-question (b):	7
Our responses to paragraph 18 of the issue note are as follows:	7
Workstream II – cross-border services	8
Workstream II abstract	8
Our responses to paragraph 23 of the issue note are as follows:	8
On subquestion (a):	8
On subquestion (b):	9
Workstream III – Prevention and resolution of tax disputes	12
Workstream III abstract	12
Our responses to paragraph 32 of the issue note are as follows:	12
On subquestion (a)	12

Cover letter

To: Mr. Ramy Youssef
Chair of the Intergovernmental Negotiating Committee (INC)
UN Framework Convention on International Tax Cooperation
c/o UN Department of Economic and Social Affairs, New York, NY

Re: Labour Movement written inputs to INC on the UN Framework Convention on International Tax Cooperation

10 July 2025,

Dear Chairperson,

On behalf of the Trade Union Movement, represented here by the [International Trade Union Confederation \(ITUC\)](#) and [Public Services International \(PSI\)](#), we extend our deepest appreciation to you and the Committee for the commitment, energy, and transparency with which you have conducted this critical and historic negotiations toward a United Nations Framework Convention on International Tax Cooperation.

Please find below a joint submission in response to each of the three Workstreams. We urge the Committee to take the next steps with ambition, courage, and a strong moral commitment to justice and equity. A truly fair international tax system is not merely a technical aspiration. It is a prerequisite for restoring trust in public and democratic institutions, for ending the systematic underfunding of essential public goods and services, and for building a multilateral order that places people and planet before profits and privilege.

To this end, this ITUC-PSI submission calls for a Convention and accompanying protocols that reflect the needs, voices, and lived realities of workers and their communities—both in the Global South and the Global North—who bear the brunt of the current tax injustice.

As the Committee moves toward its next phases, we respectfully call on you to:

- **Affirm the principle of universality and solidarity.** It is fundamental to move away from the current residence vs source jurisdiction approach and develop standards that ensure progressive outcomes for all;

- **Address systemic enablers of corporate tax abuse**, including transfer pricing rules and outdated nexus rules;
- **Facilitate fair and transparent dispute prevention and resolution between sovereign states**, while rejecting the inclusion of ISDS-style arbitration mechanisms under UN auspices;
- **Include binding commitments on transparency, as a cross-cutting principle;**
- **Mandate social and economic impact assessments** of tax rules, particularly their implications for gender equality, decent work, and sustainable development;
- **Aim for the creation a standing, well-resourced body** under the UN to monitor implementation, review sovereign disputes, and ensure accountability of all parties.

The ITUC and PSI also wish to stress the importance of the full and effective participation of trade unions and civil society organisations throughout the work of the committee. Furthermore, adequate preparation time is a crucial element to ensure meaningful involvement. Trade unions are democratic organisations that require sufficient time to consult their membership before submitting informed and representative responses to consultations.

We are convinced that the INC, and the UN system as a whole, has a unique opportunity to deliver a bold, transformative outcome—one that is rooted in justice and responsive to the needs of workers and citizens in every region.

We stand ready to support your efforts, provide our vision and perspectives from the ground, and build alliances to see this vision through.

Yours sincerely,



Luc Triangle
ITUC General Secretary



Daniel Bertossa
PSI General Secretary

Workstream I – UN Framework Convention

Workstream I abstract

This submission, made on behalf of the global labour movement (ITUC and PSI), urges the UN Framework Convention to establish a strong, equitable foundation for international tax cooperation.

Any commitment in relation to prevention and resolution of tax disputes must be done exclusively in relation to sovereign, state-to-state dispute resolution. The labour movement opposes investor-state dispute settlement, which creates parallel legal systems favouring multinational enterprises over democratic decision-making. Disputes must be resolved transparently, fairly, and solely between states.

On the allocation of taxing rights, we urge the Convention to move beyond the harmful residence vs. source jurisdiction model and commit to a value-creation approach based on employment, sales, and assets. These factors should be explicitly named as the baseline for all protocols. Intangibles should not be treated as a standalone factor, due to their manipulability and lack of credible international standards.

We also emphasise the role of transparency—not only between tax authorities, but also towards workers and civil society—as essential to implementation and dispute prevention. International tax cooperation must contribute to sustainable development, reduced inequality, and the protection of public services and wages.

This submission directly addresses the questions raised in paragraphs 10, 15, and 18 of the issue note.

Our responses to paragraph 10 of the issue note are as follows:

On sub-question (a): Legal certainty must be grounded in sustainable development, equity, and public accountability. While paragraph 10 of the ToR and the issue note (¶9) reference the importance of legal certainty for cross-border trade and investment, this framing is too narrow. The Convention must make clear that international tax cooperation is not simply about investor confidence or administrative efficiency, it is about raising revenue for development, protecting public budgets, precluding the “race to the bottom”, and enabling states to meet their social obligations.

We recommend that the Convention explicitly acknowledge the role of tax in:

- Financing sustainable development across its three pillars (economic, social, environmental);

- Ensuring the fiscal space needed for full employment and quality public services, including health, education, care and infrastructure;
- Tackling income inequality, including gender and intergenerational inequality;
- Supporting inclusive economic recovery and climate resilience, particularly in lower-income countries.

On sub-question (b): Commitments in relation to **dispute prevention and resolution must be limited to sovereign, state-to-state mechanisms**. The Convention's commitment to dispute prevention and resolution (¶9 of the issue note) must be grounded in sovereign cooperation between states, not mechanisms that empower private investors or circumvent domestic legal systems. We strongly oppose any interpretation or implementation of the Convention that could facilitate investor-state dispute settlement (ISDS) in tax matters.

As further described in our response to Workstream III, investor-led arbitration in tax disputes:

- Creates asymmetries of power between governments and multinational corporations;
- Undermines democratic oversight of tax policy;
- Privileges the enforcement of corporate rights over the protection of public interest;
- Has a documented history of being used to challenge progressive tax reforms.

Instead, the Convention should set out commitments that:

1. Facilitate the resolution of tax disputes between states with mechanisms that are fair and independent;
2. Emphasise the importance of transparency for all stakeholders, as opposed to the parties only;
3. Ensure that UN-led prevention and dispute mechanisms cannot be undermined or bypassed by trade and investment settlement systems,.

On sub-question (c): The Convention should commit to fair allocation of taxing rights based on real economic activity. In addressing how taxing rights are allocated between jurisdictions, the Convention must go beyond the outdated "residence vs source jurisdictions" framework and instead embrace a value-creation approach based

on real-world economic contributions. As outlined in ¶14 of the issue note, this is key to ensuring that all countries, especially those hosting employment, markets, and infrastructure, receive a fair share of tax revenue.

We support a principled commitment to the following factors as the foundation of value creation:

1. Employment, including both headcount and payroll—workers are central to the creation of profits and must be recognised as such;
2. Sales, reflecting the destination of goods and services and the contribution of market demand;
3. Assets, including physical infrastructure and productive capital.

Future protocols (such as Protocol I) may define weightings or thresholds for these factors, depending on the specific tax base covered. But this Convention must enshrine them as the baseline for all further work.

We also urge caution on the role of intangibles. While the issue note does not emphasise them, we note that:

- Intangibles are the outcome of assets, labour, and investment—not a standalone input to value creation;
- Their value and location are highly prone to manipulation, especially under current transfer pricing rules;
- There is still no internationally agreed statistical methodology for identifying and apportioning intangibles across jurisdictions.

Our responses to paragraph 15 of the issue note are as follows:

On sub-question (a): The elements in paragraph 14 provide a useful starting point, but must be expanded to reflect a truly fair allocation of taxing rights. We welcome the reference in ¶ 14 to the need for all jurisdictions where business activity takes place to share in taxing rights. This is a constructive framing, but the concept of “business activity” must be further clarified in order for the Convention to provide a meaningful foundation.

We recommend that paragraph 14 be expanded to commit explicitly to allocating taxing rights based on three key, verifiable indicators of economic presence:

1. Employment, including both headcount and payroll—workers are central to the creation of profits and must be recognised as such;
2. Sales, reflecting the destination of goods and services and the contribution of market demand;
3. Assets, including physical infrastructure and productive capital.

On sub-question (b): Intangibles must be excluded as a standalone basis for value allocation. We believe it is essential to include a clear caution in the Convention against the use of “intangibles” as an additional or standalone factor of value creation. We urge the Committee to address this directly, and state that:

- Intangibles are the outcome of labour, capital, and know-how—not a separate input;
- Their location is highly prone to manipulation under current tax rules;
- International standards for measuring and allocating intangibles remain underdeveloped and contested, including beyond OECD frameworks.

Our responses to paragraph 18 of the issue note are as follows:

Transparency is a critical aspect of international tax cooperation that contributes to sustainable development. ¶18 invites the Committee to consider whether additional aspects of international tax cooperation should be addressed to support sustainable development. We strongly believe that transparency is such an aspect, and that it must be explicitly addressed in the Framework Convention.

- Transparency is not only a technical matter between tax administrations, it is essential to ensuring fairness and effective dispute prevention.
- Trade unions and workers must also be able to access information on company profitability and tax behaviour, especially where tax avoidance directly affects wages, public budgets, and collective bargaining outcomes.
- Transparency should be recognised as a cross-cutting principle, necessary for the credibility, enforcement, and development impact of international tax cooperation.

Workstream II – cross-border services

Workstream II abstract

This submission, made on behalf of the global labour movement (ITUC and PSI), calls for an ambitious protocol that addresses the core weaknesses of the current international tax system, especially for taxing cross-border services in a digitalised economy.

Existing standards—built around transfer pricing and permanent establishment rules—are outdated and structurally biased against source jurisdictions. While the OECD’s Pillar One attempted partial reforms, it fell short due to its narrow scope and continued reliance on flawed principles. The UN process offers a vital opportunity to correct these imbalances.

We propose a framework based on optionality, where jurisdictions can adopt one or more models depending on capacity and context. These should include:

1. A Significant Economic Presence (SEP) model, with nexus based on digital sales and profit apportionment using employment and sales;
2. Source-based withholding, as a simpler tool for revenue collection where net-basis taxation is infeasible, though potentially temporary;
3. Digital services taxes (DSTs) as short-term measures during the transition to more long-term tax solutions, with safeguards against regressive impacts;

We caution against framing the challenge as one of capacity alone. Trade unions at workplace level have direct experience of how tax administrations across all most jurisdictions struggle with the complexity and manipulability of current rules. What is needed is systemic reform that prioritises fairness, and progressive outcomes. The protocol must define a broad scope for both services and taxes, with SEP at its core.

Our responses to paragraph 23 of the issue note are as follows:

On subquestion (a): The issue note gives a good overview of current rules, but fails to highlight their fundamental weaknesses. We agree that Section III(a) of the issue note accurately describes the existing rules governing taxation of cross-border services. However, it does not go far enough in acknowledging how these standards fail to address the realities of today’s digital economy.

In particular:

- The current international tax framework, including traditional transfer pricing rules and permanent establishment concepts, systematically disadvantages source jurisdictions, especially those in the Global South.
- While initiatives like the OECD's Pillar One recognised the limits of the arm's length principle in a digitalised economy, they failed to correct those flaws in a meaningful way.
- Pillar One introduced a partial move towards unitary taxation and new sourcing rules, but its scope was too narrow, and it retained problematic co-existence with transfer pricing.

The UN has a unique opportunity to go further and do better—by developing rules that reflect real economic activity, apply more broadly and address long-standing imbalances in the global tax system.

On subquestion (b): The most important considerations are to go beyond residence vs source debates and ensure progressive outcomes. Developing new rules for taxing cross-border services must be guided by two overarching objectives:

1. Moving beyond the residence vs source binary, by anchoring tax rights in economic presence; and
2. Ensuring that taxation is progressive and equitable, with multinational enterprises contributing their fair share and avoiding regressive tax shifts onto workers and consumers.

There is no one-size-fits-all solution, and a range of approaches may be appropriate depending on context. The protocol should reflect this through optionality—that is, a series of mechanisms that jurisdictions can select from, depending on their administrative capacity, policy goals, and level of digital integration. This principle of optionality is also discussed in Workstream III and should apply here.

We suggest the following panel of policy options:

1. Significant Economic Presence (SEP) based on a reformed nexus and formulary apportionment

This should be the primary model advanced under the protocol.

- SEP should reflect digital sales and deliberate market engagement as indicators of taxable presence, even without physical infrastructure.
- Profits should then be apportioned globally, based on real value creation—principally through employment and sales.
- Further discussion will be needed to determine the weighting of each factor.

2. Source-based gross taxation through withholding

Withholding tax at source can help capture revenue where services are consumed, especially in cases where net-basis administration is not feasible.

- It is easier to enforce for lower-capacity tax authorities and avoids reliance on complex transfer pricing methods.
- It is also likely to offer only a temporary solution, as residence jurisdictions may seek to limit the tax base to narrowly defined categories of services.

3. Digital services taxes (DSTs)

DSTs remain a necessary transitional tool for countries seeking to protect their tax base in the short term.

- Yet they can also be regressive in effect and risk retaliation from some jurisdictions.
- Where they are used, safeguards should be included to prevent the cost being shifted to workers and communities.

Additionally, we reject the argument implied in the issue note that capacity building alone will enable Global South administrations to apply transfer pricing rules effectively. In our experience, including from union perspectives in OECD countries, the core problem is not capacity, but the structural dysfunction of the rules themselves. Transfer pricing relies on subjective and easily manipulated, which even well-resourced tax authorities struggle to apply effectively.

As an illustration, company-level trade unions in high tax jurisdictions frequently encounter manipulation of the functional analysis, with a misclassification of labour intensive entities as low-value contributors. Such manipulation shifts income away from countries where real economic activity and employment occur. This suppresses workers' claims to a fair share of the value they help generate. It also results in underpayment of

corporate taxes. In our experience, such practices are widespread and tax administrations around the world, in developed and developing economies alike, lack the capacity to systematically reassess transfer pricing rules in each instance. On subquestion (c): **The scope of the protocol should be broad and inclusive, with SEP as a central pillar.** The protocol should not restrict itself to narrow definitions of taxable services or tightly circumscribed tax types. Instead, we recommend a **broad definition of services**, including both business-to-business and consumer-facing activities, as well as automated digital services.

Furthermore, optionality within the protocol (as discussed in Workstream III) could help accommodate different administrative capacities and policy preferences.

Workstream III – Prevention and resolution of tax disputes

Workstream III abstract

This submission, made on behalf of the global labour movement (ITUC and PSI), urges the UN Tax Convention to establish a principled and coherent approach to tax dispute prevention and resolution that is fully grounded in sovereign state-to-state cooperation. Any commitment in relation to prevention and resolution of tax disputes must be done exclusively in relation to sovereign, state-to-state dispute resolution. We strongly oppose any role for investors or private actors in these processes.

The issue note fails to address the core structural barrier to fair dispute resolution: the imbalance of power between multinational corporations and sovereign states. Investor–state dispute mechanisms, as found in trade and investment agreements, have enabled companies to bypass domestic systems, challenge tax reforms, and shape fiscal policy behind closed doors. These systems erode sovereignty, shrink democratic space, and protect the powerful while excluding the public.

Tax disputes must be resolved transparently, through cooperation between states—not through mechanisms designed to protect investor interests. Investors already have access to forums such as ICSID, the WTO, and BITs; they have no place in the UN’s tax architecture.

The UN has a unique opportunity to reject harmful models and set a new standard for equitable, state-led tax dispute resolution.

Our responses to paragraph 32 of the issue note are as follows:

On subquestion (a): The issue note downplays the political and structural barriers to fair tax dispute resolution. Section III of the issue note fails to address the most serious barrier to fair dispute resolution: the systemic imbalance of power between states and multinational corporations, and between wealthier and less-resourced countries.

- Dispute systems in trade and investment agreements have created a form of private justice for corporations, allowing them to sue governments over tax measures that threaten their profits.

- These systems undermine sovereignty, shrink democratic space, and shield MNEs from accountability, while communities harmed by tax avoidance have no recourse.
- The suggestion that the main barriers are procedural or technical obscures the deeper reality: many countries are pressured into backroom settlements or fail to pursue enforcement at all due to legal, financial or diplomatic asymmetry.
- Investors already have access to multiple forums for dispute resolution, including ICSID, WTO panels and mechanisms under bilateral investment treaties. There is no justification for including investors in the dispute settlement structures of the UN Tax Convention.

The Convention must reject this model entirely. The only legitimate basis for tax dispute resolution is sovereign state-to-state cooperation, grounded in transparency and public accountability.