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

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Table of Content

Workstream I – UN Framework Convention

Workstream I abstract

This submission provides comments on the Co-Leads' Draft Framework Convention Template of 24 October. It offers proposals to improve the clarity, coherence, and effectiveness of the Framework Convention. Our recommendations aim to support a streamlined, and workable global tax architecture that enables countries, particularly developing countries, to raise revenues where economic activity takes place and where tax justice and equity is required for the expansion of public goods and services.

We remain concerned about the timing of consultations during the Nairobi November 2025 negotiation round. Inputs are requested after government negotiations have already begun, which limits stakeholder contributions. Procedural transparency and

commitments should therefore be strengthened through predictable timelines for sharing drafts as well as timely and clear communication when schedules change.

Substantively, the draft Convention does not yet contain the institutional foundations required for a robust, yet adaptable, multilateral instrument. Key provisions remain absent, including articles on the Conference of the Parties, the secretariat, financing and technical assistance, monitoring and review arrangements, and entry into force. These elements are essential for effective implementation and long-term coherence.

The text also mixes objectives, principles and binding commitments across several articles. We recommend consolidating objectives and principles in the preamble and using clear, language for operative or instrumental articles. The Convention should also establish its relationship with existing bilateral and multilateral tax treaties and confirm its primacy where conflicts arise, particularly on allocation of taxing rights and harmful tax practices.

General comments

Transparency and timing

Stakeholder consultation deadlines have been scheduled after government delegates had already begun substantive discussions at the Nairobi November 2025 negotiation round. This has placed stakeholders one step behind the negotiations rather than contributing to policy development in tandem with governments. The process is therefore less transparent and less effective than intended. For a meaningful and inclusive multilateral process, future working drafts should be circulated with sufficient advance notice, accompanied by clear timelines and timely communication when revisions or delays occur.

Clarity of legal commitments

The current drafting style mixes objectives, principles, and binding obligations within operative articles. This creates ambiguity about what Parties will be legally required to do once the Convention enters into force. Objectives and principles would be clearer if consolidated in the preamble, while articles should contain precise obligations. Consistent use of the term “shall” is needed to distinguish legal commitments from broader aspirations and contextual framing.

Missing institutional architecture

Several institutional provisions that are central to any multilateral convention are absent from the draft. These include articles on the Conference of the Parties, the role and mandate of the secretariat, financing and the allocation of resources, capacity building

responsibilities, implementation review arrangements, and rules on entry into force and withdrawal. These provisions are fundamental to ensuring that the Convention can function effectively and remain relevant over time. Delaying them risks weakening the final instrument.

Relationship with existing instruments

The Convention should clarify how it interacts with existing bilateral and multilateral tax agreements and instruments. Many older treaties contain restrictive rules on taxing rights and dispute processes. Without explicit guidance, these instruments may continue to take precedence in practice. The Framework Convention should therefore establish the primacy of the Convention in cases of conflict, particularly where older agreements undermine source-based taxing rights or create obstacles to public interest measures.

Specific article-by-article comments

Article 4: Fair allocation of taxing rights

Article 4 has the potential to set a strong foundation for a fair and modern allocation of taxing rights, but several improvements are needed.

We recommend replacing the term “business activities” with “economic activities”. This reflects a broader and more accurate description of where value is created. The list of connecting factors, including value, market and revenues, should operate on an “and/or” basis. This ensures that any legitimate economic link gives rise to taxing rights without requiring multiple simultaneous conditions.

The article should also include a reference to “where workers are employed” or “where labour is performed”. Employment and labour are fundamental drivers of value creation and should be explicitly recognised.

Article 5: Taxation of high-net-worth individuals

We support the inclusion of an article on the taxation of high-net-worth individuals, but the provision should be strengthened. The use of the “net worth” concept may be misconstrued to hide the real market power of ultra-wealthy individuals by enabling a balance between assets and liabilities. Therefore, the article should include a clear commitment to ensure a minimum effective level of taxation for very wealthy individuals. This can draw directly on recent global proposals, including the work of Gabriel Zucman and his report to the G20, which demonstrates the feasibility and revenue potential of coordinated minimum taxation of the ultra wealthy.

Article 5 should foresee that operational details will be developed through a dedicated protocol in due course. This would allow Parties to determine thresholds, calculation methods, and administrative requirements in a coherent and practical manner.

The article should highlight the importance of taxing very wealthy individuals for addressing inequality and ensuring adequate resources allocation for public services.

Article 6: Mutual administrative assistance

Administrative cooperation is essential for modern tax systems. However, it cannot be considered as an adequate substitute for transparency obligations towards citizens and parliaments.

We recommend clarifying in Article 6 that confidential administrative exchanges of information between tax authorities do not affect the State Parties commitment to public country-by-countries reporting, which will take the form of a standardised template.

Article 7: Illicit financial flows, avoidance, and evasion

As a general remark, the definition should be fully aligned with the broader UN understanding, which includes tax evasion, tax avoidance, and other forms of elusive practices that generate illicit funds. A weaker definition could undermine global efforts to combat harmful activities and would be inconsistent with other UN processes.

Article 8: Harmful tax practices

Article 8.2 on tax incentives should explicitly refer to how those incentives contribute to creating quality jobs, rather than focusing only on investment or performance. Investment levels or company performance are abstract indicators that do not necessarily translate into better wages, secure contracts, or improved working conditions for employees. A company may invest heavily or show strong financial performance without creating stable, well-paid jobs or respecting labour standards. By referencing the creation of quality jobs directly, the article would ensure that tax incentives are tied to concrete, measurable benefits for workers and the real economy—not just to financial or macro-level indicators that may not improve workers' lives.

In relation to Article 8.3.a, we recommend upgrading the reference to "country by country information" to a commitment to adopt public country by country reporting for multinational enterprises. Public reporting is an essential tool for accountability and for reducing the prevalence of harmful tax practices.

Finally, the discussion on minimum taxes in Article 8.3.b should be strengthened. Minimum taxes are powerful instruments for preventing tax base erosion and should therefore not be limited to business activities originating in harmful-practice

jurisdictions. The proposal for a minimum corporate tax of 25% has been a historical request of the labour movement.

Several jurisdictions that have adopted the G20/OECD Pillar Two have also maintained an additional domestic minimum tax (e.g. UK, Columbia), which can treated as a covered tax under existing international standards. We therefore recommend that the Convention – and relevant protocols - appropriately recognise the added value of minimum taxes implemented at the domestic level.

Article 10: Prevention and resolution of tax disputes

The article should recognise that dispute prevention supports the ability of jurisdictions to implement sovereign tax policies and secure domestic revenues for public services. The Framework Convention should explicitly reject mandatory arbitration and any mechanisms that resemble investor state dispute settlement. Such mechanisms undermine tax sovereignty and create significant power imbalances. Any dispute resolution mechanisms must remain strictly between states and should include basic transparency safeguards, such as anonymised publication of outcomes.

Workstream III – Second protocol on dispute prevention and resolution

Workstream III abstract

This submission provides comments on the Co-Leads' Concept Note of 24 October on possible elements for the second protocol on the prevention and resolution of tax disputes. Our aim is to support a clear and practical protocol that protects tax sovereignty, reduces the frequency of disputes, and improves cooperation among Parties.

We agree that the protocol should focus on cross border tax issues. A well defined scope is essential for a workable instrument.

We support the exclusion of mandatory arbitration and any procedures that resemble investor state dispute settlement. These mechanisms tend to favour better resourced administrations and multinational enterprises, result into revenue loss, create risks for sovereign tax policy and operate with limited transparency. A state to state approach is more predictable and better aligned with the public interest nature of taxation.

Information asymmetry is a major source of cross border disputes. When administrations lack access to reliable comparable data, routine cases can escalate into disagreements about pricing, value creation, or adjustments. We therefore support exploring pooled access to transfer pricing databases or a UN hosted database. Improved access can strengthen tax administration, allow earlier identification of potential issues, and reduce the likelihood of disputes. However, such tools cannot address the structural limits of transfer pricing. The protocol should remain compatible with a long term shift toward unitary taxation and be linked to wider transparency reforms, including public country by country reporting.

Specific comments

Scope

We agree that the protocol should be limited to cross border tax issues. A focused scope will help ensure that the protocol is workable for all Parties, reduces administrative burdens, and increases legal certainty.

Arbitration and ISDS

Mandatory arbitration and investor state style procedures should not be included in the protocol. These mechanisms tend to favour well-resourced countries and multinational enterprises, and they often operate with limited public oversight. They can create significant risks for sovereign tax policy because important decisions are placed in the hands of arbitrators whose reasoning may not align with domestic policy objectives. Such mechanisms are also costly and difficult for many administrations to access. A state-to-state approach is more predictable, more transparent, and more consistent with the public interest nature of taxation.

Information asymmetries and transfer pricing databases

Information asymmetry is a significant cause of cross border tax disputes. When tax administrations do not have access to reliable comparable data, disagreements arise about the suitability of benchmarks, the location of value creation, or the accuracy of transfer pricing adjustments. Improving access to information can therefore help prevent disputes before they arise by allowing administrations to identify issues earlier and apply more consistent methods.

We support exploring pooled purchasing arrangements or a UN hosted transfer pricing database to improve access to comparable information. These tools would reduce costs and administrative burdens, particularly for developing countries. Better access would not eliminate disputes, but it would support more predictable administration and reduce the frequency of conflicts that escalate into formal procedures.

However, access to transfer pricing data cannot resolve the structural limitations of transfer pricing methodologies. Transfer pricing often does not capture how multinational groups operate in practice and continues to be a frequent source of disputes. The protocol should remain compatible with a long-term shift toward unitary taxation with formulary apportionment, which can significantly reduce opportunities for transfer pricing disputes. Work on information access should also be linked to broader transparency reforms, including public country by country reporting, establishment of a Global Assets Register, Automatic Exchange of Information and Beneficial Ownership Transparency, which can help identify risks early and limit dispute escalation.

While recognizing the imperative for proactive cooperation mechanisms including simultaneous tax examinations, joint risk assessments, and advance consultation procedures, and the fact that these mechanisms allow competent authorities to identify and resolve contentious issues before they crystallise into formal disputes, we are also concerned that these mechanisms require administrative capacity that many revenue

authorities do not currently possess. Protocol 2 must therefore make such mechanisms voluntary by extending Special and Differential Treatment for such authorities until sustained capacity development support enables their effective participation.