

TJNA'S Statement in Response to the Advanced Unedited Report of the UN Secretary-General on the Promotion of Inclusive and Effective International Tax Cooperation at the United Nations (Tax Report)

In a historical move, on the 30th of December 2022 the United Nations General Assembly adopted Resolution 77/244 focusing on the advancement of inclusive and effective cooperation on tax matters. Following adoption of the resolution, UN Member States called upon the UN Secretary General to compile a report through consultations with relevant stakeholders. On the 8th of August 2023, the Secretary General unveiled an advanced preliminary version of the report, indicating a promising trajectory for its consideration by UN Member States before the year concludes. The Tax Justice Network Africa (TJNA) commends this action, which outlines a roadmap for the report's completion and subsequent discussion and adoption by UN Member States. As [TJNA we provided inputs into the report](#) in March 2023, and we are pleased to note that several pivotal concerns and recommendations proposed by TJNA have been incorporated.

The advance report underscores the imperative for the international tax system to reflect principles that are universally applicable, including the fundamental notion of equal sovereignty among all Member States. Additionally, it emphasises that international efforts in tax cooperation must exhibit a comprehensive approach, taking into full account the diverse requirements, priorities, and capacities of all nations, particularly those facing unique challenges. This element carries substantial significance, as past reforms within the global financial framework have occasionally overlooked the developmental priorities of developing countries such as those from Africa.

The advance report asserts that existing treaty-based rules for allocating rights to taxing income and capital among jurisdictions allow for base erosion and profit shifting (BEPS) and need updating. It further indicates that the OECD's two-pillar proposal, while substantial, falls short of adequately addressing the concerns of developing nations regarding the allocation of taxing rights. TJNA has previously highlighted that the proposed new rules under the two-pillar proposal, if enacted as suggested, could perpetuate disadvantages for market-based jurisdictions, notably those in the global south, including a significant number of African nations.

TJNA maintains the stance that reforms of the international financial architecture must factor in the requisites for sustainable development. The advance report duly acknowledges that international tax cooperation is wider than matters of trade and investment and that it necessitates a comprehensive approach to addressing sustainable development, economic and social inequality, and environmental considerations.

In the context of African nations' engagement in the OECD Inclusive Framework, a prevalent challenge has been the patchwork adoption and implementation of rules under the BEPS package. Notably, while over twenty countries from the global north have begun implementing the Pillar 2 Global Anti-Base Erosion (GloBE) rules, including the Qualified Domestic Minimum Top Up Tax (QDMTT), only two African countries are currently implementing the QDMTT. This discrepancy is attributed mainly to the compliance burdens faced by already resource-constrained governments and the need to adjust tax legislation to integrate and operationalise complex new tax rules. In response to this challenge, the advance report emphasises that globally accepted policy alternatives must be feasible for implementation across all jurisdictions.

In defining comprehensive and effective tax cooperation, the preliminary report underscores the need for participation and engagement in agenda setting. This aspect resonates strongly with TJNA's concerns. TJNA advocates for the inclusion of developing nations in agenda-setting platforms and increased representation of states. In the OECD Inclusive Framework, only twenty-seven African

nations hold membership, while others remain excluded from discussions on international tax rules. Additionally, it's crucial to note that non-OECD countries that join(ed) the Inclusive Framework are required to comply with and implement tax rules that were discussed and agreed upon before the inception of the Inclusive Framework, despite joining later.

The Secretary General's report proposes three potential avenues for reforming the international financial architecture. The propositions are a UN multilateral instrument, a UN framework convention, or a UN framework for international tax cooperation. It is worth noting that the report underscores that the consensus on international tax regulations is merely one aspect of truly transforming the global tax architecture, the efficient implementation of these agreed-upon rules by all Member States remains a critical element for enhancing their effectiveness.

Hence, irrespective of the chosen approach by Member States, it is imperative that the selected option guarantees that internationally agreed-upon tax rules are binding for all nations. Moreover, it should extend coverage to address the most pressing challenges in international taxation, accommodate the participation of all jurisdictions, and outline tax rules that are clear in their scope and nature, ensuring simplicity to promote implementation by all nations, particularly developing countries who are experiencing severe resource constraints. Regrettably, the third proposal for a framework of international tax cooperation falls short in meeting these criteria, as it could compromise the clarity and binding nature of international tax rules.

In our assessment, the preliminary report presents robust proposals to tackle the intricacies of international tax cooperation. We join our colleagues in the Global Alliance for Tax Justice (GATJ) in welcoming the proposals outlined in the report and express support in calling for Member States to adopt Option 2 on a United Nations Framework Convention. As Member States embark on discussions and eventual adoption of the report, we hope that they remain vigilant to retain the robust proposals and also reach a swift decision on the way forward for negotiations and agreements on a new regime of international tax rules. This collective effort holds immense potential to foster equitable global economic development and an international financial system that is inclusive, fit for purpose, balances the interests of developing and developed countries and reflects the values of all Member States.