



2022 Financing for Development Forum

Session on Building a fair and effective tax system and combating illicit financial flows

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We in civil society, while extremely supportive of a comprehensive reform of the international tax architecture, albeit only through a UN Tax Body, argue that such reform, especially as regards taxation of the digital economy, would have to start with the recognition by the international community of the sovereignty of each nation and its right to levy taxes.

It goes without saying that engaging in international negotiations is also an exercise of sovereignty.

Digital services taxes imposed by a number of countries would have to be respected and these nations should not be threatened with trade sanctions, nor should they be pressured politically or economically to agree to a legal framework that at the end of the day generate little or nothing in terms of tax revenues from digital platforms.

Unfortunately, the OECD/G20 BEPS Inclusive Framework with respect taxation of the digital economy in market jurisdictions, also known as Pillar 1, is limited only to those with revenues of EUROS 20B, and only that amount which exceeds the 10% margin shall be taxed. There may not be anything in excess of that 10%, or it could be as little as a few dollars.

Competition policy issue: local service providers, local platforms, who pay corporate income tax, often 25-35%, would have to compete with digital platforms who benefit from aggressive tax planning we often hear and read in the news. On top of that this digital platforms need not pay income tax in market jurisdictions since given that the nature of digital services, these platforms do not need permanent establishments or physical presence to render services in market jurisdictions.

A double whammy for workers in local digital platforms in developing countries: enormous amount of foregone revenues that their countries could otherwise use for education and health, while putting in peril their employment as their local employer, which pay CIT, would have to compete with big digital platforms – with all of their tax advantages, both in the market jurisdictions and even at their headquarters and related parties.

For these reasons, we respectfully advocate for the creation of a UN Tax Body. We believe the UN can build on the excellent work through the years of the UN Tax Committee and the equally impressive Findings of the FACTI Panel.