The Tax Chronicle

A special edition of the FfD Chronicle

CIVIL SOCIETY FINANCING FOR DEVELOPMENT Mechanism

The CS FfD Mechanism is an open civil society platform including several hundreds of organizations and networks from diverse regions and constituencies around the world. CS FfD Mechanism's core principle is ensuring that civil society can speak with one collective voice.

THE TOP 10 CHECKLIST FOR INC5

Distinguished Delegates,

As mentioned yesterday, we welcome the progress made, but regret what is missing – not least AMBITION!

The terms of reference for this process have set a high bar, but we see some Member States being slow on the uptake when it comes to delivering on the job the General Assembly has given us. The civil society "checklist" outlined below paves the way to getting the negotiating text to where it needs to be.

With this major shift, practically all countries stand to gain – it is a win-win situation! Let's go for it!

<u>**No to the skeleton Convention – substance matters!**</u>

☐ 1. **Sustainable development.** The Convention cannot fulfill its mandate of establishing an "international tax system for sustainable development" if it fails to flesh out and operationalize the entire concept! While there were changes made to some articles, where is the progress on Article 4? And why - after so eagerly pushing the button to speak on Articles 1 and 2 - did most of the delegates seem to have fallen asleep when we reached this issue yesterday? Article 4 needs a lot of work - it is time to substantially elaborate it, in order to:
   - ☐ a. <u>Ensure a strong link between taxation, fiscal policies and existing UN goals, commitments and obligations</u>, including a standard and review process under the Convention.
   - ☐ b. <u>Progressive environmental taxation</u>, including a global mechanism for a polluter pays tax.
   - ☐ c. <u>Tax and gender equality.</u> In line with numerous existing UN agreements on women's rights and gender equality, as well as the commitment from the 4th Financing for Development Conference in Sevilla, July 2025, it is high time to "advance discussion on gender responsive taxation" – including by incorporating this issue in the UN Tax Convention.

☐ 2. **A fair allocation of taxing rights, including effective source country taxation.** While some progress was made on article 5 in the draft text, we need more ambition! And no – less is NOT more!

☐ 3. **Equitable taxation of multinational enterprises.** Where is the article on corporate taxation? Despite mention in the ToR para 10(a), we still could not find it in the zero draft text. Are we missing a page? We need an Article that delivers equitable taxation of multinational enterprises - as promised in the ToR. Specifically, the Convention must include a mandate for the development of unitary taxation with formulary apportionment, supported by a global minimum effective corporate tax rate.

☐ 4. **Tax and extractive industries.** We must ensure effective taxation of extractive industries in source countries, including by ensuring a fair allocation of taxing rights and effectively addressing the special types of illicit financial flows and harmful tax practices that occur in this sector. The UN Tax Convention must include a strong and clear commitment to address this matter (see proposal by the Africa Group – July 2025).

☐ 5. **Ensure effective taxation of high-net worth individuals**, including a global mechanism. "Exploring" coordinated approaches will not suffice – in line with the ToR the Convention must "ensure" the effective taxation of HNWIs.

☐ 6. **Address illicit financial flows, including through information exchange and transparency.** We now have a definition of illicit financial flows. It needs to be improved, but we're glad the conversation is starting! However, to actually stop them, we also need the UN Tax Convention to commit to "develop and implement measures" including:

THE TOP 10 CHECKLIST FOR INC5, *CONTINUED*

- ☐ a. We need full transparency around where multinational corporations do business and how much they pay in tax in each jurisdiction – also known as public country-by-country reporting. Furthermore, beneficial ownership transparency will be essential to prevent anonymous shell companies – together with strong efforts to stop harmful tax practices.
- ☐ b. A large proportion of the world's developing countries are not benefiting from the OECD's automatic information exchange system. It is time for the UN Tax Convention to set up an Automatic Exchange Mechanism that works for all, linked to a UN Global Asset Registry.

☐ 7. **Principles. We need progress, not a copy of the ToR!**

- ☐ a. We need common but differentiated responsibilities, polluter pays, and special and differential treatment for developing countries.
- ☐ b. A principle that establishes the obligation for states to cooperate, and that balances national sovereignty with international responsibilities, see ToR para 9(b).

☐ 8. **No to arbitration and sweetheart deals with multinational corporations.** Existing tax agreements and rules serve as valuable lessons on what NOT to do. This includes binding arbitration, and trying to patch up the failed transfer pricing system with secret "advance pricing agreements" between tax administrations and multinational corporations - also known as "sweetheart deals". These issues were not mentioned nor mandated in the ToR, but have now become the main focus of Protocol 2, which is highly problematic.

Effectiveness

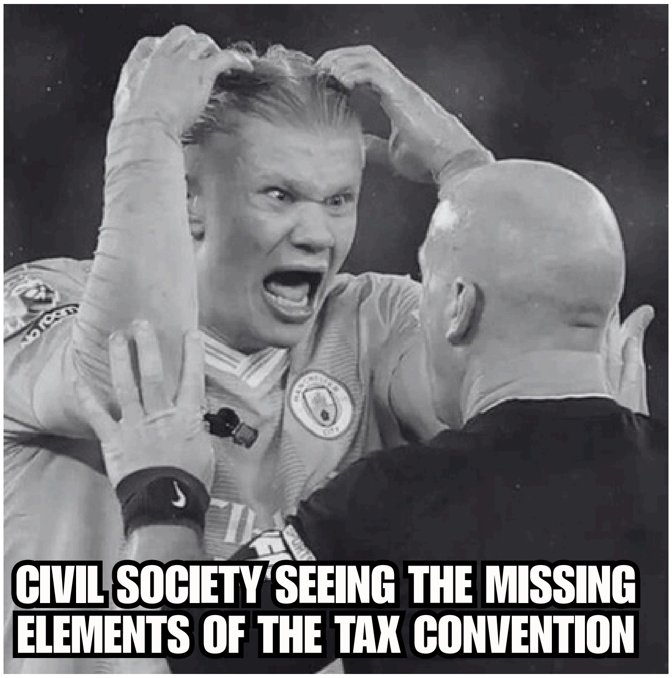
☐ 9. **Ensuring a strong and effective UN Convention**

- ☐ a. Existing agreements that conflict with the Convention must be renegotiated or terminated. We welcome Article 21 in the new draft text. We're moving in the right direction, but the text needs to be strengthened!
- ☐ b. The Convention must have solid and effective compliance mechanisms, as well as a strong and coordinated response to non-cooperative jurisdictions (incl. non-signatories to the Convention).

Process

☐ 10. **We must have a proper process – in line with the ToR and established UN practices**

- ☐ a. No more secret zoom meetings. A UN Convention can only be as legitimate as the process that produced it, and an "inclusive, fair, transparent, efficient, equitable and effective international tax system for sustainable development" cannot emerge from an exclusive group meeting in secrecy on zoom. It is high time to stop the illegitimate practice of secret zoom negotiations and create a transparent and inclusive process. (see ToR para 21 on stakeholder participation).
- ☐ b. We need the negotiations to be Member State-led. We have heard great proposals from countries but, for some reason, many have not been appearing in the text. We need a Member-State-led process in line with para 3 of the ToR. We need proper process – let's see some negotiating text by Member States that has proposals in brackets!
- ☐ c. Ensure effective participation of both countries and civil society. The visa and funding challenges related to entering the United States and participating in these negotiations have prevented many colleagues from attending – both from civil society and from governments. This issue must be addressed (again, see ToR para 21 on stakeholder participation).



WHERE ARE PEOPLE AND THE PLANET?

Whilst the mandate given by the General Assembly to create "an international tax system for sustainable development" could not be clearer, civil society's expectations regarding Article 4 were immense. Despite its importance, Article 4 has arguably been the most neglected article since the start of these negotiations.

The new draft has failed to meet these expectations. There is no mention of the rights of women and people of colour, who are the most severely affected by unfair and regressive tax systems. Nor is there any reference to climate change, undoubtedly one of the greatest crises of our time. There is also a lack of a principle that is indispensable for ensuring global tax justice, namely the progressivity of the system.

The World is Burning for Tax Justice

Yesterday, we were again thoroughly disappointed. Judging by the sleepy atmosphere, you wouldn't have guessed that several of the countries in the room are literally on fire.

France, Spain, Greece, Canada, Algeria, Morocco, Tunisia and so many others are all fighting flames. Year after year, vast areas of the Amazon and the ancient forests of Southeast Asia are reduced to ash. People, and peoples, are forced to migrate. Countless species – including species as yet undiscovered – are driven to extinction.

And government after government is forced to find additional money to rebuild and restore while already dealing with very limited fiscal space.

Throughout the debate on sustainable development (which, unfortunately, lasted only as long as a coffee break) we kept asking ourselves: where are the people and the planet in these discussions that are so crucial to their future?

A small handful of countries have put forward proposals that would give substance to the article. We need: common but differentiated responsibilities and respective capacities, gender equality, recognition of historical inequalities in the tax system, progressivity, human rights - all concepts which should have secured universal agreement. Yet we have been met by a deafening silence from the majority of countries. It is certainly a deafening silence for the people suffering all over the world from the tangible consequences of a tax system that prevents states from protecting them and for the planet burning before our very eyes, with the complicity of multinationals that pollute and destroy it without paying to repair the damage.

We can do it!

The positive news is that delegates to this convention still have the power and the opportunity to help quench future flames – merely by adding a few dozen words to the text.

Numerous Member States have - in the past - proposed substance for Article 4. Yet it hasn't changed despite multiple interventions and submissions calling for more content. It remains vague, lacking any commitments that require the Parties to take action.

This wariness is rather odd. After all, other UN fora have long recognised the links between tax and sustainable development.

For example, the UN Convention on Biological Diversity calls for a tax regime to address the extinction crisis. The UNFCCC climate finance discussions increasingly feature formal calls to integrate international tax reform as a core mechanism for raising new, predictable, and debt-free climate revenue.

And the Compromiso de Sevilla has underscored the centrality of tax reform in financing for development (name dropping the UN Tax Convention, no less). And in this convention that is actually supposed to deal with tax issues? Barely anything – yet.

continued

Put simply, if we are to quench the flames of the climate emergency, protect people and the planet, we need strong national and international tax rules that work towards that objective.

If this forum on tax will not address the issue of taxes for sustainable development then it will fall to other UN processes to do it instead.

Dear delegates, the Sustainable Development Goals will never be achieved without a massive mobilisation of public funding, for which a fairer international tax system is one of the most necessary conditions. With much of the world on fire, and just a year left to finish the UN Tax Convention, now is the time to address this burning hole in the text.

Let’s put sustainable development where it belongs: at the heart of the tax agenda.

CIVIL SOCIETY PRESENTS

INFORMAL INFORMAL *Party*

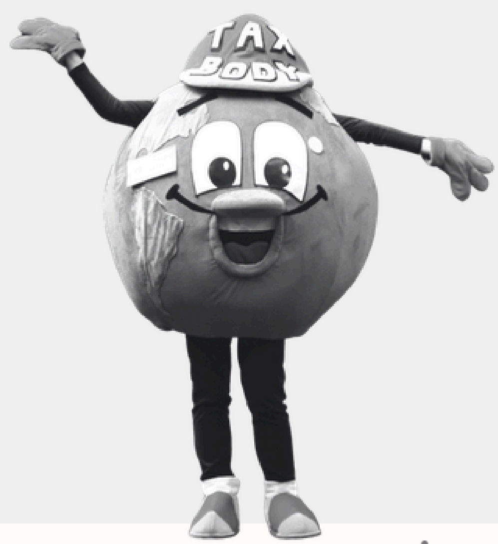
TAKE PART IN A ROOFTOP EVENT TO CLOSE WEEK ONE OF THE UN TAX CONVENTION NEGOTIATIONS!

EVERYONE SHOWING A UN BADGE IS WELCOME.

6PM - 10PM
FRIDAY, 7 AUGUST

FREE OPEN BAR AND APPETIZERS TILL 8PM!

AUDACE RESTAURANT ROOFTOP
365 PARK AVE SOUTH



GLOBAL ALLIANCE FOR TAX JUSTICE

#UN TAX CONVENTION

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