SUMMARY

BUILDING CONSENSUS IN THE UN FRAMEWORK CONVENTION ON INTERNATIONAL TAX COOPERATION

Wednesday 14 October 3:30-4:30 PM
Bangkok, Thailand

Organized by: ATAF, FES, G-24, ICRICT, Oxfam and South Centre

Overview

The roundtable considered what the United Nations Framework Convention on International Tax Cooperation should deliver and where consensus could be achieved. Participants supported a fairer and more inclusive international tax system that reflects developing-country priorities.

The discussion addressed inclusive governance, domestic resource mobilization, the allocation of taxing rights, cross-border services, dispute resolution, existing tax treaties, and the balance between consensus, ambition, and implementation.

Inclusive governance and participation

Participants described the Convention as a historic shift from OECD-centered rulemaking to a universal and democratic forum under the United Nations. The process gives developing countries an opportunity not only to express their needs, but also to participate directly in formulating and governing international tax rules.

The future Conference of the Parties was identified as important for preserving this inclusivity. It should allow participating countries to retain a voice in the Convention's governance and the continuing development of its rules.

Resource mobilization and allocation of taxing rights

Strengthening domestic resource mobilization was identified as a central objective. Outdated international rules, tax evasion, and illicit financial flows deprive countries of resources needed for development. Stronger revenue mobilization could help governments finance public services and development priorities with less reliance on external financing.

Participants emphasized that raising additional revenue should not necessarily require new taxes or higher rates. International rules should instead allocate profits and taxing rights according to where economic activity occurs.

Participants highlighted that Article 5, which establishes the core commitment to fair allocation of taxing rights, is the most consequential provision of the convention. Participants argued that economic presence should encompass supply-side contributions, including

labor, capital, and productive assets, and demand-side contributions from markets, users, and consumers. Countries in which these contributions occur should be able to tax the resulting income.

The current system was considered unequal because multinational companies and wealthy individuals can benefit from lower tax rates, while richer countries capture a larger share of international tax revenues.

Cross-border services, disputes, and existing treaties

Digitalization allows companies to generate income from consumers and users without maintaining a physical presence in their countries. Participants therefore called for stronger source-country rights over cross-border services.

The first protocol should establish practical rules, including clear thresholds, limited compliance costs, dispute-reduction mechanisms, workable gross-basis taxation, and appropriate flexibility for net-basis taxation in specified circumstances.

The second protocol should provide fair, efficient mechanisms to prevent and resolve disputes. Smaller and developing economies should not be disadvantaged when dealing with better-resourced counterparts. Participants expressed particular concern about arbitration and its potential consequences for African countries.

The relationship between the Convention and existing bilateral tax treaties was also identified as a sensitive issue. Existing treaties can restrict developing countries' ability to undertake tax reforms and address illicit financial flows. Article 21 was highlighted as relevant to determining how the Convention will interact with those agreements.

Participants maintained that fiscal sovereignty should enable international cooperation rather than obstruct it. The Convention should address existing treaty relationships while preserving countries' ability to undertake necessary reforms.

Consensus, ambition, and implementation

Participants noted that negotiations had moved from broad ideas to concrete legal language across the Framework Convention and the two protocols. Decisions on taxing rights, governance, and dispute resolution will influence development financing for years to come.

Reaching an agreement will require constructive engagement and compromise by developed and developing countries. However, participants cautioned that consensus should not come at the expense of ambition. Continually weakening the proposed rules could reproduce the existing system and undermine the purpose of the UN process.

The Convention's effectiveness will also depend on implementation. Loopholes should not allow advanced countries or other well-resourced actors to circumvent the framework. The final outcome should be strong, inclusive, practical, and able to deliver concrete improvements for developing countries.

Participants

- **Tommaso Faccio**, Head of Secretariat, Independent Commission for the Reform of International Corporate Taxation (ICRICT); Moderator.
- **Yasser Sobhi**, Vice Minister of Finance for Fiscal Policies, Ministry of Finance, Egypt.
- **Marden de Melo Barboza**, General Coordinator for International Financial Affairs, Ministry of Finance, Brazil.
- **Alfred Okoh**, Group Director, Transformation & Strategy, Nigeria Revenue Service,
- **Iyabo Masha**, Director, G-24 Secretariat.
- **Thulani Shongwe**, Head of Member and Multilateral Engagement, African Tax Administration Forum.
- **Jayati Ghosh**, Co-Chair, ICRICT.