

**ECOSOC Special Meeting on International Cooperation in Tax Matters
New York, 29 April 2021**

Informal Summary

1. On 29 April 2021, the Economic and Social Council (ECOSOC) held a special meeting on international cooperation in tax matters to discuss how countries can use tax policy and administration to tackle pressing social, economic and environmental challenges of our time, as well as harmful tax competition, tax evasion, tax avoidance and cross-border tax challenges of concern to developing countries. The meeting further presented an opportunity to address emerging issues related to (i) taxation and inequality, (ii) environmental taxation and (iii) taxation and financing for health systems, with the aim of mainstreaming inclusive and effective tax policies across efforts to achieve the 2030 Agenda and win this Decade of Action.
2. The meeting was held immediately following the virtual [22nd Session](#) of the UN Committee of Experts on International Cooperation in Tax Matters (UN Tax Committee) (19-23, 26-28 April 2021). It convened members and observers of ECOSOC, members of the UN Tax Committee, senior representatives of national tax authorities, relevant international and regional organizations, as well as civil society and academia, on a global platform to define innovative, evidence-based recommendations and best practices for policymakers and practitioners worldwide.
3. **Key messages** that emerged from the meeting included:
 - **Tax reforms** are key to building back better and leaving no one behind. The pandemic has laid bare and worsened inequalities among and within countries. But it also provides an opportunity to build more inclusive and resilient societies, especially where revenues are collected in a progressive way and redistributed to promote access to essential public goods and services for all.
 - The international community should consider a range of tools to **tackle inequality** and finance the economic and social recovery from the COVID-19 pandemic, ranging from taxing high net worth individuals to reviewing capital gains and estate taxes and addressing tax regressivity.
 - **Multilateralism** is key, against the backdrop of the current multidimensional health and socioeconomic crisis that has reversed hard-won development gains. International tax cooperation can further accelerate the recovery, especially where it addresses the concerns of developing countries, including on how to properly tax the borderless value creation inherent in digital business models that have flourished during the pandemic. It is crucial to improve access to taxpayer data, fight tax avoidance and evasion.
 - There is international momentum to introduce a **global minimum tax** designed to ensure that large multinationals pay at least a minimum level of tax, regardless of the jurisdiction where profits may be booked. However, the minimum rate must be commensurate with the revenue requirements of developing countries, especially as healthcare financing needs have increased. An excessively low rate may institutionalize and encourage a ‘race to the minimum’ where countries are forced to competitively lower tax rates.

- The dual challenge of the climate crisis and the pandemic of inequality call for decisive action in shifting the tax burden from consumers to polluters, and to establish more equitable systems within and among countries. Well-designed and implemented **environmental taxes** support the transition to more sustainable consumption and production patterns and raise revenues to finance investments in green technology. Crucial design features include measures to ensure that vulnerable households are protected against the potential regressivity of environmental taxes, and to avoid leakages and distortions that might harm the competitiveness of domestic businesses, especially in developing countries.
- Achieving the SDG on health and well-being requires additional domestic resources to ensure people can access health services when and where they need them, without financial hardship. Important sources of revenue may include **health taxes**, which also incentivize behavioural shifts. Prudent debt finance also plays a key role in bridging the revenue gap in health, as well as in other social and environmental areas, especially in developing countries.
- The UN must continue to serve as a **forum for international exchange** of best practices and ideas on tax policies in support of the SDGs. The UN Tax Committee makes an invaluable contribution to shaping international tax norms and standards that reflect the concerns of developing countries, which is essential to a fair and effective international tax system. For instance, as health taxes gain popularity, there may be strategic opportunities for the UN and the Tax Committee to develop inclusive and easy-to-administer guidance on taxes to finance health systems, a topic that is sensitive to the needs and political economies of developing countries.

I. Introduction

4. The current multidimensional health and socioeconomic crisis has reversed hard-won development gains and, together with the climate crisis, renewed the urgency for multilateralism, particularly in the international tax sphere. International cooperation on tax policy and administration is key to helping developing countries mobilize the domestic resources to invest in an effective health response and recovery, including large-scale immunization around the world. Developing and developed countries alike need to mobilize public and private sources of funding for sound infrastructure asset management that considers long-term risk and reward structures.

5. The UN Tax Committee is a unique, value-added platform to cooperatively address developing country concerns in international taxation. The introduction of Article 12B into the [UN Model Tax Convention](#) by the current 2017-2021 Committee membership, with regards to digital taxation, is an important tool as it allows a contracting state to tax income from certain digital services paid to a resident of the other contracting state. The UN Tax Committee also provides new practical [guidance on the tax treatment of Government-to-Government aid projects](#) with a view to supporting the financing of health systems and other public goods. The Committee's policy guidance informs UN-DESA's distinctive, integrated policy and capacity building support to developing countries on taxation and domestic resource mobilization.

6. UN Member States should consider a solidarity or wealth tax on those who have profited during the pandemic. It is important to align the pandemic response and recovery efforts with the 2030 Agenda and the Paris Agreement on Climate Change. COVID-19 has exposed the risks of under-investment in public health. In that context, tax policy and administration can support a sustainable and resilient recovery, including through measures to reduce tobacco, alcohol and sugary beverage consumption, as well as environmental taxation, with co-benefits for health and well-being. The international community must work towards a global tax system in which citizens as key stakeholders rightfully expect and are provided with taxation that addresses the challenges of our times and ensures sustainable development for all.

7. There is a need for concrete and collective action towards rebuilding from the pandemic and the related socioeconomic and environmental crises. Tax policies can and should be integrated into all recovery efforts to create more resilient societies, underpinned by fairer, well-designed and inclusive tax systems. ECOSOC has a crucial role to play in promoting and strengthening action-oriented, multistakeholder tax cooperation in support of the SDGs.

II. Taxation and inequality

8. The COVID-19 pandemic took, and continues to take, a high toll on equity, as it generated new inequalities and exacerbated existing ones. Just as not addressing the pandemic would have had catastrophic effects, not addressing inequality globally would have repercussions for even the richest countries. No engine is more powerful than honest, effective and resourced governments for redressing disparities in health care, education, work opportunities, and to tackle the effects of climate change.

9. Inequalities exist not only within, but also between countries, as evidenced in the different pace for vaccine distribution across countries. This highlights the important role played by taxation and tax policies that advance revenue mobilization and the achievement of the SDGs, particularly after the ravages of the pandemic. Gender aspects in taxation should be put to the forefront of fighting inequality.

10. The stabilization of the international tax architecture is critical to ensure that countries can build back better and in a more sustainable way. It is pivotal that corporate profits are taxed fairly to ensure that multinationals pay adequate taxes. The last mile on fighting tax avoidance and evasion needs to be walked – including effectively addressing tax challenges of digital business models. This encompasses inclusive tax norm setting and all countries working together to combat the increased inequalities that have resulted from the pandemic.

11. One way to increase tax revenues is by more effective taxing of high-net-worth individuals. Countries could introduce a separate wealth tax or, to minimize administrative costs and increase political acceptance, supplement existing property or personal income tax systems. To ensure effectiveness, countries may want to consider “exit taxes” such as those imposed by the United States upon abandonment of citizenship or (for non-citizens) abandonment of a green card by a long-term resident.

12. Likewise, formalizing the informal sector can be a powerful tool. Compliance and the relationship with revenue authorities should be facilitated, particularly for small businesses. This holds especially true for value added taxes, though possible regressivity should be addressed, for example through well-targeted fiscal transfers. This policy area also includes the taxation of the gig-economy of short-term and freelance workers.

13. As developing countries' economies are largely dependent on foreign direct investment there is often significant pressure to grant tax exemptions. While tax exemptions and deductions can be useful policy tools, thorough analysis of the options, weighing long-term costs and benefits, is necessary and so is international cooperation to prevent a race to the bottom. It is important to bear in mind that it is difficult to eliminate exemptions once granted.

14. Tax transparency is crucial to achieve desirable tax policy outcomes, such as higher taxes on high-net-worth individuals. Robust exchange of information regimes makes it hard to hide wealth offshore. Consequently, international tax cooperation in the form of (automatic) exchange of information is required, and developing countries need to have access to the information needed. Developing countries should prioritize signing international agreements to that effect and prioritize capacity development in this area. The high Country-by-Country reporting threshold should be reconsidered by the international tax community.

15. Capacity development in tax matters must address the needs of developing countries. The Tax Inspectors Without Borders project is helpful in this regard. It is advisable to embed capacity development into a domestic resource mobilization plan that accounts for envisaged reforms, revenue growth strategies and contains an implementation plan with measurable goals. For capacity development to be effective, national, regional and international political commitment is needed, as is investment in tax administrations' infrastructure.

III. Environmental taxation

16. An effective recovery from the pandemic requires building better toward a more inclusive and sustainable future. Although tax is only part of the solution, in order to establish more equitable systems within and among countries, efforts should be made to shift the tax burden from consumers to polluters, and to shift taxation from income to carbon. To achieve these aims, countries should put a price on carbon, eliminate fossil fuel subsidies and fast-track renewable energy and green infrastructure projects.

17. These instruments have the dual benefit of expanding revenues needed for public investments toward transition to sustainable development, while directly reducing emissions and pollutions by giving economic actors a market signal. Green tax incentives can also promote clean choices and research and development and they should replace current fossil fuel subsidies. Evidence also shows that environmental taxation and expenditure has the potential to promote a range of macroeconomic benefits, such as increased employment, economic diversification and competitiveness of domestic industries.

18. As climate change is a global issue, part of the solution will have to be based on international cooperation and cross-border taxes, which would prevent leakages and distortions and provide incentives for each country to actively participate in the fight against climate change. International organizations and development partners can play a key role in supporting countries to find the options best suited to their needs – with calls for the United Nations as the key player in providing guidance to developing countries, and to act as an honest broker among countries in different stages of their development. An excellent example of a collaborative effort benefitting from multiple perspectives is the work of the UN Tax Committee in producing the new [United Nations Handbook on Carbon Taxation for Developing Countries](#).

19. Momentum is building for more wide-spread and global implementation of carbon pricing. Countries are considering this option especially as they seek smart solutions to the dual challenge of the COVID-19 pandemic and climate change; there have been positive developments in this direction, including the European Union’s proposed carbon border tax, Indonesia’s updated vehicle taxation systems, and the G20’s push for agreement on environmental taxation. However, in most countries, current carbon prices are still too modest (and carbon tax rates too low) to provide the emissions-reduction incentives that are necessary for a net-zero carbon transition. There are several challenges to the introduction of effective tax systems and administrative measures towards environmental protection at scale and globally.

20. One of the main barriers is the generally low public acceptance of new taxes, which could make the introduction of environmental taxation politically difficult and economically complex. Low acceptance is partly due to its potential regressivity. Distributional effects and asymmetric political economic consequences of environmental taxes must be addressed to avoid new inequalities, and to promote sustainability and fairness. Appropriate measures could include investments in public utilities (e.g., efficient transportation systems), as well as instruments such as regulations, disclosure requirements, and fiduciary obligations of institutional investors. This way, countries could avoid overreliance on tax, and achieve the 1.5° or 2°C target in a more cost-effective way (i.e., with a lower carbon price or environmental tax).

21. There is no one-size-fits all environmental tax policy, and the most effective tax instruments would be both tailor-made for each country’s political economy context and implemented at scale to ensure global effectiveness. For example, Colombia set an emission target at 6 per cent, with a view to increase it to 50 per cent, and has been aiming to introduce environmental and social measures within a broader tax reform. Revenue generated from these taxes would be channeled towards environmental protection; additionally, taxes were calibrated to avoid increases to consumer prices beyond the level that spurred desired changes in consumption.

22. Many countries need to find new sources of revenue due to the combined effect of higher spending because of the pandemic and high debt financing; despite its potential benefits, environmental expenditure has not been high on the list of most countries, with less than 20 per cent of recovery funds spent on green activities in OECD countries, and lower figures in most developing countries.

23. Whereas environmental taxes could play an important role in the quest to raise revenues for recovery, governments should also consider introducing broader fiscal instruments that could promote environmental protection. Especially in developing countries, debt financing could play a key role to bridge the revenue gap for investments in social and environmental spending programs, such as mass transport systems.

24. In the example of Thailand, these instruments include higher excise tax and customs duty on activities that exacerbate environmental pollution, as well tax incentives to encourage low-carbon businesses and activities. Thailand also recently issued a Sovereign Sustainability Bond, the first of its kind in the Southeast Asian Region, to finance their continuous commitment towards the Paris Agreement and the SDGs.

IV. Taxation and health

25. The COVID-19 pandemic highlights the importance of achieving universal health coverage even as it places increased pressure on public funding as a result of the direct and indirect costs of the pandemic. Finance Ministries around the world must develop sustainable financing for their health systems, which should be based on traditional sources of government revenues, such as well-designed value-added taxes, personal income and capital taxes, and corporate taxation that takes into account international norms and agreements.

26. Governments may also want to consider the introduction or reform of excise taxes on tobacco, alcohol and sugar-sweetened beverages (SSBs), which may provide additional revenue in the short- to medium-term. These taxes, which collectively are described as health taxes, provide an opportunity to achieve multiple policy objectives. By reducing consumption of the objects of the tax, health taxes reduce the incidence of non-communicable diseases (NCDs), reducing health care costs generally and, specifically, with respect to COVID-19, as NCDs are a risk factor for more serious complications of the virus.

27. Significant analytical work, by the World Health Organization (WHO) and others, has been done and is ongoing with respect to the optimal design of such taxes. When introducing or reforming health taxes, governments should take into account elasticities of demand for the relevant products in their particular jurisdiction to ensure that reforms result in increased revenue as well as improved health results. Moreover, close coordination between health ministries and finance ministries is important to achieve the taxes' goals. For example, concerns about economic effects have sometimes led to the introduction of taxes at a rate too low to achieve either health or revenue goals. Further, regional cooperation leading to tax harmonization can help develop consistent tax bases and rates, easing administrative burdens by reducing the incentive for smuggling products (particularly tobacco and alcohol) across borders.

28. Some concerns regarding such taxes may be incorrect or overblown. Although excise taxes can have a bigger impact on the lowest income groups, leading to a regressive tax system, such lower income groups are usually at most risk of suffering related illnesses, so that the decrease in consumption could benefit these groups more in the long term. While reducing the consumption of the targeted products may have negative economic effects for that sector of the economy, the economy overall generally does not suffer as consumers substitute consumption of other, healthier, goods or services.

29. One area where consensus has not been achieved is on the question of whether revenues generated by health taxes should be dedicated to the health system. Some are concerned that such earmarking is inconsistent with a principled government budgeting process and may actually lead to less public support for the health sector. Others point to instances where earmarking the revenues from health tax reform to expand access to health care or to help displaced workers has helped to generate public support for the reforms. The correct approach to earmarking is likely to be a pragmatic approach that achieves the optimal balance of health and revenue benefits in the circumstances of each country.

30. Since there is a current need to address health issues, the UN Tax Committee could consider providing guidance and recommendations on the introduction of taxes addressing health issues. This guidance could include technical support on the design of such taxes and recommendations on how to allocate the collected revenue to contribute to the achievement of the SDGs.

