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The Permanent Observer Mission of the African Union to the United Nations presents its compliments to the United Nations Department of Economic and Social Affairs and has the honour to refer to the Note Verbale DESA-23/00487, inviting Member States and intergovernmental organizations to submit written input to inform the report of the United Nations Secretary-General to be prepared in response to the General Assembly resolution 77/244 of 30 December 2022, entitled "Promotion of inclusive and effective international tax cooperation at the United Nations."

In this regard, please find attached herewith the African Union submission to the above-mentioned subject.

The Permanent Mission of the African Union to the United Nations avails itself of this opportunity to renew to the United Nations Department of Economic and Social Affairs, the assurances of its highest consideration. 

New York, March 16, 2023

**United Nations Department of Economic
and Social Affairs**

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**AFRICAN UNION COMMISSION SUBMISSION TO THE UNITED NATIONS SECRETARY-GENERAL REPORT
ON" PROMOTION OF INCLUSIVE AND EFFECTIVE TAX COOPERATION AT THE UNITED NATIONS**

INTRODUCTION

1. The African Union Commission expresses its gratitude at the opportunity to lend support to the United Nations Secretary General Report on the Promotion Of Inclusive and Effective Tax Cooperation at the United Nations. Further, the Commission welcomes the decision by the United Nations to re-evaluate the effectiveness of international tax cooperation and the promotion thereof within the United Nations.
2. For several years, the international community has been working towards an agreement to reform the international tax framework to ensure that it is fair and fit for the globalized economy. That has included addressing tax planning structures that result in multinational companies having low effective tax rates, as well as updating the rules to ensure they address new business models that are now prevalent in the digital economy.

KEY ISSUES

3. The African continent has experienced some of the highest growth rates among developing countries over the past ten years. Despite the economic setbacks of the Covid-19 pandemic, Africa's recovery will be well supported by the mobilization of her own resources for development. Achieving this measure requires cooperation and coordination of key areas of taxation.
4. Primarily the major issue affecting Africa is the allocation of taxing rights to source jurisdictions. Redressing the imbalance in the allocation of taxing rights between source and residence jurisdictions currently favours residence jurisdictions to the detriment of source jurisdictions. Most African countries are source jurisdictions and, therefore, are adversely impacted by the current allocation rules. The growth of global markets and cross-border transactions in Africa has resulted in a slight increase in tax-to-GDP ratios but has increasingly complex structures set up to reduce taxable presence in Africa.
5. The African Union remains on track to achieving the targets set in Agenda 2063, and stemming illicit financial flows (IFFs) out of Africa through artificial profit shifting by some MNEs operating in Africa is vital to achieving this task. This requires a coordinated and structured global effort that recognizes the need for investment and domestic resource mobilization.
6. The current global tax discussion has missed the opportunity to fully address the issues of the allocation of taxing rights. This is an important part for African countries, noting the developmental nature of African economies and that, primarily, these are source jurisdictions. While developments have taken place through the Organisation for Cooperation and Development (OECD) Inclusive Framework, at least half of the continent has not partaken in those discussions. It is therefore important to have a look at the wide-ranging implications for African commerce, investment policies and economic growth juxtaposed to the new proposed global tax rules.

PROPOSED FUNCTIONS

7. In order to promote global cooperation on tax matters, the process must be inclusive in incorporating the views of existing African structures, consider the work of the UN Committee of Experts on International Tax Cooperation and should be a Member State-led intergovernmental body.
8. The report should address cooperation structures help to eliminate tax evasion, tax base erosion, and profit shifting and to ensure that all taxpayers, including multinational companies pay taxes to the Governments of countries where economic activity occurs and value is created, in accordance with national and international laws and policies.
9. There is need also to address existing structures and address means to: adopt a tax convention with universal participation under the UN; update the United Nations Convention against Corruption implementation and review mechanism to improve the comprehensiveness, inclusiveness, and transparency; establish a monitoring mechanism for monitoring taxing rights to collect and disseminate national aggregate and detailed data about taxation and tax cooperation on a global basis; and creation of a multilateral mediation mechanism to fairly assist countries in resolving difficulties on international asset recovery and return, and to strengthen compensation.
10. This process will ensure that there is accountability and full ownership by the Member States. Additionally, the process should have a democratic structure, ensuring the Member States have a full line of sight on the major issues affecting African countries with full ownership.
11. Importantly, the African Union has within its structures statutory bodies that are developed for the purpose of consultation with African governments. To ensure that there are non-conflicting views and that time is spent on salient matters, the flow of information to various structures in intergovernmental bodies is paramount to the success of future negotiations.
12. Further, the AU recognizes the importance of not duplicating efforts or existing work that has been concluded or underway in other fora. The process should therefore pay attention to key challenges that these fora have not resolved to the full satisfaction of developing countries. The report should also focus on developing solutions and standards on outstanding matters that are not part of the current global tax debate.
13. Reforming international tax cooperation requires a relook at agenda setting, transparent process, governance, and inclusivity on the basis of equal contribution.

CONCLUSION

14. The African Union would like to reaffirm its commitment to processes that assist in the protection of African tax bases and in ensuring a level-playing field for cross-border transactions. Further, the African Union is committed to supporting the United Nations and the further development of the Convention. We look forward to the ongoing debate and to supporting it through all our available statutory bodies.