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the UN Secretariat
Financing for Sustainable Development Office
UNDESA
Via Email: taxreport2023@un.org

From:

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RE: Call for public input: Promotion of inclusive and effective tax cooperation at the United Nations

Respected Sir(s):

We commend the UN's hard working on the resolution adopted by the General Assembly on 30 December 2022 on the "Promotion of inclusive and effective tax cooperation at the United Nations.", and would like to thank the United Nations Secretariat for its invitation to the report to be prepared in response to the resolution. Our suggestions represent our personal understanding and views on the issues involved and do not represent the views or positions of the organizations we work for or any other institutions.

I. Support the United Nations in enhancing international tax cooperation to fight illicit financial flows and combat aggressive tax avoidance and evasion

Illicit financial flows threaten all countries globally, especially developing countries with limited capacity to respond. With the help of crypto-assets and other innovative forms, illicit financial flows have penetrated more areas and scenarios, such as dark web trading, illegal arms trading, illegal human organ trading, human trafficking, corruption, etc. Illicit financial flows contribute to the occurrence, escalation, and expansion of these crimes, and are a threat and harm to all peoples around the world. The United Nations could play a role in effectively fighting illicit financial flows, a fundamental and central aspect of criminal activity.

Aggressive tax avoidance and evasion bring great harm to the fiscal tax revenues of countries, especially tax-sourcing countries, and also distort normal investment behavior worldwide. Economic Globalization and Economic Digitization provide more favorable conditions for cross-border transactions with aggressive tax avoidance and evasion, which objectively increases the difficulty of combating with aggressive tax avoidance and evasion substantially.

In Oct 2021, the global political consensus reached under the BEPS Inclusive Framework of the G20/OECD, which is historically significant, but important defects exist. Firstly, the change in policy objectives of the Pillar I from the previous focus on profit allocation for digital businesses to a focus on profit allocation for mega-corporations is a departure from the original intent of addressing the tax challenges of the economy digitalization, and the Pillar I has become a lever for the U.S. to force other countries around the world to have to abandon the Digital Service Tax. Secondly, the Global Minimum Tax under the Pillar II, which sets a floor of 15% Effective Tax Rate for all countries worldwide, is too great a concession of tax sovereignty by developing countries and too harmful to the competitiveness of their tax systems. The 12B provision proposed by the UN could be more fully and

widely understood and supported, and therefore the role of the UN in combating aggressive tax avoidance and evasion needs to be upgraded.

II. Support the establishment of the Intergovernmental Committee on United Nations Cooperation in Tax Matters

In matters such as fighting illicit financial flows and combating aggressive tax avoidance and evasion, the United Nations has an important advantage and can play a more effective role, especially in carrying out more inclusive international coordination, making fuller use of the representativeness of the UN platform and achieving a more favorable outcome for the balanced development of the world. To this end, we propose to enhance the functional role of the Committee of Experts on International Cooperation in Tax Matters under the UN Economic and Social Council and to establish an Intergovernmental Committee on United Nations Cooperation in Tax Matters to play a greater role in global tax policy making and global tax governance. We suggest that the following issues should be considered.

First, the establishment of an "Intergovernmental Committee on United Nations Cooperation in Tax Matters" should clarify the authority and responsibilities of the Committee, as well as the composition and operation mechanism of the Committee.

Second, it is recommended that an advisory board or working body be established under the Intergovernmental Committee on United Nations Cooperation in Tax Matters to enhance the capacity of the United Nations in global tax policy making.

Third, considering the progress of the two-pillar solution under the G20/OECD BEPS Inclusive Framework, especially the establishment of a mandatory binding tax dispute resolution mechanism, the " Intergovernmental Committee on United Nations Cooperation in Tax Matters " should establish a coordination mechanism with the G20/OECD and cooperate extensively on

the possible establishment of a "multilateral tax administration" or so called "World Tax Organization" (WTO), with special consideration to the interests of developing countries.

III. Proposal to accelerate the current work progress

Matters such as fighting illicit financial flows and aggressive tax avoidance and evasion require the UN to accelerate current work progress and it is recommended that the UN accelerate its work in the following areas.

Firstly, the 2021 version of the United Nations Model Double Taxation Agreement between Developed and Developing Countries adds some new provisions, first, Article 12B, which is a provision on taxation of income from automated digital services, and second, Article 13, paragraph 7, which is a provision on source-country taxation of income from indirect transfers of property. It is recommended that the United Nations expedite the relevant bilateral agreements to consider the introduction of the above-mentioned provisions.

Secondly, the development of tax rules for crypto-assets should be accelerated to provide guidelines for relevant countries to tax crypto-asset transactions, avoid difficult-to-coordinate tax disputes, and reduce tax evasion and criminal behavior through crypto-asset transactions.

We would like to express our gratitude for the opportunity to provide our suggestions, and hope that our suggestions will help move the resolution forward.

Thanks and best Regards!

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