

Comments on the Draft Agenda of the UN Tax Committee

September 20, 2021

With utmost respect, it is my honor and privilege to propose the following as regards the Draft Agenda of the UN Tax Committee:

- A. With respect to “(a) Procedural issues for the Committee, including options for Committee consultations”:

We ask that the UN Tax Committee provide for a comprehensive process of consultation with civil society organizations and trade unions, especially those who have been working on the issue of tax justice.

- B. With respect to the related issues of “(b) Taxation and the Sustainable Development Goals; (e) Transfer pricing; and (i) Taxation issues related to the digitalized and globalized economy;” we respectfully request that the Committee consider the following comments and suggestions:

1. Civil society organizations and trade unions believe that the OECD/G20 “Tax Agreement”, which is based on the so-called “Inclusive Framework” on BEPS, and which is in line with the G7 Tax Agreement, falls short of an administratively feasible and just solution to the issue of taxation in an increasingly globalized and digitalized world economy.
2. Related to our critique of the OECD/G20 Inclusive Framework, with respect to taxation of digital companies doing business in jurisdictions where they do not have permanent establishments, the agenda should include a study of, especially as regards developing countries,
 - a. the administrative feasibility of the Pillar 1 solution proposed by OECD/G20, where the 20-30% tax rate is imposed on the margin in excess of 10%, albeit only on companies with gross revenues in excess of €20B (twenty billion euros) as opposed to that of a 2 to 3% equalization levy or digital sales tax imposed on the gross amount; and
 - b. a comparison of the expected revenues from e-commerce tax measures such as digital sales tax/equalization levy, Art 12B (tax on income on automated digital services) of the UN Model Tax Treaty, and customs duties on electronic transmission of goods and services - all imposed simply on the gross amount - as opposed to the Pillar 1 proposal of the OECD/G20 and the G7 of imposing taxes on only the excess (net taxable income), if any, of 10% of the margin, and only on companies with gross revenues in excess of €20 Billion.

3. There needs to be a study on how to provide for a genuinely inclusive institutional framework for international tax discussions where developing countries are able to, right from the outset and on equal footing, contribute to the formulation and discussion of proposed rules. Relatedly, the study should also explore the possibility of maximizing the use of United Nations institutions, including providing them with additional technical personnel - with the end in view of determining, among others, whether it would be more advantageous for developing countries if all international tax matters under the OECD/G20 Inclusive Framework and the issue of taxation of e-commerce through customs duties were to be discussed exclusively at the United Nations.

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