UK Feedback on draft UN Secretary General UN Tax Report, 17 March 2023

The UK welcomes the opportunity to engage in consultation on the UN’s Secretary General report. The UK recognizes that the UNGA77 Second Committee resolution on tax cooperation was founded on a desire for increased inclusivity and trust in international tax mechanisms, as well as swifter action to deal with the challenges faced by developing countries. The UK is committed to finding ways to improve international cooperation on tax issues, and to ensure developing countries benefit from this. It is evident that developing countries are missing out on tax revenues that are critical to financing their sustainable development, as a result of some multinational companies avoiding tax. The UK stands ready to work with developing countries to improve the international tax system.

We also recognise that many developing countries face significant capacity constraints in engaging with the international tax system. We believe our collective efforts should focus on strengthening existing frameworks for cooperation, in particular under the Inclusive Framework and Global Forum, so they meet developing countries’ needs and reduce the burdens they face, without duplicating and diverting scarce resources.

UK Views on UN Report Process

It will be critical that any recommendations in the UN Report are developed after full and balanced evaluation of existing international tax cooperation, and following sufficient consultation with relevant stakeholders at every stage. We look forward to continuing to work together on the draft report to be shared with Member States, before it is finalised.

We share other UN members’ concerns that the UNGA77 Second Committee Tax Cooperation Resolution text anticipated some of the outcomes of this report ahead of a systematic consultation. The creation of a new international cooperation framework or an additional intergovernmental body would currently be unacceptable to a large number of UN members, as the vote on the US amendment on OP2 showed. Any next steps arising from the report will need to command broad consensus, and be clear on the benefits and costs. We urge that this is considered when formulating recommendations.

Current mechanisms

The UK continues to believe that the OECD is best placed to deliver consensus-based reform to international tax rules, due to its expertise and the wide and diverse membership of the Inclusive Framework and Global Forum. The Inclusive Framework has membership of 142 countries and jurisdictions, with nearly three quarters non-OECD, over one third low or middle-income countries who are not G20 members, and decisions made based on consensus. The Global Forum has over 160 members, the majority of which are developing countries.

Significant progress has been made through these fora on international tax:

- More than 130 members of the Inclusive Framework signed up to the OECD’s two-pillar solution, which promotes fairness and transparency within the international tax system. Developing countries have been fully involved in shaping the outcomes.
- The BEPS agreement in 2015 was a landmark moment which provides domestic and international instruments needed to assist all countries in tackling tax avoidance and ensure that profits are effectively taxed based on economic activity.
The Global Forum has made significant strides in tackling offshore tax avoidance and evasion by ensuring high levels of transparency. Its capacity-building work has provided support to enable developing jurisdictions to build on their implementation of the standards. So far over 40 of these countries have been assessed on Exchange of Information on Request and the vast majority have received good ratings.

Given this positive work, we think that a new tax cooperation framework and a new intergovernmental tax body within the UN would complicate the international tax system, duplicate efforts and divert scarce resources by requiring countries to engage with multiple tax bodies.

However, we do believe more needs to be done to ensure developing countries benefit from the global tax architecture. The G20/OECD Roadmap report (published in October 2022 under the Indonesian presidency), and the 2021 Stocktake report (published under the Italian presidency) identify clear recommendations which should be accelerated, including: (i) increasing developing country access to country-by-country report (ii) amplifying developing country voices in Pillars negotiations (iii) ensuring capacity-building is in place to support implementation(iv) supporting digitalisation of developing country tax administrations.

The UK’s contribution

The UK is proud of its track record in assisting developing countries on international tax issues. The UK is one of the largest contributors to the joint OECD-UNDP Tax Inspectors Without Borders targeted tax audit assistance programmes, which has contributed to increases of $1.7bn in additional tax revenues collected and $3.9bn in additional tax assessed. The UK’s HM Revenue and Customs agency has 13 bilateral capacity-building programmes in operation, which include providing peer-to-peer assistance to nine countries (Pakistan, Tanzania, Ethiopia, South Africa, Ghana, Liberia, Rwanda, Sierra Leone, Ukraine) in implementing the Common Reporting Standard and in setting up Exchange of Information units. The UK is currently developing a new programme of support to assist developing countries with implementation of the OECD Pillars, which we will closely align with OECD initiatives. As part of this, the UK is establishing a Knowledge Sharing Network in the OECD to share expertise on the administrative aspects of implementation and co-ordinate capacity-building efforts. The UK has also been an active participant in the work of the UN’s Committee of Experts on International Cooperation in Tax Matters and will continue to work with members on the committee’s work.

Next Steps

The UK is committed to progressing work on international tax cooperation in an inclusive manner. We believe the UN Report is an opportunity to consider how existing mechanisms could be further strengthened, while acknowledging the significant and positive work which is already underway. The Report should explore ways to resolve these issues without risking a fragmentation of the international system. We believe that the report should explore the positive role the UN can play in fostering more effective and efficient cooperation within the existing international tax system framework, as well as supporting all developing countries to participate through the existing UN and OECD processes.