



Subject: submission in response to the call for inputs to the work of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation

*The following submission is coordinated and submitted by ACT Alliance, a global network of 150 churches and faith-based organisations, working on human rights, humanitarian aid development, climate and gender justice in 127 countries on behalf of **Christian Aid, Felm, Norwegian Church Aid, the Lutheran World Federation, the World Council of Churches, Brot Für die Welt and the World Communion of Reformed Churches.***

We welcome the resolution Resolution 78/230 and the work to develop a UN Framework Convention on International Tax Cooperation (FCITC). We appreciate the possibility of submitting this text for your consideration. We welcome the openness and transparency of the Ad Hoc Committee towards civil society and we hope that this Committee will guarantee accessibility by ensuring that the Committee's work continues to be live-streamed.

We stress how crucial it is that this new process leads to the negotiation of an effective instrument to prevent and address tax-related illicit financial flows and international tax abuse.

We are co-signatories of the joint submission made by the Global Alliance for Tax Justice¹ and we would like to highlight the following additional elements:

Procedural Elements

- We consider paramount and essential the full participation of civil society (CSOs), including faith-based organisations in the process. In practice this means ensuring the participation of civil society in all negotiation sessions and the opportunity to make statements from the floor. We also recognize the importance of hybrid participation to ensure inclusivity and contributions by CSOs from developing countries. This is especially important when considering the fact that the worst effects of international tax abuse are borne by communities in developing countries and their full participation in the process to negotiate a global instrument to address tax-related illicit financial flows and international tax abuse must be ensured. To build a truly inclusive system of international tax governance, it is essential that work to develop

¹ Organisations co-signing the Global Alliance for Tax Justice's submissions: ACT Alliance, Felm, Norwegian Church Aid, Christian Aid, World Communion of Reformed Churches

this Convention increases CSOs' involvement and enhances democratic control over international tax regulations.

- We commend the efforts to achieve consensus, however we stress how crucial it is that no country or groups of countries be given a de- facto veto over decisions made during the negotiations, as this reduces the ambitions of the tenets of the Convention.

Substantive elements

In their efforts to achieve the objective of the Convention “to strengthen international tax cooperation and make it fully inclusive and more effective” the Parties should agree to the following:

- Parties agree that international and universal cooperation on tax and the participation of States on equal footing in setting common rules to address a global problem is a key and shared principle.
- Parties agree that taxation is an essential instrument to redistribute wealth among its citizens, ensure their social wellbeing and promote human dignity, equality and prosperity, to protect the planet from degradation including through sustainable consumption and production and to foster peaceful, just and inclusive societies, focused in particular on the needs of the poorest and most vulnerable.
- Parties recognize the key role of taxation in curbing inequalities and harmful social and economic effects of tax-related illicit financial flows . Parties commit to leveraging taxation and recovered funds to make progress on the Sustainable Development Goals (SDGs) and, in particular, address the issue that women are disproportionately affected by higher taxation rates, despite lower incomes.
- Parties ensure that existing bodies, initiatives and treaties dealing with parts of the problem of illicit financial flows and international tax abuse will be in line with the scope and laws of the Convention.

Governance

To achieve its full potential, the FCITC should establish a Conference of Parties and a Secretariat and focus on the following actions:

1: Prevention

We stress how crucial it is that the new process leads to the negotiation of a global instrument that can effectively govern international tax, prevent any tax-related illicit financial flows and tax abuse and address the harmful effects these global problems have on the social and economic wellbeing of the community of States. In order to achieve this, a series of harmonization and control measures will need to be negotiated:

Standardization and harmonization

- The Parties harmonize definitions and methodologies to quantify and analyse tax-related illicit financial flows and international tax abuse;
- The Parties further establish obligations related to monitoring and reporting;

Core measures to address tax abuse

- A reform of the international corporate tax system, which includes a reallocation of taxing rights and unitary taxation;
- Automatic information exchange (AIE);
- Public country by country reporting by multinational corporations (CBCR);
- Taxation of cross-border services in a digitalized and globalized economy;
- Effective taxation of extractives;

2: Financial support

The Parties establish a multilateral fund to build capacity and support developing countries.

3: Technical support

The Convention should establish a subsidiary body for technical advice and implementation, which will assist the Conference of the Parties in the review of the implementation of the Convention. This body should also host a UN Centre for Monitoring Taxing Rights which could contribute to assessing the quality of the data to curb tax-related illicit financial flows and international tax abuse.