



**PERMANENT MISSION
OF THE REPUBLIC OF BELARUS
TO THE UNITED NATIONS**

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The Permanent Mission of the Republic of Belarus to the United Nations presents its compliments to the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation and referring to the call for inputs to the work of the Committee to its first substantive session, has the honour to forward herewith suggestions of the Ministry of Taxes and Duties of the Republic of Belarus on the requested issues.

The Permanent Mission of the Republic of Belarus to the United Nations avails itself of this opportunity to renew to the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation the assurances of its highest consideration.



New York, March 14, 2024

Annex: as stated

Ad Hoc Committee to Draft Terms of Reference
for a United Nations Framework Convention
on International Tax Cooperation
New York

Input of the Ministry of Taxes and Duties of the Republic of Belarus

Proposed Procedural and Substantive elements of the UN Tax Convention

Encouraging the efforts to address global challenges and gaps in international taxation, to ensure sufficient flexibility and sustainability of the international tax system in order to achieve fair results in light of the changing landscape of international tax cooperation,

Noting the need to ensure tax certainty, taking into account the capabilities and needs of developing countries,

Taking into account the rapid growth of the digital economy – the spheres of online sales and of electronic services – and the resulting changes in the organization of business processes as technologies and business models evolve,

Sharing concern about the incompleteness of compliance of existing international norms and mechanisms with the level of modern development of digital technologies and technological innovations,

Recognizing the importance of interaction with other international and regional tax forums, organizations and institutions, as well as appreciating the results of their work and achievements, and at the same time noting that the mechanisms being developed for regulating taxation of the digital economy, in particular, the two-component solution within the BEPS package of measures are often criticized for complexity, the presence of optional provisions that impede the development of unified approaches,

Given the potential for complementarity of various measures, the Ministry of Taxes and Duties of Belarus believes that the establishment of fair taxation in market jurisdictions is an urgent and priority task of the international tax community.

The elaboration of an appropriate mechanism, enshrined in the UN Framework Convention on International Tax Cooperation (hereinafter – the Convention), will achieve the goals stated by the Member States, namely:

development of generally accepted taxation rules in the context of digitalization of the economy;

achievement of effective administration, accessibility and simplicity of mechanisms of application for all countries;

solving the problems of inequality and lack of transparency in tax administration in the context of digitalization;

creation of a platform under the auspices of the United Nations for the exchange of experience and best practices in taxation in the context of digital transformation, meeting the interests of market jurisdictions, among others.

In this regard, the following **PROPOSALS** are put forward on the scope of the procedural and substantive provisions of the Convention.

1. Structural elements of the framework convention

In general, the proposed possible structure of the UN Framework Convention on International Tax Cooperation is supported.

In section 1, "Introductory elements", it is proposed to delete the provisions on the relationship with other agreements, documents and national legislation.

It is proposed as one of the **goals** to define the development of publicly accessible and transparent mechanisms of taxation and administration in the context of digitalization of the economy, as well as the organization of international cooperation on the exchange of tax experience in the context of digital transformation.

The substantive **obligations** of the parties to the Convention should include obligations to implement international cooperation in the form of the implementation of tax mechanisms adopted pursuant to the Convention, in particular, the digital economy, as well as the exchange of experience and information in the scope and manner as defined in the Convention.

We also consider it useful to provide a **monitoring mechanism** to monitor the application of the Convention and the fulfillment by the parties of each of the obligations under the Convention, as well as the possibility for one of the institutional bodies to provide advisory opinions on any issue related to the interpretation of the Convention.

The procedural elements should reflect the issues of voting and decision-making, the procedure for concluding annexes and protocols to the Convention, as well as the possibility of amending it, the procedure for signing and entry into force, denunciation or suspension of the application of the Convention.

2. Approaches and possible specific priority areas that could be addressed in early protocols.

Taking into account the need for an early settlement of the issue of uniform taxation in the context of digitalization of the economy, it is proposed to develop as an Annex to the Convention and its integral part a **Protocol on the taxation of income of Transnational Corporations derived from the provision of cross-border services in the context of increasing digitalization and globalization of the economy.**

We believe that such a Protocol should reflect the obligation to redistribute part of the profits of transnational corporations (hereinafter referred to as TNCs) to the jurisdictions in which they extract their income or part of it (hereinafter referred to as market jurisdictions).

It is necessary to fix simple and understandable profit redistribution mechanisms in the Protocol and reflect:

- Basic definitions.
- Unified approaches to determining the global (world) income of TNCs, which serves as a criterion for determining those TNCs that fall under the obligations of profit redistribution.

We consider it possible to provide for a reduction in the threshold level compared to the threshold set by Pillar 1 within the framework of BEPS. Pillar 1 provides for the possibility of reducing the threshold from 20 billion euros to 10 billion euros after seven years after the entry into force of the Convention, if the implementation of the mechanism with the current threshold is not recognized as successful. It is proposed to initially set a lower threshold in order to ensure that the mechanism covers not only giant corporations - the largest and most profitable multinational enterprises, but also other large corporations operating in the international arena.

- Other criteria of corporations that fall under obligations (level of profitability, exclusion areas, etc.).
- The rate at which the amount of profit is calculated, redistributed in the jurisdiction from which the income of TNCs comes (market jurisdictions).
- The procedure for setting the threshold for the profits of TNCs extracted from a jurisdiction, beyond which such jurisdiction has the right to receive a part of the redistributed profits of TNCs.

We consider it possible to establish not two thresholds, as provided for by Pillar 1 within the framework of BEPS (1 million euros and 250 thousand

euros with a GDP of less than 40 billion euros), but a scale of thresholds depending on the ranges of GDP size.

- The procedure for adjusting the redistributable amount in the case when a market jurisdiction already taxes excess profits (profits exceeding the established level of profitability), and the procedure for eliminating double taxation.
- A mechanism for resolving disputes and ensuring tax certainty for corporations included in the scope.
- The obligation of the parties not to levy taxes on digital services (DST) and related similar unilateral measures with a list of imposed measures to be abolished.
- Procedural elements (ratification, entry into force, institutional bodies, etc.).