



To:

The Chair of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation

Subject: Submission on Structural Elements and Early Protocols for a UN Framework Convention on International Tax Cooperation (FCITC)

Dear Chair,

The establishment of a United Nations Framework Convention on International Tax Cooperation (UNFCITC) presents an unprecedented opportunity to reimagine the global tax landscape and ensure that it serves the interests of all nations equitably. For far too long, international tax norms and rules have been shaped by a select few, often neglecting the unique priorities and needs of African countries and the Global South.

This Committee now has the chance to seize the moment and create a truly inclusive, transparent, and fair framework that empowers all nations to define tax policies aligned with their development goals. The procedural and substantive elements outlined in the submission provide a strong foundation for this transformative endeavour.

### **Procedural Elements: A Path to Equal Representation**

The UNFCITC must be built on the bedrock of inclusivity, ensuring that every nation, regardless of its economic might, has an equal voice in shaping the global tax architecture. This can be achieved through:

- A Conference of Parties as the main decision-making body, operating under the principles of sovereign equality and rule of simple majority decision-making.
- A dedicated Secretariat and a Subsidiary Body for Technical Advice, fostering capacity-building, knowledge-sharing, and peer-learning among all nations, with a particular emphasis on supporting African countries and other developing nations.
- The establishment of a UN Centre for Monitoring Taxing Rights, ensuring transparency, accountability, and adherence to the agreed principles and objectives of the Convention.

### **Substantive Elements: Addressing Global Tax Challenges**

The substantive elements proposed in the submission provide a comprehensive framework for addressing the pressing global tax challenges of our time, these substantive elements should include:

1. Combating Illicit Financial Flows (IFFs):
  - Establish a global requirement for public registers that disclose the ultimate beneficial owners of all legal entities and arrangements, including companies, trusts, partnerships, and other structures. This measure promotes transparency by shedding light on the natural persons who hold economic interests or exercise control over such entities. However, it is crucial to strike a

balance between transparency and legitimate privacy considerations. The implementation of these public registers will incorporate robust safeguards and data protection measures to address valid concerns around personal safety, security, and the potential misuse of sensitive information.

- Mandate comprehensive public reporting by multinational enterprises on a country-by-country basis. This reporting will encompass key financial data, tax payments, economic activities, and intra-group transactions in each jurisdiction where the enterprise operates. Such disclosure requirements aim to enhance transparency and accountability in the global tax system, providing insights into the alignment between corporate profits and the jurisdictions where economic value is created and taxes are paid. By shedding light on potential profit-shifting practices, this measure will contribute to fostering fair tax competition and curbing aggressive tax avoidance strategies that erode the tax bases of nations, particularly those with limited resources.
  - Establish a universal yet inclusive standard for the multilateral automatic exchange of financial account information, encompassing beneficial ownership details, to promote global financial transparency. Implement a gradual phase-in approach to accommodate the diverse capacities of nations, particularly those with limited resources. Facilitate capacity-building programs that provide technical assistance and knowledge transfer to support developing countries in enhancing their tax administration capabilities. Ensure reciprocal exchange of information, fostering an environment of mutual trust, cooperation, and shared benefits in combating illicit financial flows. Incorporate robust safeguards to protect the confidentiality of exchanged information while respecting legitimate privacy rights. This balanced, capacity-conscious approach acknowledges the unique circumstances of nations worldwide, creating a level playing field for international tax cooperation and the collective fight against illicit financial flows.
  - Develop a comprehensive framework for the regulation and supervision of tax intermediaries, such as accountants, lawyers, and financial advisors, to prevent their involvement in facilitating tax evasion and other illicit financial activities.
  - Promote the adoption of beneficial ownership transparency standards in all sectors, including real estate, extractive industries, and other high-risk areas, to prevent the concealment of illicit proceeds.
  - Encourage the adoption of whistleblower protection laws and incentives to facilitate the reporting of tax evasion, corruption, and other financial crimes, ensuring appropriate safeguards and confidentiality measures.
2. Revisiting Fundamental Tax Concepts:
- Develop a comprehensive framework for taxing wealth, addressing issues such as the taxation of different asset classes (e.g., real estate, financial assets, inheritances), progressive rates, and the use of wealth taxes to reduce inequality and fund public services.
  - Establish common principles for the taxation of the digital economy, addressing challenges posed by the increasing digitalization of economic activities and the need for a fair allocation of taxing rights.
3. Additional Elements:
- Strengthen measures against tax havens and jurisdictions facilitating tax evasion and avoidance, including through the development of a global blacklisting mechanism and coordinated sanctions.

- Incorporate provisions to address the impact of emerging technologies, such as artificial intelligence (AI) and blockchain, on tax systems and ensure tax rules remain relevant and effective in the digital age.

### **Early Protocols: A Focused Approach**

The proposal for early protocols on IFFs is both timely and strategic. By addressing the foundational issues of financial transparency, beneficial ownership, and country-by-country reporting, these early protocols can lay the groundwork for more comprehensive international tax cooperation.

Moreover, the focused approach of the early protocols allows for the UNFCITC to remain agile and responsive to emerging global tax challenges, such as the taxation of the digital economy and the impact of artificial intelligence (AI) on tax systems.

### **Global Minimum Tax and Digital Taxation: Seizing the Moment**

As the Committee deliberates on the UNFCITC, it is imperative to address the ongoing discussions around global minimum tax and digital taxation. The Convention presents an opportunity to shape these critical debates in a manner that ensures the interests of African countries and the Global South are duly represented and protected.

### **Safeguarding the Extractives Sector: A Priority for Resource-Rich Nations**

For resource-rich African nations, the UNFCITC must prioritize the development of tax policies and frameworks that safeguard the extractives sector from exploitative practices and ensure that these nations receive their fair share of the wealth generated from their natural resources.

### **The Role of AI in Taxation: Embracing the Future**

As the world rapidly embraces technological advancements, the UNFCITC must also consider the role of artificial intelligence (AI) in taxation. By incorporating AI into the framework, the Convention can facilitate the development of innovative tax solutions that enhance efficiency, accuracy, and fairness in tax administration and compliance.

### **Conclusion**

The establishment of the UNFCITC represents a seminal moment in the history of international tax cooperation. By embracing the principles of inclusivity, transparency, and fairness, and addressing the substantive elements outlined in the submission, this Committee has the opportunity to create a global tax framework that serves the interests of all nations, fostering sustainable development, economic justice, and a more equitable world.

It is time to seize this moment and forge a new path for international tax cooperation, one that empowers African countries and the Global South to shape the tax norms and rules that govern our global community.

Sincerely,

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