

## **Estonia's comments with respect to the future work of the Ad Hoc Committee to the Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation**

By leveraging its broad memberships and strengths, the proposed UN Framework Convention on International Tax Cooperation should aim to catalyse global dialogue and create policy synergy.

In recognition of the call for more inclusive and effective international tax cooperation, the Framework Convention should aim to gather countries to exchange effective practices on mobilising domestic resources through both tax policy formulation and the strengthening of enforcement mechanisms.

This effort underscores the pivotal role of the UN in supporting UN Member States to mobilise domestic revenues and finance development strategies, aligning closely with the aspirations outlined in General Assembly resolution 78/230 (hereinafter *resolution*).

Consistency with ongoing work and consensus achieved in the OECD and other international fora should be a guiding principle, aiming to build on these strengths and engage in effective cooperation to ensure a synergistic approach to global tax challenges. The Framework Convention should seek to avoid duplication of work and unnecessary extra budget claims, advocating for a decision-making process that strives for consensus.

We strongly believe that a simple majority is not appropriate for establishing international tax rules, as international tax rules cannot be imposed by a majority over a minority of Member States. Instead, consensus should be required in the negotiation and adoption of the text of the UN Framework Convention on International Tax Cooperation and its potential protocols, as well as for the work of the Committee.

As for its scope, binding coordination arrangements at the international level should be used only where international coordination is strictly necessary. We believe that the Framework Convention could allow for the development of best practices and non-binding standards on issues relevant to domestic resource mobilization and other relevant issues, but that new binding standards under the Framework Convention should not be developed in respect of purely domestic tax policy issues.

We also believe it is important to note that the more the substantive tax rules are harmonized and coordinated at the international level, the less policy space the countries have available to design the tax rules that are fit for their own specific needs and circumstances.

In addition, we are of the opinion that in order to guarantee the effectiveness of the Framework Convention, we should address the issues that require coordination among a large number of Member States and that would benefit those Member States. We have identified four areas of work that we see could benefit all the Member States:

- Dispute avoidance and resolution
- Digitalization and other opportunities to improve tax administration
- Increasing tax transparency
- Capacity-building

In order to achieve the broad adoption of the Framework Convention, potential binding commitments should be set out in protocols rather than in the Framework Convention itself. This would provide more flexibility for jurisdictions to assess their interest in participating in any particular protocol.

Building on the above, the Terms of Reference should also lay down the sequence of work ahead of us. While the resolution suggests a possibility of considering developing early protocols simultaneously while elaborating on the Framework Convention, it might be difficult to find an agreement on such protocols while the Framework Convention is still being negotiated.