

Statement on behalf of Germany

Written input for the first substantive session of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation

March 2024

Germany is committed to the objectives of inclusive, fair and effective international tax cooperation. Recognising the pivotal role that such cooperation plays in fostering global equity and prosperity, Germany underscores the importance of international efforts to promote greater tax transparency as well as fair taxation on a global scale, and supports the mobilisation of domestic resources to finance the SDGs on country level, in a socially just manner and in line with climate and environmental goals.

With a particular emphasis on attentiveness towards the specific concerns voiced on previous occasions, we aim to provide our broad considerations to be included as substantive elements in the Terms of Reference (ToR). We hope that this input will prove beneficial for the continued progress of this important project.

Our input is based on the following general considerations:

- We consider the ToR as the foundational framework to organise our common project, and to provide for its effective governance. A sustainable project needs a conscientious design, and shall be based on both thorough analysis and considerations in order to ensure future sustainability. In this regard, providing an ample timeframe is imperative to uphold the quality of analysis and considerations.
- The proposed ToR should encompass a clearly defined general aim as well as concrete decision-making rules, clarity on the overall process regarding the drafting of the ToR and a timeline for the creation of a United Nations (UN) Framework Convention on International Tax Cooperation.
- The process must embrace inclusivity as the effectiveness of any multilateral process hinges on the attainment of a critical mass of participation.
- To optimise efficiency and resource utilisation, it is imperative to unite all expertise and knowledge, drawing upon existing work and analyses by other major stakeholders such as the OECD, the World Bank and the International Monetary Fund.
- Delegates with tax expertise should lead the technical work streams on tax matters.
- Upholding stability and legal certainty in taxation for all stakeholders requires common multilateral norms and the avoidance of inconsistent or competing standards. This entails refraining from multilateral harmonisation of issues where specific bilateral circumstances need to be considered in order to avoid any negative impact on trade and investment affecting all states. Equally, this should not create new instances of adverse effects like tax evasion and unintended opportunities for tax planning.

- In contemplating early protocols, due consideration must be accorded to the imperative of comprehensive analysis and flexibility, prior to commitment and prioritisation of specific issues.
- The selection of subjects for any initial future protocols should be chosen carefully, favouring less controversial matters to ease the initial phase and therefore the effectiveness of the whole process.
- The indispensable role of the UN should be acknowledged, particularly in supporting domestic resource mobilisation, and fostering intergovernmental dialogues to enhance the inclusiveness, efficiency and effectiveness of international tax cooperation.
- A consensus-driven approach should be championed throughout the drafting process of the terms of reference, in adherence to UN General Assembly rules of procedure, in order to ensure broad-based participation, legitimacy and ownership. Taking into account the particularities of international tax policy, a higher standard should be applied in the elaboration of the UN Framework Convention itself.

Furthermore, Item 2b of the ToR (substantive elements) could address the following elements:

- A more general consideration could be given to domestic revenue mobilisation as many countries have a low minimum tax ratio in relation to GDP; promoting a robust minimum tax-to-GDP ratio in a socially-just way could be one possible aspect.
- When it comes to more specific areas of work, we would like to suggest:
 - Transitional provisions for low-capacity countries in respect of existing tax standards;
 - Measures to prevent tax evasion and avoidance with a specific focus on high-net worth individuals;
 - Tools for socially just domestic resource mobilisation and administrability without creating a negative impact on trade as well as investment, and thereby increasing inequality. In this context, capacity development and international exchange plays a pivotal role;
 - Digitalisation of the tax administration and improvement of the cooperation tools for tax administrations of different countries.
- Generally, the ToR should outline the UN Framework Convention on International Tax Cooperation at high level, also in respect with chapter 2b.

In conclusion, Germany stands ready to contribute constructively to the drafting process, cognisant of the importance of fostering a robust United Nations Framework Convention on International Tax Cooperation that embodies principles of fairness, transparency, inclusivity and effectiveness for all member states.