

AD HOC COMMITTEE TO DRAFT TERMS OF REFERENCE FOR A UNITED NATION FRAMEWORK CONVENTION ON INTERNATIONAL TAX COOPERATION

Italy's contribution

General principles

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 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.

Against this background, Italy holds the view that the negotiations within the UN on the ToRs for the convention should take place along the following lines:

- the decision-making process for the negotiations of the ToRs should always aim at consensus. It is key to ensure an outcome as much inclusive and shared as possible.
- the framework for the international cooperation should be built upon the achievements and progress already made. It is particularly important to avoid creating a framework that jeopardises the existing international standards and duplicate the ongoing streams of work. The adoption of inconsistent measures should be avoided, since they may result in negative impacts on global trade and investment as well as in new opportunities of tax avoidance, to the detriment of the efforts the international community has made throughout the last decades.
- The UN membership should take into account that the OECD/G20 Inclusive Framework on BEPS is about to finalise the work on the Two-Pillar solution, from which all countries would benefit.

Possible focus areas

As regards the possible matters to be addressed in the draft ToRs for the framework convention, in Italy's opinion:

- In general, it would be wiser to avoid focusing on potentially controversial issues; it is certainly premature to negotiate early protocols to the framework convention on issues which are not consensual.
- Hence, the Ad Hoc Committee should not address those topics on which global standards have already been agreed or that are currently treated in other fora, such as the Inclusive Framework on BEPS or the Global Forum on Transparency and Exchange of Information for Tax Purposes.
- Rather, the focus should be on issues for which the reinforcement of the international cooperation framework may actually contribute to the domestic resource mobilisation, in particular for developing countries.
- Indirect taxation, including VAT, is a critical resource for the tax systems, representing one of the main sources of revenues. A framework for further international cooperation in this

area could be considered in particular to address the informal economy, to improve the tax compliance, through wider and better use of technologies.

- It could also be worth starting a reflection on possible standards in the field of environmental taxation and carbon pricing to help collect resources from polluting industries and products that may also be recycled to support the green transition.
- Building on the existing works, it is also useful to reflect on how to improve strategies to realise taxation of high-net worth individuals.
- Also, the digitalisation of the tax administration and improvement of the cooperation tools for tax administrations of different countries represent another area where international cooperation can help all countries.

In general, Italy is of the view that, prior to any negotiation, the work within the Ad Hoc Committee should start by a thorough analysis of issues under consideration and possible related impact of any work in these matters.