

To: M. Ramy YOUSSEF
Chair of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework
Convention on International Tax Cooperation

Re: Labour submission in response to call for inputs on the terms of reference for a UN Framework
Convention on International Tax Cooperation

15 March 2024,

Who we are

Public Services International (hereafter PSI) is a Global Union Federation that represents public service workers from more than 700 trade unions representing 30 million workers in 154 countries. We are dedicated to promoting quality public services in every part of the world. Our members, two-thirds of whom are women, work in social services, health care, municipal and community services, central government, and public utilities such as water and electricity. PSI represents public sector and private sector workers who work in public services. Decisions around tax systems are central to our members' interests around the world as they raise the revenue required to fund quality public services.

The International Trade Union Confederation (ITUC-CSI) is the global voice of the world's working people, representing more than 350 worker's confederations of 160 countries, of the most diverse sectors. Our primary mission is the promotion and defence of workers' rights and interests, through international cooperation between trade unions, global campaigning and advocacy within the major global institutions, where the UN is a key one. Based on our 2022 Congress Declaration "*The New Social Contract*", ITUC launched the "*For Democracy*" campaign, where fair taxation aiming to improve the provision of quality public goods and services is one of its pillars, hence, the importance of the success of your work.

Overview

The Chair of the ad hoc committee to draft terms of reference for a UN Framework Convention on International Tax Cooperation (hereafter 'FCITC') has published a call for input with the following question: *What are some specific problems that could be addressed by a UN framework convention on international tax cooperation?* The Chair is in particular seeking comments on the procedural and substantive elements of a Framework Convention.

The labour movement follows with great interest the work of the ad hoc committee. A strengthened international tax cooperation at the UN can meet our demands for an accountable, ambitious and transparent global decision-making on tax matters. It can also provide an equal playing field for developed and developing countries.

Tax competition, corporate tax avoidance and the opacity surrounding multinational tax planning, constitutes a "race to the bottom" that affects workers and their unions in many ways. Ineffective

corporate tax rules harm employment as corporate profits are continuously shifted, using sophisticated administrative loopholes, to tax havens where they cannot serve real investment, employment and higher wages. Further, tax avoidance and the under-taxation of capital feed into inequalities and seriously undermine the ability of states to fund necessary investment, education, health services, water, energy, social protection, and the general provision of public services at national, regional and local level. Tax dodging also stand in the way of financing just transitions to low carbon energy. Especially in Global South, economies are locked up in unsustainable levels of debt with limited growth prospects.

In line with previous trade union initiatives¹, this submission renews the calls for a Framework Tax Convention that would formalise international tax governance at the UN, under an inclusive, accountable and more effective institutional setting.

With regard to procedural matters, terms of reference should foresee the establishment of a Conference of Parties for the political oversight, a permanent Secretariat and subsidiary bodies for the daily support. The whole governance must guarantee complete transparency so that trade unions can hold their governments accountable.

With regard to substance, the FCITC should have a wide scope of activities. Fears of duplication of international tax initiatives are unfounded. No organization other than the UN can oversee existing regional initiatives in a way that secures inclusiveness, coherence between the different blocks and effective global tax making.

The simultaneous development of early protocols should not slow down, or even block, progress on the adoption of a FCITC which remains a priority. That said, the labour movement would in particular welcome swift action to ensure tax transparency, including through public country-by-country reporting on the basis of the GRI standard.

Procedural elements

The FCITC must put in place an inclusive, accountable and effective institutional setting to which all UN Member States are parties and able to set the agenda.

As is the case in other UN framework conventions, the terms of reference for the FCITC should therefore foresee the establishment of a Conference of Parties with decision-making powers. Where relevant, the rules of procedure for decision-making may include specified majorities.

A permanent Secretariat and subsidiary bodies should also be set up for the purpose of technical assistance and monitoring.

Trade unions and other stakeholders must also be able to hold their governments accountable for decisions they may reach at the Conference of Parties and related bodies. Transparency should therefore be secured throughout intergovernmental processes. Country positions, negotiating texts and impact assessments, overall progress and potential stalemates should be made public. Trade unions, civil society and experts should also be able to feed submissions through regular consultations and observer status.

Substantive elements

Concerning the objective of the FCITC, the terms of reference must put forward a holistic approach and sufficient flexibility to ensure that the UN tax framework is able to adjust to fast-changing tax

¹ See for instance [Unions must continue to push UN towards global tax reform - PSI - The global union federation of workers in public services](#)

landscape. This means that the terms of reference should not seek to restrict the scope to an exhaustive list of matters.

Concerning principles, at a minimum parties to the FCTIC must commit to corporate taxation as a key instrument for development and sustainable business models. The principle of allocating taxing rights to countries where economic activity takes place must underpin every decision to ensure that revenue allocation is fair and not skewed towards those countries who can dominate rule-making or home the majority of the world's multinationals.

Concerning coordination with existing initiatives, the FCTIC must not set the clock backwards by delaying or suspending the, albeit insufficient, achievements so far in terms of international, regional and national tax cooperation. The terms of reference should learn the lessons from the strengths and weaknesses of existing international tax cooperation initiatives. The labour movement will also continue to urge governments to introduce without further delay ambitious unilateral actions for tax justice and transparency.

We understand that several countries are voicing concerns about risks of duplication, and thus mutual undermining, between several international tax initiatives. It should be stressed that, as long as the FCITC establishes an inclusive governance with equal rights in the determination of relevant rules and standards, the UN is the only body with a universal membership. Many countries engage in regional tax cooperation in a way that best serves their economic interests, for instance in the European Union, the African Tax Administration Tax Forum, the emerging platform for Latin American and Caribbean countries, or among OECD economies. No organization other than the UN can oversee these regional initiatives in a way that secures inclusiveness, coherence between the different blocks and effective global tax making.

Fears of duplication are therefore unfounded.

On the development of early protocols

The establishment of an effective and inclusive governance for international tax matters should be considered as a priority. PSI and ITUC welcome the simultaneous development of early protocols to the extent that these would not slow down, or even block, progress on the adoption of a FCITC.

We recommend swift action on tax transparency, in particular in the form of public country-by-country reporting based on the Global Reporting Initiative standard. This is a strong labour demand with positive effects on revenue collection, democracy and employment.

Additional protocols must also address the inadequacies of the current transfer pricing rules and the related arm length principle. Substantive rules that secure tax certainty and increase revenues can only be based on the principle that multinational enterprises must be taxed as single global entities. Further, it is high time to move away from tax competition as well as the residence vs source jurisdiction debate. These are divisive narratives which only benefit tax havens and tax avoiders. Protocols must also address the need to update nexus rules so in order to take into account new ways of doing business in digitalizing environment.

Beyond corporate tax, and building on the recent work of the UN Tax Committee, protocols can also provide common principles for the taxation of wealthy individuals. They can also support governments in their efforts to more effectively tax capital, such as capital gains and financial transactions (Financial Transaction Tax).

PSI and ITUC will continue to follow and support the work of the Ad-Hoc Committee, including through contacts with national governments. We stand ready to take part in any subsequent consultations.

Sincerely,



Luc Triangle
ITUC General Secretary



Daniel Bertossa
PSI General Secretary