USA Written Inputs for Draft Terms of Reference for a Framework Convention on International Tax Cooperation

General Comments: We hope that the process undertaken by this Committee will be built from the ground up, with consideration of the viewpoints of all Member States, and with an emphasis on reasonable negotiation and compromise, to build a terms of reference that reflects a range of inputs and has the potential to stand the test of time.

A final text that does not enjoy consensus support is unlikely to provide material benefits to any country. Therefore, we expect negotiations to deliver a final text that reflects recommended changes to the extent necessary to achieve a consensus document, which may be significantly different than the zero draft. A text that does not accommodate genuinely held disparate views would be a loss for all states. Accordingly, a key focus of the initial stages of this work should be identification of areas of convergence that can form a sound foundation on common ground for approaching negotiations with a view to forging a better approach to international tax cooperation.

Item 2. Structural elements of a framework convention: substantive scoping

a. **Procedural elements**
   a. We note that the modalities adopted in the organizational session will apply only to the ad hoc committee for drafting terms of reference and should not set a precedent for the modalities for the process of the ensuing negotiation of any framework convention, nor for working methods in other committees. Those modalities should be determined on their own merits.
   b. Without broad consensus among countries, these processes are unlikely to strengthen international tax cooperation or achieve meaningful results. We encourage this committee to ensure that every effort is made to reach consensus, and to avoid voting if at all possible. A voted outcome will lack sufficient global buy-in to lead to a successful product in the long term.

b. **Substantive elements**
   a. Both the objectives and scope of the terms of reference should include every effort to ensure a process that is complementary to and

not duplicative of existing processes in other fora, and to limit the fragmentation of efforts to strengthen international tax cooperation by requiring jurisdictions with limited resources to choose between competing processes.

b. Additionally, the scope of the terms of reference should focus on areas where the UN has significant expertise and a long and distinguished track record. For example, the terms of reference could focus on (i) promoting capacity building through equipping countries with necessary skill sets and sharing relevant expertise, and (ii) promoting domestic resource mobilization through marshalling resources, assisting in the development of medium-term and long-term revenue strategies, and providing support for automating tax systems. Such a focus would provide a clear basis for the UN to work together with other organizations, each leveraging their unique strengths and competences.

Background: It has long been recognized that capacity building and domestic resource mobilization have outsized impacts on achieving the SDGs. Underscoring the magnitude of these issues, the IMF's February 2023 report on international corporate tax reform states that while international corporate tax reform efforts are important steps to building revenues needed by developing countries, they cannot be expected to provide the "bulk of the additional revenues" needed by developing countries to achieve the SDGs. Instead, the IMF points to promising areas in domestic resource mobilization and capacity building efforts to help meet revenue needs, by, for example, enhancing the capabilities of tax administration (e.g., providing enhanced administration functions and/or digitization) and by implementing domestic taxes (e.g., VAT, property, or certain excise taxes). The IMF further illustrates this point by citing studies estimating that international corporate tax reforms could provide Low Income Countries (LICs) with up to .4% of LIC GDP in revenue, but that resource mobilization and capacity building reforms could cover over 8% of LIC GDP in revenue. Thus, significant progress could be made in achieving the SDGs through international tax cooperation to build capacity through the digitalization of tax administration and indirect tax systems and administration. Prior initiatives in those areas have produced concrete results, and there is considerable scope to expand those efforts.

Item 3: Consideration of simultaneously developing early protocols: Given the time allocated for this work and the other workstreams this year, as well as the importance of building a firm foundation, we are opposed to beginning simultaneous negotiations on ad hoc early protocols. Haste cannot be the sole metric of success if countries are to benefit from this process.