

UGANDA'S COMMENTS ON THE ZERO DRAFT TERMS OF REFERENCE FOR A UNITED NATIONS FRAMEWORK CONVENTION ON INTERNATIONAL TAX COOPERATION

1. amend the objectives – Para 7

- i. 7 b. should be amended to replace the word '*responding*' with '*identifying and addressing*.'

Reason:

To provide more clarity on what is expected of this new system of governance

- ii. **7.c replace with;**

'Working together to establish an international tax system that ensures that developing countries have a fair share of revenue attributed to the activities that take place in their countries'

Reason:

It is important to more precise on the issues affecting developing countries.

- iii. **Introduce 7.d that reads as follows:**

Provide capacity building to tax administration authorities to understand and implement international tax rules

Reason:

Capacity is important for effective inclusiveness

2. amend the Principles Para 9

- i. Introduce two new paragraphs:
 - Allow inclusive and effective participation in the agenda setting
 - Enhance negotiating capacity of Member States, in particular developing countries

Reason:

Ensure effective participation and create legitimacy

- ii. Amend the third last paragraph to read as follows:
'Recognise that every Member State has the sovereign right to decide that policies and practices of its domestic tax system.'

Reason:

The additional wording in the zero draft creates ambiguity and what consists of undermining the effectiveness of the tax base or a system of another Member State particularly when issues of fair allocation of taxing rights are provided for the subsequent paragraph.

3. Substantive elements of the framework convention Para 10

- i. Amend the first line under Para 10 to read as follows:
[fair allocation of taxation rights **to source countries**, including equitable **effective** taxation of multinational enterprise;

Reason:

- There is need to specify the challenges faced by source **countries** in allocation of taxing rights and the need to ensure **effective taxation**
- ii. Introduce two new areas that require commitment on:
- Reviewing the definition of a permanent establishment to take into account the changing landscape of doing business, and
 - Assistance in combating illicit financial flows