

For the kind attention of:

Mr. Ramy Youseff, Chair of the Intergovernmental Negotiating Committee to draft a United Nations Framework Convention on International Tax Cooperation and two early protocols (INC) and Mr. Daniel Nuer, Co-Lead of Workstream I.

Cc: UK Permanent Representatives and Observers to the UN in New York

11 July 2025

Subject: UK civil society submission on the Draft Issue Note of Workstream I of the Intergovernmental Negotiating Committee on the UN Framework Convention on International Tax Cooperation.

Abstract

This is a joint submission on behalf of UK NGOs working on the UNFCITC. As an informal group of UK NGOs, we work together to highlight the need for a comprehensive and effective UN Framework Convention on International Tax Cooperation. We believe such a Convention will provide positive outcomes for people and governments in countries around the world. International tax dodging negatively affects people living in poverty in lower income countries despite high income countries missing out on a higher absolute amount of foregone tax revenue. We particularly encourage the UK government to engage constructively in the negotiations for the Convention as well as the other two workstreams.

We reference and endorse the submissions from the Global Alliance for Tax Justice (GATJ) and the Independent Commission for the Reform of International Corporate Taxation (ICRICT); many members of the UK group are also members of one or both of these organisations.

Comments on the draft Issue Note for Workstream I

Overall comments

We welcome the approach taken for Workstream I. The draft Issue Note is helpful. We agree that the timeline balances the need for negotiation on the Content of Workstream I with the ambition to agree a Convention by late 2027. Many countries and people around the world deal with the consequences of tax dodging by some companies and individuals, reducing government revenues and undermining public services. The ambitions to overcome poverty, fulfill the SDGs and address climate change are severely hampered by a lack of effective international cooperation on tax.

Commitments

Echoing civil society counterparts around the world, we affirm that central commitments should be included in the Convention. Delineation of how such commitments are operationalized could be decided through decisions of the Conference of the Parties to the Convention where further elaboration is required. The text of the Convention can be concise and clear, leaving necessary detail to be agreed through COPs.

Fair allocation of taxing rights, including equitable taxation of multinational enterprises

Many of the issues covered in paragraph 10 stem from the prevailing international tax system for multinational enterprises premised on the transfer pricing approach where related entities should pay for goods and services based on the 'arm's length principle'. The fiction that related entities in fact conduct business with each other as though independent of each other allows multinational enterprises to game a global system with varying rules and allowances. The result is that many multinational enterprises pay extremely low effective tax rates overall, and in many jurisdictions where they have business pay little or no corporate tax despite generating substantial profits. The combination of transfer pricing and the preference of residence over source taxation in double tax treaties provides the foundation for an embedded global system of tax avoidance and a global tax regime which is complex, inefficient, and unfair.

Attempts to address aspects of the transfer pricing approach have yielded few positive results. Therefore, the Convention should be predicated on a commitment to agree a new way of taxing multinational enterprises which recognizes the reality of multinational enterprises operating in a 'unitary' manner and taxes them accordingly. In line with counterparts from across civil society, we think the Convention should clearly establish the fundamentals necessary to enact a Unitary Taxation approach to multinationals, with formulary apportionment of profits. There should be a balanced formula which fairly allocates taxing rights to countries based on key factors such as

sales, employees and assets. [The precise factors and formula could be specified in later decisions, including, for example for services in Workstream II.]

Sustainable development

The Terms of Reference specify the objective of establishing ‘an international tax system for sustainable development’. We propose that negotiators take into account the recent agreement expressed in the Outcome Document of the Fourth Financing for Development conference which includes relevant commitments:

- “We will promote progressivity and efficiency across fiscal systems to **address inequality** and increase revenue. We will **promote progressive tax systems** in countries, where applicable, and enhance efforts to **address tax evasion and avoidance by high-net-worth individuals and ensure their effective taxation, supported by international cooperation**, while respecting national sovereignty. We will also **promote effective and equitable government spending**.” (paragraph 27(e));
- “We encourage effective taxation of **natural resources...**” (paragraph 27(f));
- “We will (...) advance discussions on **gender responsive taxation**.” (paragraph 27(g));
- “We will promote the consideration of the **environment, biodiversity, climate (...)** in **fiscal programming** in line with national circumstances, sustainable development priorities, and poverty eradication strategies.” (paragraph 27(h);
- “We encourage countries to integrate financing of **social protection systems and policies, including floors...**” (paragraph 27(i);
- “We further reaffirm that the pursuit and enjoyment of **human rights and fundamental freedoms for all, encompassing civil, political, economic, social and cultural rights, which includes the right to development**, must be respected, protected and promoted, without distinction or discrimination of any kind.” (paragraph 3)

Therefore, the Convention should include a commitment to ensure fiscal systems are aligned with the progressive fulfilment of human rights and sustainable development, articulating relevant UN goals, obligations and commitments. For example, the Convention should be explicitly focus on using progressive taxation measures within and between states. This is key to promoting gender justice. Similarly, progressive taxation reduces inequalities within and between states, and fosters environmental protection.

Furthermore, by including a commitment to environmental taxation, the Convention can help uphold the taking of “a *holistic, sustainable development perspective that covers in a balanced and integrated manner economic, social and environmental*

policy aspects” outlined in the Terms of Reference. The Convention should include operationalizing the polluter pays principle and tackling the global environmental crises of our time. We therefore strongly encourage the Committee to add a component on progressive environmental taxation as a sub-commitment under the overall commitment on tax and sustainable development. We also believe the Committee should begin considering specific solutions, such as a polluter pays surtax on the profits of fossil fuel companies.

Differentiation

In common with other UN conventions, the tax convention should incorporate the principle of common but differentiated responsibilities and respective capabilities (CBDR-RC). The principle of special and differential treatment of ‘developing countries’ should also be recognized. For example, commitments to implement certain measures such as automatic exchange of information should include a transition period during which developing countries should receive information on a non-reciprocal basis. Other commitments, such as progressive environmental taxes, should adhere to CBDR-RC.

High net worth individuals

The issue of coordination to effectively tax high net worth individuals is covered in paragraph 10 of the Terms of Reference, which should be reflected in the Convention. Alongside effective taxation of multinational enterprises, ensuring effective taxation of HNWI's will enhance progress against economic inequality between and within countries.

Transparency

Paragraph 10 of the Terms of Reference include potential to include transparency commitments in the Convention. Alongside other civil society groups, we recommend the Convention spells out commitments on fundamental transparency measures which will improve international tax coordination in their own right, enhance fair revenue collection and act as a foundation for further coordination:

- Automatic information exchange;
- Beneficial ownership transparency, including national public registers;
- Country by country reporting (CBCR), including publication of individual CBCR reports.

The second of these will be an important component for a global asset register which would make effective international coordination on taxing NHWIs much easier.

Governments can make progress on all of these aspects of transparency on their own initiative, demonstrating political will to reinforce these aspects during negotiations. For example, the UK could activate its legislation requiring public country by country reporting of multinational enterprises, and it could ensure its Overseas Territories and Crown Dependencies implement public registers of beneficial ownership.

Principles and preamble

The section on the preamble in the Terms of Reference is short and risks missing key elements. The preamble should explicitly refer to other key UN decisions and commitments on human rights, environmental protection, financing for development, gender equality and financing for development.

Mechanisms and subsidiary bodies

Framework Conventions tend to include elements including mechanisms and subsidiary bodies. These are relevant for the tax convention and should be included in it. As well as regular Conferences of Parties (COPs), additional mechanisms have been indicated in the Fourth Financing for Development outcome document:

- *“We will work to strengthen country-by-country reporting of multinational enterprises, when applicable, including further evaluating the creation of a central public database for country-by-country reports.”* (paragraph 28(f));
- *“(…) We will implement effective domestic beneficial ownership registries with high quality and standardized information, consistent with international standards. We will enhance mechanisms for information exchange among national beneficial ownership registries and consider the feasibility and utility of a global beneficial ownership registry.”* (paragraph 28(g)).

We believe the consideration of a central public database for CBC reports should take place in the Committee, and call for such a database to be incorporated into the FCITC. Furthermore, we believe that a global public register of beneficial ownership is both very feasible and of high utility, and call for such a register to be established as part of a larger Global Asset Register under the Convention.

Full and effective participation of observers

Paragraph 21 of the Terms of Reference states that *“civil society and other relevant stakeholders are encouraged to contribute to the work of the intergovernmental negotiating committee in accordance with established practices.”* We are very committed and keen to respond to this invitation alongside others nationally and internationally.

However, our contribution can only be meaningful if it is well-informed and timely. We are concerned that observers have not been invited to participate in the online

meetings of the Workstreams. The fact that we have been unable to even observe the numerous meetings that Member States have now had leaves us with a very limited understanding of the specific discussions, and significantly reduces our ability to feed into and respond to the debate.

We note inconsistent practice on observer participation in “informal-informals”. It occurs within a wide range of UN processes, and it has also already occurred within the processes related to the UN Tax Convention. There are also precedents for observer participation in online meetings – for example from the work of the UN Expert Committee on Tax. We would like to stress the importance of allowing for full and effective participation of civil society and trade unions in all meetings of the committee, including the online sessions of the Workstreams.