

Kingdom of Lesotho Submission

Input on the Co-Lead's Draft Framework Convention Template (A/AC.298/CRP.21) of 24 October 2025

ABSTRACT

This submission presents the Kingdom of Lesotho's comments on the Co-Lead's Draft Framework Convention Template and proposes drafting suggestions based on Lesotho and the African Group's interventions articulated in Nairobi. Lesotho has also taken on board other general comments, particularly those provided by Stakeholders on the Draft document. Lesotho advocates for strengthening equity, inclusivity and development orientation within the emerging United Nations Framework Convention on International Tax Cooperation. Lesotho welcomes the Co-Lead's Draft as a constructive basis for negotiation but considers that several provisions require refinement to ensure the Convention responds meaningfully to the structural challenges faced by Lesotho and other developing countries. Lesotho feels that persistent illicit financial flows, harmful tax practices, inequality in the allocation of taxing rights and limited administrative capacity have to be addressed by the Convention if significant and meaningful progress is to be made.

The Kingdom's proposal elaborates on four core themes. First, the Convention must embed a fair allocation of taxing rights that recognises value creation in all its forms, including markets, resource-dependent economies and participation in a digital global economy. Second, the Convention should strengthen commitments on high-net-worth individuals, mutual administrative assistance, harmful tax practices and the fight against illicit financial flows by incorporating more concrete and operational obligations. Third, the Convention must integrate a development-centred approach, including robust capacity-building, technical support, data transfer and institutional mechanisms for developing countries. Finally, coherence between the Convention and future protocols must safeguard the interest of member states, in particular developing countries like Lesotho.

Overall, this submission encourages the Co-Leads to adopt a more ambitious and development-oriented text that enables all jurisdictions, especially developing countries, to protect their tax bases, combat illicit financial flows effectively, and raise sustainable domestic resources in support of national development priorities.

1. General Observations

Lesotho recognises the Co-Lead's Draft Framework Convention Template of 24 October 2025 as an important step. The draft significantly aligns with the Terms of Reference but requires strengthening to reflect developing-country priorities.

2. Article-by-Article Comments and Proposed Enhancements

Article 4: Fair Allocation of Taxing Rights

The current Draft recognises only business activities in a narrower sense. To meet the aspiration of the Terms of Reference (TORs), Lesotho proposes the deletion of “**business activities**” and calls for the Convention to adopt a broader approach that recognizes; value creation, markets (location), revenue generation and economic activities as basis for allocation of taxing rights. The redraft should capture modern economic realities, including digital and user-driven value creation, and provide a fairer allocation of taxing rights for developing countries whose markets, labour and natural resources contribute significantly to global profits but are often excluded from the corresponding benefits. Such language should also be able to serve as an anchor to Protocol 1 of the Convention. Lesotho is of the view that fairness is achieved when all those who should tax are able to tax, regardless of the residence of the income earner. The article should not attempt to define the manner of taxing or magnitude of the tax, as such would be elaborated in an appropriate protocol or implementation arrangement(s).

Article 5: High-Net-Worth Individuals

Lesotho generally views the current draft article as sufficient but suggests the following formulation for paragraph 1.

“1. In order to prevent high net worth individuals from avoiding or evading taxes, the States Parties agree to adopt measures and exchanges to ensure effective taxation of such individuals in line with respective national laws.”

Article 6: Mutual Administrative Assistance

The future of international tax cooperation lies on effective mutual administrative assistance. In this sense, Lesotho proposes a Draft that provides a detailed and multifaceted framework for cross-border administrative cooperation. It should set out a wide menu of administrative assistance tools, including coordinated examinations, cooperation on foreign-based audits, support in collecting tax debts, and facilitation of exchanges across jurisdictions. The drafting of such an article should take into consideration the different levels of member states and ensure that member states are not indirectly excluded from mutual administrative assistance programs by imposing stringent rules, but this should be done without compromising standards and necessary safeguards.

Article 7: Illicit Financial Flows, Tax Avoidance and Tax Evasion

Lesotho supports the current language “as is” but proposes the addition of “***or implementing*** “immediately after the word “***developing***” in paragraph “a”. This is to ensure that the commitment also takes into account the implementation of existing tools to curb IFFs where such tools have proven to be effective.

Article 8: Harmful Tax Practices

Lesotho proposes a language that allows broad commitment by members to combating harmful tax practices including through development or implementation of effective tools; by carrying out necessary reform of their tax incentive regime; through effective sharing of relevant information; and by introducing appropriate measures, which may include measure to ensure that Multinational Enterprises or relevant taxpayers pay minimum amount of taxes.

Over and above the existing text, Lesotho advocates for inclusion of UN agreed approach or guidelines on what constitutes harmful tax practice which should benefit member states, in particular developing countries. Such UN sanctioned/endorsed guidelines will mitigate against the existing arbitrariness and inconsistent treatment of member states in so far as '*assessments on harmful tax practices*' are concerned. Lesotho further proposes language that will clearly differentiate harmful tax practices at member state level vis-à-vis practices by taxpayers which fall in the tax avoidance, evasion and illicit financial flows categories.

Article 9: Sustainable Development

Lesotho believes that the three dimensions of sustainable development as articulated by this Article are reflective of the specific items that were highlighted by both members and stakeholders during the discussion of the Article in Nairobi. It is our position that trying to itemize issues in this article may inadvertently limit its application and as such the current draft is sufficient to allow for broad application.

Lesotho remains open for inclusion of additional text that may introduce ensure that sustainable goals are met, including through appropriate funding through other forms of taxes. To this end, views of Stakeholders are acknowledged and welcomed by Lesotho.

Article 10: Prevention and Resolution of Tax Disputes

Lesotho appreciates the language of texts in Article 10 of the Co-Leads draft. However, we propose a complete replacement of paragraph 1 with a more commitment-like language in the following manner; “***The Parties commit to take all necessary measures to ensure effective prevention and resolution of tax disputes***”. Our view is that this proposal will ensure that the Article is future-proof and also provides an anchor for Protocol on Prevention and Resolution of Tax Disputes as well as a basis for improvement on dispute resolution generally.

Article 11: Capacity Building and Technical Assistance

In line with the Terms of Reference, Lesotho supports a standalone article on capacity building. The Article should provide for an extensive framework on institutional support, technology transfer, legislative strengthening, data systems and training. It should enable Parties agree to work together, including through international bodies, to strengthen tax capacity, with particular attention to developing countries and those in special situations. Cooperation should help countries develop capacity to administer taxes effectively, meet their obligations under the Convention and its Protocols and improve domestic resource mobilisation. It should also cover technical assistance to help countries develop strong legislation, build effective tax institutions, establish data and information-exchange systems, and strengthen tax education and training. Finally, capacity building and technical assistance should be well coordinated, internally and externally, demand and not supply driven and impactful.

Articles (1 – 3 and 12–22)

Lesotho advocates for speedy development of the texts of the outstanding articles in the proposed forthcoming Workstream I meetings. During Nairobi it became clear that the absence of drafts of these articles presented challenges and could delay or derail the process. It is our hope that draft text will be available before the next substantive session.

3. Conclusion

Lesotho encouraged incorporation of the stronger and development-centred suggestion during the Nairobi discussions into an updated Co-Lead's Draft. This will ensure the Convention supports equitable taxing rights, combats harmful practices and illicit financial flows, strengthens administrative cooperation and provides ambitious capacity-building support.