Statement by the Tax Justice Network

**Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation** 

1.5.2024



Thank you Madam Chair – my name is Markus Meinzer and I am from the Tax Justice Network.

The Tax Justice Network aligns with the remarks made by the Global Alliance for Tax Justice.

Esteemed delegates, in this intervention, we would like to advocate for including Country by Country Reporting and corporate taxation issues more broadly in the Terms of Reference of the Framework Convention; and for inclusion of the establishment of a Global Asset Registry (GAR), as well as of a Centre for the Monitoring of Taxing Rights (CMTR) to monitor progress.

I found encouraging that today, many country delegates have expressed their desire to do more to ensure that large multinational enterprises pay their fair share of tax.

In this regard, the importance of the relationship between corporate taxation, that has been discussed this morning, and the ABC of tax transparency that has been discussed yesterday, cannot be emphasized enough. Why is that?

One objective of tax reform processes initiated 2013 by the G20 has been to align the declaration of profits of multinational enterprises with their economic activity.

Country by country reporting – the C of the ABC - has been proposed as one tool to not only hold accountable multinational enterprises, but also to measure the progress towards this ambition of states, and it has been widely implemented in form of BEPS Action 13.

While CbCR has been originally devised as a public financial reporting standard whose predecessors are dating back to the 1970s and the United Nations, CbCR has been however severely truncated during the OECD BEPS negotiations.

The first truncation of this tool happened as tax secrecy was declared to cover this data.

In order to access the data, a complex system of automatic information exchange was established that leaves most lower income countries out of the exchange mechanism.

Esteemed delegates, the result of this system is a further exacerbation, not a reduction, of information asymmetries between higher income and lower income countries – information asymmetries that everyone in this room knows do translate into inequalities of power and ultimately taxing rights.

The second truncation in OECD’s BEPS Action 13 is that of limiting the use of the data and ruling out the use of the data for transfer pricing or tax base adjustments to enable formulary apportionment of income.

That is an enforceable provision in the OECD rules directly in opposition to a clause included and widely accepted to this day in the UN model tax convention under Art. 7.4.

These two OECD treatments of country by country reporting have truncated the tool and solidified a deeply unjust and unfair asymmetry in taxing rights.

In addition to this truncation, the OECD has failed to live up to its commitment to complete a review of the CBCR standard in 2020, after a consultation showed broad support for public access, incl. by investors.

I am telling this episode not to entertain or bore you – but for 2 reasons. First, because I hope it reminds us of why we need a high-level commitment to work on corporate tax matters in the Terms of Reference.

Second, I mention this because I believe we also need a high-level commitment of public CbCR in the ToR.

Healing the OECD truncations could help releasing upfront significant revenues in developing countries – and in developed countries alike.

Public CbCR should be created under a robust standard, and we believe that the Global Reporting Initiative’s GRI 207 standard should be among those tabled for review by the Ad Hoc Committee here, as it is currently the most robust and reliable existing standard - or to be tabled and reviewed but the subsequent committee.

In addition to this, a Global Asset Registry that establishes the infrastructure for enabling the taxation of high income individuals by laying down systems and IT parameters, protocols that enable the registration and interfacting, exchanges about bank accounts, about financial securities, about real estate, vessels, yachts, about airplanes, about other high value assets, would be prerequisite to enable the progressive taxation of individuals both by the personal income tax, and by means of a wealth tax. In this regard we would request the GAR to be included for consideration as another high-level commitment in the Terms of Reference.