Ad Hoc Committee - Meeting 7

1 May 2024

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[00:32:56] We will start in one minute.[00:33:00] [00:34:00]

[00:34:30] Good morning, excellences, distinguished delegates, dear colleagues. I welcome you to the seventh meeting of the ad hoc committee to draft terms of reference for United Nations Framework Convention on International Tax Cooperation. Today the committee will continue its formal discussion, its informal discussion of agenda item two.

[00:34:53] Structural elements of framework, convention, substantive scoping, sub item B substantive element. [00:35:00] This morning's the committee will focus on the discussion of more possible topics for high level commitments, namely one equitable taxation of the income of multinational enterprises. Second, effective taxation of cross border transactions, including taxation of cross border services in an increasingly digitalized economy.

[00:35:24] These examples of possible high level commitments were derived from the written inputs received from member states and other stakeholders. So organization of work mentions this and other possible topics in a non exclusive manner. As we continue our work of scoping out the substance of the draft terms of reference during the first session, the committee is free to reaffirm these topics and to discuss additional possible topics.

[00:35:54] Let is turn to the first possible topic for high level commitments. The committee will discuss today, [00:36:00] equitable dis, the taxation of the income of multinational enterprises. Following from, I expressed in the written inputs, such a high level commitment could potentially cover versus aspects of the tax rules and procedures pertaining to the taxation of income of multinational enterprises.

[00:36:22] A commitment to work towards or to ensure equitable taxation of multinational enterprises could possible more general, could support more general objectives and principles of a framework convention on international tax cooperation. I look forward to our discussion of this important issue. Before I open the floor, the usual, the usual reminders, virtual participants, please always mute your microphone except when you have been given the floor.

[00:36:51] For, for, for virtual participants requesting the floor, please use the raise hand facility [00:37:00] or if you cannot do that, type H in the messaging chat facility. The secretariat will monitor the chat and advise you that your hand has been noticed. I invite delegations in the conference room wishing to intervene to press the button on their microphone console, where you may have.

[00:37:21] Prepare the statement in advance. Please do send it to the East Qatar yet to assessed in the interpretation to assess the interpretation teams. All the speakers are kindly requested to limit their interventions to three minutes. The floor can be taken more than once during our informal discussions. I encourage participants to feel free to respond to interventions made by other delegations and observers as we aim to constructive discussion among all participants.

[00:37:51] We will take the interventions first from member states and then, and then time permitting for intergovernmental organizations and [00:38:00] from other observers. Please keep in mind our two focus questions for the week. Why is this matter that should be addressed now through the framework protocol approach? How could agreement to address this matter be practically operationalized in a framework convention and its protocol?

[00:38:23] Now, the floor is open.[00:39:00]

[00:39:26] Distinguished Delegate of Sri Lanka, the floor is yours. Thank you very much, Chair. Um, since there is silence, I thought I would make some, uh, comments. Um, in regard to the topic given, uh, for today's morning session, I would like to make a few, uh, Uh, some remarks, uh, from the perspective of Sri Lanka. Sri Lanka recognizes the pressing need to address taxation challenges posed by multinational enterprises in the digital economy, which allows companies to conduct substantial business activities in jurisdictions where they may [00:40:00] have little to no physical presence.

[00:40:03] Although these multinational enterprises drive economic growth in developing economies, the current tax framework allows multinational enterprises to exploit legal tax evasion loopholes resulting in substantial government revenue losses, thereby raising concerns about the erosion of the tax base in countries where economic activity occurs, but profits are Um, need to be effectively taxed.

[00:40:30] Moreover, the hoarding off the profits acquired by these multinational enterprises in offshore accounts contributes to the decline of already weakened economies as their economic activities contribute to nothing to inject wealth into their local economies. The implementation of a framework convention on the International Tax Corporation can effectively address the issue of double taxation, which could be a primary reason why multinational [00:41:00] enterprises such of developing countries evade taxes and hold profits in offshore accounts.

[00:41:06] Facilitating the negotiation of tax treaties between Sri Lanka and other nations provides clarity on tax obligations, preventing individuals and business from being taxed twice on the same income in different local and international jurisdictions. This clarity encourages cross border trade and investment, enhancing Sri Lanka's appeal to foreign investors while promoting fairness and transparency in the global tax landscape.

[00:41:36] Therefore, multinational enterprises should be required to disclose their assets. relevant financial information and adhere to standardized reporting requirements to enhance transparency in their tax affairs. This could involve joint audits, information sharing on tax evasion schemes and capacity building initiatives to improve compliance with Income Tax Act.[00:42:00]

[00:42:00] This will also place pressure on the governmental and private stakeholders to consistently update legislation on tax evasion within a country. The framework for international tax cooperation should also address global value chains where companies spread their production processes across multiple countries to optimize efficiency and cost effectiveness.

[00:42:23] The price, the prices companies charge each other across their operations are known as transfer pricing and the framework should aim to establish rules to prevent companies from. Artificially manipulating these prices to shift profits to jurisdictions with lower tax rates. Consequently, it should simultaneously incentivize multinational enterprises to invest in countries like Sri Lanka, knowing they can navigate predictable tax obligations.

[00:42:54] Therefore, this cooperation framework should serve to attract investments to countries like Sri Lanka [00:43:00] while safeguarding tax fairness within the context of global economic integration. Addressing taxation challenges posed by multinational enterprises, especially in the context of digital economy and global value chains, requires a comprehensive framework for international tax cooperation and implementing proactive measures, updating tax regulations, and fostering collaboration among tax authorities globally.

[00:43:26] In countries like Sri Lanka can attract investments, Ensure fair taxation and foster sustainable economic development. Thank you, Chair.

[00:43:39] Thanks to Sri Lanka. Now to the distinguished delegate of Canada.

[00:43:51] Mr. President. I would like to make a few comments in connection with the proposal to include in the terms of reference a recommendation for [00:44:00] a fairer taxation for multinational companies. The fight, the fight against the transfer of profits abroad and the abusive tax avoidance by companies has been at the center of international discussions that have been going on in recent years and should remain a priority objective of international tax reform reforms.

[00:44:19] It seems essential to us that a high level commitment to these issues be formulated taking into account the major programs that have been carried out in this regard. I am referring here to the reforms that have been put in place as part of the ECDE project on the erosion of the fiscal base and the transfer of profits, and in particular to the adoption of a global minimum tax as part of the reforms of Pillar 2.

[00:44:47] The implementation of this global minimum tax on the largest global companies by a critical mass of countries constitutes a fundamental paradigm shift in the fight against the transfer of profits. It can be anticipated [00:45:00] that these reforms will lead to a substantial reduction in low tax profits worldwide.

[00:45:05] This reduction will primarily benefit the country at the source, which has a priority right to collect additional taxes in accordance with the rules of Pillar 2. In the same way, the implementation of a global minimum tax will reduce the pressure on fiscal competition between countries, which will also benefit the countries that will now benefit from an increased margin of manoeuvre to impose the profits of businesses and eliminate fiscal measures that incite non performing investment.

[00:45:35] In the end, we can expect that the reforms of Pillar 2 reallocation of tax rights in favour of the key countries, as well as a reduction in global inequality, insofar as tax incidence on the profits of businesses is strongly progressive. This major accomplishment in terms of multinational business taxation should be the starting point for any [00:46:00] discussion on additional efforts that may be required in this area.

[00:46:04] I would like to conclude my speech with a brief comment on possible commitments that could be made for the reallocation of the rights of imposition relative to the profits of multinational companies. Taking into account the mandate of the present committee, which is to write the reference terms for the negotiation of a future framework convention, it seems essential to us that any commitment to this effect is formulated in a neutral and respectful way in the future negotiation process.

[00:46:32] It would seem inappropriate for such an engagement to be formulated in a way that would prejudge the results of these negotiations, which, of course, could hinder the good course of these negotiations. Mr. President, for the opportunity to share your concerns with the Committee.[00:47:00]

[00:47:41] Thank you, Mr. Chair, and good morning to everybody. Uh, Mr. Chair, uh, over 140 countries have been working in the inclusive framework since a number of years on this topic, devoting considerable resources and time and making [00:48:00] significant progress in view of the finalization of the Multilateral Convention, MLC, on Pillar 1.

[00:48:08] Many United Nations member states, including Italy, have stressed several times the importance to avoid duplicative works on topics that are currently treated in other fora, such as the inclusive framework. I would like to reveal also that Italy as stated in its submission and its statement that it will be desirable to about starting to focus on potentially controversial issues.

[00:48:34] And this concept, the same concept is contained also in the position on behalf of the European Union and its member states, which states that the discussion and early protocols should focus on the least controversial topics in our view. The matters at stake today, taxation of multinationals, but only to a certain extent, taxation across both the [00:49:00] transaction may be both controversial and duplicative and they may lead to the risk of fragmentation of international tax rules.

[00:49:10] Thank you, Mr. Chair.

[00:49:24] Thanks Italy. Now to the distinguished delegate of Nigeria.

[00:49:30] Thank you very much and good morning colleagues. Um, As regards the question as to, um, high level commitment required in respect of, um, taxation of multinational companies and cross border, um, probably let me, uh, chair first, um, attempt to, uh, look at the reasons, [00:50:00] um, why these issues should be addressed through this.

[00:50:05] framework, uh, convention and the respective protocols that may, um, be drafted. Um, we understand that there are quite a number of rules, um, that have been applied, um, particularly through the efforts of the OECD and other regional platforms. Um, one thing that is very clear is that, um, Um, the, uh, rules, um, that are currently out there are not sufficiently beneficial to all.

[00:50:45] Um, and the reason also is very simple. Uh, when those rules were being drafted, not everyone was at the table. And um, if I may refer to, uh, the comment [00:51:00] of my, uh, the last, my colleague, the last speaker. Um, indeed, there are about 145, I think 145 members now of the inclusive framework. But the question is, when the rules are actually being drafted, either at the working parties or the TFDE, or being looked at at the steering group, how many of those 143 were actually at the table?

[00:51:28] So, uh, the truth is, in most cases, there there are less than 30 and mostly, um, countries from the global South where the ones have sins at the table. So, um, so the first thing therefore is the rules that we have now are not serving all. Uh, another reason why we believe this issue is important, um, [00:52:00] is that the rules that we have there.

[00:52:03] are not flexible enough and we believe that there are many routes to the market. It's not just one highway and therefore all options must be on the table. And then every jurisdiction be given the opportunity to decide which will be the best and the most appropriate rule to adopt. And of course we agree that, um, all of these issues require multilateral approach.

[00:52:38] And that is why the truly multilateral approach that we can have is we, is what we, uh, we, what we are trying to work at and not what is done at regional levels. And then to look at the second question of how do we operationalize, um, it is important that we have a convention that is [00:53:00] very broad based. in terms of scope covers every aspect of taxation that affect domestic revenue mobilization.

[00:53:08] And therefore, uh, we believe that all issues around tax treaties, indirect taxes, transfer pricing, exchange of information, assistance in task collection and all of those garments that has to do with including issues around tax incentives must all be covered. Um, this is going to then allow for that broad based unified rules, um, and transparently set rules that takes into consideration the situations of the different jurisdictions.

[00:53:52] Um, and then we'll have rules that are implementable, um, by all jurisdictions, irrespective of level of development. [00:54:00] Uh, this is, um, our thoughts, uh, uh, uh, share, and we hope, uh, that, um, we're able to reflect all of this, uh, in the proposed convention and the protocols that will follow. Thank you very much.

[00:54:27] Thanks, Nigeria. Now to the distinguished delegate of United States.

[00:54:37] Good morning. Good morning. And thank you for the opportunity to share the views of the United States on the inclusion of this topic. as a possible high level commitment in the terms of reference. Before we address today's topic, we hope the chair doesn't mind if we echo the thoughts of the distinguished delegate from Japan on the topic of progressive taxation from yesterday.

[00:54:57] During our earlier intervention [00:55:00] on the high level commitment related to high net worth individuals, we mentioned the United States. State's administration's billionaires income tax proposal. Um, and we think it's also worthwhile to mention the importance of domestic progressive taxation in our own system.

[00:55:14] Uh, we also think it's worthy of consideration by this committee. Uh, since we didn't enter the queue before the floor was closed yesterday, I wanted to be sure to raise this comment as early as possible this morning. Thank you for your patience on that. Uh, so on the topic at hand, uh, To be clear, the United States supports the concept of equitable taxation of the income of large multinational enterprises.

[00:55:39] And we think the proposals and the efforts of the current U. S. Administration reflect that strong support. And we also would like to acknowledge that many delegates here have expressed a desire to view topics holistically. And understand why, when viewed at a high level and on the face of those [00:56:00] terms, the topic has been included on the agenda.

[00:56:04] That being said, we shared the concerns expressed by some delegates here that a high level commitment on this topic will conflict with and potentially undermine the work that we and others have taken in other forums, especially the consensus agreement on a global minimum tax under Pillar two of the G 20 O.

[00:56:24] E. C. D. Inclusive Framework to Pillar solution and our ongoing work on profit allocation issues and a multilateral convention under Pillar one. We are very committed to those negotiations. And we would very much like to see if the proposals there would help to alleviate some of the issues that countries are raising in this forum.

[00:56:46] Our concern on this front is heightened by our observation based on the discussions of this body thus far of a reluctance to take up any clear commitment to a consensus decision making process. We [00:57:00] understand that many delegates don't want to reopen that debate, and we do not intend to do so this morning.

[00:57:05] However, we would like to repeat our comments at the opening of the session last week and ask that the committee consider the ultimate goal of this effort. If it's to make meaningful and durable changes to international tax cooperation, those changes must have broad based support, and that support is necessary, in our view, for creating the type of buy in needed for widespread adoption of any international tax proposal.

[00:57:32] If the terms of reference are instead drafted in a way that doesn't take into account the views of all countries, we may be headed down a path of majority support and it's unclear what we will have achieved there besides additional fragmentation. So thank you very much, uh, for taking these comments into account as the, uh, drafters of the zero drafter, the terms of reference, proceed with their work.[00:58:00]

[00:58:00] Thanks, United States. And now to the distinguished delegate of, uh, Republic of Korea.

[00:58:12] Thank you, Chair. By the way, I think that India is ahead of me, but it's okay. Okay. The system here showed when you You know, by order. Okay, Chair. Good morning, everyone. Currently, the taxation of cross border transactions faces significant challenges due to the complexity of international trade, distant mobility, and the involvement of multiple tax jurisdictions.

[00:58:43] To address these issues, the relevant regulations have been reviewed and prepared by the United Nations. OECD and enforcement practice have been established for a long considerable period of time. Under these circumstances, [00:59:00] I believe that we need to be cautious to discuss the issue of taxation of M& E and international transaction in the UN Convention to avoid duplication of existing discussions.

[00:59:14] First, I think it is necessary to take into account existing international discussions and taxation regulations, given that global standards such as the TP guideline and BEPS action plans and global minimum tax rules have been established by the OECD for a long time. I believe that it is necessary to consider the corresponding implementation practice along with the existing tax treaties and agreements.

[00:59:45] Second, there are technical challenges in terms of creating new regulations. Given the nature of M& E's business operations and complexity of international trade, I think it is technically [01:00:00] challenging to draft a new regulation in a short period of time. In this regard,

[01:00:39] in particular, as the OECD Inclusive Framework is currently in the final stage of negotiation on Amount A, the allocation of taxing rights of M& E[01:01:00]

[01:01:17] Yeah, increasing framework. Countries are participating. Lastly, as the United States delegate mentioned that if we select this topic as a subject matter to be addressed, I believe that in order to have a broader support, we have decided consensus or super majority as a decision making rules. Thank you.

[01:01:54] Korea. Now to the distinguished delegate off India. Thank you, Chair. [01:02:00] Uh, on the issue of, uh, a possible, uh, inclusion of the equitable taxation of the income of, uh, multinational enterprises as a, as a substantive element. To answer the first question as to why is this, uh, why does this need to be addressed at all, we believe that it does need to be addressed through this, uh, framework protocol approach because this is intricately related to the goal of ensuring that all countries, They have adequate resources at their disposal.

[01:02:34] So therefore this is a matter that is of great importance, uh, and therefore it's a matter of great concern as, uh, as expressed by various, uh, comments around, uh, the table. So therefore this is a matter that needs to be addressed, uh, through this, uh, protocol, uh, framework approach. The one thing that we would like to say that the, the way this commitment, uh, should be, uh, framed, it should be broad [01:03:00] based.

[01:03:00] And it should encompass other issues, including that which, uh, which are, uh, listed as possible topics for discussions, uh, for early protocols. So this, this should be a broad based issue and, uh, as the distinguished delegate from Nigeria had mentioned, that it should cover all, all possible gamut of this, uh, this subject.

[01:03:24] So therefore, we, we, uh, support this, this commitment on the fair and equitable distribution of taxing rights of multilateral enterprises. We also believe that it should, uh, the commitment should ensure that the rules, uh, are dynamic and receptive to evolving business models, receptive to the needs of countries at different places in the development spectrum, and receptive to the needs of countries who feel that existing rules, existing instruments have not served them as they should.

[01:03:58] So therefore we believe that [01:04:00] it is this body and the rules that it frames that is the only way forward. to ensure a very stable international tax architecture. As we had mentioned yesterday during the discussion on, uh, on dispute resolution, the, whatever rules we, we come up with as a result of this commitment, they should be simple and easy to administer, minimizing dispute, providing certainty to M& Es as also to the jurisdictions who, uh, will host these M& Es.

[01:04:32] And, uh, eventually we, we look forward to an equitable outcome, which would mean that All, all countries, whether low capacity, high capacity, developed, developing, they all should participate on equal footing and they can ensure that they have a voice in the formulation and administration of these rules.

[01:04:55] And therefore, no matter what other, uh, [01:05:00] efforts may be going on elsewhere, we, with due respect to that. And this opportunity is something that we should not let go off. And so we believe that this is, this is something that we really need to, uh, to make a commitment on. Thank you, Chair.

[01:05:20] Thanks India. Now to the next language delegate of Mauritius.

[01:05:30] So thank you, Chair. Chair globalization and digitalization have made it hard for countries to tax M& Es in an efficient and, uh, effective manner. The small island developing countries are mostly hit by this hard reality and they have limited capacity and natural resources. Given its importance, it is imperative [01:06:00] that the equitable taxation of large MNEs is addressed in this framework protocol.

[01:06:07] Now, the taxation of large MNEs M& Es would be practically operationalized provided it is equitable and the rules are simple enough so as not to create implementation challenges such as litigation for developing countries. It is important also that it provides for a dispute resolution mechanism to take into account the capacity of the different countries.

[01:06:39] and effectively resolve cross border tax dispute. Thank you.

[01:06:54] Thanks, uh, Mauritius. Uh, but before going to the next, [01:07:00] uh, usually for the civil society, we keep the interventions after the members. Uh, if, if, if no objection, I, I, I think we can take them also within the course of these interventions it would be useful to, to listen to, to their, uh, statements. Uh, so if no one object, we can just take them by order with the members, but I will, I'm going to ask them just to limit their intervention maximum to three minutes and not to exceed this.

[01:07:38] Now to the distinguished delegate of France.

[01:07:45] Merci, merci Monsieur le Président.[01:08:00]

[01:08:02] I have here some, uh, civil society and the national organization organizations asking for, for the floor, as I, I mentioned in my opening, no, my opening notes. We, we take them after the members, so we take all the members after there is no members asking for the floor, then we allow them to, to take the floor.

[01:08:22] But here what I'm asking for is that we can listen to them in the course of our discussion instead of keeping them till the end as, as the order I have here. So it would be good, but they need to limit their intervention in order not to consume too much time. So if there is no objection, so we'll go with this.

[01:08:41] If someone objects, so we'll keep them to the. Mr. President. On a personal note, I would prefer that civil society speak after the member states. For, for my intervention, regarding equitable taxation of multinationals, a reform [01:09:00] has been initiated on the issue of international taxation, in the context of the digitalization of the economy, within the framework of the OCDE's BEPS work, which has resulted in a two pillar solution, which has won the support of more than 140 states and territories.

[01:09:16] This solution is based on Pillar 1, which aims to reallocate the rights to impose the profits of the largest multinationals, and on Pillar 2, which establishes a minimal imposition of multinational groups. It should be noted that the application of a minimal imposition of these multinational groups is concretely launched in many States, and, as the Canadian delegate pointed out, will primarily benefit from the State of the Source, which imposes a national minimum tax.

[01:09:43] These works have been carried out for a long time and required a significant amount of resources to carry out the technical work. It therefore seems important to France to prioritize the finalization of these works, in order not to weaken the progress made over so many years in the framework of the G20 [01:10:00] and the OECD, and to leave time for the reform to be able to bear its effects.

[01:10:04] We therefore recommend, in the hypothesis where a high level commitment to equitable taxation of multinationals has just been mentioned in the Convention, Transcription by ESO. Translation by

[01:10:46] Thanks, France. Now to the Distinguished Delegate of Belgium. Thank you, Chair. Uh, Belgium likes to align itself to the statements already made by Canada, Italy, the interventions by Canada, Italy, and [01:11:00] France. Um, uh, 140 countries have agreed within the inclusive framework to the two pillar solution to address the text challenges with a detailed implementation plan.

[01:11:13] A lot of work has been done and we just want to also, um, reiterate the fact that we cannot ignore how much time and energy and human resources has have already been gone into this work. And. Our question remains how we can, um, come easier or faster or better to the equitable taxation on the income of multinationals with a parallel process.

[01:11:46] So we do want to avoid duplication of the work that has already been done. And that's the most important thing. Okay. I think that we have to [01:12:00] keep in mind that there is consistency with the ongoing work. Thank you.

[01:12:21] Thanks, Belgium. Now, to distinguish the delegate of Spain.

[01:12:33] Well, I think that fair taxation of multinationals has been and is a concern for all countries and during the last years, the fight against erosion and tax evasion has constituted one of the main issues in the agendas of governments, of all governments and of international organizations, starting with the inclusive framework, [01:13:00] the G20 and even this same body.

[01:13:02] It is, therefore, a global problem. We all agree on that. And for this reason, only at a global and multilateral level can we find that solution. And that was the goal when we met in the framework, in the inclusive framework, in the inclusive framework, to find a solution precisely to that, to that malfunctioning of international rules to respond to the new fiscal challenges that we were facing in recent years as a consequence, above all, of digitalization.

[01:13:35] For this reason, and after many years of work in this inclusive framework, we have reached an agreement. Some of the countries that have spoken before me have mentioned it. We have reached an agreement in which, or with which, we intend, in some way, to reformulate those international fiscal rules that [01:14:00] cannot respond to these new fiscal challenges, and, therefore, uh, We have all agreed that with this new agreement, we will be able to respond to these new challenges.

[01:14:12] That solution that we have agreed on, based on two pillars, I will not go into details, But precisely one of those pillars seeks, precisely, the reassignment of the benefits of large multinationals. On the one hand, and on the other, also a commitment in terms of transfer prices, which is commonly called quantity B among B, in which we precisely seek to simplify The application of the rules of the price of transfer, taking into account, uh, especially the lower capacities of some countries, precisely to be able to apply those rules of price of transfer and adjust and simplify their application and precisely also avoid as much [01:15:00] as possible the disputes and problems between governments and between companies.

[01:15:04] The second pillar, also well known, is the one that precisely seeks a minimum taxation of large multinationals and that many countries have already started to implement. In this context, um, I think some have also said it, we have dedicated a lot of resources, a lot of effort, a lot of work. Um, we have collaborated, it has been a collaboration and cooperation work between many countries.

[01:15:30] And therefore, I think we cannot forget that there are already high level international commitments in which many countries have joined us. and, as I say, we are already, in many cases, implementing it. Therefore, I think we cannot forget this work, we cannot erase it and throw it away, but simply support us and, precisely, perhaps, or expand it, improve it, but in any case, we cannot, in any case, I think, forget and erase what has been achieved [01:16:00] so far.

[01:16:00] very much, dear President.

[01:16:18] Thanks Spain. Now to the distinguished delegate of Syria.

[01:16:25] Thank you very much. Uh, chair, this is perfect timing because I was about to say pretty much the same, um, as the Spanish delegate just explained very, uh, um, very nicely. Uh, we, we agree that the taxation of profits of M& Es is indeed an issue that needs to be addressed globally. Um, we have to have. global standards to make sure that the taxation is effective and not allow any loopholes.

[01:16:53] And that is exactly what we've been doing over the last decades. Many countries here in the room have worked [01:17:00] together effortlessly to achieve this. We have implemented new rules. We have adapted existing international tax rules in order to address the challenges that we're facing with the taxation of multinational enterprises.

[01:17:15] And we already started to, um, also take into account new business models. Um, amount A, amount B. So I won't go into more detail, uh, but what I would like to point out is that along the way we did take into account different positions of different countries of countries with different levels of development and capacity.

[01:17:41] Um, and, and, and that should not be, uh, uh, um, Should not be taken out of sight. We worked on making tax evasion, um, and avoidance more difficult. We improved transfer pricing rules. Um, and, and maybe here I'd also like to point out that there are certain [01:18:00] standards that are not only endorsed by OECD countries, but by the UN on a broader basis, for example, the arm's length principle, the UN tax committee of experts.

[01:18:10] It's endorsed, um, more or less what the OECD has been doing here. So overall, there is a lot of agreement here in the room also on existing international tax standards. And therefore I think I, what I would like to point out here that if we embark on negotiations in that area and in the area of equitable taxation of the profits of MNEs, um, we just need to be very mindful of the work, uh, that has already been done.

[01:18:36] Um, uh, on the one hand, and at the same time, we also have to be mindful of working in a way that leads to a broad based support of any new rules or any broadened rules, any adapted rules, um, so that we're not creating any different standards, because I think different standards and the, the fragmentation of international tax rules, um, are, are, Would be [01:19:00] the worst outcome that we could achieve here because it would only be to the benefit of multinational enterprises who again then could take advantage of differences in standards.

[01:19:10] And I think this is not what we're all aiming for. Thank you.[01:20:00]

[01:20:49] Uh, sorry for taking sometimes a few seconds or a minute because we conclude the comments from each side. So just make sure that we are writing the same. [01:21:00] And now to the Distinguished Delegate of Israel.

[01:21:06] Thank you, Chair. Um, I would like to address the issue of duplicity, um, and echo some of the, um, Thank you. statements that have been made, uh, regarding the existing projects that are underway and our concern, um, that we will be re addressing, um, issues that have already been addressed, um, and, Our concern is not only that the duplicity of, regarding the duplicity of efforts and resources, um, as to the projects that are underway, but, um, we think we would be maneuvering, uh, in these areas in new and somewhat uncharted territory because we still don't know the effect, um, that these new and very substantial projects will have Um, on the [01:22:00] taxation of M and E's and the equitable taxations of M and E's.

[01:22:02] We hope that, that there will be a significant outcome. Um, and so any parallel, uh, initiatives that we introduce and set out to promote here, um, would not really be parallel, but they would affect the implementation, um, of those existing efforts and, and how they, they play out. And so we would very much preferred regarding these issues to focus on those initiatives that are already underway.

[01:22:34] Um, and to do that in the best possible, uh, way that would solve some of the issues that were raised here. Um, thank you very much. Thanks, Israel.[01:23:00]

[01:23:09] Now to the Distinguished Delegate of Pakistan.

[01:23:15] Thank you, um, Mr. Chair. So focusing on your, um, focused questions, um, our delegation believes, uh, this matter, um, should be addressed in a framework protocol approach as it is a matter not currently addressed in a manner sufficiently beneficial for all parties, um, involved. particularly for developing countries.

[01:23:36] And we do believe that having a framework convention, which does not address this matter thoroughly would be meaningless and toothless and that keeping this conversation outside of the UN and limited to forums, which do not enjoy, um, universal membership, uh, like the UN does would, would really, uh, dilute the entire purpose of, um, uh, UN framework convention on tax cooperation.

[01:23:57] Um, addressing this in a framework protocol [01:24:00] approach will allow flexibility in dealing with matters as they arise. Um, and, and regarding how this matter could be addressed in, in, in a framework convention protocol. Um, it could be done by, um, ensuring the buy in of member states of addressing this issue by a commitment, um, on this, um, and, uh, and a commitment for the eventual development of detailed rules, um, on the same by way of, uh, protocols.

[01:24:25] Um, and we do believe that addressing this matter in a framework convention would ensure all members participate in, in a rule and standard setting, um, on an equal basis, uh, irrespective of their economic size. Um, coming to the conversation on existing processes, uh, these are not, um, inclusive, transparent, or equitable.

[01:24:46] Uh, they have not produced equitable, um, outcomes. To say that we all have agreed to something is highly inaccurate. Um, This is, uh, the UN, not all of us in the room have, have agreed to that something. Um, so, so to say that [01:25:00] this matter cannot be addressed because, um, uh, because regulations developed in a non inclusive forum have been made is, is something that is, um, hard for us to, um, accept.

[01:25:11] Um, and, and we do believe on the issue of fragmentation, Our perspective is that keeping this outside of the scope of a framework convention and, and keeping this outside of the UN is leading to fragmentation. You will have countries adopting it and countries not adopting other approaches. So, so we believe that this process will bring more coherence to the international tax cooperation at the global level.

[01:25:34] And, and to say that no, we cannot discuss this here, it has to be limited to other forums. will lead to further fragmentation because people are not happy with what has been done in other forums. Um, and, um, we, we've heard that we should not ignore how much time has been invested in, in developing other approaches, but we must also not ignore how much time was wasted in opposing the call of developing countries to have a UN framework convention or to have a universal intergovernmental body [01:26:00] at the UN.

[01:26:01] Um, so, so there are two sides because we feel that The international community has wasted time by not coming to the U. N. In in the first place, and we should not delay further in addressing this matter comprehensively in in the U. N. Um, one solution will not be the end. This is a rapidly evolving arena with regards to multinational corporations.

[01:26:24] Their speed and style of organizing their businesses changes very rapidly and resultantly the rules governing this area will also have to adapt rapidly. So to get our basis right and to get rules agreed to in a universal form would help us in the long run to have greater legitimacy and, and to, um, um, to help developing countries.

[01:26:49] Uh, again, we're told time and again to mobilize our domestic resources, but we are deprived of the right to obtain a fair and equitable share of the profits of these MNCs. Um, and [01:27:00] so it will help us Um, for that overarching aim of domestic resource mobilization as well by developing fair and equitable rules which allow developing countries to obtain their fair and equitable share of the profits of, of these MNCs.

[01:27:15] Um, linking this topic to that of decision making is something we do not support. Um, at this stage of our deliberations, um, We think if we enter into a conversation on decision making, it will not lead to a substantially different result. Um, as the one we had in the organizational session, I don't think there's been enough movement on, um, either sides.

[01:27:39] Um, so, so we, we don't think that in fact, any topic substantive topic should be linked to that of decision making, because that is something that can eventually be addressed in a framework convention. Um, so, um, just to say again, 140 is not 193, insisting on keeping this conversation out of the UN [01:28:00] will lead to further fragmentation.

[01:28:01] Um, and And so we should really, um, think about finally having this conversation in an inclusive forum. Thank you.

[01:28:32] Thanks, Pakistan. Now to the Distinguished Delegate of Singapore. Thank you, Chair. I have two suggestions on the guidance of this work for the drafting committee. First, it's important to recognize that equitable is a subjective term. What is considered equitable to one country may not be so to others.

[01:28:56] There will be very diverse views. Which is why I would [01:29:00] like to reiterate that an outcome based on consensus, or at least a supermajority vote, is important. If we go with a simple majority based decision making process, we could end up with an outcome that is agreed by 100 countries, but disagreed by the rest, who would then choose not to be part of the Convention.

[01:29:19] Such an outcome, where many countries decide that the Framework Convention is not for them, would be to the benefit of, uh No, very little countries. Uh, I don't think it will be effective. So even if it takes a bit longer to achieve consensus, I think it will be worthwhile to spend the time and effort, uh, to make this investment.

[01:29:41] Second, arriving at equitable taxation should not be viewed as a zero sum game. Even as, uh, drafting committee undertakes the work on this topic, we need to continue ensuring and creating the right conditions for economic growth. And this is the only sustainable way we can [01:30:00] create more value, jobs, and ultimately access the resources that all countries need for development.

[01:30:06] So simplicity, coherence with business realities, and consistency of practices across countries could be some of the factors to bear in mind for the drafting committee. For example, Many countries, including Singapore, are in the process of implementing the minimum global tax under Pillar 2, and this is why many have raised the need for complementarities and consideration of existing international tax cooperation mechanisms.

[01:30:34] So we're not, we're not saying that you can't, uh, improve on them, but you need to take them into consideration. So in short, I agree that this could be a topic for further consideration by the drafting committee, but we ought to proceed carefully with a focus on consensus, taking into account the needs and circumstances of all countries and making sure that we continue to support economic growth.

[01:30:57] Thank you.[01:31:00]

[01:31:58] Now to the distinguished [01:32:00] delegate, uh, first of all, thanks, uh, Singapore. Uh, now to the distinguished delegate of Germany.

[01:32:12] Thank you, Mr. Chair, and good morning to everyone. Although I feel, uh, That I won't get any applause, I would like to echo the intervention that were made by Canada, Italy, the U. S., Korea, France, Belgium, Spain, Austria, Israel, and lastly, Singapore. Germany, too, believes that many of the concerns currently raised in the context of equitable taxation of the income of multinational enterprises are about to being addressed, uh, to a significant extent, at least by the works conducted in other fora, in particular on the two pillar solution.

[01:32:51] The committee should be mindful, as was said by others of this work stream, the time and also the resources [01:33:00] that have been, uh, dedicated to it and also the own expectations of a significant share of the global community that those solutions will be beneficial for them, as pointed out by Spain and Austria, for example, the pillars to accommodate, uh, the interests of countries with different, capacities and in different developing stages.

[01:33:25] As said by other speakers, a commitment along the proposed lines would likely get in conflict with or undermine, respectively, the discussions in other fora. Therefore, Germany advocates, uh, in order to avoid legal uncertainty by fragmentation or competing standards and to promote stability and taxation, um, we would advocate a high level commitment to respect the discussed consensus [01:34:00] based multilateral efforts.

[01:34:01] Thank you. It would now be the time for applause.

[01:34:13] Thanks, Germany.

[01:34:24] So now to the distinguished delegate of Portugal. Thank you very much, Mr. Chair.

[01:34:34] Am I on? Yes. Thank you very much, Mr. Chair. Uh, uh, uh, I take the floor. To my luck, I take the floor after our distinguished representative of Spain. Her intervention, and for so, and what I wanted to point out was already very well expressed and therefore it makes [01:35:00] it easier for me. It allows me to jump already to the conclusion and what I would like to share with you all on this committee is something in line with what our distinguished representative of Germany has said.

[01:35:15] We believe that high level commitment in respect of this topic, which is important, quite important, should take consideration and should be At least safeguard the existence and the pliability of the solutions that we are working on and we already have achieved under the G20 OECD Inclusive Framework.

[01:35:36] There are very serious political commitments in respect of implementing that solutions and we believe that It, it, it, it, it should be, uh, recognized under the terms of reference, at least when we are talking about the, the level commitment in respect of equitable taxation of income of es. Thank you.[01:36:00]

[01:36:03] Thanks, Portugal. Now to the, now to the Distinguish delegate of Russian Federation.

[01:36:22] There are many questions that were raised in the speech of our colleague from Pakistan. And literally under each of these questions and suggestions, my delegation would like to sign. We participated at the initial stage in the development of the principles of taxation of transnational corporations.

[01:36:50] Thank you. The work was built in such a way that all the fundamental issues were first discussed in a [01:37:00] narrow circle, the so called Steering Group Committee, and then these issues, these developments were brought up for discussion, for broad discussion, and it was proposed either to join them or not to join them.

[01:37:17] At some point, in informal discussions, the principle of silence means consent was even formulated. All this went to the detriment of common involvement and the reform itself as a whole, as we believe. Consequently, having in mind such a broad platform for discussion as the United Nations Organization, Transnational corporations are already a steering group committee.

[01:37:49] We need to consider the issue of the inclusion of the taxation of transnational corporations to consider the high level. [01:38:00] It is possible and likely that the reform will be formulated on more effective principles of distribution of taxation of transnational corporations. very much. Thanks, Rasha.

[01:38:45] Now to the distinguished delegate of Netherlands.

[01:38:51] Thank you so much, Chair, for giving me the floor. Um, I would like to echo the comments made by the distinguished [01:39:00] colleagues from amongst other Italy, France, U. S., Korea, Spain, Belgium, Singapore, and a number of others. Um, as some have mentioned already, we're in the final stages of negotiating Peter 1, and we are committed to doing this.

[01:39:15] Um, we think that consistency with the ongoing work and consensus achieved in international fora such as the Inclusive Framework on BEPS and the Global Forum on Transparency and Exchange of Information for Tax Purposes should be, um, a guiding principle. So we need to take into consideration what has been done already.

[01:39:34] For example, in the Netherlands, we've passed the global minimum taxation and we would advocate for effective cooperation. And we really do need to avoid fragmentation, which is a real concern to us. And, um, as someone has also pointed out, this could lead to legal uncertainty. Um, and in general, I think, I'd like to to to say again as we as the Netherlands did in the opening statements that we should prioritize issues [01:40:00] on which consensus seems reasonable and avoid spending significant resources in this early phase on notably contentious subjects.

[01:40:09] I think that said, um, I think also, uh, in our country, uh, the, the concept of equitable taxation of M& Es is certainly important and we, and we pay, uh, attention to this. Um, I think perhaps this also not, uh, is gaining, uh, applause, um, but I also have to say I'm not very used to meetings where there is, is, is clapping and applause.

[01:40:31] Thank you so much.

[01:40:37] Thanks, Netherlands.

[01:40:41] Now to the distinguished delegate of Chile.

[01:40:47] Thank you, Chair. Um, thank you, colleagues, for your input, which has highlighted the issues where we have different views, which is important to try and address. First of all, [01:41:00] there is no interest to undermine work already done in this area. However, we think we could consider what has mentioned yesterday as consolidation of work.

[01:41:11] Basically built on work undertaken, where we would benefit from synergies with other relevant forums, as expressed in Number 6D of the mandate given to us in Resolution 78 230. However, if countries cannot implement solutions arrived at, for whatever reason, And we have heard some reasons today and I will not repeat them as well as other reasons that we're not heard yet.

[01:41:41] We think that there is an important role for this forum to play and to try and work on solutions that may work for as many members as possible. In particular, of course, consider solutions that work for developing countries. Because we have to recognize that solutions that are not accepted or [01:42:00] cannot be implemented by members are not very useful in achieving the objective of reaching solutions we urgently need in the international economy.

[01:42:11] In that work, we need to strive for a large take up as possible, although we also need to recognize that to achieve complete consensus on these issues is going to be difficult, but we need to strive for it. Thank you, chair.[01:43:00] [01:44:00]

[01:44:15] Okay. Thanks.

[01:44:23] Now to the distinguished delegate of Ireland.

[01:44:28] Thank you very much, Chair. Um, Ireland also supports the previous comments from many other delegates in relation to the concerns around the potential conflict of high level commitments in this area and the ongoing work on the two pillar solution at the OECD. We fully agree that progress is needed. In this area must be achieved through effective multilateral cooperation, but broad based commitments here run the clear risk of undermining ongoing implementation of Pillar 2 and the negotiations on Amount A and Amount B of Pillar 1, on which the members of the Inclusive Framework are currently focused on finalizing and investing [01:45:00] considerable time and resources.

[01:45:02] As highlighted by others, the work of the Inclusive Framework is aimed at reaching agreement on precisely these issues and address the consequences of digitalization in the economy for the benefit of all members. Directly to the competing priorities, risks to fragmentation of international tax rules in these areas, and the considerable progress that's already been made.

[01:45:20] Thank you, Chair. Thanks, Ireland.[01:46:00] [01:47:00]

[01:47:14] So now the floor to, uh, the distinguished delegate of Langston.

[01:47:21] Thank you. Thank you very much, Chair. Uh, I'm raising my flag as a representative of a very, very, very small jurisdiction. And I really appreciate the discussion and the different positions in this room. I can assure everybody that Liechtenstein was not a member of the IF steering group as well. And we are still implementing the agreement.

[01:47:46] I share the concerns that have been raised with regard to the acknowledgement of the existing solutions and procedures. Are the matters that we're discussing here important? That is out of the questions. Yes, yes, they are. [01:48:00] And that's why they have been extensively discussed in the past years. It is true that a lot of time, energy, and human resources have been invested in this, but even more.

[01:48:12] In a lot of countries, laws have been changed, practices have been changed, legislation is in force already. And however this work and the progress is assessed, it is there, and it should be adequately acknowledged. If that doesn't happen, it will certainly lead to at least procedural uncertainty, and in my mind also to legal uncertainty.

[01:48:40] Thank you very much.

[01:48:45] Thanks.[01:49:00]

[01:49:09] Distinguished delegate of Kenya. Thank you, Chair. I'd like to start by stating our support for the comments made by Nigeria, India and Pakistan. Equitable taxation of the income of multinational enterprises requires international tax cooperation, because as my colleague from ATAF said on Monday, there are very few tax matters that remain strictly as a domestic issue.

[01:49:37] The structures and activities of multinational enterprises have extended beyond national borders, and therefore global cooperation is required in order to equitably tax the resulting income. Um, this is especially an important issue because revenue mobilization in developing countries typically relies more, um, heavily on corporate income taxes than it [01:50:00] does in developed countries.

[01:50:02] And a relatively large part of this, um, this revenue, uh, corporate income tax revenue in developing countries often comes from multinational enterprises. Some of the existing frameworks may be inclusive, but only by name. They are not inclusive in the development of tax policies or in the consideration of the concerns of developing countries.

[01:50:23] Many developing countries, especially those in Africa, were not included in the development of the existing tax frameworks. Expecting countries to implement and to be bound by policies which they did not take, which did not take into account their input or concerns, and which continue to have a negative impact on their domestic resource mobilization, goes against the concept of inclusive and effective international tax cooperation.

[01:50:49] This committee is capable of taking up the challenge of addressing the shortcomings of the existing policies. As I stated yesterday, resolution 78 to 30 has emphasized [01:51:00] that fairness and equity of international tax rules is in the common interest of all relevant stakeholders. The Intergovernmental Committee has not been mandated or obligated to maintain consistency with the existing framework.

[01:51:16] The committee has been given the flexibility to take existing frameworks into consideration. This means that they will not be ignored, but will be taken into consideration. This consideration will now be done under a more inclusive platform within the UN that will ensure their fairness, transparency, efficiency, and effectiveness of all their tax systems.

[01:51:39] The commitment should also ensure the simplicity of rules related to taxation of multinational enterprises. To ensure global implementation. Thank you, Chair.[01:52:00]

[01:52:34] Thanks, Kenya. Uh, now, uh, to the distinguished delegate off no way through the Webex.

[01:52:45] Thank you, sir. And good morning to everyone. Uh, Norway would agree with my colleagues who have spoken to the importance of, um, the work ongoing [01:53:00] in the inclusive framework. Norway is also committed to that process and has dedicated considerable, uh, resources to that process, which is now coming to its final stages.

[01:53:13] And, um, it also includes a specific, uh, solutions tailored for the needs of developing countries. Specifically, I can, uh, Mention amount a that's very important. Now, listening to to the discussion in the room today, it would seem to us that, uh, The framing of this commitment would be very important to find a level of commitment that can be supported by all.

[01:53:49] Um, we think that, uh. We should take this time from this session until the next and, uh, carefully analyze, [01:54:00] uh, how we could, uh, frame this, uh, this, uh, kind of, uh, commitment. Um, when, uh, talking about how one may operationalize such a commitment, uh, I think it would be, uh, Good to, um, make use of, uh, of the competencies and knowledge from different ideals that have worked in this field and in particular on issues related to taxation of multinational enterprises.

[01:54:32] We think, uh. Looking at exchange of information and sharing of knowledge. Uh, an expertise, uh, for example, um. observed aggressive tax planning strategies between tax administrations is something that could be very helpful. We would also, uh, remind ourselves here that it's important to look at, [01:55:00] uh, broadening tax bases because it makes, uh, revenues less, uh, vulnerable to, to tax planning strategies.

[01:55:09] So going forward, we think that, um, All of these issues should remain on the table, but, uh, we should continue to discuss how this type of commitment should be framed. Thank you.

[01:55:26] Thanks.[01:56:00]

[01:56:15] Now to the Distinguished Delegate of, uh, India. Thank you, Chair, and thank you for giving me the floor for a second time today. Uh, the way we look at it that we, we began this morning with this, with the simple issue of whether to decide as to whether equitable taxation of the income of multinational enterprises should be part of what should be one of the high level commitments that we make.

[01:56:42] So, we, we cannot imagine. That the terms of reference or a framework convention will, will either not include the commitment like this, or will include the commitment with a reservation or or any other rider. I think this is a matter of [01:57:00] great importance for all of us here, that, that we cannot, we cannot create any reservations for this.

[01:57:08] Now, with regard to this, this subsidiary debate that seems to have, uh, commenced on the issue of, uh, taking into account the work of the other organizations and the decision making process. It is our belief that this, this belongs to another place within the terms of reference on the framework convention.

[01:57:26] Simply if we were to say that we make a high level commitment towards equitable taxation

[01:57:34] that we will completely ignore the work of the other organizations, nor does it make any comment on the kind of decision making process that we will adopt. This is a matter that stands on its own force, on its own legs. And much has been said about the work of the other organizations. The way we see it, there are, there are countries, there are jurisdictions who feel either completely left out or ignored by that process.[01:58:00]

[01:58:00] There are some others who are completely disappointed. And there are some still, who are still weighing their options. Therefore, it is not as if that everyone is going to embrace that work with energy. So if we either do not make a full commitment towards this, towards this commitment as it is framed, then as I said in my earlier intervention, we will lose a very important opportunity which may not come back to us for many years.

[01:58:33] So, therefore, I think it is very important that we, we accept the language of this commitment as it is steps. Thank you.

[01:58:47] Thanks India, but maybe I, uh, just I don't want to interference in the discussions, so if you can express your opinion, but what I can see [01:59:00] that, uh, yes, we need to clarify that now we are talking about. Um, I think we need to be more focused about whether this is a problem that need to be identified or not, more than talking about why we're dealing with it, how we're going to deal with it, considering what exists, whether we, uh, enhance it, whether we are not, whether whatever, so this is maybe the way that we will deal with, with the issue.

[01:59:22] I think we need to be more focused about whether this is an issue that exists in the international tax right now that we need to address it to have a high level commitment on it as we go. Then how this will, we're going to deal with it. I think maybe it's, it's another topic. So, uh, maybe in the, yes, there's this.

[01:59:40] And yes, I can see this from the floor that more as interventions are going to the, how we should deal with it. Uh, and I think if, if the intervention is going to how to deal with it, that's mean, I guess that they accept it as a problem, but now we are going [02:00:00] to the direction of. whether to consider the existing rules or not to build a net or to use it as it is or whatever, maybe tens off of different solutions and opinions about it.

[02:00:15] So that's why I will, I just want to ask that we need to be focused on the focus questions that we have more first to identify. Is it an issue that exists right now that we need to address it or not? So, uh, this is just, uh, a matter of clarification about, about this point.

[02:00:42] Now, to the distinguished delegate of Senegal.

[02:00:51] Mr. President. Good morning to everyone. I would like to start by making the comments that have been formulated by Nigeria in [02:01:00] the need to always have an approach and to always have an approach. Inclusive. The facility. I love you. I showed a reform. Concerned. I love her. Yeah. Good show. September. I bought the not really my limpo.

[02:01:16] She showed me something. She's not. For last September. You didn't. I said. The chef will have a look at it. But you know, I'm just missing a schnell. Do I have to impose it? Oh, yeah. It's a great day. Create. Come on. Maintain that. He part of me. The manual operational double post SLVC in imposition, <INAUDIBLE> is just there an Peace National do us Fair done.

[02:01:49] The respite, the last stability, the normal at the large international, guaranteed to the fiscal.[02:02:00]

[02:02:03] National Multilateral deposition

[02:02:17] card corporation, fiscal internationalist, dynamic objective, demo and safety perspective.

[02:02:34] Beneficiation important

[02:02:40] objective.

[02:02:59] [02:03:00] Existent

[02:03:03] to the inclusivity, transparency.

[02:03:29] Position

[02:03:37] inclusion due revenue exposition affect land, or.

[02:03:54] Naturally, there are important efforts. And I salute the initiative of the [02:04:00] TAF, which has proposed an approach to have a qualified national minimum wage, which currently grants a primary right to the country of origin. The other element we must insist on, and which will lead to real improvements, is availability and the access to relevant comparables.

[02:04:19] Pertina We have a lot of to be able to address the issue of over inflation. which erodes our basis of imposition, particularly in developing countries, and restore a principle of full concurrence. Considerable efforts have been made in the context of the Pile 1 with the Montant B, which is limited to commercialization and distribution activities.

[02:04:41] But maybe we expect more in the future, after the evaluation of this Montembe, to see if this rule of simplification cannot be extended to other, to other activities that have considerable impacts for our jurisdictions. And the same goes for the simplification [02:05:00] of rules relating to the access to the declaration country by country, or to see if there are no other alternatives.

[02:05:10] Confidentiality,

[02:05:23] international

[02:05:30] stability, fiscal

[02:05:36] existent.

[02:05:55] Thanks Al. Now to delegate of Ghana.[02:06:00]

[02:06:01] Thank you chairman, and good morning colleagues. I would like, before I make my statement to identify with the Africa Group India, Pakistan. Kenya, Chile, and all those, and on the earlier statements, I would like to give a few examples as to why, when it comes to the transition of multinationals, it needs to be part of the framework.

[02:06:32] And to start with, uh, I believe our colleagues in the OECD have done a good work, they filled in a gap that, um, needed to be filled. A while back we had only the OECD model convention and where some aspects of that convention, DTA convention, which had differences. So Ghana, for [02:07:00] example, had quite a number of challenges.

[02:07:03] We're only able to get some of the items in our model in the, when the UN convention came up. So article 12, a technical services, which has existed in the Ghana model forever only became global when it came to the UN level. We are talking about service piece. It's become more acceptable because it's on the UN framework.

[02:07:28] This, um, the transfer of credits, it was a big, a single fight till it was taken up at an international level. So. We believe that if, um, taking it up at this level gives it a global focus where everybody can look at it. And so it is important that the commitment to be made at this level, as India said, the hows and whys we can discuss later, [02:08:00] but it is a commitment which we must all make at this level that multinationals need.

[02:08:09] to be taxed in a way that is equitable and fair and will help us as well. Everybody, both developed and developed countries, best try to do that. We are saying I want to do the same thing. Let us consolidate what we are doing at this level, at the UN level. So that covers all one in three countries, not just some of them who, even within them, are against the very things that they are supposed to be supporting.

[02:08:37] Thank you, Mr Chairman.[02:09:00]

[02:09:02] Thanks. Now to the distinguished delegate of the United Kingdom.

[02:09:10] Thank you, Chair. The UK believes the equitable taxation of multinational enterprises is extremely important. We also view the work of the Inclusive Framework and Global Forum as a huge step forward in that regard and share the concerns of others about the risk of undermining that process.

[02:09:37] Therefore, in the interests of clarifying the discussion, our question is whether those countries who support including a high level commitment on this in the framework convention believe that those things can be balanced or do they see them as in fundamental opposition? and not the [02:10:00] intervention from India.

[02:10:02] whom I took as suggesting that they can be balanced. We would welcome other views on that question and how it might be achieved. We view that as fundamental to the focus question too. Thank you.

[02:10:23] Thanks. Now to the central delegate of Estonia. Thank you, chair. Um, when we speak about the equitable taxation of the MNEs, it's, it is undoubtedly a subject that requires international cooperation. But if I now read, as you advised, focus question number one, and, uh, stress or pay more attention to the word now there, I would say that this is not the matter we should address [02:11:00] now.

[02:11:01] in this framework convention without ruling out the opportunity to do this at a later stage. And, um, please bear in mind that I speak for a very small developed country that also has serious human and financial resource constraints. And, um,

[02:11:30] And in every forum that we participate in, we have been consistent in saying that we do not support the work on the new solutions on the same subject, um, that we have just been addressing. Uh, I mean, if we would start the work on the equitable taxation of M& E's here now. We still don't know what the effect of the [02:12:00] solutions that many of us did agree at the level of the OECD and also at the level of the European Union is going to be in practice.

[02:12:10] Uh, no M& E has paid the global minimum taxation as of now, yet. So, uh, We would, um, be more cautious in this approach. We would like to see at least a preliminary result of the solutions that many countries have already implemented before, uh, embarking on the development, um, of the new rules on the very same problem.

[02:12:42] And also I have to say that many smaller countries, Are frustrated with this process in a sense that a lot of work has been done, lots of resources dedicated to the finding solutions of this problem. And there [02:13:00] is a sense of exhaustion, which means that they have less to contribute in this forum. And therefore, At the later stage, maybe they will be the ones to come back and say that this process wasn't inclusive in essence because they just did not have enough resource to participate.

[02:13:20] And I would also like to echo what Singapore said, um, in relation to the economic growth. This is where our prosperity comes from. And also the MNEs have to be doing well for us to tax them. And we have to be conscious in finding the balance before the administrative burden for, um, both sides, the tax administration and the MNEs as well.[02:14:00]

[02:14:11] Thanks, Estonia. Now to the delegate of Colombia.

[02:14:18] Thank you, Chair. Colombia recognizes the importance of adopting multilateral measures to the challenges generated by the taxation of the digital economy and transborder services. It is clear that global taxation is an important part of the global economy. The last grant is multi nationalist. It's an assunto independentemente del grado de desarrollo de los mismos.

[02:14:43] Y es claro utilidades son ingresos necesarios para alcanzar los objetivos de desarrollo sustenible a nivel global. Reconocemos el trabajo que se viene adelantando en otros foros, en los cuales también tenemos [02:15:00] una activa participación. Y que no sería eficiente ni deseable ignorar los avances de dichas discusiones.

[02:15:06] Escuchando las intervenciones de algunos países que no han estado directamente involucrados en este trabajo, y considerando que existen situaciones que no están bajo el alcance de esas soluciones, which are relevant to many countries, including Colombia. In line with our written contribution, we want to reiterate that the taxation of multinationals and services is a concern for Colombia and that these are issues that must be addressed in this forum.

[02:15:33] For this reason, our invitation is to seek a high level commitment under the Convention that allows a joint work between the inclusive framework and the UN to continue the work. The manera conjunta, construir soluciones igualmente conjuntas para asuntos que no quedan cubiertos por esas medidas. Asi como para buscar mejoras y simplificaciones que respondan a las preocupaciones de países en desarrollo.

[02:15:59] Este [02:16:00] proceso tendría que regirse por el proceso más, por un proceso más incluyente y transparente de toma de decisiones, a lo cual apunta este foro. Pensamos que esta sugerencia puede plantear un camino medio

[02:16:57] So I, uh. [02:17:00] I'm going to freeze for now the hands raised, and I think we can go for a coffee break for two minutes. Then we'll continue against the list that we have in front of us. So we will be back in two minutes.[02:18:00] [02:19:00] [02:20:00] [02:21:00] [02:22:00] [02:23:00] [02:24:00] [02:25:00] [02:26:00] [02:27:00] [02:28:00] [02:29:00] [02:30:00] [02:31:00] [02:32:00] [02:33:00] [02:34:00] [02:35:00] [02:36:00]

[02:36:32] Distinguished delegates, we are resuming the session.

[02:36:41] The floor to the distinguished delegate of Algeria. Please, everyone, please have a seat, please. We already started the session, please.

[02:36:59] [02:37:00] When it comes to the registration of the taxation of transborder transactions and the imposition of multinationals as part of the high level commitments of this Convention, I want to subscribe to the interventions of Nigeria, India, Pakistan, Kenya, Senegal and Ghana. We estimate that this Convention is a means of providing solutions to a good number of problems that countries, notably those in development, are facing in terms of transborder taxation.

[02:37:29] In fact, developing countries are often victims of imbalances when it comes to the application of rights and taxes, particularly when it comes to the taxation of cross border transactions and multinational transactions. Indeed, there is a significant imbalance in the current distribution of the rights of imposition between the parties to the treaty.

[02:37:50] With the rights of taxation of the source jurisdictions, which are often reduced, Existence has been supported by the pre established rule according [02:38:00] to which countries should only impose the income of a non resident if there is a physical presence in this jurisdiction. These rules have been elaborated without taking into account the different circumstances of the countries concerned.

[02:38:13] In addition to these rules, there are practices of fraud, tax evasion and indirect transfer of benefits, which have accentuated the difficulties of the countries of source, of the income to settle the impositions, and mobilized tax resources on the basis of these transactions. In this context, achieving fair taxation for multinational companies requires an effort.

[02:38:46] National

[02:38:52] responsibilities.[02:39:00]

[02:39:00] In addition, the economies have radically evolved, notably because of globalization and digitization. Tax rules should therefore evolve in an inclusive way with economic models, and this to ensure that countries can support the mobilization of their internal resources. Finally, the Framework Convention should examine The questions related to the imposition of multinational companies and cross border transactions have contributed to reducing the complexity of tax rules and to developing common tax rules in this area which can be constituted in an inclusive and adapted manner and according to the specific needs of all countries.

[02:39:43] Mr. President. Thanks, Algeria. Now to

[02:39:54] the distinguished delegate of Argentina. very much, President, and good [02:40:00] morning everyone. Allow me to make a brief comment regarding the topic we are discussing. My delegation, the Argentine delegation, does not reject the idea of addressing the challenges of how to better record multinational companies.

[02:40:31] But for this, it is necessary to count on human and economic resources, the active participation of experts, and the time necessary to try to reach broad consensus, since inclusiveness also depends on this. However, all this does not guarantee to solve the problem of [02:41:00] inclusiveness.

[02:41:59] Thanks, [02:42:00] Argentina. Now to the distinguished delegate of South Africa.

[02:42:08] I'm not sure about my voice. I've got some flu, so I hope you could hear me very well, though. Um, I just wanted to highlight a couple of things, Jay, that firstly, um, we are very much interested in this topic. One of the key issues is that, um, We introduced a global minimum tax, which is actually based from Pillar 2 of the OECD.

[02:42:35] Um, that will actually going to be effective as of 1 January 2024. Um, and at the same time, then we also then say that we do take into account the challenges. That countries like Pakistan, um, have raised that maybe some people who may feel that they have not been [02:43:00] included in the entire process. Maybe this should be the way that they actually accommodated in this platform.

[02:43:10] So we, we therefore echo what, uh, my colleagues from India were also saying, uh, that at the moment, I mean, as we're sitting here, we cannot for sure say that, um, the outcomes of the, uh, of this committee might in any case, uh, duplicate or, um, I, I think maybe not take into account the obesity, uh, issues. Um, so we just want to highlight that in order to take into account and to answer to your question that says, should this issue be addressed now?

[02:43:48] Uh, and I think the the answer is yes. Um, and then we will then see thereafter, because I mean, the devil is in the detail. Thank you so much.[02:44:00]

[02:44:02] Thanks. South Africa. Now to the distinguished delegate of Slovakia. Thank you very much, Chair. And, uh, I will be brief, and I will be brief because I can fully echo and share the views of our distinguished Estonian colleague, which were expressed before the panel. Break. Uh, Slovakia has from the very beginning and continuously supported the reform of global rules of taxation, where each multinational company pays its fair share.

[02:44:38] We are a small administration with limited capacities, and we have dedicated extreme efforts into the implementation of already agreed policies in the area of international taxation and tax cooperation. So far. The one of the ultimate goals should be the question of the tax [02:45:00] certainty and not only for businesses, but also for tax administrations.

[02:45:06] Uh, what worries us the most is the fragmentation of the capacities with unpredictable results. Therefore, we should aim for improving of what we have and where necessary. And we would perceive new high level commitments in already sold subjects as a bit risky from our perspective. Thank you very much.

[02:45:33] Thanks. Now to the distinguished representative of Poland.

[02:45:44] Sorry, please help. Thank you very much, Chair, for giving me a voice. I would like to also echo what Estonia already said. Because, um, uh, in, uh, in our opinion, it [02:46:00] is, uh, very important that, uh, we should look at, uh, what effects not only tax related, but also economic will be brought by the solution that we are now trying to implement, uh, thinking about, uh, OECD work.

[02:46:15] Maybe it's worth waiting to develop a new value for international cooperation in this area at united level. So maybe it's better to postpone the discussion. Uh, and we fully agreed what, uh, uh, Italy, Belgium, France, Germany, Spain and Canada, Singapore, United States point out about involvement in ongoing work at OECD level and the important issue of not duplicate the work.

[02:46:47] Thank you.[02:47:00]

[02:47:06] Thanks Paul. And now to the Distinguished Delegate of Nigeria.

[02:47:14] Thank you Chair for, um, giving me the floor again. Um, at this time I'm actually speaking on behalf of the 54 member strong African group. Chair, colleagues, Africa has about 30 of world's mineral resources. And most of the companies exploiting this mineral resources are MNEs that are headquarters [02:48:00] are outside Africa.

[02:48:06] Most African countries today depend on loans and aids. And that is because

[02:48:22] the multinational companies that are exploiting the resources in Africa pay little or no taxes in Africa.

[02:48:33] And why this happen? It's not just a question of tax incentives. But the question of those companies exploiting the rules that have been set at regional platforms to take away the revenue that should accrue in Africa. [02:49:00] And that's also because the rules have skewed taxing rights greatly against the economy.

[02:49:14] The African countries

[02:49:19] and that's give us a setting why it becomes imperative that tax rules standards be agreed in a truly multilateral global setting.

[02:49:38] Africa believes that taxation of multinational enterprises is better done within the context of multilateral agreements.

[02:49:52] But such agreements must not be a sectional or a regional one, but [02:50:00] truly a universal, wherein countries large, small, developed, developing are seated.

[02:50:13] The various platforms that exist as of now, Chair, Her heart bears sectional, regional, and does not take account of all the situations in different countries, in different regions of the world.

[02:50:41] Mr. Chairman, a number of our members in Africa had been subjected to sanctions for not implementing rules which they were not part of making.

[02:50:59] [02:51:00] And that has made it that such groups have become the lawmakers, the police, the prosecutor, the judge and executioner all rolled into one. And we believe this is not the word other that we expect anywhere in the world. And this is why as the African group, our call on this August body and distinguished members and delegates is that we activate a process under the UN where all countries of the nations have equal seat, equal rights, equal size of the table [02:52:00] and then agree on the rules guiding international tax And I'm going to be speaking about the cross border taxation.

[02:52:09] And I'm going to be speaking about the cross border taxation. We recognize that one way to avoid fragmentation of rules or duplication of rules is to consolidate and bring all the rules under the very large umbrella of the United Nations. Mr. Chairman, we believe doing this will have rules that are equitable.

[02:52:41] That are fear, that are implementable by all concerned, and all of us can then monitor the implementation and the operation of such rules. I thank you very much, Mr. Chairman.[02:53:00]

[02:53:00] You got it.

[02:53:16] Okay. Just, uh, giving quick note. So I'm gonna ask the participant to, uh, refrain from Apol during an inter uh, intergovernmental meeting, please.

[02:53:43] Thanks, Nigeria. Now to the distinguished representative of Jamaica.

[02:53:50] Thank you, Chair. Um, Chair, I think this is a very difficult discussion to have. Um, [02:54:00] certainly from, uh, Jamaica's perspective, uh, we can, um, empathize, uh, Um, with, um, the members of the inclusive framework, um, including, because we are a member of the inclusive of the inclusive framework, and we have, um, partaking in the, um, tremendous amount of work that has been done, um, at the eye on the two pillar solutions we have watched as delegates have tried to convinced their governments about the viability of, um, the two pillar solution.

[02:54:41] And we have seen the effort and the deployment of resources by tax administrations, um, to try to implement the two pillar solution. But what we have, we have also noticed chair is that, um, the [02:55:00] solution are not, um, And, and may not be able to be implemented by the majority of countries of the inclusive framework.

[02:55:12] The inclusive framework is presently made up of mainly developing countries. Many of those countries have not participated in the various working parties, which is where the technical work is done. Um, they're not on the steering group. They are almost completely ignorant. Of the mechanics of these solutions.

[02:55:37] And so therefore, those solutions will not be implementable by developing countries, many of them. And so where does that leave a developing country that still has an issue regarding multinational enterprises not being able to tax those multilateral enterprises [02:56:00] and, and, and the impact of that being base erosion and profit shifting.

[02:56:08] Where does that leave them? And so, um, for our part, chair, we support that this be a part of the high level commitment. And, um, we also support, uh, the by, by Nigeria, by Chile and by Pakistan, by India and Pakistan as well. Um, in, and, um, we believe that there has to be some kind of, uh, consolidation and building on the work that has already been done.

[02:56:50] Thank you, Chair.[02:57:00]

[02:57:02] Thanks, Jamaica.

[02:57:31] Speaking of the current process aimed at promoting an effective and inclusive international fiscal cooperation, I would like to emphasize the principle of equitable distribution of the right of imposition between States, and particularly between developed countries and those in need. A distribution that takes into account the jurisdiction and economic activities.

[02:57:51] The multinationals are exercised, or the added value is really created, rather than allowing profits to [02:58:00] be artificially transferred by other jurisdictions. The two pillar solution expressed in the inclusive framework represents an important step forward. However, we would like to draw attention to the risk on its implementation, unbalanced.

[02:58:40] Thanks, Morocco. Now to the distinguished delegate of Cuba. Muchas gracias, señor

[02:58:59] [02:59:00] Presidente, palabra. Mi delegación quisiera apoyar las cuestiones planteadas por las delegaciones de Pakistán, India, Kenya, Senegal, Ghana, Argelia, Jamaica, Nigeria, Peru, and Colombia.

[02:59:35] It's a separate issue from the one we're discussing in today's program. And we think it's taking up a lot of time on our agenda, because these are discussions we've had previously in other spaces, including during the same negotiation of the resolution that this committee mandated. If there are, on the other hand, if there are [03:00:00] developing countries that are proposing that the current rules are not working, or are not giving the results that are needed, this request and this approach must be listened to, must be respected, and we must sit at the negotiating table to find solutions that are feasible for everyone, together and in equal terms.

[03:00:20] Therefore, in response to your request to focus on the agenda, we support the issue of equitable distribution, taxation, income of multinationals, and trans border transactions, which are also high level objectives. Re.[03:01:00]

[03:01:31] Mr. Chair. The Bahamas wishes to provide our input on the discussions of the taxation of multinational enterprises, and specifically the process and framework for Pillar 2, which the developed world would want to conclude that Pillar 2 came about because of an inclusive process does not belong as part of the UN Convention.

[03:01:51] Specifically, they refer to the OECD Inclusive Framework for this basis. Before addressing the inclusiveness of the Inclusive Framework, the Bahamas [03:02:00] agrees that a framework that is acceptable, easy to implement, and administer is required for the taxation of multinational enterprises. The goal is to maximize tax revenues from profits and activities conducted within our country.

[03:02:14] This important issue deserves to be a high level commitment in the terms of reference, and the details will be worked through in the drafting of the Convention. Mr. Chair, we concede that the OECD made, we do concede that the OECD made membership in the Inclusive Framework available to everyone during the implementation phase, but only after the signing of all agreements for establishing the standards were already done.

[03:02:41] However, countries that joined the Inclusive Framework have little to no official voice which makes it ineffectual. The unclear and undeclared reasons for the OECD's call for inclusivity on equal footing And the consequential lack of defined measures of success and therefore accountability in [03:03:00] achieving this goal in the inclusive framework leads one to conclude that any assertion of genuine, meaningful inclusivity of the framework is exaggerated and it, and leaves much to be desired.

[03:03:13] The direct implication of such a shortcoming is that the legitimacy that the OECD has been pursuing for the post BEPS international tax regime and the corresponding cooperation it has been seeking from the developing world are unlikely to materialize any time soon. Furthermore, the price of participation in the inclusive framework is the commitment to the comprehensive BEPS package and its consistent implementation and the payment of an annual member's fee.

[03:03:42] Thank you. To cover the cost of the framework. Countries must accept existing rules before providing input on OECD proposals and pay a fee. The requirements that jurisdictions pay to participate in discussions and that they accept the existing [03:04:00] standards before being allowed to participate run counter to the principle of universal participation without preconditions.

[03:04:07] The OECD's approach in Pillar 2 includes both substantive and procedural flaws. Non OECD members have not been equally represented in developing OECD policy, and the Inclusive Framework's inclusivity is primarily symbolic. The new rules undermine the principle of tax sovereignty by limiting autonomous discretion on tax policymaking and coercing non members and low tax jurisdictions into cooperation.

[03:04:36] They continue to reflect the interests of the world's developed economies, and disregard the revenue needs and develop of the developing ones, offering a limited redistribution as an outcome. Mr. Chair, these are concern are our concerns and reasons why taxation of multinational enterprises deserves to be a high level commitment in the terms of reference and further [03:05:00] expanded upon in the U.

[03:05:00] N. Tax Convention. Only here In the United Nations, can we really see true inclusiveness in developing tax policy? Thank you, Mr. Chair. Thanks, Bahamas. Now to the distinguished delegate of Kenya.

[03:05:19] Thank you, Chair, for giving me the floor a second time. I'd like to make a comment on the, um, the issue of whether this is something that should be addressed now. There is no convenient time for change, but change is necessary. Change was necessary when the non inclusive frameworks developed new policies to the exclusion of developing countries.

[03:05:41] It is necessary now, and if we don't take up this challenge to address the shortcomings of the existing frameworks, it will still be necessary in the future. In fact, even if we do take up this challenge now and address those shortcomings, we will still need to make changes because of advancements in technology.

[03:05:59] and in [03:06:00] globalization. But change must be done on an inclusive and global platform, such as the one we're on right now. Tax laws need to be flexible to the changes in the market. For example, the same way multinationals adapt themselves to globalization is the same way tax laws should continually adapt to globalization.

[03:06:19] Multinationals, for example, adapted quickly to globalization and no longer need physical presence to be able to get income from a certain Um, jurisdiction, but our tax laws still tie the right to tax, to physical presence. Um, so on the comment that this is not the time, uh, for change, there will never be a convenient time.

[03:06:40] Now that we are all here, this is a, is as good a time as any. Thank you chair.

[03:06:59] [03:07:00] Thanks, Kenya. Now to the distinguished representative of Czech Republic. Thank you, Chair, for giving me the floor. We just wanted to briefly add our voice to what distinguished delegates from Canada, the United States, Israel, Korea, Singapore, Argentina and our neighboring countries already discussed eloquently.

[03:07:19] The equitable taxation of MNEs is very important for us as well. We have been working tediously for years to close many loopholes used by MNEs for tax evasion or tax avoidance purposes and to ascertain their equitable taxation. Even though the work in other forums has not certainly been fully finished, we have been implementing outcomes of these negotiations, uh, namely particular, uh, particular PIR2, uh, that should ultimately allow source countries to tax M& Es.

[03:07:46] Therefore, we think it makes sense, uh, to focus on the implementation of these reforms to see And assess their result to avoid unnecessary duplication of our work in the future because, as mentioned by the distinguished delegate of Slovakia and others, [03:08:00] our limited resources are already strained by working on many or too many international projects.

[03:08:05] Thank you, Chair.[03:09:00]

[03:09:10] So given the time left for us in the first session, I mean the morning session, we are left with less than five minutes. So, uh, Now we finished all the intervention for members, so we're gonna move to the international organizations and civil society interventions in the morning topic. Uh, so I think we can take just one interventions and we're gonna freeze, freeze the list and resume in the second session at 3 p.

[03:09:41] m. So now, through the WebEx to the digital cooperation organization. Uh,[03:10:00]

[03:10:20] I think you're muted, please. We can't hear you. Can you hear me now, please? Yeah, we can hear you. Please go ahead. Thank you very much, Chair, for giving me the floor. The DCO's input for this high level commitment has also been submitted in writing. The DCO view equals with the views of the distinguished guests of Nigeria, Ghana, Algeria, and Pakistan.

[03:10:48] That the existing rules of allocation of taxing rights are not fair and not framed based on inclusivity. The equitable taxation of M& Es revolves around [03:11:00] bilateral treaties containing rules for the allocation of taxing rights, which are mostly against the interest of tech importing developing countries is compared to tech exporting countries.

[03:11:11] More precisely, the taxation of M& Es, including the tax planning. is primarily connected with intangibles whose income is dealt as royalty under article 12 of bilateral treaties, a category of income that essentially is such does not exist. And the modern business models, these intangibles have a huge value running into billions of dollars, even more than the value of tangible assets.

[03:11:38] The history of negotiations of bilateral treaties regarding the allocation of taxing rights for royalty. Shows that these were agreed upon in fear of take importing come, take, take importing resident jurisdictions because developing countries desperately needed technology. These agreements in today's digital business [03:12:00] models severely impede the revenue mobilization efforts of developing countries.

[03:12:05] In addition, MNEs use these intangibles to transfer profits to tax havens for getting tax exemptions for their royalty incomes. Hence, there is a need to appropriately tax royalty payments and ensure equitable taxation of M& Es through rewriting the allocation of taxing rights by ongoing inclusive international cooperation at the United Nations, which is in conformity with the declaration of the right to the development and in conformity with the Universal Declaration of Human Rights.

[03:12:38] Therefore, we strongly. Suggest that there's a need for equitable taxation of M& Es through simple, efficient, and equitable rules for the allocation of taxing, uh, taxable rights. Thank you very much, Chair.

[03:12:58] Thank you. [03:13:00] So now we're going to freeze the list, but the list is remaining just with, uh, civil society, uh, organizations. Uh, so we're going to resume the list, uh, in the afternoon session. Then after that, uh, to conclude and move to the next item of, uh, the agenda. Thank you all for your interventions and participation and, uh, have a nice lunch break.

[03:13:26] The session is [03:14:00] [03:15:00] [03:16:00] [03:17:00] [03:18:00] [03:19:00] [03:20:00] [03:21:00] [03:22:00] [03:23:00] [03:24:00] [03:25:00] [03:26:00] [03:27:00] [03:28:00] [03:29:00] closed.