International Fiscal Association Hong Kong Branch

Workshop 8: NGOs add. MNE tax avoidance

7th IFA APAC International Tax Conference

Hong Kong | 22-24 April 2024

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NGOs addressing MNE tax avoidance

Outline

NGOs addressing MNE Tax Avoidance

① **Introduction**
- Basic model: International taxation of MNE

② **The International Tax Architecture**
- G20, OECD, EU
- Pillar 1: AA, AB | Pillar 2: GloBE
- Illicit Financial Flows

③ **NGOs addressing MNE Tax Avoidance**
- Tax Justice Network
- Tax and Fiscal Justice Asia (TAFJA)
- Asian Peoples´ Movement on Debt and Development (APMDD)
- Oxfam

④ **Institutions addressing MNE Tax Avoidance**
- EU Tax Observatory
- South Centre

⑤ **UN Framework Convention**
- Outline: Structure and contents
- Impact of NGOs

⑥ **Discussion**

NGOs addressing MNE tax avoidance

International Taxation of MNE: Basic model of international taxation of MNE

Taxing Rights
- Corporate Income Tax

Allocation
- Taxing Rights
- Transparency

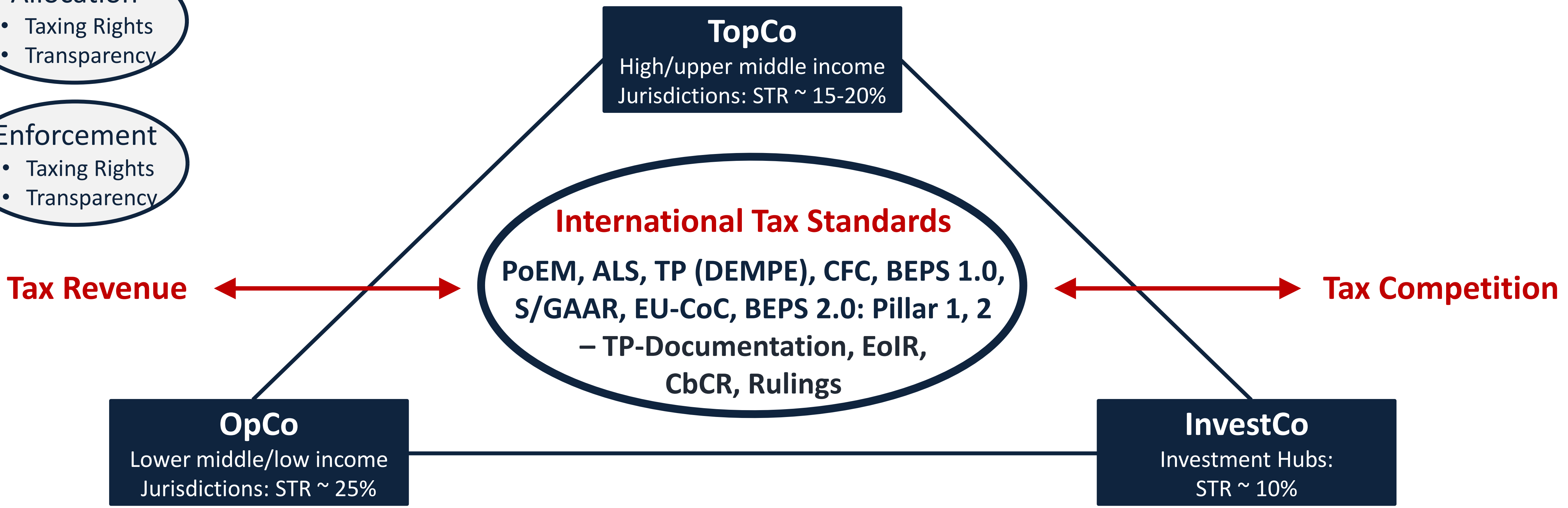
Enforcement
- Taxing Rights
- Transparency

International Tax Policy in a nutshell

Generation: Residual (PoEM) vs. routine vs. digital/IP profits

Taxation: Where value is created (allocation/substance)

Priority: Taxation of residence vs. source vs. hubs (CFCs)



NGOs addressing MNE tax avoidance

International Tax Architecture (Tax Policy): Dynamic vs. fragmented level-playing field on taxation (LPFT)

Global Forum on Transparency and Exchange of Information for Tax Purposes
Inclusive Framework and Forum on Harmful Tax Practices

OECD

AFRICAN TAX ADMINISTRATION FORUM
FORUM SUR L'ADMINISTRATION FISCALE AFRICAINE

ATAF-Initiative

European Union

Level Playing Field on Taxation

- State of play: past, present, future
- Alternative concepts vs. additional issues
- Global vs. fragmented

LATAM-Initiative: PTLAC

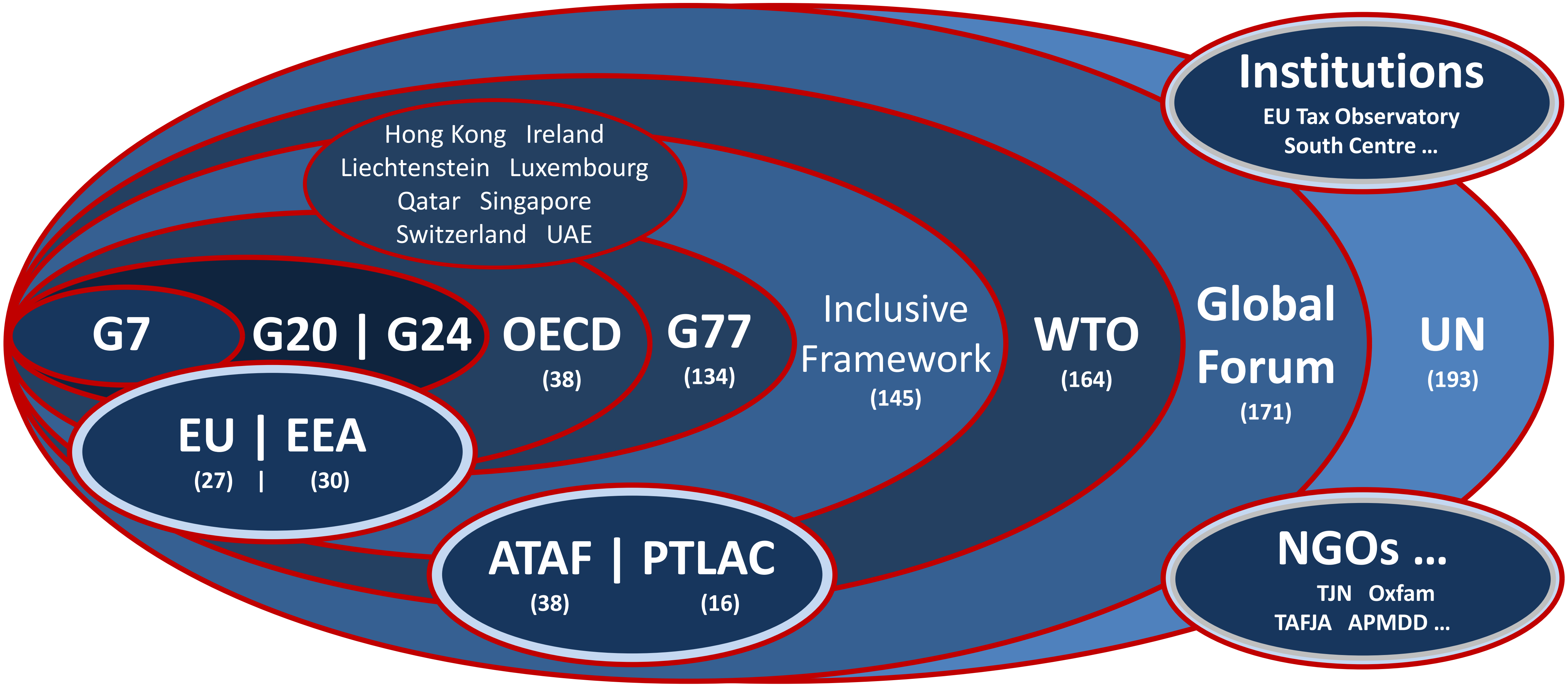
1st Latin American and Caribbean Summit for an Inclusive, Sustainable, and Equitable Global Tax Order

APMDD | TAFJA

United Nations

NGOs addressing MNE tax avoidance

International Tax Architecture: International Organisations, Institutions and NGOs



NGOs addressing MNE tax avoidance

International Tax Architecture (Tax Policy): Dynamic vs. fragmented level-playing field on taxation (LPFT)

OECD

Global Tax Standards

Incl. Framework: Progress Reports

FHTP: Progress Reports

Global Forum: Progress Reports

EU/EEA: Internal Market: freedoms | prohibition of state aid

EU-Tax Directives incl. on Pillar 2

Tax Good Governance Principles: Listing of non-cooperative Jurisdictions

Model Tax Convention

Double Tax Treaties

Arm`s length Standard

BEPS-Minimum Standard

EU-Anti-Tax-Avoidance, BEFIT

Exchange of Information

OECD-EoI, sEoI, aEoI:

CRS, CbCR, FATCA

EU-DAC1-8

Interaction

UN Tax Convention

UN Framework Convention

Initiatives: ATAF, PTLAC

APMDD, TAFJA

International Tax Architecture

Tax Good Governance

Sovereignty Competition

Cooperation

Interaction

Interaction

New World Tax Order

Pillar 1: MNE > 20bn

Amount A: Residual profits

Amount B: Baseline marketing and distribution activities (ALS)

Pillar 2: MNE > 750m

GloBE | STTR

EU Tax Observatory

South Centre

TJN | Oxfam

APMDD | TAFJA

United Nations (UN)

African Tax Administration Forum (ATAF)

Platform for Taxation in LATAM and the Caribbean (PTLAC)

OECD

Inclusive Framework on BEPS: Pillar 1 | Pillar 2

EU-Tax Directive: Mandatory Implementation of Pillar 2 incl. Large Scale Domestic Groups

International Tax Policy in a nutshell

Generation: Residual vs. routine vs. digital/IP profits

Taxation: Where value is created (allocation/substance)

Priority: Taxation of residence vs. source vs. hubs (CFCs)

Development: New Int. Benchmark Tax System -> GloBE/P2

NGOs addressing MNE tax avoidance

International Tax Architecture: G20/OECD-Base Erosion and Profit Shifting (BEPS) Action Plan

Source: OECD

Coherence

Harmful or inappropriate use of international tax legislation to obtain unintended tax benefits

- Hybrid Mismatch Arrangements (2)
- CFC Rules (3)
- Interest Deductions (4)
- Harmful Tax Practices (5)

Substance

Mismatches where profits are being taxed vs. where people responsible for generating these profits are located

- Preventing Tax Treaty Abuse (6)
- Avoidance of PE Status (7)
- TP Aspects of Intangibles (8)
- TP/Risk and Capital (9)
- TP/High Risk Transactions (10)

Transparency

Provide tax authorities information to carry out audits better and determine if "fair share" of taxes are being paid

- Measuring and Monitoring BEPS (11)
- Disclosure Rules (12)
- TP Documentation and country by country reporting (13)
- Dispute Resolution(14)

Taxation of Digital Economy (1)

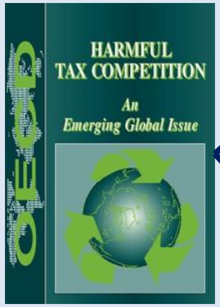
Multilateral Instrument (15)

Minimum Standard | Best Practice | Recommendations | Reports

NGOs addressing MNE tax avoidance

International Level Playing Field on Taxation: G20/OECD/FHTP-Classification of non-compliant Jurisdictions

OECD 1998:
Harmful Tax Competition



Global Forum on Transparency and Exchange of Information for Tax Purposes since 2009

Automatic Exchange Of Information (AEOI) and Exchange of Information on Request (EOIR)

Non-Compliant Countries EOIR (November 2023):

Guatemala, Trinidad & Tobago

Non-Compliant Countries AEOI (November 2023):

Antigua and Barbuda, Aruba, Bahamas, Belize, Chile, Cook Islands, Costa Rica, Croatia, Curaçao, Dominica, Grenada, Kuwait, Montserrat, Panama, Saint Vincent and the Grenadines, Seychelles, Sint Maarten, Trinidad & Tobago, Turks and Caicos Islands, Vanuatu

Forum on Harmful Tax Practices (FHTP): Peer Review Results (Update Feb 2024)

Transparency Framework on Tax Rulings:

131 Jurisdictions reviewed: 95 in line with BEPS | 36 recommendations to improve

No or only nominal Tax Jurisdictions (12): Feb 2024

No issues identified:
Bahrain | Bermuda | BVI | Cayman Islands | Guernsey | Isle of Man | Jersey | UAE

Focused monitoring with respect to statistical data:
Anguilla | Bahamas | Barbados | Turks and Caicos Islands

Areas that need to be substantially improved:
Anguilla

Preferential Tax Regimes (Feb 2024):

IP-Regimes (101) | Non-IP-Regimes (231): Headquarters Regimes; Financing and Leasing Regimes; Banking and Insurance Regimes; Distribution Centre and Service Centre Regimes; Shipping Regimes; Holding Company Regimes; Fund Management Remines; Miscellaneous Regimes

Source: Harmful Tax Practices – Peer Review Results, Inclusive Framework on BEPS: Action 5 (2024), Update (as of February 2024), p. 01-17; Global Forum Annual Report 2023

NGOs addressing MNE tax avoidance

EU-Council: Classification of jurisdictions being non-compliant to EU Tax Good Governance Principles

EU-List of non-EU non-cooperative Jurisdictions (NEUNCJ) -> Tax Good Governance Principles (TGGP)

Objective and relevance

Update: 20 February 2024

Annex I: The aim of the EU list of non-EU non-cooperative jurisdictions, which is published as an annex to conclusions adopted by the Ecofin Council **is not to name and shame countries**, but to encourage positive change in their tax legislation and practices, through cooperation

Annex II: Jurisdictions that do not yet comply with all international tax standards but have committed to implementing reforms are included in a state of play document including sunset to switch to Annex I

Annex III: For the EU list to be effective, it is important that EU member states put in place efficient defensive measures in non-tax and tax areas. Defensive measures help to **protect tax revenues** and **fight against tax fraud**, **evasion and abuse**

Annex I: 12 non-cooperative Jurisdictions (NCJ) in tax matters

American Samoa, Antigua and Barbuda, Anguilla, Fiji, Guam, Palau, Panama, Russia, Samoa, Trinidad and Tobago, US Virgin Islands, Vanuatu

Annex II: 10 Jurisdictions (NCJ), but committed to implement TGGP soon

Armenia, British Virgin Islands, Costa Rica, Curaçao, Eswatini, Malaysia, Türkiye, Vietnam, Belize, Seychelles

-> Criteria 2.1 – Existence of harmful tax regimes e.g., foreign source income exemption regime (treatment of capital gains) -> Hong Kong, Singapore

Annex III: Defensive measures

- Monitoring and increased audit risks
- Countermeasures, i.e., non deductibility of expenses, CFC rules, withholding tax measures and limitation of participation exemption
- Documentation/reporting/disclosure requirements

Source: Council of the EU: Revised EU list of non-cooperative jurisdictions for tax purposes, 20 February 2024.

NGOs addressing MNE tax avoidance

EU-Council: Classification of jurisdictions being non-compliant to EU Tax Good Governance Principles

EU-List of non-EU non-cooperative Jurisdictions (NCJ) -> Tax Good Governance Principles (TGGP)

Classification: Creation of identification criteria for classifying non-EU jurisdictions as non-cooperative jurisdictions

- **Transparency**: AEoI, EoIR, MC | **Aspects of beneficial ownership to be incorporated at later stage -> European Parliament (–)**
  - Automatic exchange of tax information (**AEOI**) with all EU-Member States: OECD-Common Reporting System (CRS) or equivalent arrangements | **Largely Compliant Rating by the Global Forum**
  - Exchange tax information on request (**EOIR**) with all EU-Member States | **Largely Compliant Rating by the Global Forum**
  - **OECD-Multilateral Convention on Mutual Administrative Assistance** in Tax Matters or Network of exchange arrangements or treaties in place covering all EU-Member States
- **Fair taxation**: Preferential tax regimes, economic substance | **Additional effective tax rate criterion according to Pillar 2 -> EP**
  - No harmful preferential tax measures according to **FHTP-Standards** (BEPS Action 5)
  - Not facilitation of offshore structures or arrangements seeking to attract profits without any real economic activity: FHTP
- **Implementation of OECD-Anti-BEPS measures** | **Automatic inclusion of no or only nominal tax jurisdictions -> EP**
  - Commitment to implementing the OECD-Anti-BEPS-Minimum Standards according to BEPS Actions 5, 6, 13, 14: Harmful tax measures, treaty shopping, country-by-country reporting and dispute resolution
  - Positive Peer-Review Assessments for the effective implementation of the OECD-Anti-BEPS-Minimum Standard on CbCR

Listing of non-EU non-cooperative jurisdictions: Screening process based on the current identification criteria with biannual update of the EU-List of non-EU non-cooperative Jurisdictions by the **Code of Conduct** Working Group | Last on 20. February 2024

NGOs addressing MNE tax avoidance

Reforming the International Business Tax System for the 21st century

OECD: Existing International Tax Rules problematics

- Outdated rules regarding **globalization** and **digitalization**
- Existing international tax rules based on agreements made in the **1920s**
- **Two main problems still also after BEPS 1.0: Taxation where the value is created**

1 Profits of a foreign company can only be taxed in a country where the foreign company has a **physical presence**

Pillar 1

Shift towards a destination-based tax system

-> **Partial re-allocation of taxing rights (new nexus) to market jurisdictions (Amount A) and removal of all DST**

-> **Re-evaluation of baseline marketing and distribution activities (Amount B)**

2 Most countries primarily/only tax **domestic business income** of their MNEs, but not foreign income

Pillar 2

Global minimum taxation with a (compensatory) backstop top-up tax-mechanism to floor international tax competition in addition to BEPS 1.0 also to back source taxation

-> **Introduction of a comprehensive and compensatory backstop mechanism**

-> **US: CFC, GILTI, BEAT, CAMT, …**

European Union

Governments have increasingly engaged in adopting a **patchwork of anti-tax avoidance and evasion measures**. While these have been successful in addressing specific problems, they have introduced even further complexity. … International discussions are **now** progressing towards a **global solution to reform the outdated international corporate tax system**, with action on the **re-allocation of taxing rights** and **minimum effective taxation**.

Sources

Business Taxation for the 21st Century. Communication launched by the European Commission on 18 May 2021, p.1

OECD/G20: Addressing the tax challenges arising from the digitalization of the economy, July 2021, p. 8-9

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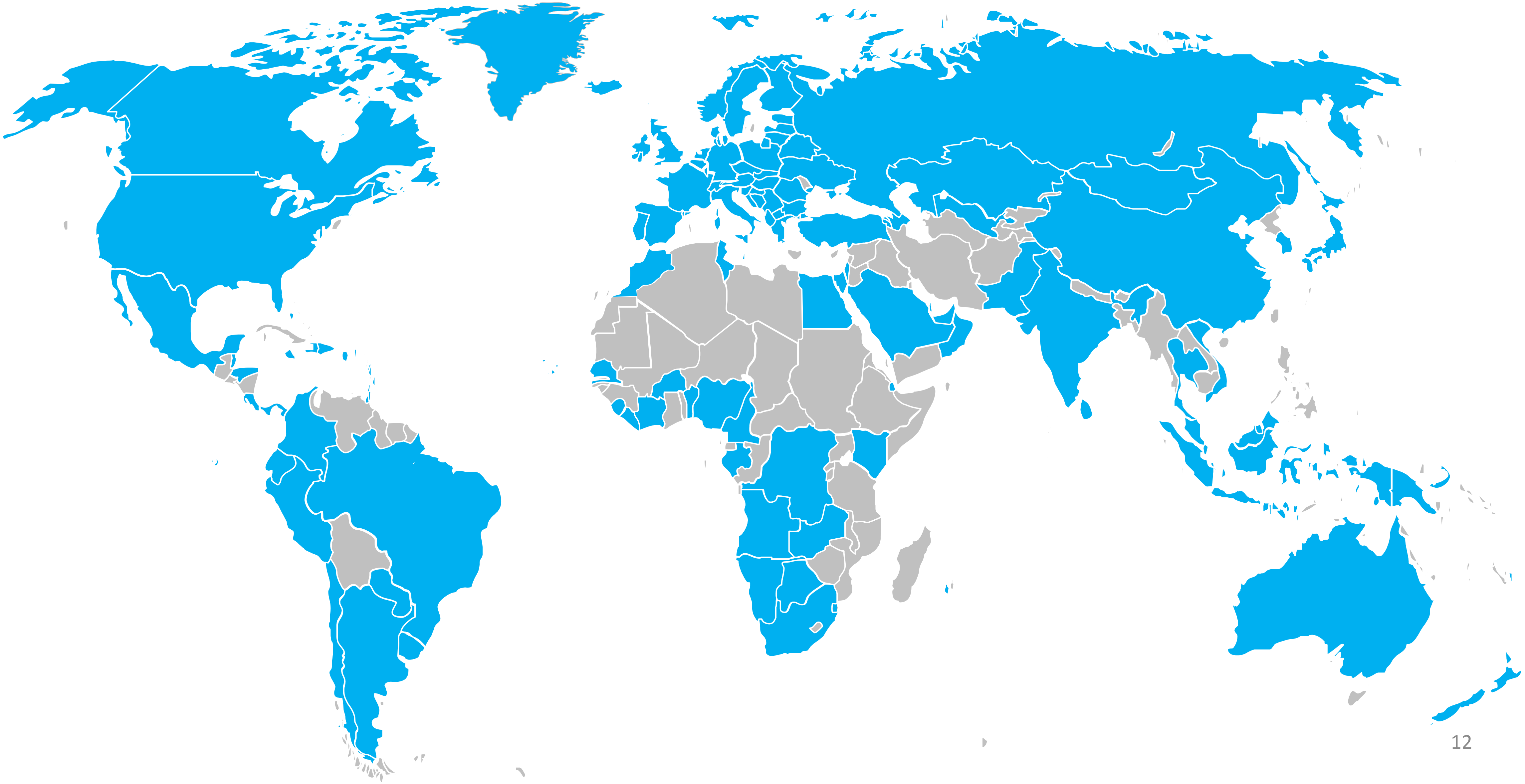
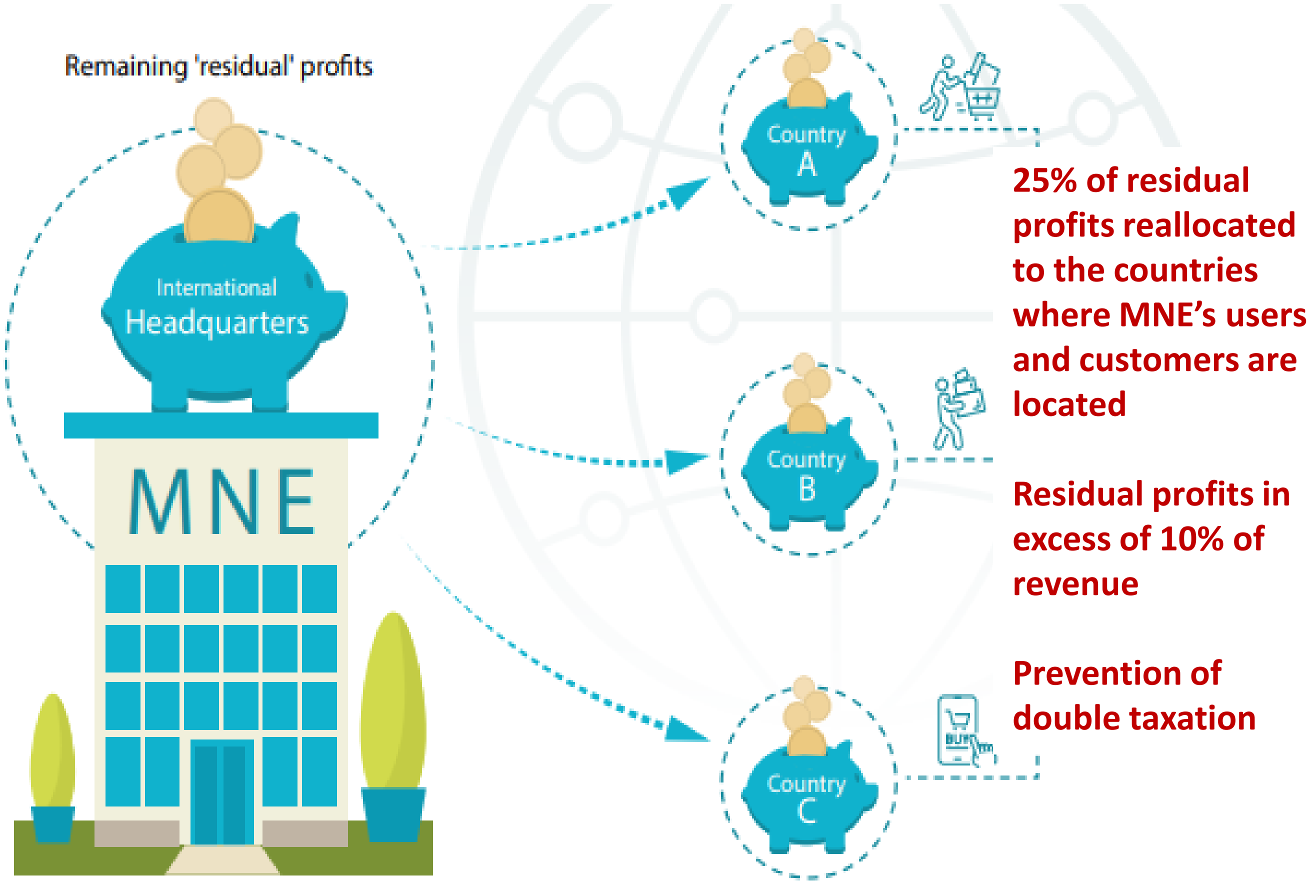
G20/OECD-BEPS Inclusive Framework: 145 Jurisdictions | 141 Jurisdictions in favour of Pillar 1 and 2



NGOs addressing MNE tax avoidance

OECD/G20-Pillar 1: New and fairer distribution of taxing rights to market jurisdictions of users and customers



Pillar 1: Taxing rights on more than USD 125bn of profit are expected to be re-allocated to market jurisdictions of users and customers

Pillar 1 would bring dated international tax rules into the 21st century, by offering market jurisdictions new taxing rights over MNEs, whether or not there is a physical presence

- **Largest and most profitable MNE**: EUR 20bn global revenue and profitability above 10%
- 25% of residual profits of MNEs above a set profit margin of 10% would be re-allocated to the market jurisdictions where the MNE's users and customers are located: **Amount A -> MLC 2023**
- Ensuring dispute prevention and dispute resolution in order to address any risk of double taxation
- Standstill and withdrawal of Digital Services Taxes (DSTs) to avoid harmful trade disputes
- **ALS on in-country baseline marketing and distribution activities: Amount B**

Source: OECD/G20: Two-pillar Solution to Address the Tax Challenges Arising from the Digitalization of the Economy, October 2021, p. 14

OECD/G20 Inclusive Framework on BEPS: Agreement of 137 (out of 141) member jurisdictions of 8th October 2021 (~ 90% of global GDP)

NGOs addressing MNE tax avoidance

Pillar 2 (GloBE/STTR): New International Benchmark Tax System as the new World Tax Order (BEPS 2.0)

	Financial Accounting Net Income / Loss
+	Net taxes expense
-	Excluded dividends (> 10% or > 1 year)
+/-	Excluded equity gains (-) / losses (+) (>10%)
+	Policy disallowed expenses
+	Accrued pension expense
+/-	Other items
=	**GloBE-Income**
-	GloBE-Substance-Based-Income Exclusions
=	**GloBE-Excess Profits (ExP)**

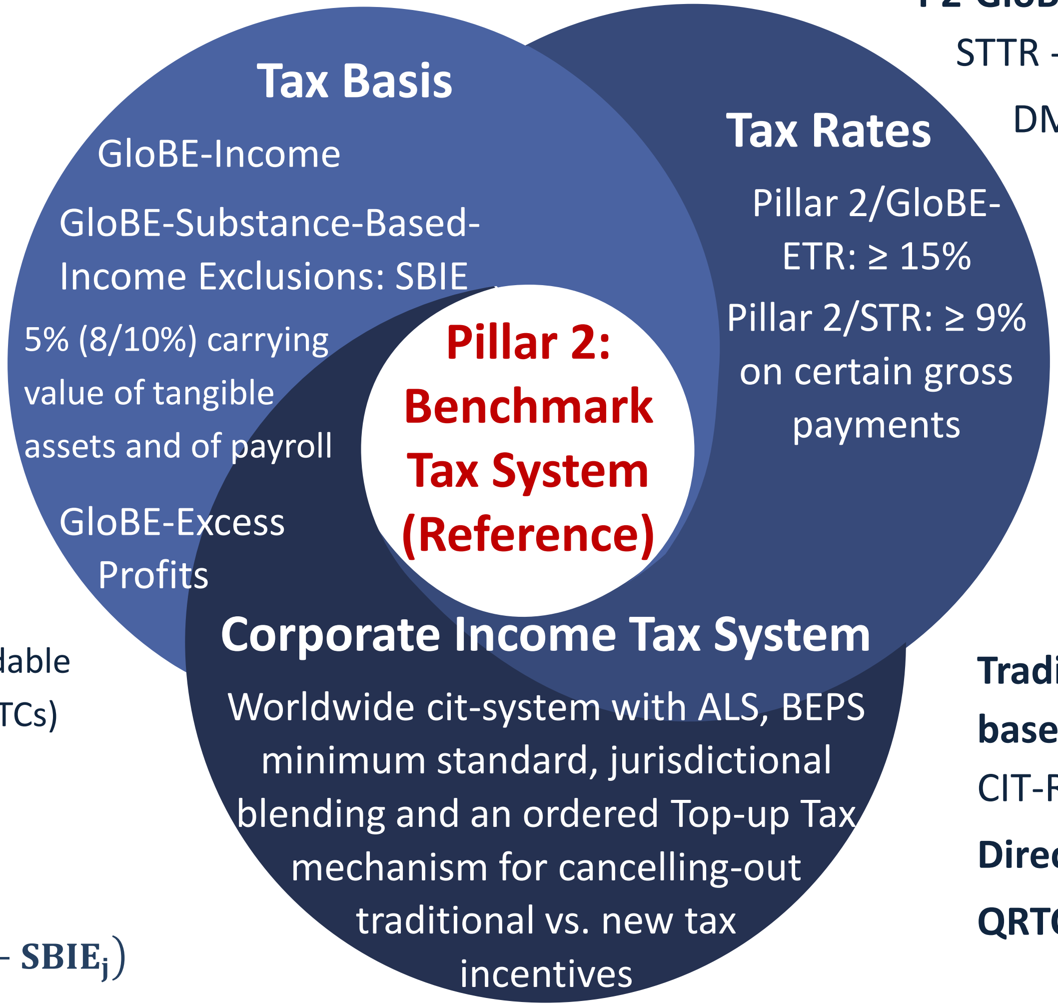
Additional allowances, exemptions, rate reductions

Qualified Refundable Tax Credits (QRTCs)

$$\mathbf{ETR_j} = \frac{\sum \text{Covered Taxes of all CEs in the jurisdiction}}{\sum \text{GloBE Income of all CEs in the jurisdiction}}$$

$$\mathbf{QDMTT_j} = (15\% - \mathrm{ETR_j}) \times (\text{GloBE Income}_j - \mathbf{SBIE_j})$$

$$\mathbf{TT_j\ (IIR/UTPR)} = (15\% - \mathrm{ETR_j}) \times (\text{GloBE Income}_j - \mathbf{SBIE_j}) - \mathbf{QDMTT}$$



P2-GloBE-Rule Order (Allocation of Taxing Rights):

STTR -> DMT -> QDMTT -> CFC -> IIR -> UTPR

DMT (GloBE-Income) ≥ QDMTT (Ex Profits)

QDMTT ≥ IIR -> CFC as covered tax?

P2-GloBE-Minimum Effective Tax Rate ≥ 15% on overall profits (ExP)

P2-Minimum Statutory Tax Rate ≥ 9% on certain gross payments

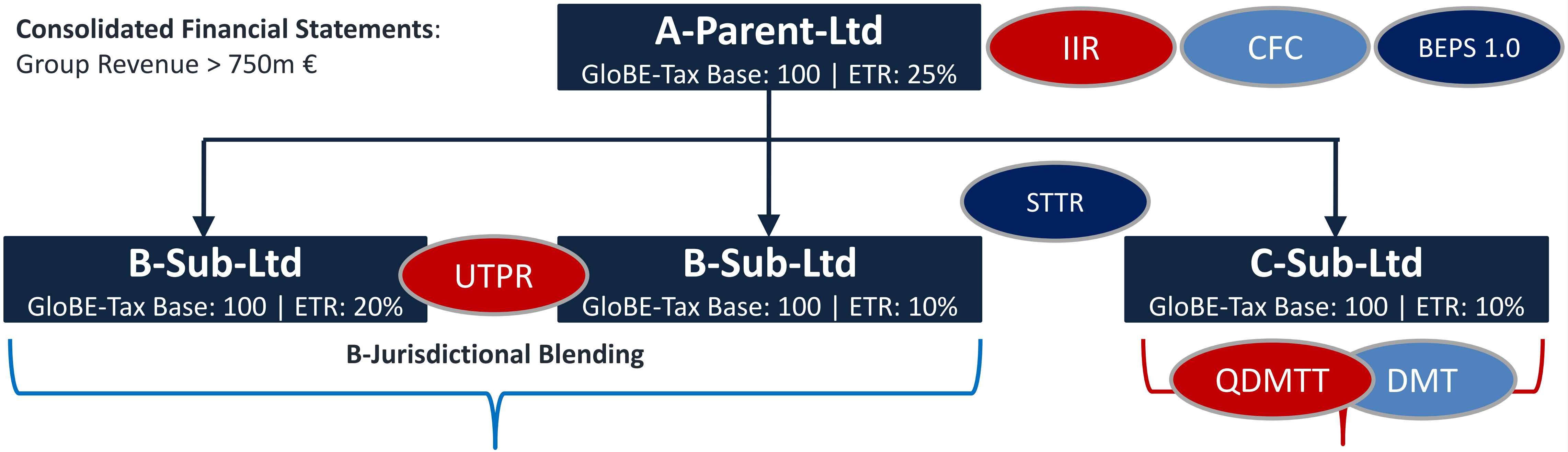
Traditional income- vs. expenditure-based tax incentives: IP-Boxes, reduced CIT-Rates, R&D-super-deductions etc.

Direct subsidies

QRTCs: Qualified Refundable Tax Credits

NGOs addressing MNE tax avoidance

Pillar 2/GloBE-Rules: Comprehensive backstop mechanism with jurisdictional blending to floor tax competition



B-Jurisdictional ETR = Jur. covered taxes : Jur. GloBE-Income

=> B-Jurisdictional ETR = 30 : 200 = 15%

=> No additional minimum taxation “required”

C-Jur. ETR = Covered taxes : GloBE-Income

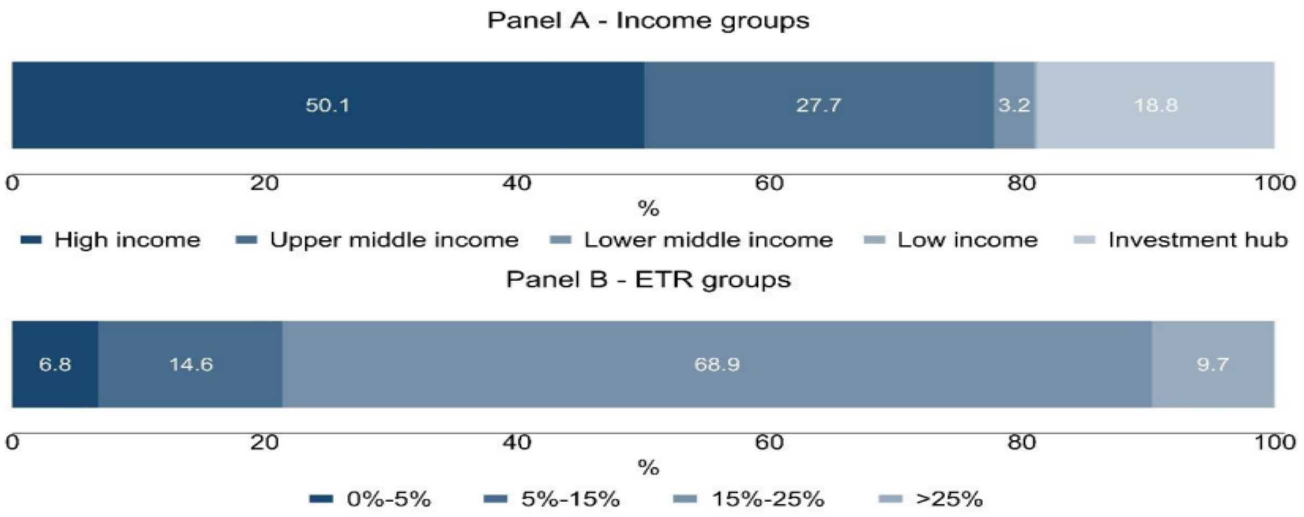
=> C-Jurisdictional ETR = 10 : 100 = 10%

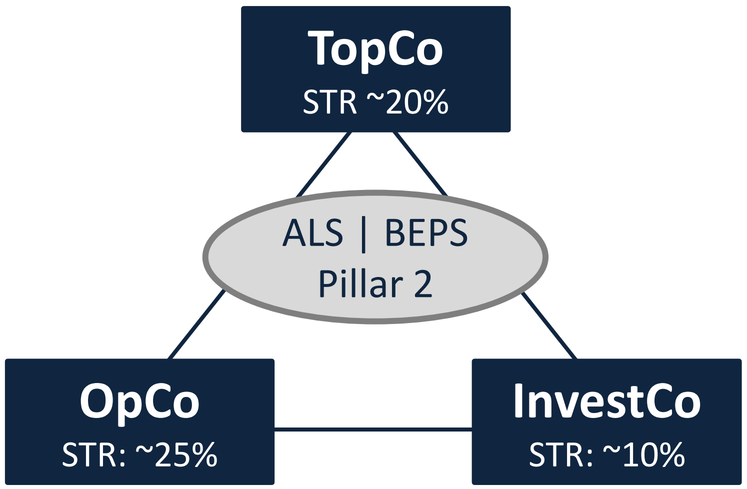
=> Additional Minimum taxation “required”: + Δ 5% x 100 = 5

=> GloBE-Rules: QDMTT (C-Ltd) prior to IIR (A-Ltd) prior to UTPR (B-Ltds)

NGOs addressing MNE tax avoidance

OECD-Study on ETR of MNEs: New evidence on global low-taxed profit | Key findings





Panel A: Booked profits of large MNEs | Jurisdiction-income groups

» 50.1% of the total profits of large MNEs are booked in high income jurisdictions **+** 18.8% in investment hubs: **∑ 68.9%**

» 27.7% in upper middle-income jurisdictions and 3.2% in lower middle and low-income jurisdictions

Panel B: Booked profits of large MNEs | Jurisdiction average ETR groups

» 6.8% of the total profits of large MNEs are reported in jurisdictions with average ETRs below 5% **+** 14.6% in jurisdictions with average ETRs between 5% and 15%: **∑ 21.4%**

» 68.9% in jurisdictions with average ETRs between 15% and 25%

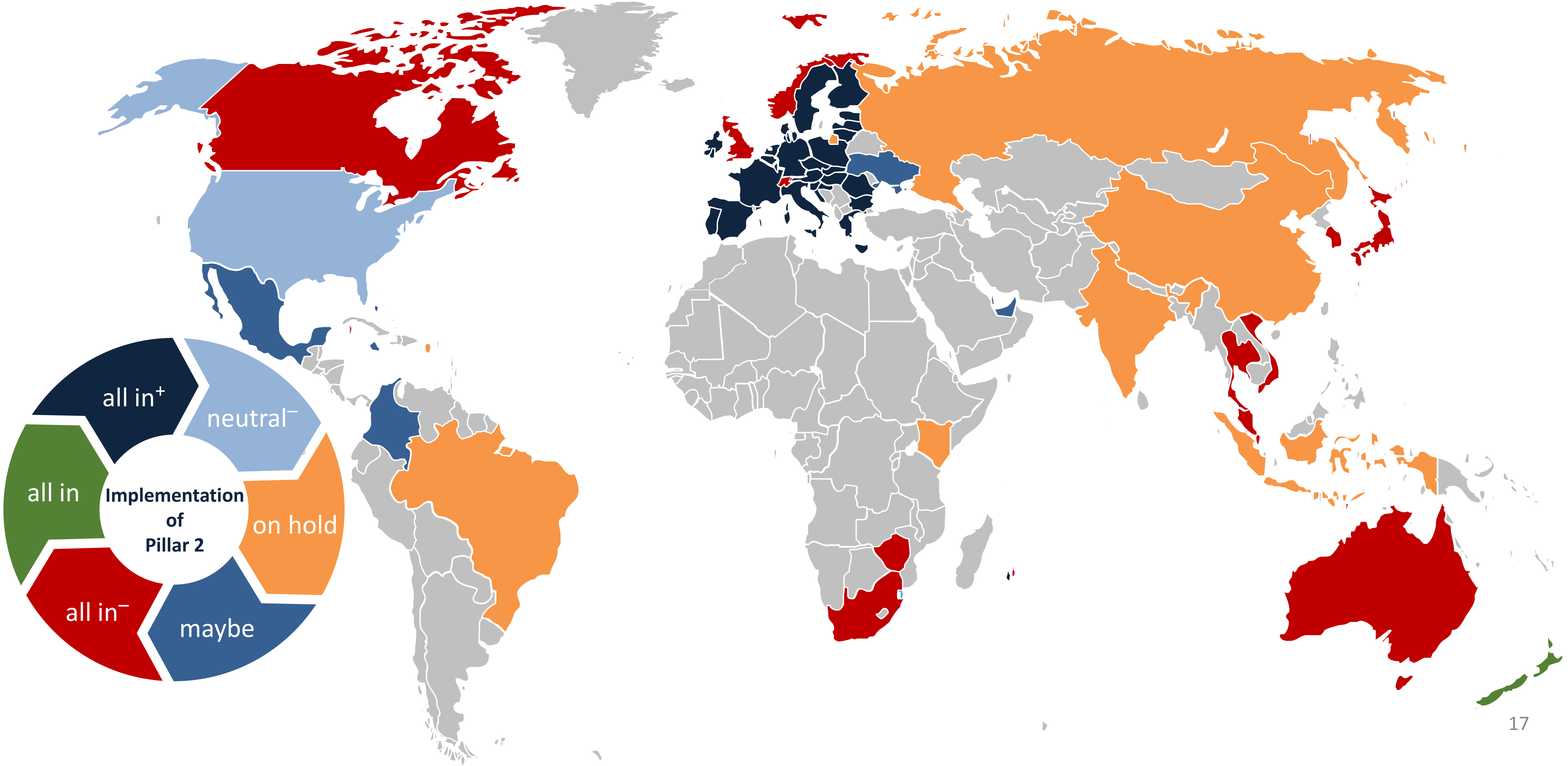
» 9.7% in jurisdictions with average ETRs exceeding 25%

Data (2017-2020): i) OECD CbCR data, ii) US Bureau of Economic Analysis (BEA), iii) Torslov, Wier and Zucman (2023), and iv) Bureau van Dijk Orbis database | **Reported average annual net profits of USD 5,929 billion (Total profits for the period = USD 23,715 billion)**

Source: OECD Taxation Working Paper No. 67: Effective tax rates of MNEs: New evidence on global low-taxes profit, 21 November 2023.

NGOs addressing MNE tax avoidance

GloBE-Level Playing Field of implementation: Projection of the implementation of Pillar 2 – GloBE vs. GILTI?



NGOs addressing MNE tax avoidance

Tax Justice Network: Outline

TAX JUSTICE NETWORK

Who is the Tax Justice Network

- Tax Justice Network is a British NGO who consists of researchers in the field of tax avoidance, tax competition and tax havens

Vision & Mission

- A world in which all people can enjoy the full benefits of tax justice
- Tax justice creates the potential for well-funded states that deliver for all
- The role is to provide consistent, credible research and analysis of tax abuse and the necessary responses, disseminated globally through a powerful communications platform

Topics

- Automatic information exchange
- Beneficial ownership transparency through public registers for companies, trusts and other legal vehicles
- **Public Country by country reporting for multinationals → Analysis on a country-specific level**

Flagship Publications

- Corporate Tax Haven Index
- The Financial Secrecy Index
- Beneficial Ownership Transparency

Source: Tax Justice Network

NGOs addressing MNE tax avoidance

International Level Playing Field on Taxation: Tax Justice Network | Corporate Tax Haven Index/Haven Indicators

Indicator score = 100 — Double Tax Treaty

Indicator score = 90 — Anti - Avoidance

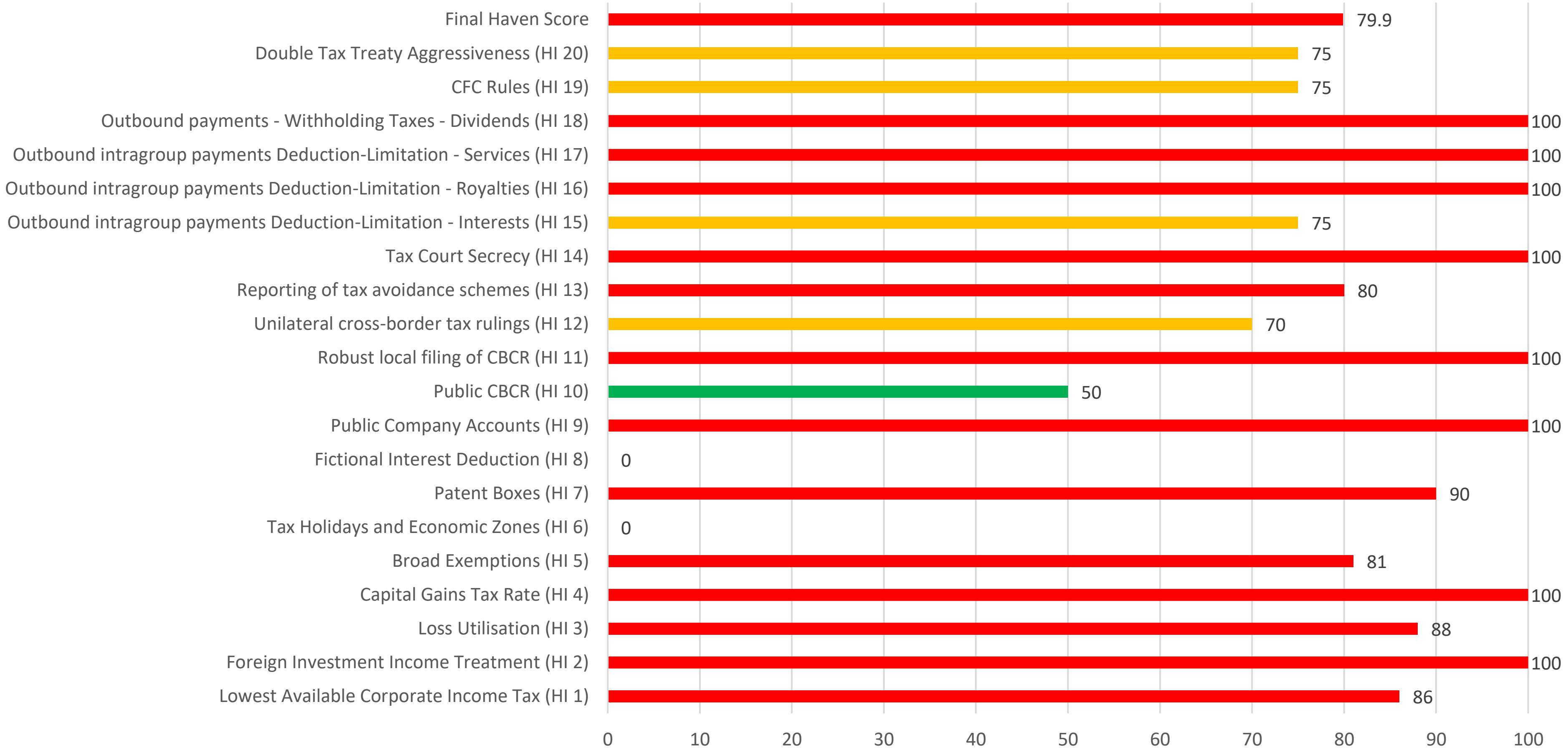
Indicator score = 83 — Transparency

Indicator score = 65.5 — Loopholes and Gaps

Indicator score = 86 — LACIT

$$\frac{Total\ score = 399.5}{Number\ of\ indicators = 5} \approx \mathbf{79.9}$$

Tax Haven Score Indicators: Position of the Netherlands



Score between 0 (zero corporate tax haven attributes) and 100 (full corporate tax haven attributes)
Final Haven Score = 77.90, Ranked 4th

NGOs addressing MNE tax avoidance

Corporate Tax Haven Index 2021 | Methodology | Example: The Netherlands

- **Haven Score:** The average of 5 group/category scores (total of 20 indicators)

$$Haven\ Score_i = \frac{[LACIT]_i + [Loopholes\ \&\ Gaps]_i + [Transparency]_i + [Anti-Avoidance]_i + [DTTA]_i}{5}$$

- **Global Scale Weights:** The share of financial activity conducted by MNEs around the world, hosted by the jurisdiction

$$GSW_i = \frac{total\ FDI\ position}{\sum_{i=1}^{M} total\ FDI\ position_i}$$

Where, $total\ FDI\ position_i = inward\ FDI\ position_i + outward\ FDI\ position_i$ | M is number of jurisdictions for which data is available

- **Corporate Tax Haven Index:** Combining HS and GSW

$$CTHI_i = (HS_i^3 * \sqrt[3]{GSW_i})/100$$

The Netherlands

- **Haven Score: 79.9**

$$HS = \frac{86 + 65.6 + 83.3 + 90 + 75}{5}$$

- **Global Scale Weight: 11%**

$$GSW = \frac{\$\ 10{,}505{,}369{,}133{,}418}{\$\ 94{,}690{,}323{,}833{,}261}$$

- **CTHI Value: 2,454 | Rank: #4**

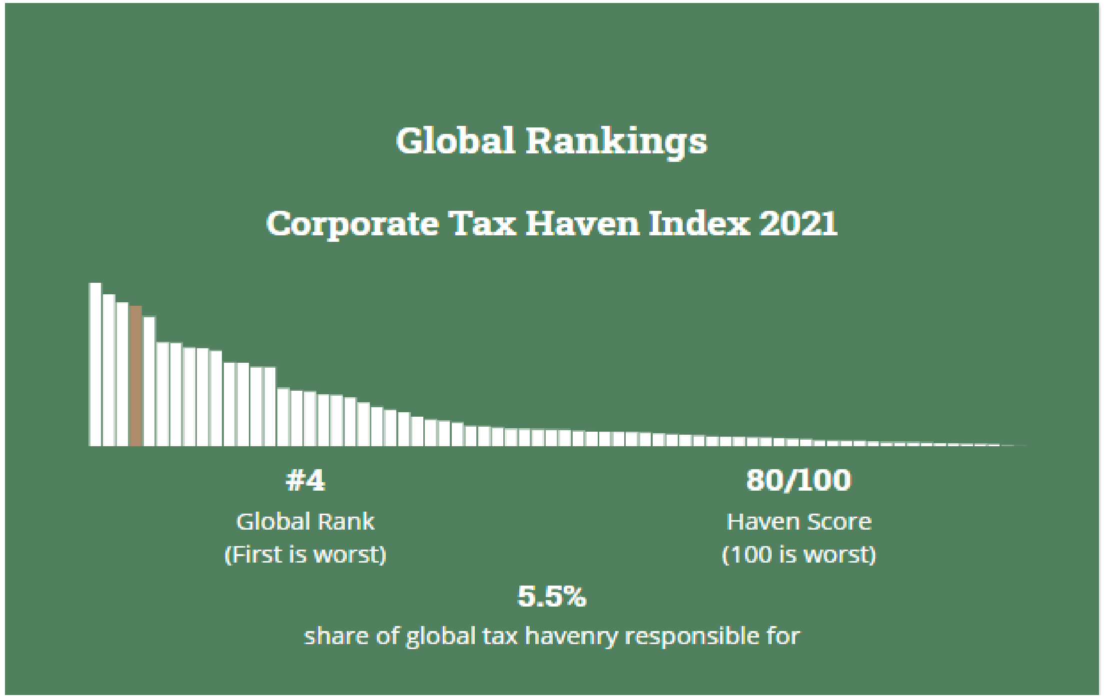
$$CTHI = (79.9^3 * \sqrt[3]{0.11})/100$$

-> Share of global tax havenry: 5%

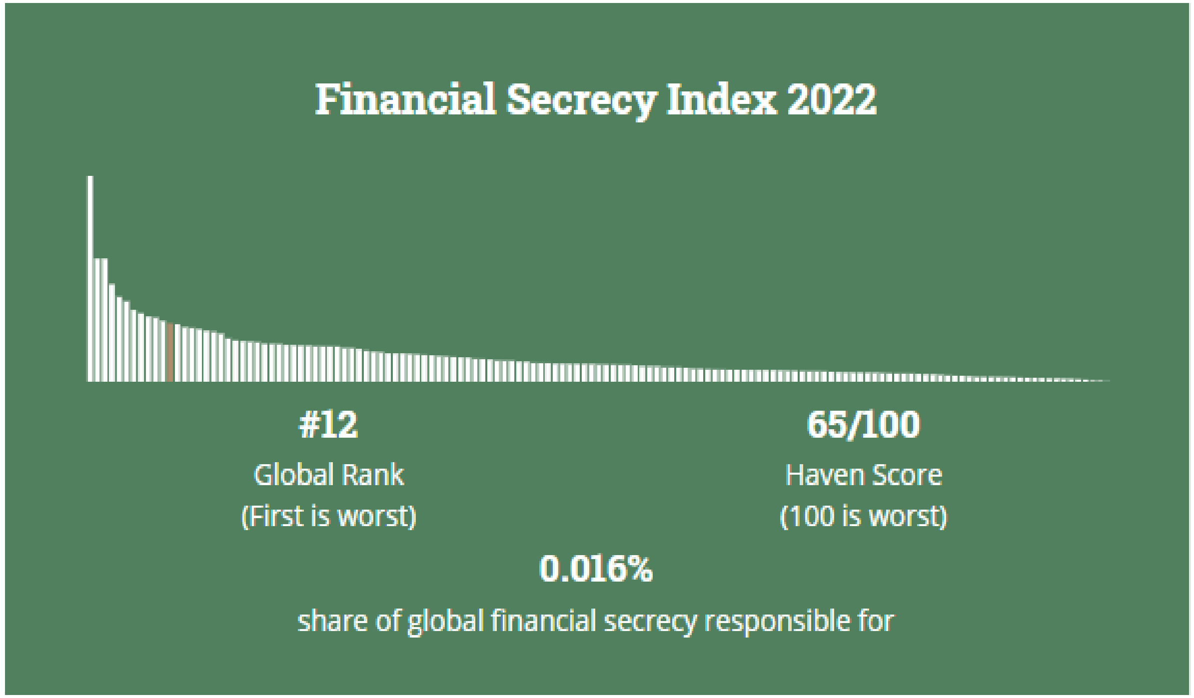
NGOs addressing MNE tax avoidance

International Level Playing Field on Taxation: TJN-Corporate Tax Haven Index, TJN-Financial Secrecy Index

Netherlands's role in global profit shifting



Netherlands's role in financial secrecy



Source: Tax Justice Network (2023): Netherlands Country Profile.

NGOs addressing MNE tax avoidance

International Level Playing Field on Taxation: Tax Justice Network | Corporate Tax Haven Index/Haven Indicators

Indicator score = 100 — Double Tax Treaty

Indicator score = 100 — Anti - Avoidance

Indicator score = 100 — Transparency

Indicator score = 100 — Loopholes and Gaps

Indicator score = 100 — LACIT

$$\frac{Total\ score = 500}{Number\ of\ indicators = 5} \approx \mathbf{100}$$

Tax Haven Score Indicators: Position of the British Virgin Islands

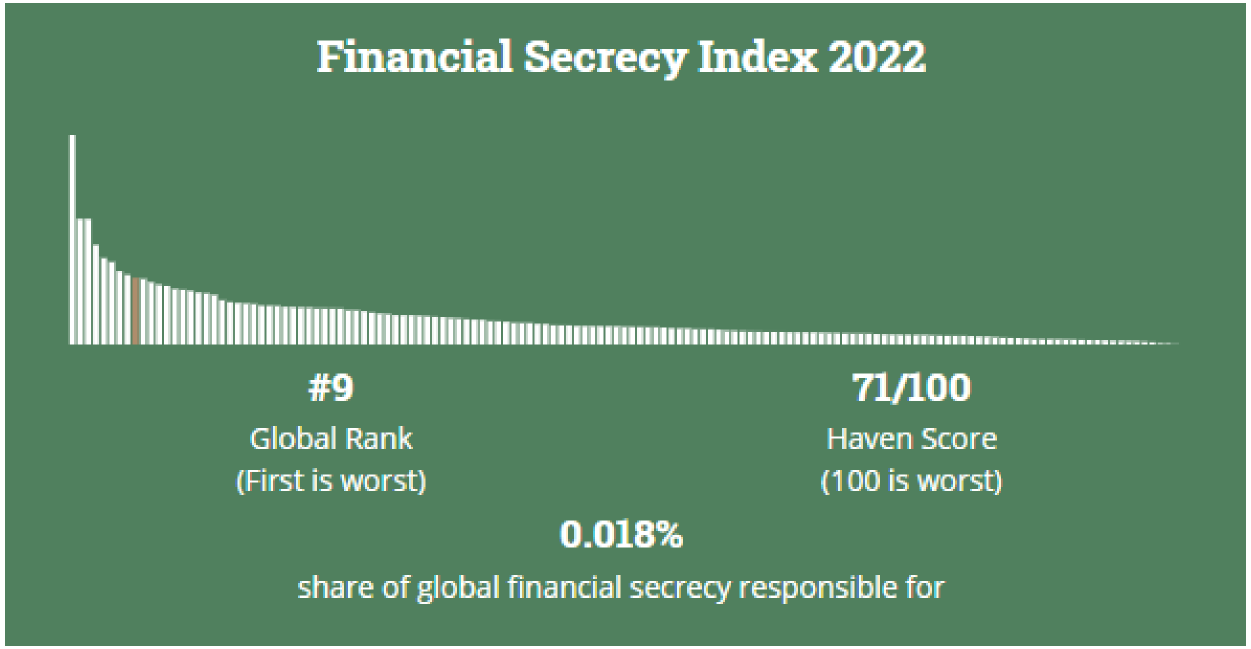
Score between 0 (zero corporate tax haven attributes) and 100 (full corporate tax haven attributes)
Final Haven Score = 100, Ranked 1st

NGOs addressing MNE tax avoidance

International Level Playing Field on Taxation: TJN-Corporate Tax Haven Index, TJN-Financial Secrecy Index

British Virgin Islands' role in global profit shifting

British Virgin Islands' role in financial secrecy



Source: Tax Justice Network (2023): BVI Country Profile.

NGOs addressing MNE tax avoidance

International Level Playing Field on Taxation: Tax Justice Network | Corporate Tax Haven Index/Haven Indicators

Tax Haven Score Indicators: Position of Switzerland

Indicator score = 79 — Double Tax Treaty

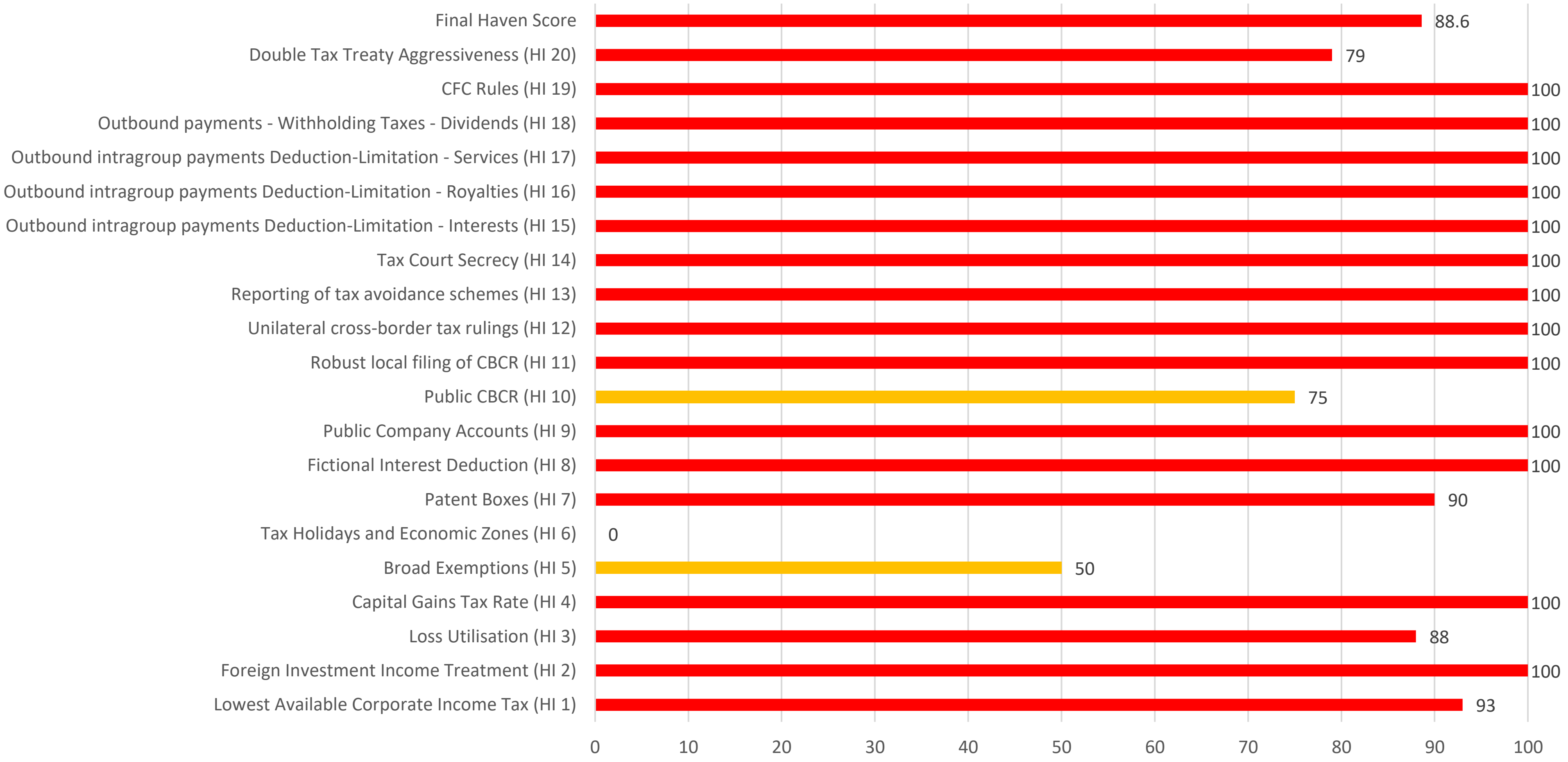
Indicator score = 100 — Anti - Avoidance

Indicator score = 95.8 — Transparency

Indicator score = 75.4 — Loopholes and Gaps

Indicator score = 93 — LACIT

$$\frac{Total\ score = 443.2}{Number\ of\ indicators = 5} \approx \mathbf{86.6}$$

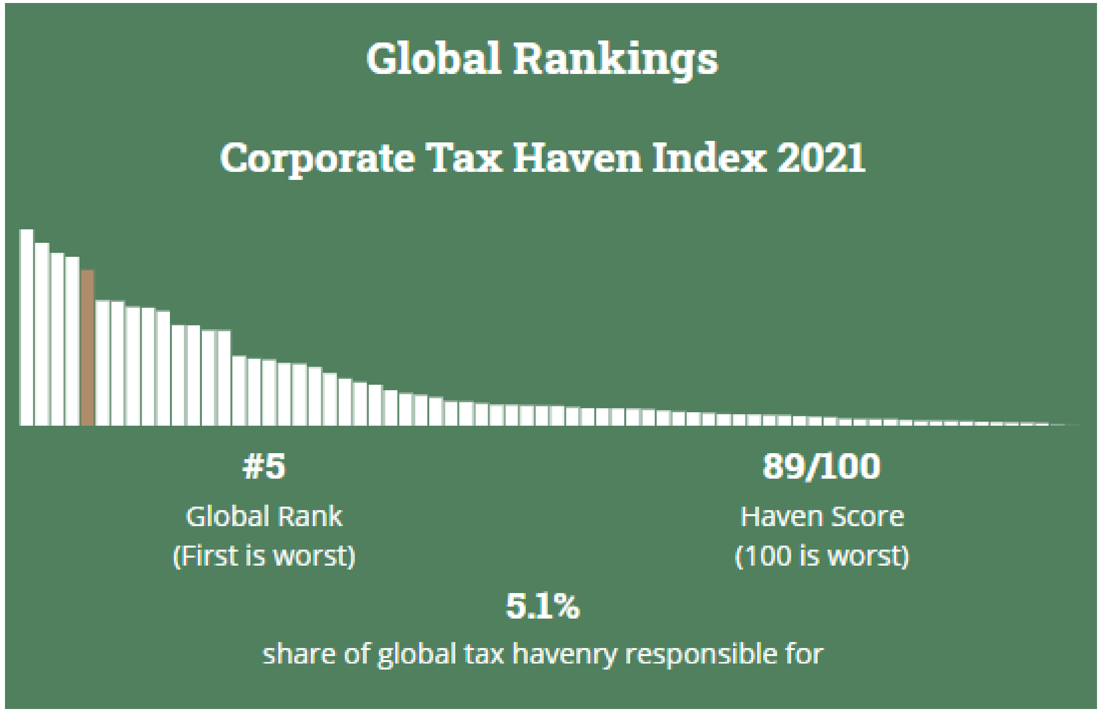


Score between 0 (zero corporate tax haven attributes) and 100 (full corporate tax haven attributes)
Final Haven Score = 86.60, Ranked 5th

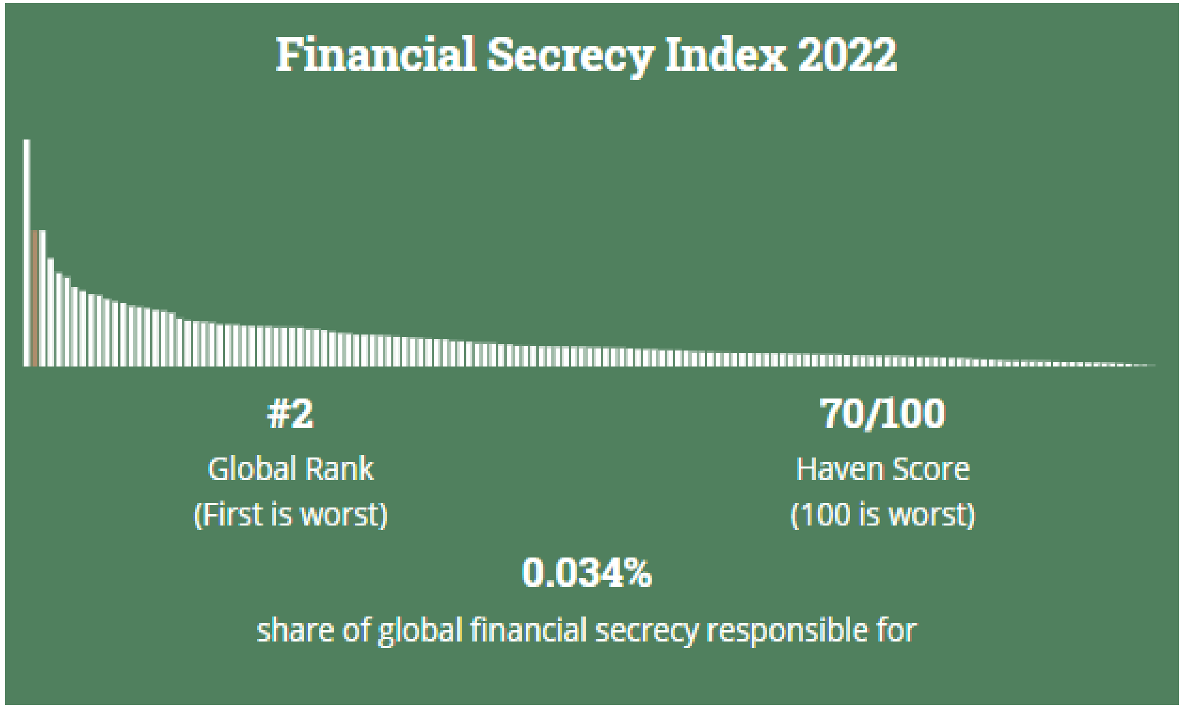
NGOs addressing MNE tax avoidance

International Level Playing Field on Taxation: TJN-Corporate Tax Haven Index, TJN-Financial Secrecy Index

Switzerland’s role in global profit shifting



Switzerland’s role in financial secrecy



Source: Tax Justice Network (2023): Switzerland Country Profile.

NGOs addressing MNE tax avoidance

International Level Playing Field on Taxation: Tax Justice Network | Corporate Tax Haven Index/Haven Indicators

Tax Haven Score Indicators: Position of Hong Kong

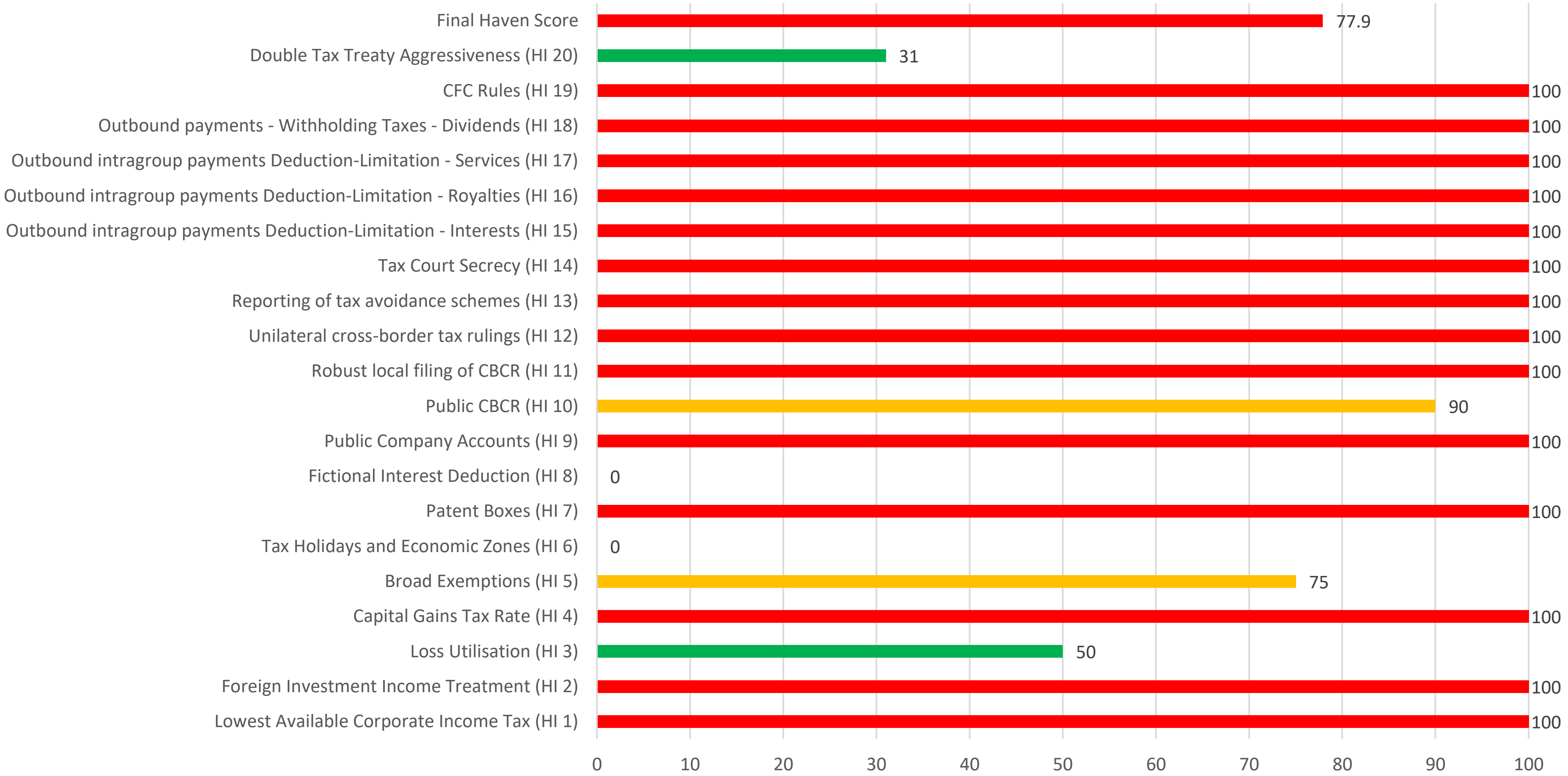
Indicator score = 31 — Double Tax Treaty

Indicator score = 100 — Anti - Avoidance

Indicator score = 98.3 — Transparency

Indicator score = 60.7 — Loopholes and Gaps

Indicator score = 100 — LACIT



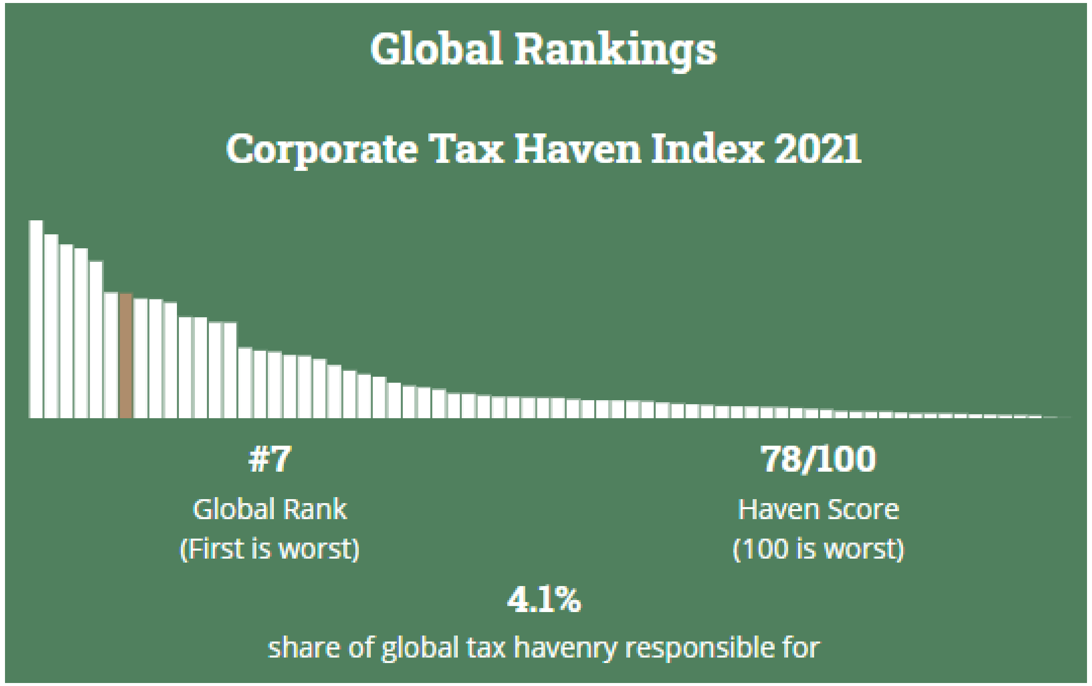
$$\frac{Total\ score = 390}{Number\ of\ indicators = 5} \approx \mathbf{77.9}$$

Score between 0 (zero corporate tax haven attributes) and 100 (full corporate tax haven attributes)
Final Haven Score = 77.90, Ranked 7th

NGOs addressing MNE tax avoidance

International Level Playing Field on Taxation: TJN-Corporate Tax Haven Index, TJN-Financial Secrecy Index

Hong Kong's role in global profit shifting



Hong Kong's role in financial secrecy

Source: Tax Justice Network (2023): Hong Kong Country Profile.

NGOs addressing MNE tax avoidance

International Level Playing Field on Taxation: Tax Justice Network | Corporate Tax Haven Index/Haven Indicators

Indicator score = 44 — Double Tax Treaty

Indicator score = 100 — Anti - Avoidance

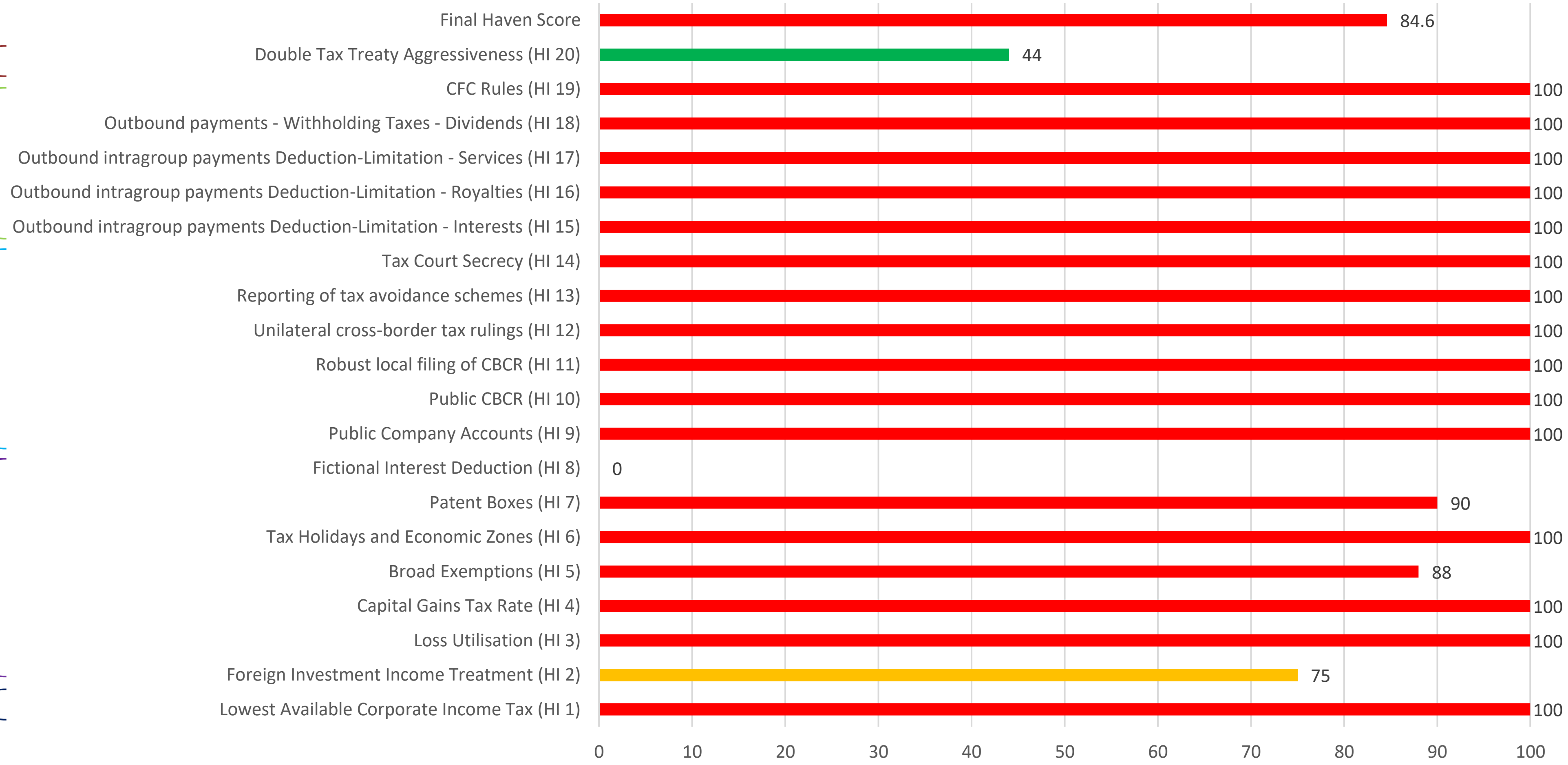
Indicator score = 100 — Transparency

Indicator score = 79 — Loopholes and Gaps

Indicator score = 100 — LACIT

$$\frac{Total\ score = 423}{Number\ of\ indicators = 5} \approx \mathbf{84.6}$$

Tax Haven Score Indicators: Position of Singapore

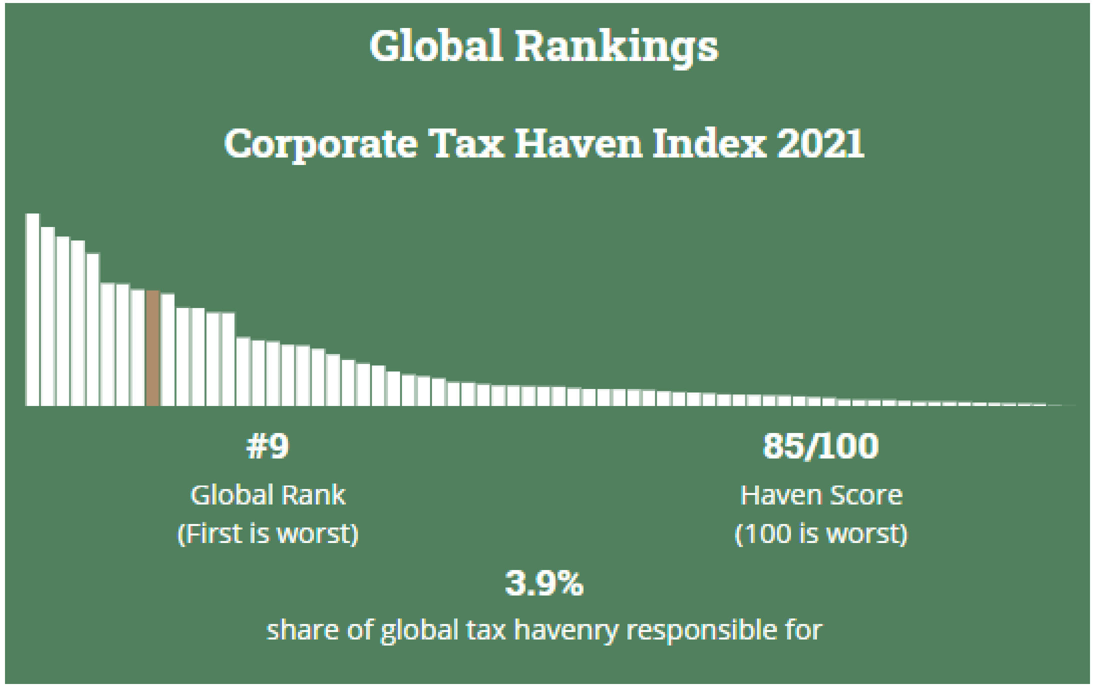


Score between 0 (zero corporate tax haven attributes) and 100 (full corporate tax haven attributes)
Final Haven Score = 84.60, Ranked 9th

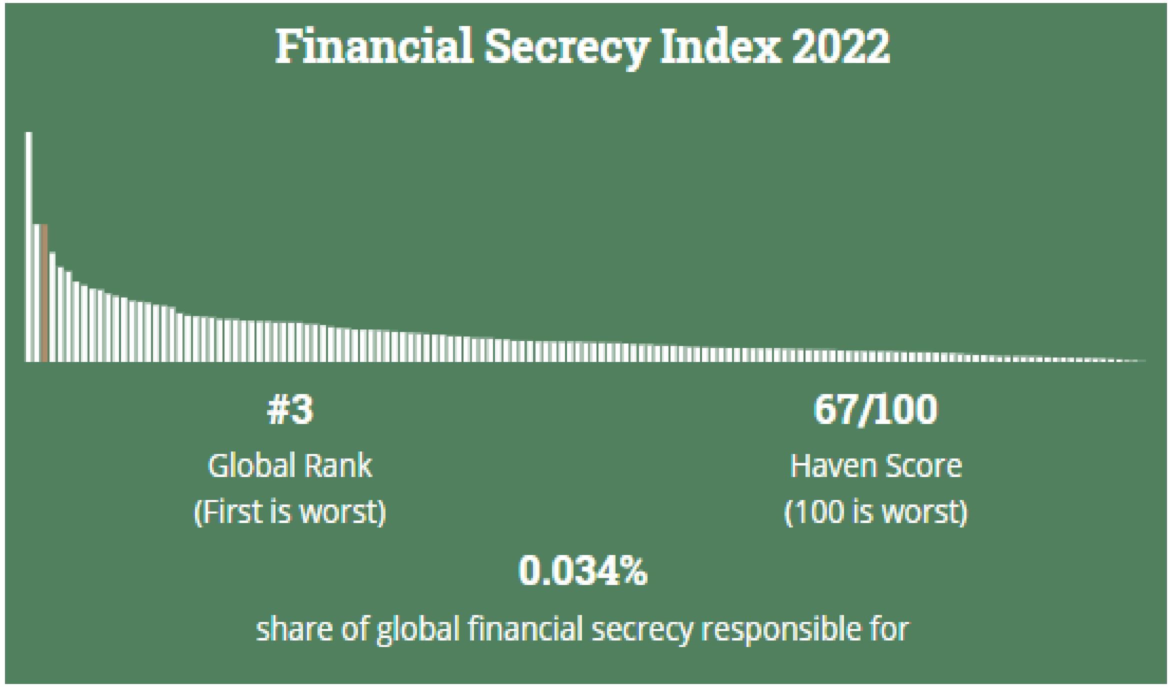
NGOs addressing MNE tax avoidance

International Level Playing Field on Taxation: TJN-Corporate Tax Haven Index, TJN-Financial Secrecy Index

Singapore's role in global profit shifting



Singapore's role in financial secrecy



Source: Tax Justice Network (2023): Singapore Country Profile.

NGOs addressing MNE tax avoidance

Corporate Tax Haven Index 2021 | Selected Jurisdictions

British Virgin Islands

- **Haven Score: 100.0**

$$HS = \frac{100 + 100 + 100 + 100 + 100}{5}$$

- **Global Scale Weight: 2.3%**

$$GSW = \frac{\$\,2{,}199{,}508{,}384{,}877}{\$\,94{,}690{,}323{,}833{,}261}$$

- **CTHI Value: 2,853 | Rank: #1**

$$CTHI = (100^3 * \sqrt[3]{0.023})/100$$

-> Share global tax havenry: 6%

Switzerland

- **Haven Score: 88.6**

$$HS = \frac{93 + 75.4 + 95.8 + 100 + 79}{5}$$

- **Global Scale Weight: 3.4%**

$$GSW = \frac{\$\,3{,}261{,}266{,}318{,}957}{\$\,94{,}690{,}323{,}833{,}261}$$

- **CTHI Value: 2,261 | Rank: #5**

$$CTHI = (88.6^3 * \sqrt[3]{0.034})/100$$

-> Share global tax havenry: 5%

Hong Kong

- **Haven Score: 77.9**

$$HS = \frac{100 + 60.7 + 98.3 + 100 + 31}{5}$$

- **Global Scale Weight: 5.5%**

$$GSW = \frac{\$\,5{,}253{,}923{,}285{,}088}{\$\,94{,}690{,}323{,}833{,}261}$$

- **CTHI Value: 1,805 | Rank: #7**

$$CTHI = (77.9^3 * \sqrt[3]{0.055})/100$$

-> Share global tax havenry: 4%

Singapore

- **Haven Score: 84.6**

$$HS = \frac{100 + 79 + 100 + 100 + 44}{5}$$

- **Global Scale Weight: 2.3%**

$$GSW = \frac{\$\,2{,}143{,}230{,}790{,}768}{\$\,94{,}690{,}323{,}833{,}261}$$

- **CTHI Value: 1,714 | Rank: #9**

$$CTHI = (84.6^3 * \sqrt[3]{0.023})/100$$

-> Share global tax havenry: 4%

The Netherlands

Haven Score: 79.9 $HS = \frac{86+65.6+83.3+90+75}{5}$

Global Scale Weight: 11% $GSW = \frac{\$\,10{,}505{,}369{,}133{,}418}{\$\,94{,}690{,}323{,}833{,}261}$

CTHI Value: 2,454 | Rank: #4 $CTHI = (79.9^3 * \sqrt[3]{0.11})/100$

-> Share of global tax havenry: 5.5%

NGOs addressing MNE tax avoidance

International Level Playing Field on Taxation: Tax Justice Network | Corporate Tax Haven Index/Haven Indicators

Indicator score = 100 — Double Tax Treaty

Indicator score = 100 — Anti - Avoidance

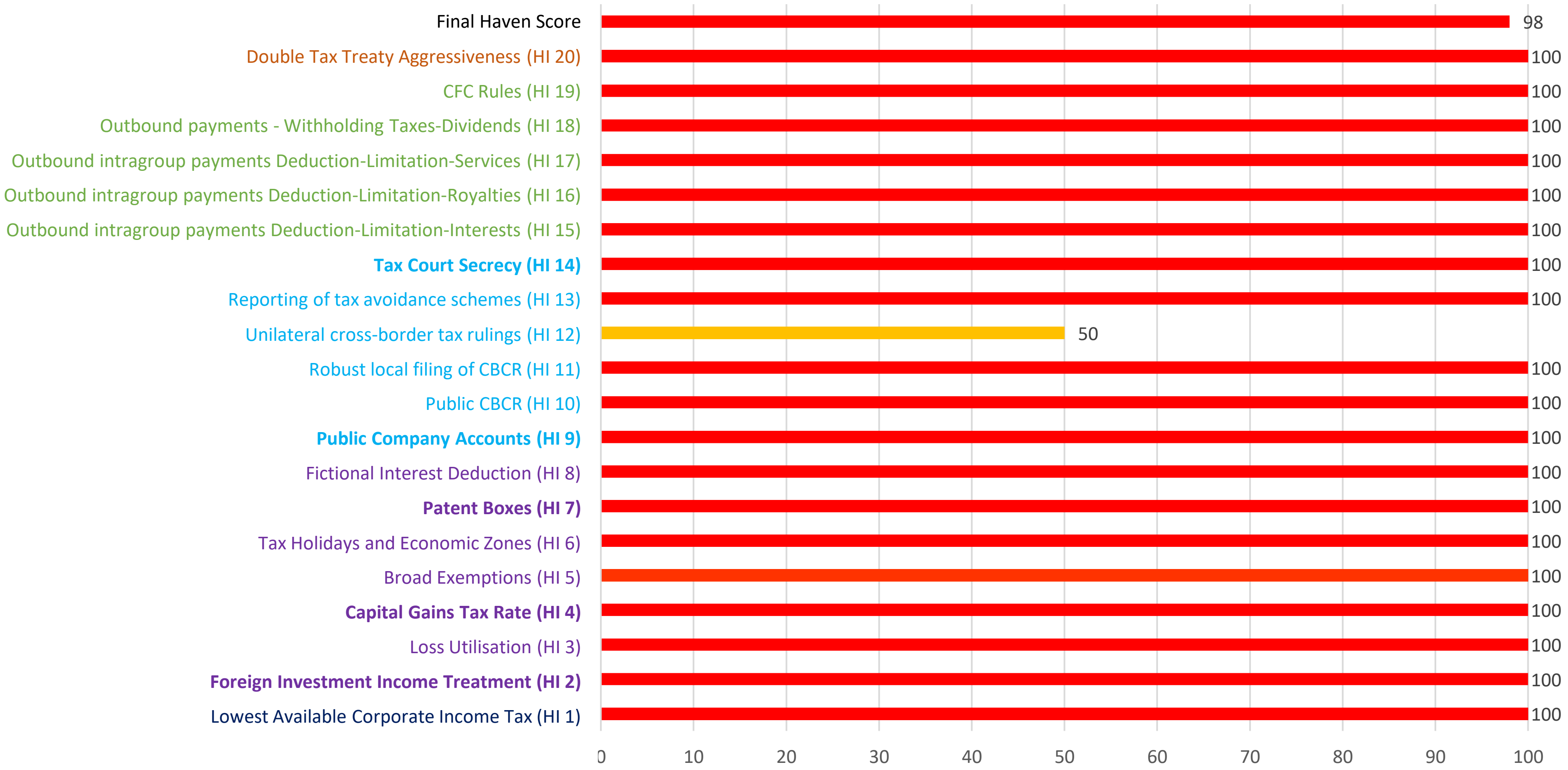
Indicator score = 92 — Transparency

Indicator score = 100 — Loopholes and Gaps

Indicator score = 100 — LACIT

$$\frac{Total\ score = 492}{Number\ of\ indicators = 5} \approx \mathbf{98}$$

Tax Haven Score Indicators: Position of United Arab Emirates (UAE)

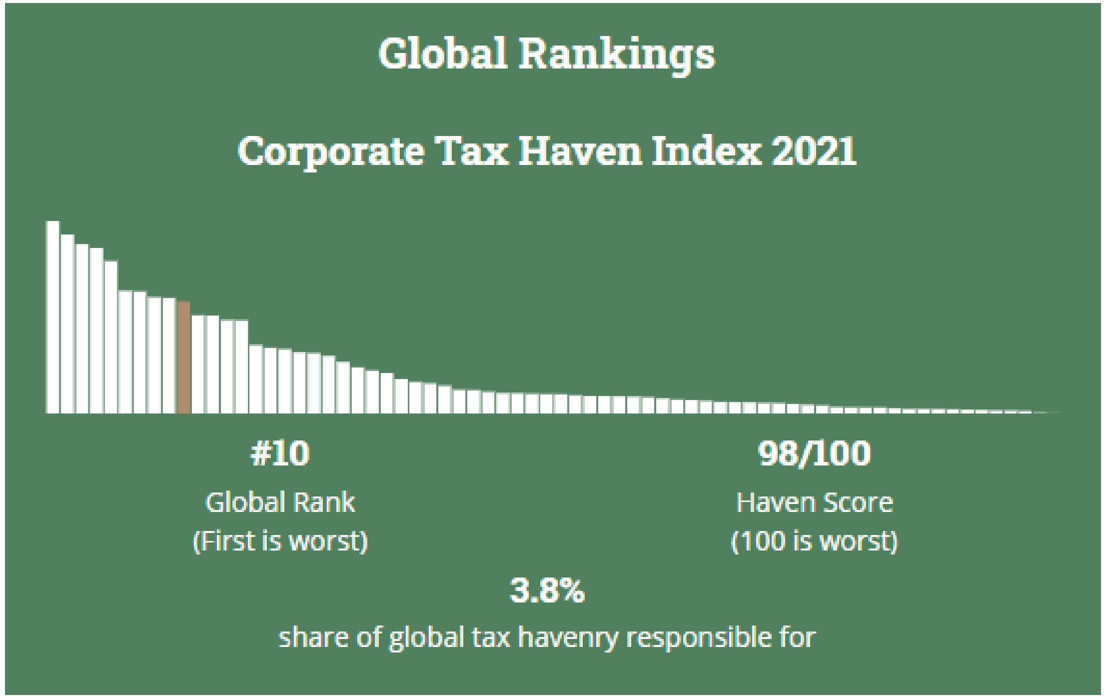


Score between 0 (zero corporate tax haven attributes) and 100 (full corporate tax haven attributes)
Final Haven Score = 98, Ranked 10th

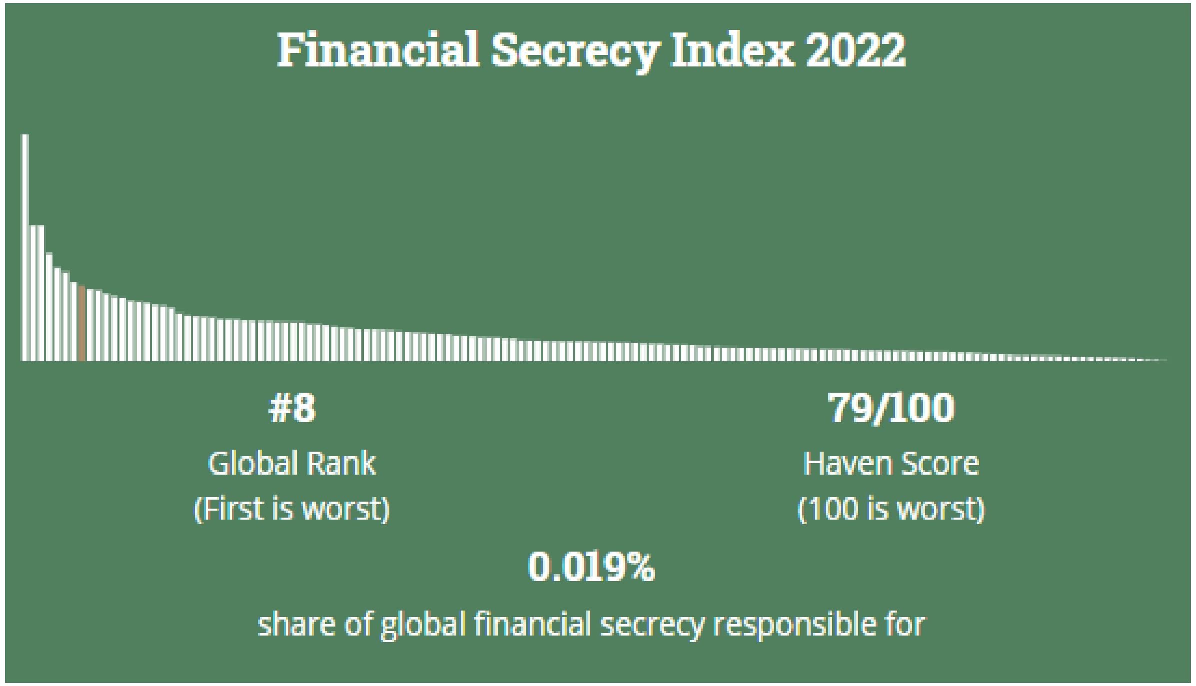
NGOs addressing MNE tax avoidance

International Level Playing Field on Taxation: TJN-Corporate Tax Haven Index, TJN-Financial Secrecy Index

UAE's role in global profit shifting



UAE's role in financial secrecy



Source: Tax Justice Network (2023): UAE Country Profile.

NGOs addressing MNE tax avoidance

Asian Peoples' Movement on Debt and Development (APMDD)

Who is APMDD

- The Asian Peoples' Movement on Debt and Development (APMDD) is a regional alliance of peoples' movements, community organizations, coalitions, NGOs, and networks. APMDD serves to catalyze and strengthen grassroots campaigns across the region for p**eople-centered development** and **environmental rights and justice**.
- Founding member of Tax and Fiscal Justice Asia (TAFJA); serves as its Co-Coordinator & Secretariat

A Campaigning and Movement-Building Alliance

- Primarily a **campaigning** and **movement-building** alliance; addresses MNE tax avoidance from the standpoint of taxation as a means to finance guarantees of social, economic, and human rights of citizens.
- MNE tax avoidance is a matter of systems reform and therefore political and historical; seeks to address North-South inequalities as well as inequalities within country from a grassroots perspective through the mechanisms of the state.
- For APMDD, taxing MNEs is a matter of **tax justice**; states have the responsibility to finance just, equitable, and sustainable development.

Campaign Areas

- Development Finance | Debt Justice | Climate Justice| Energy Systems Transformation

NGOs addressing MNE tax avoidance

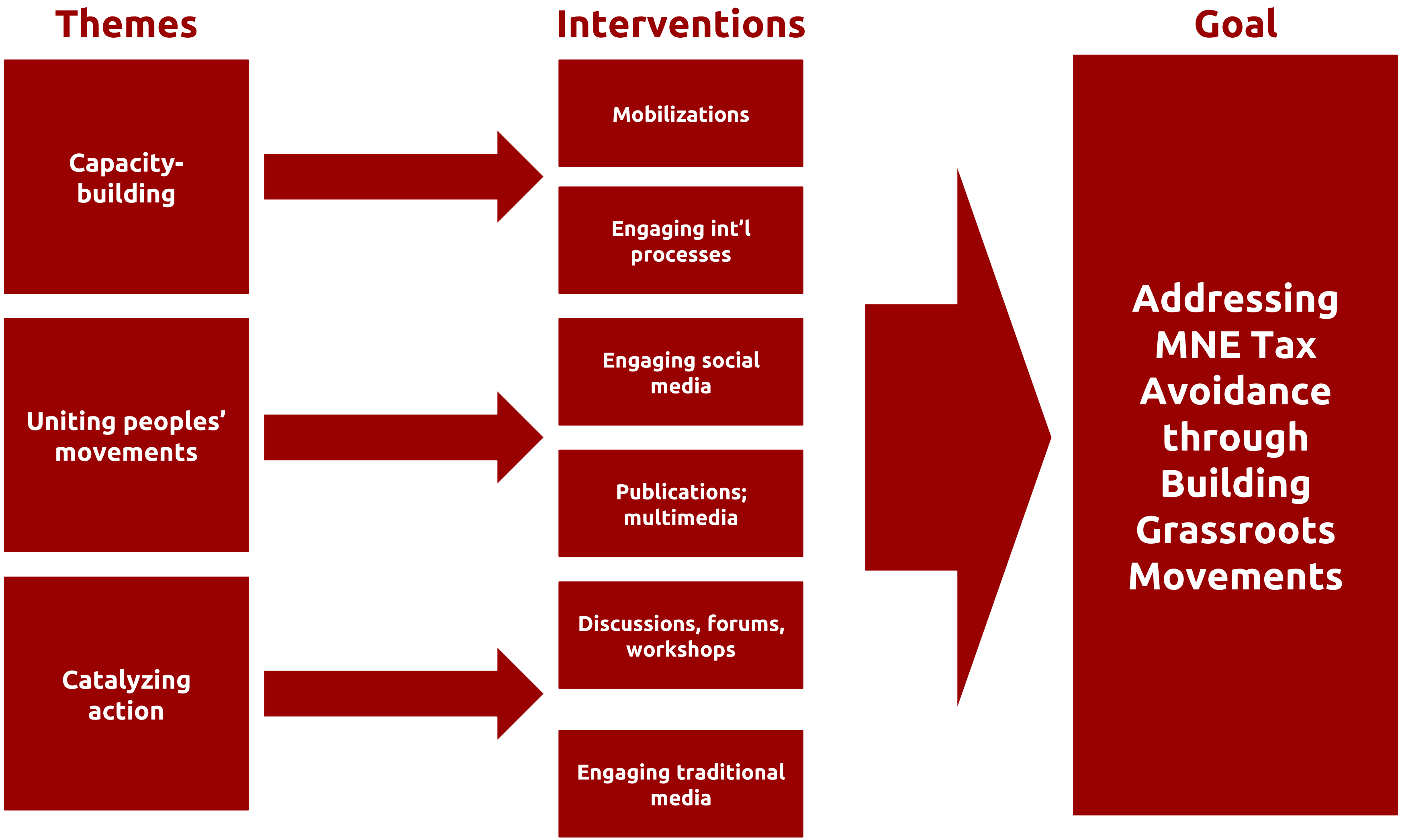
Asian Peoples' Movement on Debt and Development (APMDD)

APMDD' Tax Justice Principles

- The state must effectively and efficiently enforce tax policies that are **just and progressive** together with other programs and policies that **strengthen the domestic economy** and the country's **internal capacity** to provide for its own finance needs.
- Southern governments must **move away from dependence on borrowings and aid.**
- The state's right to tax goes hand in hand with its **duties and obligations**:
  - To protect and uphold the rights of its citizens (and fulfill all human rights obligations);
  - To promote equity and justice;
  - To provide for essential services;
  - To be transparent and democratic in the formulation and implementation of fiscal policy (tax, budget and spending and other policies).
- Taxes should **not** be used to violate rights, undermine people's development and national sovereignty and cause harm to the environment.
- Decision-making in tax and fiscal policies, laws and treaties, global norms, standards and agreements, should be **inclusive and participatory** through democratic, transparent and accountable government and intergovernmental processes, mechanisms and structures.
- **Tax systems should not exacerbate inequalities within and between countries.** Sovereign states' right to tax should be upheld in the international community – taxing rights should be allocated fairly and justly among states, with equitable and just outcomes.

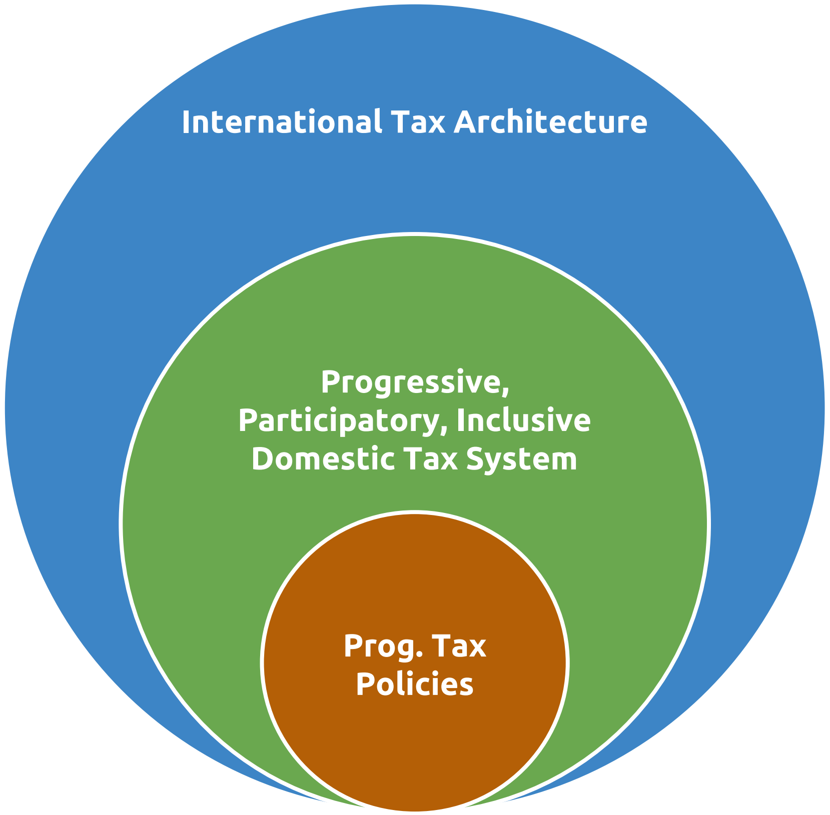
NGOs addressing MNE tax avoidance

Asian Peoples' Movement on Debt and Development (APMDD)



NGOs addressing MNE tax avoidance

Asian Peoples' Movement on Debt and Development (APMDD)



- Addressing issues within the existing international tax architecture is important as a way to increase Southern government's space to increase domestic resource mobilization (DRM) and tackle illicit financial flows (IFFs), including tax abuses related to wasteful and/or harmful tax incentives for corporations.

- APMDD's campaigns focus on linking the daily struggles of workers, farmers, women, youth, marginalized communities, etc. with national and international tax issues. Tax abuses by MNEs and large domestic corporations serve as ways for wealth to be redistributed **upwards**, rather than **downwards**.

- We want a UN Framework Convention on Tax as opposed to the OECD/G20 BEPS Framework not only on the basis of the latter's content, but also on a **political** basis: rather than consultations between OECD/G20 and other participating countries, a UN process allows Southern governments to have an equal seat at the table.

NGOs addressing MNE tax avoidance

Tax and Fiscal Justice Asia (TAFJA)

Tax & Fiscal Justice Asia

Who is TAFJA

- An Asia-wide network of grassroots movements, people's organizations, NGOs, and constituency networks dedicated to advancing tax justice. It was formed in 2014 and this year marks its 10th Anniversary.
- TAFJA is the Asia regional member of the Global Alliance for Tax Justice (GATJ), a South-led coalition advocating progressive and redistributive tax policies to counter inequality and secure peoples' rights to public services and to guarantee human rights.

Building A Tax Justice Movement in Asia

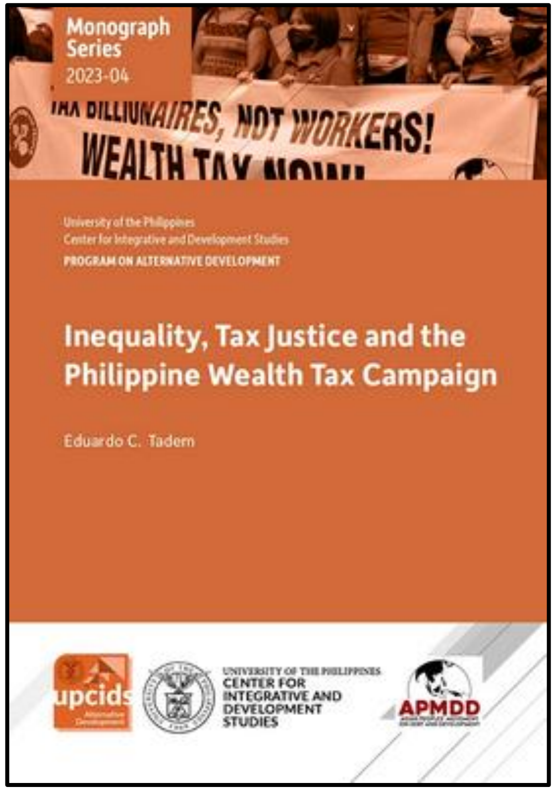
- TAFJA members have different capacities specializations, ranging from civil society grassroots campaigns, research advocacy work, education, etc.
- TAFJA areas of work link inequalities in tax systems with gender inequalities, environmental issues, workers' rights, human, civil, political rights, etc.

NGOs addressing MNE tax avoidance

APMDD and TAFJA Grassroots Campaigns for Tax Justice

NGOs addressing MNE tax avoidance

APMDD and TAFJA Grassroots Campaigns for Tax Justice



NGOs addressing MNE tax avoidance

The UN Tax Convention: Global South and Asian CSOs' View

CSOs' Demands & Actions

- Called out and protested the dominance of countries of the North in global tax platforms, and the marginalization if not exclusion of interests and representation of countries of the South → "**Make MNCs Pay Their Share!**"
- Called out massive profit-shifting from Southern to Northern jurisdictions to the tune of $480 billion annually;

Developing Countries' Push for Reforms

- G77, China, and the Africa Group's Resolution xxx at the UN General Assembly in 2022 and 2023, and called for an intergovernmental mechanism under UN auspices where all countries have a seat at the table and all countries can negotiate on equal footing;
- The Africa Group resolution was adopted on xxx, but was voted against largely by OECD countries;
- The 2023 resolution highlighted the importance of involving CSOs in the UN-led international tax architecture process.

NGOs addressing MNE tax avoidance

The UN Tax Convention: Global South and Asian CSOs' View

CSOs' Critiques of the OECD/G20 BEPS Framework

- **Pillar 1** of the BEPS Framework:
  - effectively only covers around 100 MNEs;
  - allocates taxing rights to countries where the MNEs are registered, not source countries;
- **Pillar 2** of the BEPS Framework:
  - sets a global minimum CIT rate of 15%, a rate much lower than the global average of 25-30%.
  - A global CIT rate much lower than the current global average may trigger a "race to the bottom" for developing countries, eroding tax bases further and providing an incentive for governments to shift tax burdens onto consumers and workers.

NGOs addressing MNE tax avoidance

The UN Tax Convention: Global South and Asian CSOs' View

Tax Burdens in Select Asian Countries

Taxes on goods and services make up the mode source of revenue in many Asian countries:

- Philippines: 22.0% of total annually tax revenue comes from Value-Added Taxation (VAT);
- Indonesia: 29.2% from VAT
- Sri Lanka: 58% from Goods and Services Taxes (GST)

Many developing Asian countries also offer long lists of tax incentives for corporations, including in economic sectors with **marked and direct impacts** on communities and the environment, ex. extractives industries, manufacturing, etc. This imposes not only financial costs but also social costs onto citizens, especially vulnerable communities and sectors.

NGOs addressing MNE tax avoidance

The UN Tax Convention: Global South and Asian CSOs' View

Losses from Corporate Tax Abuses in Asian Countries

Losses incurred annually by select developing Asian countries:

- Philippines: $3.2 billion (6.6% of total tax rev.)
- Indonesia: $2.8 billion (2.6%)
- Vietnam: $1.5 billion (3.4%)
- India: $31.7 billion (0.9%)
- Sri Lanka: $413 million (3.6%)

Tax abuses here include wasteful and harmful corporate tax incentives that provide MNEs and big domestic corporations to shift profit away from source countries' jurisdictions by exploiting loopholes in the incentives.

NGOs addressing MNE tax avoidance

The UN Tax Convention: Global South and Asian CSOs' View

Joint CSO Submission, CS FFD Mechanism and GATJ

APMDD and TAFJA joined a joint submission with 175 other civil society organizations and trade unions in response to the call for inputs to the work of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation.

- "strongly welcome the UNGA Resolution 78/230, including the work to develop a **UN Framework Convention on International Tax Cooperation (FCITC)"**
- The FCITC "must establish a **fair, transparent and inclusive structure for global governance of international tax matters**, including a **Conference of the Parties (COP)** and a **Secretariat**. Until now, there has not been any truly inclusive global tax forum where all countries are able to participate on an equal footing, and where the Secretariat is neutral and equally accountable to all countries. For this reason, it is also clear that there is no risk of duplication with other processes…"
- "…stress the importance of ensuring that the FCITC is **thoroughly anchored within the UN system and adheres fully to the rules, procedures and ways of working of the UN.** All countries should participate on an equal footing, and the process should be Member State led. While other international organizations can (and already do) participate as observers in the UN process, it is important to ensure that existing governance structures, which do not comply with the approaches of the UN, are not carried over into the FCITC. Furthermore, while tax standards that have been agreed in other (less inclusive) forums can be put forward for consideration within the UN process, they should not preclude any outcome of the negotiations."

NGOs addressing MNE tax avoidance

The UN Tax Convention: Global South and Asian CSOs' View

What Should Be the Principles of A UN Tax Convention?

The UN Tax Convention's Terms of Reference (ToR) should give a first outline of the following elements and key priorities, to be further elaborated in the future FCITC:

- Promoting international tax cooperation;
- Ensuring that tax systems are fair, equitable, progressive, transparent and effective;
- Combating tax-related illicit financial flows;
- Addressing the unfair allocation of taxing rights that disproportionately affects developing countries;
- Underlining the link between tax policies and the mission of mobilizing financing to fulfil international goals, obligations and commitments, including those related to human rights, gender equality, quality public services for all, promotion of well-being and quality of life, sustainable development and environmental protection, including climate action, as well as increasing equality within and between countries".

NGOs addressing MNE tax avoidance

The UN Tax Convention: Global South and Asian CSOs' View

What Should Be the Principles of A UN Tax Convention?

Things the UN Tax Convention should consider:

- A principle stating that **every State has the sovereign right to decide the policies and practices of its domestic tax system**, and the responsibility to ensure that such policies and practices do not cause damage to, or undermine the effectiveness of, the tax base or system of any other State.
- A principle which **balances the right to privacy with the right for citizens to access information of importance to assess the fairness, equitableness, progressivity, transparency and effectiveness of their domestic tax system**, in addition to having in place structured mechanisms for citizens' engagement in tax policy processes.
- A principle underlining that the **participation of civil society is essential**, in line with Article 71 of the UN Charter as well as UNGA Resolution 53/144 and ECOSOC Resolutions 1993/80 and 1995/304.
- A principle which recognizes that the **costs of pollution and environmental damage should be borne by those causing it**, not those suffering its impacts (**polluter pays principle**).

NGOs addressing MNE tax avoidance

The UN Tax Convention: Global South and Asian CSOs' View

What Should Be the Principles of A UN Tax Convention?

Things the UN Tax Convention should consider:

- An international single tax principle, stating that persons, and multinational enterprises, should be taxed on their worldwide income at least once, and only once, and in line with where their real activities occur.

NGOs addressing MNE tax avoidance

The UN Tax Convention: Global South and Asian CSOs' View

Cross-Cutting Issues

The ToRs and FCITC should capture:

- The links between **tax and gender equality**, and the importance of ensuring full and effective participation of women at all levels of tax policy making.
- The link between **tax and human rights**, including the obligations of states to ensure non-discrimination and substantive equality and to use the maximum available resources to ensure the fulfillment of human rights, as well as the extraterritorial duties of states to ensure that their actions do not lead to violation of people's rights abroad.
- **Ensuring that the FCITC promotes the achievement of the goals of other UN initiatives**, including, inter alia, the UN Framework Convention on Climate Change (UNFCCC), the Convention on Biological Diversity (CBD), the Sustainable Development Goals and the UN Human Rights Framework.

NGOs addressing MNE tax avoidance

Oxfam

OXFAM

Who is Oxfam

- Oxfam is an international non-governmental organization working with others to challenge inequality, overcome poverty and work with people to thrive, not just survive
- Focus on Tax Justice, Tax Evasion and Tax Havens

Vision & Mission

- Engaging communities and building relationships with people directly affected by issues are critically important elements in designing and implementing effective influencing strategies
- We work with people living in poverty to support and strengthen their ability to demand and defend their rights. We work with civil society organizations, women's and youth movements, and engage with local and national governments

Topics e.g.

- Rights | Economics | Education | Governance and Citizenship | Inequality | Trade

Flagship Publications in Tax Evasion | Tax Haven

- The Race to the Bottom
- Off the Hook: How the EU is about to whitewash the world's worst tax Havens

Source: Oxfam Policy & Practice

NGOs addressing MNE tax avoidance

Oxfam 2019 Report on the EU-Listing of Tax Havens | Introduction

- **Aim**
  - The **EU-List on Tax Havens** was launched in **12/2017** as a response to major revelations of tax avoidance
  - In their **Reports**, Oxfam has **assessed the listing process since the EU-List was launched** and screens how effectively EU lists countries according to the published criteria
  - Oxfam suggests that the world must establish a **clear list of the worst tax havens**, based on **objective criteria** and **free from political interference**. This should ultimately be done by the **UN** or another independent body and revised on an annual basis. <u>**Thus, no White-Washing of EU-Member States any more!**</u>
  - According to the **2019 Oxfam Report**, the EU should aim to limit base erosion and profit shifting (BEPS) as well as tackling pass-through economies with regimes that significantly affect the location of financial and other service activities

- **Methodology**
  - To accurately **identify tax havens**, Oxfam uses the **same criteria as the EU**. The EU has agreed on **three criteria** in the screening process: **transparency, fair taxation, and participation in international tax forums**
  - The **most important aspect** of the listing process is the **fair taxation pillar**

NGOs addressing MNE tax avoidance

Oxfam 2019 Report on the EU-Listing of Tax Havens | Criteria for Identifying Tax Havens

Oxfam uses the same criteria as the EU to accurately identify Tax Havens

- **Tax Transparency**
  - Countries that are not exchanging information automatically and on request; countries not being part of the **Multilateral Convention on Mutual Administrative Assistance in Tax Matters** (**MC**)
- **Fair Taxation**
  - Countries that have **harmful tax practices**; countries that facilitate offshore structures or arrangements aimed at attracting profits that do not reflect real economic activity in the jurisdiction. A **zero percent tax rate** is used as an **indicator**
- **Implementation of anti-BEPS measures**
  - Countries failing to apply or commit to the **OECD`s Minimum Standards** against **B**ase **E**rosion and **P**rofit **S**hifting (**BEPS**)

NGOs addressing MNE tax avoidance

Oxfam 2019 Report on the EU-Listing of Tax Havens | List of Tax Havens

Revised EU-Listing as it should be when the EU would use their own criteria unbiased correctly

Non-cooperative Jurisdictions

23 Jurisdictions

American Samoa, Bahrain, Cabo Verde, Cook Islands, Dominica, Fiji, Grenada, Guam, Marshall Island, Morocco, Nauru, New Caledonia, Niue, Oman, Palau, Saint Kitts and Nevis, Samoa, Trinidad and Tobago, Turkey, Turks and Caicos Islands, United Arab Emirates, US Virgin Island, Vanuatu

Non-cooperative Jurisdictions

41 Jurisdictions

Albania, Anguilla, Antigua and Barbuda, Armenia, Australia, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Bosnia and Herzegovina, Botswana, Cabo Verde, Canada, Cayman Islands, Curaçao, Dominica, Fiji, Guernsey, Hong Kong, Isle of Man, Jersey, Jordan, Malaysia, Maldives, Mauritius, Mongolia, Montenegro, Montserrat, Morocco, Namibia, Panama, Saint Lucia, Saint Vincent and the Grenadines, Serbia, Seychelles, South Africa, Swaziland, Switzerland, Thailand, Vietnam

EU-Member States that should be on the EU List of non-cooperative Jurisdictions

5 Jurisdictions

Cyprus, Ireland, Luxembourg, Malta, Netherlands

Too powerful to list?

Switzerland, USA

NGOs addressing MNE tax avoidance

EU Tax Observatory

EUTAX Observatory

Who is the EU Tax Observatory

The EU Tax Observatory is an independent research laboratory hosted at the Paris School of Economics. It conducts innovative research on taxation, contributes to a democratic and inclusive debate on the future of taxation, and fosters a dialogue between the scientific community, civil society, and policymakers in the European Union and worldwide

Vision & Mission

- The EU Tax Observatory aims to contribute to the development of knowledge and the emergence of new concrete proposals to address the tax and inequality challenges of the 21st century
- To conduct and disseminate cutting-edge innovative research on taxation, with a focus on tax evasion and fraud, and potential solutions to these problems

Topics

- Tax Havens | Tax Evasion | Tax Competition | Country-by-Country-Reports

Flagship Publications in Tax Evasion & Tax Haven

- Global Tax Evasion Report 2024
- European Banks in Tax Havens
- Shell companies

Source: EU Tax Observatory

NGOs addressing MNE tax avoidance

EU Tax Observatory: Global Tax Evasion Report 2024 – Evaluation of the International Tax Architecture

Outline

Trends in global offshore tax evasion

1. The evolution of global offshore financial wealth
2. The impact of the automatic exchange of information
3. The growing importance of offshore real estate

Trends in global corporate profit shifting

1. **$1 trillion in profits booked in tax havens**
2. **The dynamic of global profit shifting**
3. **What can we expect from the global minimum tax?**

New forms of international tax competition

1. The rise of preferential tax regimes for high-income individuals
2. **The emerging global corporate subsidies race**

Tax deficits of high-net-worth individuals

1. Effective tax rates by socio-economic group
2. Why do billionaires tend to have lower tax rates than other social groups?

Policies to collect the tax deficit of multinationals and wealthy individuals

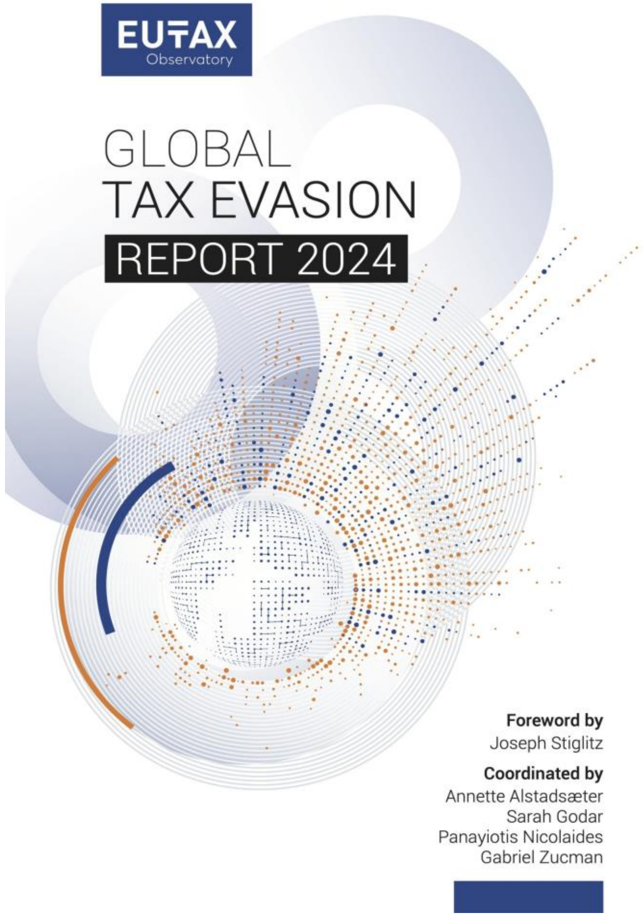
1. Building on the global corporate minimum tax: increase the rate and remove loopholes
2. A coordinated global minimum wealth tax on the very rich
3. Regulating tax competition: Tax rich non-residents
4. Implement minimum taxes unilaterally absent global agreements
5. Towards a global asset registry
6. Strengthen the application of anti-abuse rules

EUTAX Observatory

Source: Global Tax Evasion Report 2024, p. 5

NGOs addressing MNE tax avoidance

EU Tax Observatory | Global Tax Evasion Report 2024



EU Tax Observatory:

Global Tax Evasion Report 2024

6 main findings on the dynamic of global tax evasion

- Finding #1: The automatic information exchange, a real breakthrough
- **Finding #2: A large amount of profit shifting to tax havens, with no discernable effect of policies so far**
- **Finding #3: The global minimum tax has been dramatically weakened**
- **Finding #4: New forms of tax competition are emerging with adverse effects on government revenue and inequality**
- Finding #5: Global billionaires benefit from very low effective tax rates
- Finding #6: A global minimum tax on billionaires would raise large sums

Source: Global Tax Evasion Report 2024, p. 7-13

NGOs addressing MNE tax avoidance

EU Tax Observatory: Global Tax Evasion Report 2024 – USD 1 trillion in MNE profits booked in tax havens

Finding #2: A large amount of profit shifting to tax havens, with no discernable effect of policies so far

Notes

- The evolution of the global tax revenue loss caused by corporate profit shifting to tax havens, expressed as a fraction of global corporate tax revenue collected.
- For reference, the start of the Base Erosion and Profit Shifting process in 2015 and the Tax Cuts and Jobs Act in 2018 are indicated.

Source

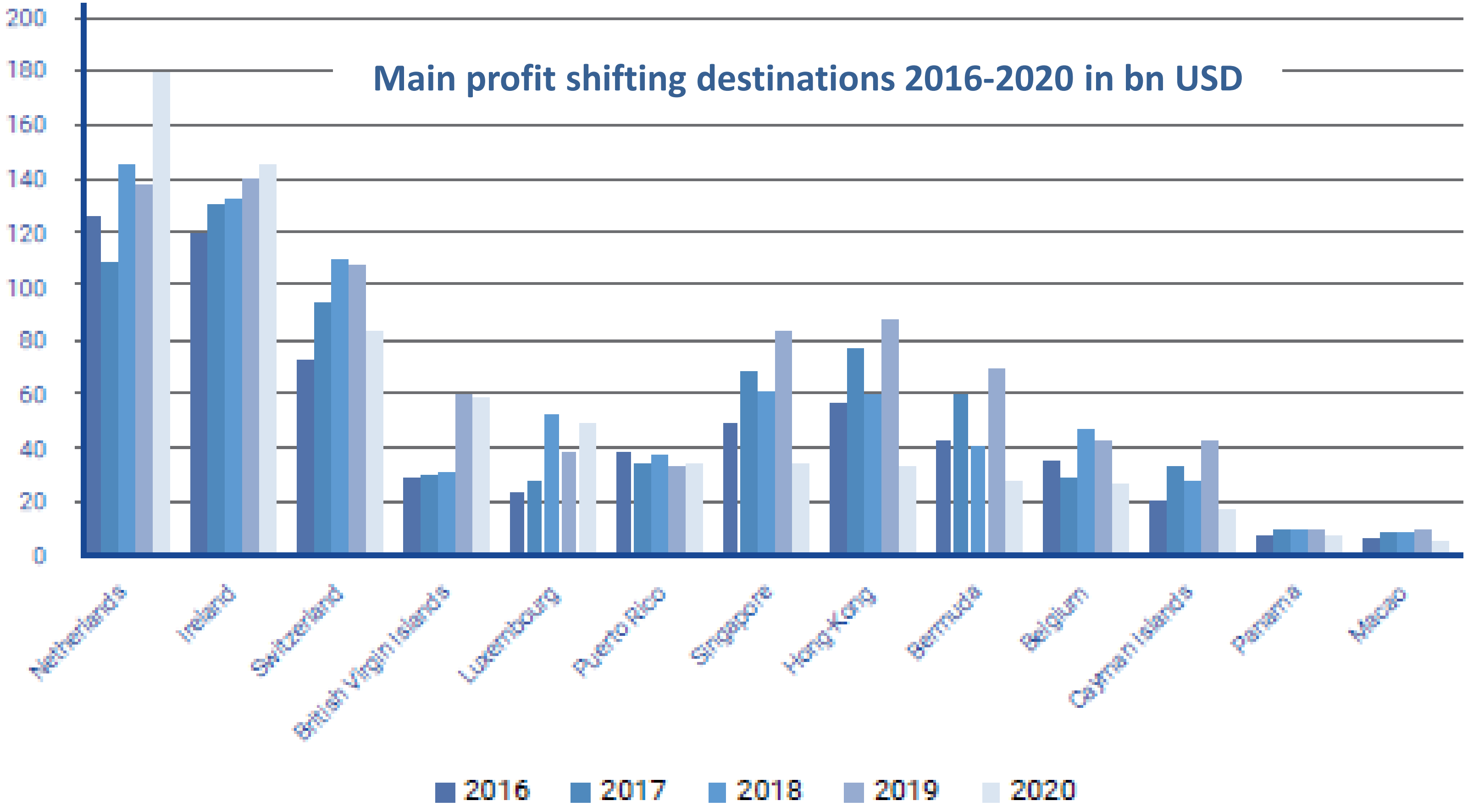
Ludvig Wier and Gabriel Zucman (2023), "Global Profit Shifting 1975-2020", EU Tax Observatory working paper, updated to 2022 by the EU Tax Observatory; see chapter 2 in "Global Tax Evasion Report 2024".

Source: EU Tax Observatory, Global Tax Evasion Report 2024, p. 9.

NGOs addressing MNE tax avoidance

EU Tax Observatory: Global Tax Evasion Report 2024 – USD 1 trillion in MNE profits booked in tax havens

Geography of global profit shifting



Notes

The amount of profit shifted into the main tax havens annually over the 2016 – 2020 period, expressed in billions of current US$.

Source

Ludvig Wier and Gabriel Zucman (2023), "Global Profit Shifting 1975-2020", EU Tax Observatory working paper. Data available on the Atlas of the Offshore World, https://atlasoffshore-world.org.

Source: EU Tax Observatory, Global Tax Evasion Report 2024, p. 41.

NGOs addressing MNE tax avoidance

EU Tax Observatory: Global Tax Evasion Report 2024 – USD 1 trillion in MNE profits booked in tax havens

Geography of global profit shifting

Notes

- Estimates of corporate tax revenue losses caused by profit shifting to tax havens, expressed as a fraction of corporate tax revenue collected.
- Corporate tax revenue losses are obtained by applying the statutory corporate tax rate of each country to the amount of profit estimated to be shifted out of that country, using the methodology of Thomas Tørslov, Ludvig Wier, and Gabriel Zucman (2023), "The Missing Profits of Nations", Review of Economic Studies, 90(3), p. 1499-1534.

Source

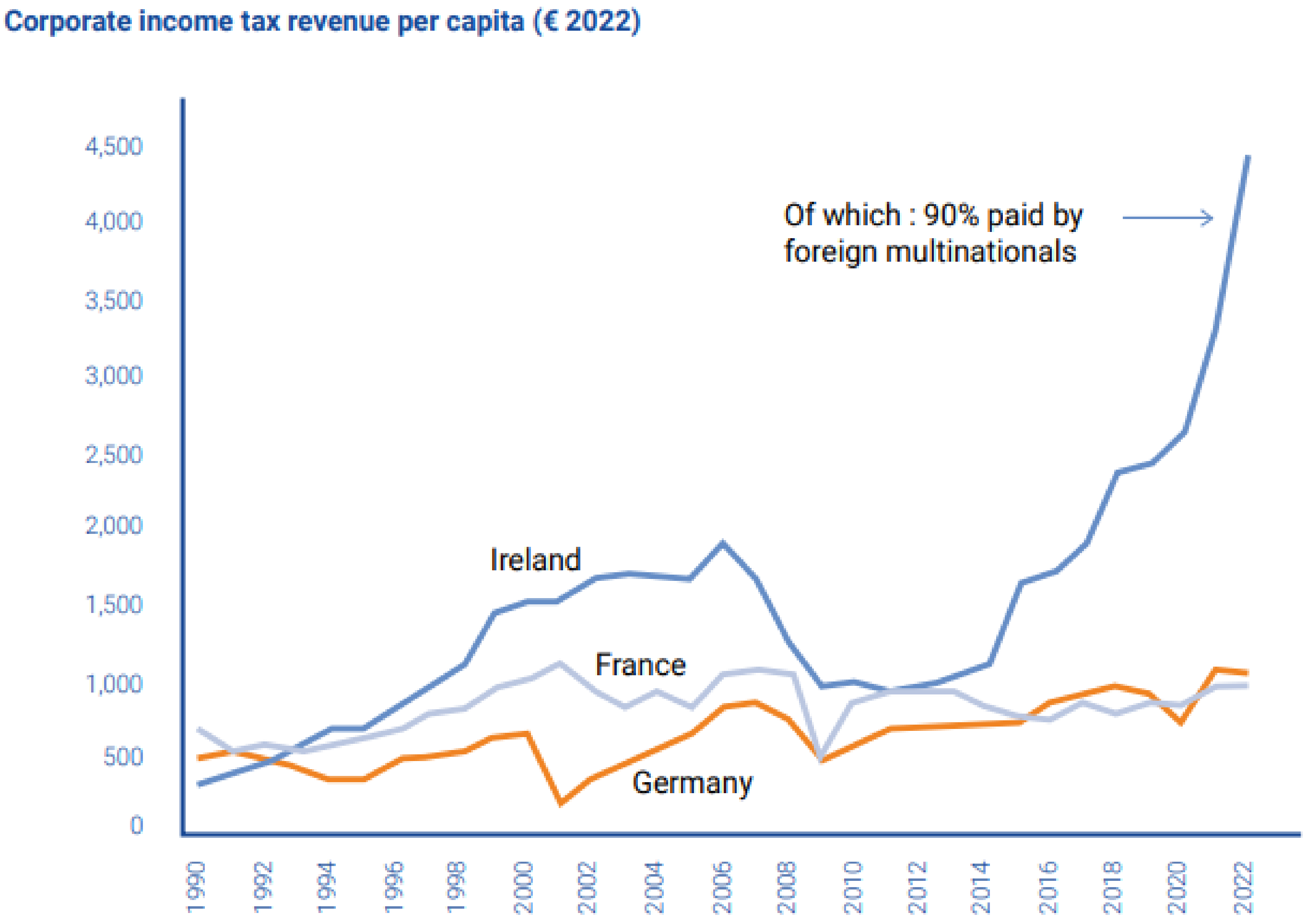
Ludvig Wier and Gabriel Zucman (2023), "Global Profit Shifting 1975-2020", EU Tax Observatory working paper. Data available on the Atlas of the Offshore World, https://atlasoffshore-world.org.

Source: EU Tax Observatory, Global Tax Evasion Report 2024, p. 42.

NGOs addressing MNE tax avoidance

EU Tax Observatory: Global Tax Evasion Report 2024 – The dynamic of global profit shifting

Limited effect of reforms aimed at curbing profit shifting so far



Notes

- The evolution of corporate income tax revenues per capita (i.e., corporate tax revenue divided by the number of inhabitants) in Ireland, France, and Germany. Corporate tax revenues are adjusted for inflation and expressed in euros of 2022.
- The figure shows that in 2022, Ireland collected the equivalent of nearly €4,500 in corporate tax revenue per inhabitant (€22.6 billion for a resident population of close to 5.1 million inhabitants), a ratio nearly 5 times as large as in France and Germany.

Sources

- EU Tax Observatory computations based on OECD statistics.
- Irish Revenue data (https://www.revenue.ie/en/corporate/documents/research/ct-analysis-2022.pdf).

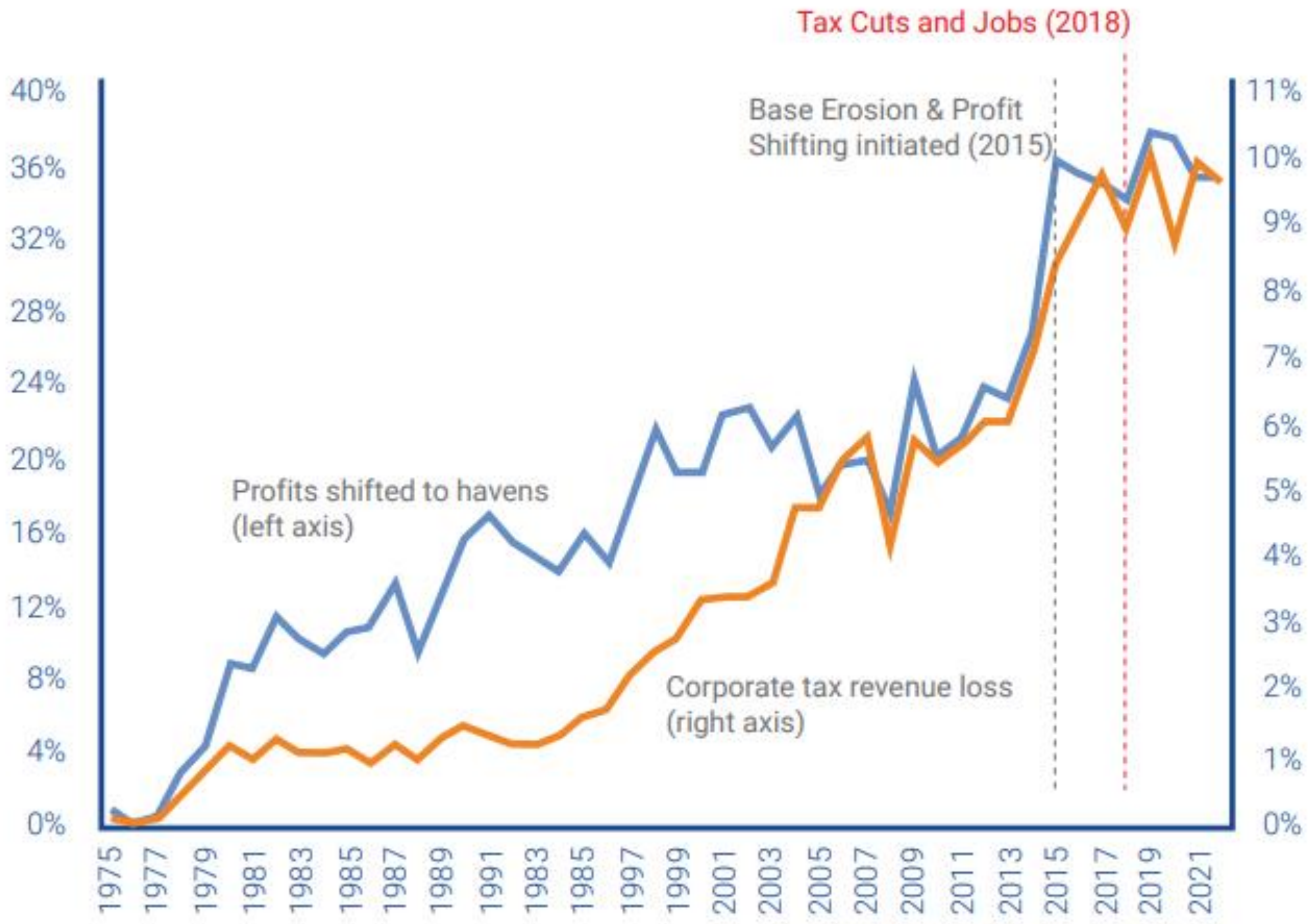
Source: EU Tax Observatory, Global Tax Evasion Report 2024, p. 48.

NGOs addressing MNE tax avoidance

EU Tax Observatory: Global Tax Evasion Report 2024 – The dynamic of global profit shifting

Finding #2: A large amount of profit shifting to tax havens, with no discernable effect of policies so far

Global profit shifting and associated tax revenue loss, 1975-2022



Notes

- The evolution of the fraction of foreign profits shifted to tax havens globally (left-axis) and the tax revenue loss caused by this shifting, as a fraction of collected tax revenue (right-axis).
- For reference the start of the Base Erosion and Profit Shifting process in 2015 and the Tax Cuts and Jobs Act in 2018 are indicated. Estimate for 2021 and 2022 are projected based on data covering US multinationals only (see text) and as such are preliminary and subject to revision; they are marked with a dashed line.

Source

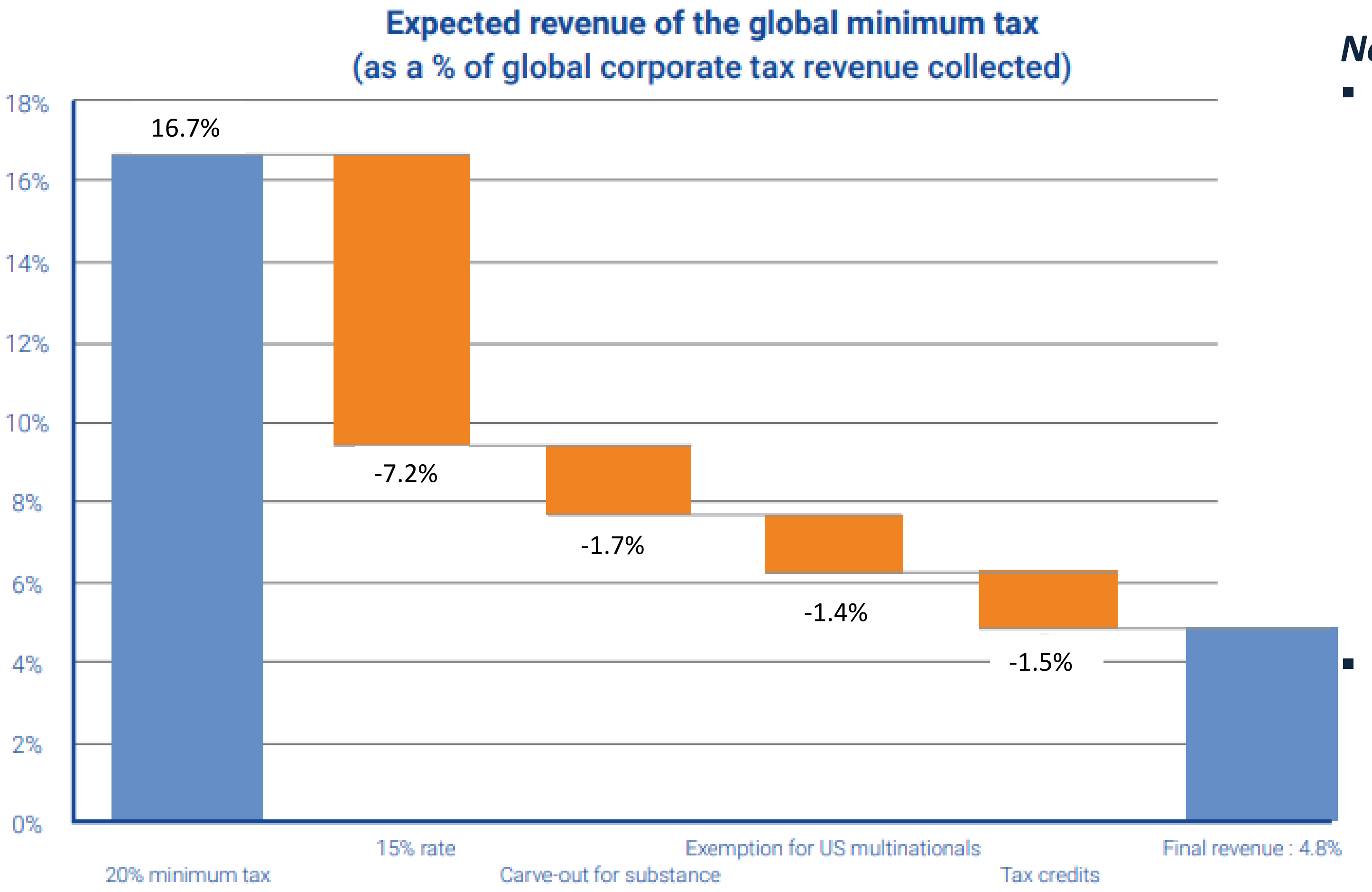
Ludvig Wier and Gabriel Zucman (2023), “Global Profit Shifting 1975-2020”, EU Tax Observatory working paper, updated to 2022 by the EU Tax Observatory.

Source: EU Tax Observatory, Global Tax Evasion Report 2024, p. 50.

NGOs addressing MNE tax avoidance

EU Tax Observatory: Global Tax Evasion Report 2024 – The weakening of the global minimum tax

Finding #3: The global minimum tax has been dramatically weakened



Notes

- Estimated revenue (year 2023) of a 20% minimum tax on the profits of multinational companies with no exemptions, and the effects of various provisions incorporated in the Global Minimum Tax:
  - (i) **rate of 15% instead of 20%**;
  - (ii) **carve-out for economic substance** (allowing firms to exclude 8% of assets and 10% of payroll from the base of the minimum tax in the first year),
  - (iii) **exemption of the domestic profits of US multinationals** from the minimum tax (due to the non-participation of the United States and the suspension of the backstop measures allowing other countries to collect the taxes uncollected by the United States until at least 2026), and
  - (iv) **preferential treatment of refundable tax credits** (not counted as negative taxes).
- A 20% minimum tax without loopholes would generate the equivalent of 16.7% of global corporate tax revenues; after the reduction of the rate to 15%, and the carve-out, US, and tax credit loopholes, revenues are reduced to about 4.8%.

Source: EU Tax Observatory computations; see chapter 2 in “Global Tax Evasion Report 2024” and Online Appendix.

NGOs addressing MNE tax avoidance

EU Tax Observatory: Global Tax Evasion Report 2024

Recommendations to accord and reconcile globalization with tax justice

1. **Reform the international agreement on minimum corporate taxation to implement a rate of 25% and remove the loopholes in it that foster tax competition**
2. **Introduce a new global minimum tax for the world's billionaires equal to 2% of their wealth**
3. **Institute mechanisms to tax wealthy people who have been long-term residents in a country and choose to move to a low-tax country**
4. **Implement unilateral measures to collect some of the tax deficits of multinational companies and billionaires in case global agreements on these issues fail**
5. **Move towards the creation of a Global Asset Registry to better fight tax evasion**
6. **Strengthen the application of economic substance and anti-abuse rules**

Source: EU Tax Observatory, Global Tax Evasion Report 2024, pp. 13-14.

NGOs addressing MNE tax avoidance

South Centre

SOUTH CENTRE

Who is South Centre

- The South Centre is the intergovernmental organization of developing countries that helps developing countries to combine their efforts and expertise to promote their common interests in the international arena. The South Centre was established by an Intergovernmental Agreement which came into force on 31 July 1995. Its headquarters are in Geneva, Switzerland

Vision & Mission

- South Centre conducts policy-oriented research on key policy development issues and supports developing countries to effectively participate in international negotiating processes that are relevant to the achievement of SDGs. The Centre promotes the unity of the South in such processes while recognizing the diversity of national interests and priorities

Topics

- Reform of the international tax system | Development in the global economy | International Trade

Flagship Publications

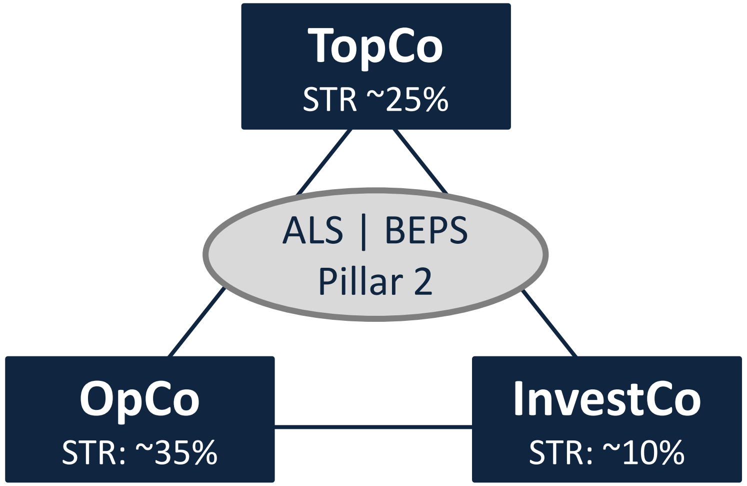
- Illicit Financial Flows and Stolen Asset Recovery
- Evaluating the Impact of Pillars one and two
- Taxing Multinationals

Source: South Centre International

NGOs addressing MNE tax avoidance

Pillar 2 and the GloBE-Rules to floor tax competition: Analysis, Impact and Challenges <-> South Centre 2023

MNE-Structure (example only)



International Tax Architecture: ALS, BEPS, P2

ALS: System of reference (CEN, profit and revenue allocation system) as single rule book

BEPS: Taxation where the value is created with Minimum Standard (e.g., Actions 5, 6)

Pillar 2: New system of reference to floor tax competition at 15% ETR (race to the bottom)

Application of CIT-Systems: ALS, BEPS, P 2

Developed C` host most TopCo of MNE, apply CEN, CFC, P2: IIR, QDMTT on ExP

Developing C` host OpCo of MNE, tax at source, P2: STTR, UTPR, low QDMTT on ExP (GloBE-Income > SBIE/Amount B)?

Intermediate J` host InvestCo, apply CEN, tax at source, P2: High QDMTT on ExP

Evaluation of CIT-Systems: ALS, BEPS, P 2

GloBE-Rule Order: QDMTT – IIR – UTPR

Fairness: Source – Home – Intermediate

Fairness- vs. GloBE-Rule Order vs. BEPS

SBIE: Protect tax incentives on real economic activities (physical presence, employees) => low QDMTT on low ExP

QDMTT on ExP incl. BEPS-shifted profits

Challenges: Developing countries & P2

Intention: Less preasure to offer tax incentives, less incentives to shift profits

Scope: MNE group Revenue > 750m € with certain exemptions and exclusions

Administration: Complexity of rules and implementation, consistency of 2 tax laws, compliance vs. low revenue effects

Challenges: Pillar 2 with QDMTT (~AA?)

QDMTT: GloBE-Tax for low and low-high tax countries | no overall AMT e.g., on revenue

Low QDMTT on Low ExP (GloBE-Income - SBIE/Amount B) | **High QDMTT** on High ExP

Revenue effects -> QDMTT-Profits base (ExP) and Δ 15% - jETR

GloBE: Effect of minimum & maximum tax

Source vs. source state vs. BEPS

Source: See also South Centre, The GloBE-Rules, 18.08.2023

NGOs addressing MNE tax avoidance

Pillar 2 and the GloBE-Rules to floor tax competition: Policy Options and Recommendations <-> South Centre

P2/GloBE-Benchmark Tax System

$$\mathbf{ETR_j} = \frac{\sum \text{Covered Taxes of all CEs in the jurisdiction}}{\sum \text{GloBE Income of all CEs in the jurisdiction}}$$

$$\mathbf{QDMTT_j} = (15\% - \mathrm{ETR_j}) \times (\text{GloBE Income}_j - \mathbf{SBIE_j})$$

$$\mathbf{TT_j\ (IIR/UTPR)} = (15\% - \mathrm{ETR_j}) \times (\text{GloBE Income}_j - \mathbf{SBIE_j}) - \mathbf{QDMTT}$$

$$\mathbf{DMT \geq QDMTT}$$

Reform of Tax Incentives (TI)

P2-SBIE: Protect TI on real economic activities (physical presence, employees) => low TT

Traditional TI: Cancelled-out by GloBE

Substance TI: Not cancelled-out by GloBE

TI: Focus on real investment, jobs, substance

TI: QRTCs vs. tax vs. subsidy competition

Source: See also South Centre, The GloBE-Rules, 18.08.2023

Domestic/Alternative Minimum Taxes

Aims: Floor tax competition (15%) and stop BEPS acc. to appropriate solutions

DMT: Prevent IIR/UTPR **as covered tax!**

AMT: Overall guaranteed MT irrespective of deductions and tax incentives

AMT on Financial Accounts

AMT on modified taxable income without tax incentives

AMT on turnover or assets or flat amount

Comprehensive Business Taxation

- Limit deduction of certain payments if < 15%-low taxed or lack genuine activity (interest, royalties, fees)
- Application of domestic cit rate without crediting residence tax of recipient (?)
- Domestic vs. P2-STTR | MLI vs. UN MLI

Policy Options | Recommendations

Focus: Floor competition (15%), using additional taxing rights and/or stop BEPS

Implementation: Framework GloBE-Tax Act + Return in add. to CIT-Act (MT); < 750m €?

GloBE-Rules: **QDMTT not DMT** to prevent IIR/UTPR vs. non-P2-AMT to prevent BEPS

Appropriate Tax Incentives: Blending with high headline cit rates to achieve 15% ETR

Develop Financial Accounting Standards: Accepted Standards by IF/GloBE

Develop GloBE-Rules: Deduction of SBIE to determine Globe Income vs. Excess Profits and STTR incl. DTC | Allocation of tax rights

P2/GloBE-Tax Administration and Return

Comprehensive Business Taxation: Stop BEPS acc. to appropriate solutions (limit deduction of certain payments, STTR)

NGOs addressing MNE

LATAM-Initiative (1/2)

MINISTERIO DE HACIENDA Y CRÉDITO PÚBLICO

Towards an Inclusive, Sustainable, and Equitable Global Taxation

DIAN

FEDESARROLLO

Blogs

Calling all Latin American and Caribbean Ministers to rethink global taxation

NGOs addressing MNE tax avoidance

LATAM-Initiative (2/2)

State-of-play: Focus 2023/2024

– **Development of a unified regional position** to strengthen the voice of Latin America and the Caribbean in international tax negotiations

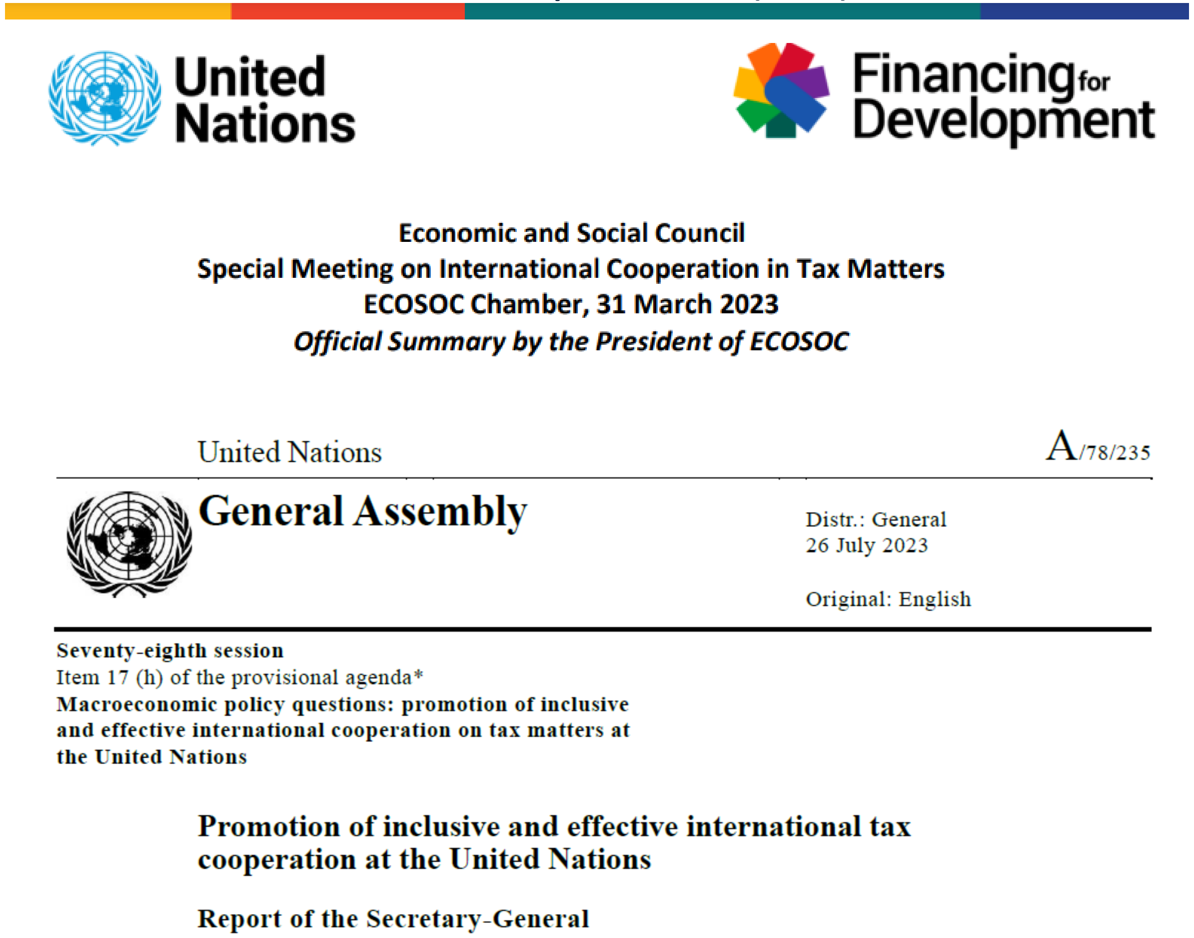
– **Establishment of a truly inclusive and transparent decision-making process**, involving continuous participation from civil society, academia, and the private sector

– **Promote tax reforms to protect the environment**, especially in relation to the energy transition and the response to the climate crisis

– **Improve transparency mechanisms** that address tax evasion, avoidance and fraud and the use of tax havens (BO)

NGOs addressing MNE tax avoidance

UN-Initiative | Promotion of inclusive and effective international tax cooperation (1/2)



United Nations

Financing for Development

Economic and Social Council
Special Meeting on International Cooperation in Tax Matters
ECOSOC Chamber, 31 March 2023
Official Summary by the President of ECOSOC

United Nations A/78/235

General Assembly

Distr.: General
26 July 2023

Original: English

Seventy-eighth session
Item 17 (h) of the provisional agenda*
Macroeconomic policy questions: promotion of inclusive and effective international cooperation on tax matters at the United Nations

Promotion of inclusive and effective international tax cooperation at the United Nations

Report of the Secretary-General

State-of-play: Focus 2023/2024

– **Develop a reformed International Financial Architecture that is fit for the 21st Century**

– **Pillar 2**: Increase of GloBE-ETR close to the STR in most developing countries (**at least 20%**) and give **preference to source country taxation**

– **Global Tax Architecture for equitable, inclusive and sustainable development** | Simpler global tax rules for under resourced countries

– **Enhancing the role of the UN in tax-norm shaping and rule-setting**

NGOs addressing MNE tax avoidance

UN-Initiative | Promotion of inclusive and effective international tax cooperation (2/2)

United Nations A/78/235

General Assembly

Distr.: General
26 July 2023

Original: English

Seventy-eighth session
Item 17 (h) of the provisional agenda*
Macroeconomic policy questions: promotion of inclusive and effective international cooperation on tax matters at the United Nations

Promotion of inclusive and effective international tax cooperation at the United Nations

Report of the Secretary-General

UN General Assembly: Options considered for making international tax cooperation fully inclusive and more effective

1) **Multilateral convention on tax** – A legally binding convention (regulatory in nature)

2) **Framework convention on international tax cooperation** – A framework convention (also legally binding but constitutive in nature)

3) **Framework for international tax cooperation –** A non-binding multilateral agenda for coordinated actions, at the international, national, regional and bilateral levels

* Input is expected by all stakeholders (UN Member States, international and regional organizations, civil society) in the months ahead

Council of the EU: Position on behalf of the European Union and its Member States on tax cooperation

- The EU and its Member States could consider **Option 3**
- Options 1 & 2 would risk leading to duplicate ongoing or completed international work linked to the existing global tax framework

Council of the European Union

Brussels, 22 September 2023
(OR. en)

12967/23

LIMITE

ECOFIN 871
FISC 192
ONU 59

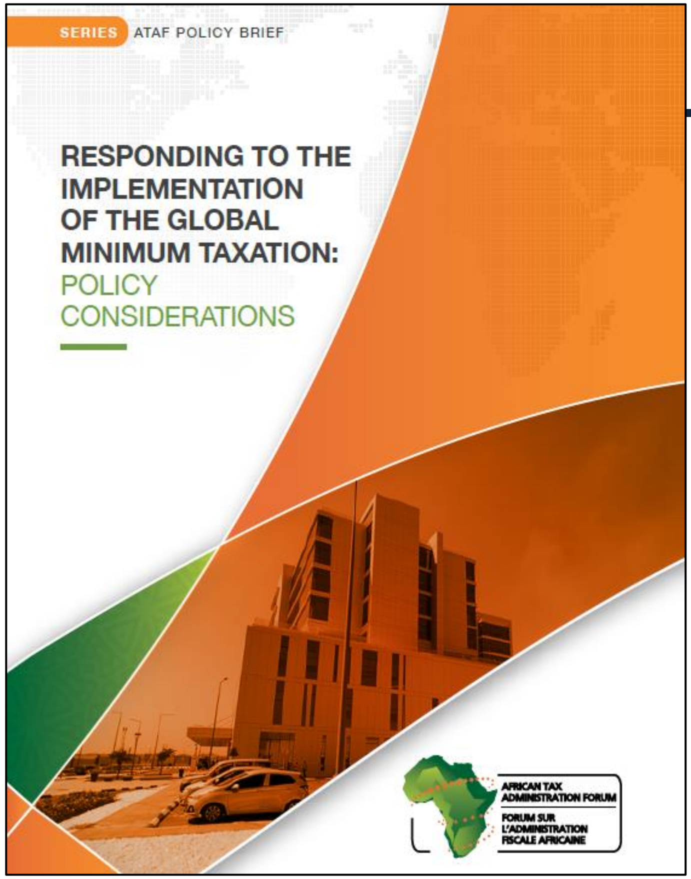
PUBLIC

NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Position on behalf of the European Union and its Member States on tax cooperation at the United Nations

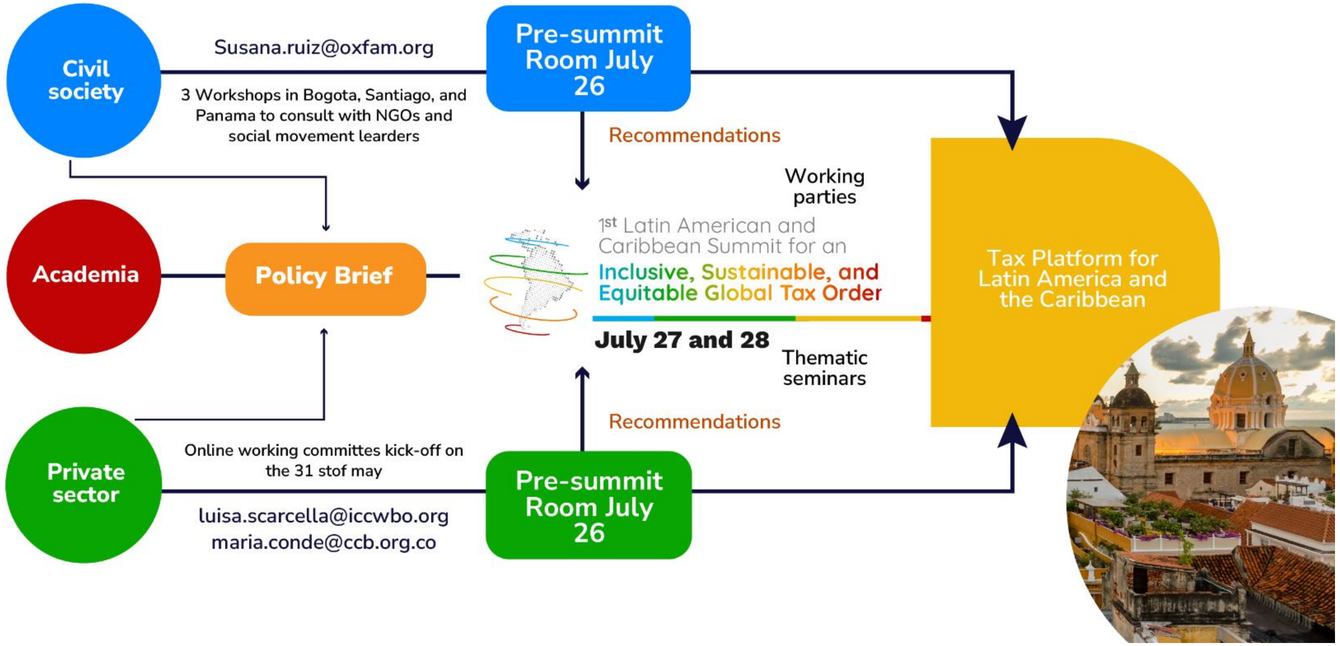
NGOs addressing MNE tax avoidance

ATAF and LATAM-Regional Initiatives to strengthening the cooperation on tax policy



African Tax Administration Forum (ATAF)

Latin American and Caribbean Summit (LATAM)

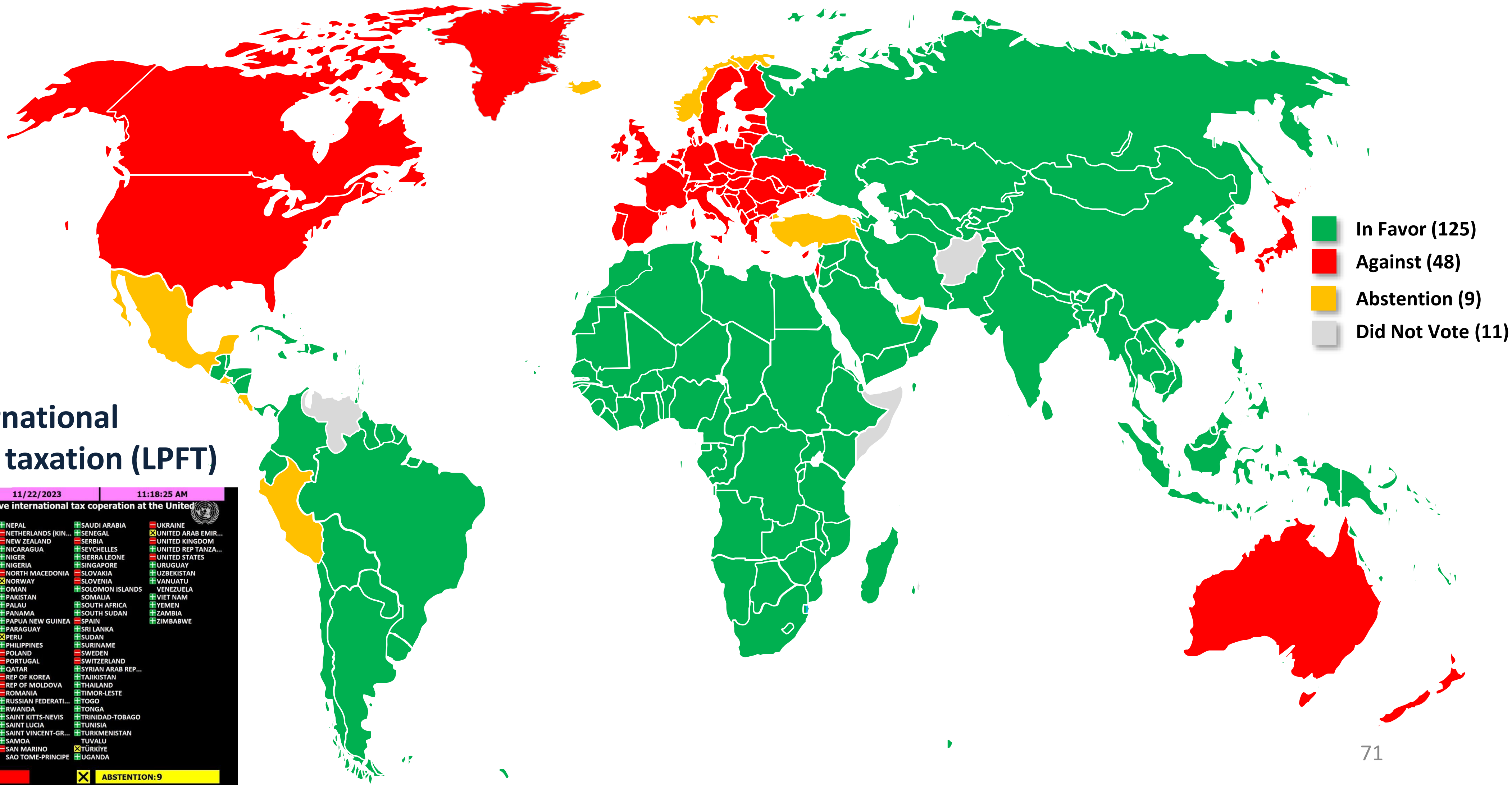


State-of-play: Focus 2023/2024

- Strengthen the cooperation on tax policy & improving tax administration
- Propose options to African countries for taxing digital firms, **concerned about P1-Implementation**
- **Pillar 2 reaction**: **i)** min ETR at least 20%, not considered by the OECD; **ii)** good opportunity to enact a DMTT **iii)** source-based DMTTs prevail over UTPR; **iv)** broader reform of tax incentives that result in ETR below 15%

NGOs addressing MNE tax avoidance

UN-Voting Results: Promotion of inclusive and effective international tax cooperation at the level of the UN



The fragmented International Level playing field on taxation (LPFT)

Voting Started | 11/22/2023 | 11:18:25 AM

A/C.2/78/L.18/Rev.1 (as a whole) Promotion of inclusive and effective international tax coperation at the United Nations) [Item 16 (h)], 25th meeting

AFGHANISTAN
− ALBANIA
+ ALGERIA
− ANDORRA
+ ANGOLA
+ ANTIGUA-BARBUDA
+ ARGENTINA
X ARMENIA
− AUSTRALIA
− AUSTRIA
+ AZERBAIJAN
+ BAHAMAS
+ BAHRAIN
+ BANGLADESH
+ BARBADOS
+ BELARUS
− BELGIUM
+ BELIZE
+ BENIN
+ BHUTAN
+ BOLIVIA
− BOSNIA-HERZEGOVI...
+ BOTSWANA
+ BRAZIL
+ BRUNEI DARUSSAL...
− BULGARIA
+ BURKINA FASO
+ BURUNDI
+ CABO VERDE
+ CAMBODIA
+ CAMEROON
− CANADA
+ CENTRAL AFR REP....
+ CHAD
+ CHILE
+ CHINA
+ COLOMBIA
+ COMOROS
+ CONGO
X COSTA RICA
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− CROATIA
+ CUBA
− CYPRUS
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+ ECUADOR
+ EGYPT
X EL SALVADOR
+ EQUATORIAL GUINEA
+ ERITREA
− ESTONIA
+ ESWATINI
+ ETHIOPIA
+ FIJI
− FINLAND
− FRANCE
+ GABON
+ GAMBIA
− GEORGIA
− GERMANY
+ GHANA
− GREECE
+ GRENADA
+ GUATEMALA
+ GUINEA
+ GUINEA-BISSAU
+ GUYANA
+ HAITI
+ HONDURAS
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+ INDONESIA
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− ITALY
+ JAMAICA
− JAPAN
+ JORDAN
+ KAZAKHSTAN
+ KENYA
KIRIBATI
+ KUWAIT
+ KYRGYZSTAN
+ LAO PDR
− LATVIA
+ LEBANON
+ LESOTHO
+ LIBERIA
+ LIBYA
− LIECHTENSTEIN
− LITHUANIA
− LUXEMBOURG
+ MADAGASCAR
+ MALAWI
+ MALAYSIA
+ MALDIVES
+ MALI
− MALTA
MARSHALL ISLANDS
+ MAURITANIA
MAURITIUS
X MEXICO
MICRONESIA (FS)
− MONACO
+ MONGOLIA
− MONTENEGRO
+ MOROCCO
+ MOZAMBIQUE
+ MYANMAR
+ NAMIBIA
NAURU
+ NEPAL
− NETHERLANDS (KIN...
− NEW ZEALAND
+ NICARAGUA
+ NIGER
+ NIGERIA
− NORTH MACEDONIA
X NORWAY
+ OMAN
+ PAKISTAN
+ PALAU
+ PANAMA
+ PAPUA NEW GUINEA
+ PARAGUAY
X PERU
+ PHILIPPINES
− POLAND
− PORTUGAL
+ QATAR
− REP OF KOREA
− REP OF MOLDOVA
− ROMANIA
+ RUSSIAN FEDERATI...
+ RWANDA
+ SAINT KITTS-NEVIS
+ SAINT LUCIA
+ SAINT VINCENT-GR...
+ SAMOA
− SAN MARINO
SAO TOME-PRINCIPE
+ SAUDI ARABIA
+ SENEGAL
− SERBIA
+ SEYCHELLES
+ SIERRA LEONE
+ SINGAPORE
− SLOVAKIA
− SLOVENIA
+ SOLOMON ISLANDS
SOMALIA
+ SOUTH AFRICA
+ SOUTH SUDAN
− SPAIN
+ SRI LANKA
+ SUDAN
+ SURINAME
− SWEDEN
− SWITZERLAND
+ SYRIAN ARAB REP...
+ TAJIKISTAN
+ THAILAND
+ TIMOR-LESTE
+ TOGO
+ TONGA
+ TRINIDAD-TOBAGO
+ TUNISIA
+ TURKMENISTAN
TUVALU
X TÜRKİYE
+ UGANDA
− UKRAINE
X UNITED ARAB EMIR...
− UNITED KINGDOM
+ UNITED REP TANZA...
− UNITED STATES
+ URUGUAY
+ UZBEKISTAN
+ VANUATU
VENEZUELA
+ VIET NAM
+ YEMEN
+ ZAMBIA
+ ZIMBABWE

IN FAVOUR: 125 | AGAINST: 48 | ABSTENTION:9

Voting Started		11/22/2023	11:18:25 AM

A/C.2/78/L.18/Rev.1 (as a whole) Promotion of inclusive and effective international tax coperation at the United Nations) [Item 16 (h)], 25th meeting

AFGHANISTAN	
ALBANIA	−
ALGERIA	+
ANDORRA	−
ANGOLA	+
ANTIGUA-BARBUDA	+
ARGENTINA	+
ARMENIA	X
AUSTRALIA	−
AUSTRIA	−
AZERBAIJAN	+
BAHAMAS	+
BAHRAIN	+
BANGLADESH	+
BARBADOS	+
BELARUS	+
BELGIUM	−
BELIZE	+
BENIN	+
BHUTAN	+
BOLIVIA	+
BOSNIA-HERZEGOVI...	−
BOTSWANA	+
BRAZIL	+
BRUNEI DARUSSAL...	+
BULGARIA	−
BURKINA FASO	+
BURUNDI	+
CABO VERDE	+
CAMBODIA	+
CAMEROON	+
CANADA	−
CENTRAL AFR REP....	+
CHAD	+
CHILE	+
CHINA	+
COLOMBIA	+
COMOROS	+
CONGO	+
COSTA RICA	X
COTE D'IVOIRE	+
CROATIA	−
CUBA	+
CYPRUS	−
CZECHIA	−
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DENMARK	−
DJIBOUTI	+
DOMINICA	
DOMINICAN REPUB...	+
ECUADOR	+
EGYPT	+
EL SALVADOR	X
EQUATORIAL GUINEA	+
ERITREA	+
ESTONIA	−
ESWATINI	+
ETHIOPIA	+
FIJI	+
FINLAND	−
FRANCE	−
GABON	+
GAMBIA	+
GEORGIA	−
GERMANY	−
GHANA	+
GREECE	−
GRENADA	+
GUATEMALA	+
GUINEA	+
GUINEA-BISSAU	+
GUYANA	+
HAITI	+
HONDURAS	+
HUNGARY	−
ICELAND	X
INDIA	+
INDONESIA	+
IRAN (ISLAMIC REP...	+
IRAQ	+
IRELAND	−
ISRAEL	−
ITALY	−
JAMAICA	+
JAPAN	−
JORDAN	+
KAZAKHSTAN	+
KENYA	+
KIRIBATI	
KUWAIT	+
KYRGYZSTAN	+
LAO PDR	+
LATVIA	−
LEBANON	+
LESOTHO	+
LIBERIA	+
LIBYA	+
LIECHTENSTEIN	−
LITHUANIA	−
LUXEMBOURG	−
MADAGASCAR	+
MALAWI	+
MALAYSIA	+
MALDIVES	+
MALI	+
MALTA	−
MARSHALL ISLANDS	
MAURITANIA	+
MAURITIUS	
MEXICO	X
MICRONESIA (FS)	
MONACO	−
MONGOLIA	+
MONTENEGRO	−
MOROCCO	+
MOZAMBIQUE	+
MYANMAR	+
NAMIBIA	+
NAURU	
NEPAL	+
NETHERLANDS (KIN...	−
NEW ZEALAND	−
NICARAGUA	+
NIGER	+
NIGERIA	+
NORTH MACEDONIA	−
NORWAY	X
OMAN	+
PAKISTAN	+
PALAU	+
PANAMA	+
PAPUA NEW GUINEA	+
PARAGUAY	+
PERU	X
PHILIPPINES	+
POLAND	−
PORTUGAL	−
QATAR	+
REP OF KOREA	−
REP OF MOLDOVA	−
ROMANIA	−
RUSSIAN FEDERATI...	+
RWANDA	+
SAINT KITTS-NEVIS	+
SAINT LUCIA	+
SAINT VINCENT-GR...	+
SAMOA	+
SAN MARINO	−
SAO TOME-PRINCIPE	
SAUDI ARABIA	+
SENEGAL	+
SERBIA	−
SEYCHELLES	+
SIERRA LEONE	+
SINGAPORE	+
SLOVAKIA	−
SLOVENIA	−
SOLOMON ISLANDS	+
SOMALIA	
SOUTH AFRICA	+
SOUTH SUDAN	+
SPAIN	−
SRI LANKA	+
SUDAN	+
SURINAME	+
SWEDEN	−
SWITZERLAND	−
SYRIAN ARAB REP...	+
TAJIKISTAN	+
THAILAND	+
TIMOR-LESTE	+
TOGO	+
TONGA	+
TRINIDAD-TOBAGO	+
TUNISIA	+
TURKMENISTAN	+
TUVALU	
TÜRKİYE	X
UGANDA	+
UKRAINE	−
UNITED ARAB EMIR...	X
UNITED KINGDOM	−
UNITED REP TANZA...	+
UNITED STATES	−
URUGUAY	+
UZBEKISTAN	+
VANUATU	+
VENEZUELA	
VIET NAM	+
YEMEN	+
ZAMBIA	+
ZIMBABWE	+

+ IN FAVOUR: 125 − AGAINST: 48 X ABSTENTION:9

NGOs addressing MNE tax avoidance

Outline: Proposed Structure of a UN Framework Convention

FUNDAMENTAL IDEAS OF A UN FRAMEWORK CONVENTION

PREAMBLE
Justification for the Initiative taken by the UN, Commitment to Principles and Objectives

PRINCIPLES
Sovereignty Equality of States
No Retrogression
Subject to Tax Principle

OBJECTIVES
Reduce Tax Evasion and Illicit Financial Flows
Align Taxation and Economic Activity
Inclusive Determination of Standards

determine

UMBRELLA FUNCTION, "META REGIME"

ROLE & RELATIONSHIP
Relationship of the Convention with Existing Treaties, Conventions, Tax Laws etc.; Umbrella Function

GOVERNANCE
Efficient Governance Structure: Conference of Parties (CoP), Subsidiary Bodies and Secretariat

DECISION MAKING
Process of Decision-Making between the Parties of the Convention | Simple/Qualified Majorities?

PROCEDURE AND OTHER ELEMENTS

FUNDING & BUDGET
Allocation of Necessary Resources to the Parties Involved in the Governance Structure, UN General Financing Situation

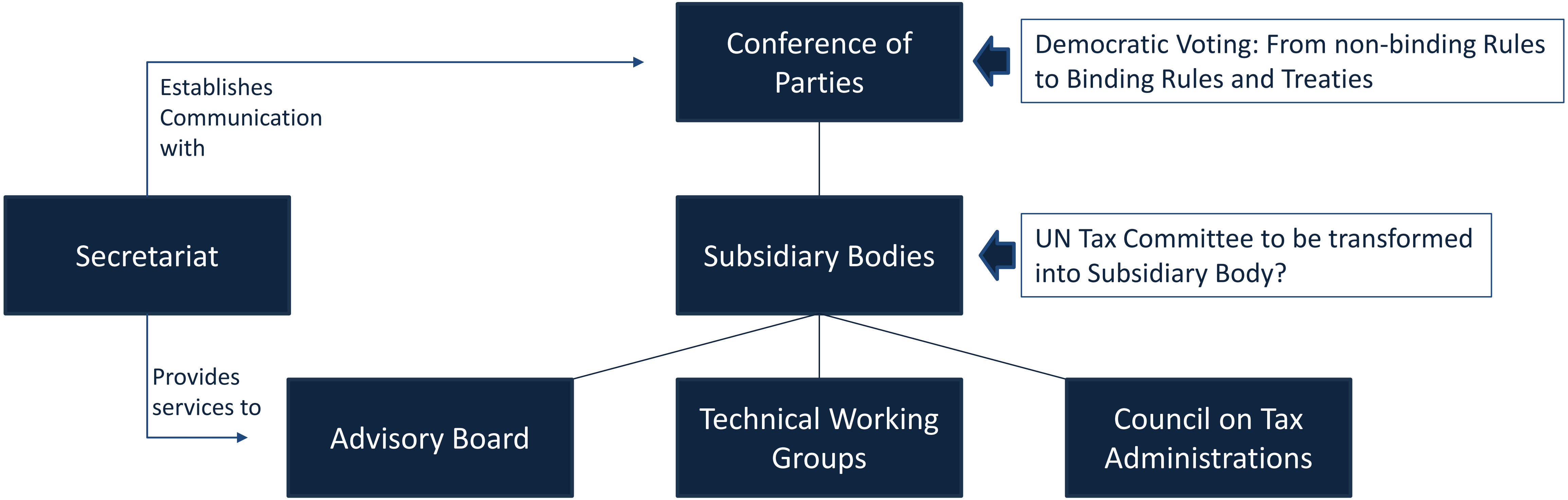
DISPUTE RESOLUTION
Transparent Resolution Mechanism in Line with the Convention's Objectives and Principles

PROTOCOLS
Substantive Elements to Achieve the Stated Objectives with Respect to the Principles

SUBSTANTIVE CONTENT TO ADRESS THE OBJECTIVES WITHIN PROTOCOLS

NGOs addressing MNE tax avoidance

Outline: Proposed Governance Structure of a UN Framework Convention – Stakeholder Input



Source: Substantive Input by the South Centre, 15 March 2024

"The main problem of international taxation is the **lack of an inclusive and efficient governance framework**. The **OECD-led system** has been **plagued by governance deficits** and a process of negotiation of international tax rules characterized by lack of transparency, accountability and democracy has resulted in weak outcomes exemplified by the Two Pillar 'Solution'.

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Implications for Substantive Contents of a UN Framework Convention

Expand Model Law on Net Wealth Taxes to Global Minimum Wealth Tax (2% on billionaires?) plus Wealth Register and Exit Tax Enhancement

Call for Early Adoption of Fast Track Instrument (FTI): First draft treaty for intergovernmental organisation

Revision of Article 8 UN MTC: International Shipping and Air Transport – Rebalance taxing rights

Countering VAT fraud to raise additional tax revenue

Capacity Building: Training to assess cases of aggressive tax planning for tax officials

OECD/G20 GloBE Rules: Rate of 25% instead of 15% | Art. 12B UN MTC as an alternative to Amount A Pillar One

Taxation of Crypto Assets: Toolkit to provide a framework for assessing crypto tax risks

New standalone Art. 5A UN MTC: Consolidation of treaty practices of resource-rich countries

Schedules to the FTI:

1. Pension Funds
2. Natural Resources
3. Fees for Technical Services*
4. Income from Automated Digital Services**
5. Arbitration
6. Subject to Tax Rule
7. Capital gains from immovable property
8. Services Permanent Establishment

Developing Countries as Net Importers of Digital Services: "Restore taxing rights" to capture digitalized activities without physical presence

Annex B: Draft Article XX on Fees for Services – Unite Articles 5(3)(b) (Services PE), 12A (Fees for technical services) and 14 (Independent Personal Services) into a new provision with cross-border business services; limited source taxation rights for the state of exercise

Sources: South Centre (2024) – The role of net wealth taxes in promoting equality and financing the SDGs; South Centre (2024) – South News No. 487/489; EUTAX (2024) – Global Tax Evasion Report 2024;
Outcome Statement from the 28th Session of the UN Tax Committee (19 – 22 March 2024)

* Any payment in consideration for any service of a managerial, technical or consultancy nature (other than the transfer of information covered by the royalties Article) – general rule: state of residence of service provider, but: limited source tax for the state in which the fees for technical services arise | not applicable in PE cases

** Any service provided on the internet, digital or other electronic network requiring minimal human involvement | Non-exhaustive list: online advertisement, supply of user data, online search engines etc. | limited source tax

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Questions – Discussion

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Thank you very much!

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International Fiscal Association Hong Kong Branch

Workshop 8: NGOs addressing MNE tax avoidance

7th IFA APAC International Tax Conference

Hong Kong | 22-24 April 2024

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