



Opening Remarks by Dr. Carlos Correa, Executive Director of the South Centre, at the “Conference on South-South Cooperation in International Tax Matters: Don’t cede your taxing rights by signing a blank cheque”, co-organized with the Global Alliance for Tax Justice (27 November 2023)

Excellencies, dear participants,

- It gives me great pleasure to welcome you to this Conference organized by the Global Alliance for Tax Justice and the South Centre.
- The Conference is taking place at a time of severe challenges to the global economy and, particularly, for the achievement of the Sustainable Development Goals.
- Rising borrowing costs, tight global financial conditions and high debt burdens are constraining the fiscal space of many developing countries.
- These conditions make domestic resource mobilization through tax collection more important than ever. The taxation of foreign multinational corporations in the digital economy, in particular the Big Tech firms, has now become imperative both for providing much-needed revenues and for levelling the playing field of domestic companies in our countries.
- The draft of a new multilateral convention for the taxation of the digital economy, known as Amount A, developed under the auspices of the OECD, is now publicly available. One of the main objectives of this Conference is to evaluate whether the proposed Convention will effectively address the interest of developing countries and discuss alternative policy solutions.
- The preliminary results of a joint study that will be presented at this Conference produced by the South Centre, the *African Tax Administration Forum* and the

West African Tax Administration Forum, shows that the OECD convention is likely to generate minimal revenues for developing countries. This is not by accident. The rules have been negotiated in a forum lacking a statutory basis, transparency and democratic decision-making, and which is only accountable to the G20 and OECD countries.

- In addition, the Convention, if adopted, will come into effect only after it is ratified by a critical mass of developed countries. But this may not happen. Thus, developing countries should decide upon signing the Convention, if at all, only after it has been ratified by the OECD members.
- In the light of the complexity, limitations and the uncertainty about the entry into force of the proposed Convention, alternative solutions need to be considered without delay. Importantly, an alternative treaty-based solution to Amount A already exists in the form of Article 12B of the UN Model Tax Convention for taxing Automated Digital Services.
- This article can be introduced on a bilateral basis into existing tax treaties. However, this may be a time and resource intensive exercise. For this reason, the UN Tax Committee is working on a UN Fast Track Instrument that will allow to update multiple bilateral tax treaties simultaneously. This proposal needs the resolute support of developing countries.
- However, until treaty provisions are introduced, developing countries will continue to lose out on much-needed revenues. Therefore, they should rapidly introduce unilateral measures like Digital Services Taxes. These measures are comparatively easy to implement and are already an important revenue generator for countries that have implemented them.
- To inform decision-making, the joint study I referred to contains country-level revenue estimates from Amount A and Digital Services Taxes for the Member States of the South Centre and the African Union. This information will assist them to decide whether or not to sign the Amount A Convention.
- The Conference includes two sessions on country experiences in implementing Digital Services Taxes and on Significant Economic Presence. This will allow participants to draw valuable lessons for other countries of the Global South.

- Finally, let me mention that on 22nd of November a historic resolution was adopted by the Second Committee of the UN General Assembly, to begin negotiations on the terms of reference of a UN Framework Convention on International Tax Cooperation. This marks the beginning of a titanic shift in the international tax system, away from the OECD-dominated architecture. We commend the African Group in New York for their leadership in steering through this important resolution.
- This initiative needs the support and united stance of developing countries. To initiate deliberations on this convention is another key objective of this Conference.
- In closing, I would like to express our sincere gratitude to our co-organisers, the Global Alliance for Tax Justice, and to all the distinguished speakers and panellists.
- I wish you excellent deliberations and reiterate that the South Centre stands ready to support the developing countries on these critical matters.