

UN Tax Convention

STRUCTURE, FUNCTIONS, AND WAY FORWARD

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Historic vote at the UN

- ▶ The historic vote at the UN in New York marks an important milestone and provides an opportunity to make international cooperation truly inclusive and effective.
- ▶ The voting patterns reflect a broad-based commitment to giving the UN a larger role in international tax cooperation.
- ▶ The resolution does not intend to undermine the good work, especially in the last decade, in international tax cooperation led by other international/multinational bodies, which is also reflected in the language of the preambular paragraphs.
- ▶ Developing countries should avoid a deadlock and continue to engage all countries in pursuit of the goal of fostering inclusive and effective tax cooperation.

Structure & functions of the UN tax convention

- ▶ The resolution proposes to establish

Member State-led, open-ended ad hoc **intergovernmental committee** for the purpose of drafting **terms of reference** for a United Nations **framework convention** on international tax cooperation

- ▶ A two-step approach is the right way to proceed with this ambitious reform agenda. Incrementalism is likelier to produce genuine consensus.
- ▶ The terms of reference should be based on broad consultation to identify aspects of international tax cooperation which require urgent reform, and which have something for all stakeholders.

Structure & functions of the UN tax convention

- ▶ The UN Framework Convention on Climate Change (UNFCCC) could be a useful reference text for the purpose of the UN tax convention.
- ▶ A framework convention could have a broad set of objectives, principles, and underlying commitments.
- ▶ The UN resolution, in its current form, identifies certain areas where the intergovernmental committee could consider the development of early protocols, such as for tax-related illicit financial flows, taxation of income derived from the provision of cross-border services

Structure and functions of the tax convention

- ▶ The tax convention, from the perspective of developing countries, needs to have the following critical elements on international tax cooperation:
 - (a) Combating tax evasion and avoidance – illicit financial flows, offshore indirect transfers, HNWIs (stateless individuals), etc.
 - (b) Fair allocation of taxing rights, taking into account all possible drivers of value – addressing outdated nexus rules – the problem with existing nexus rules has been acknowledged as part of OECD's BEPS Action 1 – but the solution to the problem needs to be administratively efficient and equitable (to the extent possible)

Key Pillars to any meaningful reform

The international tax reform agenda

Equitable and inclusive decision-making processes

The structure of the convention should ensure that agenda setting and decision-making does is not appropriated by a select few

Technically robust yet simple outcomes

The expertise of the UN tax committee could be leveraged in drafting the terms of reference and the structure of the convention

Capacity building for tax administrations

An area where the UN could deepen engagement with other multilateral tax bodies