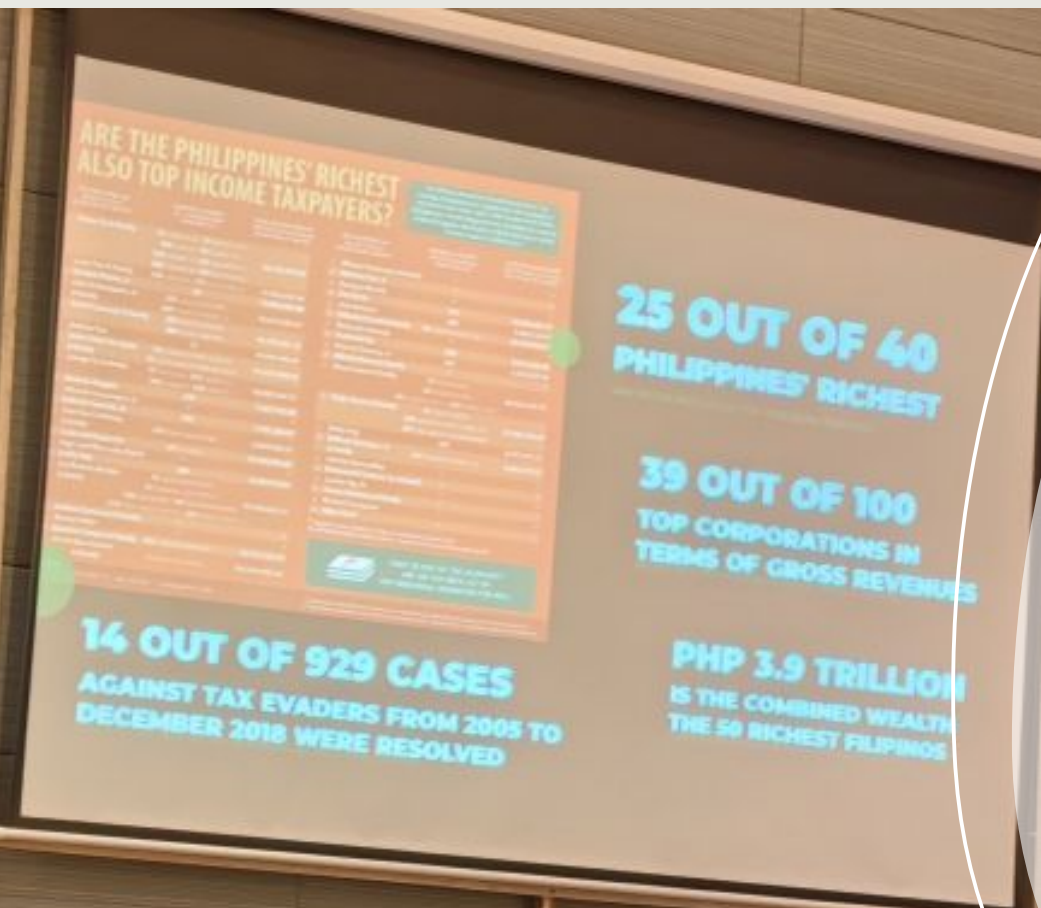


# Global Tax Reform and Financing Climate Action: the UN Tax Convention

Jeannie Manipon, 26 August 2025





## What do we want?

- \*Strengthened **global norms, standards, and legal framework** on financial transparency and accountability, parity and equitable allocation of taxing rights
- \***genuinely inclusive, democratic, transparent, accountable** intergovernmental mechanism under UN auspices (UN Tax Body)

# Introduction

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COP29 in 2024: **failed to deliver** on the trillions for climate finance so urgently needed and consistently demanded by peoples and countries of the Global South. But year

Sign of hope -- a **major breakthrough in global tax reforms**, when UN Member States adopted the Terms of Reference, roadmap and timeline for a **UN Framework Convention on International tax Cooperation.**

# A Watershed Moment

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This breakthrough represents **a watershed moment and milestone in advancing global tax justice.**

Finally, the door is now wide open, **to reform a hundred-year old international tax architecture that has been failing the peoples and countries of the Global South, to make the changes so that international tax system and global tax governance truly work for people and the planet.**

# Key Issues and Problems



The world loses nearly **\$500 billion dollars a year** to tax havens and **global tax abuse**. The staggering amount lost to profit shifting, tax evasion and aggressive tax avoidance by corporations and billionaires, on top of the foregone revenues lost to wasteful and harmful tax holidays and other fiscal incentives granted to corporations (e.g. extractive industry) **could and should instead be used for public spending on essential services and climate actions.**

# The State of Tax Justice 2024 Report

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Of the US\$492 billion lost to global tax abuse a year, two-thirds (US\$347.6 billion) is lost to **multinational corporations shifting profit offshore** to underpay tax. The remaining third (US\$144.8 billion) is lost to **wealthy individuals hiding their wealth offshore**.

See: <https://taxjustice.net/reports/the-state-of-tax-justice-2024/>



## Inequalities in Global Tax Rules and Rulemaking: *What's at Stake in the UN Tax Convention?*

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Century-old **international tax architecture**: biased in favor of interests of MNCs and countries of the North where they are headquartered, not the interests of source countries

\***OECD** for a long time has presented itself as the platform for international tax rules; known as an exclusive club set up to protect **interests and agendas of elite countries**

\***UN**: for a long time, only had a “Tax Committee”

\***SOME KEY ISSUES**: Loopholes and gaps in the global tax enable **massive profit shifting to tax havens and systematic and aggressive tax avoidance by wealthy elites and corporations, inequitable allocation of taxing rights**

# A systemic issue that impacts on human rights, development, gender equality, climate justice

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**Global tax abuse by multinational corporations and billionaires and a flawed and inequitable international tax system is a systemic issue that -**

- Results in foregone revenues, robs our public coffers of financial resources that should have been used for funding essential services and urgent climate action.**
- Affects our national tax systems and impacts on our daily lives especially because the burden of raising revenues is passed on to ordinary consumers through regressive taxes like consumption taxes such as VAT, GST, etc. ( MNCs are given tax breaks and incentives)**
- Severely disadvantages developing countries and erodes governments' abilities to deliver their obligations and commitments on human rights, sustainable development, ending inequalities including gender equality., and delivering climate action.**



# The Race to the Bottom and Our Rights

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Our countries are being made to compete against each other in offering lowest corporate tax rates supposedly to attract foreign investments – but it is a race to the bottom that adversely impacts our daily lives.

Our basic right to essential services is severely hampered; government's abilities to deliver their human rights obligations, gender equality and climate finance commitments and obligations are eroded.

# Global Tax Abuse is Not An Accident

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Global tax abuse is not an accident – it is enabled by a deeply flawed international tax architecture and national tax systems that are biased towards protecting the interests of corporations and elites.

The international tax architecture is propped up thousands of bilateral tax treaties signed by our governments which disadvantage developing countries, or ‘source countries’ because taxing rights – or the right to tax multinational corporations – are often granted to countries where MNCs are headquartered, and not to source countries where actual economic activities that generate value and wealth, where natural resources are extracted and labor exploited.

# Colonial legacies and biases

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Many of our tax systems also bear the marks of colonial legacies which included patriarchal gender biases.

Global tax governance for many decades has been dominated by the OECD led by Global North countries. The OECD, as we all know, has operated as an exclusive club where the interests of global South countries are marginalized and often ignored and where civil society has no participation at all.

# A New Era in Global Tax Governance

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The road to a UN Tax Convention has been fraught with many challenges, but it has now reached an important milestone in the negotiations.

This signals a new era in global tax governance under the auspices of the United Nations, where each country can negotiate on equal footing and where the participation of civil society (and other multistakeholders) has historically been recognized as a valuable part of the UN processes



# UN FRAMEWORK CONVENTION

## On International Tax Cooperation

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**Terms of Reference (TOR )for the UNFCITC:** states the purposes, principles and commitments for a Convention on international tax cooperation

Aims to promote **inclusive and effective international tax cooperation** for fair, transparent, accountable tax system to address the problem of profit shifting, tax-related illicit financial flows and other systemic issues,

Ensuring that the Convention is aligned with international human rights law and **contributes to the achievement of sustainable development in three dimensions – economic, social and environmental.**

# State of Play

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**February 2025** – Creation of the inter-governmental negotiating committee (INC) and Workstreams

**August 2025** – First and Second Sessions: Workstream I. on the Framework Convention; II on first early protocol on taxation of income derived from the provision of cross-border services in an increasingly digitalized and globalized economy; and III on the second early protocol on the prevention and resolution of tax disputes

**November 2025 (Nairobi)** – Third and Fourth Sessions

**\*The aim is for the INC to complete its work by 2027 for adoption by the UN General Assembly.**

# A positive outlook, a promising beginning, But challenges remain

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**\*Overall outcome, so far: positive and promising** because countries are engaged and deliberating on the substance; some fundamental issues have been discussed, and civil society voices have been heard, though avenues were limited

**\*Some challenges to address in Asia** : Most Asian members of the G77 voted in favor of the UNCTC and kept solidarity with the Africa Group of nations and it was their leadership and solidarity that have brought us to where we are now; But in August 2025, very few countries from Asia spoke up during the sessions, and some countries were not even present; Japan and South Korea have to side with G77.

***We have a lot of homework to do in our region!***

# Why we Must Engage the UN Tax Convention negotiations

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1. We engage because it is **our right** to do so. We engage as rights holders and as peoples who have been directly affected by the impacts of flawed tax systems.
2. We engage because it is part of our **fight for justice** in many dimensions: social and economic, and climate justice because the flawed international tax architecture
3. We engage because to **make our voices are heard**, otherwise our interests and perspectives will be marginalized or excluded and rendered invisible.



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4. We engage because there is the **real opportunity** to make substantive changes or victories in the interest of 'making our tax systems work for people and the planet.' – towards ending global tax abuse so that countries can generate revenues for essential services and climate action.
  5. We engage because, **a good UN tax Convention** – one that is anchored on principles and commitments to end profit shifting and tax related illicit financial flows, ensure equitable allocation of taxing rights across countries (and including the 'source countries' perspective,' ensuring tax transparency and fair and progressive taxation of multinational enterprises, ensuring a commitment to fair taxation of high net worth individuals integrating the 'polluters pay principle, etc – will also set the tone and provide **the enabling environment for progressive tax reforms in our national tax systems.**

# At a Crossroad – The Choice to Make

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**Dr. Dereje Alemayahu, Global Alliance for Tax Justice:**     *“The choice before us is simple: either we recycle the same failed OECD frameworks, or we have the courage to build something new, a truly universal, democratic UN Tax Convention that serves all countries, especially those who have historically excluded from decision making on tax...countries must remain ambitious for a truly transformative and equitable global tax system that works.”*

# On the Road to Nairobi – Voices from Civil Society Leaders

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\*Countries must produce a **robust and ambitious Convention** with a strong mandate for the Conference of Parties

\*Integrate the ‘**source countries’ perspective** and **replace the transfer pricing** system (in which MNCs and their subsidiaries are treated as separate entities, and **adopt a system of taxation that treats MNCs as single, unitary entities**, taxing them where **real economic activities take place** proportionally (accounting for the worldwide profit and taxing them proportionately across countries; principle of unitary taxation formula apportionment)

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Process must be **transparent and democratic**, ensuring **meaningful civil society participation**

Ensure the integration of **‘polluter pays’ principle** and **progressive environmental taxation**

Integrate the principle of **progressive taxation and strengthened commitment to contribute to sustainable development especially in addressing inequalities within countries and across countries**



# What We Can Do

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**Call on our governments** to participate in the negotiations and protect the rights, needs, and interests of peoples and countries of the Global South, and to make global tax rules and rulemaking truly work for people and the planet

**Monitor the process,** and strengthen civil society participation

**Equip ourselves** with strengthened skills, knowledge and abilities to engage the negotiations.

**Thank you!**

*End inequalities in global tax rules and rule making!*

*Make Taxes Work for People and the Planet!*

