17 March 2023

His Excellency

Mr. António Guterres
Secretary-General
United Nations
New York

Your Excellency,

As members of the Independent Commission for the Reform of International Corporate Taxation (ICRICT), we strongly support your decision to focus world attention on the promotion of inclusive and effective tax cooperation at the United Nations to create a more effective international tax architecture. We agree that this is necessary to provide the resources necessary to invest in recovery, climate action and the Sustainable Development Goals. This should be part of a program to scale up the fight against illicit financial flows, tax evasion and tax avoidance.

On 23 November 2022, the UN General Assembly's Economic and Financial Committee's resolution on the ***Promotion of inclusive and effective international tax cooperation at the United Nations,*** opened the door for negotiations towards an international tax cooperation agreement through inclusive, intergovernmental negotiations at the UN. Your report will be an invaluable contribution to this process.

As you may know, we, the ICRICT Commissioners, are a group of leaders from around the world who aim to promote the reform of the international corporate tax system through a wider and more inclusive discussion and to consider reforms from a perspective of global public interest rather than national advantage or corporate special interests.

We believe that, at this moment in history, amid multiple global shocks and human rights crises, there is both an urgent need and an unprecedented opportunity for significant reform of the international tax system.

You recently spoke of a "morally bankrupt global financial system" that was "conceived by a group of rich countries and naturally it basically benefits rich countries".

The current international tax system is unfair and obsolete. Rules developed a century ago in a non-globalised world are no longer fit for the 21st century and are unable to address the enormous challenges imposed by the cross-border shifting of profits by multinational corporations, the intensified tax competition between countries for direct foreign investment, the accelerating digitization of the world economy, and the ability of the extreme wealthy to shift their assets into tax havens. This broken system denies States (particularly small and developing ones) the necessary fiscal resources they need to reach the Sustainable Development Goals and fulfil their human rights obligations. This unfair global tax system exacerbates inequalities. The failures must be fixed to ensure that developing countries have the necessary resources to cushion the impact of current global crises and ensure that they do fall even further behind when the next crisis strikes.

In October 2021, a multilateral agreement was reached under G20 auspices by the OECD Inclusive Framework on new international corporate tax rules ("Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy"). This agreement was a step in the right direction, but its design is inadequate and scope insufficient.

The design of the agreement is inadequate because the 15% effective minimum rate is still significantly below the average of global corporate tax rates today, much lower than the 25% our Commission advocates, and there are large carve-outs where the minimum tax does not apply. This continues the current race to the bottom in tax competition between countries, while also allowing profit shifting to continue because the current rules, based on transfer pricing, are kept in place for most multinational companies.

The scope of the agreement is insufficient because it will not generate substantial new fiscal revenues for low- and middle-income countries. In contrast, the tax revenue gains for high-income countries will be substantial.

Overall, our Commission believes that the OECD/G20 "Two-Pillar Solution" is not grounded on a proper understanding of the economics of corporate profit taxation. Our technical analysis of the Pillar One and Pillar Two, its governance and potential alternatives can be found in our latest publication "An emergency tax plan to confront the inflation crisis".

The agreement negotiated at the OECD reflects the influence that multinationals can still exert over positions taken by certain governments. This influence effectively consolidates unequal taxing rights between countries and continues to protect MNEs from paying their fair share of taxes, even in developed countries.

This is perhaps not surprising because the negotiations reflected the power dynamics of the international regime, the bargaining power of the advanced countries, and the influence of MNEs themselves. From the point of view of developing countries, it can only be seen as an interim compromise that they have been forced to live with.

Given the limitations and complexities and inequalities of the OECD/G20 agreement, we believe that the current negotiations on international corporate tax reform must continue but in a different institutional format that recognises the failures and limitations of the process at the OECD/G20 Inclusive Framework to give effective voice to developing countries.

Intergovernmental negotiations should facilitate a comprehensive reform of the current international tax rules; including through the negotiations of a convention on tax which should seek to achieve several goals. These include requiring and enabling transparency and exchange of information to allow effective taxation of multinationals' profits based on a sounder understanding of economics; and enable taxation of the income and assets of the wealthy individuals. We also believe that the scope of the discussions should be significantly expanded to include a broader agenda for effective and progressive taxation within a globalized context. This would include wealth taxation and the development of asset registries.

This is why we welcome the General Assembly's resolution on "Promotion of inclusive and effective tax cooperation at the United Nations". We urge that the process is designed to move towards a UN tax convention, as has already been demanded by many member countries. We offer you the technical and advocacy support of our Commission to ensure that this UN process strengthens the inclusiveness and effectiveness of international tax cooperation.

On behalf of the Commission,

Professor Joseph Stiglitz

ICRICT Co-chair

Professor Jayati Ghosh

ICRICT Co-chair