

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

1. The Economic and Social Council convened its 2023 Special Meeting on International Cooperation in Tax Matters on 31 March. The Meeting focused on critical international tax topics in the context of the recovery from the COVID-19 pandemic and current global economic crises. The sessions addressed: (i) promoting effective and inclusive international tax cooperation at the United Nations; and (ii) taxation as a policy lever to advance the transition from fossil fuels to renewable energy sources.
2. The Meeting took place in conjunction with the [Twenty-sixth Session](#) of the UN Committee of Experts on International Cooperation in Tax Matters (27 to 30 March 2023). It attracted strong participation from UN Member States, including senior officials of national tax authorities and ministries of finance, members of the UN Tax Committee, and senior representatives of international organizations, civil society, business, and academia dealing with international tax cooperation, financing for development and the wider global sustainable development agenda.

**Key messages**

- i. International tax cooperation can play a critical role in achieving the Sustainable Development Goals (SDGs), not only by supporting developing countries in mobilizing vitally needed resources, but also by addressing the root of the problem – systemic inequality – and promoting SDG-aligned fiscal policies.
- ii. To do so, international tax cooperation must be inclusive and effective, responding to the needs, and considering the capacities, of developing countries.
- iii. Recent initiatives at various fora have shown that it is possible for large groups of jurisdictions to work cooperatively on technical tax issues.
- iv. For various reasons, developing countries have not fully shared in the benefits from the standards set so far in those fora. They also find the rules being developed in those fora to be more complex than the simple-to-administer withholding taxes that they prefer.
- v. Developing countries emphasized that making international tax cooperation more inclusive and effective will require a multilateral process, including a multilateral framework or instrument and inter-governmental body at the United Nations.
- vi. Developed countries indicated that intergovernmental discussions on tax at the UN would duplicate work of other fora, require more resources than available for such discussions, or result in possibly inconsistent standards, reducing the certainty that taxpayers need. They urged a focus on negotiations of the OECD/IF two-pillar solution.
- vii. Avoidance and resolution of tax disputes is a cross-cutting priority; agreement on a set of principles or recommendations regarding procedures could provide necessary guidance, while respecting the tax sovereignty of countries.
- viii. Effective tax policies, including adopting carbon taxation or gradually phasing out fossil fuel subsidies, can be cost-efficient and powerful tools to foster the transition towards a low-carbon energy supply while creating fiscal space to increase clean energy spending.
- ix. Various energy mixes are crucial to achieving energy transition goals.

## I. Introduction

3. The multiple and overlapping crises have led to a widening of the inequality gap and reversal of gains previously made toward sustainable development. Many countries are either in debt distress or facing the risk of debt distress. Decisive action is necessary to set the world back on track to achieve the Sustainable Development Goals (SDGs), including the large-scale SDG stimulus called for by the United Nations Secretary-General. International tax cooperation can play a critical role in achieving the SDGs, not only by supporting developing countries in mobilizing vitally needed resources, but also by addressing the root of the problem – systemic inequality—and promoting SDG-aligned fiscal policies. To do so, international tax cooperation must be inclusive and effective, responding to the needs, and considering the capacities, of developing countries.

4. Member States committed under the Addis Ababa Action Agenda on Financing for Development to redouble efforts to substantially reduce illicit financial flows by 2030. There is an urgent need to strengthen international tax cooperation in order to combat tax avoidance and evasion, as well as illicit financial flows: these activities deplete resources that are desperately needed to address the impact of today’s crisis on people’s lives and livelihoods, as well as to invest in long-term sustainable development goals and climate action.

5. Discussions at the UN Tax Committee illuminate the differences between countries, their economic circumstances, and their ecosystems, plus common challenges to achieving sustainable development. The Committee’s guidance products and current work programme show that there is no one-size-fits-all approach to solving problems or seizing opportunities. International tax cooperation has to provide options to countries so that they can choose the approach that is most appropriate for them in their particular circumstances.

## II. Promoting inclusive and effective international tax cooperation at the United Nations

6. Developing countries seek a greater voice in setting the agenda in international tax policy discussions. Many developing countries call for an expanded role for the United Nations in shaping international taxation frameworks. They point to a lack of inclusiveness and equal footing in the development of taxation frameworks and inadequate attention given to the role of the Global South in promoting effective international cooperation.

7. The UN General Assembly adopted a resolution in December 2022 to address some of these concerns. Entitled “Promotion of inclusive and effective tax cooperation at the United Nations,” the resolution ([A/RES/77/244](#)) recognizes: i) the various efforts so far, through meetings, discussions, processes, and recommendations, intended to further the achievement of SDG target 16.4, substantially reducing illicit financial flows by 2030, improving domestic resource mobilization and strengthening international tax cooperation; and ii) the timeliness and importance of making international tax cooperation more inclusive and effective.

8. Accordingly, the General Assembly decided in the resolution to begin intergovernmental discussions at the United Nations Headquarters on ways to strengthen the inclusiveness and effectiveness of international tax cooperation, which could include the development of an international tax cooperation framework or instrument that is developed and agreed upon through a United Nations intergovernmental process. The Assembly requested that the UN Secretary-General prepare a report on the possible options. In preparing the report, the Secretary-General is asked to take into full consideration existing international and multilateral arrangements and to consult widely.

The report will provide the basis for intergovernmental discussions on promoting inclusive and effective international tax cooperation at the United Nations during the Assembly's seventy-eighth session.

9. The intergovernmental discussions could build on the substantial agreement, among developing and developed countries, that the current global tax architecture is built on outdated taxation principles that are not well-adapted to the digital era. In this regard, developing countries welcomed the recognition, in the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting that market jurisdictions have a right to share in the residual profits earned by multinational enterprises. However, it was noted that many developing countries viewed the amount allocated to the market jurisdiction in the Inclusive Framework proposals as inadequate.

10. In addition, many developing countries shared their perspective that the new tax rules being developed in the Inclusive Framework are too complex and not well adapted to their particular circumstances. They viewed this as resulting partly from their not being adequately involved in the agenda-setting. They recalled the preference of developing countries for tax rules that are simple to administer, such as withholding taxes. They also emphasized an inclusive approach as inherently connected to effectiveness and sustainability of solutions: inputs to and ownership of the eventual outcomes will result in greater trust, adoption and implementation of the agreed standards and approaches.

11. Some participants, primarily from developed countries, expressed more support for the approach being taken in the OECD/G20 process, which they view as adequately inclusive in terms of participation by developing countries, including representation in leadership positions. They also noted the progress they see in terms of establishing a global minimum tax as beneficial for all countries, including developing ones. In their view, intergovernmental discussions at the United Nations on international tax cooperation would be duplicative of those efforts and would require more resources than they have available for discussions on international tax matters. They further argued that such discussions could undermine the ongoing negotiations and/or result in different and possibly inconsistent standards, reducing the certainty that taxpayers need. They thus urged that the focus of intergovernmental discussions on international tax matters should be on completing negotiations in the OECD/G20 Inclusive Framework.

12. Referencing another impetus for and focus of the resolution, participants noted that substantial progress has been made on improving tax transparency, including at the Global Forum on Transparency and Exchange of Information for Tax Purposes, which provides important tools for combatting illicit financial flows. However, other participants pointed out that developing countries have not fully shared in the benefits from those standards. For example, many developing countries cannot comply with the reciprocity requirements or meet the high confidentiality standards necessary for them to: i) participate in automatic exchange of information under the Common Reporting Standard, which could help them tax more effectively their higher-income residents; or ii) receive country-by-country reports, which would help them identify vulnerabilities to aggressive tax planning by multinational enterprises.

13. Both developed and developing countries emphasized the need for enhanced capacity building support for developing countries on international tax matters. Yet, their preferences regarding the focus and goals of such efforts diverged. Developed countries generally argued that any new UN initiatives should entail not norm-shaping or rule-setting but capacity development, focusing specifically on increased support for developing countries to better implement the international tax norms being set in the Inclusive Framework and Global Forum. To that end, they suggested exploring the expansion of the joint OECD/United Nations Development Programme (UNDP) Tax Inspectors without Borders initiative or the work of the Platform for Collaboration on Tax. They also identified opportunities for further collaboration between the UN and the OECD on areas of general importance,

including the implementation of transfer pricing rules, as well as collaboration on other taxation matters, such as indirect taxation, as an important source of domestic revenue for many developing countries.

14. Developing countries noted that, because the solutions being developed at the OECD/G20 Inclusive Framework and Global Forum do not respond adequately to their particular circumstances, technical assistance to implement those solutions would not address their most immediate concerns or priority needs for capacity building in tax policy and administration. Any new or increased capacity building support should, in their view, prioritize enabling developing countries to participate more effectively in norm-shaping and rule-setting in international tax at the regional and global levels.

15. In the view of developing countries, rather than duplicating, the General Assembly's initiation of discussions at the United Nations should be understood as leveraging existing strengths and addressing the gaps and weaknesses in international tax cooperation. Joined by voices from civil society, they underscored the need for legitimacy and accountability in the international tax order, where all countries should be able to participate in global tax governance and allocation of taxing rights.

16. Developing countries, including many expressing their commitment to the success of the OECD/G20 Inclusive Framework process, maintained that making international tax cooperation inclusive and effective would require a multilateral process, including a multilateral framework or instrument and intergovernmental body, through the United Nations. In that regard, the work in both the Inclusive Framework and the Global Forum shows that it is possible for large numbers of jurisdictions to engage in discussions regarding technical tax matters.

17. Developing countries highlighted the need for rules and procedures for such a multilateral process to be designed in ways that ensure effective access and opportunity for all stakeholders to set the agenda and participate in the process actively on an equal footing. They proposed a “bottom-up” approach to agenda-setting that focuses on issues of importance to all countries. For example, from their perspective, non-taxation of income is a much bigger problem than double taxation, so work should focus more on mechanisms to eliminate non-taxation of income.

18. Several developed countries pointed to strengths of the consensus decision-making in the OECD/G20 Inclusive Framework process. Some developing countries described the downside of such “opt-out” consensus approaches, which can disadvantage countries that have not had the time or capacity to form an opinion on proposals before deadlines approach. They called for a decision-making process that actively supports equal participation by all countries; they acknowledged that this would in turn require targeted capacity building for developing countries before and during the process to assist in informed decision-making.

19. Avoidance and resolution of tax disputes emerged as another issue of cross-cutting importance, as mentioned by various participants. Mandatory arbitration of tax dispute settlement is a feature of the OECD/G20 Inclusive Framework proposals. Some participants expressed concern about such arrangements, referencing experiences of developing countries with the results of arbitration under international investment agreements. The Meeting raised the possibility that agreement on a set of principles or recommendations regarding dispute resolution procedures with respect to tax matters could provide necessary guidance, while respecting the tax sovereignty of countries.

### **III. Taxation as a policy lever to advance the transition to renewable energy sources**

20. Universal access to energy is integral to the transition to an inclusive, just, sustainable, secure, and net zero-emissions energy system, in line with the Paris Agreement on Climate Change. Energy access is a key enabler for sustainable development. There is an urgent need to invest in energy access for all,

thus fostering suitable conditions to achieve the SDGs. At the same time, accelerating energy transition, by promoting adequate policies to develop renewable and clean energy sources, is essential to address climate change and environmental degradation.

21. Taxation can serve as an effective policy lever to drive a sustainable energy transition. Tax policies can be cost-efficient and powerful tools to foster the transition towards a low-carbon energy supply, while creating fiscal space to increase clean energy spending. Moreover, such policies can facilitate access to affordable energy and thereby support countries' efforts to achieve their climate and sustainable development goals.

22. Participants dispelled concerns that increasing energy access for economic development and promoting transition to renewable energy sources were necessarily mutually exclusive endeavours. Diverse experiences from countries, developed and developing, have shown that carbon taxation can drive the reduction of carbon emission, while yielding substantial revenue for governments to: i) develop renewable sources of energy; and ii) put in place targeted social programs to protect the vulnerable and poor segments of the population.

23. The Meeting underscored the importance of public acceptability and involvement of stakeholders throughout the policy design process of a carbon tax. Some countries have started with a very low rate to avoid the effect of a "sudden change" and allow time for companies to adjust by developing alternatives and for families to adjust their spending. Such small steps have proven worthwhile as they signal the changes to come and assist consumer preparedness. Moreover, rather than introducing carbon taxation as a stand-alone policy initiative, country experiences also showed the value of including carbon taxation within an integrated system of policies aimed at achieving environmental protection and revenue generation.

24. Gradually phasing out of fossil fuel subsidies has gained prevalence, including at the Conference of Parties (COP) of the United Nations Framework Convention on Climate Change. Fossil fuel subsidies can be highly costly and would exhaust public resources that could be used to address climate change. Oil and gas companies are currently earning windfall profits due to the global energy crisis, exacerbated by fossil fuel subsidies provided to producers through tax breaks or royalty breaks to facilitate oil and gas production and expansion.

25. On the other hand, research has shown that fossil fuel subsidies for consumption predominantly benefit the wealthy, the prevalent consumers. Thus, fossil fuel subsidies have been considered an inefficient negative carbon tax that diminishes low-carbon energy sources' competitiveness. Calls for subsidy reform, including on public investment and financing, have emerged. They should be accompanied by measures oriented to prevent negative impacts on vulnerable population sectors, such as interest-free loans and debt relief programmes, especially under the current economic landscape.

26. The UN Tax Committee is currently considering the role of taxation in advancing the energy transition with the aim of supporting developing countries in this complex area. The Committee is addressing the issue from two complementary perspectives: extractive industry (energy supply) and environmental taxation (demand and consumption).

27. Various energy mixes are crucial to achieving energy transition goals, for example, by improving the effectiveness of existing environmental taxes and initiating the progressive phase-out of fossil fuels. Governments should consider such options more keenly as part of their more extensive agenda on addressing climate change and environmental degradation. They may further consider creating a specialized team dedicated to studying environmental taxation in the tax policy area to build capacity. Such targeted efforts may strengthen communication, information sharing and coordination among the ministries and agencies in charge of environmental affairs.

28. International cooperation is vital to ensure that tax policy options achieve effective and efficient international tax systems adapted to address the pressing need to transition from fossil fuels to sustainable and renewable energy sources to safeguard the SDGs.

#### **IV. Conclusion**

29. The adoption of the General Assembly resolution reflects Member States' recognition that international tax cooperation needs to be more inclusive and effective because current processes and institutions are not reflecting all Member States' priorities and capacities or fulfilling their needs. Multilateral solutions to challenges and opportunities are urgently needed to fight tax evasion and avoidance, as well as illicit financial flows. This is a defining moment for improving international tax cooperation for sustainable development, so that the SDGs and climate action can be financed for all and achieved by all. Informal consultations will continue in the weeks ahead, including making use of the 2023 Financing for Development Forum and 2023 High-level Political Reform, which will further inform preparations of the analytical report requested of the Secretary-General to provide a basis for intergovernmental discussions during the seventh-eighth session of the General Assembly.

30. Effective tax policies can be a powerful tool, especially for developing countries, to facilitate the transition to low-carbon energy, while enabling them to attain climate and sustainable development goals. Key to this effort are fair and effective tax policies that are coordinated across borders and promote investment in cleaner energy production.

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