

Thank you, Chair.

At the beginning of the second session, Japan would like to offer our basic thoughts on the draft Terms of Reference (“ToR”) of a United Nations Framework Convention on International Tax Cooperation (the “Convention”). Our comments focus on the importance of the following four points: non-binding nature of the ToR, the decision-making process, organization structure of the negotiation committee, and domestic resource mobilization.

Firstly, the ToR should not bind any discussion of the negotiation body for the Convention. Therefore, the ToR should clarify its nature that ToR shall be without prejudice to the discussion of the negotiation body.

Second, reaching broad consensus is vital to support a stable and predictable international tax system and to promote inclusive and effective international tax cooperation because taxing right is based on tax sovereignty. Further, in order to make the UN Framework truly inclusive, we should seriously consider how we can involve non-state jurisdictions in the negotiation process given their tax autonomy. The UN membership is not enough to achieve inclusiveness in the taxation area.

Third, the organization structure of the negotiation body should aim to achieve the consensus-oriented decision making. To facilitate effective discussions toward broad consensus, the organization of the negotiation body should be structured to reflect diverse views. Therefore, we need to construct its bureau with geographical and economic diversity. We proposed the negotiation body having three co-chairs, such as one each from a developing country, a small island country, and a developed country. Considering that the bureau should handle the text negotiation on the Convention, the bureau should have sufficient members to complete technical works given that the member states should also construct draft provisions of the Convention. Therefore, the size of the bureau should be the same as the current Ad-Hoc Committee. If the rule does not allow such a diversity at the committee level, establishing a subsidiary organ under the negotiation body can be alternative.

Lastly, the discussion of the first session suggests that the importance of

domestic resource mobilization is shared among the member states. Enhancing domestic resource mobilization (DRM) should be our common overarching agenda of the Convention and capacity building in tax matters because strengthening DRM is one of the targets clearly set in the SDGs. The DRM could not be achieved solely by allocation of taxing rights. Rather, domestic tax reforms and strengthening institutional capacity are essential. The framework convention should support these domestic efforts, which should be clearly stated in the ToR. Thank you.