**Statement to HRC 18 January 2024 –**

**Sixth Intersessional Meeting of the Human Rights Council on Human Rights and the 2030 Agenda**

**Integrating Human Rights into the International Financial Architecture Reforms:**

**A Cornerstone for Realizing the 2030 Agenda for Sustainable Development and a Human Rights Economy**

I am grateful to the Office of the United Nations High Commissioner for Human Rights and to the co-chairs Chile and Luxembourg for the invitation to join this sixth intersessional meeting and for the Tax Justice Network (and the tax justice movement more broadly ) to contribute our analysis and recommendations.

The focus of my comments will provide a summary both of the scale and impact of tax abuse and reiterate longstanding policy recommendations which identify key areas for tax policy reform in support of a human rights-based economy.

The geopolitical environment and unequal distribution of resources between global north and global south countries brings into focus the nature of the weak and regressive market driven economic models that operate today. Such models give lip service to the intention to address sustainable development and to establish a human rights-based economy. People suffer from discrimination, and disadvantage associated with poverty and marginalisation as a result of these market driven approaches .. The failure of duty bearers (the state) to establish an economic environment that has at its heart, a regime of progressive and cohesive tax policies thwarts any ambition or obligation to realise economic, social and cultural rights.

**Tax has a pivotal and central role in a right – 5 Rs**

Tax justice can be defined as the state in which the people of any given society are fully ableto achieve the 4 Rs of tax: **revenues** to fund public services sustainably; **redistribution** to curboverlapping inequalities that deny human rights,; **repricing** ofpublic goods and bads such as carbon emissions as part of broaderpolicy packages to prevent social harm; and **effective representation**, where tax underpinsstate-citizen relations in such a way as to promote responsive, accountable governance.

And just as tax was the form for much of the extraction from the former colonies, taxation will ultimately be the source of funds to make reparation on some of the damage inflicted. For example, a significant share of the *current* economic extraction from lower-income countries results from the international tax rules producing an unfair distribution of taxing rights. Those rules could equally be reformed to reverse the direction of that distribution.

Tax justice is defeated by the international obstacles through opportunities for anonymous ownership and illicit movement of assets and income streams. At the domestic level, failures of transparency and scrutiny can allow elite lobbying to neuter progressive taxation over time and to undermine the social contract.

**Diagnostic/Data:**

In 2020 our State of Tax Justice report estimated a loss of $427 billion in tax each year to international corporate tax abuse and private tax evasion,

Analysis from the [GRADE project at St Andrew’s University](https://medicine.st-andrews.ac.uk/grade/research/) used this estimate of global tax revenue losses and found that every year 17 million more people could benefit from clean water and 34 million from basic sanitation, if revenue losses due to global tax abuse were reversed. Moreover, over a ten-year period, these gains would be associated with the prevention of 600,000 child deaths and 73,000 maternal deaths.

Lost revenues also imply damage to the other aspects of effective taxation. In terms of redistribution, the inability to deliver progressive, direct taxation of income, profits and wealth strips countries of the key tool to curb inequalities –. The direct tax revenues lost to tax abuse are also a proxy for the scale of damage done to the prospects for inclusive political representation. Research by the GRADE project confirms this point too, with the damage done to countries’ governance providing a multiplier mechanism that further exacerbates the social harms.

**OECD 2013 onwards**

Some progress has been made since 2013 when the OECD was mandated by the G20 to propose fundamental reforms in global tax policy and tax transparency. The first effort in the Base Erosion and Profit Shifting initiative (BEPS) delivered only patchwork progress, but the renewed attempt from 2019 reached something of a milestone in 2021 when 137 jurisdictions agreed in principle a two-pillar proposal. The first pillar proposes for a small reallocation of taxing rights from the country where a MNC (multinational companies) is resident to countries where they operate and generate their economic value, while the second pillar proposes a minimum tax rate of 15 %. However, the first pillar seems unlikely to be impactful even if adopted, having lost most of the original ambition. The second pillar has been adopted by the EU and a number of corporate tax havens, but most of those jurisdictions that agreed in principle have not yet committed to legislate either proposal - perhaps unsurprisingly, as each proposal has changed so much since 2021.

The OECD had estimated that the 2021 minimum tax rate proposal of 15% would increase global tax revenue by $220 billion annually, an increase of around 9% in *corporate* income tax revenues (not total tax revenues).

These statements are not backed up by our own analysis or by independent research. The latter research identifies a range for potential worldwide gains that is between only a quarter and a half of that projected by the OECD. Moreover, the revenues will not accrue to those struggling governments especially in the global south, but instead will be overwhelmingly captured by the corporate tax havens which have been the most enthusiastic adopters thus far.

**Tax Governance, transparency and inclusivity**

The tide has turned against the current regime of international tax governance. A recent public letter addressed to the Secretary General of the OECD from UN experts with special mandates to investigate human rights violations demands answers for its failure to abide by human rights standards in its leadership of international tax policy. In the formal communication the mandate holders call on the OECD to demonstrate that it has assessed the human rights impacts of the two pillar proposals.

**Specific recommendations.**

Policy reforms are needed to curb global tax abuse and illicit financial flows by establishing the governance of international tax rules which is truly inclusive and transparent.

We call for a set of financial transparency policy reforms(ABC) as follows:

• Automatic information exchange of financial account information between jurisdictions to end bank secrecy, by providing transparency over offshore accounts to home tax authorities;

* For public registers of Beneficial ownership that identifies the real beneficial and legal owners of companies, foundations, trusts and other legal vehicles – so that civil society and revenue authorities are able to identify ownership structures and demand accountability, whether for tax abuse, or the laundering of criminal proceeds
* For multinational companies to report their accounts publicly on a Country by country reporting basis rather than as if it was one company
* In addition, unitary taxation is proposed to end corporate tax abuse by ensuring that profits are taxed in the location of the real, underlying economic activity – building on the technical work in the OECD’s first pillar, and applying to all profits of all multinationals; alongside this, global governance reform, centred on the establishment of a genuinely, globally inclusive process for the setting of tax rules and standards.

Progressive taxation is fundamental to the achievement of rights. Every human being is affected by the partial and unequal achievement of tax justice. [Countries are on course](https://taxjustice.net/reports/the-state-of-tax-justice-2023/) to lose US$4.8 trillion in tax to tax havens over the next 10 years – the equivalent to losing a year of worldwide spending on public health.

We have reached a point of great momentum in the governance of global tax. Last year countries at the UN adopted by a majority a resolution for the creation of an inclusive, intergovernmental committee to set the terms of reference for a framework convention on tax. We must seize this unique opportunity to achieve, finally, the set of core tax justice policy measures and thereby ensure that the benefits are shared between countries and at all income levels.

Thank you.

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