Statement of the South Centre at the Sixth Intersessional Meeting of the Human Rights Council on Human Rights and the 2030 Agenda

Leveraging human rights in the fight against illicit financial flows and corruption through greater international tax cooperation and fiscal transparency

18 January 2024

Excellencies, ladies, and gentlemen,

- The South Centre, an intergovernmental organisation of fifty-five developing countries from Asia, Africa and Latin America and the Caribbean, is pleased to share its insights on leveraging human rights in the fight against illicit financial flows and corruption through greater international tax cooperation and fiscal transparency.
- Corporate taxation is a major revenue generator for governments to successfully achieve the Sustainable Development Goals. However, tax avoidance has accelerated to approximately USD One Trillion of profits getting shifted to tax havens in 2022, leading to corporate tax revenue losses that were an equivalent of nearly 10% of corporate tax revenues collected globally.[1] Due to artificial tax structures and money laundering strategies, countries worldwide could lose an estimated USD 4.7 Trillion in revenue over the next decade unless substantial reforms are made to global tax rules.[2] One of the reasons for this is that a plethora of highly complex international tax rules produced under the auspices of the OECD, comprising the OECD Inclusive Framework and the Global Forum on Transparency and Exchange of Information for Tax Purposes, are inefficient to tackle tax evasion and avoidance.
- Thus, it is clear that the existing international tax rules are failing to combat illicit financial flows, thereby affecting developing countries' capacity to eradicate extreme poverty and achieve SDG 1. This also means that countries, especially developing countries, are unable to mobilize the Maximum Available Resources (MAR) to achieve the realization of obligations under the International Covenant on Economic, Social and Cultural Rights.

[1] https://www.taxobservatory.eu/www-site/uploads/2023/10/global_tax_evasion_report_24.pdf

[2] https://taxjustice.net/press/world-to-lose-4-7-trillion-to-tax-havens-over-next-decade-unless-un-tax-convention-adopted-countries-warned/

- Not only are developing countries, in particular, losing much-needed revenues through illicit financial flows and corruption, but they are also at a receiving end so far as the allocation of taxing rights is concerned, especially in the context of the rapidly-growing digital economy. This can be clearly seen in the solution developed in the OECD Inclusive Framework for taxing the digital economy. The solution, known as the 'Amount A Multilateral Convention', is highly complex and appears unlikely to be implemented owing to the opposition from major developed countries. The South Centre and the Coalition for Dialogue on Africa carried out the world's first country-level revenue estimates on Amount A in 2022 and found that it would generate a maximum of USD $5.5 billion for the 84 combined Member States of the South Centre and the African Union, all developing countries. The alternative United Nations' solution for taxing the digital economy, known as 'Article 12B', by contrast would provide developing countries a maximum of $11.4 billion.[3]
- The South Centre, in partnership with the West African Tax Administration Forum and the African Tax Administration Forum, will come out with a revised version of this study to provide updated country-level data on the final version of Amount A contrasted with data on unilateral Digital Services Taxes, for the combined Member States of the South Centre and the African Union.
- The potentially minimal impact of the Amount A Multilateral Convention, as well as the inefficacy of the existing rules on Base Erosion and Profit Shifting, are not by accident as they have been negotiated in the OECD Inclusive Framework which has no statutory basis, no transparency, no democratic decision-making, no rules of procedure to govern its functioning and is accountable only to OECD and G20 countries. All of these shortcomings also impede achieving SDG 16 on broadening and strengthening the participation of developing countries in global governance institutions.
- In this context, the South Centre strongly welcomes[4] the resolution to begin negotiation of a UN Framework Convention on International Tax Cooperation. The South Centre has actively supported this direction from the beginning[5], as such a Convention can allow developing countries to be full participants in agenda setting and decision-making in international tax rules in a genuinely inclusive environment. We call on all developing countries to actively participate in the intergovernmental committee that has been setup to negotiate the Terms of Reference of the Convention, and to nominate their best officials from foreign and finance ministries,

[3] https://us5.campaign-archive.com/?u=fa9cf38799136b5660f367ba6&id=0a186d2fe6
https://www.southcentre.int/research-paper-156-1-june-2022/

[4] https://www.southcentre.int/sc-statement-un-resolution-on-un-framework-convention-on-international-tax-cooperation-23-november-2023/

[5] https://www.southcentre.int/tax-cooperation-policy-brief-21-november-2021/

as well as tax administrations. The terms of reference are to be finalized by August 2024, giving developing countries a very tight window of opportunity, which must be used to the fullest to achieve this once in a lifetime opportunity for reforming the international tax system.

- Excellencies, Ladies and Gentlemen, in conclusion, I reiterate that the South Centre will continue to support its Member States and other developing countries to achieve a fairer international tax system that can provide the much-needed resources for fulfilling human rights and achieving the 2030 Agenda.