ECOSOC Special Meeting on International Cooperation in Tax Matters, UN Headquarters
28, March 2025
Dereje Alemayehu, Global Alliance for Tax Justice
Intervention on behalf of the CS FfD Mechanism and SID.

Thank you for the opportunity to speak on behalf of SID of the CS FfD Mechanism. I represent the Global Alliance for Tax Justice in the CS FfD Mechanism.

The current international tax rules are based on what was agreed at the League of Nations – in an era when the vast majority of today's UN member states were colonies. Keeping these in place for so long is prolonging colonialism. They continue to deny the rights of source countries to tax their share on global profits.

Globalisation and advances in technology have changed business models and the way profits are generated. But the global tax system has not been adapted to these changes. We have business arrangements with insane outcomes. Imagine how these are possible:

- The Isle of Jersey - the biggest banana exporter to Western Europe.
- An MNC without a single car owning one of the biggest transport businesses.

The transfer pricing guidelines based on arm's length principle by accepting the legal fiction of separate entities, enable MNCs to artificially lower their declared profits in countries where they are generated, and registering profits in jurisdictions where they pay zero or little tax. These arrangements legalise tax evasion by making it appear to be avoidance,;

Thus, until these foundational fault lines are removed, patchy reforms here and there will not be able to rectify the injustices. The commitments in Paragraph 10 a-f agreed to in the Terms of reference for a United Nations Framework Convention on International Tax Cooperation charts a new international tax system in which companies pay taxes where profit is generated and loopholes for profit shifting and base erosion are overcome.

Looking at the 1st protocol as a shortcut for a quick fix of sectional problems will be a wrong approach. Only a robust Convention can lay the foundation that can deliver on the framework which enables the protocol to function effectively. Fragmentation of the process by trying to solve one issue here and the other issue there will fail to deliver coherent and comprehensive and systemic solutions.