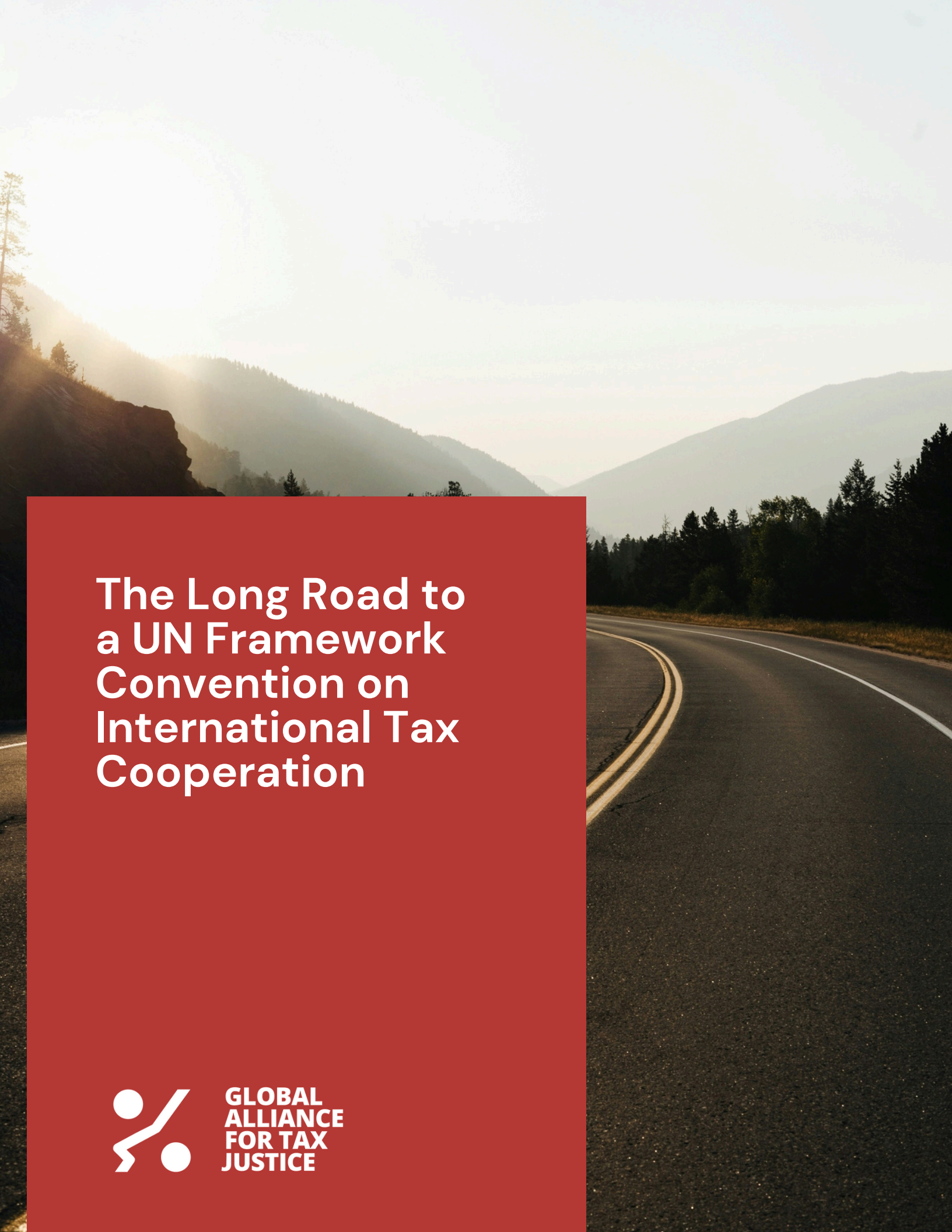




The Long Road to a UN Framework Convention on International Tax Cooperation



**GLOBAL
ALLIANCE
FOR TAX
JUSTICE**

1. Historical Background

Efforts to establish international tax rules date back to the League of Nations in the 1920s, when four economists from the United States, United Kingdom, France, and the Netherlands were tasked with developing principles to prevent double taxation and tax evasion. Their 1923 report introduced the distinction between source-based and residence-based taxation. The framework favoured residence taxation, allocating taxing rights to countries where corporations were headquartered, mainly benefiting wealthy, capital-exporting nations.¹

The League's model conventions, later adapted into bilateral tax treaties, entrenched this bias. Tax treaties are agreements between countries that carve up taxing rights over cross-border income, such as profits, dividends, royalties. These treaties protected the interests of industrial powers and their multinational enterprises, limiting the ability of developing countries to tax income generated within their borders.

After World War II, the United Nations inherited many League functions, but leadership on international tax matters passed instead to the Organisation for European Economic Co-operation (OEEC), later the Organisation for Economic Co-operation and Development (OECD). The OECD Model Tax Convention maintained the League's approach, preserving the dominance of residence-based taxation even as decolonization created a new group of independent states seeking fair participation in global economic governance.²

In 1964, the UN established the Ad Hoc Group of Experts on International Cooperation in Tax Matters, which evolved into the UN Committee of Experts on International Cooperation in Tax Matters. The Committee's 1980 UN Model Double Taxation Convention provided some concessions for developing countries but retained the same basic structure as the OECD model. When the Committee was upgraded in 2004, it remained composed of experts serving in a personal capacity rather than as government representatives. While limited in mandate, this forum laid the groundwork for renewed debate on the UN's role in global tax rulemaking.³

¹ Avi-Yonah, Reuven S., The 1923 Report and the International Tax Revolution (February 21, 2023). Available at SSRN: <http://dx.doi.org/10.2139/ssrn.4365398>

² Martin Hearson, *Imposing Standards: The North-South Dimension to Global Tax Politics*. (Cornell University Press, 2021).

³ "What you need to know about the UN Tax Committee Governance," GATJ, August 10, 2022, <https://globaltaxjustice.org/news/what-you-need-to-know-about-the-un-tax-committee-governance>

With the rise of globalization through the 20th century, multinational enterprises expanded rapidly and became central to the world economy. They leveraged tax treaties to structure their operations across borders, often shifting profits to low-tax jurisdictions. The principles developed by the OECD to tax multinational corporations rested on the arm's length principle, where transactions between subsidiaries of a multinational enterprise are priced as if they were conducted between independent parties. However, multinational corporations operate as single entities, and increasingly exploited the arm's length principle to shift profits to their subsidiaries in low-tax jurisdictions. By overpricing intra-group transactions in one country and underpricing them in another, they can move income away from countries where they have real activities, to tax havens. As a result, most countries, especially developing ones, have seen their ability to tax corporate profits severely constrained, and multinationals avoid paying taxes at a large scale.

2. Structural Limitations of the OECD Model

The OECD has continued to dominate global tax policymaking. Focusing on tax transparency and promotion of exchange of information to curb tax evasion for a long period, it launched the Base Erosion and Profit Shifting (BEPS) project to address corporate tax avoidance by multinationals in 2013. After BEPS 1.0 failed to deliver meaningful reform, the OECD introduced BEPS 2.0, centred on taxing the digital economy and a global minimum tax. Its approach faces several longstanding criticisms:

- **Restricted participation:** Although the OECD has taken on the mandate of defining the rules of international taxation, it is composed primarily of developed countries negotiating among themselves, while pressuring Global South countries to adopt their standards. Facing growing criticism, the “club of rich countries” eventually established a broader platform. While Global South countries were invited to join the so-called “Inclusive Framework” for the negotiations of “BEPS 2.0” they were first required to endorse previous standards, which they had had no role in shaping. Even in this new format, they were denied agenda-setting power and full negotiating rights.
- **Residence bias:** OECD standards favour the taxation of profits where companies are headquartered rather than where their activities occur, reducing developing countries’ taxing rights.
- **Inability to tax where activity occurs:** The OECD framework does not adequately allow countries to tax multinational corporations where real economic activity takes place, leading to persistent revenue losses for most countries. Despite the clear shortcomings of the arm's length principle and its incompatibility with the integrated nature of multinational enterprises, the OECD has largely persisted with this outdated approach.

- **Complexity and capacity gaps:** The BEPS initiative introduced extensive but technically demanding measures, which remain difficult for low-income countries to implement even if they were to agree to it. Moreover, BEPS largely failed to address the specific interests and challenges of low-income countries
- **Limited accountability:** OECD instruments are typically non-binding “soft law” measures, leaving implementation to national discretion and enabling uneven compliance. The US is a case in point, because, despite shaping many OECD tax standards, it has selectively applied or ignored them.
- **Ineffective on tax havens:** OECD initiatives such as the Global Forum, created to promote information sharing among countries, and blacklist processes have not curbed the use of low-tax jurisdictions, many of which are linked to OECD member states.
- **Digital economy challenges:** The Inclusive Framework’s Pillar One and Pillar Two proposals (from BEPS 2.0) have been criticized as limited in scope, overly complex and yielding minimal fiscal benefits for developing countries.

These weaknesses gave rise to the demand for a more inclusive and equitable multilateral approach to global tax cooperation.

3. The OECD Failure to Deliver Fair Tax Reforms

The early international tax system was designed to prevent double taxation—ensuring that income was taxed once, either in the source or residence country. Over time, however, corporations began exploiting inconsistencies between national tax rules to achieve double non-taxation, whereby income escapes taxation altogether.

Mechanisms such as mismatched deductions, treaty shopping, hybrid entities, and transfer mispricing have allowed profits to be shifted artificially to low- or no-tax jurisdictions. The arm’s-length principle, originally meant to guide fair pricing between related entities, has often enabled rather than constrained profit shifting. The result has been significant revenue losses, particularly for developing countries that rely heavily on taxing business income at the source.⁴ The OECD continuously failed to embrace a unitary taxation model that would treat multinationals as single global entities and allocate profits based on real economic activity, missing a crucial opportunity to address the root causes of profit shifting.

⁴ IMF, “Spillovers in International Corporate Taxation.” *IMF Working Paper / Policy Review*, May 9, 2014.
<https://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/Spillovers-in-International-Corporate-Taxation-PP4873>

The successive reforms have indeed failed to change the central paradigms that enable these practices. The latest to date, the BEPS 2.0 “Two-Pillar solution”, presented as a breakthrough in global tax reform in 2021, falls far short of delivering fairness and efficiency. **Pillar One**, which was supposed to address the challenges of taxing in the digitised economy, offers only a limited reallocation of taxing rights, covering a narrow set of highly profitable corporations and granting minimal gains to market jurisdictions. Pillar One has been stalled and is now widely considered unlikely to ever move forward due to the U.S. opposition. **Pillar Two**, which aims to establish a 15% global minimum effective corporate tax, was rotten in its design. It largely benefits wealthy headquarters countries, and “conduit tax-havens” where multinationals have shifted their profits, while leaving source countries with little new revenue. Both pillars are excessively complex, reinforcing capacity gaps and dependence on OECD-led technical standards. Overall, the framework preserves the dominance of developed countries and fails to address the deeper structural imbalances of the international tax system.

4. Renewed Momentum for Reform

The push for more inclusive global tax governance gained political traction in the run up to the 2015 Third International Conference on Financing for Development (FfD3) in Addis Ababa. The G77 and China, the negotiating coalition of developing countries, proposed creating a UN intergovernmental tax body to ensure universal participation in setting international tax rules. Although the proposal faced strong opposition from OECD countries and was excluded from the outcome document, it brought the issue into the UN’s formal agenda and galvanized civil society efforts.⁵

Between 2015 and 2022, civil society organizations, particularly the Global Alliance for Tax Justice (GATJ) and its regional networks, kept the issue alive, calling for a shift from the OECD-led model toward an UN-based, equitable, and transparent system.

In November 2022, the Africa Group introduced a UN General Assembly resolution requesting a report on options for strengthening international tax cooperation, including a possible legally binding instrument. The resolution, adopted by consensus in December 2022, marked a major step toward a new global process.⁶

⁵ Bhumika Muchhala and Ranja Sengupta, “The Third International Conference on Financing for Development: Outcome document adopted without intergovernmental tax body or new financial commitments,” *Third World Network*, July 16, 2015, <https://twn.my/title2/finance/2015/fi150706.htm>

⁶ UN General Assembly, Resolution 77/244 “Promotion of inclusive and effective international tax cooperation at the United Nations,” Res/77/244 (December 30, 2022), https://docs.un.org/en/A/RES/77/244?utm_source

The UN Secretary-General's report in August 2023 outlined three options, including a UN Framework Convention on International Tax Cooperation. The Africa Group followed up with another resolution in November 2023 calling for intergovernmental negotiations to establish such a Convention. The UN General Assembly adopted this resolution in December 2023, opening the path to treaty negotiations.⁷

Between April and September 2024, member states developed Terms of Reference (ToR) defining the scope, objectives, and principles of the proposed Convention. The ToR was formally adopted in December 2024, creating a strong basis for the intergovernmental negotiations which are expected to conclude by mid-2027.⁸

5. The UN Framework Convention: Purpose and Structure

The negotiated Terms of Reference mark a significant breakthrough, giving countries a clear and ambitious mandate to negotiate the Convention. The UN Framework Convention on International Tax Cooperation aims to establish an *"inclusive, fair, transparent, efficient, equitable and effective international tax system for sustainable development"*.⁹ It seeks to correct the structural imbalances embedded in the OECD system by ensuring equal participation of all states and fairer allocation of taxing rights.

The Convention will serve as the central legal instrument, complemented by two early Protocols, negotiated along the Convention until 2027:

- **Protocol 1:** Taxation of Cross-Border Services
- **Protocol 2:** Prevention and Resolution of Tax Disputes

6. From New York to Nairobi: Progress in Negotiations

The initial two sessions of negotiations on the UN Framework Convention on International Tax Cooperation, held in New York in August 2025, formally launched the intergovernmental process to draft the Convention and its accompanying Protocols. While the meeting reaffirmed Member States' commitment to the Terms of Reference (ToR) adopted by the UN General Assembly in December

⁷ UN General Assembly, "Promotion of inclusive and effective international tax cooperation at the United Nations: Report of the Secretary General," A/78/235. (July 26, 2023), <https://financing.desa.un.org/document/promotion-inclusive-and-effective-international-tax-cooperation-united-nations-a78235>

⁸ UN General Assembly, Resolution 79/235 "Promotion of inclusive and effective international tax cooperation at the United Nations," Res/79/235 (December 24, 2024), https://docs.un.org/en/a/res/79/235?utm_source

⁹ UN General Assembly, "Terms of reference for a United Nations Framework Convention on International Tax Cooperation," A/AC.298/2. (January 16, 2025), <https://docs.un.org/en/A/AC.298/2>

2024, progress remained largely procedural. Divergent interpretations persisted regarding how to structure work across the three negotiation tracks: the Framework Convention, Protocol 1 on the Taxation of Cross-Border Services, and Protocol 2 on Dispute Prevention and Resolution.

The third Nairobi session is therefore pivotal—not because it is expected to deliver agreement, but it represents the first real opportunity to begin substantive and interconnected engagement. The measure of progress in Nairobi will not be consensus or completed text, but the extent to which discussions move from procedural coordination to structured negotiation anchored in the commitments of Paragraph 10 of the ToR.

According to Paragraph 10, the Convention must embody clear commitments. These commitments should define not only the content of the Convention but also the orientation of its Protocols. The key commitments, reflected in Paragraph 10 of the ToR, include:

- Fair allocation of taxing rights
- Addressing tax evasion and avoidance by high-net worth individuals
- International tax cooperation approaches that will contribute to the achievement of sustainable development
- Addressing tax avoidance, evasion, and illicit financial flows
- Transparency and exchange of information
- Prevention and resolution of tax disputes

7. Relationship Between the Convention and the Protocols

The Convention should serve as the binding framework that guides the content and scope of its Protocols. The Protocols will operationalize the Convention's commitments in specific technical areas.

7.1 The Framework Convention

The negotiations in Nairobi are expected to focus on the commitments in the ToR and how they will be translated into the articles of the Convention. Clear and strong language in the articles means that they can be operationalized and implemented through future decisions of the Conference of Parties (COP). The establishment of a COP would serve as the main governing body—overseeing implementation, adopting future protocols, and reviewing compliance. This would create a standing intergovernmental forum with universal membership and accountability.

Some civil society key demands for the Framework Convention:

- **Equitable taxation of multinational enterprises and fair allocation of taxing rights:** It should entail a decision to move away from arms-length principle and to unitary taxation with formulary apportionment and a minimum effective corporate tax rate. The Convention should mandate the development and implementation of a new international corporate tax system that taxes multinationals as coherent entities on the basis of their global profit. It is the only effective way to ensure a fair allocation of taxing rights and to combat tax-related illicit financial flows (including tax avoidance) and harmful tax practices in relation.
- **Sustainable development:** The Convention should include a commitment to ensure that fiscal systems are fully in line with the progressive realization of human rights, tackling inequality and advancing sustainable development, including the achievement of relevant UN obligations and commitments. This should include mention of reducing inequality within and between countries; environmental protection; gender equality; and the promotion of progressive tax systems. The Convention should operationalize the concept of gender responsive taxation. The Convention should also include a sub-commitment on progressive environmental taxation, in line with the polluter pays principle, under the overall commitment on tax and sustainable development.
- **Transparency and exchange of information:** The Convention should have articles introducing public country by country reporting, beneficial ownership transparency and the establishment of a global asset registry, and automatic information exchange.
- **Effective taxation of high-net worth individuals:** The Convention must outline a process to identify high-net worth individuals and operationalize the commitment to ensure their “effective taxation”, recognizing a fair allocation of taxing rights and the promotion of sustainable development.

7.2 Protocol 1: Taxation of income derived from the provision of cross-border services in an increasingly digitalized and globalized economy

The first early Protocol addresses challenges in taxing digital and cross-border services. In order to reach a comprehensive solution, it should explore shifting from the arm’s-length principle toward formula-based or unitary approaches, allocating profits based on measurable economic factors such as sales, employment, or assets, as should also be discussed under the Convention for the equitable taxation of multinational enterprises. Only an update on the work under this workstream will be delivered at the Nairobi negotiations, while negotiations for this protocol should take place at the following session, in February 2026.

7.3 Protocol 2: Prevention and Resolution of Tax Disputes

The second early Protocol aims to define solutions and approaches for tax disputes between countries. Given that most tax disputes between countries derive from the transfer pricing system and arm's length principle failure, GATJ recommends that a commitment under the Convention to develop a new international corporate tax system based on unitary taxation would address central tax dispute issues and play a major role in tax dispute prevention. The emphasis should be on dispute prevention, through transparency and a coherent system. Notably, failed and harmful solutions for dispute resolution opposed by developing countries, such as binding arbitration, should be left out of the text. This protocol will be the topic of discussion in the second week of negotiations in Nairobi.

8. The Road Ahead (2025–2027)

The period following Nairobi will be decisive for consolidating the structure and content of the Convention. Main issues will include:

- Maintaining coherence among the three workstreams as negotiations become more technical.
- Translating the ToR objectives and commitments into clear legal provisions.
- Preserving the universality and legitimacy of the UN-led process.
- Ensuring meaningful participation of civil society organisations.

By mid-2027, UN Member States aim to finalize and adopt the UN Framework Convention on International Tax Cooperation and two early Protocols. Success will depend on whether the Convention can establish a coherent, equitable, and enforceable system that replaces the fragmented, OECD-driven model with one that reflects today's globalized economy and responds to the needs of all countries.

The adoption of the Convention would mark the most significant reform in global tax governance in a century—transforming international tax cooperation from a system shaped by a few wealthy states into a universal framework built on fairness, inclusivity, and transparency.



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About GATJ

The Global Alliance for Tax Justice (GATJ) is a South-led global coalition uniting the tax justice movement. GATJ works for a world where progressive and redistributive tax policies counteract inequalities within and between countries, and generate the public funding needed for quality public services and human rights.

Created in 2013, GATJ comprises regional tax justice networks in Asia (Tax & Fiscal Justice Asia), Africa (Tax Justice Network Africa), Latin America (Red de Justicia Fiscal de América Latina y el Caribe), Europe (Tax Justice-Europe) and North America (Canadians for Tax Fairness & FACT Coalition), collectively representing hundreds of organisations. GATJ co-coordinates the Tax Justice Workstream of the Civil Society Financing for Development Mechanism.

For further information, please contact:
info@globaltaxjustice.org