



The FfD Chronicle

The CS FfD Mechanism is an open civil society platform including several hundreds of organizations and networks from diverse regions and constituencies around the world. CS FfD Mechanism's core principle is ensuring that civil society can speak with one collective voice.

AMBITION IS PROOF OF LOVE

Distinguished delegates,

We fear that this might be the last time we see you all before August, when a first draft convention is scheduled to be tabled. We are very concerned about that.

We are concerned because this process is extremely important to us – and in fact to people around the world who depend on fair and progressive tax systems to fight inequality, fund public services and promote the fulfillment of human rights and environmental protection. The decisions you make in this historic process will have consequences for all of our futures.

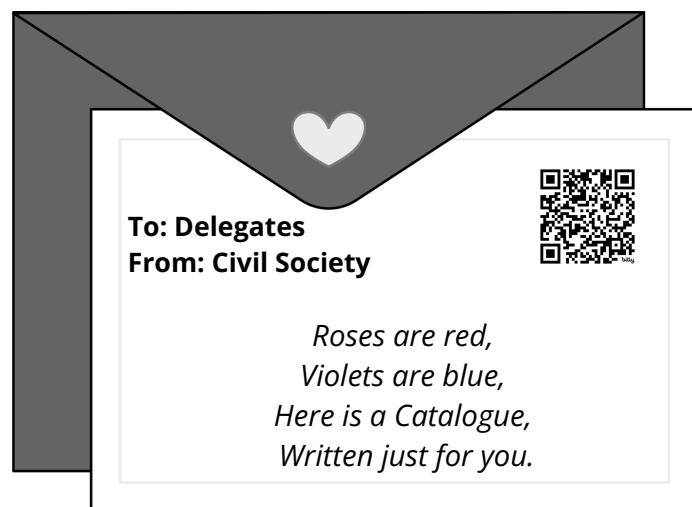
But, we are also concerned because we – civil society – have a lot to offer. For example, we have drafted a catalogue of proposals that we believe should be included in the Convention. And in fact, the Terms of Reference clearly state that civil society is “encouraged to contribute to the work” of this committee. We are here and ready to respond to that invitation. But we stress that it is up to you – the Member States – to ensure that we are given a real opportunity to provide informed and timely inputs.

The Terms of Reference also makes it clear that this process must be inclusive and Member State-led. If the negotiations continue on secret Zoom meetings, we fear that we might not be the only ones struggling to understand what is going on and participating effectively in the process. We urge you to solve that problem.

Lastly, the Terms of Reference make it clear that the UN Tax Convention must have ambition, substance and strong and concrete commitments. It must be the gamechanger that delivers an international tax system for sustainable development. You – as the Member State representatives – have the honor, privilege and responsibility to deliver an outcome that matches that mandate.

We want to remind you that tax injustice is not a victimless crime. It leads to failure of governments to fulfill their obligations in relation to health, education, human rights and the just transition, and it exacerbates inequalities both within and between countries.

As we go forward, we challenge you to be bold. Be ambitious. Be ready to deliver the change we so urgently need.



COMPARING APPLES TO ORANGES

Comparables may be the unicorn of the tax world: frequently invoked, rarely seen. Are we sure that they really exist? It seems that finding them might be mission impossible.

While in corporate tax debates, comparables are often treated as if they were solid, observable facts, it doesn't pass the test of reality. The arm's length principle assumes that prices of exchanges between related subsidiaries in the same multinational group can be tested against similar transactions between unrelated entities. But for many of these operations, such as intellectual property, there are not genuine market comparisons possible. Looking for similar cases often doesn't make sense as business models evolve rapidly and vary across sectors and regions.

It is no secret that the tax avoidance industry has taken advantage of the transfer pricing system and the mythical comparables to enable multinational corporations to shift their profits to tax havens. We fear that spending more time and resources on the hunt for approximative comparables is not going to help tax administrations achieve their objectives of taxing multinational companies according to their real economic activity.

