# The Tax Chronicle

## A special edition of the FfD Chronicle

CIVIL SOCIETY FINANCING FOR DEVELOPMENT Mechanism

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.

## YES – THAT'S WHAT AMBITION LOOKS LIKE!

We civil society are often told we're always negative. Here's an article to prove you wrong!

Yesterday's discussion on High-net Worth Individuals was a heartwarming and much needed reminder of what ambition looks like. Brazil, India, the Africa Group, Spain, Pakistan and several other Member States delivered a strong push for reintroducing much stronger and more action-oriented language in Article 6. Thank you, champions!

This could not be more timely. Governments around the world are struggling to fund healthcare, education, environmental protection, gender equality, and the fulfillment of human rights.

Meanwhile, the exclusive club of dollar-billionaires keeps hoarding wealth and power at record speed, and the world has just seen the emergence of the world's first trillionaire. This extreme concentration of wealth must urgently be addressed!

On the backrows, we felt a very strong urge to applaud yesterday. Sadly, we remain aware that this practice was banned in the UN Tax process in 2024 when a European delegate (who wasn't receiving any applause) complained that she was "not used to that". But we hope you all felt our positive energy of appreciation, when ambition finally reemerged in Conference Room 2.

## WHY DOES PROGRESSIVITY MATTER?

As we all know tax progressivity is a cornerstone of fair and effective tax systems because it aligns tax obligations with the ability to pay. It means that individuals and corporations with greater economic capacity contribute a larger share of their income or wealth, helping to reduce inequality while generating the public resources needed to finance sustainable development and the progressive realization of human rights. Progressive taxation is therefore not only a matter of equity, but also of economic efficiency and social cohesion.

Under the current global tax rules, national efforts to implement progressive taxation are constrained by the mobility of capital, multinational enterprises, and high-net-worth individuals. As a result of tax competition, profit shifting, hidden offshore wealth, and unfair arbitration, those with the greatest capacity to contribute minimize or avoid taxation, shifting the burden onto workers, consumers, and small domestic businesses. Because of this, countries, particularly developing countries, face significant revenue losses that weaken their ability to fulfill human rights obligations.

For this reason, as several Member States stressed yesterday in the Article 6 discussion, progressivity should become a central objective of international tax cooperation rules.

International cooperation enables countries to protect and strengthen progressive tax systems by reducing opportunities for cross-border tax avoidance and evasion. Effective taxation of multinational enterprises, transparency of beneficial ownership, automatic exchange of information, administrative cooperation, and effective taxation of high-net-worth individuals all contribute to ensuring that our tax systems can be progressive. Without international coordination, countries acting alone often face a "race to the bottom," lowering tax rates or granting preferential regimes to attract mobile capital, which ultimately undermines their own fiscal sovereignty. Addressing these challenges requires multilateral solutions that close loopholes and establish a fair allocation of taxing rights among countries.

Finally, embedding progressivity within international tax cooperation reflects a broader commitment to fairness, solidarity, and sustainable development. It recognizes that globalization should not enable those with the greatest economic power to escape their tax responsibilities while ordinary citizens bear a disproportionate share of the tax burden.

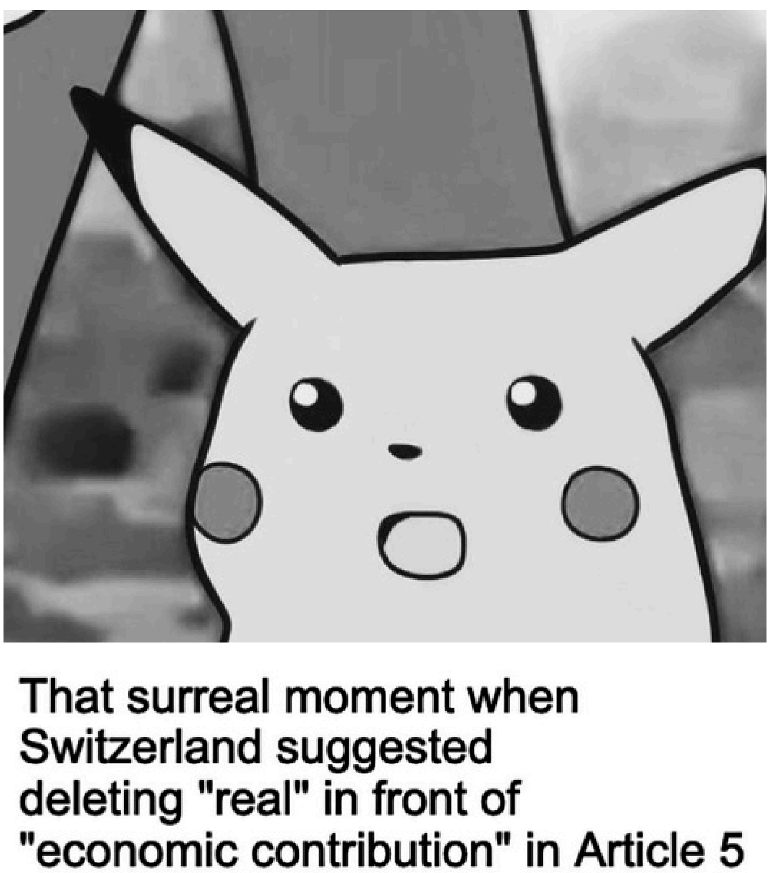
It's high time for Member States to embrace the concept of progressivity in the UN Tax Convention.

# INFAMOUS INFORMALS

Old habits die hard, especially when it comes to tax matters… It took less than two days of negotiations for voices to be raised, calling for the doors to close for an infamous informal informal meeting on one of the most crucial issues of this Convention: Article 5. We shall refrain from commenting on the fact that this request originated from a country whose tax history is marked with the seal of opacity…

How far we have come from that first day of negotiations at INC5, when certain countries wholeheartedly reaffirmed their commitment to the transparency of the process and the inclusion of all stakeholders. Yet these very same countries were quick to fall into line, as soon as a proposal for an informal informal meeting was put forward, to support it. This is yet another blow to the mandate for these negotiations, which was clearly set out by the United Nations General Assembly: that of transparent and inclusive negotiations. Such is standard practice at the UN, in stark contrast to the OECD, which is known for quite the opposite.

The terms of reference are, however, clear: not only must this process be open, inclusive and transparent, but it must also establish "an inclusive, fair international tax system" that is, in turn, "TRANSPARENT". As the history of taxation has amply demonstrated, it is only by removing opacity and fighting relentlessly for transparency on what is owned, what is paid, and where wealth is held that a fair system – in which everyone pays what they logically ought to pay – can emerge.




Let us return to the practice of the informal informal. If this were the exception, perhaps then we could be a little more forgiving… But it is far from being the case. We remain astonished at the exclusionary stance adopted by this INC towards informal informal meetings, given that no UN rule expressly provides for the exclusion of stakeholders. On the contrary, there is a wealth of evidence of informal informal meetings that include stakeholders, and in particular, civil society.

Our stance against this practice, which undermines the transparency of this process, is all the stronger given that, since the start of this process, an illegitimate practice has become the norm – contrary to all existing UN practices. That of permanent, year-round "informal informal" via intersessional Zoom meetings. We will continue to denounce this and hope that both the Secretariat and the Member States will see reason and put an end to this senseless practice.

Dear delegates, civil society, in all its diversity, represents citizens from every continent. These citizens are also taxpayers, and they expect us – they expect you – to finally lift the veil of opacity collectively and usher in an era of fiscal transparency. These are the citizens to whom the governments you represent are accountable, and who have the right to know, at all times, what their governments are negotiating. This is a matter of democracy!

**We cannot stress this enough: we will never build a transparent tax system behind closed doors. Down with the closed-door informal informals!**