AN OPEN LETTER FROM THE

# Tax and Fiscal Justice Asia (TAFJA)

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AsiaTaxJustice

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**To the Esteemed Delegates Representing Governments from Asia at the Negotiations for the UN Framework Convention on International Tax Cooperation**

**Dear Sirs/Madams:**

The majority of states in Asia were among the 125 states that voted in November 2023 to adopt a resolution for a UN Framework Convention on International Tax Cooperation (UNFCITC). The vote has brought forth a historic opportunity to leave behind unjust systems and build a new global tax architecture.

We urge governments to make tax justice a priority. We write to you with our vision and our proposals to make tax systems work for our people and planet, not just for the superrich or the Global North countries.

The Tax and Fiscal Justice Asia (TAFJA) is a regional network of more than 50 civil society people's organizations, nongovernment organizations, think tanks, and regional alliances and movements with members based in Australia, Bangladesh, Cambodia, Hong Kong, India, Indonesia, Japan, Malaysia, Nepal, Pakistan, Philippines, Sri Lanka, and Vietnam. We advocate for progressive tax reforms and redistributive fiscal policies to reduce economic inequality. Our members and partners are among the over 200 organizations and trade unions that made a joint submission to the Ad Hoc Committee to Draft Terms of Reference (ToR) for a United Nations Framework Convention on International Tax Cooperation in June 2024.[1]

As you now write the texts for the UN Tax Convention and two early protocols, we call on you to raise the ambition in realizing the mandate of the Terms of Reference approved by the General Assembly. We call for robust and substantive texts specially to operationalize the principles and commitments on the following:

1. **Fair allocation of taxing rights across countries and Equitable Taxation of Multinational Enterprises**

[1] *The Full Submission is available here: https://globaltaxjustice.org/library/letter-200-csos-and-trade-unions-submit-comments-on-the-un-tax-convention/*

Taxing rights must be fairly reallocated across all countries prioritizing source-based taxation that recognizes the significant economic presence of businesses where real economic activity takes place – such as where markets are located, where natural resources are extracted, labor is exploited, and where environmental impacts are most directly felt.

## 2. International Tax approaches that contribute to Sustainable Development

The Convention text should contain substantive article(s) on international tax approaches that will significantly contribute to the following:

- Addressing inequalities by promoting progressive, gender-responsive taxation

Taxation should be made more progressive by shifting tax burdens to the super wealthy, preventing corporate tax abuses and committing revenues for public goods and services. This requires, among others, moving away from over-reliance on consumption taxes to sharply taxing wealth and corporate income and removing longstanding gender and other systemic biases that favor elite interests. The Convention should ensure that tax policies do not discriminate directly or indirectly against women and other marginalized sectors. Governments should be encouraged to undertake gender impact assessments of tax policies and reforms, collect and publish sex-disaggregated tax data where appropriate. Gender-responsive taxation must go hand-in-hand with gender-responsive budgeting.

- Responding to the climate emergency and fulfilling climate finance commitments and reparations for climate debt

International tax approaches must be pursued to enable all countries to scale up the mobilization of public finance to effectively and fairly address the climate emergency. The climate and ecological debt owed by countries of the Global North to the Global South has grave social, environmental, and economic dimensions that must be taken into account. Recognition of the deep carbon and ecological footprints of billionaires and corporations must be matched with the integration and operationalization of the 'polluters pay' principle, holding high-emitting industries accountable for ecological damage, and ensuring effective taxation of the fossil fuel industry. These policies must be aligned with the vision for rapid, just, and equitable transition to a fossil-free future.

- Fulfilling human rights obligations

Delivering on human rights obligations –– such as the right to health, the right to education, freedom from hunger, adequate standard of living, among others – requires a robust and ambitious UN Tax Convention that will enable all countries to generate and secure the maximum available resources so that states fulfill their duty to protect human well-being.

**3. Effective Taxation of High Net-Worth Individuals (HNWIs)**

Targeted wealth taxation must correct systemic tax policy failures that disproportionately burden marginalized groups and women. Direct taxes on the super-rich must be the norm rather than indirect taxes like VAT and GST. The effective taxation of high-net worth individuals requires processes to identify HNWIs within countries and at the global level, mechanisms to track wealth and assets, and policies toward setting a global minimum tax rate.

**4. Curbing harmful tax practices and illicit financial flows through stronger transparency and accountability mechanisms**

Financial secrecy and a lack of public disclosure rules allow multinational corporations and wealthy elites to drain resources from developing nations in the form of profit shifting, hidden wealth in tax havens, aggressive tax avoidance, and other types of tax-related illicit financial flows. Financial transparency and corporate accountability must be enforced through mechanisms and instruments such as Beneficial Ownership Registries and Global Asset Registries with universal application and public access.

**5. Introducing a new and separate article on Tax and Extractives**

Asia is home to vast reserves of coal, natural gas, limestone, gemstones, and – increasingly – the so-called critical minerals on which global energy transition depends. Yet the region continues to lose a disproportionate share of this wealth to profit shifting, opaque contracts, and a race to the bottom in fiscal incentives offered to attract extractive investment. Estimates of illicit financial flows from developing economies run into hundreds of billions of dollars annually. The extractive sector remains one of the largest single contributors to this loss. This is not a matter of insufficient resources, but of insufficiently coordinated rules: when neighbouring states compete for the same capital by offering ever-deeper royalty holidays and tax exemptions, both the state that “wins” the investment and the state that loses it are worse off.

The Convention should facilitate international cooperation to prevent harmful tax competition and a race to the bottom. It should strengthen transparency, accountability, and fair taxation in the extractive sector, including through greater transparency of contracts and fiscal terms, beneficial ownership transparency, measures against profit shifting, and action to curb harmful tax incentives. As demand for critical minerals grows, it should also ensure that resource-rich countries receive a fair share of the benefits from their natural resources.

We believe the extractives sector requires a separate focus in recognition of the complexity of tax-related issues, taking into account its unique nature. Unique because extractive activities, for the large part, results in permanent loss of the country's natural resources and irreversible environmental damage, disruption of ecosystems, and displacement of communities and loss of access to vital resources needed for their survival. Many such extractive activities take place in indigenous communities' ancestral lands in clear violation of their rights. When corporate profit becomes prioritized in tax policy and natural resource extraction, human rights are often sacrificed. We thus support the creation of a new and separate article on tax and extractives in the Convention as called for by the Africa Group during the negotiations in 2025.

**6. Intergovernmental mechanism for global tax governance that is genuinely inclusive, democratic, transparent, accountable, under the auspices of the UN**

The UNFCITC could be a game changer if it creates a genuinely inclusive, democratic, transparent, and accountable intergovernmental mechanism where every country negotiates on equal footing, backed by a strong mandate from the Conference of the Parties (CoP). Changing how international tax rules are made is within reach with our participation in the tax negotiations.

We urge your office to fully support the passage of a meaningful UN Tax Convention to rewrite global tax rules for our people and for the sustainability of the planet. This is the only way to ensure that developing countries can mobilize adequate public resources to fund essential services and climate action urgently needed in this era of multiple crises.

Yours sincerely,

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