Third Session, UN Tax Convention Negotiations
November 12, 2025
Article 8- Harmful Tax Practices

Intervention by Dominik Gross from Alliance Sud

Thank you, Mr. Chair, for the opportunity to speak here. Distinguished delegates, in the name of the Global Alliance for Tax Justice and Alliance Sud in Switzerland I would like to raise awareness for an aspect in regard to Harmful Tax Practices which seems to fly a little bit under the radar so far.

With the implementation of OECDs Pillar 2, we see in several countries a shift from the infamous "Race to the bottom" on tax rates to a new race to the top on subsidies. This is especially the case for low tax jurisdictions in Europe like Ireland, the Netherlands or my own country Switzerland. As one of the big four in the world of tax advisers put it last year in a report: "Switzerland joins the international competition in a world of minimum tax."

As we all know, when Pillar 2 was discussed at the OECD three years ago, it was very far from all Member States in this room that agreed to its final architecture. A third of the countries in the world were not even at the table. Furthermore, BEPS 2 as a whole is not leading to a fairer distribution of tax revenues among countries, as it was originally promised by the OECD.

On the contrary, especially with the implementation of the so called "Qualified domestic minimum top-up tax" in Pillar 2 and due to the inability of the OECD to effectively tackle Profit Shifting practices, the minimum tax gave low tax jurisdictions the possibility to gain even more tax revenue. To make it fully clear: Of all countries, Pillar 2 is mostly benefiting exactly those, who have been fueling the race to the bottom for a long time!

As we have been able to observe over the past few years, these countries are not using those additional revenues for fighting climate change or securing their important contributions to development funding. Instead, they're using the so-called "Qualified Refundable Tax Credits" to the benefit of exactly those multinational companies who they now tax at the minimum tax rate. Their approach also means, that the income of this companies in question, which often originates from Profit Shifting, cannot be top-up taxed by other countries. This is especially to the detriment of source countries.

To give you an idea of the striking dimensions this back transfers of tax money currently develop, I suggest to look at the example of the Swiss Canton of Zug. It is home to only 136'000 people and offering one of the lowest corporate tax rates in the world. With the implementation of Pillar 2, the cantonal government is calculating with 200 million Euros in additional tax revenues per annum, which it intends to spend on new subsidies. Those will be to a very large part used for the promotion of some of the biggest and most profitable commodity traders in the world, their wealthy employees and for local subsidiaries of foreign multinationals. These companies are often lacking substance on site and generate their income mostly outside of Switzerland all over the world.

Distinguished delegates, I tell you all this not to specifically harm my home country which I consider as an extreme privilege to be a citizen off. But out of the obligation we have, as economically privileged countries, to redress historic inequalities and ensure everyone can equally enjoy their rights.

I hope I was able to illustrate that “Building on existing international tax rules” and at the same time achieving a fair, transparent, efficient, equitable and effective international tax system for sustainable development, is an endeavor that seems doomed to fail from the outset. Fundamental change is thus needed, and this wonderful venue here in Nairobi is the place to initiate it!

The Global Alliance for Tax Justice is therefore urging you to include strong language under Art. 8, which includes subsidies like QRTC in a definition of Harmful tax practices and commits parties to get rid of such instruments. Finally, the Article should enable the future COP to develop provisions, which include sanctions or penalties for non-compliant states.

Thank you, Mr. Chair