Fifth Session, UN Tax Convention Negotiations
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Article 5 – Fair Allocation of Taxing Rights

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Thank you, Mister Co-lead.

Distinguished Delegates,

As we move towards drafting a text that could lay the foundations for a simpler, fairer and more effective international tax system, we must remain faithful to the mandate given to this negotiating committee by the General Assembly. Paragraph 10(a) of the terms of reference explicitly calls for the fair allocation of taxing rights, **including the equitable taxation of multinational enterprises.** We therefore propose **an Article 5 bis on this.** We believe that this article should constitute a clear mandate to the COP to address equitable taxation of MNEs in several ways**. Among the keyways to do this should be that the COP should provide an international system for taxing multinational enterprises on the basis of their global consolidated profits, with taxing rights being allocated fairly between States on the basis of an agreed formula.** The COP can provide further operational details on this. We already have specific proposed text on this and are ready to present this to the INC as we have in the past through our catalogue of proposed articles.

The omission of this article on equitable taxation of MNEs must urgently be corrected, to enable states to regain control over multinational companies whose abusive practices have for too long been eroding the tax sovereignty and public finances of most states represented here.

Dear delegates, civil society has worked tirelessly to demonstrate, with supporting evidence, that unitary taxation is by no means a pipe dream but a necessary paradigm shift, the effects – and above all the benefits – of which we can now reliably assess. Public Services International (PSI) and the Tax Justice Network have just published a comprehensive study a few days ago, with very clear findings. **Nearly all countries in the world would see their corporate tax revenues rise dramatically: low-income and high-income countries alike, across every continent.** Brazil's tax revenues from multinationals would increase by 62%, France's by 77%, India's by 194%, Kenya's by 406%, and Nigeria by 641%!

These are not just fictitious figures, **but the hundreds of billions urgently needed** to fund public services, social protection, the fight against climate change, development, health and education. G77 countries would collectively collect more in a single year than the total amount they owe to the IMF in outstanding loans. EU countries would collect enough to quadruple spending on climate adaptation in agriculture, energy and transport.

For the first time in tax history, we would have more winners than losers, if we dare put the old world behind us by making multinationals pay where they play and not anymore where they say, allowing countries to claim the tax revenues legitimately due to them.

This needed commitment will only be effective if it once and for all marks the end of a fiction dating back more than a century: that of the arm's length principle and transfer pricing. This commitment will only be effective if it clearly paves the way for a unitary taxation system with formulary apportionment, which would finally treat multinationals as single entities.

Thank you.