GLOBAL ALLIANCE FOR TAX JUSTICE

CIVIL SOCIETY FINANCING FOR DEVELOPMENT Mechanism

Session 2, UN Tax Convention Negotiations
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Thank you, Mr. Chair

This morning's discussions highlight the fact that, in the absence of fair, effective rules, countries have to manage alone to address their own facts and incomes.

My country, France, was one of the first to introduce a tax on cross-border services. has actually managed to mobilise income in the digital sector, and this information should be accessible to all countries. In France, it is estimated that it brings in around EUR 500 million per year. But to come back to the heart of the protocol, we think that it should open the path in two ways. In the short term, it should allow all countries to tax digital services, but in the longer term, to meet the main aim of the framework convention, that is to ensure fair, effective taxation of all multinationals, and to not forget the heart of the issue, which is reforming transfer pricing, a cross-cutting issue across all of the three work streams. This would allow us to build a system that would tax multinationals where they operate, as global entities. This is a system founded on their global profits, including their digital activities. The method that we are looking at here is one of unitary taxation and with formulary approachment.

As was said earlier, we can truly design a new system here. To do this, we agree that we need to be open, but above all, that we need to have the political courage to definitively turn the page on transfer pricing. So in the workstream two issues note, we can see that developed countries think that they need to look at countries of the south to apply the rules of transfer pricing. We take note of that argument, but let's be clear, this isn't an issue of the capacity of countries of the south. No level of capacity-building can solve the issue when the transfer pricing system does not work either in the North or the South.

For instance, it is clear to see that this transfer pricing is already absurd. For instance, look at the Starbucks case. In another example, the Apple case, after years of proceedings, the Court of Justice of the European Union annulled two APAs, one went back to 1991, that led to 13 billion dollars in taxation. These examples show that transfer pricing is based on a fiction according to which the members of a same multinational group would be independent entities, but in reality this system does not guarantee any legal certainty to anyone, particularly not to those countries that are seeking to fund their public services. They will therefore invite Workstream 2 to, without further ado, look at transitional measures but also to prepare this crucial reform in workstream one to give a clear mandate to the Conference of the Parties to adopt unitary taxation with formulary apportionment. Thank you.