GLOBAL ALLIANCE FOR TAX JUSTICE

CIVIL SOCIETY FINANCING FOR DEVELOPMENT Mechanism

Session 2, UN Tax Convention Negotiations
August 11, 2025 – Protocol 1
Intervention by Everlyn Muendo - Tax Justice Network Africa

Thank you, Chair.

We appreciate the work that has been done by the workstream and particularly by you with regard to developing the issues note. We especially appreciate discussions on new nexus rules. We do believe that the current nexus rules are not aligning with the existing business models. However, we are severely concerned that the issues note does not adequately address transfer pricing concerns.

We believe that new nexus rules without addressing profit allocation rules makes the work of the work stream incomplete as it fails to take heed of the impact of profit shifting, which also severely impacts taxing rights. We therefore suggest that further to what has been covered within the issues note in paragraph 12, much more needs to be done with regard to addressing several approaches to address transfer pricing concerns. We encourage member states to go beyond the limits of the fictional concept of separate entities within multinational enterprises. And our suggestion as civil society is that one of the approaches that should be seriously considered by this work stream and by the larger INC is unitary taxation and formulary apportionment.

With regard to gross-based withholding taxes amongst other gross-based taxation measures. We believe that this is a measure that works well for developing countries because of its ease of administrability as well as its simplicity. However, we do believe it's a short-term solution towards the challenges of taxation of cross-border services. We agree with the position that we should look to taxes that avoid passing the burden on the consumer. But we also state with regard to net taxation, in order for that to effectively exist, we will have to ensure that we have strong tax transparency measures, particularly public country-by-country reporting. And again, we believe that net taxation could come in under unitary taxation and formula apportionment. Therefore, we believe this is something that should be considered by the Member States on a balance of benefits as well as lack of benefits.

Thank you.