



CONCEPT NOTE

Financing the post-COVID recovery and the Sustainable Development Goals through effective and inclusive tax policies

Virtual meeting

By Invitation Only

20 April 2021, 15:00 – 17:00 (CET)

Background

As the world is facing the worst health crisis in a century, the need to recover the colossal funds lost to tax abuses, money laundering and corruption becomes ever more pressing. Beyond the socio-economic effects specific to the pandemic, the world has been grappling with critical challenges ranging from high levels of inequality and poverty to drastic climate change. Illicit financial flows exacerbate these challenges by depriving governments from the necessary resources to invest in sustainable development, e.g., education, healthcare systems and green energy.

Moreover, the transnational nature of harmful financial transactions and practices results in the shift of wealth out of developing countries, which face relatively larger impacts than developed countries. Ultimately, redesigning the global architecture of our financial and tax systems could stop the drain of public finances and promote prosperity, inclusiveness and trust in the rule of law.

Aside from the UN discussions on tax and illicit financial flows which regularly take place in the General Assembly and ECOSOC in New York, and the discussions on corruption which take place in Vienna, and in Geneva discussion about tax and illicit financial flows will likely also take place in the negotiations of the draft UNCTAD XV declaration. Domestic resource mobilisation has been identified as an issue of crucial importance. Reiterating and building on the Nairobi Maafikiano (UNCTAD XIV), the draft UNCTAD XV declaration calls for global cooperation in tax matters and to tackle illicit financial flows and the activities that underlie their occurrence, such as tax evasion, corruption, embezzlement and fraud, all of which contribute to capital flight.

Against a backdrop of urgent need for greater resources for investment in sustainable development, the High Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (FACTI Panel) is asking governments to agree to a “Global Pact for Financial Integrity for Sustainable Development” requiring enhanced transparency and stronger accountability, more robust institutions and stronger cooperation both at the national and international level. In its final report launched in February 2021, the FACTI Panel articulates 14 progressive and attainable recommendations to redesign and

revitalise the current legal and institutional frameworks underpinning the global financial and tax systems with a view to achieving sustainable development. The recommendations address tax evasion and tax avoidance as well as money laundering, corruption, and asset recovery, thus recognising the interconnectedness of these practices and proposing systemic solutions.

With respect to tax matters, the Panel underlines the role of adequate common international standards. It calls for a UN Tax Convention that is negotiated in a fully inclusive and fair manner; this would set high standards, particularly in terms of transparency. The Convention would also answer a pressing need of the international community through providing a mechanism for equitable taxation of the digital economy. This has taken on increased urgency as the share of e-commerce [continues to increase](#) in global retail trade, from 14% in 2019 to 17% in 2020. However, developing countries are facing challenges in imposing customs duties on electronic transmissions due to the WTO moratorium, and this has meant that they are unable to tap into this potential revenue stream. This has meant an increased need for effective direct taxes on the digitalized economy. The UN Tax Convention can be an instrument for speedily implementing the solution developed by the UN Tax Committee on taxing income from Automated Digital Services. Another feature of the Convention could be to establish a global minimum corporate tax to lessen the incentive for tax competition and the destructive ‘race to the bottom’. The UN Tax Convention could also encompass a mechanism to resolve tax disputes.

On the specific topic of tax transparency tools, country-by-country reporting would reveal the amount of tax that multinational corporations place in tax havens through profit-shifting. Beneficial ownership information on all legal vehicles is a crucial policy tool that reveals the ‘human’ owners of companies; it not only obstructs money laundering but can also enhance tax transparency by allowing countries to trace the proceeds of tax abuse.

The cross-border nature of tax and other financial crimes requires effective cooperation and information sharing mechanisms. The FACTI Panel recommends ending information asymmetries of tax-related data across countries and promoting information exchange among enforcement agencies, tax administrations and other authorities. At the national level, free information exchange should be promoted as standard practice to stamp out illicit transactions.

Illicit financial flows including tax abuse could not possibly be carried out without support from “enablers”, such as lawyers and accountants. Governments should work together towards global standards which can be adapted into national supervisory frameworks and sanctions regimes that act as a deterrent to those who aid tax abuse and other types of financial crime. To improve the process of asset recovery, regional development banks may be well placed to hold seized or frozen assets until they can be legally returned.

To ensure legitimate and inclusive global financial governance, the Panel proposes the establishment of a global coordination mechanism at United Nations Economic and Social Council. This would coordinate the activities of several bodies that are currently working independently, such as the UN Tax Committee, the Financial Action Task Force (FATF), the Inclusive Framework on BEPS and the Global Forum on Exchange of Information for Tax Purposes, as well as mechanisms on crime and corruption such as the Conference of State Parties to the UN Convention Against Corruption.

Furthermore, the Panel recommends the creation of an intergovernmental body on tax matters under the UN to further enhance the inclusiveness of the current mechanisms. This has also been a long-standing demand of the G77.

Gaining political momentum for these legitimate and feasible set of measures and setting clear action plans to implement them has never been more decisive and urgent.

The FACTI Panel report can be accessed [here](#).

Objective

This briefing organised jointly by the FACTI Panel and the South Centre, will give the FACTI Panel the opportunity to engage with the Permanent Representatives of the G77 and China in Geneva as well as the South Centre's network of tax officials on issues pertaining to enhancing tax transparency, financial integrity, and funding the 2030 Agenda for Sustainable Development.

Key Topics

The meeting will address the following topics:

- Improving international standards and governance mechanisms for inclusive and effective tax and financial policies.
- A global minimum corporate tax and the taxing of digital giants.
- Enhancing capacity of information sharing between law enforcements agencies and other authorities.
- Better transparency through beneficial ownership registers and country-by-country reporting to fight illicit financial flows including money laundering, tax evasion and tax avoidance.
- Redirecting recovered resources towards the achievement of the SDGs.

Provisional Agenda

Opening remarks (10 min)

- Dr. Carlos Correa, Executive Director, South Centre
- Amb. Nasir Ahmad Andisha, G77 Chairperson, Geneva

Presentations & discussion panel (50 min)

- Dr. Ibrahim Hassan Mayaki, FACTI Panel co-chair and former Prime Minister, Niger
- Amb. Khalil-ur-Rahman Hashmi, Ambassador of Pakistan to the UN, Geneva
- Amb. Margarida Rosa Da Silva Izata, Ambassador of Angola to the UN, Geneva
- Mr. Radhakishan Rawal, former Subcommittee Member, UN Tax Committee
- Prof. Irma Mosquera Valderrama, Associate Professor, Leiden University

Open Discussion (55 min)

Closing remarks (5 min)

- FACTI Panel co-chair