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Taxation and the 2030 Sustainable Development Agenda



About the lecturer

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Questions to consider

1. What are the main changes in international taxation since the 2008 financial crisis?
2. How these changes have been linked to fairness, legitimacy and inclusiveness?
3. What is the link between international tax law making and the 2030 SDG Agenda?
4. What countries/ are (or should be doing) to address SDGs in their tax policies?

1. What are the main changes in international taxation since the 2008 financial crisis?



FATCA
CRS



BEPS



1. IOs/G20/EU and civil society: International Taxation

Aims

- OECD/G20/EU: Global fair, sustainable and modern tax systems.
- Civil society: Solidarity; Fairness: Fair share by MNEs
<https://www.taxjustice.net/2018/03/08/video-discussion-on-tax-revenue-losses-apples-tax-avoidance-and-state-aid/>

2. Current Instruments

1. League of Nations, OECD and UN Models. Failure to have a multilateral instrument. (developed vs. developing countries). Some OECD projects e.g. Transfer Pricing Guidelines, 1998 Report on Harmful Tax Competition.
2. Financial crisis: Need for revenue, and to tackle tax evasion and bank secrecy. Exchange of Information: On request and then automatic (financial account information). Global Transparency Forum
3. BEPS tackle base erosion and profit shifting by multinationals (see next slide) – EU also following these developments.
4. BEPS Taxation of Highly digitalized business
 - Pillar 1 Allocation of taxing rights: Nexus (where) and allocation (how)
 - Pillar 2- introduction of a minimum income tax –
Approved by 137 jurisdictions October 2021 (15%)

3. OECD/G20 Developments

OECD with the political mandate of the G20

- ❑ 2009: Exchange of Information (thereafter AEOI-FATCA)
- ❑ 2013: BEPS Project and BEPS 4 Minimum Standards

2. How these changes have been linked to fairness, legitimacy and inclusiveness?

3. OECD/G20 Developments

- BEPS 44 Group decided the content of the BEPS Actions (OECD and G20)
- Extended to non-OECD; non-G20 Countries: BEPS Inclusive Framework for BEPS 4 Minimum Standards (Actions 5,6,13 and 14). Currently 141 tax jurisdictions.

3. OECD/G20 Developments

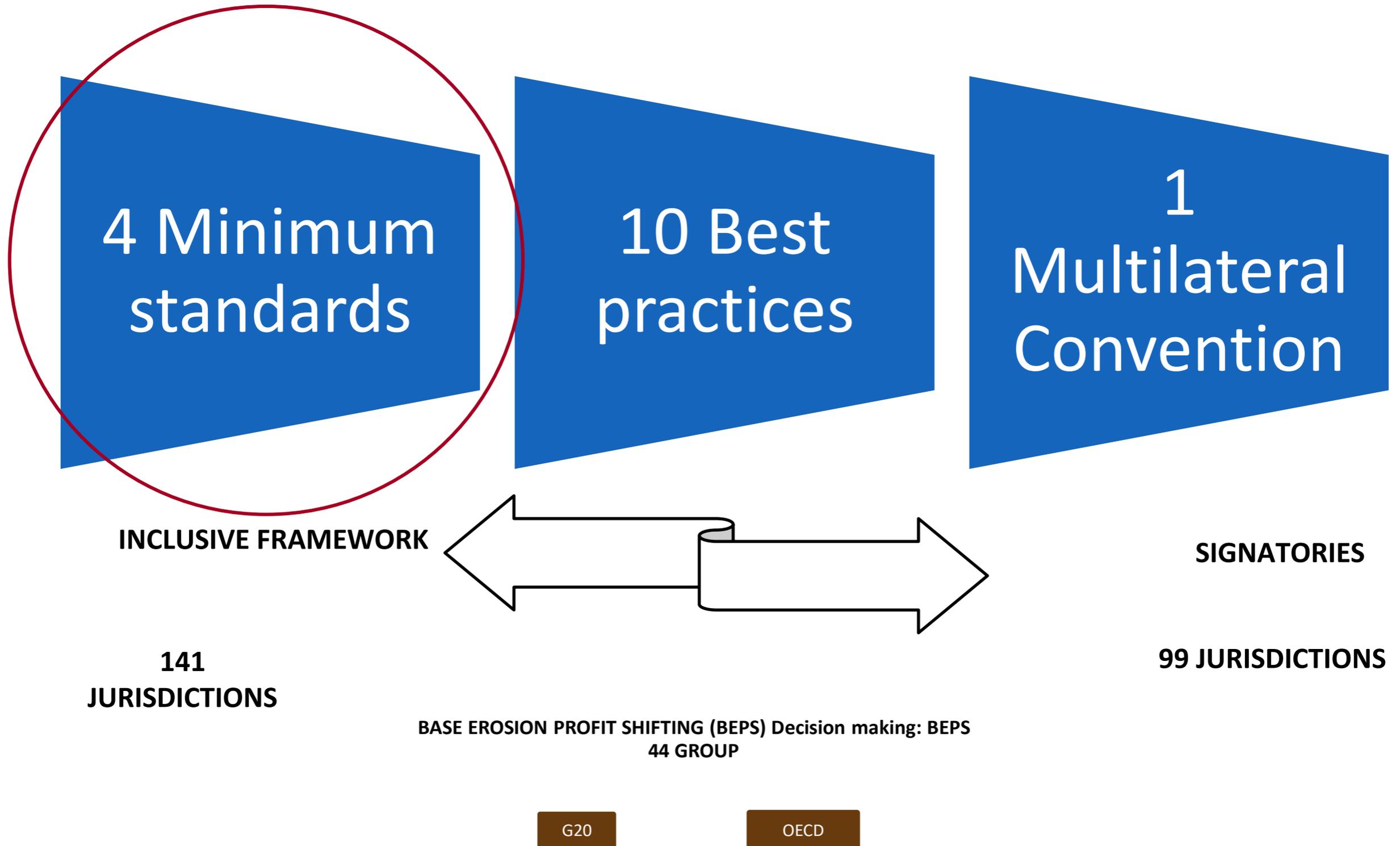
Multilateral instrument to modify bilateral tax treaties.

Coexistence of bilateral and multilateral instrument.

Convention in force (July 2018), but only in force for the country after deposit instrument of ratification. Signed by more than 90 tax jurisdictions (currently ratified by more than 40)

Text MLI <https://www.oecd.org/tax/treaties/multilateral-convention-to-implement-tax-treaty-related-measures-to-prevent-BEPS.pdf>

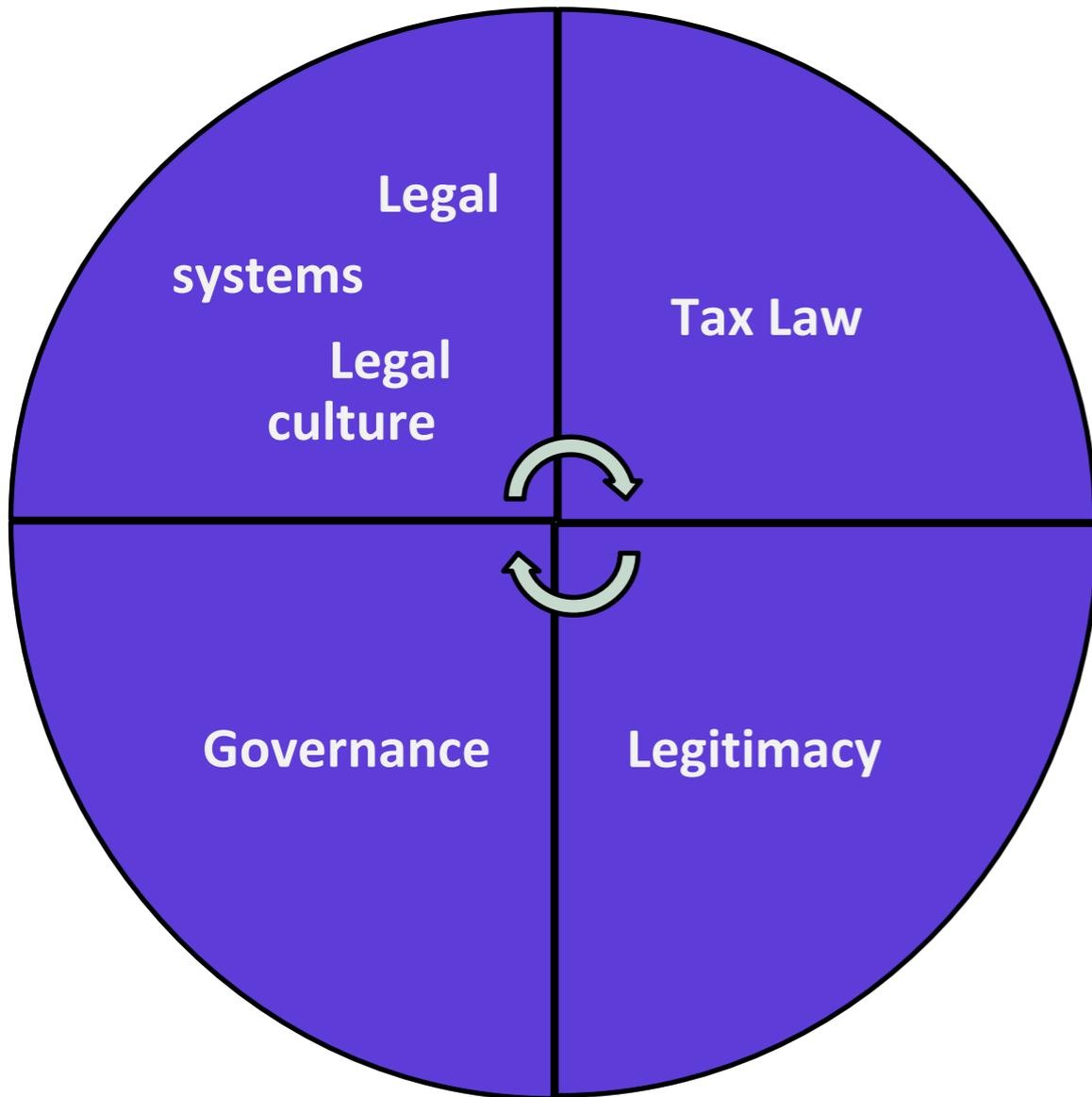
TAX GOVERNANCE – OECD and G20



RESEARCH QUESTION

Under what conditions can the OECD-G20 and the EU models of global tax governance be feasible and legitimate for both developed and developing countries?

MY RESEARCH



Comparative Law

- Legal transplants
- Legal systems
- Legal culture

Legitimacy

Input, Output: *Scharpf*
Throughput: *Schmidt*

Governance

Experimentalist Governance:
Zeitlin & Sabel
Keohane & De Búrca

3. What is the link between international tax law making and the 2030 SDG Agenda?

4. Legitimacy deficits

1. BEPS Inclusive Framework: Peer review input limited from peers due to technical capacity among others. IF only for implementation of BEPS 4 Minimum Standards. MLI different mismatches – bilateral negotiations.
2. Different needs of developing countries, speed of the reforms and the need to balance raising revenue vs attracting investment
 - IMF 2019 Corporate Taxation in the Global Economy
 - IMF 2019 The Rise of Phantom Investments
3. Alignment with Sustainable Development Goals and the 2030 SDG Agenda
 - Ensure responsive, inclusive, participatory and representative decision making at all levels (SDG 16.7)
 - Develop effective, accountable and transparent institutions at all levels (SDG 16.6)

4. Legitimacy deficits

- Participation BEPS Inclusive Framework – Content and coordination with tax administrations of countries regarding decisions/discussions at the BEPS Inclusive Framework. More time to be given to staff preparation for meetings.
- Participation Peer Review Minimum Standards – How to make it effective, and also to contribute to exchange of best practices.

4. Legitimacy deficits

See FACTI panel: Presentation Kim-Jacinto Henares (former representative Tax Administration Philippines at the BEPS discussion)

<https://www.factipanel.org/events/virtual-consultation-session-improving-cooperation-in-tax-matters> (min. 16.20)

5. Taxation and Sustainability

Taxation linked to good governance?

EU as a major political and economic player internationally: To support implementation of international standards (exchange of information and BEPS) smooth and timely in the single market and internationally

Taxation linked to development?

To facilitate the collection of tax revenues (DRM)

Communication from the Commission to the European Parliament and the Council on an External Strategy for Effective Taxation COM/2016/024 final at 5

To assess how BEPS contributes to achieve the 2030 Sustainable Development Agenda?

5. Taxation and Sustainability

- Were the Sustainable Development Goals (SDGs) and the interests of developing countries to attract investment considered throughout the BEPS Process?
- How the implementation of BEPS will contribute to achieve the SDGs?
- What issues of international taxation, beyond BEPS, should be addressed to fulfill developing countries' need to achieve the 2030 Agenda for Sustainable Development?
- Is the approach to technical assistance holistic and inclusive? How this approach relates to Medium Term Revenue Strategies. How to strengthen the cooperation between countries and donors?

4. What countries/ are (or should be doing) to address SDGs in their tax policies?

6. SDGs

2030 Sustainable Development Agenda <https://sdgs.un.org/goals>

16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

16.4. Curbing Illicit Financial Flows

17. Strengthen the means of implementation and revitalize the global partnership for sustainable development

17.14. Domestic Resource Mobilization

17.16. building the global partnership for sustainable development

Also important country ownership policy coherence and SDGs

See <https://cris.unu.edu/sites/cris.unu.edu/files/W-2018-4.pdf>

7. Building blocks for coherent implementation of the SDGs

- Political commitment and leadership – to guide whole-of-government action and translate commitment on SDGs into concrete and coherent measures at the local, national and international levels.
- Policy integration – to consider systematically inter-linkages between economic, social and environmental policy areas as well as ensure consistency with international engagement before making decisions.
- Intergenerational timeframe – to make informed choices about sustainable development considering the long-term impact of policy decisions on the well-being of future generations.
- Analyses and assessments of potential policy effects – to provide evidence on the potential negative or positive impacts on the well-being of people at the domestic level and in other countries, and inform decision-making.

7. Building blocks for coherent implementation of the SDGs

- Policy and institutional coordination – to resolve conflicts of interest or inconsistencies between priorities and policies.
- Local and regional involvement – to deliver the economic, social and environmental transformation needed for achieving the SDGs and ensure that no one is left behind.
- Stakeholder engagement – to make sure that SDGs are owned by people, diverse actions are aligned, and resources and knowledge for sustainable development mobilised.
- Monitoring and reporting – to better understand where there has been progress, or lack of it and why, and where further action is needed

7. Building blocks for coherent implementation of the SDGs

OECD: Policy Coherence for Sustainable Development Toolkit

The new interactive self-assessment tool enables policy-makers, practitioners and stakeholders to review their institutional mechanisms, organisational structures and policy-making processes against internationally recognised good practices on Policy Coherence for Sustainable Development, as outlined in the OECD Recommendation on Policy Coherence for Sustainable Development.

It is designed to stimulate dialogue by helping users to identify strengths, gaps and weaknesses as a first step towards improvement.

<https://www.oecd.org/gov/pcsd/https://www.oecd.org/gov/pcsd/>

<https://www.oecd.org/governance/pcsd/toolkit/selfassessment/https://www.oecd.org/governance/pcsd/toolkit/selfassessment/>

<https://www.oecd.org/governance/pcsd/toolkit/#d.en.377019>

Self-assessment tool: <https://surveys.oecd-berlin.de/46>

Inform decision-making, and adjust policies in light of potential negative effects

Systematically **consider the effects of policies** on people's well-being "here and now", "elsewhere" and "later"

Engage all relevant actors to identify challenges, set priorities, align actions and mobilise resources

Align priorities and **promote coordinated action** at different levels of government



Mobilise whole-of-government action and orient policy development towards sustainable development

Support present needs and those of future generations in a balanced manner

Capitalise on synergies and address trade-offs between economic, social and environmental policy areas

Resolve divergences between policies, including between domestic and external policies

7. Building blocks for coherent implementation of the SDGs

- Policy Coherence for Development (PCD)– Lessons Learned
[https://www.un.org/en/ecosoc/newfunct/pdf/hls_finland-policy_coherence\(oecd\).pdf](https://www.un.org/en/ecosoc/newfunct/pdf/hls_finland-policy_coherence(oecd).pdf)
- OECD (2007), Development Co-operation report, OECD Journal on Development, Volume 9, No. 1.
- OECD (2003-07), Policy Coherence for Development: synthesis report on the OECD-DAC (Development Cooperation) Peer reviews

For further information visit our Internet sites:

www.oecd.org/development/policycoherence

www.oecd.org/dac/peerreviews

www.odi.org.uk/country_mappings