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It’s time to settle up

Billionaires are getting wealthier, while nations are getting poorer. Can a UN tax reform finally put a stop to global inequality?

Whilst many are lamenting the end of multilateralism and the concentration of global wealth continues to grow, the United Nations is quietly negotiating a reform with historic potential: a framework tax convention is set to establish new rules for the taxation of multinational corporations and extreme wealth – thereby making international tax cooperation fairer and more effective.

Last year alone, the number of billionaires grew by 400 to 3428. The wealth of Elon Musk, the world’s richest man, has more than doubled during this period. The growing concentration of market power and political influence is undermining the institutions of democracy and the social market economy. Tax policy is a key lever against wealth concentration. International reforms require a joint effort by the global community of nations, which seems scarcely conceivable in times of escalating crises and conflicts. Or perhaps not? The new UN Model Tax Convention has the potential to fundamentally transform the international tax order and aims to make the outdated rules fairer and more effective. And this is long overdue.

Pay where you play

The current rules are, for the most part, over a hundred years old. They date back to the era of the League of Nations, still reflecting colonial power structures and are ill-suited to globalised, digital markets. The international tax system is riddled with loopholes and regulatory grey areas that corporations and the ultra-rich exploit to avoid paying taxes. According to estimates, countries could lose up to five trillion US dollars over the next ten years due to tax avoidance practices. Money that is then lacking for schools, infrastructure or healthcare.

But that could now change. As early as 2021, the Organisation for Economic Co-operation and Development (OECD) adopted the global

minimum tax as a first important building block. The minimum rate is intended to put a stop to harmful tax competition between countries. However, at 15 per cent, the rate is still far too low, and major US tech firms were exempted at the instigation of the Trump administration. The reform thus remains largely ineffective. A more comprehensive overhaul is now being negotiated within the more inclusive UN framework. The process is being driven primarily by countries of the Global South. They are disadvantaged by the existing tax rules. The *Terms of Reference* for a framework tax convention, adopted by the UN General Assembly in early 2025, set out the aim of 'creating an inclusive, fair, transparent, efficient, equitable and effective international tax system for sustainable development, in order to improve the legitimacy, certainty, resilience and fairness of international tax rules.'

Negotiations on the text of the convention and two additional protocols will continue until the end of 2027. During the latest round of negotiations, which took place in New York in February 2026, initial draft sections of the convention text were discussed. The delegates were largely in agreement on the need for better taxation of the super-rich. In 2025, as part of its G20 presidency, Brazil had put the proposal for an internationally coordinated 'billionaire tax' on the agenda and emphasised the importance of progressive effective tax rates. Such proposals are also gaining momentum from research. However, points of contention became apparent regarding the issue of a fairer global distribution of taxing rights as well as transparency rules.

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Countries of the Global South and civil society actors, who have joined forces in the *Global Alliance for Tax Justice*, have long been calling for a paradigm shift in the taxation of multinational corporations and extreme wealth. The two are closely linked because wealth is often invested within corporate structures. The old tax rules are based on the so-called arm's length principle, a system in which corporations can largely determine for themselves where their profits are supposedly located. However, this approach has proven in the past to be susceptible to abuse. Furthermore, in terms of tax policy, it favours countries where companies have their headquarters.

More and more countries in the Global South are therefore calling for taxation to be levied where economic activity actually takes place. For instance, during the negotiations in New York, a delegate from India

asked where value creation in the digital economy actually occurs: where software developers write programmes, or at a company's headquarters, where managers merely sign off on a finished product? The international trade union movement also advocates that taxation should not depend solely on a company's physical presence in a country, but should be based on turnover, assets and employment. Instead of *'pay where you say'*, the principle of *'pay where you play'* should apply. Through a consolidated group tax that takes account of corporations' global profits, taxing rights could be distributed more fairly. Recent studies show that this would largely deprive tax havens of their business basis, whilst all other countries would benefit. The idea is not new. With the 'Common Consolidated Corporate Tax Base', the European Commission had already drawn up a set of rules based on the same principle for EU companies back in 2011.

A minimalist approach

For Europe, the UN tax negotiations represent a win-win situation: Firstly, they offer the opportunity to shape a fairer international tax system that involves multinational corporations and extremely wealthy individuals more closely in financing the common good. Furthermore, in the spirit of the much-vaunted 'partnerships', lost trust among the countries of the Global South could be regained. Yet, of all parties, the EU and Germany have so far tended to act as a brake. Whilst civil society and the group of African countries are pushing for binding rules, many industrialised nations are backing a minimalist approach – a so-called 'Shell' convention that regulates as little as possible and defers key issues. They repeatedly emphasise that all agreements must be in line with existing OECD regulations and oppose a clause in the convention text regarding the renegotiation of unfair double taxation agreements.

However, unlike the convention text, the protocols are voluntary commitments that countries can sign up to, but are not obliged to. A 'shell' convention that as many countries as possible can agree on would be a sign of life for a multilateralism that has been declared dead — a multilateralism minus one, as the US is not taking part in the negotiations. At the same time, the existing challenges are too great for political token gestures and require more than a mere agreement that a consensus has been reached. And if unfair agreements are not renegotiated, the question rightly arises as to how the system is to be made fairer at all.

So, the question is not whether fairer taxation is possible – but whether

This makes Berlin's reticence all the more remarkable. The urgent need to reform international tax rules is obvious, yet there is a lack of political vision. This may be partly due

there is the political will for it.

to the fact that delegates are primarily drawn from the technical departments of ministries, and these are deeply entrenched in the existing rules. A genuine paradigm shift towards a fairer international tax system, however, requires both political momentum and a strategic alliance of progressive actors. The fifth round of negotiations is scheduled for August. Over the coming months, the submissions from various stakeholders will be discussed, and a zero-draft of the convention text is expected in the summer. Overall, the negotiations are being closely monitored by social movements. This is hardly surprising, as the fact that tax issues are being negotiated behind closed doors at the United Nations rather than at the OECD – the club of rich industrialised nations – is the result of years of civil society lobbying.

As a counterpoint to the substantively thin Shell Convention, a shadow convention has been drawn up with the participation of more than 190 civil society and trade union organisations. It contains well-thought-out and concrete drafting proposals for all articles and is intended to mandate the states participating in the convention to pursue an ambitious follow-up process. Between the rounds of negotiations, however, the process is still set to continue via closed-door video conferences. This is unusual for UN processes, which are generally conducted transparently in full view of the global public. Civil society feels its watchdog role is being curtailed and is not willing to accept this.

So, the question is not whether fairer taxation is possible – but whether there is the political will for it. The coming months will now show whether the international community can find the courage for genuine reform. Or whether, in the end, we will simply end up with yet another agreement that sounds good, but changes little.



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