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The price that has to be paid

The world needs new tax rules. The UN might soon decide whether multinationals and the super-rich will pay their fair share

On 3 August, negotiators at the United Nations will resume work on a Framework Convention on International Tax Cooperation. This is the first attempt to write the rules of international taxation in a forum where all countries have an equal say, so what happens in New York will determine whether the world finally gets a taxation framework capable of reaching multinational corporations and the ultra-rich.

The current global tax rules are wide open to abuse. Multinationals can and do design their legal structures to minimise the taxes they pay in the jurisdictions where they generate revenues. That is why the Independent Commission for the Reform of International Corporate Taxation (ICRICT), of which I am a member, has long championed the idea of unitary taxation.

By assessing a multinational's profits at the global level, this approach would ensure that each country in which it operates can tax its profits proportionately. A forthcoming study from the Tax Justice Network will show that lower- and higher-income countries alike would gain from such a change, with tax revenues worldwide increasing by an estimated $700 billion to $1 trillion per year.

The latest negotiations come at a time when, in the World Inequality Lab's estimation, the richest 0.001 per cent, some 56 000 people, own three times more wealth than the poorer half of humanity. According to a committee of experts convened by South Africa's G20 presidency and chaired by the Nobel laureate economist Joseph E. Stiglitz, the richest one percent have captured 41 per cent of all new wealth created since 2000, while the poorest half received just one percent. One finds a similar pattern in market reactions to the Iran and Ukraine wars: oil companies, commodity traders, and hedge funds have used recent supply shocks to reap massive profits, leading the ICRICT to call for a tax on war-generated windfalls.

Those not at the table are on the menu

What can a UN convention on global taxation achieve? For starters, it would demonstrate what the Global South can accomplish when it does not give up. After years of negotiations in the OECD, the resulting Inclusive Framework on Base Erosion and Profit Shifting included only limited and watered-down reforms. Refusing to accept such an outcome, the African Union pushed through a 2022 UN General Assembly resolution that moved tax rulemaking from the OECD to the UN, where the G77 (developing countries) has spearheaded the negotiations.

The African Union and the G77 understood what a century of experience had taught them: Those not at the table are on the menu. Africa, for example, loses an estimated $88.6 – 90 billion annually to illicit financial flows, a large share of which reflects tax avoidance by multinationals. The tax convention offers an opportunity to start addressing this problem.

Most European countries abstained when the General Assembly approved the tax convention's terms of reference, and many OECD members are pursuing a 'high-level' convention — implying an agreement on lofty principles that will bind no one, with any meaningful commitments put aside for future negotiations.

Among the governments most actively involved, Brazil stands out. As G20 president in 2024, it ensured that the agenda would include a coordinated minimum tax of 2 per cent on the wealth of billionaires. And Brazil has matched its words on the world stage with deeds at home, introducing a 10 per cent minimum tax on the highest incomes and boosting tax revenues to 33.7 per cent of GDP — the highest in the region and nearly the OECD average.

Moreover, Latin America has learned to speak with one voice through the Regional Platform for Tax Cooperation in Latin America and the Caribbean, which was jointly launched by Brazil, Chile, and Colombia (during my tenure as finance minister). Brazil held the PTLAC presidency until handing it over to the Dominican Republic this year, and it continues work through the platform to ensure that the region is 'at the table' in the negotiations.

India, too, is stepping up. Its Supreme Court recently ruled against multinationals' use of Mauritian shell companies to avoid tax obligations, and Prime Minister Narendra Modi's government has signalled its intention to help write the new rules, rather than passively submitting to the old ones. Finally, the G24 (the organisation of developing countries in the Bretton Woods institutions) has also given developing countries a reliable forum to agree on common positions that will give them leverage in the negotiations.

That said, there are also holdouts and hesitators. Most European countries abstained when the General Assembly approved the tax convention's terms of reference, and many OECD members are pursuing a 'high-level' convention — implying an agreement on lofty principles that will bind no one, with any meaningful commitments put aside for future negotiations.

The Europeans claim that the Framework Convention would force a renegotiation of thousands of bilateral tax treaties. But that is a scare tactic. Under the convention, obligations for states can be drafted to operate alongside existing treaties. The real choice is between rules with substance and an elegant, empty text that legitimizes a failed system.

An ambitious convention that assigns taxation authority fairly must be the endgame.

After the good and the bad comes the ugly. The United States voted against the convention's terms of reference in 2024, walked out of the negotiations the moment they started, and pressed others to follow. And since January, a 'side-by-side' framework agreed at the OECD has exempted the US from the global minimum tax its own negotiators helped design.

The US has also become the new tax haven of the Americas: 44 per cent of Latin America's offshore wealth is held there, and one-quarter of it escapes automatic information exchanges. As Stiglitz notes, US President Donald Trump is openly trying to concentrate the world's tax-abusive jurisdictions inside US territory.

He is joined by governments that prefer courting the US president than negotiating as a regional bloc. A string of new administrations across Latin America has adopted this posture, with Argentina even voting against the convention's terms of reference and remaining outside PTLAC.

An ambitious convention that assigns taxation authority fairly must be the endgame. In a digitalised world, we need an ambitious protocol on

cross-border services, so that the countries where users and consumers are located can tax the income generated there. We also need universal access to information exchange, interconnected registries of assets and beneficial owners, public country-by-country reporting by multinationals, and coordination to ensure effective taxation of the ultra-rich — starting with the minimum tax on great fortunes that Brazil has already put on the agenda.

Tax systems that erode equality end up eroding democracy. The negotiations that will resume next month are the one arena where all countries can rewrite the rules together, and where the good can prevail over the bad and the ugly.

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