



### Why international tax Cooperation matters

The power to tax is a deeply political issue and a matter of sovereignty, political considerations and economic objectives that transcends national borders to regional groupings and the international fora that countries belong to and use for purposes of advancing their interests.

Due to the increasing cross-border movement of goods and services, tax has become not only a domestic matter but also an international matter. This is because, with increased globalisation, multiple countries claim the right to tax the same income or entity from the cross-border movement of goods and services.

This, coupled with the increasing presence of multinational companies who engage in aggressive tax planning by misusing the differences in tax rules between different jurisdictions, the presence of tax havens, the increased sophistication of the financial system as well as the evolution of how business is conducted due to the digitalization of the economy, has necessitated international tax cooperation.

### What is wrong with the current system?



An ineffective international tax system limits the sovereign taxing rights of the African states and reduces their ability to raise resources for achieving their development goals.



The current system does not reflect changes in the global economy due to globalisation and digitalisation.



With multinational enterprises' aggressive tax planning increasing, countries must cooperate to address this.



Effective domestic resource mobilisation requires effective international tax cooperation.

### Current problems of international tax governance

International tax governance currently faces various problems and other broader issues that inhibit its effectiveness.

#### Legitimacy

The current system, largely led by the Organisation for Economic Co-operation and Development (OECD), received its political mandate from the G20, which represents a group of rich countries and emerging economies. Africa's minimal representation in the G20 illustrates the little bargaining power that African countries have in shaping the international tax architecture.

#### Developed Vs Developing countries

International tax governance has also been greatly affected by an emphasis on developed and OECD country interests. The OECD-led reforms of global tax processes have seen a focus on the interests of developed countries at the expense of developing countries including Africa.

#### Misuse of Economic Power

Current global tax rulemaking processes have also shown that developed countries can misuse their economic power to force African countries to agree to tax rules that may not be beneficial to them.

#### Limited involvement of the United Nations

The UN's current role in global tax governance is limited to an expert committee nominated by states yet participating in their personal capacity. The committee's ability to act as a counterweight to the OECD is restricted by the lack of governmental endorsement for its outputs.

#### Non-binding rules

Another challenge to current global tax rulemaking processes is the negotiation of rules that are not binding and that have limited or ineffective peer review mechanisms that are characterised by lack of consequences in their implementation.

### Why the UN Tax Convention?

#### Addressing specific needs for countries

The UN Tax Convention would provide a platform for African countries to articulate and pursue their specific needs and concerns, ensuring that the global tax framework is inclusive and responsive to their unique circumstances.

#### Ending overreliance on the OECD for global tax rulemaking

The OECD has traditionally played a dominant role in shaping global tax rules, often without adequate representation from African countries.

#### Democratic voting at the UN

The UN operates on the transparent principle of one country, one vote that would foster a sense of ownership and legitimacy among African countries, encouraging their active participation in international tax cooperation.

#### Legitimacy

The UN enjoys widespread recognition and legitimacy as a global body representing the interests of all nations despite their economic realities. A UN Tax Convention would carry the weight of this legitimacy, making it more likely to be accepted and implemented globally.

#### Ability to enforce

The UN enjoys the ability to enforce internationally agreed rules. This enforcement capability provides an added incentive for African countries to participate in the discussions for international tax rules and to implement the agreed-upon rules.

#### Participation of CSOs and other stakeholders

Tax Justice Network Africa (TJNA) and other tax justice movements have been advocating for moving the global tax rule-making process to the UN and the participation of different actors in the negotiation and adoption of tax rules. This broader stakeholder engagement ensures that international tax rules are developed with a comprehensive understanding of their social, environmental, and economic implications.

#### Contact us

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