UN Tax Convention

Factsheet 2

International context of tax policy

National-level tax policies are heavily influenced by international tax rules. These determine how taxing rights are governed and allocated between countries. International tax rules play a key role in determining how much tax is payable and where it will be paid. This in turn affects the level of tax revenue different countries receive.

Foundations of international tax governance

Global tax rule-making processes can be traced back to the League of Nations who developed a model treaty on income taxation in 1928. Later on, the League of Nations developed further models in 1943 and 1946. The first OECD Model came out in 1963. This was however in draft form. The next model was released in 1977. Since then, the OECD has exercised dominance in this area. At the time, most African countries were colonies, and most global south countries did not participate in these processes. Since then, there have been several efforts to reform international tax governance. There is consensus that the current global tax system is no longer fit for purpose.

Institutions Involved in International Tax Policy

Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum)

The Global Forumworks on the implementation of global tax transparency and exchange of information standards. 32 African countries have joined the Global Forum. Despite this, due to the fact that the transparency standards therein are not consistent with the realities of many African countries, little progress in the continent. For instance, only 4 countries accounted for 84% of all exchange of information requests sent in 2023. In 2023, only 5 African countries as of 2023 benefit from automatic exchange of information. 10 African countries have signed the Multilateral Competent Authority Agreement (MCAA). 4 African countries have passed the laws under Common Reporting Standards to enable them receive information.

Most African countries that have joined the Global Forum are not benefitting from it.

The United Nations Committee of Experts on International Cooperation in Tax Matters (UN Tax Committee)

The Committee provides guidance and recommendations with regard to international tax norms with particular attention to the needs of developing countries. They are responsible for reviewing and updating the UN Model Double Taxation Convention between Developed and Developing Countries. This model is more favourable to developing countries than the OECD Model.

It is composed of a distinguished group of 25 tax experts with 4-year terms and who are selected to ensure equitable geographical representation. The tax experts participate in their own personal capacity and their respective Member States are not allowed to participate through them.

Attempts to upgrade the role of the UN Tax Committee so that it can play a stronger role in international tax norm setting have been thwarted. This has led to most of the committee's work remaining as non-binding recommendations.

Inclusive Framework on Base Erosion and Profit Shifting (Inclusive Framework)

The Inclusive Framework was one of the key outcomes of the OECD/G20 led Base Erosion and Profit Shifting project. The Base Erosion and Profit Shifting (BEPS) package is a series of 15 Actions aimed at tackling base erosion and profit shifting aimed at addressing harmful tax practices by multinational enterprises. The conceptualisation and agenda setting within this project was carried out by the OECD and approved by the G20. African countries were not part of this process. Subsequently, the Inclusive Framework was formed to allow non-OECD countries to participate in the implementation of the BEPS project. 27 African countries are members of the Inclusive Framework. Notably, African countries such as Nigeria, Zambia, Senegal and South Africa have been members of the Steering Group of the Inclusive Framework. However, despite their active participation, some of these African countries have expressed great displeasure with the tax proposals arising through the Inclusive Framework. In 2021, Kenya and Nigeria rejected the two-pillar solution to address tax challenges arising from the digitalisation of the economy.

A key concern is that the profit allocation rules were skewed primarily in favour of high-income countries and would thus be detrimental the interests of developing countries. Therefore, many African and developing countries believed that they were not participating on an equal footing in this process and that it was no

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