Tax Treaty FINAL

Earth Negotiations Bulletin

A Reporting Service for Environment and Development Negotiations

Vol. 23 No. 15 | Online at: https://bit.ly/enb_tax_cooperation | Monday, 10 February 2025

Summary of the Organizational Session of the INC on the UN Framework Convention on International Tax Cooperation: 3-6 February 2025

The organizational session of the Intergovernmental Negotiating Committee (INC) on international tax cooperation marked the start of a three-year process to negotiate a framework convention and two protocols on priority issues, with the aim of reforming the architecture of the international financial system. This new, UN-led convention is viewed by many developing countries as a critical step in the fight for tax justice, as it will create a more equitable decision-making forum for all countries, including those that have traditionally been excluded from decision making. The convention and its protocols are expected to tackle issues including tax base erosion, profit shifting, and tax evasion, which prevent developing countries in particular from mobilizing domestic revenue that is crucial for their sustainable development.

During the four-day session, the INC was tasked with electing the Chair and Bureau, establishing a work programme, recommending dates for upcoming meetings, and deciding on a topic for the second early protocol to the framework convention. While some of these tasks were straightforward, the INC struggled to reach agreement on a key modality for its work: the rules by which decisions would be taken, both by the INC and under the future convention and its protocols.

Many, including the African Group, strongly preferred decision-making by simple majority vote, while others, including the European Union, underscored the importance of consensus. This issue dominated the agenda of the organizational session, ultimately leading to a decision that, when consensus is not deemed to be possible, a two-thirds majority would be the threshold for adopting decisions on matters of substance. While some saw this decision as a victory for inclusivity, particularly for developing countries, others lamented the outcome and suggested that decision making by vote would jeopardize broad adoption and implementation of future agreements.

Selecting the topic of the second protocol proved to be comparatively easy, as the INC quickly converged on “prevention and resolution of tax disputes,” a subject that one country described as the “least controversial” of the four options identified in the INC’s Terms of Reference. The INC also agreed on rules for multi-stakeholder participation, with speakers calling for ensuring transparent and inclusive negotiations.

To the disappointment of many, the INC did not discuss many other practicalities that will shape its work, including dates for subsequent meetings, the process for intersessional work, and possible workstreams. Chair Ramy Youssef said he is working with the Secretariat to develop workstreams, task forces, and a timeline for the INC’s work. These plans will be presented to the Committee at its next session.

The organizational session of the INC was held at UN Headquarters in New York from 3-6 February 2025, with over 250 government delegates and observers in attendance.

A Brief History of the UN Framework Convention on International Tax Cooperation

Amid concerns that the existing global financial architecture fails to address the needs of developing countries, in December 2022, Nigeria, on behalf of the African Group, put forward a resolution to the UN General Assembly (UNGA) entitled “Promotion of Inclusive and Effective Tax Cooperation” (resolution 77/244). This resolution committed countries to “begin intergovernmental discussions on ways to strengthen the inclusiveness and effectiveness of international tax cooperation through the evaluation of additional options, including the possibility of developing an international tax cooperation framework or instrument….”

Following this decision, the Secretary-General prepared a report on international tax cooperation, which was published in September 2023. In response, UNGA resolution 78/230 established an *ad hoc* intergovernmental committee to develop draft terms of reference for

In this Issue

A Brief History of the UN Framework Convention on International Tax Cooperation 1

Organizational Session Report 2
- Election of Officers 2
- Adoption of the Agenda 2
- Organizational Matters 2
- Framework Convention, Protocol II 5
- Place and Date for INC-1 6
- Adoption of the Report and Closing of the Session 6

A Brief Analysis of the Organizational Session 7

Upcoming Meetings 8

This issue of the *Earth Negotiations Bulletin* (ENB) © <enb@iisd.org> is written and edited by Jessica Templeton, Ph.D., Hillary Rosentreter, and Lynn Wagner, Ph.D. The Photographer is Matthew TenBruggencate. The Editor is Pamela Chasek, Ph.D. <pam@iisd.org>. The ENB is published by the International Institute for Sustainable Development (IISD). The Sustaining Donor of the *Bulletin* is the European Union (EU). General support for ENB during 2025 is provided by the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV), the Japanese Ministry of Environment (through the Institute for Global Environmental Strategies - IGES), the Government of Switzerland (Swiss Federal Office for the Environment - FOEN), and SWAN International. Specific funding for the coverage of this meeting has been provided by the Norwegian Agency for Development Cooperation. The contents of this report are the sole responsibility of the authors and can under no circumstances be regarded as reflecting the position of the donors or IISD. Generative AI was not used in the production of this report. Excerpts from ENB may be used in non-commercial publications with appropriate academic citation. For information on the *Bulletin*, including requests to provide reporting, contact the ENB Lead, Jessica Templeton, Ph.D. <jtempleton@iisd.org>.

a UN framework convention on international tax cooperation. The Committee met three times in 2024 and adopted the Draft Terms of Reference (ToR) on 16 August 2024. The ToR were subsequently considered and adopted by the UNGA in resolution 79/235, which also established an INC to draft a framework convention and two early protocols.

The ToR call for the INC to meet for at least three substantive sessions each year between 2025 and 2027, with final texts to be ready for submission during the first quarter of the UNGA's 82nd session. Each session will last up to 10 working days, and the INC may organize informal intersessional consultations as needed.

The process will be open to all Member States, and the resolution encourages international organizations, civil society, and other stakeholders to contribute to INC's work "in accordance with established practices." The INC was tasked with deciding on the modalities for multi-stakeholder engagement during its organizational session, as well as selecting the topic for the second early protocol, setting out procedural next steps for the process, and determining decision-making rules.

Organizational Session Report

On Monday morning, 3 February 2025, Shari Spiegel, Director of the Financing for Sustainable Development Office, UN Department of Economic and Social Affairs, opened the first session of the INC on the UN Framework Convention on International Tax Cooperation. Ramy Youssef (Egypt) was elected by acclamation to serve as INC Chair.

In his opening statement, Chair Youssef highlighted the historic significance of the INC's mandate. Citing the billions of dollars lost to profit shifting, Chair Youssef emphasized this deprivation of resources harms efforts to advance sustainable development and the just transition to a green future. He said the framework convention is not only a technical exercise; it is a moral imperative that should serve people and the planet, not privilege and profit.

Spiegel outlined the Committee's mandate to draft the convention and two early protocols, and called for the convention to be flexible, resilient, and capable of adapting to a changing world.

Election of Officers

Chair Youssef noted the stipulation for 18 Vice-Chairs elected on the basis of equitable geographical representation.

The INC elected the nominated Vice-Chairs and Rapporteur by acclamation. The INC Bureau is thus composed of the following members:

- Chair: Ramy Youssef (Egypt);
- Vice-Chairs: Leo Ryan Pinder (Bahamas), Qiaolang Li (China), Juanita Villaveces (Colombia), Lukáš Hrdlička (Czechia), Helen Pahapill (Estonia), Michael Braun (Germany), Daniel Atwere Nuer (Ghana), Bhaskar Goswami (India), Anna Wanjiru Kiarie (Kenya), Mathew Gbonjubola (Nigeria), Trude Steinnes Sønvisen (Norway), Cezary Krysiak (Poland), Alexander Smirnov (Russian Federation), Garth Wilkin (Saint Kitts and Nevis), Wassal Al Malki (Saudi Arabia), Yah Fang Chiam (Singapore), Ingela Willfors (Sweden); and
- Rapporteur: Liselott Kana (Chile).

UKRAINE opposed the election of the Russian Federation to the Bureau, describing its attack on Ukraine as a violation of the UN Charter. The RUSSIAN FEDERATION said the Ukrainian statement served no purpose but to politicize the INC and pledged to join with all states to democratize tax cooperation.

Adoption of the Agenda

The agenda (A/AC.298/1) was adopted on Monday morning.

Organizational Matters

Chair Youssef introduced this agenda item on Monday afternoon.

The UNITED STATES stated: the goals of a future UN framework convention are inconsistent with US priorities; his delegation does not plan to participate further in the INC; and the US intends to reject and oppose the outcome of the framework convention. The delegates from the US then walked out of the room.

Stakeholder Participation: Chair Youssef invited delegates to discuss stakeholder participation. Chair Youssef recalled that in resolution 79/235, the UNGA encouraged the participation of international organizations, civil society, and other relevant stakeholders in the INC.

Chair Youssef introduced a proposal with modalities in accordance with established practice, which would:

- allow the Committee to first invite intergovernmental organizations that have UNGA observer status to participate in its work;
- grant accreditation to all relevant non-governmental organizations with consultative status with the Economic and Social Council (ECOSOC) as observers in its work; and
- allow for decisions to be taken at the beginning of each session on new applications by other inter-governmental organizations after circulating applications to the Committee.

Chair Youssef noted the Committee could request the Chair to provide a list of representatives of civil society and other relevant stakeholders who may participate in the Committee and bring the list to the Committee for consideration on a non-objection basis. Chair Youssef said a written draft of this proposal would be circulated on Monday evening.

The RUSSIAN FEDERATION supported using the non-objection procedure.

On Wednesday afternoon, Poland, on behalf of the EUROPEAN UNION (EU), informed the plenary they had submitted an amendment to the proposal. He underscored the importance of inclusivity and transparency in intergovernmental processes and said EU Member States support measures that allow stakeholders to participate in the INC process.

On Thursday, Chair Youssef presented the proposed amendment on the participation of international organizations, civil society, and other relevant stakeholders. It was adopted without comment.

Final Decision: Delegates agreed to amendment (A/AC.298/CRP.6), which invites the engagement of "relevant non-governmental organizations, civil society organizations, academic institutions, the private sector, and other stakeholders."

Modalities for the INC's Work: Delegates began discussing these issues on Monday.

Poland, on behalf of EU, welcomed the prospect of international tax cooperation based on broad consensus, emphasizing that only adoption by consensus guarantees a truly inclusive process and fair and balanced outcome. He further noted the importance of complementing and aligning with existing international forums.

The NETHERLANDS cautioned that discussions should not be hindered by fears and said consensus is in all Member States' primary interest.

SURINAME, on behalf of the Caribbean Community (CARICOM), underscored that international tax cooperation must be grounded in principles of transparency, equity, and inclusivity, and called for the session to conclude organizational matters, decide on the subject of the second protocol, and establish an indicative timetable for subsequent sessions.

Describing this process as a foundation for addressing systemic inequities in international tax governance, Egypt, on behalf of the AFRICAN GROUP, said consensus is always the aim, but it is imperative to stick to the timeline for negotiations, making voting options necessary in the case of deadlocks.

Underscoring the INC's potential to create a stable, coherent, and predictable international tax landscape, SINGAPORE underscored that tax rules decided by a simple majority would not lead to widespread adoption. GHANA emphasized: every country should have an equal seat at the table; the international tax system must work for all, not just a privileged few; and slippages in the timeline must be avoided.

CHILE, also on behalf of COLOMBIA, highlighted that the INC has the chance to show multilateralism can generate concrete and equitable solutions; stressed that the prioritized topics listed in the ToR are essential; and said tax collection gaps in many developing countries impact the provision of basic services and quality of life of their citizens.

Lauding the launch of negotiations as a historic step toward transforming the global financial landscape, the RUSSIAN FEDERATION underscored the importance of a transparent negotiation process where all countries can participate on equal footing. They said corporations should pay taxes where they operate. SWEDEN said tax cooperation should be grounded in research on concerns and potential outcomes, and negotiations should be efficient, transparent, and inclusive.

CZECHIA called for the framework convention to be inclusive, effective, and administrated according to human rights; supported consensus-based decision making; and said proposed solutions should be coherent with the work of other international forums. Emphasizing that consensus-based decision making is essential to maximizing participation, JAPAN highlighted the need for clarity and elaboration of the prioritized list of topics for the second protocol.

TANZANIA called for considering a qualified majority system to prevent deadlocks and ensure no country or group has veto power over critical decisions. The UNITED KINGDOM emphasized that decision making needs to be based on broad consensus to be fully inclusive and effective.

GERMANY supported transparent, open, and constructive discussions. HUNGARY supported consensus-based decision making, stressing all efforts to reach an agreement on substantive matters through consensus should be exhausted. She added that international tax work and established practices in other fora need to be taken into consideration.

NORWAY highlighted the need for political will, flexibility, and constructive engagement from all participants, and said the engagement of civil society, the private sector, academia, and the media will strengthen the discussions. SAUDI ARABIA highlighted the importance of addressing the tax challenges of the digital economy, supported addressing capacity building, and added that Member States should have enough time to review proposals and prepare for negotiations.

CHINA supported the UN in playing a role in tax-based coordination and, in order to forge consensus, called for all views to be fully considered. DENMARK called for the results to reflect international consensus.

PAKISTAN stated the framework convention must ensure taxes are paid where economic activity occurs and asked for UNGA rules of procedure to apply to this process. SENEGAL called for striking a balance between momentum in discussions and universal adherence to the future convention.

TIMOR LESTE emphasized that taxing cross border services is a key challenge, as the increasing digitalization and globalization of the economy have enabled companies to operate across borders without a significant physical presence. NIGERIA called for adhering to the agreed timeline for drafting the convention and its two early protocols. He called for prioritizing attention to illicit financial flows and said at least one INC session should convene in Africa.

CANADA said success depends on: a commitment to work together and ensure broad consensus; and the provision of timely, sound, and comprehensive analyses based on evidence to identify solutions that are implementable. SAINT KITTS AND NEVIS recalled that small island developing states (SIDS) are at the forefront of vulnerability and called for "consensus and outstretched hands."

LIECHTENSTEIN called for the second protocol to be based on joint understanding. SWITZERLAND called for solutions to be universal, balanced, and widely accepted, based on a broad, consensus-based approach to decision-making.

The BAHAMAS explained that international tax procedures have thus far neglected the needs of non-members of the Organisation for Economic Co-operation and Development (OECD) and called for decision-making to be based on a simple majority. They also called for the inclusion of tax a dispute resolution system. IRELAND underscored that decision making rules must reflect inclusivity and said solid technical analysis will be a key agreement of a "fit for purpose" convention.

ISRAEL called for greater flexibility in the prescriptive nature of the future convention and protocols and underscored that consensus is the only way to achieve a meaningful tool to address the needs of the global community. The REPUBLIC OF KOREA called for coherence with established international standards, consensus-based decision making, and focusing the early protocols on tasks that can gain widespread agreement within the agreed timeline.

SPAIN emphasized that consensus-based decision making is necessary to achieve stability, coherence, and certainty in the international financial architecture. KENYA said the UNGA rules should apply to the INC, stressing that consensus is desirable, but a lack of consensus should not be the cause for delays. She also called for adhering to the timelines for the negotiation of the convention and the first two protocols, and supported calls for equity, efficiency, and inclusiveness in the process.

IRAN said the voices of all countries should be heard and any decision should be made based on UNGA rules. TANZANIA clarified their preference for simple majority as the decision-making rule of procedure.

On Tuesday, Chair Youssef re-opened this agenda item following requests from some members for further discussion.

The UNITED KINGDOM, supported by Poland, on behalf of the EU, NORWAY, CANADA, and ISRAEL, requested an annex on the modalities of work to be included in the report of the session.

Poland, on behalf of the EU, supported by SWEDEN, AUSTRALIA, and CANADA, called for decision making within the INC to be carried out by consensus. He also requested clarity on information and modalities including: how dates will be decided for future sessions; how workstreams will be set up for the protocols; the process for working on documents; how to provide input; and how to organize intersessional meetings.

NORWAY presented a joint proposal with MEXICO on a decision-making process for the INC that would prioritize consensus-based decision making until efforts to reach agreement are exhausted, upon which the Chair and Bureau would advise when consensus could not be reached. The proposal would allow for decision making to occur with a two-thirds majority vote, among other potential ways forward, including the possibility of voting on a proposal from the Chair on a way forward when consensus cannot be reached. This proposal received positive responses from SWEDEN, CANADA, PAKISTAN, AUSTRALIA, and SINGAPORE, but some members, including NIGERIA, requested a written copy and time to consult before making further comments. Several countries, including SAUDI ARABIA and the UNITED ARAB EMIRATES, described the proposal as a good starting point for discussion.

NIGERIA said it did not support or oppose Norway's proposal, adding "this is not the time" for that discussion. SWEDEN requested clarification on how Members can request briefings on substantive matters.

SINGAPORE supported decision making by consensus and formation of separate technical committees composed of tax experts, as well as a business committee to interface with businesses likely to be affected by international tax cooperation efforts. JAMAICA said it "finds some appeal" in SINGAPORE's suggestion that business be involved in deliberations.

CHINA called for finding common ground between the "two extremes" of consensus-based approaches or simple majority voting, emphasizing the purpose of the convention is to ensure the rules are accepted and implemented by Member States. INDIA called for giving up extreme positions and coming to a middle ground.

KENYA said the ToR is a guiding document for the next steps in developing the framework convention and its early protocols, and favored decision making through a simple majority, with every effort made to seek consensus. COLOMBIA called for engaging in good faith discussions to consider compromises that will not mitigate ambition.

Issuing a "strong call" to reach agreement, MEXICO emphasized that its proposal is not new. NORWAY reminded delegates that the proposal follows the same logic as the proposal it presented in the UNGA Second Committee, but the language is more nuanced and is drawn from recent, similar processes.

Indicating it was open to discussion, PAKISTAN said the most similar process is the UN Convention against Corruption, under which decisions are taken by simple majority.

Chair Youssef underscored that the INC is not moving haphazardly, emphasizing that the Committee has time to resolve questions about modalities but must finish discussions on the topic of the second early protocol during the organizational session.

GERMANY, the UK, and others stressed that the organizational session of the INC, not the Bureau, is mandated to take decisions on the subject of the protocol and decision making. SWEDEN asked if there were plans to convene informal discussions.

On Wednesday morning, Chair Youssef reported the Bureau had discussed modalities for decision making and had not identified a path forward. He then suspended the plenary and delegates continued deliberations in an informal session.

During the informal deliberations, many countries reiterated their previously expressed preferences for decision-making rules. Those who supported decision making by simple majority voting emphasized this rule would ensure their voices are heard and limit the potential for a "veto" by groups of countries. Many countries who preferred consensus-based decision making cited the proposal by Norway and Mexico, which would allow for voting with a two-third majority rule, as a compromise. One described it as representative of the collective will of countries to move this process forward. Others suggested it would be helpful to consider other compromises, such as a three-fifths majority voting rule.

Following bilateral consultations, delegates resumed consideration of this issue in informal deliberations. They considered other possible approaches to compromise, including different thresholds for voting, with some favoring three-fifths instead of a two-thirds majority. Delegates also considered a proposal to establish one voting threshold for the framework convention and another for the protocols.

On Thursday, delegates spent the morning session in "informal informal" consultations. When the plenary resumed in the afternoon, Chair Youssef invited participants to consider multiple conference room papers (CRPs), including a Chair's draft decision entitled "Decision making on Matters of Substance" (CRP.9).

FRANCE, also on behalf of ITALY, MALTA, CZECHIA, and the UK, emphasized that consensus is key to the success of the INC, as it allows for "broadest possible participation and broadest possible adoption" of the framework convention. Underscoring that consensus is not the same as unanimity, he proposed an amendment to the Chair's decision-making proposal stating that "the Committee shall conduct its work and take decisions by consensus."

GHANA opposed this proposed amendment, saying it would stall the committee's work and ensure the voices of developing countries "would continue to be at the periphery" of decision making. He called for a vote on the amendment and requested delegations to vote against the proposal.

The Committee then voted, with 42 delegations voting in favor of the amendment, 98 voting against, and 10 abstaining. The Chair announced the amendment was not adopted and asked if there were objections to adopting the draft decision as originally presented. The decision was adopted without objection.

CANADA, also on behalf of AUSTRALIA and NEW ZEALAND, lamented the decision, emphasizing that multilateral tax rules should be developed and adopted by consensus to ensure their broad adoption and application. Noting their openness to an approach by which decisions would be made by a two-thirds majority in the absence of consensus, she said the threshold of a simple majority falls short of the ambition needed for broad implementation.

Expressing disappointment, JAPAN disassociated itself from the decision and said it would assess its future participation in this process, while continuing to contribute to effective and inclusive tax cooperation. The UK recalled the process started with the intention of strengthening international tax cooperation; expressed concern over the lack of an inclusive outcome at this session; and maintained that consensus-based decision making is only way to ensure wide implementation and an enduring result.

GHANA emphasized that the steps taken at the organizational session will echo in the decisions of tomorrow and commended Committee members for their engagement and flexibility. He said while the outcome may not be perfect, the compromises pave the way for the work ahead.

SINGAPORE expressed appreciation for the work of the Chair and Secretariat and reaffirmed their commitment to multilateral negotiations. He called for inclusivity to be the core of this process, noting tax is a sovereign matter and any decisions made will have deep implications for potential growth.

The REPUBLIC OF KOREA emphasized that "it is expected that the framework will not be approved" unless decisions are made by consensus. GERMANY reiterated that for the process to be inclusive and broadly supported, it must follow consensus-based decision making, and expressed hope that the process will contribute to effective global tax architecture.

ISRAEL said taxation cannot be subjected to the voting power of the majority and indicated his country does not endorse the decision. He expressed disappointment that schedules and the structure of working groups were not agreed. SWITZERLAND expressed concern that this decision could result in a fragmented tax architecture. LIECHTENSTEIN said consensus-based decisions are the basis for stable tax cooperation and hoped consensus would remain the rule, and not the exception, in the negotiations.

Final Decision: In its decision (A/AC.298/CRP.9), the INC:
- decides the Committee shall exhaust every effort in good faith to reach consensus on all matters of substance while taking into account the available timeframe for negotiations;
- decides that when the Chair, upon recommendation of the Bureau, informs the Committee that all efforts to reach consensus have been exhausted, decisions on matters of substance relating to a protocol shall be taken by a two-thirds majority of members present and voting;
- recalls rule 161 of the rules of procedure of the General Assembly; and
- decides that if the question arises as to whether a matter is one of substance, it shall be decided by the Committee by a majority of members present and voting.

Framework Convention, Protocol II

Chair Youssef opened this agenda item on Monday morning, noting the INC was expected, during its organizational session, to select a topic for the second early protocol to the framework convention. The ToR (A/AC.298/2) lists the following four prioritized options for the topic of the second protocol:
- taxation of the digitalized economy;
- measures against tax-related illicit financial flows;
- prevention and resolution of tax disputes; and
- addressing tax evasion and avoidance by high-net-worth individuals and ensuring their effective taxation in relevant Member States.

Emphasizing that the success of the process will depend on whether development is at its heart, INDONESIA said the international tax system should be strengthened to curb illicit flows.

FIJI described taxation as a central pillar in the development of tourism-heavy economies like SIDS, and noted their increased vulnerability to profit shifting, as well as their capacity and resource challenges in administering taxation. He expressed interest in measures addressing tax-related illicit financial flows and tax evasion and avoidance by high-net-worth individuals.

INDIA emphasized that the existing system of international taxation is based on principles from over a century ago and should be revisited to better address current realities. NORWAY said the second protocol should be in line with the ToR, be based on robust analysis, and involve an evidence-based process that addresses current challenges.

Underscoring that tax base erosion and profit shifting continue to erode revenue and strain developing countries, BRAZIL noted its preference for addressing tax avoidance by high-net-worth individuals in the second early protocol. The UNITED ARAB EMIRATES stressed the need for transparency and certainty for taxpayers, as well as simplified taxation measures to encourage economic growth.

On Tuesday morning, the INC resumed its discussions.

SAUDI ARABIA, supported by SPAIN, SWEDEN, ARGENTINA, ESTONIA, SINGAPORE, and others, said it would help if the Secretariat could provide information on the expected outcome for each of the four options. NIGERIA said this request was a way to stall the negotiations.

SAUDI ARABIA explained that they would require a better understanding of the potential outcome of, for example, addressing tax evasion of high-net-worth individuals, before making a decision on the protocol. SINGAPORE recalled discussions from previous sessions on terminology, nomenclature, and expected outcomes of these topics, emphasizing that calls for clarification are not new and would support the INC's work. Citing the need for elaboration, ESTONIA noted they have previously assumed understanding of a topic like tax dispute resolution was mutual and was surprised to learn this was not the case.

GHANA emphasized that these topics are broadly understood in the contexts in which they were proposed. INDIA, supported by the BAHAMAS, underscored that this organizational session's mandate is not to develop the protocol, but to decide on the protocol's topic, with technical details to be determined at a later session.

Chair Youssef explained that a background paper on the topics would be circulated in the afternoon and expressed hope that the INC could reach consensus.

NIGERIA emphasized that the technical experts who will negotiate the protocols should address issues including scoping and definitions. KENYA cautioned against allowing analysis to delay the Committee's decision on a topic, noting such clarifications were not given when the topic of the first protocol was selected, and supported focusing on illicit financial flows, but underscored the need to choose a topic that meets the needs of a wide range of countries.

SWITZERLAND requested delegates to briefly outline what problems they hope to address when proposing topics, and noted the digital economy seems to be covered by the first early protocol. COLOMBIA cited growing political appetite for discussion of high-net-worth individuals, saying taxing these individuals will be critical for addressing inequality. ZAMBIA supported focusing on illicit financial flows, while adding that it remains flexible.

PAKISTAN reiterated its preference for focusing on either high-net-worth individuals or tax disputes, but said it is flexible. PAKISTAN, NORWAY, and SWITZERLAND indicated that taxation of digital services is covered by the first early protocol (taxation of income derived from the provision of cross-border services in an increasingly digitalized and globalized economy). SWITZERLAND said a protocol on resolution of tax disputes could have merit.

BELGIUM welcomed a less controversial topic such as dispute resolution, and said they could consider a protocol on tax-related illicit financial flows issues if the proposal had a clear scope. GERMANY said it was useful to have comments from other delegations on what priorities should be addressed but requested information on how those priorities could be addressed through a protocol, and said dispute resolution seemed to be the most feasible option.

CHINA expressed preference for the prevention and resolution of tax disputes, noting this topic is "more neutral," while also being an area where more robust measures are needed. The RUSSIAN FEDERATION: recalled discussions from previous sessions where requests were made for analyses of the second early protocol topics; appreciated calls for measures against tax-related illicit financial flows but said this issue can be covered effectively under the first protocol; and supported focusing on the prevention and resolution of tax disputes.

The PHILIPPINES supported focusing on measures against illicit financial flows, noting the rising use of cryptocurrency as a vehicle for illicit financial flows and their impact on tax erosion.

BRAZIL called for side meetings to discuss possible topics, followed by short, country-led presentations on each topic to facilitate decision making. They favored focusing on taxation of high-net-worth individuals, adding that while dispute resolution seemed to be the least controversial topic, it would not help achieve the goal of domestic resource mobilization.

CHILE reiterated the need to reach the broadest agreement possible and said while they preferred a protocol on high-net-worth individuals, they were open to dispute resolution and prevention. SWEDEN said they would not prefer topics related to high-net-worth individuals or taxation of the digital economy, and it might be possible to find consensus on dispute resolution and prevention.

Calling for greater specificity on delegates' priorities within their preferred topics, SINGAPORE noted that prevention and resolution of tax disputes is crucial for both businesses and tax authorities and could enhance tax certainty. ARGENTINA noted challenges associated with each option, stating that: two options focus on information exchange, which will be covered in the convention; taxation of high-net-worth individuals would be a wealth tax, which goes against their country's policy; and taxation of the digitalized economy overlaps with the first protocol.

BELIZE said the interlinkages among the issues should be kept in mind, adding that a dispute settlement mechanism would support tax cooperation. The BAHAMAS noted capital flight could be significant for small economies with a focus on wealth taxation and said the focusing on tax disputes could reduce uncertainty and contribute to a rules-based system.

POLAND, in its national capacity, expressed a preference for a dispute resolution mechanism, which they said will be necessary for an effective tax convention. UNITED ARAB EMIRATES supported focusing on the prevention and resolution of disputes, noting this would "fill a gap."

TANZANIA emphasized that details of the chosen topic would be covered in future substantive discussions. He called for the second protocol to address issues with substantial impact on domestic tax revenue, such as taxation of high-net-worth individuals, but noted their flexibility.

INDIA expressed support for prevention and resolution of tax disputes, noting that UNGA resolution 78/230 and the ToR for the INC clearly outline the challenges faced by developing countries with limited resources to handle tax disputes. JAMAICA and INDIA said a protocol on tax disputes would provide stability and certainty for businesses. SPAIN highlighted that a protocol on prevention and resolution of tax disputes would create stability for investments and link to discussions on the mobilization of domestic resources.

Noting "unprecedented opportunities" presented by the digitalized economy, INDONESIA called for the second early protocol to focus on taxation of the digitalized economy, saying this would fully capture the value created by businesses operating across multiple jurisdictions and contribute to domestic resource mobilization. PAKISTAN supported focusing on either the prevention and resolution of tax disputes or tax evasion and avoidance by high-net-worth individuals.

The NETHERLANDS welcomed the explanatory paper on topics for the second protocol, prepared by the Secretariat and distributed Tuesday afternoon. They opposed addressing the digital economy in the second protocol and said dispute prevention and resolution seemed to be of interest to most stakeholders.

SAUDI ARABIA also noted "overwhelming" support for dispute prevention and resolution, and said they would provide their final opinion after reading the Secretariat's paper. The REPUBLIC OF KOREA said dispute resolution and prevention is crucial.

HUNGARY supported elaboration on the topic of tax disputes and cited the need for detailed analyses, scoping, and impact assessments before going further. COLOMBIA underscored the potential for interrelationships among possible protocol topics, noted selection of one would not preclude future consideration of the others, and said dispute resolution and prevention is so basic that it should be included in the text of the framework convention.

The PHILIPPINES said illicit financial flows are most urgent, as they cause resource losses in most developing countries, and noted that prevention and resolution of disputes is a tool for implementation rather than a substantive theme. BRAZIL prioritized addressing tax evasion by high-net-worth individuals, saying this is crucial to progressive tax systems and promotion of sustainable growth.

FIJI reiterated its support for the topic of tax evasion, emphasizing that addressing this issue could provide much-needed funds for sustainable development. LEBANON expressed "preliminary" support for dispute resolution and prevention, saying this can help with implementation.

The INC briefly resumed discussion of this issue on Wednesday afternoon. Chair Youssef presented a proposal for the INC to select "prevention and resolution of tax disputes" as the subject of the second early protocol, recognizing this does not preclude addressing the remaining topics in future protocols.

Poland, on behalf of the EU, supported the Chair's proposal but noted their concerns about the scope of the protocol.

SAUDI ARABIA requested clarification on text indicating how the prioritized topics not selected for the second protocol would be carried forward, as the INC only has a three-year mandate. Chair Youssef explained this language responds to Colombia's request to carry forward the other topics for potential consideration in the future.

On Thursday afternoon, Chair Youssef presented a draft decision calling for the selection of prevention and resolution of tax disputes as the topic of Protocol II, which was adopted.

Final Decision: In its decision (A/AC.298/CRP.5), the INC selected "Prevention and resolution of tax disputes" as the subject of Protocol II, as drawn from the list of priority areas set out in paragraph 16 of its ToR (A/AC.298/2), on the understanding that subjects not selected from paragraph 16 of the ToR shall be considered along with the subjects listed in paragraph 17.

Place and Date for INC-1

This agenda item was not addressed.

Adoption of the Report and Closing of the Session

On Thursday afternoon, Liselott Kana, INC Rapporteur, presented the draft report (AC/298/L.1), which was adopted.

Poland, on behalf of the EU, expressed concern that critical organizational questions had not been addressed during the session, including: whether there will be workstreams or intersessional work, whether there will be scoping for the protocols, and to what extent countries can expect the Secretariat to provide substantive technical assistance. He reiterated the EU's commitment to the full, inclusive, and meaningful participation of all stakeholders.

CANADA, also on behalf of AUSTRALIA and NEW ZEALAND, emphasized that multilateral tax rules should be developed and adopted by wide consensus, and expressed disappointment that the outcome of the session did not meet the high expectations their delegations have for this process. They said they share others' concerns about the lack of clarity about how the committee will carry out its work and lauded the adoption of strong provisions for stakeholder engagement.

Chair Youssef outlined a possible approach to the work ahead, which could include three parallel workstreams with multiple taskforces. He said the workstreams would be led by two Vice-Chairs and would be open to all Member States, with "stakeholder engagement and inputs." He emphasized there are many questions still to be answered, invited direct feedback from countries, and said a more detailed proposal would be developed and presented to the INC for consideration. He invited delegations to send feedback directly to him to help inform the development of this approach.

CANADA requested clarification on next steps for the Committee's work and expressed surprise that procedural content was presented after the adoption of the report.

COLOMBIA acknowledged the heavy workload ahead for the Committee and Bureau and requested milestones be outlined so that the Bureau can effectively inform the Committee about the evolution of the work.

Encouraging participants to leave with a "renewed sense of purpose and determination," Chair Youssef thanked delegates for their engagement and closed the session at 4:40 pm.

A Brief Analysis of the Organizational Session

"International tax cooperation must be grounded in principles of transparency, equity, and inclusivity." Most speakers at the organizational session of the intergovernmental negotiating committee (INC) on tax cooperation invoked these principles and called for flexibility from their negotiating partners to achieve them. However, while some privately commented that ten years ago it would have been hard to believe negotiations would ever commence on a global convention, noting that governments have now recognized the value of addressing an incoherent global tax system, it was clear from the start of the organizational session that negotiators will have a challenging three years.

This brief analysis reflects on the organizational session of the INC, which marked the start of a three-year process to negotiate a framework convention and two protocols, and some of the challenges that are on the horizon.

A Historic Step for Global Tax Policy

The UN General Assembly's (UNGA) November 2024 decision to develop a UN framework convention on international taxation represented a significant departure from the status quo. The current international financial system is led by developed countries and, according to many developing countries, leaves gaps that significantly hinder their countries' ability to collect essential tax revenue. The new framework convention is expected to tackle challenges including illicit financial flows, tax avoidance, and domestic tax base erosion. Strategies like profit shifting to low- or no-tax countries are often used by multinational enterprises to avoid paying taxes in locations where revenue is actually generated. While these strategies negatively impact all countries, the impact is particularly pronounced in developing countries, which are prevented from generating much-needed revenue for development. This revenue could provide some of the domestic funding required for implementing sustainable development objectives, making the agreement all the more imperative.

The new convention is expected to address these and related issues, ultimately contributing to the Sustainable Development Goals (SDGs), especially SDG 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." As the UN Secretary-General's 2023 Tax Report notes, "Against the backdrop of a looming economic and costs of living crisis, rising inequalities and climate change, there is urgent need for strengthened international tax cooperation to fight tax avoidance and evasion, as well as illicit financial flows. All of these activities have a common feature they drain resources desperately needed to address the impact of today's crises on lives and livelihoods and to invest in the Sustainable Development Goals and climate action." In the face of dramatic political shifts in many countries with global economic ramifications, delegates who gathered at UN Headquarters for the organizational meeting argued that the need to strengthen tax cooperation and mobilize domestic revenue is even more urgent.

The "Easy" Parts

Choosing the topic of the second protocol proved to be comparatively straightforward. The terms of reference for the INC mandated the organizational session to select one of four priority areas. Delegates discussed the strengths and weaknesses involved with each of the following options: taxation of the digital economy; measures against tax-related illicit financial flows; prevention and resolution of tax disputes; and addressing tax evasion and avoidance by high-net-worth individuals and ensuring their effective taxation in relevant Member States.

The discussion on these four options revealed a number of key principles that delegates are already mulling. Should the initial discussions focus on an important tax problem or consider the expected revenues developing countries would be able to realize from protocols that address tax evasion and avoidance by high-net-worth individuals, taxation of the digitalized economy, and measures against tax-related illicit financial flows? Or should the objective at this point be to get states engaged in discussions on global tax cooperation and should the negotiators aim to demonstrate success is possible?

The terms of reference specify that the first protocol should address taxation of income derived from the provision of cross-border services in an increasingly digitalized and globalized economy, and a number of speakers identified possible overlaps between this protocol and the proposal on taxation of the digital economy. Some speakers highlighted the importance of addressing illicit financial flows and challenges of tax evasion, including the possibility of generating domestic finance through tax measures to address them. However, negotiators quickly converged on "prevention and resolution of tax disputes" as the best choice at this time. One country described it as the "least controversial" of the four options. Many delegates saw this as a core element of a future agreement, with some saying it is so fundamental to effective international cooperation that it should be included in the framework convention itself, rather than in a separate protocol. The importance of this topic to all participants facilitated reasonably swift agreement, on the explicit understanding, spelled out in the INC's written decision, that the other topics could be the subject of future protocols.

Delegates also agreed on the modalities for the participation of stakeholders from civil society, the private sector, intergovernmental organizations, and academia, among others, with some delegates underscoring the value of the expertise that certain stakeholders (e.g., businesses) may be able to provide as the INC tackles issues that will directly affect them. The value of ensuring transparent and inclusive negotiations was also mentioned repeatedly by some delegates, along with the need to build trust within the Committee. Transparency and inclusivity are essential to effective negotiations; studies have repeatedly demonstrated that these qualities enhance trust in the decision-making process and support effective implementation of negotiated agreements.

The Challenges Ahead

Trust was a key issue in the INC's organizational session; throughout the four-day meeting, delegates highlighted the need for delegates from different regions and economic contexts to trust each other. The lack of trust, which was also evident in the work of the *ad hoc* committee that paved the way for the INC, was manifested most clearly in the lengthy deliberations on the rules by which decisions will be taken, both by the INC and under the future convention and its protocols.

In November 2024, the UNGA adopted the resolution establishing the negotiating process by a vote of 125 delegations in favor, 9 against, and 46 abstentions. The split evident in that meeting carried over to the INC's organizational session. While the risk of "tyranny by the minority" motivated many who favored voting, other countries warned of implementation challenges if agreements were reached only by a simple majority vote.

Many, including the African Group, which has acted as the catalyst for international action on tax cooperation under the UN, strongly preferred decision-making by a simple majority vote. Others, including the European Union, underscored the importance of consensus. Some countries saw a provision for voting with a two-thirds majority threshold as a compromise. Both sides emphasized the need for inclusivity, but their paths to that goal differed dramatically. While those who preferred consensus underscored the need for agreements that will be as broadly supported and widely implemented as possible, many developing countries saw voting provisions as an essential tool to ensure that their voices are heard and their interests are protected, both in these negotiations and in the future instruments.

Despite the tense discussions and vote on an amendment to the Chair's compromise proposal, many delegates left the session feeling optimistic. The decision indicates compromise decision making is preferred, but, when the Chair and Bureau decide "all efforts to reach consensus have been exhausted, decisions on matters of substance relating to a protocol shall be taken by a two-thirds majority of Members." Several participants highlighted that agreement on the Chair's proposal demonstrated flexibility by many groups and pointed out that the decision was adopted by consensus. They also welcomed that the INC can turn its focus to the substantive issues it was established to address.

As they headed out of Conference Room 1 at the close of the INC's organizational session, some delegates noted even those countries that voted against the decision to begin these negotiations stand to gain, given that they lose large amounts from unpaid taxes. Several hoped that, even though the US very vocally exited the talks on the first day of the session, others will remain engaged in this historic opportunity to determine how global cooperation could bring coherence and efficiency to a fragmented tax system.

Upcoming Meetings

Third Session of the Preparatory Committee for the Fourth International Conference on Financing for Development (FfD4): The third session of the Preparatory Committee for FfD4 will continue to make the organizational, procedural, and substantive preparations for the Conference. **dates:** 10-14 February 2025 **location:** UN Headquarters, New York **www:** financing.desa.un.org/ffd4

Fifth Finance in Common Summit (FiCS): Co-hosted by the Development Bank of Southern Africa (DBSA) and the Asian Infrastructure Investment Bank (AIIB), with the support of Agence Française de Développement (AFD), the 2025 summit will bring together global leaders, public development banks, the private sector, and philanthropies to reimagine and reshape sustainable finance. **dates:** 26-28 February 2025 **location:** Cape Town, South Africa **www:** aiib.org/en/news-events/events/2025/Finance-in-Common-Summit-FiCS-2025.html

Thirtieth Session of the Committee of Experts on International Tax Cooperation: The Committee of tax experts is focused on creating practical guidance on strengthening tax policy and developing tools to address taxation challenges. **dates:** 24-27 March 2025 **location:** UN Headquarters, New York **www:** financing.desa.un.org/events/30th-session-committee-experts-international-cooperation-tax-matters

2025 Spring Meetings of the International Monetary Fund and the World Bank: The Spring Meetings are composed of the joint World Bank-IMF Development Committee and the IMF's International Monetary and Financial Committee events. Ancillary meetings will be scheduled throughout the week. **dates:** 21-26 April 2025 **location:** Washington D.C., US **www:** worldbank.org/en/meetings/splash/spring

Financing for Development Forum: The Financing for Development Forum is an intergovernmental process with universal participation mandated to review the Addis Ababa Action Agenda, other financing for development outcomes, and the means of implementation of the Sustainable Development Goals (SDGs). **dates:** 28-29 April 2025 **location:** UN Headquarters, New York **www:** ecosoc.un.org/en/events/2025/ecosoc-forum-financing-development-follow

Fourth Session of the Preparatory Committee for FfD4: The fourth session of the Preparatory Committee for FfD4 will continue to make the organizational, procedural, and substantive preparations for the Conference. **dates:** 30 April- 1 May 2025 **location:** UN Headquarters, New York **www:** financing.desa.un.org/preparatory-process-ffd4