The UN Tax Convention: fixing the tax system to unlock trillions

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The UN Tax Convention can help countries around the world by tackling tax dodging, boosting government revenue, and fixing the dysfunctional global tax system. The next 12 months are crucial. The UK must push for ambition in the ongoing negotiations, pursuing fair allocation of taxing rights between states, effective taxation of corporations and the super-rich, and taxes on polluting industries.

Squeezed budgets

The government's budget is stretched. Rebuilding the public realm after a decade of austerity demands serious investment, and the costs of health, social care and other key public services are rising. Internationally, the UK is failing to live up to its commitments to provide development assistance and public climate finance to the Global South.

The money is out there

Fortunately, there is money out there. Fixing the dysfunctional global tax system key to securing it. Countries lose half a trillion dollars to tax abuse annually. The wealth of the super-rich is accelerating but their effective tax rate remains extremely low. The fossil fuel industry, a major driver of the climate crisis, continues to post extraordinary, under-taxed profits. Cracking down on corporate tax dodging, taxing the super-rich, and making polluters pay are fair and necessary steps to funding climate action.

The UN Tax Convention

Right now, states are negotiating a new, binding UN Tax Convention, with a mandate to create an inclusive tax system for sustainable development. The next 12 months are crucial. Talks on the Convention and two optional early protocols will run until summer 2027, after which it will be ratified and operationalised through more protocols and annual COPs.

Historically, international tax cooperation has taken place within the OECD, which is dominated by Global North countries. OECD efforts to fairly allocate taxing rights over multinational corporations and introduce a global minimum corporate tax (the so-called BEPS 2.0) have been largely derailed by the US. By shifting tax negotiations to the UN, we have a chance of a genuinely robust and inclusive process.

The UK's dodgy reputation

The UK, thanks to its overseas territories, is one of the worst enablers of tax dodging, and has historically opposed the UN Tax Convention.[1] By supporting it now, the UK can improve its reputation as an enabler of dirty money, and repair relations with the Global South following the aid cuts.

Timeline
2023: UN General Assembly calls for Convention
2025-2027: Convention text is negotiated (ongoing)
2027: Convention is adopted and ratified by states
2028 onwards: annual 'COPs' build on the Convention

Three priorities

Tackling corporate tax dodging & allocating taxing rights

Multinational corporations dodge billions of dollars in tax by profit shifting: recording profits from one country in a different country, typically a tax haven, to reduce their overall tax bill. This hurts most states, especially those in the Global South. Article 5 of the UN Tax Convention could help tackle this by introducing a system that considers the total global profits of a multinational corporation and allocates taxing rights to countries based on where the corporation's economic activities occur. Alongside key transparency measures, this could drastically cut tax dodging. By combining this 'unitary taxation' approach with a 25% global minimum corporate tax rate, states could raise an extra $700 billion annually.[2]

Taxing the extreme wealth of the super-rich

The super-rich (those with over $10 million) pay proportionally less tax than working people. States shy away from taxing their wealth out of fear that the super-rich will move abroad and because identifying their wealth can be difficult. Article 6 of the UN Tax Convention could help address this by mandating a global minimum tax rate on the super-rich and establishing a global asset register to track their wealth. It could take steps to fairly allocate taxing rights over the super-rich between states.

Environmental taxes on polluting industries

Polluting industries, such as fossil fuels, aviation, and animal agriculture, are rarely made to pay for their economic, social or environmental impacts. Fossil fuel companies remain among the most profitable entities in human history, despite their catastrophic contribution to climate breakdown. Article 4 UN Tax Convention could help challenge this by requiring states to align tax systems with sustainable development commitments, the polluter pays principle and principle of common but differentiated responsibility. These could be implemented through a global surtax on fossil fuel profits.

Recommendations

The UK government should endorse a strong UN Tax Convention and engage constructively to strengthen these key elements. MPs can help by proposing parliamentary debates and raising it with HMT, FCDO and DESNZ ministers

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(1) Tax Justice Network, 2024. (2) Public Services International, 2026.