Position Paper on UN Tax Convention

Germany needs to campaign for a fair international tax regime for multinational corporations and high-net-worth individuals

The current international tax system allows large corporations and very wealthy individuals to avoid or evade taxes to a large extent. Instead, this money is actually needed to finance community tasks. This poses a problem for Germany and Europe as a whole, even more so for countries in the Global South.

Brief overview of our demands:

- Germany should participate actively and constructively in the negotiations for a **UN tax convention** and endorse a comprehensive, obligatory framework and a transparent process.

- **Large multinational corporations**, including big tech companies, should pay just as much in **taxes** as their smaller national competitors, and they should do so **where they operate.**

- **Excess profits** should be siphoned off at a progressive tax rate.

- We need a **global agreement** to ensure that billionaires pay **at least 2 %** taxes on their assets and to fight tax evasion effectively.

- In order to crack down effectively on complex money laundering, Germany is in need of a **fraud investigation unit for financial crimes** and a **comprehensive, interconnected European transparency register.**

The track record for implementing the 2030 Agenda has been disastrous: As things stand, it will only be possible to achieve 18 % of the 17 sustainable development goals (SDGs) by 2030.[1] In addition to a lack of political will, many governments in many countries are missing the financial resources required for effective implementation. The debt crisis is contributing to this significantly, as well as unjust international tax policy.

Tax avoidance and profit shifting by corporations reduce revenues for nations just as much as tax evasion and illicit cross-border financial flows. As a result, important tools

[1] Sustainable Development Report 2023 (sdgindex.org)

are missing for public investments. Insufficient financial transparency and accountability, as well as the granting of generous tax reliefs, constitute a key part of the problem. Especially in countries of the Global South, this results in significant resources being lost, which could otherwise be used to achieve the SDGs. It is estimated that nations in Africa lose almost USD 90 billion each year due to capital flight alone. This represents almost half of the funds needed to achieve the SDGs.[2]

A fair international tax policy can therefore play a pivotal role in achieving the SDGs, both in Germany and around the world.

Fair taxation is mentioned explicitly as a goal in several sections of the 2030 Agenda: All countries should be in a position to generate revenue through taxation and thus finance basic public services (17.1). Inequalities within and among nations should be reduced in an effort to encourage balanced fiscal policy, meaning tax revenue and government spending (10.4). 2030 Agenda also demands that illicit financial flows be fought effectively. Despite these goals, which were set in 2015, not enough has been done to date.

Why is fair taxation in and for Germany important?

Germany is an attractive destination for dirty money from all over the world, ranking seventh in the global Financial Secrecy Index.[3] Money laundering weakens our economy and politics, while at the same time having major repercussions for countries in the Global South. Illicit financial flows undermine government efforts to mobilize funds for investments in social systems, health, education, and other public infrastructure and to fight corruption and organized crime, thus jeopardizing stability and legitimacy. Germany must greatly enhance its measures to fight financial crime in order to stop illicit financial flows and thus prevent money generated illegally in other countries from being invested in Germany.

Under the pressure of globalization and the threat of tax evasion, the tax rate for the super-rich in Germany has fallen by roughly 50 % over the last 30 years. At 24 % (incl. social security contributions and corporate tax), a typical multimillionaire in Germany pays only half of the wealth tax rate of 47.5 % (incl. the solidarity surcharge).[4] After all, the ultra-wealthy primarily live off capital gains, which are subject to numerous benefits. Not only is this not fair considering the higher taxes for average earners, these tax benefits also cause the government to lose out on an estimated EUR 75 billion annually, which could instead be used to bring about socio-ecological transformation.[5]

---

[2] https://unctad.org/news/africa-could-gain-89-billion-annually-curbing-illicit-financial-flows
[3] https://fsi.taxjustice.net/
[4] https://www.netzwerk-steuergerechtigkeit.de/infothek/jahrbuch-steuergerechtigkeit-2024/
[5] ibid.

Therefore, Germany would benefit from global agreements that fight illicit financial flows and enable fair taxation on large corporations and individuals with a high net worth. A UN tax convention represents the long-overdue next step in this direction. If Germany hopes to serve as a role model for sustainability policy, then it must actively promote this convention.

WHAT WE DEMAND FROM THE GERMAN GOVERNMENT:

Actively endorse a comprehensive UN tax convention

In November 2023, the UN General Assembly voted on setting up a convention for international cooperation on tax matters. A total of 128 countries voted in favor and 48 against (including Germany and numerous EU/OECD countries). However, the countries that voted against make up only 15 % of the global population.

- In order to ensure **democratic, transparent, and fair international tax governance** with the United Nations as the central body, Germany must actively and constructively push forward negotiations for a UN tax convention and **support the participation of low-income countries in particular (with financial means if necessary)**
- Germany should advocate for the UN tax convention as a **comprehensive and binding framework** for international taxation that also consolidates and advances existing efforts to fight illicit financial flows, to share information, and to tax multinational corporations.
- In the negotiations, Germany should campaign for **open and transparent processes** that ensure **civil society has a seat at the negotiation table**.

Global corporate tax reform

International corporations avoid paying around USD 311 billion in taxes every year by shifting their profits to low-tax countries and taking advantage of loopholes and discrepancies between tax systems.[6] This affects countries in the Global South disproportionately as they are more dependent on corporate tax.

Until now, the tax system has allowed the largest and most profitable multinational corporations to shift the majority of their profits to tax havens and thus avoid paying taxes where their customers, employees, and production are located.

- **Taxing rights must be fairly distributed**, moving in the direction of **unitary taxation**. The current reform efforts of the OECD[7] already include the redistribution of taxing rights along these lines (Pillar 1). However, the

[6] https://taxjustice.net/reports/the-state-of-tax-justice-2023/
[7] https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Steuern/Internationales_Steuerrecht/BEPS/schaedlichen-steuerwettbewerb-bekaempfen.html

recommendations of the OECD to date are not sufficient and are unnecessarily complicated.

- The global **minimum tax rate proposed by the OECD (Pillar 2) should be increased to 25 %** in order to fight profit shifting effectively and ensure fair competition.
- **Surplus earnings**, meaning long-term returns above the normal return rates of competitors due to market power, for example, should be siphoned off with a progressive tax rate on top of regular corporate tax.

Adequate and fair global wealth taxation

According to calculations by the EU Tax Observatory, billionaires around the world have effective tax rates of 0 to 0.5 % on their assets. This can be attributed to the diverse tax benefits and tax tricks they use to avoid paying income tax.[8]

We need a **global agreement** to ensure that billionaires pay **at least 2 %** taxes on their assets and to fight tax evasion effectively. Germany should join the initiative started by Brazil, France, and Spain.

Fighting financial crimes more effectively in Germany

Better regulations are needed to counteract the global shadow banking system. Germany should establish better structures to fight financial crimes in order to prevent illicit financial flows from being laundered or invested here. In the spirit of international solidarity, the German government should support other countries in tracking illicit financial flows and transferring them to where the money was generated.

- The current bill for fighting financial crimes and the concealment of assets, especially with the **increased investigative capacity for complex money laundering cases**, is an important step in this direction. Furthermore, the process for seizing illegal assets should be simplified and the active control of suspicious financial flows strengthened.
- The German government should eliminate the de facto and legal loopholes in the German beneficial ownership register and report large assets in a **comprehensive, interconnected European register** together with its European partners.

Date: June 2024 | Contact: info@forumue.de

[8] https://www.taxobservatory.eu/publication/global-tax-evasion-report-2024/