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Negotiations on Terms of UN Framework Convention for International Tax Cooperation to Start in February 2025

The formal negotiations to draft the terms of the Framework Convention on International Tax Cooperation are set to begin with an organisational session at the United Nations Headquarters in New York from 3 to 6 February 2025. The session will address critical matters, including the decision-making rules for the negotiating committee and determining the specific focus of the early protocols.

The negotiations will be led by a newly established intergovernmental negotiating committee, with representation from Member States and opportunities for input from international organisations and stakeholders. Developing nations, in particular, are being encouraged to participate actively, with support pledged to ensure their full involvement in the discussions.

In December, the United Nations General Assembly adopted a landmark resolution to establish the terms of reference for a Framework Convention on International Tax Cooperation. Introduced by Nigeria on behalf of the African Group, the resolution, titled "Promotion of Inclusive and Effective International Tax Cooperation at the United Nations" (document A/C.2/79/L.8/Rev.1), passed with 125 votes in favour, 9 against, and 46 abstentions. The resolution followed on from approval by the Second Committee (Economic and Financial) on 27 November 2024.

While some countries, including the Bahamas, view the framework as an opportunity to enhance global tax equity and strengthen the role of developing nations in shaping international tax policy, concerns from countries such as the United States, the European Union, and others highlight divisions regarding decision-making processes and potential overlaps with existing tax frameworks. Member States, such as Japan, Australia, New Zealand, and the United Kingdom, have raised concerns about the implications for existing international tax standards and inclusivity in representation. The European Union has warned that addressing these concerns during negotiations will be critical to maintaining its engagement. The success of the upcoming sessions will depend on reconciling these diverse perspectives to achieve a broadly supported and effective framework.

Priorities of the Polish Presidency of the Council of the European Union

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The Polish Presidency of the Council of the European Union has published its programme, outlining its priorities for its mandate. A key focus of the Presidency will be enhancing EU competitiveness by addressing harmful tax competition. In particular, this will be achieved by updating the list of non-cooperative jurisdictions.

The Presidency also plans to advance work on the EU Directive on Administrative Cooperation (DAC9) and ensure compliance with the OECD's Pillar Two standards, facilitating multinational enterprises' adherence to minimum taxation requirements.

In indirect taxation, reducing the VAT gap is identified as a top priority for the Presidency, particularly within the e-commerce sector. The Presidency intends to improve the regulation of distance sales of imported goods via digital platforms to address this issue effectively. Commissioner Wopke Hoekstra also recently identified this as a key priority for the EU Commission.

The Polish Presidency will also focus on revising the Energy Taxation Directive (2003/96) and aligning EU energy policies with climate goals. Additionally, customs-related tax reforms are another priority, as the Presidency seeks to strengthen the EU Customs Union. Plans include establishing an EU Customs Authority and promoting an EU Customs Alliance for Borders. These measures aim to improve border management, facilitate trade, and enforce EU sanctions against Russia and Belarus.

The programme highlights a strong commitment to modernising tax frameworks, ensuring compliance with international standards, and supporting economic resilience. Further details and updates will be available throughout Poland's Presidency, which runs from 1 January to 30 June 2025.

OECD Publish Paper on MNE Business Functions & Corporate Taxation

The OECD has published a working paper examining how large multinational enterprises (MNEs) allocate their business functions in response to corporate taxation.

Drawing on data from aggregated Country-by-Country Reporting (CbCR), the study analyses the relationship between the location of functions—such as manufacturing, sales, internal group finance, and holding activities—and effective corporate tax rates. The findings indicate that higher average effective tax rates are linked to a lower prevalence of finance-oriented or holding functions, whereas routine functions like manufacturing and sales appear less sensitive to tax rates. Additional factors, including tax incentives, loss carryover rules, and anti-avoidance measures, also influence the location of these functions.

The research provides insights into the tax sensitivity of various MNE functions and the structure of global value chains. It highlights differing patterns of tax competition across jurisdictions, with finance-oriented functions showing greater responsiveness in high-income countries. The analysis underscores the role of specific corporate tax provisions, alongside average tax rates, in shaping MNE decisions. These findings offer a basis for understanding the economic impacts of corporate taxation, particularly in light of international tax reforms like the Global Minimum Tax.

EU Tax Symposium: 18 March 2025

The European Parliament and the European Commission will jointly host the third EU Tax Symposium on 18 March 2025 at the European Parliament in Brussels, with representatives from EU national parliaments in attendance. This high-profile event will bring together policymakers, tax professionals, and stakeholders to discuss the latest developments and strategies in European tax policy.

This year's symposium will focus on the theme *"Strengthening competitiveness and fairness to build prosperity."* The programme will offer valuable insights and foster dialogue on creating a balanced and competitive tax framework in the EU. Registration and the detailed programme will be available in due course.

Platform for Collaboration on Tax Launches Consultation on Tax Incentives Principles

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The Platform for Collaboration on Tax (PCT) is seeking feedback on its proposed Tax Incentives Principles, designed to guide policymakers in creating effective and balanced tax incentives. These principles address challenges such as revenue loss, economic distortions, and governance issues, with a focus on the unique needs of developing countries. They build on the PCT's 2015 report on tax incentives and include detailed explanations and references for further guidance.

The PCT, a joint initiative of the IMF, OECD, UN, and World Bank, was established in 2016 to strengthen tax systems and domestic resource mobilisation, particularly in developing and emerging economies. The deadline for feedback on the principles is 11 February 2025, and all feedback will thereafter be publicly posted on the PCT website. Stakeholders are encouraged to provide feedback on the appropriateness, coverage, and balance of the Tax Incentives Principles, as well as on additional guidance or support that may be required for their effective implementation.

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