



CANADIANS FOR TAX FAIRNESS
CANADIENS POUR UNE FISCALITÉ ÉQUITABLE



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November 22, 2016

Hon. Stéphane Dion
Minister of Foreign Affairs
Global Affairs Canada
125 Sussex Drive
Ottawa, ON K1A 0G2

Hon. Bill Morneau
Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

Subject: The need for an intergovernmental body on tax matters under the United Nations

Dear Mr. Dion and Mr. Morneau,

We, the undersigned Canadian civil society organizations, are writing to you to highlight the urgent need for a strong global response to the international problem of cross-boundary tax avoidance and evasion, and in particular the importance of establishing an intergovernmental body on tax cooperation under the auspices of the United Nations (UN).

This issue, which has repeatedly been at the centre of debate at the UN and other international forums, has gained new relevance and momentum in the wake of several international tax scandals, including the so-called 'Bahamas Leaks' (2016), 'Panama Papers' (2016), 'Swiss Leaks' (2015), 'Luxembourg Leaks' (2014), and 'Offshore Leaks' (2013). These revelations have exposed large-scale tax evasion and avoidance by wealthy individuals and large multinational corporations, and the urgent need for stronger international cooperation on tax rules and standards.

The weak international response to tackling tax havens is costing Canada billions of dollars in lost tax revenue and is undermining Canada's ability to fulfill its commitments to implementing the Sustainable Development Goals, tackling climate change and economic inequality, and closing the gender gap. But the failure of international cooperation in tax matters is an even bigger problem for developing countries. For example, the United Nations Conference on Trade and Development (UNCTAD) has estimated that one type of corporate tax avoidance alone is costing developing countries \$70-120 billion per year.¹ It undermines the tax systems of all countries, and deprives governments of the vital resources needed to provide public services and social protection which benefit the poorest and most vulnerable—often women.

While the OECD and G20 sponsored Base Erosion and Profit Shifting (BEPS) Action Plan has taken some helpful steps in reforming international corporate tax rules, it has not gone far enough, and some of the most important reforms, such as Country by Country Reporting will not benefit many medium and smaller developing countries because they lack the bilateral tax information sharing agreements needed to access this data. In order to take the necessary next steps, we need an intergovernmental body under the auspices of the UN to ensure that all countries can participate in decisions on global tax reforms.

¹ UNCTAD. (2015). *World Investment Report 2015: Reforming international investment governance*. http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf

The idea of establishing an intergovernmental body on tax matters under the UN has been endorsed by UN Secretary-General Ban Ki Moon², several independent experts on human rights and poverty issues³, as well as by the Independent Commission for the Reform of International Corporate Taxation (ICRICT)⁴.

In 2015, the Group of 77 (G77) and China made the establishment of an intergovernmental tax body one of its highest priorities during the UN Conference on Financing for Development in Addis Ababa. While governments failed to reach agreement on this issue in Addis Ababa, the government of Ecuador, which is also the upcoming chair of the G77, has now announced its intention to put this forward as a proposal to the UN General Assembly, in order to ensure a coherent global response to international tax dodging and to bring an end to tax havens.

We, the undersigned organizations, would like to express our strong support for this proposal, and encourage the government of Canada to do so as well. In particular, we urge Canada to speak out publicly in support of the proposal, and work actively for its adoption by the UN General Assembly.

An intergovernmental UN tax body is urgently needed to ensure broad international consensus on:

- Ensuring the transparency needed to prevent international tax avoidance and evasion, as well as a level playing field for companies;
- Fair and effective rules on the division of taxing rights between nations, and preventing tax competition;
- Addressing harmful tax practices which facilitate international tax avoidance and evasion;
- Globally applicable rules to ensure effective taxation of multinational corporations in the countries where they operate.

Existing international bodies, such as the Organization for Economic Co-operation and Development (OECD) and the Group of 20 (G20) will not be able to lead the development of a global consensus, since more than 100 countries remain excluded from negotiations in these bodies. Although implementation bodies established by the OECD, such as the Global Forum and the Inclusive Framework, allow the participation of all countries, this does not change the fact that no international body currently exists where all countries can participate as equals in the development of truly global standards on tax and transparency.

The intergovernmental UN tax body should be open to participation by all countries and have the necessary resources available to ensure that it can fulfil this task. The existing UN Committee of Experts on International Cooperation in Tax Matters can play an important role as technical support for such an intergovernmental tax body.

² UN Secretary-General Ban Ki Moon. (2014). *The road to dignity by 2030: ending poverty, transforming all lives and protecting the planet*. Synthesis report of the Secretary-General on the post-2015 sustainable development agenda. http://www.un.org/ga/search/view_doc.asp?symbol=A/69/700&Lang=E

³ See Magdalena Sepúlveda Carmona. (2014). *Report of the Special Rapporteur on extreme poverty and human rights*. A/HRC/26/28. http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session26/Documents/A_HRC_26_28_ENG.doc; Juan Pablo Bohoslavsky. (2015). *Final study on illicit financial flows, human rights and the 2030 Agenda for Sustainable Development of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights*. A/HRC/31/61. <http://daccess-ods.un.org/access.nsf/Get?Open&DS=A/HRC/31/61&Lang=E>; Alfred de Zayas. (2016). *Promotion of a democratic and equitable international order*. A/71/286. <http://daccess-ods.un.org/access.nsf/Get?Open&DS=A/71/286&Lang=E>

⁴ ICRICT. (2015). *Declaration of the Independent Commission for the Reform of International Corporate Taxation*. http://www.icrict.org/wp-content/uploads/2015/06/ICRICT_Com-Rec-Report_ENG_v1.4.pdf

Achieving a truly global consensus on international tax and transparency standards will ensure that governments worldwide can more effectively protect their national tax systems from international tax dodging. It will also be of great value to small and medium enterprises, as well as multinational corporations, which will be able to benefit from international consistency and a level playing field, where all companies pay their fair share of taxes.

We remain at your disposal if you would like to receive more information or would like to meet in person to discuss this issue further.

Yours sincerely,

Dennis Howlett,
Executive Director,
Canadians for Tax Fairness

This letter has been endorsed by the following organizations:

Julie Delahanty
Executive Director,
Oxfam Canada

Jason Clark
Director, Policy & Advocacy,
Engineers Without Borders Canada

Rita Morbia
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