



2023 ANNUAL REPORT ON THE ACTIVITIES CARRIED OUT BY THE SOUTH CENTRE TAX INITIATIVE

I. Main developments in International Taxation

OECD Two Pillar Solution

The historic negotiation in the OECD Inclusive Framework (IF) on the solution for taxation of the digital economy came closer to conclusion. The OECD IF put out a series of draft international tax rules for public consultation. The OECD IF planned to finalize the solution, known as the Amount A Multilateral Convention, by end of 2023 and launch it for signature by countries. Whether to sign the Amount A Convention or not is a historic decision which every Member of the OECD Inclusive Framework will have to take.

However, this deadline could not be achieved as there were major concerns by developing countries over certain aspects of the Convention relating to the Marketing and Distribution Safe Harbour and the treatment of Withholding Taxes. Further, the USA opened up a domestic public consultation, which also delayed the process. As such, 2023 ended with the deadline extended to March 2024 with signing planned for June 2024.

Work also progressed in the OECD on Amount B, which seeks to simplify transfer pricing for so-called 'routine' functions such as baseline marketing and distribution activities. However, the draft rules thus far have been immensely complex and are unlikely to help developing countries curtail abusive transfer pricing which leads to revenue losses.

The OECD also released draft rules for public consultation on 'tax certainty' under the global minimum tax. These outline various options for how countries will resolve disputes relating to the global minimum tax, including the possibility of an international convention specific to the OECD global minimum tax.

The OECD global minimum tax continues to grow exponentially complex, with new rules and regulations being released on a regular basis, with some being done blatantly to appease the demands of powerful developed countries such as the US who seek to shield their companies from its effects.

UN Tax Committee

In the United Nations Tax Committee, the developing countries strongly pushed for the reform of international tax rules. Progress was made on the structure of a UN Fast Track Instrument, which can update multiple bilateral tax treaties simultaneously by incorporating UN international tax standards. This would boost the international tax standards of the UN and result in increased tax collection for developing countries. Equally significantly, it would also create a



Conference of Parties to the UN Fast Track Instrument (FTI), which would in effect also be a UN Tax Body.

Developing countries in the UN Tax Committee also negotiated reforms to the taxation of international shipping companies, which presently are effectively tax exempt, wealth taxes, computer software, independent personal services and the Subject to Tax Rule.

UN Framework Convention on International Tax Cooperation

In the UN General Assembly, the developing world continued to fight for the reform of the larger international tax system. The ECOSOC held a Special Meeting on International Tax Cooperation to discuss how to strengthen the system, and the discussion continued in the Financing for Development Forum. The developing countries continued to push for a UN Tax Convention, which would transfer power to the UN rather than the OECD in international tax, while the developed countries continued to oppose it, arguing for the status quo.

2023 ended on a historic and positive note – on 22 November 2023, the Second Committee of the UN General Assembly passed a landmark resolution calling for starting negotiations on a UN Framework Convention on International Tax Cooperation. This could decisively shift international tax rule making power from the OECD to the UN and has been the longstanding demand of the developing world.

Platform for Taxation in Latin America and the Caribbean

At the regional level, the government of Colombia led a historic initiative to create a Regional Tax Platform to mobilise the entire Latin American and Caribbean region. The Platform would be an Annual Ministerial Conference where LAC Finance Ministers could come to a common position on international tax reform priorities for the region.

II. Activities undertaken by the South Centre Tax Initiative and their Impact

The South Centre Tax Initiative (SCTI), the South Centre's flagship project for South-South Cooperation in international taxation, engaged strongly in all the above processes to promote the interests of the South Centre's Member States and the developing countries at large.

OECD Two Pillar Solution

On the Two Pillar solution, the South Centre continued to organize Closed Technical Briefings on the rules being negotiated. These were conducted for the Amount A rules defining Digital Services Taxes and other unilateral measures which would be prohibited under Amount A and the implications for developing countries.



Briefings were also held on Amount B in partnership with the African Tax Administration Forum (ATAF) and in partnership with the International Lawyers Project, on the tax certainty framework for the global minimum tax, namely the Global Anti-Base Erosion (GLOBE) Rules. Based on these briefings and consultations with its Member States, the South Centre made submissions to the OECD highlighting the concerns of developing countries. The submissions in particular raised the issue of how even treaty based solutions could be considered as unilateral measures and were publicly reiterated by the government of Kenya.

The South Centre also came out with two Policy Briefs in the first half of the year on these topics. The first is titled 'Global Minimum Taxation of Multinationals: Opportunities and risks for some African States', which essentially argues that the OECD's low rate of 15% is harmful for African countries who have much higher corporate tax rates and may cause companies to move out or trigger a race to the bottom in tax rates.

The second Brief is titled 'Taxation of Digital Services: what hope for the African States?' which argues that African countries need to improve digital connectivity to be able to collect more taxes under the OECD digital tax solution of Amount A. This is because the revenue sourcing rules of Amount A allocate profits using digital indicators such as viewing of advertisements, IP addresses, etc.

Ahead of the crucial July session of the OECD Inclusive Framework, the South Centre and the West African Tax Administration Forum (WATAF) held a [Joint Special Technical Session on the OECD Two Pillar Solution](#) to inform developing countries about the ongoing negotiations.

After the session, the two organizations released an Outcome Statement which contained the recommendations made during the session. Particularly important recommendations were on the need to consider signing the OECD Subject to Tax Rule (STTR) only after contrasting it with the UN STTR and alternative minimum taxes as a far simpler policy option than the Qualified Domestic Minimum Top Up Tax (QDMTT).

Following the July Outcome Statement of the OECD Inclusive Framework, the South Centre released a [Statement of its own](#), highlighting the key concerns of developing countries as well as what it would do to support them. The South Centre's Statement was widely covered in the media and was well received by developing countries.

In August the South Centre published a Policy Brief titled, "[The GLOBE Rules: Challenges for Developing Countries and Smart Policy Options to Protect Their Tax Base](#)" outlining the main problems of the OECD Global Minimum Tax, with the central one being that companies could continue to pay zero taxes under



the so-called minimum tax. The Brief also proposed tried and tested and easier to implement alternatives to the highly complex GLoBE Rules.

The recommendations of the Policy Brief were taken into account by several South Centre Member States, who reached out with follow up questions. It also triggered defensive responses from both the OECD as well as a developed country, New Zealand, who sought to defend the rules against the criticism. The Brief was widely covered in the media and has arguably contributed to developing countries taking a more informed decision on how respond to the GLoBE Rules.

In September, the South Centre and the Platform for Taxation in Latin America and the Caribbean (PTLAC) co-organized a briefing on the Subject to Tax Rule (STTR), contrasting the UN and OECD versions. The briefing was attended by a large number of delegates from across the Global South who were made aware of the pros and cons of either option. Subsequently, no developing country came forward to sign the OECD STTR Multilateral Instrument when it was opened for signature.

In November, the South Centre and the Global Alliance for Tax Justice organized a major two day international conference for developing countries titled "[Conference on South-South Cooperation in International Tax Matters: Don't cede your taxing rights by signing a blank cheque](#)". The Conference, attended by several developing country delegates, was inaugurated by the Chair of the G77+China in Geneva, featured an address by the G20 President (India) and had senior officials from the G-24, African Union and PTLAC.

At the Conference, the South Centre in partnership with the African Tax Administration Forum (ATAF) and the West African Tax Administration Forum (WATAF) released preliminary data on country level revenue estimates for Amount A vs Digital Services Taxes for the Member States of the African Union and the South Centre.

The data served to inform developing countries of how much they stood to gain from the OECD solution vs Digital Services Taxes, and the opportunity costs of continuing to do nothing. Various delegations appreciated the data and indicated their interest in proceeding with a DST. One South Centre Member State subsequently organized a detailed discussion with officials in capital on the study and the options available for their country.

UN Tax Committee

In the UN Tax Committee, the South Centre participated in the 26th Session in New York where it contributed to mobilize the developing country Members through peer exchanges and briefings and also participated in the negotiations



to promote the interests of the South Centre's Member States and other developing countries.

Ahead of the UN Tax Committee session, the South Centre published two studies, one on the taxation of computer software and the other on the Subject to Tax Rule (STTR). The study on computer software showed that 34 of the South Centre's Member States could have collected \$1 billion in taxes in 2020 from computer software sales had there been the corresponding standards by the UN. The SCTI's brief on the STTR also provided data that the OECD's version of the STTR would benefit a tiny fraction of tax treaties of the developing countries, strengthening the case for an alternative version at the United Nations.

The South Centre's interventions contributed to the STTR being approved in the March session of the UN Tax Committee.

The South Centre also published a Policy Brief on a 'Climate Finance Withholding Mechanism'. The essence of the idea was that since the developed countries are failing to meet their obligation of providing \$100 billion every year to the developing countries, the developing countries could impose withholding taxes on the Multinational Corporations (MNCs) of the developed countries and adjust this towards the climate finance they should have received. This is a potential response to the EU's Carbon Tax known as CBAM which has harmful implications for the exports of developing countries and is called "trade protectionism disguised as climate protection."

The South Centre is also represented on the UN Subcommittee on Wealth and Solidarity Taxes. Here, it is heavily involved in preparing international guidelines for the taxation of net wealth. The developing countries seek to translate the draft guidelines into a Model Law which can be used by interested countries. This is being opposed by the developed countries who do not want a stronger role of the UN in international tax standard setting. The SCTI is actively working with developing countries and progressive actors to continue pushing for model wealth tax legislation at the UN.

The draft UN guidelines were to be launched in the October 2023 Committee Session. In view of the opposition from the developed countries to Model Wealth Tax legislation, ahead of the session the South Centre mobilized tax justice civil society to promote its adoption.

The South Centre's interventions resulted in a Joint Statement by [prominent tax justice CSOs](#) calling upon the UN Tax Committee to prepare Model Wealth Tax legislation.



The South Centre also organized a briefing for the developing country UN Tax Committee Members ahead of the October session on the crucial topic of the taxation of computer software. The South Centre presented data showing how the developing countries were losing billions of dollars in royalty payments owing to the inability to effectively tax computer software and the need to reform the UN Model Tax Convention.

The briefing brought together all the developing countries of the UN Tax Committee on this issue. After a vote in the Subcommittee, in October 2023, the UN Tax Committee finally decided to include the word “software” in the definition of royalties under Article 12 of the UN Model Tax Convention, bringing to an end a twenty year-long negotiation.

The South Centre was also invited to speak in an ECOSOC Side Event organized by the Addis Tax Initiative on how wealth taxes and public procurement could contribute to the SDGs. In this regard it also published a SouthViews titled ‘Implementing wealth tax and wealth redistribution in Sub-Saharan Africa’ which looked at the need for wealth taxes in Africa.

The issue of digital nomads is an emerging one in international taxation given the increase in Work From Home/Work From Anywhere. This is also being discussed in the UN Tax Committee. Accordingly, the South Centre published a Policy Brief titled, “Conceptualising Remote Worker Permanent Establishment”, which puts forward a developing country friendly solution.

UN Framework Convention on International Tax Cooperation

The South Centre participated in the ECOSOC Special Meeting on International Tax Matters and shared the South Centre [proposal for a UN Framework Convention on Tax Cooperation](#), which would make the UN the supreme international tax organization with universal and democratic participation of all countries, both developed and developing.

The South Centre’s proposal, which was reiterated by several developing country actors, was mentioned in the UN Secretary General’s report that was subsequently published as one of the three options for consideration, and referenced in government interventions in the UN ECOSOC Session.

In September, the South Centre and the UN Economic Commission for Africa co-organized a “Joint Briefing on Report of the United Nations Secretary General Outlining Three Options for Promotion of Inclusive and Effective International Tax Cooperation at the United Nations”. This was for their combined Member States, and served to mobilize developing country support towards the option of a UN Framework Convention.



In November, the South Centre participated in the first meeting of the Platform for Taxation in Latin America and the Caribbean where it encouraged the participating countries to vote in favour of the UN resolution.

The South Centre also highlighted the issue of the UN Tax Convention at forums where it was invited as a speaker, such as the Addis Tax Initiative General Assembly held in Zambia, Malaysia's National Tax Conference held in Kuala Lumpur, the IBFD Africa Tax Symposium held in Tanzania and the Trade Union Tax Forum held in Brussels.

The South Centre also sent an advisory opinion to its Member States and the G77+China ahead of the vote calling for developing country support for the vote.

The cumulative contributions of the South Centre contributed to an [overwhelming vote in favour of the resolution in the UN General Assembly](#), with 125 in favour and 48 against. Intergovernmental negotiations will now begin on the terms of reference for the UN Framework Convention on International Tax Cooperation.

In November, the South Centre and the Global Alliance for Tax Justice organized a major two day international conference for developing countries titled "[Conference on South-South Cooperation in International Tax Matters: Don't cede your taxing rights by signing a blank cheque](#)" to discuss how to promote the UN Convention. The Conference was attended by several developing country delegates, was inaugurated by the Chair of the G77+China in Geneva, featured an address by the G20 President (India) and had senior officials from the G-24, African Union and PTLAC and resulted in important strategic discussions on how to promote the UN Convention.

The South Centre also sent out an advisory to its Member States and the G77+China informing them of the nomination process of the upcoming intergovernmental committee, so that developing countries could begin identifying their candidates to participate in the upcoming negotiations.

Capacity Building on Taxation of the Digital Economy

The UNCTAD Intergovernmental Group of Experts on the Digital Economy invited the South Centre to present to UN Member States the policy options for taxing the digital economy. Following this presentation, two South Centre Member States requested capacity building on the subject. The South Centre subsequently provided detailed policy advisory to one of them who then requested a full-fledged capacity building workshop on the topic.

The South Centre partnered with the UNDP Sri Lanka to co-organise a Capacity Building Workshop on the taxation of the digital economy. The two



organisations shared the policy options available to Sri Lanka to tax the digital economy, which included a Digital Services Tax.

Within a few days of the workshop, the government elaborated a digital services tax which, in the record time of two months, was submitted to the Parliament. The South Centre continues to provide support to the Sri Lankan government in this process. A similar workshop was carried out in Eswatini, in partnership with the UNDP.

The South Centre was also invited to participate in the Addis Tax Initiative (ATI) General Assembly in Zambia where it provided capacity building to ATI Partner Countries on the taxation of the digital economy. After the workshop, one African country reached out to the SCTI for detailed policy advice on the taxation of the digital economy.

The South Centre co-organised a G20-South Centre event on international taxation. This was on capacity building for Indian tax officials on the Two Pillar solution and the international tax standards being negotiated in the UN. The South Centre mobilized international tax experts from across Asia, Africa and Latin America to share their perspectives on these topics with the Indian officials.

Capacity Building on International Tax and Tax Treaty Negotiation

The South Centre in partnership with the UNDP also carried out capacity building workshops on tax treaty negotiation for the governments of Bhutan and Sri Lanka. The workshop in Sri Lanka led to the government initiating a process for devising a tax treaty policy framework which would eventually result in a Model Tax Treaty. The South Centre was requested to continue providing advisory in this process. The workshop in Bhutan resulted in the government making major changes to its Model Tax Treaty.

The South Centre also organized a capacity building workshop on the basics of international tax for the government of Colombia. Invited were officials attending the first meeting of the PTLAC which took place immediately after the end of the workshop. The workshop discussed a more balanced view of the need for tax treaties as a mechanism for attracting investment, the risks of the OECD Global Minimum Tax and alternative solutions provided by the South Centre. The workshop also facilitated practical ideas for cooperation between the Members of the PTLAC.

Enhanced Partnerships and Collaborations

The South Centre is also a Member of the Inter Agency Task Force on Financing for Development. The SCTI provided inputs to the UN Financing for



Development Report 2023 on taxation, which referenced two South Centre publications – the country level revenue estimates on digital taxation for South Centre and African Union Member States and the research paper on asset recovery which showed ample data that the developed countries are delaying the return of the stolen assets of the developing countries.

The South Centre participated in the government of Colombia's conference on the Regional Tax Platform in May in Bogota, prior to its establishment in July. This was a technical conference meant to solicit ideas which the LAC region could raise at the international stage. The South Centre put forth the proposal that the taxation of international shipping was a priority area for Latin America and the Caribbean and should be taken up at the international level.

The proposal was published as a Chapter in a book co-published by the Ministry of Finance and was launched by the Deputy Minister of Finance of Colombia. The South Centre and the government of Colombia, which also has the Presidency of the PTLAC, are planning further activities to raise awareness on the need for source taxation of international shipping.

The South Centre also partnered with LIRNEasia to organize two events, one on taxation of the digital economy for South and Southeast Asia, and another on "Taxing Tech Titans" at the Internet Governance Forum. These also served to bring together developing Asia to discuss this important issue.

The government of Malaysia indicated its interest to sign a Memorandum of Understanding with the South Centre to cement its partnership on international taxation. This was done with the Malaysian Tax Academy and since then the Malaysia-South Centre partnership has been further strengthened.

The West African Tax Administration Forum (WATAF) and the South Centre also signed an MoU on the sidelines of the South Centre-GATJ Conference on South-South Cooperation in International Tax Matters held in November 2023.

Apart from these, the South Centre was invited to speak at various events. These included the IBFD Africa Tax symposium in Tanzania, the Annual Meeting of Independent Commission for Reform of International Corporate Taxation (ICRICT), the ICTD's conference on Global Tax Governance in Kenya and various other conferences and webinars.

Multiple news channels and agencies regularly solicit and reflect the South Centre's views on the objectives and concerns of developing countries in international tax negotiations.