the Pontifical Academy of Social Sciences

ICRICT

Independent Commission for the Reform of International Corporate Taxation

HIGH-LEVEL DIALOGUE

Tax Justice and Solidarity

Towards an Inclusive and Sustainable Common Home

Thursday 13 February 2025
Casina Pio IV, Vatican City

“Economic powers continue to justify the current global system where priority tends to be given to speculation and the pursuit of financial gain, which fail to take the context into account, let alone the effects on human dignity and the natural environment. ”

ENCYCLICAL LETTER
LAUDATO SI’
OF THE HOLY FATHER
FRANCIS
ON CARE FOR OUR COMMON HOME

Concept Note

The international community is grappling with many challenges; the need to accelerate decarbonisation and fight climate change, the need of highly indebted countries to retain fiscal space to invest in poverty eradication, social services and global public goods, and the need to get back on track towards reaching crucial Sustainable Development Goals.

There is one issue that makes addressing these global challenges much harder: inequality. While the disparity between the richest and poorest countries has slightly narrowed, the gap remains alarmingly high. Moreover, in the past two decades, we have witnessed a significant increase in inequalities within most countries, with the income gap between the top 10% and the bottom 50% nearly doubling.

Today's international tax system fuels much of this inequality.

Tax avoidance by multinational corporations is one of the most toxic aspects of globalization. Corporations that make billions of dollars of profits whilst benefitting from the investments in knowledge, technology and infrastructure financed by public sectors, have been the major winners of globalization. By shifting a large part of their profits to tax havens, they deprive public sectors of the critical resources needed for investment in fundamental human rights such as health and education, and in policies to combat poverty and climate change.

Globalization has also played a big role in exerting a downward pressure on the effective tax rates for high-net-worth individuals, the wealthiest of our societies, who have the ability to lower their taxes by exploiting international tax competition and tax avoidance opportunities. Research conducted by numerous scholars and summarised in the Global Tax Evasion Report 2024 shows that when all taxes are considered as a whole (personal income taxes, consumption taxes, corporate taxes, etc.) the wealthiest individuals pay proportionately far less in taxes than other socio-economic groups.

This aspect of the global economy is one of the most relevant factors for explaining the unacceptable levels of inequality that we witness today, at both the domestic and global level.

In 2022 Pope Francis called for a system of taxation that "*must favor the redistribution of wealth, safeguarding the dignity of the poor and the least, who always risk being trodden underfoot by the powerful*" and said that "*Taxes must be just, fair, set on the basis of each person's ability to pay.*"

In 2018, the Congregation for the Doctrine of the Faith and the Dicastery for Promoting Integral Human Development warned us about the malicious role of tax havens: "*These places, to a considerable extent,*

have become an opportunity for financial operations often border line, if not beyond the pale, both from the point of view of their lawfulness under the normative profile and from that of ethics, meaning an economic culture, healthy and free from the intentions of tax avoidance. Today, more than the half of the commercial world is orchestrated by noteworthy persons that cut down their tax burden by moving the revenues from one site to another according to their convenience, transferring the profits into fiscal havens, and the costs into the countries of higher taxation. It appears clear that all these have removed decisive resources from the actual economy and contributed to the creation of economic systems founded on inequality".

Some progress has been made in the last 10 years in the fight against the tax avoidance of multinationals and rich individuals in order to create a fair international tax system.

Thanks to the automatic exchange of bank information, offshore tax evasion has declined by a factor of about three in less than 10 years. Before 2013, households owned the equivalent of 10% of world GDP in financial wealth in tax havens globally, the bulk of which was undeclared to tax authorities and belonged to high-net-worth individuals.

However, persisting loopholes in the tax system imply that high-net-worth individuals can minimise their income taxes. Global billionaires pay only the equivalent of up to 0.5% of their wealth in personal income tax.

Despite recent international tax cooperation efforts, multinationals continue to shift a large amount of their profits to tax havens each year: $1 trillion in 2022. This is the equivalent of 35% of all the profits booked by multinational companies outside of their headquarter country. The corporate tax revenue losses caused by this shifting are significant, the equivalent of nearly 10% of corporate tax revenues collected globally.

In October 2021 the OECD/G20 Inclusive Framework reached a "global tax deal" (Two-Pillar Solution) to put an end to tax avoidance by multinationals. Although the agreement is an important step forward, the deal is limited in ambition, favours rich countries at the expense of emerging economies and is far from the comprehensive reform needed to ensure multinationals pay their fair share.

Much more remains to be done to ensure governments have sufficient resources to meet today's and tomorrow's challenges, and ensure that global tax systems fulfil the principle of fairness, such that contributions are in line with the capacity to pay.

The world faces a historic window of opportunity in international tax cooperation.

Countries in the Global South have successfully called for, and are now advancing, a new intergovernmental process at the United Nations. Negotiations towards a United Nations Framework Convention on International Tax Cooperation (UN Convention) have now started, following a General Assembly vote in November 2023 of a resolution tabled by Nigeria on behalf of the African Group. The UN Convention will provide a platform to rework the current defective international tax rules towards more comprehensive solutions and thereby generate a bigger tax pie to be shared among countries.

Negotiations around this UN Convention have started in February 2025 with broad engagement and participation from all countries, apart from the United States, which withdrew from the process on the first day of the negotiations.

Discussions on the creation of common minimum standards to tax the wealthiest individuals through international coordination took place for the first time at the G20 in 2024. Brazil's G20 presidency has advanced a proposal for a global minimum tax for the super-rich put forward by ICRICT Commissioner and EU Tax Observatory Director, Gabriel Zucman. As a result, the G20 reached a consensus in July 2024 that: "It is important for all taxpayers, including ultra-high-net-worth individuals, to contribute their fair share in taxes. Aggressive tax avoidance or tax evasion of ultrahigh-net-worth individuals can undermine the fairness of tax systems, which comes along with a reduced effectiveness of progressive taxation" .

Despite some new threats to multilateralism, 2025 can provide further impetus to the reform of international tax architecture. The United Nations will take central stage in international tax cooperation, as countries start the negotiation of a UN tax convention to ensure multinationals and the super-rich pay their fair share. South Africa will take the baton of G20 from Brazil and can further steer the membership of G20 towards ambitious reform of the international tax architecture.

Discussions on how to fund sustainable development will be center stage in the Fourth International Conference on Financing for Development (FfD), to be held in Spain in 2025. In addition, negotiations to develop a new climate finance architecture to support just transitions in the world will be the focus of the 30th United Nations Climate Change Conference of the Parties (COP30), to be held in Brazil in 2025.

As Pope Francis warned us: "*Economic powers continue to justify the current global system where priority tends to be given to speculation and the pursuit of financial gain, which fail to take the context into account, let alone the effects on human dignity and the natural environment.*"

For too long tax evasion has been accepted as an unavoidable part of human nature, an inevitable byproduct of globalization. But tax evasion, and, more broadly, tax avoidance, is not inevitable; it is the result of policy choices, or the failure to make policy choices that act to stop it.

If citizens do not believe that everyone is paying their fair share of taxes, and especially if they see the rich and rich corporations not paying their fair share, then they will begin to reject taxation. Why should they hand over their hard-earned money when the wealthy do not? This glaring tax disparity undermines the proper functioning of our democracy; it deepens inequality, weakens trust in our institutions, and erodes the social contract.

As Pope Francis points out: "*When the obsession with possessing and dominating excludes millions of people from primary goods; when economic and technological inequality is such as to tear the social fabric; and when addiction to unlimited material progress threatens the common home, then we cannot stand by.*"

In this context, global leaders and high-level policymakers, top academic experts, officials from multilateral institutions, civil society, trade unions and religious leaders will meet at the Pontifical Academy of Social Sciences (PASS) to discuss these major problems for the global society and propose international reforms to advance tax justice through international cooperation.

Agenda

The event will consist of various sessions addressing key topics of current international taxation reform and its relationship with inequality humanity's significant needs in guaranteeing human rights and combating climate change to build a sustainable common home.

THURSDAY 13 FEBRUARY 2025

7:30 – 8.30am

Breakfast reception and registration

8:30-8:40am

Welcoming Remarks

Sister Helen Alford, President of PASS
H.Em. Cardinal Peter Turkson, Chancellor of PASS
Sig. Cardinale Pietro Parolin, Segretario di Stato di Sua Santità, Segreteria di Stato, Secretary of state, Vatican State

8:40-9:40am

Opening remarks

Messages from:
Pope Francis
Luiz Inácio Lula da Silva, President of Brazil
Pedro Sánchez, Prime Minister of Spain
Cyril Ramaphosa, President of South Africa
Antonio Guterres, SG United Nations

H.E. Thabo Mbeki, Chair of the High-Level Panel on Illicit Financial Flows from Africa and; former President of South Africa
Nosipho Jezile, ambassador of South Africa to the italian Republic

Rt. Hon. Aminata Touré, High representative of the Senegalese Presidency, Club de Madrid member and former prime minister of Senegal

Li Junhua, Under-Secretary General of the United Nations

9:40-11:15am

Session 1: The rise of global inequality and the role of taxation
Chair: **Martín Guzmán,** ICRICT commissioner and PASS Ordinary Academician

The session aims to present an introductory discussion for the day and will address the main challenges of today's global inequality: where does inequality come from? What are the major trends? How taxes reinforce and reproduce inequalities at both global and domestic levels? What is its relationship with international taxation? Why are inequality and tax unfairness putting our democracies at risk?

Lead speakers:
Joseph E Stiglitz, ICRICT co-chair and PASS Honorary Academician.
Jayati Ghosh, ICRICT co-chair
Gerassimos Thomas, Director-General for Taxation and Customs Union, European Commission
Winnie Byanyima, Executive Director of UNAIDS
Abigail Disney, member of Patriotic Millionaires

Discussion Among Participants

11:15-11.45

Coffee Break

11:45-1:30pm

Session 2: Proposals and opportunities for a fair international tax system

Chair: **Pedro Abramovay,** Open Society Foundations.

The session will delve into the proposals that ICRICT has put forward to ensure multinational companies and the richest of our societies pay their fair share of taxes. Today's international tax system is broken and skewed towards the most powerful of our societies. Created a century ago by rich countries, an international tax system designed in a non-globalized world has been under immense pressure due to multinational enterprises' cross-border profit shifting (facilitated by an outdated transfer pricing system), intensified tax competition (also called the race to the bottom), digitalization, financial secrecy and offshore hidden wealth. All of this translates into billions of dollars lost annually due to tax abuse, particularly in developing countries which require significant revenues to finance public services, climate change adaptation and the green transition. In this context, ICRICT has formulated a variety of proposals to enable the taxation of the global profits of multinational corporations, treating the parent company and subsidiaries as a single entity and allocating the global profits of multinational corporations to each country through a formulaic approach, and to tax the windfall profits of sectors that benefit from global crises. Additionally, the Commission proposes minimum taxation standards for corporations and the ultra-wealthy. All these proposals aim to reduce inequality and achieve a fair, legitimate, and sustainable international tax system.

Lead speakers:

Gabriel Zucman, ICRICT commissioner
Edmund Fitzgerald, ICRICT commissioner
Ricardo Martner, ICRICT commissioner
Kim Henares, ICRICT commissioner
Logan Wort, African Tax Administration Forum
Chenai Mukumba, Tax Justice Network Africa
Benjamin Angel, Director of direct taxation, tax coordination, economic analysis and evaluation at the European Commission

Discussion Among Participants

1:30-3:00pm

Lunch

3:00-4:45pm:

Session 3: The global agenda of tax reform

Chair: **José Antonio Ocampo,** ICRICT commissioner

Given the multiple issues with current taxation and its intrinsic relationship with the levels of inequality we observe today, international cooperation processes have been advancing for over a decade to reform the international taxation system and combat tax abuse, tax havens, and financial opacity. Currently, we have processes at various stages: some are nearing completion, others are underway, and some are in their inception phase. These processes include:

- The G20/OECD's Inclusive Framework on BEPS initiative
- The United Nations Framework Convention on International Tax Cooperation
- The G20 new international agenda focused on taxation of the super-rich, advanced by the presidency of Brazil
- The 4th Financing for Development Conference in 2025
- The 30th United Nations Climate Change Conference of the Parties (COP30) in 2025
- Various regional initiatives that have set the tone for innovative regional cooperation processes, such as the Latin American and Caribbean Tax Platform (PTLAC).

- This session will address and analyze these different processes, their outcomes, advantages and limitations, as well as the opportunities for reform that arise with the new processes emerging in 2025, at both international and regional levels.

Lead speakers:
Irene Ovonji-Odida, ICRICT commissioner
Eva Joly, ICRICT commissioner
Iyabo Masha, Director of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development (G-24)
José Manuel Salazar-Xirinachs, Executive Secretary of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC)
Pasquale Tridico, Member of the European Parliament and Chair of the FISC Subcommittee on Tax Matters
Gilad Isaacs , Director, Institute for Economic Justice

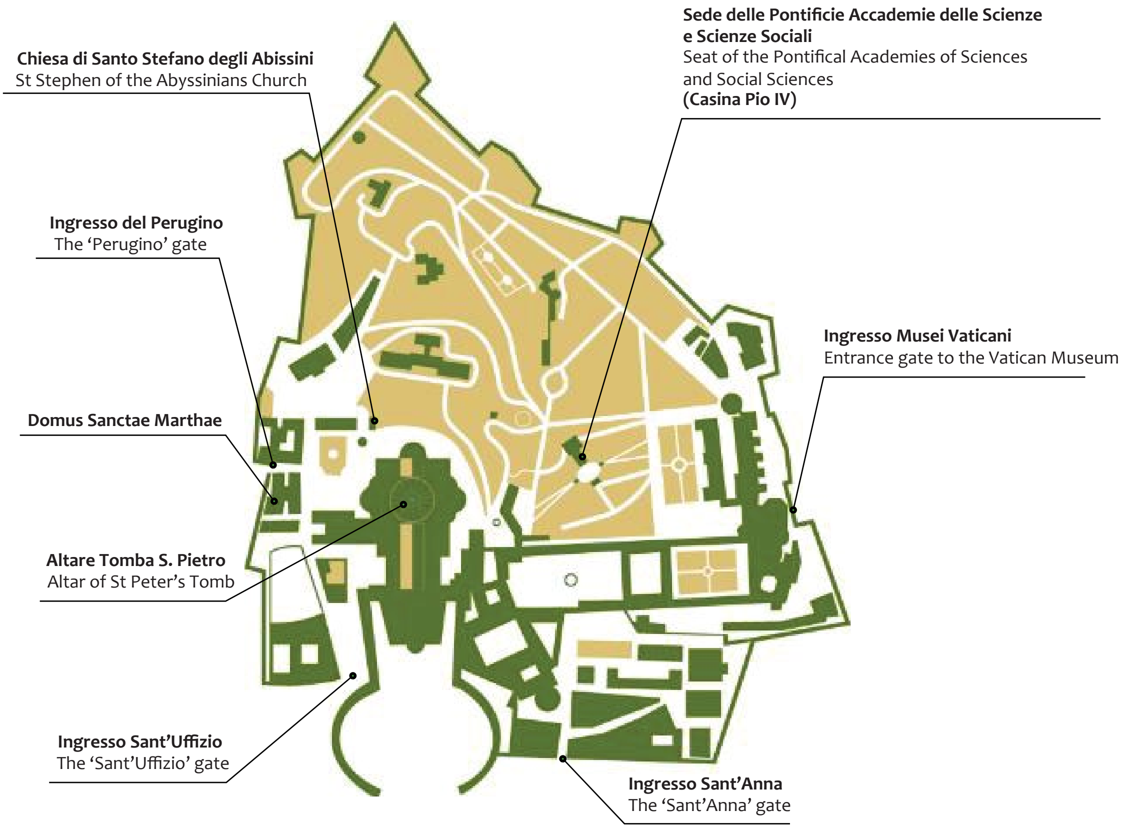
Discussion Among Participants

4:45-5:00pm

Closing remarks

Joseph E Stiglitz, ICRICT co-chair and PASS Honorary Academician
Jayati Ghosh, ICRICT co-chair

Drinks and canapés will be served after the event



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