Forum: Economic and Social Council

Issue: Advancing programs for economically disadvantaged people to ensure appropriate education

Student Officer: Daniel Bertoli

Position: President

Table of Contents

I. Introduction

Between optimising economic efficiency and social equity, economic growth and redistribution, national autonomy and global cooperation, there exist innate tensions when discussing global tax policy. These tensions reflect fundamental policy choices regarding how societies allocate resources, structure power and define fairness. As governments confront rising inequality, fiscal pressures, and a rapidly globalizing economy, the question becomes: how can tax systems be designed to meet competing objectives without compromising legitimacy or sustainability? In the past there have been many discussions of how to fight global inequality using global taxes, such as the Tobin tax or OECD reforms. These are necessary because of a clear manifestation of these tensions in tax havens. An estimated $492 billion in global tax revenue is lost annually due to the use of tax havens[1], this highlights the severity of this problem and the need to examine possible solutions.

II. Defining Key Terms

A. Base Erosion and Profit Shifting

BEPS refers to tax planning strategies by multinational enterprises that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations, eroding the tax base of higher-tax jurisdictions.[2]

B. Tax Haven

A tax haven is a jurisdiction that offers very low or no taxes and a lack of transparency, attracting businesses and individuals seeking to minimize their tax liabilities.

C. Global Minimum Corporate Tax

This is a coordinated international policy ensuring that large multinational enterprises pay a minimum level of tax (currently set at 15%) on income in each jurisdiction where they operate, reducing incentives for profit shifting.[3]

D. Financial Transaction Tax

An FTT is a levy on specific types of financial transactions, such as trades of stocks, bonds, or derivatives, aimed at reducing market volatility and generating public revenue.[4]

---

[1] (“State of Tax Justice 2024,” 2024)
[2] (OECD, n.d.)
[3] (OECD, n.d.)
[4] (Asen, 2021)

E. Common Reporting Standard

Developed by the OECD, the CRS calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions annually to enhance tax transparency.[5]

F. Digital Service Tax

A DST is a tax imposed on revenues generated from digital services provided by large multinational companies, addressing challenges in taxing the digital economy.[6]

G. Double Taxation

Double taxation occurs when the same income is taxed in two different jurisdictions, which can hinder international trade and investment.

H. Race to the Bottom

This term describes a situation where countries competitively lower tax rates or regulatory standards to attract businesses, potentially undermining public revenues and standards.[7]

III. General Overview

A. The Origin and History of the Issue

How to tax fairly and efficiently is a question which dates back to the beginning of the modern state.[8] However the global aspect of tax policy just emerged recently in the 20th century, with international tax competition, cross-border capital flows and multinational corporations and is constantly intensifying with globalization.

The first attempts to create international taxation rules date back to the 1920s and had the goal of facilitating trade and investment on an international level. These were designed by the League of Nations, a predecessor of the United Nations, with the objective to avoid double taxation and laid the fundamental groundwork for modern bilateral tax treaties.[9]

---

5 (*Automatic Exchange CC16 BLUE.indd*, 2017)
6 (*The OECD and Digital Services Taxes*, 2024)
7 (Chen, 2024)
8 (Lepore, 2012)
9 (Jogarajan, 2018)

The collapse of the Bretton Woods system launched the global economy into a new era. As a consequence capital markets became more open and new technologies allowed money to be transferred at unprecedented speed.[10] At the same time multinational corporations were expanding and many countries, especially small countries, tried to attract foreign capital with low tax rates.[11] These so-called tax havens became substantial parts of the global financial world.

The Nobel prize winning economist James Tobin proposed a tax on cross-border financial transactions, in the form of a tax on currency exchange. His idea was not just about raising revenue, but about limiting speculative capital flows that could destabilize economies. While his proposal was never implemented globally, it sparked ongoing discussions about how taxation could be used not only to fund public goods, but also to reshape market incentives.[12]

By the 1990s and early 2000s, tax fraud by multinational corporations had become a pressing concern. Companies were shifting profits to low-tax countries even when they had little or no real economic activity there. This phenomenon is called base erosion and profit shifting (BEPS). It threatened the tax base of many countries, especially those dependent on corporate tax revenue.[13]

Institutions such as the OECD started writing and publishing reports about these harmful practices and tried finding effective frameworks to combat these issues.[14] The financial crisis of 2008 shook the world and its trust in financial institutions. Highlighting how some of the world's largest and most profitable companies were paying little or no tax. Governments under public pressure to increase revenues began pushing for stronger international coordination.[15]

In 2013, the OECD launched its BEPS Action Plan with the backing of the G20. This initiative outlined 15 specific actions to reduce tax avoidance and increase transparency. Although voluntary, it marked the beginning of a more inclusive global conversation, eventually leading to the formation of the

[10] (Economic Insider, 2025)
[11] (Palan, n.d.)
[12] (Scott, 2022)
[13] (OECD, n.d.)
[14] (OECD, 2023)
[15] (Napolitano, 2011)

Inclusive Framework, which now involves over 140 countries.[16]

Most recently, in 2021, more than 130 countries agreed on a global minimum corporate tax rate of 15%. This deal aims to address the “race to the bottom” in corporate taxation by ensuring that multinationals pay a minimum level of tax regardless of where they operate. While still in the process of implementation, it represents a major milestone in efforts to adapt tax policy to the realities of globalization.[17]

B. The Current Situation and Recent Developments

The global tax landscape has undergone significant changes in recent years, but the question of how to address the persistent challenges of tax avoidance, base erosion, economic stability and the rise of tax havens remains important. Despite efforts by international organizations like the OECD, countries continue to face growing difficulties in curbing aggressive tax planning strategies and ensuring that multinational corporations contribute fairly to national tax bases.[18] As the digital economy continues to expand and new financial technologies emerge, the complexities of tax systems are only increasing, making the task of reform more urgent.

International tax cooperation has made important progress over the last few decades. The most notable effort came with the introduction of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) in 2013, which set out a comprehensive plan to address issues like profit shifting and tax avoidance. Through 15 distinct action points, the BEPS Action Plan aimed to increase transparency, enforce stronger tax rules, and reduce harmful tax practices across borders. This initiative provided a framework for countries to strengthen their domestic tax laws and align their efforts in combating global tax evasion.[19]

Alongside this, the Common Reporting Standard (CRS), also developed by the OECD, made significant progress in improving tax transparency. By enabling the automatic exchange of financial information between tax authorities, the CRS has made it harder for individuals and companies to hide assets in offshore jurisdictions. These efforts have made a tangible impact on the ability to trace illicit financial flows and reduce the role of tax havens in the

---

[16] (*Action Plan on Base Erosion and Profit Shifting*, 2013)
[17] (OECD, n.d.)
[18] (*Corporate Loss Utilisation Through Aggressive Tax Planning*, 2021)
[19] (*Action Plan on Base Erosion and Profit Shifting*, 2013)

global economy.[20]

However, while these international frameworks have laid the groundwork for reform, implementation has not been uniform. Tax havens, such as the Cayman Islands, Luxembourg and Switzerland continue to attract substantial capital flows, allowing multinational corporations to reduce their tax burdens significantly. These jurisdictions have been successful at maintaining their attractiveness by offering favorable tax rates and financial secrecy, even in the face of global pressures for reform.[21]

The current situation presents a mixed outlook. On the one hand, significant progress has been made in securing agreements such as the OECD's Global Anti-Base Erosion (GloBE) Rules, which introduced a global minimum tax rate of 15% in 2021. This historic agreement, signed by over 130 countries, aims to curb the race to the bottom in corporate taxation by ensuring that multinationals are taxed at a minimum level regardless of where they operate. If successfully implemented, this reform could represent a breakthrough in addressing the issue of tax base erosion that has long plagued national economies.[22]

On the other hand, the digital economy continues to complicate global tax discussions. While countries like France[23] and formerly India[24] have implemented their own digital services taxes on tech giants, these measures have sparked trade tensions, particularly with the United States, who argues that such taxes unfairly target its domestic companies. The lack of a comprehensive, multilateral digital tax framework leaves the door open for further conflicts, and despite the OECD's efforts, consensus on a global solution remains elusive.

Furthermore, the problem of tax avoidance persists, particularly in developing countries. Many low-income nations are disproportionately affected by illicit financial flows and base erosion since they rely heavily on tax revenues from foreign corporations. These countries often lack the resources and enforcement capacity to counter these issues, leaving them vulnerable to the continued exploitation of tax loopholes by multinational firms.[25]

---

[20] (*Automatic Exchange CC16 BLUE.indd*, 2017)
[21] (“State of Tax Justice 2024,” 2024)
[22] (OECD, n.d.)
[23] (*Policy Change*, 2021)
[24] (Ahmed & Kumar, 2025)
[25] (OECD, n.d.)

While OECD countries have made significant headway in addressing corporate tax avoidance, the situation is less optimistic in other regions. In Europe, for instance, while the EU's Anti-Tax Avoidance Directive (ATAD) and legal decisions from the European Court of Justice have prompted some progress, political divisions between member states have hindered the creation of a unified tax policy. Smaller jurisdictions within the EU, such as Ireland and the Netherlands, continue to offer favorable tax regimes, undermining the EU's broader efforts to tackle tax avoidance.[26]

In developing countries, the tax situation remains dire. These countries, often lacking the regulatory capacity of wealthier nations, continue to lose billions annually due to tax avoidance and illicit financial flows. As a result, international tax reform efforts, such as those led by the Global Alliance for Tax Justice, are calling for greater inclusion of these nations in the global tax policy conversation. Without the participation of low-income countries in tax reform initiatives, the global system remains skewed in favor of wealthier nations and multinational corporations.[27]

The landmark agreement in 2021 on the global minimum tax rate represents a significant achievement in global tax policy, but it is far from a silver bullet. The road to full implementation is long, and countries will need to adjust their domestic tax laws to meet the new international standards. Additionally, the digital economy remains a key challenge, and the lack of a globally coordinated approach to taxing digital services may continue to fuel trade disputes and hinder progress.[28]

Ultimately, the task of reforming the global tax system requires continued cooperation between countries and a commitment to addressing the underlying inequities that have fueled the rise of tax havens and profit shifting. The OECD's efforts have been pivotal, but the future of global tax reform will depend on the ability of nations to align their interests and create a system that balances economic growth, equity, and national sovereignty in an increasingly globalised world.

[26]

[27] ("State of Tax Justice 2024," 2024)

[28] (OECD, n.d.)

IV. Major Parties Involved

A. Organisation for Economic Co-Operation and Development (OECD)

The OECD has been instrumental in formulating international tax standards. Its Base Erosion and Profit Shifting (BEPS) initiative aims to reduce tax avoidance by multinational enterprises. In 2021, the OECD introduced the Global Anti-Base Erosion (GloBE) rules, establishing a 15% global minimum corporate tax rate to deter profit shifting to low-tax jurisdictions. Additionally, the OECD's Common Reporting Standard (CRS) facilitates the automatic exchange of financial account information among jurisdictions, enhancing tax transparency.[29] [30] [31] [32] [33]

B. United States

The U.S. has exhibited a complex stance on global tax reforms. While it initially supported the OECD's global minimum tax framework, the Trump administrations have shown hesitation in fully endorsing multilateral tax agreements.[34] Notably, the U.S. has expressed concerns over digital services taxes (DSTs) implemented by other nations, viewing them as discriminatory against American tech companies.[35]

C. Developing Countries and Global South Coalitions

Developing nations, often disproportionately affected by tax base erosion, advocate for more inclusive tax reform discussions. Groups like the G77 and the South Centre emphasize the need for tax policies that consider their unique economic contexts. There are calls to shift tax reform dialogues to platforms like the United Nations to ensure equitable representation.[36]

[29] (OECD, n.d.)
[30] (OECD, n.d.)
[31] (OECD, 2023)
[32] (*Automatic Exchange CC16 BLUE.indd*, 2017)
[33] (*Action Plan on Base Erosion and Profit Shifting*, 2013)
[34] (*The Organization for Economic Co-Operation and Development (OECD) Global Tax Deal (Global Tax Deal)*, 2025)
[35] (*US Extends Truce on Digital Services Tax Amidst OECD Pillar 1 Delays*, 2024)
[36] (*Time for Developing Countries to Go Beyond the OECD-led Tax Reform! - Global Tax Justice*, 2020)

D. Multinational Corporations

Tech giants such as Google and Meta have faced harsh critique over their tax practices. In the UK, these companies gathered significant revenues, yet their tax contributions have been criticized as disproportionately low. For instance, in 2023, Google paid £128.6 million in taxes on £502.2 million in profits, while Meta paid £43 million on £355.4 million.[37]

E. Cayman Islands

With zero corporate income tax, the Cayman Islands is one of the most cited jurisdictions in tax avoidance schemes. Although technically legal, the lack of transparency has raised concerns. Despite commitments to comply with OECD and EU standards, enforcement and implementation remain weak.[38]

V. Timeline of Key Events

Date	Event
1920s	League of Nations develops first model tax treaties to avoid double taxation
1972	James Tobin proposes a tax on currency transactions (Tobin Tax)
1980s–1990s	Rise of global tax competition and expansion of tax havens
2000	OECD publishes first blacklist of non-cooperative tax havens
2008	Global financial crisis increases scrutiny of corporate tax avoidance
2013	OECD launches BEPS Action Plan with G20 support
2016	Panama Papers leak exposes widespread use of offshore tax havens
2017	Paradise Papers reveal further tax avoidance by global elites and firms
2021	130+ countries agree to global minimum corporate tax of 15%
2023	UAE introduces first federal corporate tax at 9%
2024	Implementation of OECD's Pillar Two global minimum tax begins

37 (The Times, n.d.)
38 (*Cayman Islands*, n.d.)

VI. Previous and Possible Solutions

A. The OECD's Base Erosion and Profit Shifting Action Plan

In 2013, under the mandate of the G20, the OECD launched the BEPS Action Plan, outlining 15 actions aimed at combating corporate tax avoidance by closing gaps and mismatches in international tax rules. Its goals included curbing profit shifting, increasing transparency, and realigning taxation with actual economic activity. The plan led to voluntary implementation across member and non-member countries through the inclusive framework, which now involves over 140 jurisdictions.

While it marked a critical step in multilateral cooperation, critics argue that the non-binding nature of the recommendations and limited enforcement mechanisms undermined its effectiveness, especially in curbing avoidance by the largest multinational corporations.[39]

B. OECD Global Minimum Tax

The most ambitious recent initiative is the agreement by over 130 countries on a 15% global minimum corporate tax rate, finalized in 2021 and rolled out beginning in 2024. Known as Pillar Two of the OECD reform, the measure is designed to reduce the incentive for multinationals to shift profits to low- or zero-tax jurisdictions.

Although symbolically significant, implementation remains inconsistent. Several countries, including some low-tax jurisdictions, have delayed or resisted enforcement. Moreover, many loopholes still allow firms to reduce their effective tax rates through deductions and exemptions. Still, the reform represents a paradigm shift in how corporate taxation is approached globally.[40]

---

[39] (*Action Plan on Base Erosion and Profit Shifting*, 2013)
[40] (OECD, n.d.)

C. European Union Directives on Tax Avoidance and Transparency

The EU has introduced a series of directives aimed at enhancing tax transparency and harmonizing anti-avoidance rules. These include the Anti-Tax Avoidance Directive (ATAD) and Country-by-Country Reporting (CbCR) requirements.

The EU has also published blacklists of non-cooperative jurisdictions, though these lists have faced criticism for being politically influenced and excluding major tax havens such as the Netherlands and Luxembourg.

While the directives have had some success in increasing reporting and closing specific loopholes, tax competition remains strong within the EU itself, limiting the overall impact.[41] [42]

D. Financial Transaction Tax (FTT)

The Financial Transaction Tax (FTT), originally inspired by James Tobin's 1972 proposal to tax currency exchanges, has evolved into a broader concept aimed at curbing financial speculation and generating public revenue. While the idea has gained political support in parts of Europe, especially after the 2008 financial crisis, implementation has been limited. France and Italy introduced national FTTs, but an EU-wide version proposed in 2011 remains stalled due to political disagreement and lobbying from financial sectors. A global FTT continues to face resistance, particularly from major financial centers concerned about competitiveness and enforcement.[43]

E. UN Tax Committee

Developing countries, often underrepresented in OECD-led reforms, have pushed for a stronger role for the United Nations in shaping global tax policy. The UN Tax Committee has called for greater equity, simplified tax treaties, and capacity-building in tax administration. In 2022, the UN General Assembly passed a resolution to begin negotiations on a UN Framework Convention on International Tax Cooperation, signaling a shift toward more inclusive governance. The impact of this resolution remains uncertain, but it represents a growing demand for reforms that prioritize equity and developing country interests over efficiency alone.[44]

---

[41] (*State of Tax Justice 2022*, 2022)
[42] (*Anti-Tax Avoidance Directive - European Commission*, n.d.)
[43] (Asen, 2021)
[44] (*A/RES/77/244 General Assembly | United Nations*, 2023)

VII. Conclusion

Global tax policy sits at the center of major tensions: fairness vs. efficiency, national control vs. international cooperation. While frameworks like the OECD's global minimum tax and the BEPS initiative mark important steps, they remain unevenly applied and often exclude developing countries from real influence. Tax havens still thrive, and the digital economy keeps outpacing regulation.

Fixing the system isn't just about new rules, it's about fair enforcement, political will, and including all countries in shaping the outcomes. Without this, current reforms risk protecting the status quo more than changing it.

VIII. Questions to Consider

- How can global tax policy be designed to balance the competing goals of economic growth, equity, and national sovereignty?

- What role should international institutions like the OECD and the UN play in shaping global tax standards and who should lead?

- To what extent do current reforms (like the global minimum tax) actually address the root causes of tax avoidance?

- How can developing countries be more effectively included in global tax negotiations?

IX. Sources for Further Research

- https://taxation-customs.ec.europa.eu/taxation/business-taxation/anti-tax-avoidance-directive_en

- https://www.oecd.org/content/dam/oecd/en/publications/reports/2017/03/standard-for-automatic-exchange-of-financial-account-information-in-tax-matters-second-edition_g1g73eb6/9789264267992-en.pdf

- https://www.oecd.org/content/dam/oecd/en/publications/reports/2017/03/standard-for-automatic-exchange-of-financial-account-information-in-tax-matters-second-ed

ition_g1g73eb6/9789264267992-en.pdf

X. Bibliography

Action Plan on Base Erosion and Profit Shifting. (2013). OECD. Retrieved May 5, 2025, from https://www.oecd.org/en/publications/2013/07/action-plan-on-base-erosion-and-profit-shifting_g1g30e67.html

Ahmed, A., & Kumar, M. (2025, March 25). *India to scrap digital ad tax, easing US concerns*. Reuters. Retrieved May 5, 2025, from https://www.reuters.com/world/india/india-proposes-remove-equalisation-levy-digital-services-government-source-says-2025-03-25/

Anti-Tax Avoidance Directive - European Commission. (n.d.). Taxation and Customs Union. Retrieved May 6, 2025, from https://taxation-customs.ec.europa.eu/taxation/business-taxation/anti-tax-avoidance-directive_en

A/RES/77/244 General Assembly | United Nations. (2023, January 9). General Assembly. Retrieved May 6, 2025, from https://docs.un.org/en/A/RES/77/244

Asen, E. (2021, February 4). *Financial Transaction Taxes in Europe, 2021*. Tax Foundation. Retrieved May 6, 2025, from https://taxfoundation.org/data/all/eu/financial-transaction-taxes-europe-2021/

Automatic Exchange CC16 BLUE.indd. (2017). OECD. Retrieved May 5, 2025, from https://www.oecd.org/content/dam/oecd/en/publications/reports/2017/03/standard-for-automatic-exchange-of-financial-account-information-in-tax-matters-second-edition_g1g73eb6/9789264267992-en.pdf

Cayman Islands. (n.d.). Tax Justice Network. Retrieved May 6, 2025, from https://taxjustice.net/country-profiles/cayman-islands/

Chen, J. (2024, August 1). *What Is the Race to the Bottom?* Investopedia. Retrieved May 6, 2025, from https://www.investopedia.com/terms/r/race-bottom.asp

Corporate Loss Utilisation through Aggressive Tax Planning. (2021). OECD. Retrieved May 5, 2025, from https://www.oecd.org/content/dam/oecd/en/publications/reports/2011/08/corporate-loss-utilisation-through-aggressive-tax-planning_g1g1475a/9789264119222-en.pdf

Economic Insider. (2025, April 14). *The Bretton Woods System: Creation, Stabilization, and Collapse*. https://economicinsider.com/the-bretton-woods-system-creation-stabilization-and-collapse/

Jogarajan, S. (2018). *Double Taxation and the League of Nations*. Cambridge University Press.

Lepore, J. (2012, November 18). Tax Time. *The New Yorker*. https://www.newyorker.com/magazine/2012/11/26/tax-time?

Napolitano, G. (2011, April 1). *The two ways of global governance after the financial crisis: Multilateralism versus cooperation among governments*. https://academic.oup.com/icon/article/9/2/310/649585

OECD. (n.d.). *Base erosion and profit shifting (BEPS)*. OECD. Retrieved May 5, 2025, from https://www.oecd.org/en/topics/policy-issues/base-erosion-and-profit-shifting-beps.html

OECD. (n.d.). *Global Minimum Tax*. OECD. Retrieved May 5, 2025, from https://www.oecd.org/en/topics/sub-issues/global-minimum-tax.html

OECD. (2023, October 11). *OECD/G20 Inclusive Framework on BEPS: Progress Report September 2022-September 2023*. OECD. Retrieved May 5, 2025, from https://www.oecd.org/en/publications/oecd-g20-inclusive-framework-on-beps-progress-report-september-2022-september-2023_a9ee1aef-en.html

The OECD and Digital Services Taxes. (2024, May 14). Bloomberg Tax. Retrieved May 6, 2025, from https://pro.bloombergtax.com/insights/international-tax/understanding-digital-services-taxes-the-oecd/?

The Organization for Economic Co-operation and Development (OECD) Global Tax Deal (Global Tax Deal). (2025, January 20). The White House. Retrieved May 6, 2025, from https://www.whitehouse.gov/presidential-actions/2025/01/the-organization-for-economic-co-operation-and-development-oecd-global-tax-deal-global-tax-deal/

Palan, R. (n.d.). *History of tax havens*. History & Policy. Retrieved May 5, 2025, from https://historyandpolicy.org/policy-papers/papers/history-of-tax-havens/

Policy change. (2021). Policy change - Digital Policy Alert. Retrieved May 5, 2025, from https://digitalpolicyalert.org/change/2229

Scott, G. (2022, August 30). *Tobin Tax: What it is, How it Works, Examples*. Investopedia. Retrieved May 5, 2025, from https://www.investopedia.com/terms/t/tobin-tax.asp

State of Tax Justice 2022. (2022, November). https://taxjustice.net/wp-content/uploads/2022/11/State-of-Tax-Justice-2022-Tax-Justice-Network.pdf

State of Tax Justice 2024. (2024, November 18). *Tax Justice Network*. Retrieved April 16, 2025, from https://taxjustice.net/wp-content/uploads/2024/11/State-of-Tax-Justice-2024-English-Tax-Justice-Network.pdf

Time for developing countries to go beyond the OECD-led tax reform! - Global Tax Justice. (2020, August 26). Global Alliance for Tax Justice. Retrieved May 6, 2025, from https://globaltaxjustice.org/news/time-for-developing-countries-to-go-beyond-the-oecd-led-tax-reform/

The Times. (n.d.). *Half of UK advertising spend went to Google and Meta last year*. https://www.thetimes.com/uk/technology-uk/article/half-of-uk-advertising-spend-went-to-google-and-meta-last-year-vx7lvnh5x?utm_source=

US Extends Truce on Digital Services Tax Amidst OECD Pillar 1 Delays. (2024, February 28). https://tpa-global.com/2024/02/28/us-extends-truce-on-digital-services-tax-amidst-oecd-pillar-1-delays/