

UN asserts a greater role in global tax policy

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In brief

What happened?

On 24 December 2024, the [UN General Assembly approved](#) the Resolution for negotiating a UN Framework Convention on International Tax Cooperation. This follows the Economic and Social Committee's 27 November approval of a resolution on Terms of Reference (ToR). The ToR includes sub-agreements, with one focusing on cross-border services, and the other still to be decided. This initiative was launched by the African Group in December 2022, and negotiations will span three years, after which the Framework Convention will be open for signature.

Why is it relevant?

The UN is expanding its role in international tax, driven by support from developing economies dissatisfied with the OECD/G20 Inclusive Framework's (IF) two-pillar solution. The business community hopes for a consensus-driven process, but the UN, like the OECD, may face challenges in balancing the interests of advanced and developing economies. G20 Leaders, including the African Union, have committed to constructive discussions at the UN, emphasizing the need for broad consensus and avoiding duplication of efforts. This initiative is expected to influence countries' domestic legislation on international tax issues, even without full consensus.

Actions to consider

The Resolution encourages international organizations, civil society and other relevant stakeholders (including businesses) to contribute to the intergovernmental negotiating committee's work. Given the apparent fracturing of international tax multilateralism, and the wishes of developing economies and civil society to promote the UN, the UN's agenda on tax matters cannot be ignored. Companies should continue to monitor developments and engage whenever possible with the work of the intergovernmental negotiating committee.

In detail

Background

The UN's tax work has historically been led by the Committee of Experts, producing key outputs such as the UN Model Double Taxation Convention and UN Practical Manual on Transfer Pricing for Developing Countries. However, the group's impact has been limited by its non-governmental status and resource constraints. Efforts in 2015 to enhance the UN's work in tax failed due to concerns about duplication of efforts and resource demands, despite calls for more inclusive international tax cooperation (which led to the formation of the OECD's Inclusive Framework).

In December 2022, the [African Group](#) proposed strengthening the UN's tax role, effectively challenging the OECD's long-standing primacy in this space, leading to an August 2023 [report](#) by the UN Secretary-General analyzing options/next steps around UN international tax cooperation. The proposed options – which are not mutually exclusive – included: i) a multilateral convention on tax, ii) a framework convention on international tax cooperation, and iii) a framework for international tax cooperation.

On 22 December 2023, the UN General Assembly adopted by majority vote the resolution '[Promotion of inclusive and effective international tax cooperation at the United Nations](#),' which calls for the development of a legally binding Framework Convention on international tax cooperation.

Observation: Emerging and developing countries consider the Pillar One and Two rules too complex and not allocating enough to market jurisdictions, and they feel the agenda was set by others, not by themselves. They prefer 'simple-to-administer' withholding taxes, which would give them more revenue. On the other hand, developed countries want discussions at the UN to focus on completing negotiations at the IF to avoid duplication of work and unnecessary resources. Both developed and developing countries support the UN's role in enhanced capacity building for developing countries. Yet, their views on the focus and goals of such efforts diverge.

The terms of reference for the Framework Convention

A framework convention is a relatively novel feature of international cooperation. It is an umbrella document containing high-level political commitments concerning its general objectives, procedural rules, and institutional arrangements (including governance structure). The more specific rules establishing concrete obligations are developed on an on-going basis in the form of protocols.

In the case of the Framework Convention, the first step mandated by the General Assembly in December 2023 was the establishment of an *ad hoc* intergovernmental committee to draft the ToR. More information about the ToR can be found [here](#). This work was performed over three sessions in 2024 and the final draft was adopted by the *ad hoc* Committee in August 2024 by a vote of 110 in favor, 8 against, and 44 abstentions. According to the adopted version, an intergovernmental negotiating committee would meet for at least three sessions per year from 2025 to 2027, with the goal of submitting the final Framework Convention text and two priority protocols to the UN General Assembly by September 2027.

The "taxation of income derived from the provision of cross-border services in an increasingly digitalized and globalized economy" was selected as one of the two priority protocols. The subject of the second priority protocol is still to be decided, but will be drawn from a list that includes: the taxation of the digitalized economy; tax-related illicit financial flows; preventing and resolving tax disputes; and tax evasion and avoidance by high-net-worth individuals.

Observation: Even though they abstained, the European Union (EU) and countries like the United States and the United Kingdom (which voted against) have said they will not support a Framework Convention that overrides tax work agreed on at the OECD. They have instead suggested objectives such as increasing domestic resource mobilization and capacity building. In May 2024, the G7 Finance Ministers and Central Bank Governors agreed and issued a Communiqué reiterating the importance of consensus-based decision making at the UN, prioritization of issues more likely to achieve consensus, and focusing on enhancing domestic resource mobilization and capacity building in tax matters for countries in need.

Approval of the ToR and next steps

The UN General Assembly approved the Resolution on 24 December 2024, with 119 countries voting in favor, nine against, and 43 abstaining. This kicks off intergovernmental negotiations that are intended to span three years. The Bureau of the intergovernmental negotiating committee will have a Chair, 18 Vice-Chairs and a Rapporteur, to be elected based on equitable geographical representation.

According to the ToR, the text of the multilateral treaty and the two early protocols should be delivered to the General Assembly during the first quarter of its 82nd session, which is expected to begin in September 2027. During this period, the ToR explicitly encourages civil society to contribute to the work of the intergovernmental negotiating committee, although the UN have also said they will welcome business input. The [budget implications](#) of the adopted resolution were considered by the UN General Assembly in December 2024, which includes additional resource requirements of approximately USD 19 million over the three-year period from 2025 to 2027.

Observation: Any convention and related protocols will need to be ratified by countries to achieve the stated objective of making international tax cooperation not only more inclusive but also more effective. Unless there is some move towards consensus-based procedures, the EU and other developed economies might disengage in the negotiations. This could lead to dueling OECD and UN processes and standards which would lead to uncertainty. Nevertheless, at the beginning of this process, business (and other stakeholders) should engage to the greatest extent possible to help inform the process.

Let's talk

For a deeper discussion of how the negotiations on the UN Framework Convention might affect your business, please contact:

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