



SPECIAL ISSUE

Future of the UN Tax Committee under the UN Framework Convention on International Tax Cooperation

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Acknowledgements are due to Ricardo Augusto Gil Reis Rodrigues, Tax Auditor of the Federal Revenue of Brazil, for his valuable comments.



Abstract

The global tax governance landscape has recently undergone major shifts and is now at a pivotal momentum where demands of inclusivity, transparency and an equitable tax system are increasingly growing amongst countries. Central to this pivotal momentum is the creation of the United Nations Framework Convention on International Tax Cooperation (UNFCITC), mandated by United Nations (UN) General Assembly Resolution 78/230 (December 2023)[†]. The UNFCITC's objective is to establish an intergovernmental platform for governance and cooperation in international taxation. This report aims at exploring the possible role of the UN Committee of Experts on International Cooperation in Tax Matters (UNTC) within the merging architecture of the UNFCITC, drawing on past lessons of efforts to democratize international tax governance.

The report starts by tracing the history of international tax cooperation, back from 1923 with the League of Nations Economists' Report, 1928 Model Treaties, 1943 Mexico proposed Draft, 1963 first Organisation for Economic Co-operation and Development (OECD) Model Tax Convention, 1980 with the creation of the United Nations Model Tax Convention (UNMTC) to the UNFCITC creation in 2023. Each of these steps revealed recurrent patterns: marginalization of developing countries in the agenda setting processes, and the persistence of residence based taxation as the prevalent rule.

Based on the historical overview, the report provides an analysis of the UNTC institutional developments. Established in 1968, the UNTC has been incremental in the development of standard setting (UNMTC revisions and updates), technical guidance, and capacity building. However, its inherent structure, where members are acting on their individual capacity rather than on a governmental capacity has limited the legitimacy of its output compared to the OECD's intergovernmental negotiated standards. Hence, the UNFCITC seeks to address the UNTC gaps and to realign its functions with a more inclusive member state led process. The UNFCITC emphasizes building on existing work, including the UNTC and OECD, to leverage complementary strengths.

This report envisages five prospective scenarios for the UNTC future:

[†] United Nations (UN) Resolution 78/230 (22 Dec. 2023), available [here](#) and S. Marsit and X. García, "The UN Tax Framework Convention: How It Started, What Has Happened and Where Is It Going for Developing Countries", *Asia-Pacific Tax Bulletin*, Volume 31, No. 1 (2025). Available from <https://doi.org/10.59403/3y0atgr>.



1. Status quo with enhanced collaboration with the UNFCITC, where the UNTC continues under the UN Economic and Social Council (ECOSOC) body and its outputs are then submitted for intergovernmental approval under the UNFCITC;
2. Integration as an intergovernmental body - the UNTC would be integrated into the UNFCITC as a subsidiary organ;
3. Dissolution and replacement of the UNTC - in this hypothesis the UNFCITC takes over the UNTC mandates;
4. Elevation alongside the UNFCITC - in this hypothesis the UNTC would be upgraded to an intergovernmental body alongside the UNFCITC; and
5. Coordinated roles models, where the UNTC would be refocusing on capacity building and regional support while the rule-setting would be under the UNFCITC mandate.

The report concludes that clear mandates and coordination between the UNTC and the UNFCITC are essential to avoid duplication and conflicts. It highlights that developing countries must actively engage in framing the new prospective structures to ensure their interests are represented.

Keywords: *United Nations (UN), Organisation for Economic Co-operation and Development (OECD), United Nations Model Tax Convention (UNMTC), UN Committee of Experts on International Cooperation in Tax Matters (UNTC), United Nations Framework Convention on International Tax Cooperation (UNFCITC)*

Recommended citation: Aisha Aize Isa, Sabine Marsit, Abiodun Adewale Adegboye, Nyatefe Wolali Dotsevi, Anne Wanyagathi Maina and Abdul Muheet, *Future of the UN Tax Committee under the UN Framework Convention on International Tax Cooperation*, Special Issue (Geneva; Amsterdam; Abuja, South Centre; International Bureau of Fiscal Documentation's Centre for Studies in African Taxation; West African Tax Administration Forum, 2025). Available from <https://www.southcentre.int/sc-ibfd-csat-wataf-special-issue-17-october-2025/>.

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- to provide practical policy solutions that work within an African context;
- to make a substantial contribution to capacity development for African governments; and
- to encourage research by Africans for Africa.

These objectives align with CSAT's mission to strengthen Africa's capacity to mobilize tax revenue for financing development programs, delivering essential services, and fostering sustainable economic growth.

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WATAF's overarching vision is to become the trusted source for tax matters in West Africa, supported by its core mission which is to provide a platform that encourages close collaboration among its 16 Member States, to improve the quality of tax administrations in West Africa.

Its core mandate includes:

- Encouraging close collaboration, knowledge sharing and information exchange among West African countries to improve the quality of tax administration.
- Promoting effective domestic revenue mobilisation in member countries.
- Ensuring that member countries speak with one voice on tax issues.
- Promoting economic development through an optimal effort to mobilise revenues.

WATAF's administrative headquarters is located in Abuja, Nigeria, where it works to enhance domestic revenue mobilisation for member states' development.

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I. INTRODUCTION

Global tax governance is undergoing major changes. In other words, how principles, norms, rules and procedures, international institutions and organizations, and especially how cooperation mechanisms govern the international tax arena are undergoing major changes. Such changes have been driven by calls for a more inclusive, transparent and equitable international tax system. A key development is the proposed United Nations Framework Convention on International Tax Cooperation (UNFCITC) which aims to create an international platform for setting tax rules and strengthening cooperation among countries on tax matters. This development reflects longstanding concerns from developing countries about the limitations of existing institutions in addressing the needs of these countries.

International tax cooperation is nothing new. However, the current dynamics offers an opportunity to revisit its historical evolution, draw lessons from past efforts, and explore what institutional and legal reforms are now possible that may not have been achievable under earlier models and engagements. It is, therefore, important to examine what history has to offer to the current negotiations for a more inclusive and equitable global tax system.

A shift to a new system of tax governance under the United Nations (UN) further raises another important issue about the role of the UN Committee of Experts on International Cooperation in Tax Matters (UNTC) in the new system. The UNTC has long supported developing countries by offering technical guidance, drafting and updating its model tax treaty, and providing capacity building. The UN's work is evident in its updates to the Model Tax Convention to expand source-based taxation, such as taxation of technical services (2017) and automated digital services (2021), and transparency measures like the inclusion of minority views in commentaries.

As the UNFCITC process moves forward and given the critical role played by the UNTC in global tax governance, member states will need to carefully consider how the UNTC can be aligned or redesigned in light of the UNFCITC. To inform these considerations, this report provides various scenarios for the future of the UNTC and its relation with the UNFCITC.

Changes to the structure of the UNTC will also affect its outputs. To shed some light on this, the report examines likely implications of the different scenarios on one of the UNTC's main outputs - the United Nations Model Tax Convention (UNMTC) and how it might be integrated or adapted within the new framework.

This report seeks to address these concerns by first tracing the historical evolution of international tax cooperation to draw lessons relevant to current global reform efforts. It then examines the development of the UNTC and the UNMTC before exploring various scenarios for reforming the UNTC in light of the UNFCITC and implications for the UNMTC. The goal is to provide member states practical options for consideration in the ongoing negotiations of the UNFCITC.

II. LESSONS FROM HISTORY – PREVIOUS ATTEMPTS TO DEMOCRATIZE AND UNIVERSALISE INTERNATIONAL TAX RULE SETTING

International coordination of fiscal tools particularly taxation has, for several decades, proven to be difficult, complex and controversial, due to a myriad of reasons including the fact that taxation is an exclusive preserve of every sovereign nation state¹. Notwithstanding, there have been different forms of attempts among nations to set standards for coordinating individual country's tax rules that affects cross-border economic activities. These attempts set the pace for what is known as the *Internationalisation of Tax Rules and Governance*². Also, the rise of industrialisation and global capital mobility in the late 1800s brought to the fore the inadequacies of strictly domestic tax regimes. This set the stage for the League of Nations' 1920s interventions in tax matters.

The classical economists, for example Adam Smith and David Ricardo, admitted the use of cross-border trade as means to enrich the industrial economies but their various postulations lack clarity on how taxation could hinder the market expansion (and consequently, profit-making) motive of multinational enterprises. The question remains, at what point in history did countries commence setting international tax rules? What were the procedures that led to the formation of the earliest global tax agreements like? What concessions were made, and what lessons exist for the UNFCITC?

During the 1920s international tax cooperation was profoundly shaped by the League (of Nations)³. This period was marked with substantial economic and political dominance by high-income countries. This was particularly the era of colonisation; where rich economies (including the United Kingdom and France) of the time did not only have the first-mover advantage⁴ but also wielded strong political control in many geographical locations⁵. This period saw the institutionalisation of bilateral tax treaties, which prioritised residence-based taxation.

While the League of Nations' Covenant was primarily concerned with the prevention of war and dispute resolution, the Article 23(e) of the Covenant provided for the equitable treatment of the commerce of all Members of the League. In response to growing concern over double taxation, tax evasion and their impacts on cross-border trade, the League appointed⁶ a

¹ R. A. Musgrave, *The Theory of Public Finance: A Study in Public Economy* (Mc-Graw-Hill, 1959).

² R. S. Avi-Yonah, and E. Lempert, "The Historical Origins of the Multilateral Tax Convention", Law & Economics Working Papers 244 (2023). Available from https://repository.law.umich.edu/law_econ_current/244.

³ Following the break out of the World War I (1914-1918), the League of Nations was formed in 1920 under the Treaty of Versailles at the Paris Peace Conference to promote international peace and cooperation (see M. Macmillan, *Paris 1919: Six Months That Changed the World* (New York, Random House, 2003)). Refer to https://avalon.law.yale.edu/20th_century/leagcov.asp.

⁴ M. Hearson, *Imposing the standard: The North-South dimension to global tax politics* (London, Cornell University Press, 2022).

⁵ This period was marked with strong influence of colonial masters in many of the countries in the then Global South.

⁶ The League's Financial Committee commissioned these experts to address the pressing issue of international double taxation, which had become a significant barrier to postwar economic recovery and global trade. The members were chosen based on their academic prestige, practical policymaking experiences, and their nation's economic influence, particularly favouring creditor countries central to postwar financial stability. (League of Nations, *Report on Double Taxation Submitted to the Financial Committee by Professors Bruins, Einaudi, Seligman, and Sir Josiah Stamp*).

committee of four seasoned economists with relevant policymaking experience to study the international tax problems⁷.

In 1923, the Committee submitted their final report (also called the Economists' Report). The report introduced the concept of "economic allegiance"— *a foundational idea that taxing rights should be shared between the source and the residence countries*⁸. Moreover, the report provided countries with a reference point for future treaty negotiations and could be said to have laid the groundwork for more structured tax cooperation among nations.

The making of the 1923 report by the League of Nations was a complex and collaborative process involving a select group of prominent political economists and tax law experts, primarily from creditor nations⁹.

The report proposed four methods to address double taxation: *deduction* (allowing foreign tax credits), *exemption* (favouring residence taxation), *division* (revenue sharing between jurisdictions) and *classification* (assigning taxing rights by income type). The experts initially leaned towards exemption but later adopted a more balanced approach that acknowledged the legitimacy of source taxation for developing countries¹⁰.

Furthermore, the 1928 Model Tax Treaties developed by the League of Nations became the foundation for the modern (bilateral) tax treaties, with over 3,000 such agreements in existence today. It was proposed strictly to mitigate the problems of double taxation, distinguishing between residence and source taxation. The resulting model disproportionately favoured wealthy nations.

The United Kingdom's insistence on residence-based taxation, which benefited its revenue base, was incorporated into Draft Convention 1B. In contrast, Continental Europe's preference for source taxation, crucial for debtor nations, was reflected in Draft Convention 1C. Although the latter allowed withholding taxes and became the dominant template, it placed the burden of double tax relief on residence countries - typically capital exporters. This shift worked in favour of source countries by allowing them to retain tax on income generated within their borders, notwithstanding the cost it places on capital exporting countries. By implication, the fiscal benefit to source countries was assured where elimination of double taxation by residence countries was observed by giving up collecting taxes that may have already been paid to the source countries.

⁷ The committee appointed in 1939, popularly known as the Bruce Committee, was headed by Mr. Stanley Bruce, a former Australian Prime Minister. The scope of work of the committee primarily was on international economic and social matters. Another account called the body as the 'Committee on the Development of International Economic and Social Affairs'. International tax cooperation was naturally one of the areas the committee superintended upon at that period.

⁸ A. K. Mehrotra, "The Intellectual Origins of the Modern International Tax Regime: E. R. A. Seligman, Economic Allegiance, and the League of Nations' 1923 Report" (2025). Available from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5084860. It is instructive to state that the term *Economic Allegiance* and its usage should be interpreted in relation to the context of taxing rights allocation and related matters.

⁹ The composition of the committee was limited in representativeness and skewed toward the then industrial nations. The absence of German experts, for instance, could be attributed to postwar political dynamics rather than their lack of relevant expertise. Also, the limited participation from less industrialised nations might reflect the power structures of the time rather than a deliberate exclusion. The selection process seems to have involved a compromise between technical proficiency and political interests, although the precise criteria employed are not clearly documented (refer to the archives of the League of Nations).

¹⁰ E. R. A. Seligman, *The Economics of Taxation* (Macmillan, 1925).

While the 1928 Models seemed to be a landmark in international tax cooperation, their creation however lacked inclusivity and entrenched a system that privileged creditor economies. The League of Nations' reliance on compromise among a few "great powers" meant the treaties were neither universally equitable nor fully representative of global interests.¹¹

In relative terms, evidence reveals that the United Kingdom had a significant but short-lived influence in shaping the models due to World War II. This led to the emergence of the Mexico Draft of 1943¹² crafted by Latin American nations alongside the United States of America and Canada during a period when European powers were preoccupied with World War II (1939-1945). The draft sought to enhance the taxing authority of source countries, emphasising the significance of taxing income at its point of origin - a principle vital for jurisdictions reliant on foreign investment.¹³

A number of developing countries including Mexico observed that the residence-based taxation model significantly restricted their ability to tax income earned within their jurisdictions by foreign countries. Mexico, in seeking a more equitable solution, initiated work on a draft that would reflect the interests and economic realities of source-based jurisdictions. The Mexico Draft was not a formal international instrument but was a pivotal effort to reconceptualise how taxing rights should be allocated between states. It emphasised the need for a more balanced distribution of taxation powers, placing greater weight on source-based taxation to ensure that countries where economic activity occurs can rightfully tax the income derived therein. The draft proposed clearer and more inclusive rules for addressing issues such as double taxation and tax avoidance, which had long disadvantaged developing economies under existing treaties.¹⁴

Several limitations would soon be identified in the Mexico Draft including lack of double tax relief mechanisms, absence of standardisation procedures, and lack of robust dispute resolution. While it was a divergence from the residence-based paradigm, championed by high-income countries, the draft represented a pioneering yet isolated advocacy for source-country rights. Following the 1946's formulation of the London Tax Model Convention and the dissolution of the League of Nations in the same year, the aspirations of the Mexico Draft were overshadowed by the post-World War II ascendancy of the United Nations (through its Fiscal Commission's tax work¹⁵).

In the aftermath of World War II, as the global economy and trade began to expand under the Bretton Woods system, more states got their independence and there was significant growth

¹¹ R. S. Avi-Yonah, *International Tax as International Law: An Analysis of the International Tax Regime* (Cambridge University Press, 2007).

¹² The London Model Tax Convention was also formulated in 1946, the year the League of Nations was dissolved. It was a creation of the Fiscal Committee of the League of Nations as an improvement on previous tax international cooperation efforts such as the Mexico draft.

¹³ R. S. Avi-Yonah, *International Tax as International Law: An Analysis of the International Tax Regime* (Cambridge University Press, 2007).

¹⁴ R. L. Doernberg, *International Taxation: A Multinational Perspective* (West Academic, 2002).

¹⁵ Refer to *The United Nations in Global Tax Coordination: Hidden History and Politics* (Cambridge University Press, 2023) (<https://www.cambridge.org/core/books/abs/united-nations-in-global-tax-coordination/creation-of-the-fiscal-commission-1943/1946/45A9C55A8D493E4293B736CAA8EB1C5B>).

of foreign direct investment and multinational corporations. There was a need for reconstruction of war-ravaged countries, particularly among Western nations. To facilitate this, the Organisation for European Economic Co-operation (OEEC), predecessor of the Organisation for Economic Co-operation and Development (OECD), was established in 1948 to manage the Marshall Plan and coordinate economic recovery in Europe. As cross-border trade and investment increased, so did the need for coherent international tax rules to prevent double taxation and foster economic integration. The OEEC began addressing tax matters through expert committees that explored the harmonisation of fiscal policies among member states, and it particularly focuses on the treatment of multinational enterprises and cross-border income flows.¹⁶

By 1961, the OEEC evolved into the OECD. The OECD entrenched a model treaty that, despite subsequent refinements, predominantly mirrored the priorities of affluent capital-exporting nations. This framework rapidly gained widespread acceptance, pushing alternative approaches to the sidelines. Consequently, lower-income countries were compelled to operate within the OECD paradigm expanding its membership beyond Europe and taking on a broader economic mandate.

Among others, the OECD's central initiatives included the development of a standardised framework for bilateral tax treaties, and this culminated into the first OECD Model Tax Convention in 1963. This model *formalised residence-based taxation principles, provided mechanisms to avoid double taxation, and became the dominant global template for tax treaty negotiations*. The OECD's work significantly influenced the architecture of international tax rules and coordination, making it a key factor in global tax governance and setting the stage for decades of policy leadership in the field.¹⁷

Notably, the OECD Model Tax Convention on Income and Capital was developed to address the complexities of international double taxation, which can hinder cross-border trade and investment. The process began in the early 1960s when the OECD's Committee on Fiscal Affairs established multiple working parties, each tasked with drafting specific articles of the convention. These groups which comprised delegates from member countries collaborated to produce a cohesive framework. Their collective efforts culminated in the 1963 Draft Convention, which was later refined and officially published in 1977 as the OECD Model Tax Convention.¹⁸ This model provides standardised provisions for bilateral tax treaties, aiming to particularly eliminate double taxation, among others.¹⁹ It has since become the foundation for numerous international tax agreements and has facilitated a more structured and stable environment for cross-border economic activities.²⁰

¹⁶ Organisation for Economic Co-operation and Development (OECD), *Model Tax Convention on Income and on Capital* (1963).

¹⁷ C. E. McLure Jr., *Taxation in Developing Countries: A Case Study Approach* (The Brookings Institution, 1991).

¹⁸ See https://www.oecd.org/en/publications/1977/09/model-double-taxation-convention-on-income-and-capital-1977_g1g96efb.html.

¹⁹ Although the OECD's Model Tax Convention of 1977 did not make explicit expressive objective to eradicate tax evasion, the promotion of exchange of information, mutual assistance, and prevention of double taxation agenda deeply contributed to the former.

²⁰ OECD, *Model Tax Convention on Income and on Capital* (1977).

In parallel, the UNMTC was formulated to address the specific needs and concerns of developing nations in the realm of international taxation. Being aware of the fact that the OECD model primarily reflected the perspectives of developed countries, the UN sought to create a framework that would offer a more balanced allocation of taxing rights between source and residence countries.

The UNMTC was first published in 1980, following extensive consultations among experts from both developed and developing nations. This model emphasises greater taxing rights for source countries in order to align with the interests of capital-importing developing economies. It serves as a crucial tool for these countries in negotiating tax treaties that safeguard more of their revenue interests compared to the OECD Model Convention while still promoting foreign investment and economic growth.²¹

It is worth stating that both the OECD and UN models have continued to evolve in response to the changing needs in international economic relations and governance. The reign of globalisation and increasing digitalisation of the economies of the world have also made the need to address the issues of global taxation more compelling and urgent. The 1980s marked a significant shift in the global economy with the acceleration of globalisation and the expansion of multinational corporations (MNCs). These corporations leveraged complex international structures to minimise tax liabilities, often exploiting discrepancies between national tax systems.

Several factors have reinforced the necessity to redesign international tax rules that had been causing unjustifiable and unintended effects. For example, the proliferation of tax havens and aggressive tax planning strategies partly informed the concerns over base erosion and profit shifting (BEPS). In response, the OECD stressed the application of the arm's length principle which mandates that transactions between related entities be conducted as if they were between independent parties.²² However, the principle's complexity and enforcement challenges prompted further scrutiny. To address these issues, the OECD established the Forum on Harmful Tax Practices in 1998, aiming to identify and mitigate preferential tax regimes that could erode the tax bases of other jurisdictions.²³

The early 2000s saw intensified efforts to combat tax evasion and promote transparency. In 2014, the OECD introduced the Common Reporting Standard, facilitating the automatic exchange of financial account information among tax authorities worldwide.²⁴ This initiative is aimed to deter tax evasion by increasing transparency. Building on these efforts, the OECD/Group of Twenty (G20) launched the Inclusive Framework on BEPS project in 2013, culminating in 2015 with 15 action plans addressing various aspects of tax avoidance, including the need for transparency and coherence in international tax rules.²⁵ Recognising the global nature of these challenges, the G20 endorsed the BEPS project, emphasising the necessity for a coordinated international response. This collaboration underscored the

²¹ UN, *Model Double Taxation Convention between Developed and Developing Countries* (1980).

²² OECD, *Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations* (1995).

²³ OECD, *Harmful Tax Competition: An Emerging Global Issue* (1998).

²⁴ OECD, *Common Reporting Standard* (2014).

²⁵ OECD, *Action Plan on Base Erosion and Profit Shifting* (2013).

importance of frameworks that consider the perspectives of both developed and developing nations in reforming international tax systems.

These recent developments such as the Inclusive Framework on BEPS²⁶ which includes several lower-income countries²⁷ signal a move towards greater participatory international tax governance. Yet, historical patterns suggest that participation in pre-existing structures may perpetuate regimes misaligned with peripheral states' interests which at the same time entrenches interstate power imbalances. Thus, while strides toward inclusivity seem apparent, a nuanced understanding of historical dynamics and systemic biases remains imperative for realising a genuinely more balanced universal international tax regime.

These historical examples as espoused in this section offer some lessons. First, the influence of early movers and entrenched power structures shape how international tax rules are made, often favouring capital-exporting countries. This highlights how crucial it is for developing nations to act early and strategically to ensure their concerns are heard and addressed. Second, although advocacy from lower-income countries has sometimes struggled against established norms, it is not destined to fail. The Mexico Draft faced significant opposition, but there have been more recent cases where developing countries, when well-organised and presenting strong, clear proposals, have succeeded in influencing global agreements, with the progress on the UNFCITC being the most prominent example. Other examples include the passage of new provisions in the UNMTC such as Articles 12AA, 12B, 12C, 5A, the revised Article 8, the Subject to Tax Rule and the UN Fast Track Instrument. There have also been victories in other areas like trade and climate change. Third, while technical expertise is often thought of as neutral, it tends to reflect the perspectives of those in power, reinforcing economic and institutional inequalities.

However, as developing countries continue to build their own expertise, they are increasingly able to challenge these imbalances and advocate for more equitable global policies that are in line with their interests. Based on the aforementioned, the countries of the Global South would be better served if they decide to work in close cooperation and try to reconcile smaller differences. In particular, the decision of the UN to lead international tax governance would confer the necessity for developing countries to cooperate for their benefits. This cooperation could be in speaking with a single voice regarding vital international tax matters – be it taxing rights in the digital economy, treaty negotiation, etc. It is therefore high time developing economies prioritised joint capacity and technical development programmes that prepare them for sound decisions at the UN meetings (and other related fora).

²⁶ Base erosion and profit shifting (BEPS). See <https://www.oecd.org/en/topics/base-erosion-and-profit-shifting-beps.html>.

²⁷ International tax cooperation: advancing equality and sustainable development. See <https://www.un.org/en/desa/international-tax-cooperation-advancing-equality-and-sustainable-development>.

III. PROSPECTIVE FUTURE ROLES OF THE UNTC IN THE CONTEXT OF THE UNFCITC

The UNTC was established in 1968 as the Ad Hoc Group of Experts on Tax Treaties between Developed and Developing Countries.²⁸ It is a subsidiary body of the UN Economic and Social Council (ECOSOC). Since its inception, the UNTC has distinguished itself through its substantive work in the area of shaping norms and policies on international taxation, standard setting and practical guidance to governments and tax administrators.²⁹

The UNTC is recognized for playing an essential role in promoting transparency, equal representation and fairness in the distribution of taxing rights. Its contributions have been instrumental in strengthening tax systems globally, with special focus on the needs of developing countries and mobilizing financing for sustainable development.³⁰ While characterized by its exemplary objectives and valuable contributions, the UNTC has faced challenges in achieving significant global influence, especially in comparison to other players in international tax norm setting such as the OECD.

One factor limiting the UNTC's influence is its composition, which comprises 25 members, appointed by the Secretary-General for four-year terms, based on nominations by governments.³¹ These experts represent diverse geographical regions and tax systems, contributing to a balanced and inclusive approach to tax policymaking. However, members act in their personal capacities rather than as official national delegates.³² This has the advantage that the members have more freedom to speak as they see fit and are not bound by national positions, leading to fewer political constraints on the discussions. It has also resulted in faster decision-making and the quicker production of solutions to problems. A stellar example is of Article 12B of the UNMTC, which was finalized in a record time of one year, an impressive feat achieved even amidst the challenges of the COVID-19 pandemic.³³

However, while this expert-based structure strives for an inclusive and diverse framework that allows the UNTC to function as an independent expert body that fosters solutions to tax challenges, its distinct structure and the fact that it is not intergovernmental often raises questions regarding the legitimacy of its outputs. This limits the global acceptance of its rules, particularly among developed nations, and weakens its impact on shaping international tax policy. This differs from the OECD, where tax rules, initiatives and standards are often developed through its Working Parties and tax forums - comprising senior tax officials representing member and non-member countries within its Committee on Fiscal Affairs

²⁸ UN Economic and Social Council (ECOSOC) resolution 1273 (XLIII) of 4 August 1967 available at <https://digitallibrary.un.org/record/214213?ln=ar&v=pdf>.

²⁹ UN tax working methods available at <https://financing.desa.un.org/what-we-do/ECOSOC/tax-committee/working-methods>.

³⁰ See <https://financing.desa.un.org/what-we-do/ECOSOC/tax-committee/tax-committee-home>.

³¹ Resolution on the Appointment of 25 members to the Committee of Experts on International Cooperation in Tax Matters available at <https://documents.un.org/doc/undoc/gen/n21/193/09/pdf/n2119309.pdf>.

³² “[...]The Committee shall comprise twenty-five members nominated by Governments and acting in their expert capacity”. ECOSOC Resolution 2004/69 available at <https://ecosoc.un.org/sites/default/files/documents/2023/resolution-2004-69.pdf>.

³³ A. M. Chowdhary, “UN Tax Committee provides draft guidance on taxing the digitalized economy”, SouthNews No. 332, 28 August 2020 (South Centre). Available from <https://mailchi.mp/southcentre/southnews-un-tax-committee-provides-draft-guidance-on-taxing-the-digitalized-economy-224551?e=0fb8a9986b>.

(CFA).³⁴ However, the OECD's dominance in global tax governance has increasingly come under scrutiny in recent years.³⁵

With calls for global reform of the modalities of international tax standard setting, international tax cooperation has entered a new phase with the development of the UNFCITC. The UNFCITC emerges as a direct response to current institutional shortcomings of the UNTC and the OECD. Rooted in the 2015 Addis Ababa Action Agenda³⁶ and bolstered by UN Resolution 78/230,³⁷ this initiative seeks to establish a universal and inclusive framework for advancing equality, fairness, and sustainable development in international taxation with the UN poised to take a more prominent role in international tax governance.³⁸

This momentum builds on earlier efforts by developing countries to strengthen the role of the UN in international tax cooperation. In 2010, Yemen, on behalf of the Group of 77 (G77), submitted a resolution to ECOSOC advocating for the transformation of the UNTC into an intergovernmental body reporting to ECOSOC.³⁹ This led to a subsequent report E/2011/76⁴⁰ by the UN Secretary-General which highlighted how to strengthen international tax cooperation and outlined three ways of improving the institutional capacity of the UNTC: *maintaining the current structure of UNTC; upgrading the UNTC into an intergovernmental commission functioning as a subsidiary body of ECOSOC; or establishing a new intergovernmental commission, with the UNTC serving as a technical subsidiary body under that commission*. Though the report was not adopted, it laid the groundwork for the continuing conversation on strengthening international tax cooperation.

It is argued primarily by developed countries that for any rule to gain global acceptance as a fair and equitable standard in international tax cooperation, it must be consensus-based and reflect an agreement that is practical, relevant, and beneficial to the majority of countries. This view has led to heated debates in the UNFCITC negotiations. While developing countries broadly accept that a consensus-based solution is desirable, they have argued that majority voting must be used to proceed if consensus cannot be achieved. Nevertheless, the engagement of both developed and developing countries in the UNFCITC is needed and this requires an inclusive approach that takes into account the diverse economic positions, priorities, and capacities of countries, ensuring that proposed standards address the needs of both developed and developing nations equitably.

³⁴ OECD Committee on Fiscal Affairs' organization:

<https://www.oecd.org/content/dam/oecd/en/about/participation-plans/PP-CFA-PUBLIC-ENG.pdf>

³⁵ I. Burgers, & I. Mosquera, "Fairness: A Dire International Tax Standard with No Meaning?", *Intertax*, Vol. 45, Issue 12 (2017), pp. 767-783; and M. Valderrama, I. Johanna, "Legitimacy and the Making of International Tax Law : The Challenges of Multilateralism", *World Tax Journal*, Vol. 7, No. 3 (2015), pp. 343-382. Available from <https://ssrn.com/abstract=4224703>.

³⁶ Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda) Resolution 69/313 available at <https://documents.un.org/doc/undoc/gen/n15/232/22/pdf/n1523222.pdf>.

³⁷ UN Resolution 78/230 of 22 December 2023 to promote inclusive and effective tax cooperation, available at <https://documents.un.org/doc/undoc/gen/n23/431/97/pdf/n2343197.pdf>.

³⁸ UN Resolution 78/230 of 22 December 2023 to promote inclusive and effective tax cooperation, available at <https://documents.un.org/doc/undoc/gen/n23/431/97/pdf/n2343197.pdf>.

³⁹ UN, E/2010/L.10: Committee of Experts on International Cooperation in Tax Matters (2010). Available from <https://documents.un.org/doc/undoc/ld/n10/436/28/pdf/n1043628.pdf>; A. M. Chowdhary & S. Picciotto, "Streamlining the Architecture of International Tax through a UN Framework Convention on Tax Cooperation", Tax Cooperation Policy Brief No. 21 (Geneva, South Centre, 2021). Available from <https://www.southcentre.int/tax-cooperation-policy-brief-21-november-2021/>.

⁴⁰ UN, E/2011/76: Strengthening of Institutional Arrangements to Promote International Cooperation in Tax Matters, Including the Committee of Experts on International Cooperation in Tax Matters (2011), available at <https://docs.un.org/en/E/2011/76>.

The UN General Assembly's approval and adoption of the Terms of Reference (ToR) for the UNFCITC during its 79th session⁴¹ marked a significant milestone towards the achievement of these goals. The ToR sets the stage for the creation of a Member State-led, open-ended intergovernmental negotiating committee tasked with drafting the convention and two early protocols.⁴² One protocol will address the taxation of income derived from cross-border services in a digitalized economy, while the second early protocol covers *Prevention and Resolution of Tax Disputes*.⁴³ The negotiations of the text to the UNFCITC and the two early protocols are set to take place between 2025 up to September 2027.

A key provision of the ToR, outlined in paragraph 22, emphasizes the need to consider and build on the existing work of other forums and potential synergies. In addition to this, the negotiations and the actualization of the UNFCITC require extensive technical expertise from diverse bodies. This includes the UNTC and the OECD, amongst other international instances, which create synergies and leverage complementary strengths.⁴⁴ This poses important questions about the future role of the UNTC in this evolving environment. The next section provides possible options on the future role of the UNTC within the larger umbrella of the UNFCITC.

Scenarios for the Future Role of the UN Tax Committee

As the UNFCITC takes shape, five potential scenarios for the UNTC's future role could emerge:

Scenario 1: Status Quo with Enhanced Collaboration

Under this scenario, the UNTC continues to operate as an independent body under ECOSOC. In this model, the UNFCITC serves as a harmonizing platform evaluating and integrating rules. Under this approach tax rules and standards developed by both the UNTC, the OECD and other institutions can be presented by members/parties to the Conference of Parties (COP) of the UNFCITC for consideration and final approval.

At present, the outputs of the UNTC are not given to any intergovernmental body for adoption. They remain the work of an independent expert body. In this scenario, however, the outputs of the UNTC would be given to the COP of the UNFCITC for intergovernmental adoption.

The UNFCITC would thus become the ultimate governing body of international taxation. These proposals may then be fully or partially incorporated into any protocol or form the basis for developing solutions under the UNFCITC. This approach would be based on the "consolidation" argument of developing countries that the UNFCITC can act as the umbrella under which all existing international tax standards, including those produced by the OECD, are brought under one roof and consolidated. The existing standards can also be amended as necessary, but this time with genuinely universal participation of all countries.

⁴¹ Resolution A/79/435/Add.6, as adopted 24 December 2024, available here: [n2438218.pdf](#).

⁴² Term of Reference for the Framework Convention on International Tax Cooperation, available here: [2415701E.pdf](#).

⁴³ Resolution A/79/435/Add.6, as adopted on 24 December 2024, available here: [n2438218.pdf](#).

⁴⁴ Resolution A/79/435/Add.6, as adopted on 24 December 2024, available here: [n2438218.pdf](#).

This approach allows the coexistence of diverse tax frameworks, addressing concerns of countries in line with the first principle outlined in the ToR of adopting a universal approach that takes into consideration the different needs, priorities, and capacities of all countries.

The UNTC would retain its distinct identity and technical independence while contributing to the broader framework. By leaning into the existing expertise of the UNTC, the UNFCITC could foster a more diverse tax environment without disrupting the current institutional ecosystem. There will be minimal financial and administrative changes required.

Maintaining the status quo however does not address some of the shortcomings experienced within the current set up due to limited geographical representation and the fact that the experts act in their individual capacity rather than as government representatives. As result, under this scenario the UNTC would continue to have a limited influence over global tax standards. Those standards produced at the OECD would continue to have higher legitimacy since they would be intergovernmentally negotiated.

One option to bypass this asymmetry would be for the UNFCITC to create a subsidiary body that would process the standards produced by the UNTC and other standard setting international organizations before sending them to the COP for final decision. In this manner, the UNTC's outputs would gain intergovernmental legitimacy and hence be on an equal footing with the OECD's outputs.

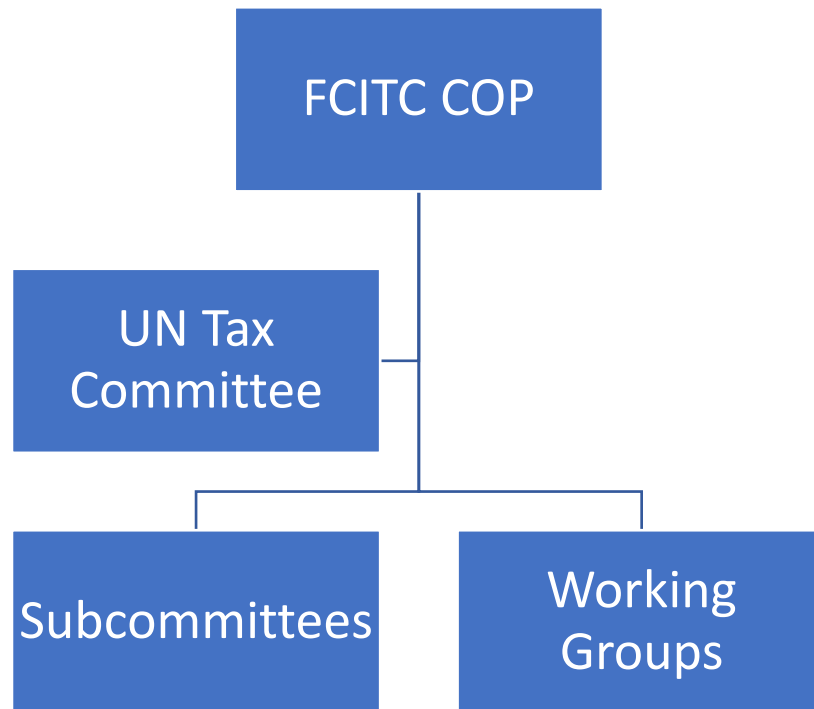
A major downside is that such a system would create redundancies and duplication of efforts, since in practice the same countries would end up negotiating in multiple forums over the same issues. A more efficient structure is provided in the next scenario 2.

Scenario 2: Integration into the UNFCITC as an Intergovernmental Body

In this scenario, the UNTC is subsumed as a subsidiary body of the UNFCITC. The UNTC can serve as a subsidiary body composed of delegates to the countries that have become parties to the UNFCITC. This would mean it would no longer be an independent expert body but would become an intergovernmental body. Careful thought is required to ensure the design of such a revised UNTC ensures democratic representation, inclusiveness and legitimacy. Since the UNFCITC is meant to be a universal instrument, the UNTC's structure can also be expanded if needed. This would also finally achieve the longstanding demand of the G77+China for upgrading the UNTC into an intergovernmental body⁴⁵.

The UNTC, retaining its existing structure of Subcommittees and Working Groups, would prepare the drafts of the international tax standards for adoption, while the UNFCITC functions as the intergovernmental decision-making platform responsible for adopting, and enforcing global tax rules. The subsidiary body would report to the UNFCITC COP. A visual illustration is below:

⁴⁵ UN, E/2010/L.10: Committee of Experts on International Cooperation in Tax Matters (2010). Available from <https://documents.un.org/doc/undoc/ltid/n10/436/28/pdf/n1043628.pdf>.



Operating under the modalities of the UNFCITC, the restructured intergovernmental UNTC and its equally intergovernmental subsidiary bodies, would be serviced by the UNFCITC's fully functional secretariat and have the authority to develop tax policies, standards, and guidance under the UNFCITC. Elevation to an intergovernmental tax body can make it more inclusive and representative in alignment with the principles of universality and inclusivity in the ToR. It would also increase its decision-making power, directly addressing its current issues on legitimacy. This integration would raise the UNTC's status, enabling it to play a central role in shaping international tax rules.

Such an intergovernmental tax body would provide the following draft outputs to the UNFCITC's COP for decision, *inter alia*:

- Updates to the UNMTC;
- Drafts of soft and hard law instruments;
- Technical papers.

The following additional supplementary functions can be considered for the UNTC under the UNFCITC, namely:

- conduct research on proposed policies;
- provide capacity building and technical assistance to developing countries; and
- develop non-binding interpretation on protocols.

Alternatively, these functions can be given to other subsidiary bodies so the UNTC can maintain a sharp focus on its core deliverables.

However, such a transformation could open up complex institutional questions. A key concern is how to manage the status and legacy of the Committee's existing work—its guidelines, commentaries, and other outputs developed under its expert-led structure.

Elevating the body to an intergovernmental status risks politicizing its operations and may lead to renegotiations over past outputs, potentially undermining the stability and continuity of guidance already in use. Careful institutional design will therefore be required to provide clarity on the continuity or revision of its normative contributions.

Scenario 3: Dissolution and Replacement by a New Permanent Body

The third scenario envisions the dissolution of the UNTC and the establishment of a new permanent body under the UNFCITC. This would imply ECOSOC formally ending the mandate of the UNTC and transferring some or all of its functions, including updating the UNMTC, to the new body under the UNFCITC. As the convention's operative arm, this body could assume responsibility for developing and implementing international tax policies and standards with a structure and function building on the UNTC but adapted to the needs of the UNFCITC. This scenario addresses the challenges identified in the previous scenario by offering a clean institutional transition. By formally dissolving the UNTC and establishing a new body under the UNFCITC, it avoids uncertainties around the status of existing outputs and ensures that the new structure is purpose-built, with clear ownership, legitimacy, and alignment with the objectives of the Convention.

This approach presents an opportunity for radical institutional redesign to meet the desired objectives of the UNFCITC. Member states should be ready to commit resources for the restructuring. The structure and function of such a new body can be considered once the structure and function of the UNFCITC itself is clarified.

Aligned with the third scenario, instead of an abrupt integration or dissolution, the UNTC could transition gradually into a supporting role under the UNFCITC. Over a defined period, the UNTC's existing projects and expertise could be transferred to the new body while ensuring continuity and minimizing disruptions.

It must be mentioned here that the UNTC's expertise is contained in the Committee Members, who change every four years, and the relevant personnel in the Secretariat. Thus, transferring of expertise in reality means transferring of the relevant expert Committee Members and Secretariat personnel.

Scenario 4: Elevation of the UN Tax Committee to an Intergovernmental Body

The UNTC can be upgraded to an intergovernmental tax body alongside the UNFCITC body. If it is not to be subsumed into the UNFCITC and remains separate, there is the risk that such an elevation can cause a split in the system through two competing and potentially duplicative bodies. To avoid this, if at all the Committee is to be made intergovernmental while keeping it out of the FCITC, its role should be designed to be complementary to the FCITC. The UNTC body could provide technical and policy support. Its core functions could be to provide technical expertise, make policy recommendations, draft and update model tax treaties and administrative guidance, conduct impact assessments and tax policy research, and capacity-building particularly for developing countries. On the other hand, the UNFCITC body would be the political arm responsible for setting global standards, negotiating international tax instruments, facilitating multilateral cooperation, and overseeing compliance with international tax commitments.

Creation of a UNTC intergovernmental body may face political resistance, as evidenced by history⁴⁶. It also requires political commitment and resources. Further, there is the risk of overlap and fragmentation of roles with those of the UNFCITC intergovernmental body. It is, therefore, essential to clearly delineate the roles of the two bodies to ensure they work together smoothly, avoid duplication, and prevent conflicts of interest between them.

Scenario 5: Coordinated Roles Model

Under this scenario, the UNTC evolves into a dedicated body focusing solely on capacity development for tax administrators or supporting regional tax initiatives in developing countries. This could involve working with regional organizations in Africa, Asia and Latin America and the Caribbean focusing on knowledge exchange and comparative policy analysis to tailor solutions that align with regional priorities, while leaving global negotiations to the UNFCITC. By narrowing its scope, the committee could address practical needs, such as strengthening tax administration systems and promoting equitable tax practices, leaving the drafting of international standards to the UNFCITC.

This analysis merely addresses potential transformations in international tax governance. The scenarios presented here are options meant as invitations to deeper policy discourse. Careful consideration is necessary in light of the financial and human resource constraints.

⁴⁶ A. M. Chowdhary & S. Picciotto, "Streamlining the Architecture of International Tax through a UN Framework Convention on Tax Cooperation", Tax Cooperation Policy Brief No. 21 (Geneva, South Centre, 2021). Available from <https://www.southcentre.int/tax-cooperation-policy-brief-21-november-2021/>.

IV. IMPLICATIONS ON THE UN TAX COMMITTEE'S OUTPUTS – CASE OF THE UNMTC

The structure of an institution has a significant impact on its outputs. The different scenarios outlined in the previous section outlined different possible governance structures of the UN Tax Committee, and these different formulations will have varying implications on the UNTC's outputs. However, these implications may vary depending on the nature of the output, for example the UN Practical Manual on Transfer Pricing or the UN Handbook on Dispute Resolution. As such, it may not be accurate to generalize across all outputs. This section hence takes a case study approach and examines the consequent implications of each scenario on the UNTC's most famous and impactful output – the UN Model Tax Convention (UNMTC).

The UNMTC was first published in 1980 as a tax treaty template to assist developing countries in negotiating bilateral tax treaties with developed countries. It was developed as a response to the OECD Model Tax Convention, which primarily reflected (and still reflects) the interests of developed countries, understood as capital exporting countries. The UNMTC was designed to provide a more balanced approach to international tax treaties, ensuring that developing countries retain greater taxing rights over income generated within their jurisdictions. The UNMTC is a soft law which means it is non-binding and only serves as an option for countries to use in bilateral tax treaty negotiations.

The foundation for the UNMTC was laid by the ECOSOC, which through Resolution 1273 (XLIII) on 4 August 1967⁴⁷, recognized the need to encourage bilateral tax treaties between developed and developing countries. In response, the UN Secretary-General established the Ad Hoc Group of Experts on Tax Treaties between Developed and Developing Countries in 1968. The Ad Hoc Group which was composed of tax officials and experts from both developed and developing nations developed the 1980 publication of the UNMTC. Recognizing the growing importance of broader international tax cooperation beyond tax treaties, ECOSOC, through Resolution 1980/13, renamed the expert group as the Ad Hoc Group of Experts on International Cooperation in Tax Matters. In 2005 ECOSOC elevated the Ad Hoc Group of Experts into the UNTC, giving it an institutionalized role in updating the UNMTC and advising on broader international tax issues. The UNTC periodically updates the UNMTC to reflect emerging global tax issues.

Implications of Different Scenarios on the UNMTC

A general implication is that with the UNFCITC, the UNMTC would move away from its current narrow focus on application between developed and developing countries towards universal appeal. As such, it would become a Model Convention meant for all, not just for the developing countries. However, it is highly likely that this would come with an emphasis on giving special consideration to the interests of developing countries, as is currently the mandate of the UNTC.

⁴⁷ UN, Resolution 1273 (XLIII) on Tax Treaties between Developed and Developing Countries (1967). Available from https://digitallibrary.un.org/record/214213/files/E_RES_1273%28XLIII%29-EN.pdf.

This also raises questions regarding the interaction of such a universal UNMTC with the existing OECD MTC. The likely implication is that the OECD MTC would be recognized as one that is meant to apply mainly to the OECD's Member States, since it reflects primarily their interests.

Under scenario 1, the UNMTC would continue to be updated by the UNTC in its current form. A member state of the UNFCITC may put forward the whole, a portion or an update of/from the UNMTC as a proposal for consideration to a subsidiary body of the UNFCITC for intergovernmental negotiation or directly to the COP. As such, portions of the UNMTC would be intergovernmentally negotiated under the UNFCITC. This would produce an output that would be exactly the same as the OECD MTC legally.

An intergovernmentally negotiated UNMTC would carry significantly more weight and influence. One implication of this is that it may have a much lower emphasis on the interests of developing countries than the current setup, since in practice it would have to be approved by the COP which would ideally have universal representation. This also depends on whether the COP would make decisions by majority (which is most likely) or whether it would end up following the "consensus" approach as advocated for by some developed countries. Regardless, the UNMTC would certainly need to appeal to a broad majority of countries in the world to meet approval and as such would have much lower emphasis on the needs of developing countries.

It may then fall to regional organizations of developing countries like the West African Tax Administration Forum (WATAF), Southern African Development Community (SADC), Caribbean Community (CARICOM), Association of Southeast Asian Nations (ASEAN), etc., to prepare Model Tax Conventions that more clearly reflect the interests of their Member States. These could feed into the universal UNMTC.

Under scenario 2, where the UNTC becomes a subsidiary body of the UNFCITC, the UNTC will continue updating the UNMTC, albeit as an intergovernmental body. However, it is noteworthy to restate the concerns raised by this approach regarding the status and legacy of the Committee's existing work under its expert-led structure and how this may warrant renegotiations of past outputs.

This scenario would mean that the Parties to the UNFCITC are in effect directly updating the UNMTC.

The UNFCITC can produce any standards it deems fit, including non-binding ones. The UNMTC could thus remain soft law available as a model for negotiation of bilateral tax treaties, but with the increase in political legitimacy of the UNTC giving it an elevated status. It can also become a legally binding instrument if it is included within the UNFCITC. This may create limitations on countries in their bilateral tax treaty negotiations. The UNMTC or parts of it can also be annexed to the UNFCITC as an optional model or referenced in binding instruments such as protocols. Members can negotiate whether to adopt the UNMTC as legally binding in its entirety or partially.

Under scenarios 3 and 4, the UNMTC would now be directly updated by an intergovernmental body. The intergovernmental upgrade would give the UNMTC stronger political legitimacy, just like in the previous scenarios. Depending on how member states choose to implement it, the UNMTC or parts of it could be made legally binding, or adopted as an optional or default template for multilateral tax agreements or instruments.

Under scenario 5, there would probably be a division of labour with a subsidiary body of the FCITC now tasked with updating the UNMTC, and the UNTC tasked largely with spreading its dissemination through capacity building. The UNTC could also act as a coordinating entity with regional bodies like WATAF, ASEAN, etc. and feed in their interests into the universal UNMTC.

In all the 5 scenarios, it is clear that the UNMTC remains as is, a model for negotiation of treaties between nations. The UNTC (or its new variant) under the various scenarios could continue making improvements to the UNMTC, which could be informed by developments under the UNFCITC negotiations. It is critical that the UNMTC is updated to reflect and align with the outcomes of the UNFCITC and its protocols. The UNMTC could also be converted into a multilateral treaty or a protocol under the UNFCITC. Further, the UNMTC could be supplemented by the Fast Track Instrument (FTI) to easily transmit new updates to the UNMTC into existing treaties. The FTI can be operationalized by making it a protocol to the UNFCITC.

V. CONCLUSION

International tax governance has evolved significantly over the past century. This report has traced the history of international tax cooperation, highlighting the origins of model treaties and the emergence of residence and source-based principles. Early frameworks disproportionately favored residence jurisdictions, largely due to the influence of capital-exporting states. These imbalances have been reproduced in many of the double tax treaties in force today, resulting in an international system that continues to disadvantage developing countries.

In response, the UN has played a central role in promoting a more balanced and inclusive approach to international tax cooperation. It developed the UNMTC to address the concerns of developing countries by giving more source taxation rights to developing countries. The UNTC continues to update the UNMTC and has provided essential guidance with a focus on the needs of developing countries. However, the UNTC's structure which is based on experts acting in individual capacity and lack of an intergovernmental status, has constrained its global influence, especially in comparison to the OECD.

The OECD's Inclusive Framework has sought to expand its international reach by including non-OECD member countries, but its decision-making processes remain dominated by wealthier states. As a result, longstanding concerns about equity, transparency, and inclusiveness persist. These dynamics led to increased support for a more representative institutional model under the UN, culminating in the adoption of UN resolution 78/230 to establish a UNFCITC.

The UNFCITC marks a turning point in international tax governance. As the process to establish UNFCITC unfolds, it is crucial to reconsider the institutional role of the UNTC and how it might evolve within this emerging architecture. This report has presented five scenarios for the future of the UNTC, each offering different approaches to enhancing its relevance, legitimacy, and coordination with the UNFCITC. It has also considered the implications of each of the scenarios for the UNTC's outputs, taking the case study of the UNMTC, which continues to serve as a key tool for treaty negotiation. A Fast-Track Instrument, operationalized as a protocol to the UN FCITC, could offer a mechanism for incorporating new standards into existing treaties more efficiently.

A clear mandate and definition of roles of the UNTC and UNFCITC will be essential to avoid duplication, promote coordination, and avoid conflicts. Ultimately, the future of the UN's role in international tax governance depends on whether it can deliver impactful and effective solutions to countries. This requires careful institutional design, political commitment, and coordination among all countries. Developing countries should be on the table and take a proactive role to promote their interests and to ensure that history does not repeat itself.

For the UNFCITC to be truly inclusive, developing countries must not only be present at the table but also actively shape the rules and structures being created. Past experiences have shown that when these countries are excluded from decision-making processes, the resulting systems often fail to reflect their interests. To avoid repeating these patterns, **it is essential that developing countries engage strategically and assertively in ongoing negotiations** to ensure that international tax rules support their priorities.



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