POLICY BRIEF

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The G20's Crucial Role in an Uncertain Landscape of International Tax Cooperation

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Abstract

After almost two decades of unprecedented progress in multilateral cooperation, 2025 sees global tax governance teetering on the brink of fragmentation. Both of the OECD's 'two pillars' have broken new ground, but there are doubts that Pillar One, which would have provided a multilateral solution to the taxation of the digital economy, will come into effect. Meanwhile, negotiations at the UN for a new Framework Convention on International Tax Cooperation have highlighted sharp – possibly insurmountable – disagreements between global North and South. Fiscal pressures in all parts of the world are prompting renewed interest attention to wealth taxes and global solidarity levies, but for these to benefit the global South, they too would require multilateral cooperation. This policy brief draws on research from the International Centre for Tax and Development (UK) and the National Institute for Public Finance and Policy (India) on the politics of global tax cooperation and the needs and experiences of lower-income countries. Since the T20 Brazil communiqué outlined a vision for the future of global tax cooperation, its outlook has deteriorated. Now more than ever, the G20 must build on its legacy as a driver of progress in global tax governance, and demonstrate leadership in two priority areas:
(1) supporting constructive outcomes from current negotiations at the UN; and (2) championing new areas of cooperation including taxing the wealthy and climate-related taxation.

Keywords: International Tax Cooperation; Global Tax Governance; UN Framework Convention On Tax; Base Erosion And Profit Shifting; Inclusive Framework On BEPS; Wealth And Solidarity Taxes; Tax Information Exchange; Environmental Taxation

Diagnosis

Contested and fragmenting: international tax cooperation in 2025

In 2025, multilateralism faces arguably the greatest challenges since the founding of its major organisations post Second World War. International taxation is far from immune, and this year may well mark a turning point in the development of institutions dating back to the League of Nations. We see this in the United States' withdrawal from key OECD and UN initiatives, in the proliferation of digital services taxes, and the difficulty the OECD has faced in maintaining consensus among its members.

While this new environment is concerning, it can also be seen as an opportunity. In a new era of fragmentation in international taxation, the goal of multilateralism should be to advance progress on initiatives that do not require global consensus, while keeping to a minimum the frictions created by fragmentation. For lower-income countries, this is an opportunity to shift the parameters of multilateral institutions that have both enabled and constrained their ability to tax cross-border economic activity.

The OECD

Under the mandate of the G20, the OECD has created a global regime for exchange of taxpayer information and a new framework for taxing profits in line with new realities of economic value creation. In 2009, it paved the way for the Global Forum for Transparency and Exchange of Information to become the global standard setter in the area exchange of tax information. In general, this has been a success, yet many lower-income countries are still struggling to make full use of the mechanisms. For example, only 10 out of 42 African countries surveyed have made more than 10 information requests in total during 2021 to

2023.[1] Adoption of Automatic Exchange of Information is even lower due to high requirements for the quality of IT systems and data security measures imposed by the standard, among others.[2]

In 2013, the OECD devised the Base Erosion and Profit Shifting (BEPS) Project, again under a G20 mandate, with the aim to ensure that corporates pay their fair share of taxes. The "G20/OECD Inclusive Framework on BEPS", an enlarged forum with now over 140 members, was created, with work continuing since 2018 on two new pillars of work. Under Pillar One, the Inclusive Framework intended to redistribute taxing rights to market jurisdictions, while under Pillar Two, a more comprehensive approach to end a race-to-the-bottom in tax rate competition was developed.

However, hopes that the BEPS Project would catalyse a new era of globally inclusive multilateralism have been tempered quite considerably, as adoption of many of its components has been limited in the Global South:

- Although over 100 jurisdictions have signed and 88 have ratified the multilateral instrument on tax treaty-related aspects of BEPS so far, most countries adopted it with extensive reservations, which limit its benefit to the global South.[3]
- Over 40 countries have implemented or are planning to implement the GloBE-Rules of Pillar Two to ensure a 15% floor to corporate income tax, but implementation is concentrated among higher income countries. Similarly, only nine countries have signed the multilateral instrument to implement the Pillar Two subject-to-tax-rule so far.[4]

[1] Global Forum (2024), Tax Transparency in Africa 2024, https://web-archive.oecd.org/tax/transparency/documents/tax-transparency-in-africa-2024.pdf
[2] IBFD, 'Promotion of Inclusive and Effective Tax Cooperation at the United Nations', Input Paper to the United Nation Secretary General's report, 2023, 386–87, https://financing.desa.un.org/sites/default/files/2023-08/IBFD%20Report%20-%20final.pdf.
[3] OECD, 'Signatories and Parties to the Multilateral Convention to Implement Tax Treaty Related Mesures to Prevent Base Erosion and Profit Shifting. Status as of 10 January 2025', 2025, https://www.oecd.org/ctp/treaties/beps-mli-signatories-and-parties.pdf; Antonia Hohmann, 'The Limited Impact of the BEPS Multilateral Instrument', *ICTD Blog* (blog), 1 June 2023, https://www.ictd.ac/blog/the-limited-impact-of-the-beps-multilateral-instrument/.
[4] OECD, 'Signatories and Parties to the Multilateral Convention to Facilitate the Implementation of the Pillar Two Subject to Tax Rule. Status as of 19 September 2024', 2024, https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/sttr/sttr-mli-signatories-and-parties.pdf.

- The redistribution of taxing rights to market jurisdictions under Amount A of Pillar One is to be achieved through a multilateral convention, which was released in 2023 but has yet to be finalised. In the meantime, the current US government has withdrawn support and effectively has a veto about the Convention coming into force.[5] Moreover, self-imposed deadlines for the finalisation have been consistently missed, casting into doubt whether this process can be successfully completed.

The United Nations

In the meantime, the vote in favour of a UN tax framework convention reflects that developing countries are in search of an alternative forum to find solutions to ongoing issues of international taxation. Unlike the OECD, the UN process allows for (qualified) majority voting, which may empower developing countries to shape outcomes more aligned with their interests. However, the extent to which this process will yield widely accepted and implemented solutions remains unclear. Alongside the Framework Convention itself, two early protocols will be negotiated until 2027 on "cross-border services in a digitalised economy" and "dispute prevention and resolution". It remains to be seen whether these protocols evolve in a consensual direction with expansive participation, or as plurilateral initiatives among 'coalitions of the willing'.

[5] The White House, 'The Organization for Economic Co-Operation and Development (OECD) Global Tax Deal (Global Tax Deal)', Memorandum for the Secretary of the Treasury, 20 January 2025, https://www.whitehouse.gov/presidential-actions/2025/01/the-organization-for-economic-co-operation-and-development-oecd-global-tax-deal-global-tax-deal/.

Recommendations

New frontiers of tax cooperation

Economies within the G20 face multiple challenges of growth, equity and the need to transition to a low carbon economy. Tax policies can help meet these challenges. Under Brazil's leadership, the G20 laid emphasis on the taxation of high-net-worth individuals (HNWIs). Global wealth concentration has increased where the wealth held by wealthiest 0.001% increased from 3.3% to 6.9%,[6] with a strong bias towards them being located in affluent countries.[7] Therefore, a more progressive form of taxation of incomes, capital gains and wealth may provide a long-term solution against growing inequalities and present a sustainable source for revenue mobilisation.

Parallel discussions are also taking place around the role of tax policy in addressing the climate crisis. As the net-zero framework for the shipping sector agreed at the International Maritime Organisation (IMO) in April 2025 has been criticised by commentators as unsatisfactory,[8] additional efforts are needed in other sectors. The Global Solidarity Levies Task Force (GSLTF) has proposed various tax instruments, such as levies on aviation fuel and fossil fuel extraction, aimed at reducing emissions and funding climate adaptation in low-income countries.

A constructive role for the G20 in this landscape

In this increasingly fragmented space of international tax cooperation, the G20 should attempt to consolidate its legacy through the OECD bodies and broker

[6] OECD, *Taxation and Inequality: OECD Report to G20 Finance Ministers and Central Bank Governors* (OECD Publishing, 2024), https://doi.org/10.1787/8dbf9a62-en.
[7] Capgemini, 'World Wealth Report 2024', 2024, https://www.capgemini.com/insights/research-library/world-wealth-report/.
[8] Transport & Environment, 'UN Shipping Agreement a Victory for Multilateralism but a Failure for the Climate', *Transport & Environment* (blog), 4 November 2025, https://www.transportenvironment.org/articles/un-shipping-agreement-a-victory-for-multilateralism-but-a-failure-for-the-climate; Olivia Rumble, 'IMO Agrees Shipping Carbon Levy, but Keeps Funds within the Sector', *African Climate Wire* (blog), 17 April 2025, https://africanclimatewire.org/2025/04/imo-agrees-shipping-carbon-levy-but-keeps-funds-within-the-sector/.

high-level agreements on the direction of different new initiatives, even if the concrete outcomes might not always be agreeable by all of its members.

Supporting a constructive outcome from the negotiations at the United Nations

Given the impasse in the Inclusive Framework, the G20 should fully support the UN process and endorse the work around the first early protocol as an opportunity to find a new solution on taxing cross-border digital services. This process should be open-ended, but different technical aspects of the work done under Pillar One at the Inclusive Framework may serve as basis and will hence not have been developed in vain. The UN Framework Convention has two structural advantages over the IF's approach: first, since protocols can be adopted by a two-third majority, no state has a veto; second, protocols within the convention need not be universally adopted to come into effect.[9] Next to improving existing or developing new dispute resolution mechanisms, the work under the second protocol could also explore ways to simplify existing tax standards (for instance, on transfer pricing) in order to prevent tax disputes.[10] Given the strongly held and often opposing views between global North and South in the UN process, the G20 is a critical space in which work can be done to bridge differences among powerful states, brokering agreements that help to overcome deadlock and achieve constructive outcomes at the UN.

As highlighted by ICTD research, the resource intensity of applying existing international tax instruments remains one of the major impediments to lower

[9] However, it is likely that any solution developed without the consent of the US or other countries would likely not be recognized and implemented by these countries.

[10] Frederik Heitmüller, 'A Decision on Decision-Making and No Disputes on Dispute Resolution: The Organizational Session for UN Tax Negotiations', *ICTD Blog* (blog), 27 March 2025, https://www.ictd.ac/blog/a-decision-on-decision-making-and-no-disputes-on-dispute-resolution-the-organizational-session-for-un-tax-negotiations/; Michael C Durst, 'A Simplified Method for Taxing Multinationals for Developing Countries: Building on the "Amount B" Proposal to Repair the Transactional Net Margin Method', ICTD Working Paper (the Institute of Development Studies and partner organisations, 2020), https://opendocs.ids.ac.uk/articles/report/A_Simplified_Method_for_Taxing_Multinationals_for_Developing_Countries_Building_on_the_Amount_B_Proposal_to_Repair_the_Transactional_Net_Margin_Method/26428048/1/files/48076900.pdf.

income countries' ability to make full use of existing instruments.[11] Indeed, the G20 should endorse a general "special and differential treatment" principle in international tax.[12] A political statement by large countries to accept certain provisions and exemptions for lower-income countries could give impetus to mainstreaming more provisions of the UN Model Convention across lower income countries' networks of bilateral tax treaties (for instance, through the fast-track-instrument adopted by the UN Committee of Experts in 2024).[13]

Extending new frontiers of tax cooperation

To support progressive income taxation, ongoing efforts by the Global Forum to extend automatic exchange of information to other asset classes, such as the recently introduced Crypto-Assets Reporting Framework, should be supported. Further efforts should focus on adding other relevant pieces of information, such as real estate ownership or beneficial ownership of legal entities.[14] Moreover, as many lower income countries have so far not been able to fully implement the existing standards of the Global Forum, allowing non-reciprocal exchanges[15] could be a means to accelerate their progress in benefitting from global

[11] Lucinda Cadzow et al., 'Inclusive and Effective International Tax Cooperation: Views From the Global South', ICTD Working Paper, 2023, https://www.ictd.ac/publication/inclusive-effective-international-tax-cooperation/; Martin Hearson, Joy W. Ndubai, and Tovony Randriamanalina, 'The Appropriateness of International Tax Norms to Developing Country Contexts', FACTI Background Paper, 2020, https://www.ictd.ac/publication/facti-appropriateness-international-tax-norms-developing-countries/.

[12] Mbakiso Magwape, 'The Era of Reform? Agenda-Setting, Decision Making and S&DT in International Tax and Trade', *ICTD Blog* (blog), 25 July 2024, https://www.ictd.ac/blog/era-reform-agenda-setting-decision-making-sdt-international-tax-trade/. There are several precedents of provisions and mechanisms in OECD standards (for instance, the political agreement on the subject-to-tax rule of Pillar Two, different thresholds for low income jurisdictions in the Pillar One Amount A rules, or the deferral for MAP peer review under BEPS Action 14.

[13] Martin Hearson, Frederik Heitmüller, and Vincent Arel-Bundock, 'Tax Treaty Norms Among Lower-Income Countries and the Role of the UN Model: Past, Present and Potential', ICTD Working Paper, 2023, https://www.ictd.ac/publication/tax-treaty-norms-among-lower-income-countries/. While the fast-track-instrument is a technical instrument to introduce changes into bilateral treaties, it depends on the political will of treaty partners. Hence, a political statement on special and differential treatments would likely contribute to its uptake.

[14] OECD (2024), Strengthening International Tax Transparency on Real Estate – From Concept to Reality: OECD Report to G20 Finance Ministers and Central Bank Governors, OECD Publishing, Paris, https://doi.org/10.1787/fa2db2a4-en.; OECD (2024), Beneficial Ownership and Tax Transparency – Implementation and Remaining Challenges: OECD and Global Forum Report to G20 Finance Ministers and Central Bank Governors, OECD Publishing, Paris, https://doi.org/10.1787/f95790b1-en.

[15] i.e., countries can receive information before they are able to send it

cooperation and another way to implement "special and differential treatment" in tax.[16]

In addition, co-ordination between countries to prevent a race-to-the-bottom in personal income taxes could be useful. However, any solution should consider that HNWIs (identified under a global definition) have only a limited presence in LICs. A more tailored approach and wider definitions to identifying "the wealthy" using region or country specific thresholds will be key to guarantee the inclusive nature of any discussions.[17]

To support the fight against climate change through tax measures, the G20 should consider supporting the Global Solidarity Levies Task Force process which might create a space for new forms of cooperation to address climate change. As a forum bringing together the world's largest economies, the G20 is well-positioned to provide political momentum and legitimacy to multilateral climate-related tax initiatives outside the traditional forums already established under the UNCCC or similar initiatives.

[16] See also United Nations, 'First Draft: Outcome Document of the Fourth International Conference on Financing for Development', 2025, https://financing.desa.un.org/sites/default/files/2025-03/FFD4%20Outcome%20First%20Draft.pdf.
[17] Giovanni Occhiali et al., 'Taxing the Wealthy in Lower-Income Countries: Why It's Important, and How to Do It', Policy Brief (ICTD, 2025), https://www.ictd.ac/publication/taxing-wealthy-lower-income-countries-why-how/.

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