Transcript, October 2026 Taxcast: Modernising the global tax system

Naomi Fowler: Hello, and welcome to the Taxcast from the Tax Justice Network. I'm Naomi Fowler. Coming up later, reform of the global tax rules with huge benefits for Global South and Global North countries:

Alison Schultz: For the Global South, after a single year of unitary taxation, the combined gains of all G77 countries would be enough to repay all outstanding IMF loans. And also for the Global North, former Marshall Plan recipients, like countries who received Marshall Plan money after the Second World War, would collectively receive the inflation-adjusted equivalent of the entire Marshall Plan every 2.6 years, only from the additional revenues they have from unitary taxation.

Naomi Fowler: Some new staggering estimates. We'll get back to those.

Some news from Malta now, where the businessman accused of complicity in the murder of Maltese journalist Daphne Caruana Galizia was finally put on trial. For years she investigated corruption, golden visas, and organized crime in Malta. That's a jurisdiction our work has flagged for years as high risk for corruption because of its financial secrecy.

Among the evidence heard by the jurors was the official statement the accused businessman gave to the police accompanied by his lawyer. In that statement, he said he gave a middleman the go-ahead to put in motion the plan to assassinate her. He then claimed he tried to call it off three days later. His main defense in court was that the chief of staff to the prime minister at the time in Malta was the true mastermind and had pressured him for years to arrange it. He asked for a presidential pardon five times, making four of those requests while he was under arrest for complicity in Daphne's murder. The jurors failed to convict him by eight to one. This is Daphne Caruana Galizia's sister speaking at a press conference after the verdict.

Corinne Vella: Many people wanted her dead. We have no doubt about that. The culture of impunity has been strengthened by the verdict. That is a very disturbing situation. Before the verdict was given, we lived in a country where a journalist was killed, but there was a chance of ending impunity. That disappeared like this as soon as the verdict was out, and it was a, a thought that did not go unnoticed by reporters themselves. They have issued a statement saying they feel uneasy. They felt uneasy walking to their own cars following that verdict. That tells you a lot about what has happened and the impact of that verdict, and this doesn't apply only to us. It certainly doesn't apply only to

Malta. What happens in Malta happens in Europe. It affects everybody in this room and the countries you represent. And Malta has failed to convict Yorgen Fenech. If anyone has evidence about anybody else, they should bring it forward, but that does not exonerate Fenech, not in our view, and not in any right-thinking view.

Naomi Fowler: While Yorgen Fenech has been acquitted of complicity in Daphne Caruana Galizia's murder, her son Matthew spoke at the same press conference about weaknesses in Malta's criminal justice system:

Matthew Caruana Galizia: There are some countries that still have a jury system, and we inherited our system from the British colonial government. That system was established in the year 1815, and since then, in the past 200 years has undergone almost no reforms whatsoever whereas the British jury system has undergone several radical reforms to its jury system that Malta has not kept up with and this is one of the things that makes it what it is, what we can observe, a system that fails to convict the guilty party over and over and over again. But most crucially in my mother's case there is strong evidence, yes, that the, the potential pool of jurors was tampered with by the defense, but this remains an ongoing investigation.

Naomi Fowler: Since then, three sitting jurors have been arrested, one reserve juror, and the husband of one of the jurors. They've all been released on police bail at the time of recording, and no charges have been filed, so far.

There have been regular protests and vigils in Malta in the years since Daphne's murder, and again since this verdict.

The Parliamentary Assembly of the Council of Europe has launched an inquiry, and its special rapporteur has warned that Malta is vulnerable to, quote, repeated instances of high-level corruption, close quote unless it strengthens the rule of law and protections for journalists. The European Parliament's Democracy Rule of Law and Fundamental Rights Monitoring Group has also launched its own fact-finding mission to Malta. We'll follow developments on the Taxcast.

Musical break

This summer in August 2026, countries of the world gathered to discuss the zero draft of the UN tax convention. That's the first official draft text of an agreement that aims to make global tax rules fairer and modernize a one hundred-year-old system originally set up by the most powerful nations.

Ramy Youssef (Chair): Excellences, distinguished delegates, good morning. I declare open the fifth session of the Interg-Intergovernmental Negotiating Committee on the United Nations Framework Convention on International Tax Cooperation and call its first plenary meeting to order.

Naomi Fowler: Not all countries were there at the United Nations. The United States withdrew a long time ago, and Chile recently withdrew. These negotiations were led from the beginning by the African Group. This latest round focused on Article 5, fair allocation of taxing rights, Article 6, taxation of high net worth individuals, Article 7 which relates to illicit financial flows, tax avoidance and tax evasion, Article 8 on harmful tax practices, Article 9, mutual administrative assistance, Article 10, exchange of information between nations, and Article 12, which relates to capacity building and technical assistance.

So in the negotiations, Ireland made an early intervention that made it quite clear that it will continue to try to protect its interests as a leading tax haven and OECD member by continuing to to try and restrict the scope of the UN tax convention and hold on as much as possible to the old system. You can listen to them here making an argument to revisit earlier articles, basically trying to backtrack on principles that had already been agreed in the terms of reference for the convention negotiations.

Ireland representative: I'll make this intervention on behalf of the 27 member states of the European Union.

The member states of the European Union reiterate their commitment to effective and fair international tax co- cooperation and our engagement in the UN process in a pragmatic, inclusive, and forward-looking manner, with a view to developing an instrument capable of securing the broadest possible participation. Our objective remains to ensure that the future convention should seek to complement the international tax architecture, architecture, in particular, where gaps are identified, but not replace it. It is essential that the convention builds on and remains complementary to existing international instruments, internationally agreed standards, and should avoid overlap or conflict with work already underway in other international fora.

Naomi Fowler: And listen to the threat at the end if they *don't* get to change some of the wording that's already been agreed in in the previous UN session:

Ireland representative: Based on the adopted terms of reference, the text should also clarify that the protocols are optional and binding only on those parties to the convention that choose to become parties to, to the relevant

protocol. We have consistently highlighted these issues throughout the negotiations, yet our remarks are still not sufficiently reflected in the drafting as the text has progressed. Clarification of these elements is essential to ensure legal certainty, predictability, and the broadest possible support for the convention, and is a key condition for the active and constructive engagement of member states. Consensus is necessary to ensure legitimacy, legal certainty, effective implementation, and the broadest possible participation. Departures from this principle could significantly undermine both the convention itself and the willingness of states to participate fully in it.

Naomi Fowler: In other words, we want nothing to change. What they're really worried about is the sliding away of their ability to continue to dominate and benefit from the current OECD system of tax rules. Because in the UN process led by the African Group, the numbers are against them now when it comes to votes from so many nations who suffer from the unfairness of the current rules. Anyway, the UK and other countries jumped in to support Ireland. The delegate from Japan says it all really:

Japan representative: Japan would like to align, uh, Japan is aligned with the U- EU, UK, and Norway. I believe it's our common understanding that the objective of this framework convention is to promote and strengthen international tax cooperation. We understand that the current draft follows the wording of terms of reference, but to ensure effective international tax cooperation, it is necessary to take existing international frameworks and systems into account.

Therefore, we agree with the United Kingdom's suggestion of adding an objective referring to such an important perspective. Or maybe, for example, in the first, first line stating, "While ensuring consistency with existing international frameworks and, and systems." Thank you.

Naomi Fowler: Then Tanzania stepped in.

Tanzania representative: The mandate given to this committee is not to merely supplement, mirror, or restate existing instruments, but to develop a framework convention that responds to the gaps, priorities, and ambitions that led member states to establish this intergovernmental process.

Naomi Fowler: And then a representative then a representative of the African Union:

African Union representative: The text is not a new language before this committee. It reproduces language already agreed by member states in paragraph seven of the terms of reference adopted by the General Assembly. That agreement was the product of carefully and hard-won compromise. To reopen it now would not advance our work. It would turn back the hands of the clock on what this process has already achieved and invite the renegotiation of every settled compromise on which this convention rests. We therefore urge that Article one be maintained as drafted.

Naomi Fowler: In the part of the session where NGOs and others representing civil society were invited to speak, Tove Ryding of Eurodad spoke pretty plainly, and you can hear her frustration:

Tove Ryding: If we cannot negotiate the text, why are we here? We are here because the UN General Assembly has given us a job and a deadline. We welcome all countries that want to help finish the task, but it is very important not to obstruct the process. If the changes that are being suggested are so fundamental that they would go against the mandate we have been given, this is not negotiation in good faith. We've been tasked to establish an international tax system for sustainable development and consider the work of existing forums. But we have very clearly not been asked to endorse the work of ex-existing forums, and language to that effect does not belong in the convention.

Secondly, we hear calls for decision-making to be made by consensus. It's surprising to us that the countries that are calling for consensus are also the ones defending the OECD system. A third of the member states in this room were never part of the OECD negotiations, and yet they have all been expected to follow the rules and even threatened with blacklisting if they didn't. The truth is that there's never been a consensus on international taxation. But what we have here at the UN is a space that at least allow countries to participate on an equal footing.

About national sovereignty, the OECD's approach has obviously raised strong concerns in this regard, and we have another problem as well. The fact that some countries have used their national sovereignty to introduce harmful tax practices that make it impossible for other countries to effectively tax wealthy individuals and multinational corporations. Thus, national sovereignty must be linked with an obligation to cooperate internationally and refrain from undermining the national sovereignty of others.

Lastly, we want to remind delegates that the OECD system has failed for everyone. In absolute numbers, the OECD countries are losing the biggest

amount of tax revenue due to international tax abuse. The vast majority of the countries in this room stand to gain revenue from the UN tax convention. Let's not waste time. Let's negotiate in good faith and finish the job we've been given by the General Assembly. I thank you.

Naomi Fowler: As the negotiations continued, a representative from the African Union expressed what Article 5, the fair allocation of taxing rights, means for countries in their bloc which loses huge amounts of taxes due to profit shifting by multinationals. You'll hear the voice of a UN interpreter.

African Union representative: Thank you, Chair, co-facilitator. Good morning. For Africa, Article 5 is a promise, the promise at the heart of this convention, an assurance that all countries where wealth is genuinely generated will fairly enjoy the right to tax that wealth. It is that promise that has led us here to New York, and it is in light of that process that our peoples will judge our capacity to address this fundamental question.

We say this with regard to what was proposed and the draft reflects the essential idea of this, the right to tax must be linked to genuine, real economic contribution. But an idea in and of itself cannot be relevant unless it generates tax revenue. In its current version, the article describes what should be fair allocation without actually guaranteeing the right to ensure it, and the article limits itself to asking member states to explore ways to achieve this.

Africa, as you know has already seen decades of exploration, and what we're seeking now is actual commitments.

Naomi Fowler: In other words, enough talk! We all know what's fair, and time is being wasted here.

African Union representative: The text of the African Group expresses that commitment in clear terms. It recognizes that the place where the value is created, where it is located, where the markets are and consumers are located is where revenues are generated. There is where the right to tax exists. And from that point of view, it guarantees that no country is deprived of its tax revenue just because a business is benefiting from its population without establishing a presence there, a situation that more generally reflects the arrangements that we're describing today. It commits us all to take concrete measures in this regard, in particular with the development of sufficiently simple and clear rules that could be applied by all tax administrations and would allow for the end of former practices that we wish to do away with.

Naomi Fowler: These former practices are really archaic. Here's the Tax Justice Network's Alison Schultz:

Alison Schultz: This problem of 100 years of this system started with the League of Nations decision on how to treat multinationals for tax purposes in the 1920s. This was mostly dominated by the imperial powers back then. And they kind of decided that we would wanna have, or that *they* would wanna have what is called separate accounting for multinationals.

Naomi Fowler: It's hard to believe, much less justify, that the world still has a tax system where multinationals can shift things around using a transfer pricing system based on the so-called arm's length principle. The Tax Justice Network advocates what we call a 'pay where you play' tax system for corporations rather than the current 'pay where you say' system. It means that sub-firms of the same big multinational are treated as if they were unrelated companies so they can kind of pretend they're not part of the same family. So, pay where you say or pay *where they say*.

Alison Schultz: So this means, in the example of Google, for instance, Germany would only be allowed to tax whatever Google Germany says it has done in profits, and Ireland would be allowed to tax Google Ireland. And to make all of this work, the kind of basic rule of this was the so-called arm's length principle, which states that related entities are supposed to tra- trade with each other as if they did not know each other.

So for instance, if, if Google Germany would pay Google Ireland for using some IP, for using some branding or whatever, or for using the search algorithm, then this payment would just be the same as if Google Germany would pay to any other unrelated company in the market. And this is basically the problem, which I guess you all know, is that this is where multinationals have such a big leeway to structure the transaction with sister firms such that profits end up where it's most convenient.

So basically, in the example of Google, this means Google Germany would just send a lot of royalty payments to Google Ireland. In the end, Germany would end up with no profits at its own subsidiary, so Germany cannot tax anything because tax rates are high there, and Google Ireland would seem to have made a lot of large profits.

And this is the ‘pay where you say’ approach, where multinationals can actually declare profits where they choose, and they actually do this excessively in tax havens rather than where the economic activity takes place.

Naomi Fowler: So we need to switch these 100-year-old practices that have long benefited OECD nations and their multinationals from multinationals from pay where you say for multinationals to pay where you play, where they actually play. And when it comes to sales, check out the way multinationals are allowed to report them. Here's Alison again:

Alison Schultz: The multinational profits relies on the customers who buy the products. So for instance, if a person in Brazil buys a product from Apple, then it of course also contributes to the profits of Apple. What currently happens is that sales are measured where the selling company sits. So for instance, if you as a Brazilian pay for an iCloud Plus subscription, or if you buy Apple Music, you are of course contributing to Apple's profits, and you are a Brazilian customer located in Brazil contributing to them. However, officially, you are buying these services from a company called Apple Services Latam LLC, which is based in Florida. So the sales is actually booked in the United States. If we now take these sales data to then determine who gets the taxing rights, we're actually not capturing the right location. We are not capturing the location of the customers, but of the firm that is selling and as, as this kind of measuring does not really measure the contribution of customer to profits, this is actually something which is distorting who gets the taxing rights. And this is also what you currently see in the data, where much of the sales are happening either at the headquarter jurisdictions or also happening at dedicated sales hub, where big multinationals just use a tax haven where they book all the sales.

Instead, where we want to record sales, is actually in Brazil. And this is the destination of sales, so that's why we call it sales by destination. And if we really measure sales by destination, then Brazil also gets its fair share of taxable profits.

Naomi Fowler: The Tax Justice Network and Public Services International now have new data on the benefits for all nations if the United Nations manages to make the system much fairer, which it can do by adopting unitary taxation with formulary apportionment. Stay with me!

Alison Schultz: What does unitary with formulary apportionment mean? It's basically two parts and the first part is the unitary, which basically answers the question which profit to tax. So unitary means that we tax multinational groups and we treat multinational groups as a single unit.

So we're not saying anymore we have Google Ireland, and Google Ireland is unrelated to Google Germany. Instead, we said Google is one big entity. They are maximizing their profits together. They are presenting themselves towards

investors as one entity. So it's one big entity, and we would want to pool all the global profits of this one big entity and then have the base that can be taxed. So this would be the unitary ta- part.

Naomi Fowler: Once this unitary picture of Google's global profits and intercompany transactions is clear, which country can then tax which parts of it? So how do you distribute the profits?

Alison Schultz: This is where formulary apportionment gets relevant because it says that we would allocate profits based on a formula, therefore formulary, and this formula would always try to measure the real economic activity behind the profit generation of the multinational.

What does this mean in practice? So usually we would look at the locations of employees of Google, the location of its assets, the locations of its sales or where the customers sit, and then we would have a weighted formula which determines the rights which each country has to tax these global profits.

So for instance, if we would have a country that hosts 10% of the employees and 10% of the sales are going there, this country, in a formula based on employees and sales, would be entitled to tax 10% of the multinational profits.

Naomi Fowler: So this is what we call the ‘pay where you play’ approach rather than the current ‘pay where you say’ approach where multinationals can move their profits around their many subsidiaries and subgroups to minimize taxes using the bogus idea that Google, for example, is not just one company, which we know it is!

Alison Schultz: Each country would receive its fair share of taxing rights according to the economic contribution to the multinational profits. Profit-shifting becomes basically impossible, and because you don't need to be afraid all the time that your profits are artificially leaving the country once you have a higher tax rate, also the race to the bottom is halted or at least slowed down.

There's another benefit, which is that each profit is taxed only once. So if you sometimes listen to multinationals you will hear that they often complain that they face all kinds of double taxation, so the same profit is taxed in different countries for different reasons, and this would be actually solved under unitary taxation because we have the entire consolidated profits, and we make sure that all of these are distributed to the different countries.

And finally, it's a very, very simple system for multinationals and tax authorities alike. Compared to the super complex, um, transfer pricing system with all the, um, different rules we have there, it's really a super simple system which could also solve many problems of bureaucracy which which companies claim that we have at the moment.

Naomi Fowler: You heard Ireland's representative at the United Nations earlier complaining in this latest round of negotiations about their potential loss of tax sovereignty. If it's sovereignty they're really worried about rather than losing power to attract multinationals to, err, *creatively* use the current system, they need worry no longer.

Alison Schultz: Countries' tax sovereignty could be restored by moving to unitary taxation because countries remain free to choose tax rates as they wish. So theoretically, they could still have a very low tax rate, however, only on the part of the profits which really belongs to them. And at the same time, if you wanna have a higher tax rate, countries are also empowered to enforce these tax rates on the profits that are generated in their country because they don't need to be afraid that another country, low tax country, will just steal these profits.

Naomi Fowler: And our estimates on the benefits of a pay where you play system should make all governments sit up and take notice. Estimates are tricky because country by country reporting by corporations on their true activities in each jurisdiction where they do business is so patchy and incomplete complete. But unitary tax would be transformative, and not only for the Global South countries that are losing so much from the current system.

Alison Schultz: Unitary taxation benefits almost every country in the world. We have huge benefits both for the Global South and the Global North.

For the Global South, after a single year of unitary taxation, the combined gains of all G77 countries would be enough to repay all outstanding IMF loans.

And also for the Global North, we would actually see that former Marshall Plan recipients, like countries who received Marshall Plan money after the Second World War, would collectively receive the inflation-adjusted equivalent of the entire Marshall Plan every 2.6 years, only from the additional revenues they have from unitary taxation.

We see huge gains for all country groups, low income, low and middle income, upper middle income, high income, and losses of tax havens. The profits have not changed. We just took the data of the profits for multinationals, and we just

said we reallocate them based on real economic activity. So all the profits which are gained here for these four groups are lost from the tax havens.

Naomi Fowler: And what's really interesting is that even for corporate tax havens like Ireland, this unitary taxation pay where you play approach is not as bad as they might think:

Alison Schultz: So if we now would move to unitary taxation or 'pay where you play,' profits would be taxed where the economic activity sits. So multinationals would no longer be able to book all these large profits in tax havens, which means for the tax havens that they would lose much paper profits. So much of the profits which are currently recorded there would not be recorded there anymore. Usually, this doesn't mean for tax havens that they lose a lot of tax revenue because they anyways tax these profits, which are currently there, even though the economic activity is *not* there, at very low rates if they tax them at all. And that is also where the very huge revenue gains from unitary taxation come from. Because currently the profits in the tax havens are taxed so little that each dollar of taxes that is currently collected by a tax haven leads to 3 to $18 of losses elsewhere in the world. So in the report, we have also asked ourselves what that means for tax havens and if tax havens will therefore suffer.

Naomi Fowler: Profits would be booked in the places where they rightly belong for tax purposes. Apparently there are two ways out for these places, but it does depend on the kind of tax haven you are:

Alison Schultz: The first way out is quite simple for countries that are diversified tax havens such as Switzerland, and that would be just to tax the remaining profits still higher. Because under unitary taxation, yes, they would lose much profits, but they would still retain some profits because this indeed represents some economic activities. And we have now calculated how much they would need to tax these remaining profits to just get the same revenue as today. And for Switzerland, for instance, they would just need to put a tax on 20 to 25% on the remaining profits to keep the exact same revenue as they have today.

There are some other tax havens which are really pure profit booking centers, and for them the way out is a little different. So they would really need to restructure the economy and would, for instance, need to diversify economically, for instance, by investing in transport, energy, digital infrastructure, by strengthening the education and so on. What is also relevant to recall is always that the citizens and tax havens often do not gain much from being a tax haven. So we see that tax havenry is associated with high inequality,

with immense house price rises, with a lot of corruption. So many of the people there actually suffer from being a tax haven. So we also see unitary taxation as an opportunity for tax havens to change their approach from these profit booking centers to just diversified economies also benefiting their own people, an opportunity to not be worse off.

Naomi Fowler: Historically, Global South countries have worried about a unitary taxation system by formulary apportionment because *yes*, they'd be able to tax sales, for example, booked in their countries, but often they're also the places that have the raw resources that can get left out of the taxing formula. To solve that problem, Alison says *resource rights* must be put in place first:

Alison Schultz: Some previous studies where lower income countries appear to lose from unitary taxation, or some countries appear to lose just because resource rights have not been taken care of. So let me just walk you through the example of Angola, because I, I think that makes it clear. So if you take Angola, Angola is super dependent on its oil. More than 90% of the g- good exports are oil. Oil makes up about 35% of the GDP, and roughly 60% of government revenue is actually based on oil or on taxing oil. So if you now look at multinational profits that are currently booked in Angola, many of them, not surprisingly, come from extractive companies.

For instance, you have Equinor there, that's a Norwegian oil company, and if you look at the country by country data for these oil companies for '22, it has booked 1.8 billion of profit in Angola. However, it only had 17 employees in the country in the same year. So this is this typical mismatch which we are used from, from tax havens, right? But here the mismatch is actually right because these big profits are actually profits they get from the oil, and rightfully, Angola also taxes these profits. So Angola has an explicit petroleum income tax, and it also has some production sharing contracts, meaning that it just gets something from the production of the different oil or different extractive companies, so it's actually right that these profits, which are directly linked to Angola, are taxed in Angola and are also booked in Angola, even though they might not be represented by the number of employees or the amount of sales.

If we would now implement unitary taxation with a formula estimated, for instance, based on sales on employee, virtually all of this profit would be allocated away from Angola, so it would go in the unitary pool and distribute it to the countries where Equinor, for instance, has its sales or where Equinor has its employees. So that's why we say we need to have resource rights first. So for instance, if for Angola we would just ignore the resource rights, then Angola seems to lose about $410 million a year, so this is nearly 80% of what it

currently collects from multinationals. However, if we allow Angola to tax these extractive profits first, if we give resource rights priority, Angola gains about 230 million a year, which is 44% of the multinational profits. Therefore, we say Angola must be allowed to exercise its resource rights first.

Naomi Fowler: The way resource rights are organized are complicated, and it depends on how each country tries to tax what's happening in their countries.

Alison Schultz: This would need to be different depending on the company, because only some companies are heavily dependent on resources. The bigger problem is that currently countries differ a lot in the ways they capture these resource rents. So some countries base their system on royalties, on licenses, others use more income tax, still others use state equity participation, and so on. And these systems are so different that if you just include a factor, this usually benefits some of the countries unfairly compared to others. And that's why we just said, "Okay, these resource rights come first. Countries are allowed to exercise their resource rights, and then we, we do unitary taxation."

And what we suggest in our approach is that before we aggregate all the profits of the multinational company, those countries who are giving the resources to multinationals are allowed to tax these resources first or to take money from these resources in whatever way they like before the remaining profit is then going into the global pool to be allocated.

Naomi Fowler: There's no doubt it's transformative, and the United Nations is the closest it's ever been to a new order when it comes to tax justice. The next round of negotiations, the sixth session, is in Nairobi starting on the 30th of November 2026. Governments still trying to hold up progress really should be explaining to their populations why they're blocking tax justice measures that could really improve people's quality of life.

That's it for this episode. Thanks for listening. And special thanks to Alison Schultz. We'll be back soon. Bye for now.