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ASSOCIATION OF GERMAN DEVELOPMENT AND HUMANITARIAN AID NGOS

THREE CORE ELEMENTS OF A JUST INTERNATIONAL TAX SYSTEM

Recommendations to the governments of Brazil, Ethiopia, Germany and India for the negotiations on the UN Framework Convention on International Tax Cooperation

Countries, especially those affected by colonial legacies, need more funding for health, social protection and education, for public infrastructure, climate adaptation measures and a just energy transition. To achieve the Sustainable Development Goals of the 2030 Agenda, they require more than four trillion US dollars in additional funding each year.[1] At the same time, they lose between 100 and 240 billion US dollars every year through tax avoidance, profit shifting and harmful tax competition.[2]

The international tax system offers little transparency and contains many loopholes that can be exploited by the extremely wealthy. Since 2000, the wealth of billionaires has grown by around 81 per cent, reaching a record high of 18.3 trillion US dollars in 2025.[3] This growing concentration of wealth has been accompanied by a corresponding concentration of political and economic power in the hands of fewer and fewer people.

A fairer international tax system would support countries that are currently structurally disadvantaged by the current international tax system and reduce their dependence on loans. There countries would have more political space and be able to finance public services more independently. They would have more resources with which to realise human rights, including gender equality, and sustainable development.

A fair international tax system must include at least three core elements:

1. Effective taxation of multinational corporations

Multinational corporations shift their profits to countries with low tax rates. For years, international tax competition has caused corporate tax revenues to decline. Therefore, a fair international tax system must allocate taxing rights fairly and put an end to ruinous tax competition. Multinational corporations should pay tax on their profits in the countries in which they operate. This would diminish the appeal of tax havens and increase the tax revenue of many countries.

This requires:

- an ambitious and effective global minimum corporate tax rate.
- unitary taxation with formulary apportionment which means that multinational corporations

[1] United Nations (2025): ↘ The Global Sustainable Development Report 2025; United Nations (2024): ↘ Financing for Sustainable Development Report 2024. Financing at the Crossroads

[2] OECD (2026): ↘ Base Erosion and Profit Shifting (BEPS)

[3] Oxfam (2026): ↘ Inequality Report 2026. “Resisting the Rule of the Rich”

are taxed as a single company. Their total profits are then allocated to countries according to a formula — based on where economic activity actually takes place, rather than where profits are formally reported.

2. Internationally coordinated taxation of ultra-high-net-worth individuals

Currently, the richest 0.001 per cent of the world's population — fewer than 60,000 people — owns roughly three times the total wealth of the poorest half of humanity.[4]

Those with substantial wealth often pay lower taxes than employees, either by exploiting tax loopholes or by shifting their wealth to tax havens. Large fortunes also generate high returns, causing wealth to become increasingly concentrated in the hands of a small number of people - predominantly men living in wealthy countries.

To reduce social, economic and political inequality, a fair international tax system must slow the growing concentration of wealth. It must also ensure that income from labour is taxed more fairly than income from capital.

Greater transparency regarding wealth ownership, combined with modest taxes on fortunes exceeding 100 million US dollars, could generate an additional 490 billion US dollars in tax revenue each year.[5]

This requires:

- a globally coordinated minimum tax of at least two per cent on wealth exceeding 100 million US dollars, to prevent tax avoidance and align the taxation of wealth accumulation more closely with that of labour income.
- transparency regarding the beneficial ownership of ultra-high-net-worth individuals, achieved through a global asset register and a related system of automatic information exchange.

3. Social Justice, transparency and accountability

A fair international tax system should promote the realisation of human rights, including gender equality, and sustainable development.

Women and marginalised groups often pay a higher proportion of their income in taxes. They often work in the informal sector, especially in structurally disadvantaged countries, or hold part-time jobs. Flat-rate taxes are more frequently levied in the informal sector, regardless of actual profits, which disproportionately disadvantages low-income earners. Women and marginalised groups are also disproportionately affected by high consumption taxes because they spend a larger share of their income on everyday items.

Environmental and climate taxes can incentivise extractive and industrial companies to reduce the extraction and consumption of climate-damaging raw materials, or to shift to more environmentally friendly production methods, where they contribute to environmental and climate damage.

In general, tax systems must apply equally to everyone and be socially just. In addition, countries that have been disadvantaged by colonial struc-

[4] United Nations (2026): ↘ Global Inequality Report 2026. Executive Summary

[5] Gabriel Zucman (2024): ↘ A Blueprint for a Coordinated Minimum Effective Taxation Standard for Ultra-High-Net-Worth Individuals. Executive Summary for the Media

tures must be empowered to enforce tax rules effectively in order to curb illicit financial flows and corruption.

Both the international tax system and national tax systems must therefore:

- be designed in a progressive and gender-sensitive manner;
- ensure tax transparency and democratic accountability;
- provide for human rights, environmental and social impact assessments when introducing new tax laws or tax reforms;
- include the taxation of economic activities and consumption that contribute to environmental and climate damage.

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