

# Geopolitics and the current debate about international tax policy (30<sup>th</sup> November 2023)

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## **Abstract**

International taxation has become a central issue in geopolitical discourse, marked by governance challenges and growing tensions between the OECD and the United Nations. While the Inclusive Framework has expanded participation beyond OECD member states - addressing critical matters such as the taxation of multinational enterprises and the exchange of information - the United Nations has advocated for a global convention aimed at fostering more inclusive governance, culminating in the adoption of a resolution to this effect in 2024. Against this backdrop, the proposal to establish a new, neutral international tax body is increasingly gaining traction.

**Keywords:** BEPS, OECD, UN General Assembly, multinationals.

[Prof. Marino]

I think that we can start the last lecture of Raffaele Russo. Yesterday it was very interesting, we entered into the understanding of the administrative architecture of OECD, as well as the history and the administrative architecture of the United Nations. I give you the floor and the screen for your last lecture on the geopolitics and the current debate about international tax policy. Thank you again.

[Prof. Russo]

Thank you, Giuseppe, and good afternoon, everyone. So, we are at the end of this week where we started with the identification of the main actors in international tax policy. Remember, we divided them into national authorities, stakeholders at large, multilateral development banks, and international

organizations. Then we looked in more detail at international organizations' work and the impact they have, focusing in particular on the two main organizations that work on tax matters: the OECD and the United Nations.

As we discussed yesterday, there is obviously tension if you have more than one standard, because by definition it's not a global standard anymore if you have competing standards. First, whatever we do, tax is always involved. Second, it's about money – and money counts. Third, we have undergone two major crises: the first was the financial and economic crisis in 2008-2009; the second was the health-related crisis, the pandemic.

If you think about it, tax played a very important role during the pandemic. Many countries used the pipelines that usually connect tax administrations with taxpayers – normally to collect taxes – to do exactly the opposite: to provide economic support measures to those suffering from the consequences of the pandemic. I think Italy was probably one of the first, as it was hit before many other countries, as you may recall. Several countries did the same; many decided to suspend tax payments because obviously most economic activities had been suspended.

These elements, together with the fact that in one way or another the world is changing, and that we have a number of economies severely damaged in terms of GDP, infrastructure, and development, have created this combination of factors that brings us to where we are today. Fundamentally, it's geopolitics. It has very little to do with tax content - such as the definition of permanent establishment, the force of attraction, or the taxation of royalties that we discussed yesterday. It's more in the space of international public governance.

What I think we can use as a frame for discussions is what we call the “battle for international tax policy”. This is not a battle that starts now; it has been ongoing for a few decades but has never reached this level of development. Fundamentally, the question underlying this battle is: who should be the international organization that sets the rules in international tax? The international tax rules – as I told you, everything is connected – regard double tax treaties, transfer pricing, but also domestic rules that have an impact on other jurisdictions.

A recent example is the Global Minimum Tax, which is clearly something that is purely a domestic law exercise but, because of the effects of choices that can be made, has a global reach. As we discussed, I present this as a general perception because it is fair to say that this is the common view. I don't think it is entirely the reality, but it's my point of view, and you should make up your own mind.

The general perception is that the OECD favors developed countries – their main interest – and the UN favors developing countries. If you oversimplify, that's where we are. I have already told you that I think this is a misleading perception. First, because it's not clear to me what we mean when we talk about

“developed” and “developing” countries. Second, because I think within both organizations there are countries at different stages of development.

Now, if you look at the OECD, fundamentally, the standards developed by the OECD since the 1960s – referring to the Model Tax Convention and the Transfer Pricing Guidelines – have been the enablers of globalization of the last few decades, for obvious reasons. They were meant to prevent double taxation and thus foster cross-border trade and investment, coupled with the technological revolution and the internet, which, for many of you, has been part of your life since birth, but for many of us was not.

All these developments, and the crises I mentioned, have made it so that now, while in the past similar demands from a group of countries had always been dismissed one way or another, that is not the case anymore. As I said, I will try to look at these also taking into account the overall situation we have endured: two large superpowers composed of very strong economies focused on growth; other economies that are more stagnant; and other economies that, for me, are the real developing and least developed countries facing other types of problems. But all these things are strictly connected.

Now, regarding the work done with the support of the OECD – and I use this term intentionally – this was a question posed by Alberto yesterday: What about the Inclusive Framework? How does it affect the governance and working methods of the OECD, its Committee on Fiscal Affairs, and so on? We discussed that these gatherings, as I said, are not international organizations; they don’t have legal personality from a public international law point of view. They are hosted by the OECD, supported by the OECD Secretariat, but open to any country willing to join. Once they join, they join on an equal footing. So, they have the same rights and obligations as OECD member countries, even if they are not members.

Currently, there are three main bodies, plus others. The three main ones are the Global Forum on Transparency and Exchange of Information, the Inclusive Framework on BEPS, and the Inclusive Forum on Carbon Mitigation Approaches, which is new and was launched this year. It is closely related to discussions happening today in Dubai at COP28 on climate change. We will return to climate change shortly.

In terms of key items, the first is the exchange of information, both on request and automatic. The second relates to the taxation of multinationals. The third concerns optimizing the reduction of CO<sub>2</sub> emissions. There are others, and I tried to list them with some numbers: on the left-hand side of the slide, you see 38 member countries; on the right, the number of countries or jurisdictions participating in the various gatherings. More than 135 countries participate in the Inclusive Framework on BEPS; more than 160 jurisdictions participate in the Global Forum on Transparency and Exchange of Information.

There is also another body that originates from a legally binding convention initially drawn up by the OECD and the Council of Europe – a separate international organization based in Strasbourg, different from the European Council – focused on respecting human rights. This is the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, prepared in the 1980s. After the abolition of bank secrecy for tax purposes, this convention was opened to nonmembers of the OECD and countries outside Europe. At the moment, it has 140 countries.

Regarding one of the BEPS Action Plan steps – Action 15 – it aimed to develop a multilateral instrument allowing countries to insert changes into their bilateral treaties agreed upon in the BEPS context. For example, BEPS agreed to modify, in certain respects, the definition of permanent establishment, i.e., the threshold upon which a non-resident pays taxes in the source state, because the old definition was seen as prone to abuse, so it was important to change it to prevent circumvention.

Imagine a country like Italy, which has 80 to 90 double tax treaties, having to start negotiations with each treaty partner to amend the bilateral treaties – it would take ages. Twenty to twenty-five years ago, treaty shopping was quite normal. For instance, an Italian company paying dividends to a Cayman Islands company would face a 25% withholding tax. People would say: just transfer the shares to a company in Luxembourg; Italy pays to Luxembourg with no withholding tax; then Luxembourg pays to Cayman with no withholding tax on outbound payments. You benefit from the treaty, domestic law, and save money.

[Prof. Marino]

Raffaele, sorry to interrupt, I told the students about my time at the IBFD, when a Danish entrepreneur contracted us to monitor global treaties to find optimal investment routes tax-wise. For example, to invest in Argentina, the route was Netherlands – Luxembourg – Italy, exploiting different withholding tax rates. Treaty shopping was very profitable.

[Prof. Russo]

And that's also something we discussed. Who is from Turkey? You are from Turkey. Okay, there is a very funny, nice movie from Oliver Stone. It's called *Midnight Express* and it's actually the last paragraph of the book I wrote on international tax. The book starts with the quote from Karl Marx about globalization and ends with a quote from Oliver Stone in *Midnight Express*. And so, you have this American guy that is put in jail because he's found to have some hashish or marijuana, I don't remember. And then at certain point, he does his speech and he says something like, you know, what is a crime and who decides what is a crime, and sometimes something that it is legal in the past, all of a sudden it becomes illegal in the present, or something that is illegal doesn't

become so because everyone is doing it and you cannot put everyone in jail. And that has always attracted my attention, because over time we have seen how the perception and therefore the reaction in relation to certain tax planning opportunities changed. So, treaty shopping was considered to be normal. And we included these provisions in the BEPS project to go back to where we started in order to prevent treaty abuse. And I described that to the journalist, and the journalist asked me how long it would take to implement this. I replied that we are developing a multilateral treaty that would amend the bilateral tax treaties concluded by all the countries participating in the multilateral treaty. Without this approach, implementation would likely not happen until the time of my grandchildren. That's what I said. What goes out on TV is that this will be applied at the time of my grandchildren. This is exactly the opposite of what I said! I've never understood why I thought they were supportive of the project, but that's what happened. And here too, it was something that didn't exist. Check if you go on the IBFD, there is an Article that I wrote, again, probably 15 years ago, which is called STAP. And I wanted to do something like, you know, when you open a bottle of champagne like STAP, and STAP stood for streamline the treaty amendment process, and was based on an idea of Philip Baker who you had for this presentation. At the time people were saying things like: it's impossible, it cannot be done, it's not constitutional. But this is life, this is the life of innovators in whatever field you are, you know, you will always have people telling you it's not possible, just don't listen to them and find more energy out of this conventional thinking. And what we did was we put together a group of public international law experts, and we said, look, we have this situation, this is the problem, we would like to apply this solution, what do you think? And they were like, oh yeah, sure, it's already been done in strange fields, I think one was the multilateral convention on archaeological discoveries in contested territories, but it had been done. So, we did the report and then we did the multilateral convention. And today there are 95 countries that have signed to the convention, and this has allowed them to modify 1700 treaties in one document with one signature and one ratification. At the level of the Secretariat, as you see, there are people from more than 40 countries, why? Because of this enlargement to nonmember countries, also nationals of countries that are part of the inclusive framework, of the global forum can be part of the Secretariat. So now you have, for example, people in the head of the Secretariat of Global Forum on Transparency and Exchange of Information is from Brazil. The head of the Secretariat on Tax Inspectors Without Borders that is actually something that helps a lot in developing countries, the head of this Secretariat is from Georgia. You have a sort of enlargement also of the people as we discussed yesterday to the technical work, so that then officials from the relevant countries can sit down and agree or disagree. And this is the OECD as we are as of today, literally.

The UN, he will come to the seminar tomorrow? So tomorrow, there will be the head of the UN Secretariat on tax matters speaking at the seminar that Prof. Marino has organized. Now, what has happened in the UN since last year? I didn't go back too much. On the 30<sup>th</sup> of December last year, the General Assembly adopted the resolution on promotion of inclusive and effective tax cooperation at the United Nations. And the idea was we need to scale up the work that we do at the level of the UN committee of experts that, if you remember, is not the intergovernmental body but it's a body of people that act in their personal capacity, even though nominated by governments. The member states requested in the resolution that was approved that the Secretary General of the UN prepare a report in order to outline the status quo of international cooperation on tax matters and what would be the options. And this is the report that was presented by the Secretary General on the 8<sup>th</sup> of August of this year. Now, it seems that it's made on purpose to spoil the holidays of people because 30<sup>th</sup> of December you're starting New Year's Eve, on the 8<sup>th</sup> of August in Italy we're starting our holidays. And the Secretary General report was put out for comment and input, and more than 80 submissions were received from member states of the UN, from academics, from the IBFD, the IBFD wrote a very lengthy report on these topics, from businesses, and from NGOs. What does this report say? Because this is now real, the report says, well, while the UN seems to be engaged in an efficient and effective manner in being inclusive for international tax cooperation, this is not the case for the OECD. The OECD serves the interests of developed countries, and this is the reason why the OECD rules, standards, guidance are not aligned with the interests of developing countries, and this is the reason why many developing countries feel excluded from the process. So, very different from what we saw here, the equal footing and so on. What are the consequences? The consequences are that effectively developing countries often don't implement the rules that are developed at the level of the OECD because they are too complex. And in many instances, these rules provide for reciprocity which they cannot assure, and here I find it very worrying. For example, in relation to the automatic exchange of information of bank accounts. Here, I think, you know, they could have phrased them in a different manner. But effectively, you know, the same UN that protects human rights and the right to confidentiality is taking a different approach here, because banking information is very sensitive information. Imagine, you know, in relation to countries where criminality is right and you get to know how much people earn, and you may decide that you want to kidnap and ask for ransom. In countries where, let's say, there is not a full democratic control of parliaments, you can use the information against your political opponents. So, it's a big risk if you don't ensure confidentiality. It concludes that there should be an intergovernmental process that can leverage on the strengths of the UN working methodology and governance and address the gaps that exist at the

level of the OECD. And it provides three options. Option one is a Multilateral Convention on Tax. So, we forget about everything else, we forget about all the things that you have started this week, the League of Nations, the developments over time, the model tax conventions, the bilateral tax treaties, the anti BEPS, and we just pull everything into a big multilateral convention. This convention would address a number of tax issues, would be able to restrict, or I would say to allocate than to restrict, taxing rights on cross-border income, and would include obligations that are relevant to domestic resource mobilization, which according to the UN, includes tax information reporting and the monitoring mechanism together with dispute resolution. Ask any development expert, what do you think is important for domestic resource mobilization? I'm not sure that this will be the first answer that you get, but that's what the report says. Then it says obviously this convention needs a political agreement, but maybe if there is not a full political agreement, there can be sideline agreements on topics on a common way of looking at it. Second option, and that's where we go back to the climate change, and what's happening now. It's the Framework Convention on International Tax Cooperation. So, the way we understand, because we don't know much, and you can read the report and resolution because they are online, this will not be a convention that establishes actual tax rules, but it will be a convention that establishes the rules in order to develop tax rules. So, more from the point of view of governance, overall objectives and aim, but then the details will be developed through a different instrument. And countries will be free to enter or not into the convention. This is exactly what happened with the UN Framework Convention on Climate Change. That's what we're now studying with Marco that is here. But you know, if you're interested in these topics, it may be a nice topic for a thesis, for a paper, for an Article, because that's the model that they had in mind. And then what happened was that to this convention, as you probably know, a number of protocols have been attached over time, the Kyoto Protocol, the Paris Protocol, and if things are successful, the Dubai Protocol of today and the next few days. The third option is a Framework, not a convention, not legally binding, for International Tax Corporation. Fundamentally, it would mean upgrading the committee of experts to not being any more a group of people that act in their personal capacity, to a group of people that represent the countries that have appointed them. And these are the three options, now what do you think that has been the reactions to these options? The reaction of the OECD, the reaction of NGOs, the reaction of business, the reactions of the stakeholders that we saw before?

This is the OECD, Manal Corwin is the director of the OECD Center for Tax Policy and Administration who is the head of the Secretariat of the OECD working on tax matters, one of the most skilled and visionary people I have met in the international tax world. And basic, obviously, they were disappointed, because the report pictured a reality that is not the perception of the people

that do this work. The report is full of inaccuracies and misleading statements. At the same time we are very keen to work on improving the inclusiveness of the process and were listening closely to the concerns of those that consider that our, the OECD's processes are not inclusive. Plus, we were working together with the UN, with the IMF, with the World Bank on tax issues and avoid duplications, and at the same time, increasing the resources that are needed by countries in order to represent a number of different countries. This is Manal Corwin.

Second, Mr. Guterres has confirmed beyond any doubt the unsuitability of the OECD to lead international tax rules and put his weight behind the tax justice movement's campaign for a UN framework convention on tax. This has been the idea of NGOs for a while, the objective that they've had for a long time. For the last 50 years, the OECD has been at the forefront of international decision-making regarding global tax regulation. The outcome is an international tax framework marred by inefficiency, complexity, and numerous loopholes. Additionally, this system exhibits a bias towards wealthier nations and tax havens. Wow, okay, I didn't know that I've been working for tax havens, but now I know. What we require are transparent and equitable global tax discussions, overseen by an organization in which all nations have an equal say, the United Nations stands as the sole entity capable of fulfilling this need. The USCIB said effectively, this is a turf war with the OECD, but if we have to choose between the different options, probably the third option would be the easiest to start from. At the same time, you have to consider that we are in the middle of developing the pillar two rules, the minimal minimum tax and the multilateral convention and this may actually block the progress that had been done in that. And I have to say here, I didn't put it on the slide, but one of the, I would say, strongest and skilled members of the NGOs is a UK accountant called Richard Murphy who has a very successful blog. He founded the Tax Justice Network and he left because he thought that this was unfair. It's maybe sometimes what happens in couples, like you have one partner that is doing a lot of stuff and is doing things and the other that is not appreciating it, because probably they don't see it, because probably it's not important for them, and it was the same here. For 10 years, we removed the bank secrecy for tax purposes, we have a system of automatic exchange of information, we changed the rules of the taxation of multinationals, we did all these with countries on an equal footing. We have scaled up all the capacity building initiatives in order to support real developing countries that needs them, and you come and say, well, actually, this is worth nothing, and we need to move everything to the UN, at least the perception of many people that have worked in this.

The discussion started at the level of the UN General Assembly in its second committee and the positions that were expressed by the G77. So, it's the group of African nations plus a number of other countries, said that they were in

favor of option one or option two. US, Japan, and Canada complained, saying that, again, the report did not recognize all the progress that has been made in the recent past. The EU also decided to vote against. The EU being the EU and its member states to vote against and as a last resort, only considering the third possibility, the third option, upgrading the group of experts to an intergovernmental group of experts. So, this was the layout as from the 5<sup>th</sup> of October. On the 11<sup>th</sup> of October, the text of the draft resolution which is the legal instrument through which a decision is taken based on the content of the report was submitted by Nigeria on behalf of the group of African countries, and it called for a comprehensive convention and the establishment of an ad hoc committee to finalize the work by June 2025. So, fundamentally, option two.

At certain point during the process but I have not put it on the slide, there were suggested amendments to the draft resolution of Nigeria by the United Kingdom. This is all at the level of ambassadors and permanent representatives and economic council, permanent delegations to the UN, tried to find a sort of common ground, moving toward from option two into an option two and a half slash three. 22<sup>nd</sup> of November, these are the results of the votes. I leave to you, can you read the names of the countries? So, the one in green is the ones that approved the draft resolution submitted by Nigeria, the one in red are the ones that voted against, and the one in yellow are the ones that abstained. And if you're interested in geopolitics, I think you should print this slide and look at it. Tomorrow, I think we will share the full package of slides that were used this week and we consolidate them in one and send it to you. But if you look at it, fundamentally, all OECD countries voted against with the exception of Norway, Mexico, Turkey.

[Prof. Marino]

It's strange. Mexico is more associated with OECD policies than Turkey. Turkey is in the middle of a geopolitical battlefield between Russia and Israel. That has nothing to do with tax, but tax is always in these discussions. I may understand Turkey's position, but not Mexico's, or Norway's for example.

[Prof. Russo]

Interesting. Mexico has historically been active in the Committee of Experts. Mexico is mostly a source country receiving US investments. Norway is one of the biggest donors supporting development via Norad, their development agency. Norway found oil 30–40 years ago, which changed its landscape.

So, there was some recognition by these countries. Iceland, also OECD member. In a way, there was no point going phase by phase; it would have been better to find a compromise. Fundamentally, on 22 November, the UN General Assembly approved the resolution. What does it say? It provides for an intergovernmental committee that, by summer 2024, must develop the terms

and references for the framework convention on international taxation. They have to draw up the terms and conditions of the contract that countries will sign. Members will be selected to ensure fair representation, considering needs and capacities of all countries. The Secretary-General must allocate resources necessary for the group's work.

[Prof. Marino]

I have a question: the terms of reference for a framework convention on international taxation seem more aligned with option one, while option two outlines a Framework Convention on International Tax Cooperation.

[Prof. Russo]

It's a good question and I think we will see it when we see the terms of reference and we may ask tomorrow, but I think what they have in mind is option two. And first, let's agree on the terms to reach option two within one year, and then we have another year to actually draft the text of the convention. But that's my educated guess. But exactly, because I knew you would ask this question, I've put the actual text of the core parts of the resolution on the slides. And that's what it says after it's designed or something like that, it's agreed. So, Emphasizes that a United Nations comprehensive convention on international tax cooperation is needed to strengthen international tax cooperation and make it fully inclusive and more effective; Recognizes that this will also help in reaching the Sustainable Development Goals; Decides to establish a Member State-led, open-ended ad hoc intergovernmental committee for the purpose of elaborating a comprehensive convention on international tax cooperation; Also decides that the ad hoc intergovernmental committee shall convene in New York for up to 15 working days (so three weeks) with the contribution of international organizations and civil society. My view, civil society in UN terms includes both NGOs and business. Even though sometimes we use civil society to only refer to NGOs, but in UN jargon, civil society means everyone interested, business, NGOs, academia, journalists, as we have added them now to our categorization. Further decides that there should be a bureau for a more restricted group, sort of steering group only, of maximum 10 members with the chair, vice-chairs and a rapporteur, again, ensuring geographical and gender balance with each of the five regional groups being represented by two members. So, we have already decided that, or they have already decided that the grouping will be based on a regional basis, which is also something that we will discuss. Because maybe even within the same region, there are countries that have different interests, different levels of development, but that's what it is, again, written in the resolution that has been approved by the General Assembly.

Now, when you're elaborating this Comprehensive Convention on International Tax Cooperation, you have to take into account the needs of all

countries, but in particular, of developing countries and countries in special situations. You have to look at what you're doing. So, you have to consider the interaction of international tax rules with other important economic and social policy areas such as trade and investment. Interesting, because usually developing countries used to forego taxing rights in order to attract investment. Sometimes they even do that in a contract so-called sub-realization agreements because you have certain jurisdictions where it's not safe to do business, because you know, you start a business and after six months, there are riots, there is a revolution and then there are different people in charge which may decide not to respect what had been agreed before. So usually, this is something that is used as an argument to say, you know, tax is not the first important thing, the first important thing for that country is that that bridge is built and they don't have enterprises that can build that bridge, so they have to ask an Italian company, a French company, an American company, a German company that have the skills to do that. But that's what's written in there. Resilience is a buzzword, so we have to use it. Fine, we know there're a lot of generic concepts that don't really provide any real hint on what will happen but the political posturing. The UN is defending developing countries against the BEPS, developed countries that steal money from them. And remember what we discussed yesterday, Article 12A and 12B, the taxation fees for technical services and automated digital services. And income derived from the provision of cross-border services in an increasingly digitalized and globalized economy. If you don't have money to hire skilled people that know the work, it's very difficult to do any progress. So, August 24<sup>th</sup>, they should be able to sketch out the scope and the mechanisms, the functioning of this Comprehensive Convention on International Tax Cooperation. And therefore, this item is included on the agenda of the next session. According to many people, this is an historical moment and it may change the course of history going forward. I am a little bit more relaxed and it's not only because I worked for 12 years at the OECD and I don't think that I was working only for developed countries, and I think a lot of the work that I did was benefiting developing countries. And there are actually numbers that show us that, in terms of the increased tax revenue derived by developing countries thanks to exchange information, the increase of the tax revenue collected by developing countries because of tax inspectors without borders, the capacity building efforts, with the difficulty that sometimes it's a double edged sword because if you form a very good tax official in a developing country, and that person becomes an expert of transfer pricing, very often they move to the private sector, because the pay rates of the public sector in these countries is very low. So, you have also this element to be taken into account. But all these completely disappeared from the debate. So in a way, what I'm trying to say is that despite what people say when they speak at conferences, when they speak at seminars, the reality is that the Secretary General Report and the resolutions

and the campaign, you remember when we discussed the day one actors and I said another way to influence the debate is to support and organize campaigns in order to launch the debate on a given topic. Like what's happening these days in Italy with gender issues. And for me, it has been fantastic. It's like, if you study these things, it's the way campaigns are built. Read the propaganda, it's a book written 40 years ago, it describes exactly this process. So, how do you create awareness? How do you make sure that that is the point of the debate? For me, this is what has been happening with this. And my view, which I have expressed today in an Article that was published on *Il Sole 24 Ore*, I think I will translate it in English and see if I can publish it anywhere else, it is following. Clearly, there is this content with the OECD work by certain people in certain quarters, I think it's a matter of fact, what I don't understand is now that we have these two blocs one against the other, and let's say that this fantastic bloc, intergovernmental group sits down and agrees on the terms of reference and decides that service fees should be taxed at source with the withholding tax of 10%. All the other countries are not going to agree. So, what is the purpose of this fight, of this battle, I don't understand. I may have a view but I'm not going to tell you because I would like you to make up your mind with this topic. The risk that I see is the one of polarization. Usually the result is no progress, it is like two forces that push against each other, they don't move, and that's the real risk. So, we are moving from a system where clearly there has been an improvement. I don't think anyone can deny that in terms of inclusiveness, in terms of content of the work and the interest that it safeguards. Tomorrow we should discuss this, with the Global Minimum Tax and the priority that is given to the qualifying domestic minimum tax. In practice, we have given priority over taxing the low tax the profits of multinationals at the source country. As a matter of fact, while the rules would have said, this income has to be taxed in the country of the headquarters, giving priority to the resident country. But also, this is not considered. There is a subject to tax rule, which has been requested by developing countries that is included now in the multilateral instrument. So that's when I think I start to get unhappy with the process. And then you get to the point, it becomes ideological, and to me, there is no point in discussing this. It is like when we were discussing vaccines, and if you had the discussion with the person that said that, you know, this is the project of the specter of the world that will inject chips into our bodies so that they can control us by the vaccine. A lot of people thought that that was true. And to me, there was no point in engaging in a discussion. We are in a very similar situation, we're not listening to each other, the different groups. So, what I'm proposing, my small words, so that in 10 years I will say I said it 10 years ago, I'm joking, is that we probably should move on. And probably it's the right time to create a new international organization that works on taxes, that is neither the OECD nor the UN.

Historically, we have created international organizations after wars. I was in Geneva when there was the UN meeting in mid-October, I was working there, I was looking at all the flags, I was like, wow, 60 years ago, no internet, no telephone, nothing and we were able to do these great things. And in 2023 with the hybrid connectivity that we have, with the analytical capacity that we have, with artificial intelligence, we never think about doing something like this.

[Prof. Marino]

With this wishful thinking of Raffaele that I fully agree, and I fully share actually in a lower capacity I draw a similar idea as far as the European Union is concerned. Within the European borders it is certainly necessary to have an agency that is dealing with all the administrative cooperation in tax matters, as well as with the idea to create European, true European tax system, and that certainly could have the creation of the world tax as Raffaele has suggested. So, thank you very much Raffaele for this last lecture. I don't know whether you would say something as a last drop.

[Student]

What I find frustrating is to see that basically, nobody cares about the very small multinationals that are more and more.

[Prof. Marino]

I think this goes into the direction of what Raffaele is suggesting, through the world tax, maybe the rights of the so called small multinational enterprises will be taken into account. Because the large majority of Italian corporations are based on very small dimensions. So, at the very end of the story, the governance is a family governance issue. And so, they believe that they are spending a lot of money for taxation, tax compliance and bureaucracy, and so on. So, they don't appreciate all the efforts. So maybe through an enlargement of this tax interest, there could be space for small enterprises.

I don't know what is your opinion, Raffaele?

[Prof. Russo]

That's a matter of fact, it's so also because of increased lobbying. If you think about remote work which is now common, you can even have a small company with five employees that are in five different countries. And then, which tax rules do we apply? We apply the tax rules that we have developed for the very large multinationals that have the capacity to comply and the resources to comply. If we do that probably they will be out of business. And so, there is, in my view, a trend, which in a certain way we have already experienced, because if you think about country-by-country reporting, it applies only to multinational companies with a combined revenue of 750 million euros or more. Global

Minimum Tax, same, 750 million euro or more. Pillar one, 20 billion turnovers. So, in a way, we are already sort of plastering the huge multinational, the over the top, the ones that basically the CEO can meet the prime minister of any country. Then you have the large multinationals, the more traditional ones, then you have the medium multinationals, and now you also have the small multinationals because of this connectivity issue. And sometimes the small multinationals are run by people like you, people that are out of university, they have ideas, they work with friends that they may have met during the Erasmus project, and they go back to their countries, and they work together on an idea and they ended developing it. Thinking about imposing the same obligations to the entire clustering that we've made, is simply crazy. But from there to, first when do you discuss these issues? How do you address them? That's where we are. Or, as I was telling you yesterday, what's fascinating about this exercise is that if you think about some of the largest transition economies, they are both importing and exporting. It would be really funny. I would laugh the moment because the taxation of service at source has a long-standing battle of India. India has always been pushing for source taxation on service fees, both in the laws, in their interpretations, in their negotiations of treaties. But once you start having 5, 6, 10 million Indians that are providing services online to other countries, the math teacher that I was telling you, the friend of mine is hired for his son in high school, the doctor that will be cheaper because they can examine your documents live, it will backfire. And to me, let's say, my limited but intense experience in international tax policymaking, the only rule that I have understood that is the only principle that is, in my mind, and I tried to apply, is that you should not make a decision regarding one interpretation or another, or a policy decision or other, based on whether you gain or lose. Because things may change, you hope you were on the gaining side, but you find yourself on the losing side. There has to be coherence in what you do and the analysis and then you respect the consequence of that analysis. Thank you very much, come to the seminar tomorrow that covers very interesting topics.

[Prof. Marino]

Yes, those who are via zoom, tomorrow the meeting is in room, an interesting seminar on Global Minimum Tax that will be conducted with some speeches in Italian, and some speeches in English.

So, be there, thank you, bye.