RECOMMENDATIONS FOR TAX REFORMS IN THE REGION

1. *Incorporate human rights and environmental obligations as general principles to guide and inform tax decision-making.*

2. *Promote the progressivity and equity of the region's tax systems.*

3. *Promote reforms of corporate taxation, especially of multinational companies, that consider and protect the interests of the region.*

4. *Take measures aimed at increasing fiscal transparency.*

5. *Promote taxes that seek to protect the environment, especially in relation to the energy transition and the response to the climate crisis.*

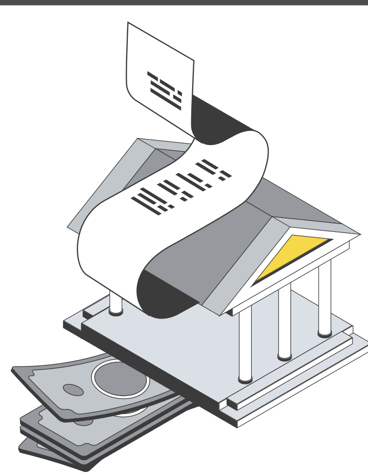
6. *Review tax incentives to increase transparency and equity, eliminating privileges and prioritizing incentives that generate inclusive growth, sustainable development and social justice.*

7. *Foster global tax governance that is truly inclusive and respectful of national sovereignty.*

8. *Incorporate a gender perspective in fiscal policy.*

9. *Decolonize standards on taxation and international transparency.*

10. *Ensure meaningful civil society participation in the new platform.*



Cartagena das Índias, July 27, 2023

TO : *Ministers States of Latin America and Caribbean*

FROM : *Civil Society Organizations of Latin America and the Caribbean*

RRECOMMENDATIONS FOR TAX REFORMS IN THE REGION

The civil society organizations subscribing to this document agree that the initiative promoted by the governments of Colombia, Chile and Brazil convening the first ministerial tax summit in the region is a historic opportunity. The summit opens the path to a new fiscal pact in Latin America and the Caribbean, and to promoting inclusive, sustainable, and equitable global taxation for the region, aligning positions in and between our countries and from the Global South. It is also an opportunity to find a path of dialogue towards common solutions. We need a supranational coordination space that channels demands and formulates proposals and recommendations, which promotes accountability and participation in tax policy cooperation.

Latin America and the Caribbean is affected by the serious consequences of a set of crises – of social reproduction and care, political, economic, health, social, and climate – that exacerbate inequalities, exclusion, poverty, structural informality, and hunger in our region. Many countries in the region are also facing external debt crises, which interfere with their ability to deal independently and effectively with such crises. Now more than ever, the region needs resources to invest in public services, reduce inequalities, fulfil human rights, and ensure the transition to a rights-based economy that protects the planet and future generations.

A diverse spectrum of representatives of civil society met in Bogotá on May 4 and 5, 2023, in Panama City on July 4 and 5, and in Cartagena on July 25 and 26, with the aim of identifying and discussing a series of urgent fiscal issues that affect our region. It is necessary for Latin Caribbean states to implement local and regional actions to address these issues, in addition to acting as a regional bloc at the global level. The Ministerial Summit, and the platform that will emerge from it, provide a unique opportunity for those who represent us to listen to the needs of the citizenship and act accordingly.

We conclude that it is urgent to connect the discussions on taxation with the most pressing problems of the region, and consequently to mobilize resources — generated in progressive, inclusive and efficient manners — to: (i) change the model of economic growth and productive development; (ii) strengthen and implement social policies and social protection systems, and inclusive and comprehensive care for society and for future generations, which reverse pervasive inequalities and emanate from a rights perspective; (iii) ensure quality, universal, sustainable and inclusive public services, and equal exercise of human rights, with an intersectional lens; (iv) strengthen environmental policies and take measures to address the climate crisis and other environmental threats; and (v) mainstream women's rights, and consider women's diversity, in fiscal decision-making. These efforts are also relevant to other forums in the region, such as the Summit of Presidents of the Amazon.

Recognizing the importance of tax resources to achieve justice in all its dimensions: economic, social, labor, political, climate, cultural, racial, gender, regional and holistic-territorial, we **urge** States to promote structural changes in fiscal policy. We **recommend** addressing the following thematic areas as part of the mandate of the new platform:

1. INCORPORATE HUMAN RIGHTS AND ENVIRONMENTAL OBLIGATIONS AS GENERAL PRINCIPLES TO GUIDE AND INFORM TAX DECISION-MAKING

Our region has the highest wealth inequality on the planet and high levels of poverty that worsened after the COVID-19 pandemic, affecting 201 million people. However, countries of the region do not use the full potential of taxation to address inequality, invest in public services, or finance the Sustainable Development Goals (SDGs), which are expected to be met by only 25% in the region. This contradicts existing human rights obligations that were widely assumed by the countries of the region in international treaties, in their constitutions and through domestic legislation.

We recommend that States observe their obligations to respect, protect and fulfil human rights, including rights in environmental matters, and recognize that the effective enjoyment *of rights should be one of the key purposes of taxation. States should commit to ensuring that the additional revenue that future reforms may generate is explicitly allocated to fulfil human rights, with sufficient budgetary allocations that can be adequately monitored using standards of transparency, participation, and accountability. Additionally, it is necessary to conduct human rights evaluations of tax policies, particularly with regard to economic, social, cultural, and environmental rights, with a logic of intersectionality. We recommend that States expressly recognize the importance of tax policy to promote redistribution and to reduce inequalities such as gender inequality and inequalities affecting historically discriminated-against groups, such as indigenous peoples, Afro-descendants, impoverished communities, campesinos, LGBTQIAPN+ people, people with disabilities, workers, older persons, migrants, and children, among other groups.*

2. PROMOTE PROGRESSIVITY AND EQUITY IN THE REGION'S TAX SYSTEMS

The progressivity of tax systems remains a pending agenda in Latin America and the Caribbean. More than 46% of tax revenue in the region comes from consumption taxes. In many countries in the region, wealth, inheritance, and capital income remain untaxed or contribute much less to public revenue than labor income, while some territories continue to compete to attract and protect such capital with aggressive tax measures. In this scenario, it is common for States to claim they lack resources and cut budgetary allocations which are essential for the fulfilment of human rights. These cuts have a particular impact on women, who disproportionately assume the tasks that the State fails to fund. States need to put in place progressive, inclusive, efficient, sufficient, fair, simple, and sustainable tax collection systems to resist the austerity policies pushed by international financial institutions.

We recommend that States strengthen tax administrations and encourage their cooperation. We also recommend implementing or strengthening – as the case may be – taxes on wealth and large fortunes, high incomes, wealth, capital gains, inheritances and donations, large land holdings, luxury assets, windfall profits of multinational companies, and financial transactions. Finally, we recommend that States take measures to advance in the formalization of decent work to ensure a more robust tax base.

3. PROMOTE REFORMS OF CORPORATE TAXATION, ESPECIALLY OF MULTINATIONAL COMPANIES, THAT CONSIDER AND PROTECT THE INTERESTS OF THE REGION

Currently, the international taxation agenda is led by the OECD. However, the potential benefits of the "solutions" proposed by the OECD is minimal or null for the countries of the region. Moreover, these proposals do not conform to the particularities of the economies of the region, nor do they emerge from processes that ensure their participation on equal terms or reflect their interests. States in the region need effective solutions to tax the digital economy and multinational corporations. To this end, it is necessary to evaluate alternatives to the solutions that emerge from the global agenda, in a process of cooperation with a view to fiscal integration that includes its own mechanisms for the fight against transfer pricing, the erosion of tax bases and the transfer of profits.

We recommend that States promote the implementation of coordinated measures for the taxation of the highly digitized economy, which allow for positioning as a regional bloc in this area. We also recommend establishing a minimum tax on multinational enterprises that is better adjusted to corporate tax rates in national frameworks, covers more multinational companies, and has a more effective base calculation.

4. TAKE MEASURES TO INCREASE FISCAL TRANSPARENCY

Some 27% of the wealth in Latin America and the Caribbean is held offshore. Tax havens and tax abuse undermine social investment and productive development. To ensure effective, fair, and inclusive taxation, it is necessary to have information on the wealthy who do not pay their fair share. This means eliminating the double standard that exists with respect to information: while there is extensive information on those with fewer resources, States know very little or nothing about those with large fortunes. This requires incorporating greater transparency to identify the real owners of assets and accounts through asset and beneficial ownership registers; strengthening and improving coordination in the exchange of information; and the publication of tax planning of large companies.

We recommend that States promote mandatory transparency mechanisms that address tax evasion, avoidance and fraud and the use of tax havens, through public registers of beneficial owners; automatic multilateral exchange of information; global asset registries; public country-by-

country reporting; and discussing rules on banking and tax secrecy, among other measures. We also recommend advancing in the integration of all internal and external sources of information for the effective and fair application of tax and fiscal rules. At the same time, we recommend producing and publishing quality, accessible tax information, which allows meaningful social participation and facilitates the analysis of tax systems from a human rights, race and gender perspective (understanding, for example, the differentiated impacts tax systems may have on certain groups). We also recommend making coordinated progress in the use of tax information to combat other crimes such as corruption, illicit enrichment, drug trafficking, or money laundering.

5. PROMOTE TAXES THAT SEEK TO PROTECT THE ENVIRONMENT, ESPECIALLY IN RELATION TO THE ENERGY TRANSITION AND THE RESPONSE TO THE CLIMATE CRISIS

Fiscal policy can play a critical role in driving a just socio-ecological transition, in which environmental, gender, ethnic, racial justice and community interests are prioritized. This implies, first, that the reforms to the global tax architecture contribute to closing the gaps between countries and promoting the buen vivir of our peoples. The principle of common but differentiated responsibilities requires that those with the greatest responsibility contribute most to financing adaptation, mitigation, and loss and damage policies, particularly in countries with the largest financing gaps. Second, regional tax cooperation needs to be strengthened so that Latin America and the Caribbean can progress towards a low-carbon, climate-resilient industrial diversification strategy that prioritizes collective rights, protects biodiversity, boosts economies, strengthens sovereignty over natural assets and contributes to reducing poverty and inequality. Third, national tax systems should incorporate environmental and climate objectives through instruments that give effect to the 'polluter pays principle' and protect the most vulnerable populations. These resources can be a valuable source of income for States, allowing them to fulfil rights and move towards a fairer and more sustainable economic model.

We recommend that States use the just transition as an opportunity to move towards more diversified and resilient economies. This requires that the aviation and transport industries, transition minerals, the extractive sector in general and other carbon-intensive industries be taxed in proportion to their environmental impact. Carbon and wealth taxes are instruments that, due to their redistributive potential, can generate a fair contribution from the richest people and *companies and from the sectors with the greatest responsibility for the climate crisis.*

We recommend that States implement taxes that seek to protect the environment, reduce the effects of climate change as well as its economic and social implications, and contribute to the decarbonization of the economy, a just transition, and to reducing dependence on the exploitation of non-renewable natural resources,. These taxes for regulatory purposes can be accompanied by other measures that discourage economic activities that negatively impact communities and the environment in the long term.

We also recommend considering measures such as the elimination of tax exemptions for the extractive industry, the reduction of subsidies for fossil fuels and other carbon-intensive activities, the promotion of ecological and solidarity economic policies, and policies of economic autonomy for communities. In all cases, it is necessary to protect the most disadvantaged populations from the potentially regressive impacts of these measures. Finally, we recommend extending the right to information enshrined in the Escazú Agreement, and the related principles of transparency, participation, and accountability to tax information, which implies improving the information available and strengthening information exchange policies at the regional level.

6. REVIEW TAX INCENTIVES TO INCREASE TRANSPARENCY AND EQUITY, ELIMINATING PRIVILEGES AND PRIORITIZING INVENTIVES THAT GENERATE INCLUSIVE GROWTH, SUSTAINABLE DEVELOPMENT AND SOCIAL JUSTICE

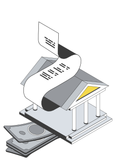
n the region there are numerous tax incentives which are significant both in terms of loss of revenue and from an equity perspective. Although incentives are heterogeneous, in general there are no legal frameworks that regulate how to create and evaluate the benefits; there is little public information about them and opacity shrouds decision-making; there is no consistent assessment on whether incentives' objectives are met. When assessed, they often benefit the most privileged individuals and sectors (such as large corporations, extractive and financial sectors, men and the formal sector). This situation deepens gender inequalities in particular.

We recommend that States develop common regional standards that ensure the identification, monitoring, and comparability of tax incentives and privileges at the national and subnational levels and use human rights standards to increase transparency and accountability around them. Likewise, we recommend assessing, reviewing, evaluating, publicizing, and eliminating or *transforming fiscal incentives or privileges that favor the economic development of historically privileged groups over social needs and the fight against poverty and inequality. Consequently, we recommend granting new incentives only when they promote: (i) social justice and equity in favor of sectors historically discriminated against, with a class, ethno-racial and gender perspective; (ii) inclusive growth of the economy, with job creation, added value and technological development; (iii) productive, socially, and environmentally sustainable development.*

7. FOSTER INCLUSIVE GLOBAL TAX GOVERNANCE THAT RESPECTS NATIONAL SOVEREIGNTY

UN Resolution 77/244, adopted unanimously by the General Assembly on 30 December 2022, is of vital importance because it boosts and reaffirms previous commitments by States to improve international tax cooperation, fight illicit financial flows and combat aggressive tax evasion and avoidance. This resolution required a start to intergovernmental discussions with a view to strengthening the inclusiveness and effectiveness of international cooperation in tax matters by evaluating options such as a possible framework or instrument for international cooperation in tax matters to be developed and agreed upon at the United Nations. For the countries of Latin America and the Caribbean, it is important to discuss their positions on this and other international negotiation spaces. The launch of the Latin American and Caribbean platform for tax cooperation, in turn, should allow the States of the region to promote and defend mechanisms of regional and global integration and cooperation that enable the countries of the region to position themselves as important actors in international spaces, provide them with equal access, and multiplying their voices and demands without affecting the autonomy of their positions and/or decisions.

In this context, we recommend that States: (i) ensure that tax coordination spaces promote measures adapted to regional particularities; (ii) recognize that existing initiatives and spaces such as the OECD and its Inclusive Framework have limitations in making tax decisions that reflect the positions and demands of the countries of Latin America and the Caribbean, and that such spaces do not lead to local benefits, which instead accrue to the richest countries; (iii) promote improvements in accountability in existing forums, to achieve meaningful and quality participation; (iv) promote South-South cooperation with other regions; and (v) support the process initiated before the United Nations by Resolution 77/244, guaranteeing transparency and social participation.



8. DECOLONIZE STANDARDS ON TAXATION AND INTERNATIONAL TRANSPARENCY

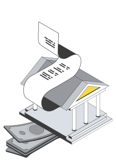
Currently, international tax standards are formulated by the countries that are in fact the most responsible for tax evasion. Indeed, OECD countries and their dependencies are responsible for more than two-thirds of global tax abuse. Standard-setting by this entity or by richer countries results in lists of tax havens where small Caribbean islands are stigmatized, hiding the responsibility of the main facilitators of illicit financial flows.

We recommend that States adopt objective criteria for determining which countries constitute "tax havens". The experience of Tax Justice Network's Financial Secrecy Index and Corporate Tax Haven Index shows that such assessments can be based on rigorous and predictable evidence rather than biased and arbitrary policy decisions. The States of the region must develop international standards on tax transparency that recognize the institutional capacities of each country and establish cooperation mechanisms that support the transition of countries in the region that are dependent on the offshore services industry towards more diversified and resilient economies.

9. INCORPORATE A GENDER PERSPECTIVE IN FISCAL POLICY

In the region, there are large gaps between men and women in the enjoyment of their rights, in access to decent work, wages, quality employment and access to social protection and security, as well an unjust organization of social life that assigns both paid and unpaid domestic and care work to women. These tasks sustain life, the community, and the functioning of the overall economic system. Inequalities not only persist but have been aggravated by the negative effects of the COVID-19 pandemic and the environmental crisis, risking all the gains made by women in recent decades.

We recommend that States implement countercyclical fiscal policies sensitive to gender inequalities and promote regulatory frameworks that recognize women in all their diversity. We also recommend adopting intersectional strategies that respond to their specific needs, paying particular attention to the feminization of poverty in the region and to financing urgent public policies such as comprehensive care systems. We recommend using fiscal policy to eliminate gender discrimination and promote substantive gender equality and a fairer distribution of economic power, including through affirmative action in favor of women, mobilizing resources for this purpose at the national and international levels, and including additional and potential resources if necessary.



10. ENSURE MEANINGFUL CIVIL SOCIETY PARTICIPATION IN THE NEW PLATFORM

The governance of the new platform, with ECLAC as its secretariat, should incorporate civil society participation. It would be inconsistent to propose a Summit for inclusive taxation built through a participatory process without guaranteeing these participation mechanisms into the future. Establishing participatory mechanisms is key to comply with human rights obligations established in instruments signed by States, which enshrine the principles of transparency, participation and accountability.

We recommend that States establish mechanisms for the meaningful, genuine, and autonomous participation of labor unions, workers' movements, and civil society organizations in debates on the regional reformulation of tax systems and fiscal rules, and to ensure the transparency and legitimacy of the decisions taken in these processes. We also recommend ensuring that institutional mechanisms for civil society participation include the voices and demands of those most affected by regressive and unfair policies and tax systems, including women, indigenous peoples, Afro-descendants, impoverished communities, campesinos, LGBTQIAPN+ people, people with disabilities, workers, older people, migrants, and children, among other historically discriminated-against populations. Finally, we recommend the creation of a Permanent Consultative Council of civil society and the active participation of civil society in the working groups that will be configured. These mechanisms should be adequately financed with public resources.