

Commitments + Children and Youth Positions

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Background Documents (Add all document links):

- https://financing.desa.un.org/sites/default/files/2025-06/INC%20Tax_WS%20II%20issues%20note_27%20June.pdf
 - https://financing.desa.un.org/sites/default/files/2025-06/INC%20Tax_WS%20III%20issues%20overview_27%20June.pdf
 - https://financing.desa.un.org/sites/default/files/2025-06/INC%20Tax_WS%20I%20issues%20note_27%20June_0.pdf
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Intergovernmental Negotiating Committee on the UN Framework Convention on International Tax Cooperation Workstream I

Commitment 1:

Litigation of tax disputes frequently is time-consuming and resource-intensive for both taxpayers and tax authorities. For these reasons, tax authorities over time have developed various mechanisms aimed at either preventing tax disputes from arising in the first place or resolving them without resorting to court proceedings. Successful use of such mechanisms can be in the best interests of both taxpayers and tax authorities by conserving resources. However, this is the case only if the processes are fair, independent, accessible, and effective in resolving disputes in a timely manner for both taxpayers and the tax authorities involved. A system that satisfies those criteria can provide legal certainty to taxpayers and lessen compliance burdens, reducing barriers to crossborder trade and investment, making tax administration more efficient and, indirectly, increasing domestic resource mobilization.

Children and Youth Position:

If tax litigation is not taken into account, there will be a reduction of funding for the youth, and this will affect funding for education and capacity-building programs. There will be an increase in growth and economic stability, which can cause prolonged tax disputes, which can hinder foreign investments in a country, and which can limit investments in programs

supporting development. This can limit job opportunities for the youth, which can hinder economic growth. This will also restrict the trust between the government and young people, which can bring disillusionment and chaos within civil society. This will only decrease the chances of economic development, which can lead to countries in the global south having fewer resources, which will increase the chances of poverty.

Commitment 2:

8. Moreover, final resolution of a cross-border tax dispute through domestic courts may take years, and there is no guarantee that a court decision will be accepted by any other countries whose tax revenues are at stake, meaning that the risk of double taxation may persist. The urgency to address these problems has increased as individual taxpayers are more mobile, business structures and supply chains touch more jurisdictions, and underlying transactions become more complex. The primary mechanism for resolving disputes regarding the allocation of taxing rights between jurisdictions are the substantive rules contained in bilateral tax treaties and their “mutual agreement procedure”, a government-to-government mechanism. However, many developing countries have small treaty networks but host a significant amount of cross-border trade and investment; for them, bilateral or multilateral resolution of tax disputes can be difficult. This puts greater pressure on prevention of tax disputes in those jurisdictions.

Children and Youth Position:

With the increasing mobilization and expansion of business and supply chains, it is necessary to streamline decisions over tax disputes and ensure that such decisions will be deemed acceptable by other countries. This underscores the importance of transparency as it is required for all involved countries to remain actively present in these disputes, without overstepping a nation's sovereignty. Therefore, it is essential to design and adopt a legal framework which encourages and promotes transparency of domestic court proceedings regarding cross-border disputes across all affected countries. This legal framework should also clearly outline a multinational baseline for resolving such disputes, therefore streamlining court decisions.

Commitment 3:

9. The workstream discussed elements of a commitment that would address these concerns. The relevant article could begin with a statement recognizing the importance of legal certainty to cross-border trade and investment, with the ultimate goal of improving domestic resource mobilization. It could also include an undertaking to establish dispute prevention and resolution 4 See A/AC.298/CRP.5. 27 June 2025 3 mechanisms that are fair, independent, accessible, and effective in resolving disputes in a timely manner for both taxpayers and the tax authorities involved.

Children and Youth Position:

If countries can mobilize more domestic resources through fair taxation, they can invest more in social services that directly benefit young people—such as public education, healthcare, digital access, and climate resilience. Legal uncertainty and tax disputes erode trust in the system and drain vital resources, disproportionately affecting youth in low- and middle-income countries who rely heavily on public services. Dispute resolution mechanisms must not only be fair to corporations and tax authorities but also accountable to the public, including civil society and youth voices. Youth-led organizations and networks have a key role to play in monitoring tax justice, promoting fiscal transparency, and ensuring that tax revenues support inclusive development goals. It is essential to recognize that young entrepreneurs and young workers are also important stakeholders. As cross-border commerce and the digital economy continue to expand, young innovators require predictable and equitable tax systems that do not penalize them unfairly or exclude them from global trade opportunities.

Commitment 4:

12. Some participants emphasized that a fair allocation of taxing rights would support domestic resource mobilization. In this regard, some participants focused on restoring taxing rights that had been eroded as business models changed. Others took a broader view, regarding the goal as ensuring that every jurisdiction where business activity takes place should share in taxing rights over the income generated from such business activities. For them, this would include not only the countries of supply and demand but also where users are located while other participants are uncertain of the economic basis on which taxing rights should be allocated

to third countries. Some referred to basing taxing rights on economic substance and value creation while questioning whether demand, by itself, creates value. Participants also argued for taking into account possible negative effects with respect to cross-border trade and investment, economic efficiency and tax neutrality, and simplicity and administrability. The rules should also be "future-proof" by satisfying these criteria even as business models change in ways that are impossible to now foretell.

Children and Youth Position:

Fair taxing allocation is essential to the formation of an equitable and sustainable tax convention that can remain relevant and keep pace with the decades to come. Therefore, it is essential to invest in resource mobilization, aiding in eliminating the socioeconomic barriers which exacerbate countries' abilities to tackle ongoing global crises, especially in climate and national poverty. Resource mobilization should aid in strengthening sectors such as sustainability, education and health. All forms of business activity should be taxed, whether there be physical, digital or consumer presence. This will aid in deterring the exploitation of low and middle-income countries for their resources and labor. However, in doing so, it is equally important to acknowledge the interest and sovereignty of individual countries in terms of cross-border trade. Therefore, it is necessary to create a tax convention that is flexible, being able to respect the interests of countries, while holding them accountable.

Commitment 5:

14. The commitment should urge parties to agree on an approach to the allocation of taxing rights that recognizes that every jurisdiction where business activity takes place should share in taxing rights over the income generated from such business activities, while recognizing the value 5 [Reference to WSII issues note.] 27 June 2025 4 of economic efficiency and tax neutrality, simplicity and administrability and the importance of effects on cross-border trade and investment. There might also need to be some explanation of how to determine where business activity takes place in light of digitalization and other new business models.

Children and Youth Position:

Children and youth emphasize that the allocation of taxing rights must ensure that countries where economic activity and user engagement occur – including youth-majority countries – receive their fair share of tax revenues. Such revenues are essential for financing quality education, universal healthcare, climate resilience, and digital inclusion, which directly affect young people’s futures. In an increasingly digitalized economy, youth are not only consumers but also innovators, entrepreneurs and workers in emerging sectors. The definition of “where business activity takes place” must therefore account for digital user participation, particularly in regions where youth engagement drives significant economic value. Tax systems should be simple, transparent, and accessible, enabling youth-led enterprises to comply without undue burdens. At the same time, cross-border trade and investment frameworks must safeguard opportunities for young entrepreneurs, ensuring equitable access to global markets while supporting inclusive and sustainable development.

Commitment 6:

15. The Committee is invited to discuss the issue of fair allocation of taxing rights and, in particular, whether: a) the elements included in paragraph 14 provide a useful outline of a commitment on this topic; and b) there are additional concerns regarding the fair allocation of taxing rights that should be addressed in that article of the Framework Convention.

Children and Youth Perspective:

From the perspective of children and youth, fair allocation of taxing rights is not merely a technical issue of fiscal law but a critical factor in enabling governments- particularly in youth-majority countries– to mobilize the resources needed for education, healthcare, climate adaptation, and digital inclusion. The elements outlined in paragraph 14, which recognize taxing rights for every jurisdiction where business activity takes place while balancing economic efficiency, neutrality and simplicity, provide a strong foundation; however, the definition of “business activity” must also encompass digital engagement and user based value creation, where young people are often the largest and most active participants. This ensures that both traditional trade and the digital economy are reflected in tax allocation. Additional concerns include preventing the exclusion of youth-majority countries from taxing rights in the digital sphere, protecting small-scale and youth-led enterprises from disproportionate tax burdens when entering global markets, and ensuring transparent, inclusive consultations with meaningful youth representation. The Major Group for Children and Youth believes

that fair allocation must address inequality between economies, support sustainable development, and reflect the realities of a 21st-century economy in which young people are central to value creation.

Sustainable Development

16. The ToR refers to a commitment to pursuing international tax cooperation approaches that will contribute to the achievement of sustainable development in its three dimensions, economic, social and environmental, in a balanced and integrated manner. This language was adopted in the ToR because it was felt that the concept, which is referenced in a number of documents, is wellunderstood in the UN system.

17. Therefore, a commitment on this subject could consist largely of language from subparagraph (c) of Paragraph 10 of the ToR: Taking into account their different capacities, the States Parties agree to pursue international tax cooperation approaches that will contribute to the achievement of sustainable development in its three dimensions, economic, social and environmental, in a balanced and integrated manner.

Children and Youth Perspective:

From our perspective as MGCY, the commitment to pursue international tax cooperation that advances sustainable development in its economic, social and environmental dimensions is essential to ensuring that the global tax system works for future generations. Fair and effective tax cooperation can provide governments, particularly in youth-majority countries, with the resources needed to invest in quality education, universal healthcare, climate resilience, and digital infrastructure, all of which are foundations for youth empowerment. The Major Group for Children and Youth stresses that implementation of this commitment must take into account differing national capacities while prioritizing policies that address inequality, promote green economic transitions, and create inclusive economic opportunities for young people. In line with the UN's sustainable development framework, tax policies should be designed not only to raise revenue but also to support social cohesion, environmental stewardship, and long-term resilience, recognizing that today's youth will inherit the outcomes of these fiscal decisions.

Commitment 7:

18. The Committee is invited to discuss the issue of international tax cooperation approaches that contribute to sustainable development and, in particular, whether there are additional aspects of international tax cooperation approaches that contribute to sustainable development that should be addressed in additional paragraphs of that article of the Framework Convention.

Children and Youth Perspective:

From the perspective of children and youth, international tax cooperation should go beyond technical revenue-sharing arrangements and actively support policies that drive inclusive, equitable, and sustainable development for current and future generations. This means ensuring that the resources mobilized through fair and effective tax systems are investment in areas that directly share young people's futures – quality education, universal healthcare, climate resilience, digital access, and skills development– particularly in youth-majority and developing countries. The Framework Convention should also highlight the importance of transparency, public accountability and meaningful youth participation in determining tax policy priorities, so that fiscal decisions reflect the needs and aspirations of younger generations. Additionally, it should address the role of tax cooperation in reducing global and domestic inequalities, supporting just transitions to green economics, and creating an enabling environment where young people can fully participate in and benefit from the global economy.

Commitment 8:

IV. Commitments requiring further work before presentation to the INC Plenary 18. The workstream will continue to work on the other subjects covered in paragraph 10 of the ToR: tax evasion and avoidance by high-net worth individuals, tax-related illicit financial flows, tax avoidance, tax evasion and harmful tax practices and effective mutual administrative assistance, including with respect to transparency and exchange of information for tax purposes. Developing countries noted that, in one way or another, lack of information regarding income or assets held outside their country is one of the primary barriers they face in connection with all those subjects. It is therefore anticipated that these subjects will be presented as a comprehensive package at the November 2025 Session of the INC Plenary to ensure common or complementary approaches to the subjects.

Children and Youth Perspective:

From the perspective of children and youth, addressing tax evasion, avoidance, illicit financial flows, and harmful tax practices is fundamental to creating a fair and sustainable global economy that works for future generations. These practices deprive governments— especially in developing and youth - majority countries - of critical resources needed to fund education, healthcare, climate resilience, and youth employment initiatives. The lack of transparency and limited access to information on income and assets held abroad undermines domestic resource mobilization and perpetuates inequalities that disproportionately affect young people. The Major Group for Children and Youth supports the development of a comprehensive and coordinated approach to these issues, grounded in effective mutual administrative assistance, robust transparency standards, and equitable information exchange between jurisdictions. The package to be presented at the November 2025 INC Plenary should ensure that the global south will have the capacity and tools to detect and address cross-border tax abuses, close revenue leaks, and reinvest recovered funds into social and environmental priorities that directly benefit children and youth. Meaningful youth engagement in shaping anti-evasion and anti-avoidance strategies is also critical to fostering public trust and ensuring that future taxpayers see a global tax system that is fair, accountable and aligned with sustainable development.

Intergovernmental Negotiating Committee on the UN Framework Convention on International Tax Cooperation II

Possible Scope of Work

Commitment 1:

2. At its organizational session, INC/Tax considered a note by the Secretariat, A/AC.298/CRP.4, on the four possible subjects for the second early protocol. In a footnote, this note stated: The INC-Tax will have to further clarify, over the course of its work, how to interpret the subject of this first protocol, which might focus on traditional services provided through digital means of communication and/or genuine digital services. Depending on the interpretation of this subject, the INC-Tax might also need to delineate the subject from the “taxation of the digitalized economy.” This description is to be understood as an orientation, and not as a limitation of the possible scope of the protocol.

3. The first task with respect to Workstream II is to agree on the scope of the protocol. The work plan for Workstream II anticipates that the INC Plenary will have an initial discussion of the scope and approach of Protocol 1 at its August 2025 Sessions, provide guidance to the workstream at its November 2025 Session, and begin discussing drafting options in late 2025.

Position of Children and Youth:

The MGCY perspective on defining the scope of the first protocol under “Workstream II” is critical to ensuring that taxation in the digital economy reflects modern realities and supports equitable development. Young people are among the most active participants in both traditional services delivered digitally – such as education, consulting, and creative industries – and in genuine digital services, including app development, e-commerce, streaming, and content creation. The scope of the protocol must therefore be broad enough to capture the full range of economic activities in which youth are engaged, both as consumers and as entrepreneurs, while also being clearly delineated from broader “taxation of the digitalized economy” discussions to avoid ambiguity and loopholes. The Major Group for Children and Youth calls for a definition that recognizes user-based value creation, particularly in youth-majority markets where digital engagement is a major driver of economic activity. This scope-setting process should also ensure that the global south- where many young people live- retain fair taxing rights and access to revenues generated from cross-border digital transactions. Clear, inclusive, and future-proof scope language will help prevent revenue losses, close gaps in digital taxation, and ensure that tax cooperation outcomes are aligned with sustainable development objectives, providing the resource needed for education, digital infrastructure, climate action, and youth employment. Meaningful youth consultation in shaping the protocol will be essential to ensure it addresses both the opportunities and challenges of a rapidly evolving digital economy.

Commitment 2:

4. Workstream II has had [] weekly meetings, starting on 13 May 2025. At those meetings, participants first discussed the issues that they encounter in trying to tax non-residents on income from services provided to residents of their countries. At subsequent meetings, participants discussed common structures involving cross-border services with a view to developing principles of taxation that might be reflected in Protocol 1. 1 See A/AC.298/2. 2 See A/AC.298/CRP.5. 27 June 2025 2 III. Issues Discussed in the Workstream

5. This section first summarizes the issues discussed in the workstream and the various views that were expressed in order to provide background for the August 2025 Sessions of the INC Plenary. It begins in subsection (a) by describing current rules for the taxation of cross-border services income, both under countries' domestic laws and as modified by tax treaties and explaining why some countries are calling for changes to those rules, with the primary focus on source State taxation. 3 Subsection (b) then describes the workstream's discussions regarding possible new rules for the taxation of income from cross-border services. Subsection (c) mentions some preliminary questions regarding the scope of the protocol. Subsection (d) provides a short summary of the current state of discussions in the workstream. a. Current rules for taxation of income from cross-border services and reasons for change

Children and Youth Perspective:

The current rules governing taxation of income from cross-border services - both in domestic laws and as shaped by tax treaties - often leave source countries with limited ability to tax non-resident companies providing services to their residents. This structure disproportionately disadvantages developing and youth-majority economies, which are frequently net consumers of such services yet receive little of the resulting tax revenue. In practice, this means fewer public resources for investments that directly affect young people, including affordable education, universal healthcare, climate adaptation measures and accessible digital infrastructure. The Major Group for Children and Youth supports revising these rules to give source States fairer taxing rights, especially in light of the shift toward digital and remote service delivery where young people are key participants as both consumers and entrepreneurs. Reform should ensure that value generated in a jurisdiction - whether through physical presence or digital engagement - is reflected in its taxing rights. At the same time, updated rules should be simple, transparent, and proportionate, avoiding excessive compliance burdens for youth-led enterprises while enabling governments to capture and reinvest revenue into programs that advance sustainable development and create opportunities for future generations.

Commitment 3:

6. There are significant differences between the ways that income from cross-border services is taxed under the domestic laws of Member States. These differences affect not only the substantive rules but, as demonstrated during discussions in the workstream, views regarding the relative administrability and fairness of different rules.

7. In many countries, primarily but not limited to developing countries, gross-basis withholding taxes are imposed on all or most payments made from the country to a non-resident. This general rule goes beyond withholding on passive income, such as dividends and interest, that is common even in countries described in paragraph 8. As applied to services, however, application of the general rule means that income from services is taxed no matter where the services are performed. Countries with this system find it easy to administer as they do not have to determine whether the service provider is within their country or, generally, where the services were performed (except in cases where the non-resident's activities within the jurisdiction rise to the level of a permanent establishment or similar threshold under the country's domestic law). Some countries noted that the problem of detecting economic activities within their borders is not limited to multinational enterprises but arises with respect to small enterprises as well. Others explained that taxing the gross amount of the payment means that they do not have to deal with the allocation of income or expenses. In addition, when a payment for services gives rise to a business deduction, tax authorities find it relatively easy to then determine whether the payer has withheld the payment giving rise to the deduction. In at least some countries, non-residents are allowed to file a tax return to pay tax on a net basis; whether taxpayers choose to do so or not may depend on the compliance costs connected with filing such a return compared to the possible reduction of tax.

Children and Youth Perspective:

The current differences in how Member States tax income from cross-border services, particularly the widespread use of gross-basis withholding taxes in many developing and youth-majority countries, have direct consequences for both fiscal fairness and youth economic participation. Gross-basis withholding allows governments to secure tax revenue on payments to non-resident service providers without having to determine where the service was performed or whether the provider has a physical presence in the country. This simplicity is valuable for tax administrations with limited resources. It helps ensure steady revenue streams that can be reinvested in education, healthcare, climate adaptation, and digital infrastructure- all areas critical for young people's development. At

the same time, the Major Group for Children and Youth recognizes that gross-based systems can pose obstacles for small-scale and youth-led enterprises engaged in international trade or providing digital services abroad. High withholding rates can make it harder for these businesses to compete globally, especially when compliance costs for filing on a net basis outweigh potential tax savings. For young entrepreneurs, start-ups, and freelancers in the gig economy, such barriers can limit access to foreign markets and reduce opportunities for income generation. The MGCY therefore supports tax approaches that preserve the administrative ease and revenue stability of gross-basis systems for coarse countries, while incorporating fair thresholds, proportionate rates, and streamlined compliance processes to ensure that youth-led enterprises can participate fully and competitively in the global economy.

Commitment 4:

8. Other countries, including most developed countries, tax income from services primarily based on where the services are performed. Therefore, if a non-resident is physically present in the country while performing the services, the income generally will be subject to tax. Such taxation is usually on a net basis, with deductions allowed for relevant expenses (even if such expenses were paid by another part of the entity (such as the head office) but incurred for purposes of the activities in the other Contracting State). Conversely, under this approach, when services are performed remotely, the resulting income will not be taxed in the country from which payment is made. During the workstream discussions, some countries with this system noted that they believe that taxation based on physical presence on a net basis is more economically correct, efficient, and fairer. Moreover, the resident State is in the best position to determine the net profits. On the other hand, some countries that generally are described in this paragraph noted that they are exploring or have adopted broader nexus rules to take account of new ways of doing business.

Children and Youth Perspective:

Taxation systems that rely primarily on physical presence as the basis for tax income from services risk overlooking significant value created through remote and digital service delivery areas, where young people are heavily involved as both providers and consumers. While net-basis taxation with deductions for expenses can be fair and accurate in measuring profits when services are performed in-country, this approach can leave youth-majority and developing economies without taxing rights over substantial digital and cross-border activities that originate outside their borders but generate considerable local demand and revenue. The Major Group for Children and Youth recognizes the strengths of net-based systems in terms of economic precision and fairness when services are delivered physically. However, the MGCY urges that such frameworks be updated to account for modern business

models, including remote work, online services, and digital platforms – sectors where youth are often leading innovators. Countries exploring or adopting broader nexus rules are moving in the right direction, as these can ensure that jurisdictions capturing significant user engagement, market access, and digital value creation receive a fair share of tax revenues. For young entrepreneurs, freelancers, and start-ups, an equitable system that reflects both physical and digital economic activity is essential to creating a level playing field, fostering innovation, and securing public revenues for investments in youth development and sustainable growth.

Commitment 5:

9. Because of these basic differences in Member States' domestic laws, tax treaty limitations on taxation of income from cross-border services affect countries described in paragraph 7 more than those described in paragraph 8. Tax treaties (which are usually bilateral) use a system of "classification and assignment" to allocate taxing rights between the two parties (known as "Contracting States"). Under this system, different distributive rules that may restrict or eliminate taxing rights of both source and residence countries apply to different types of income. The OECD Model Tax Convention on Income and on Capital (the "OECD Model") provides that income from many services, including management, technical and consultancy services, is treated as business profits. 4 Because such income is treated as business profits, under Article 7 of the OECD Model it generally can be taxed only in the country of residence of the recipient of the income, unless that taxpayer has a "permanent establishment" in the other Contracting State. A permanent establishment is generally a fixed place through which the taxpayer's business activities are carried out, although a person providing goods or services may also have a permanent establishment by reason of the activities of certain employees or other dependent agents in the other Contracting State. Special rules apply with respect to certain types of services, including international transport (exclusive residence State taxation even if there is a permanent establishment in the other country), entertainment and sports (taxation where the services are performed without a threshold), and serving as a director of a company (taxation where the company is a resident, no matter where the services are performed). These rules tend to align fairly closely with the domestic laws of countries described in paragraph 8.

Children and Youth Perspective:

From the perspective of children and youth, the way current tax treaties, particularly those modeled on the OECD Model restrict or eliminate source countries' taxing rights over cross-border service countries' taxing rights over cross-border service income has significant implications for you-majority and developing economies. Under the OECD Model's "classification and assignment" system, many high-value services such as management, technical, and consultancy work are classified as business profits and can only be

taxed in the country of residence of the service provider, unless a “permanent establishment” exists in the source country. This structure aligns with the interests of countries relying on the physical presence model described in paragraph 8 but disadvantages countries that depend on gross-basis taxation, as in paragraph 7, and that often face challenges in establishing the presence of a permanent establishment. For children and youth, this means that substantial economic activity- including digital and remote services consumed locally- may generate no tax revenue for their home countries, depriving the government of resources needed for education, healthcare, climate resilience and digital infrastructure. The Major Group for Children and Youth advocates for treaty reforms that broaden the definition of nexus beyond physical presence, recognizing user based value creation and digital market access as valid grounds for source country taxation. Such changes would help ensure that youth-majority markets benefit from the economic activities they sustain, while still allowing fair rules for residence countries. In practice, this would mean more equitable revenue distribution, enabling public investment in opportunities and services that directly improve the lives of young people.

Commitment 6:

10. At the first meeting of the Ad Hoc Group of Experts that was charged with developing the UN Model Tax Convention in 1968, a delegate from a developing country argued that income from services should not be treated as business profits in order to allow countries to impose gross-basis withholding taxes. Ultimately, the 1980 UN Model did not adopt this approach; instead, it provided a separate threshold for services that does not require a fixed base but does require physical presence for at least 183 days in the relevant year. Over the years, the UN Model gradually has been changed to allow Contracting States to impose gross-basis taxes on a wide variety of services. In fact, with the adoption of Articles 12AA (all services except certain specialized services), 27 June 2025 4 (Alternative A) (international transport) and 12C (insurance) in 2025 and 12B (income from automated digital services) in 2021, it is fair to say that the general rule in the 2025 UN Model is that the state from which payment is made is permitted to impose gross-basis taxes on payments for services, with net-basis taxation as an exception that applies when services are physically provided in the source country, usually in connection with the creation of a permanent establishment. 5 This system is more consistent with the domestic laws of countries described in paragraph 7.

Children and Youth Perspective:

The evolution of the UN Model Tax Convention toward permitting source countries to impose gross -basis withholding taxes on a wide range of services is a positive step for fiscal equity, particularly for youth-majority and the global south. Allowing gross-basis taxation - rather than limiting service income to residence - based taxation or requiring a permanent establishment - helps ensure that

countries where services are consumed can capture a fair share of the revenue, even when the provider operates remotely or digitally. This is especially important in the modern economy, where young people are significant drivers of demand for digital , creative , and online services, and where value creation often occurs without physical presence. For children and youth, this shift in the UN Model means more potential resources for governments to invest in essential services such as education, healthcare, climate adaptation, and digital infrastructure. It also reduces reliance on complex nexus determinations, which can be administratively burdensome for the global south and prone to loopholes that deprive them of much needed revenue. However, the MGCY emphasizes that gross-basis taxation must be implemented with proportional rates and simplified compliance procedures so that is not unduly burden small-scale , youth-led businesses engaged in cross-border trade. In this way, the 2025 UN Model's approach can both strengthen domestic resource mobilization and support inclusive, youth-driven economic growth.

Commitment 7:

11. Although developing countries tend to have smaller treaty networks than developed countries, many of the treaties that they do have are older and/or based on older versions of the UN Model. As a result, they are prevented from imposing their preferred gross-basis withholding taxes on payments to non-residents. Many described these limitations in tax treaties as the most significant barriers they face in trying to tax cross-border services. They also noted that it is difficult for them to modify or terminate treaties once they are in force.

Children and Youth Perspective:

From the perspective of MGCY, some countries are bound by older tax treaties- often based on outdated versions of the UN Model. This restricts the ability of some countries to impose gross-basis withholding taxes on payments to non-residents and poses a serious barrier to fair and sustainable revenue generation. These limitations disproportionately affect youth-majority economies, which are often net consumers of cross-border and digital services but are unable to tax the resulting income at source. The loss of this potential revenue directly reduces fiscal space for investment in youth priorities such as quality education, healthcare, climate resilience, digital infrastructure, and skills development. We view this as not just a technical tax policy issue, but a structural inequality in the global economic system that limits the ability of some countries to benefit from the economic activity within their borders. The difficulty these countries face in modifying or terminating such treaties perpetuates this imbalance. The MGCY, therefore advocates for updating existing treaty networks to reflect modern business models, ensure source-based taxing rights, and enable some countries to capture a fair share of tax revenues. These reforms should be pursued with transparency, inclusivity, and meaningful youth engagement so that the recovered resources are invested in ways that directly improve opportunities and outcomes for future generations.

Commitment 8:

12. Developed countries often argue that the key to improving domestic resource mobilization in developing countries is capacity building and technical assistance so that they can apply transfer pricing rules to deny a deduction to the local payer to the extent that the relevant payment is not viewed as consistent with an arm's length arrangement. However, participants from developing countries noted difficulties with this approach. They often find that there is a lack of comparable transactions between unrelated parties. Participants also mentioned the expense or unavailability of commercial databases, or that the information in such databases is not appropriate for the circumstances of developing countries. Applying these rules results in significant economic burdens in terms of technology and human resources with no guarantee of success in increasing revenue. Some have questioned why they should incur those costs to apply transfer pricing rules that, in their view, put too much weight on activities that take place in the State of residence of the taxpayer or in third states and not enough weight on the contribution of the market where the services are consumed; they believe that there may be simpler and fairer rules that could be considered.

Children and Youth Perspective:

Reliance on complex transfer pricing rules as the primary tool for improving domestic resource mobilization is neither equitable nor sustainable. While some countries promote capacity building and technical assistance to apply these rules, the reality for many is that transfer pricing enforcement imposes high costs in technology, data access, and specialized human resources- costs that can outweigh potential revenue gains. The lack of comparable transactions, the expense or inaccessibility of commercial databases, and the limited relevance of available data to local economic conditions further undermine the effectiveness of this approach. For children and youth, the stakes are clear: when scarce fiscal and administrative capacity is diverted into applying complex rules with low returns, it means fewer resources for urgent investments in education, healthcare, climate resilience, and digital infrastructure. Moreover, transfer pricing rules often place disproportionate weight on activities in the residence country of the taxpayer, undervaluing the contributions of market jurisdictions where services are consumed- jurisdictions that often have large youth populations driving demand. The MGCY therefore advocates for exploring simpler, fairer, and more context - appropriate rules that better reflect the value created in the market jurisdictions, especially through user engagement and consumption. Such reforms would enable countries to mobilize revenue more efficiently, reduce administrative burdens, and ensure that the benefits of cross-border economic activity are shared with the young people whose participation sustains markets.

Commitment 9:

13. There was a general acknowledgement within the workstream that the rules that limit source State taxation to cases in which services are provided in that State do not fully reflect current ways of doing business. Such rules were originally developed in the 1930s or 1940s, when it was difficult to provide services without having a physical presence in the country where the consumer of the services was located, but this is no longer the case. For many who participated in the workstream, the examples discussed demonstrated that it is now possible to provide many services remotely, suggesting that physical presence may now not always be a sufficient or appropriate test for determining taxing rights. Some participants noted that this may be the case even in industries that involve a very close physical connection to the host State, such as the extractives industry and agriculture as technical service fees and management fees may lower the host State's tax base.

Children and Youth Perspective:

Limiting source State taxation to situations where services are physically performed in the jurisdiction no longer reflects the realities of today's economy. Rules designed in the 1930s and 1940s assumed that physical presence was necessary to deliver services, but technological advances now allow a wide range of services- including those in highly localized industries such as extractives and agriculture- to be provided remotely. When technical service fees or management fees are paid to non-residents without a corresponding physical presence, the source jurisdiction's tax base can be significantly reduced, leaving fewer resources for investments that directly impact young people, such as education, healthcare, climate resilience, and digital infrastructure. The MGCY supports updating the rules to ensure that taxing rights also account for remote service provision and the economic value created in the jurisdiction where the services are consumed, regardless of physical presence. Recognizing user participation, market engagement, and digital interaction as valid factors for taxation would create a more accurate and equitable system. This approach would better capture the realities of modern business models, safeguard public revenues, and ensure that the benefits of cross border economic activity contribute to opportunities and services for current and future generations.

Commitment 10:

b. Developing new approaches to taxing income from services 14. The discussion of common fact patterns also elicited participants' views regarding justifications for possible new nexus rules for services. Participants emphasized that the primary goal of 5 Article 17 (Artistes and Sportspersons) allows taxation of a non-resident who performs certain activities in a Contracting State even if the non-resident does not have a permanent establishment. 27 June 2025 5 any new rules should be to support domestic resource mobilization by providing for a fair allocation of taxing rights. Other goals are to eliminate barriers to cross-border trade and investment, economic efficiency and ensuring tax neutrality, and simplicity and administrability. It was also agreed that any new nexus rules must be "future-proof" by satisfying these criteria even as business models change in ways that are impossible to now foretell.

Children and Youth Perspective:

From the perspective of MGCY, new nexus rules for services must be designed to ensure a fair allocation of taxing rights that accurately reflects where economic value is created, including through remote and digital service delivery. This is essential for strengthening domestic resource mobilization so that governments can secure the revenues needed to invest in priorities that directly impact young people, such as education, healthcare, climate resilience and digital infrastructure. The MGCY also stresses that these rules should remove unnecessary barriers to cross-border trade and investment, promote economic efficiency, maintain tax neutrality between different modes of service delivery and be simple and transparent enough for broad compliance- including by youth led enterprises. Importantly, any new nexus rules must be "future-proof", adaptable to emerging and currently unforeseen business models, so that tax systems remain fair and relevant in an economy where young people are at the forefront of innovation and global economic participation.

Commitment 11:

15. As noted in paragraph 7, a number of Member States tie deductibility of payments to withholding tax because a deduction to the payer with respect to the payment for services represents a cost to the jurisdiction that, in their view, should be offset by taxation of the recipient. A different argument in favor of a new nexus is based on the fact that the non-resident benefits from access to the market. Supporting this view is the contribution of users to the generation of income for many services; the presence of users within their jurisdictions shows that real economic activities are taking place there.

We underscore that any approach to the deductibility of payments and the allocation of taxing rights should recognize that market access and user participation are central to value creation in the modern economy. In many sectors – particularly digital services – youth are a significant share of the user base, contributing to the generation of income through their engagement, creativity, and consumption patterns. The presence of these users within a jurisdiction reflects genuine economic activity that should entitle that jurisdiction to a fair share of the resulting tax revenues. Ensuring that this value is recognized can help channel resources into education, skills training and digital infrastructure, enabling young people to participate more equitably in the global economy. The MGCY therefore supports approaches that align tax rules with the realities of digital value creation and that promote fiscal equity between countries, ensuring that the youth majority markets benefit from the economic activities taking place within them.

Commitment 12:

16. For other participants, physical presence in a country continues to provide a strong justification for taxation by that country as it indicates that business activities are taking place there. They take the view that income from services is most appropriately treated as business profits taxed on a net basis. They cautioned that gross taxes on cross-border transactions may create economic distortions and, in the case of services, a barrier to the provision of such services that may inhibit such activity, particularly on services with a low profit margin. They also see no reason for different treatment as between the provision of services and sales of goods. However, as noted above, they did not foreclose the possibility of including additional rules to address situations involving remote services and services provided digitally, although some questioned why mere access to a market in itself indicates value creation.

Children and Youth Perspective:

From the MGCY perspective, physical presence as a criterion for taxation should not exclude or undervalue the significant role of digital and remote service delivery, particularly in economies where youth are the primary drivers of digital engagement. While physical presence has historically justified taxing rights, the digital economy increasingly enables value creation without a permanent establishment. This is especially true in youth-majority markets, where online services – such as education platforms, creative content, gig work, and app-based tools – are both consumed and produced by young people. Children and youth acknowledge concerns that gross taxation on cross-border services potentially creates barriers, especially for small-scale or low-margin service providers, including youth-led start-ups. Excessive tax burdens could limit the ability of young entrepreneurs to compete internationally or to scale their innovations. Therefore, the position supports balanced approaches - net-based taxation where appropriate, combined with additional nexus rules that ensure fair revenue allocation from remote and digital services without stifling access or affordability. Finally, the MGCY stresses that digital participation constitutes genuine economic activity and should be recognized as a basis for value creation, provided it is measured transparently and equitably. Tax rules must therefore evolve to reflect the realities of a modern, youth- driven digital economy, ensuring both fiscal fairness for governments and opportunity for young innovators and consumers.

Commitment 13:

17. Several participants suggested that it may be appropriate to apply different rules with respect to different types of services such as, for example, intra-company payments. Others noted, however, that it is often difficult to distinguish between services performed through a physical presence, those performed remotely and those performed digitally. If that is the case, rules that produce different results depending on how the services are performed would violate the principle of neutrality, particularly given the ease with which many services can be performed from any location. Such rules would also potentially discriminate against local brick-and-mortar businesses with local ownership, which pay taxes locally and would find it hard to compete against remote businesses that might not pay the same level of taxes. Some participants argued that it can be difficult to determine the “correct” amount of source State taxation because different companies have different profit margins, affecting whether the residence State can actually exercise any residual taxing rights.

Children and Youth Perspective:

We stress that tax rules should be equitable, neutral, and future-proof, avoiding approaches that create unintended barriers for young entrepreneurs or inequities between local and remote service providers. While differentiated rules for specific services, such as intra-company payments, may be necessary in limited cases, the framework must recognize that in a digitalized economy, youth are both providers and consumers of services across all modalities: physical, remote, and digital. Complex rules that produce different

outcomes based solely on the mode of delivery risk violating the principle of neutrality and could be a disadvantage for local youth-led enterprises that pay taxes domestically but must compete with remote providers facing lower tax obligations. We therefore call for coherent and simplified rules that ensure fair competition between local and foreign businesses while safeguarding the tax base needed to invest in education, skills development and infrastructure for young people. At the same time, taxation must be proportionate and account for differences in profit margins to avoid overburdening small-scale or low-margin youth-led businesses. The MGCY urges that neutrality and fairness remain central guiding principles, ensuring that the evolving global tax system supports inclusive economic participation for the next generation.

Commitment 14:

18. Participants also discussed the idea of “value creation” more generally and considered whether it is a useful tool for establishing nexus. Several argued that the interplay of supply and demand drives value creation – the development of a product is meaningless if there is no demand for that product. Thus, the market jurisdiction contributes to value and should receive a portion of the tax revenue generated, no matter where the services are physically performed. Another participant pointed out that this argument supports shared taxing rights, not exclusive source-State taxing rights. In later discussions, some participants argued that “value creation” has no independent economic meaning, but was a concept developed during the OECD/G20 BEPS project to reflect both nexus and income allocation; as such, they argued that it may not be helpful in establishing new nexus rules. However, others suggested that “value creation” could be considered as a basis for creating a new nexus for taxation, and should not be limited to the interaction between demand and supply, but should also include other valuable contributions made by users in a jurisdiction (such as user data and user participation).

Children and Youth Perspective:

From the perspective of children and youth, the concept of “value creation” must be understood in a way that reflects the realities of a digital and interconnected economy in which young people are major participants. Demand-driven value creation is not solely a matter of where services are physically performed - it is also shaped by the engagement, creativity and data contributions of users, particularly youth, in market jurisdictions. Young people are often the most active and innovative participants in digital platforms, content creation, app-based services, and online marketplaces, generating economic value that extends beyond traditional supply-and demand interactions. We recognize that user data and participation as components of value creation are critical for ensuring that jurisdictions with significant youth populations benefit from the economic activity they help generate. This approach supports shared

taxing rights between source and residence states, ensuring that tax revenues are more equitably distributed to fund investments in education, skills training, climate action and digital infrastructure. The Major Group for Children and Youth therefore advocates for a definition of value creation that incorporates both traditional market interactions and the unique, measurable contributions of users - especially young people - within a jurisdiction, ensuring that the global tax framework is responsive to the evolving drivers of the 21st-century economy.

Commitment 15:

19. Several participants mentioned the adoption in their countries of a new nexus, the “significant economic presence” test. This test, which applies to both goods and services, allows taxation when a non-resident enterprise’s activities in the jurisdiction produce more than a specified threshold of revenue, it conducts certain marketing activities there or there are other indicia of deliberate targeting of the jurisdiction’s market. The monetary thresholds can be tailored to the size of the relevant economy. The workstream did not discuss the approach in great detail but is likely to come back to it after the August 2025 Sessions.

Children and Youth Perspective:

From the MGCY perspective, the “significant economic presence” test offers a vital opportunity to ensure that jurisdictions- particularly those with large youth populations- can claim taxing rights when non-resident enterprises derive substantial revenue or deliberately target their markets. Many youth-majority economies are highly integrated into the global digital marketplace, where foreign companies generate significant income through goods and services consumed by young people, yet these revenues often go untaxed locally. By establishing clear monetary thresholds and activity-based criteria that are proportional to the size and capacity of each economy, this approach can help secure fairer tax contributions from global enterprises operating in youth-driven markets. The MGCY supports the principle that taxation should reflect not only the physical location of business operations but also intentional market engagement, including targeted marketing, digital platform activity, and user interaction. Implemented equitably, the significant economic presence test could strengthen domestic resource mobilization, enabling the government to invest in education, digital infrastructure, skills training and climate resilience- areas essential for youth development. However, the framework must also safeguard against disproportionately burdening small and emerging enterprises, including youth-led start-ups, by setting fair and context-sensitive thresholds.

Commitment 16:

20. Because the focus of discussions in the workstream was on the provisions of bilateral tax treaties that currently restrict or eliminate source State taxation, that led the discussions also to focus on the types of taxes currently covered by such treaties – that is, in general, income taxes. However, it was also noted that there are significant ambiguities regarding the classification of various types of relevant taxes. There was, for example, previously a proposal from the Commission of the European Union, that was never adopted by the Member States, that would have viewed digital services taxes (“DSTs”) as indirect taxes. Other potentially relevant terms, such as “excise taxes”, do not have direct translations into certain languages. Accordingly, the workstream tentatively concluded that it will need to define coverage of the protocol by reference to the nature of the tax, not what it is called. Discussions on this issue will continue.

Children and Youth Perspective:

From the MGCY perspective, clarity on the classification and coverage of taxes in international agreements is essential to ensure that modern forms of economic activity – especially in the digital economy- are fairly taxed, and that revenues can be used to fund youth development priorities. Ambiguities around whether certain taxes, such as digital services taxes (DST’s), are treated as direct or indirect taxes risk creating loopholes that can be exploited, leading to lost revenue for youth-majority economies. Given that young people are among the most active participants and consumers in the digital marketplace, the treatment of DSTs and similar levies has direct implications for the fiscal space available to invest in education, healthcare, climate resilience, and digital infrastructure. The MGCY supports defining tax coverage in a way that reflects the nature and economic function of the tax rather than relying solely on terminology, which can vary across jurisdictions and languages. This approach would help avoid gaps in tax coverage, promote consistency in cross-border tax arrangements, and ensure that digital economic activities- often driven by youth engagement- contribute fairly to public revenues. Such clarity will be critical for building a transparent, inclusive, and future-ready tax framework that supports sustainable development for the next generation.

Summary

Commitment 17:

22. Overall, the workstream was moving towards consideration of shared taxing rights with respect to income from the provision of services, which may recognize taxing rights for source countries subject to limits so that the residence State retains taxing rights. As it continues its discussions regarding possible new rules, the workstream will further explore whether it is appropriate to apply different rules with respect to different types of services or between services and sales of goods. Discussions also will continue with respect to the manner of taxation, as some participants prefer gross-basis withholding taxes (with some suggesting considering different rates depending on the service provided) and others prefer net-basis taxation. 27 June 2025 7 IV. Issues for the Committee

23. The Committee is asked to consider: (a) whether Section III(a) comprehensively describes current rules for the taxation of services and the reasons behind the call for change, or whether there are additional considerations that should be taken into account in the workstream's discussions; (b) what considerations are most important in developing possible new rules for the taxation of services; and (c) how the workstream can best define the scope of the protocol in terms of the taxes and services that it will cover

Children and Youth Position:

From the perspective of children and youth, the movement toward shared taxing rights for income from services is a welcome step toward fiscal equity, especially for youth-majority countries that are often net consumers of global services yet receive limited tax revenue from them. Shared taxing rights can ensure that both source and residence states benefit from economic activities, providing governments with additional resources to invest in education, healthcare, climate action, and digital inclusion – areas that directly shape the futures of children and youth. In developing new rules, the MGCY urges that the framework:

1. Avoids discrimination between services and goods where value creation and economic contribution are comparable, particularly in the digital economy, where youth are key participants.
2. Considers the impact of taxation methods- whether gross - basis or net basis - on small-scale, youth-led enterprises, ensuring that tax burdens do not stifle innovation or market entry.
3. Maintains simplicity, transparency, and proportionality, so that young entrepreneurs and start-ups can comply without prohibitive costs or administrative burdens.

In defining the scope of the protocol, the MGCY supports an approach based on the nature and economic effect of the tax rather than solely on terminology, to ensure clarity, inclusivity, and adaptability across different jurisdictions. The workstream should also ensure that youth voices are included in the consultation process, recognizing that today's young people are both drivers of digital economies and future taxpayers.

Intergovernmental Negotiating Committee on the UN Framework Convention on International Tax Cooperation Workstream III

Commitment 1:

II. Procedural Background

2. At its organizational session, INC/Tax considered four possible topics for the second early protocol, based on a note by the Secretariat, A/AC.298/CRP.4. The four topics were: a. taxation of the digitalized economy; b. measures against tax-related illicit financial flows; c. prevention and resolution of tax disputes; and d. addressing tax evasion and avoidance by high-net worth individuals and ensuring their effective taxation in relevant Member States.

Children and Youth Perspective:

The four possible topics for the second early protocol taxation of the digitized economy, measures against tax-related illicit financial flows, prevention and resolution of tax disputes, and effective taxation of high-net-worth individuals are directly linked to safeguarding the resources needed to support the next generation. Taxing the digitalized economy is critical because young people are both major consumers and leading innovators in digital platforms, e-commerce, app development, and online services; ensuring fair taxation of these activities would allow jurisdictions where this value is generated to reinvest revenues in education, healthcare, climate resilience, and digital infrastructure. Combating tax-

related illicit financial flows is essential to stop the loss of funds that could finance youth employment programs, skills training, and sustainable community development. Establishing strong accessible mechanisms to prevent and resolve tax disputes would create greater certainty for youth-led enterprises and start-ups engaged in cross-border trade, encouraging innovation and market participation. Finally, ensuring effective taxation of high-net-worth individuals promotes fairness in the global tax system, helps reduce inequality, and ensures that those with the greatest ability to contribute do so, providing the fiscal space for the government to invest in opportunities and services that directly benefit children and youth.

Commitment 2:

3. That note describes the proposal for work on prevention and resolution of tax disputes as follows: As business models and value chains have become increasingly globalized and dispersed and international tax rules increasingly complicated, cross-border tax disputes become increasingly frequent and difficult to resolve. The effective and efficient prevention and resolution of cross-border tax disputes has thus emerged as a pressing issue for governments and taxpayers alike, promising to reduce cost and increasing legal certainty for cross-border business activity and investments. Such tax disputes can arise from the interpretation or application of the international tax provisions of domestic law or tax treaties. In addition, the UN Framework Convention and the early protocols, like every tax agreement, may themselves become subject to tax disputes. There are several limitations in bilateral treaty dispute prevention and resolution mechanisms, some of which are addressed in the Handbook on Dispute Avoidance 1 See A/AC.298/CRP.5. 2 See A/AC.298/2. 27 June 2025 2 and Resolution developed by the UN Committee of Experts on Cooperation in International Tax Matters.3 The tax treaty rules are complemented by a patchwork of additional administrative and legal tools outside of the tax treaty network, including the use of mandatory binding arbitration under international investment agreements to address tax-related disputes. Again, member States have different views as to the inclusiveness, effectiveness, and fairness of these approaches. Hence, a more multilateral approach to these issues could help stabilize and bring greater certainty and fairness to the international tax environment. Generally, avoiding tax disputes from arising may alleviate the pressure on dispute settlement mechanisms. Under a protocol on the prevention and resolution of tax disputes, existing tools could be strengthened, and new tools could be tested. Potential

measures on avoiding disputes may encompass, for example, strengthening coordinated advance agreements and administrative assurance as well as increasing the efficacy of crossborder cooperation in respect of joint tax audits. As to cross-border tax disputes, the legal basis both within and outside the current tax treaty network may be strengthened. This may include mutual agreement procedures, confidentiality and secure document exchange, arbitration, and non-binding dispute resolution. However, any measure will have to balance Member States' interest in effective and efficient resolution of tax disputes with the imperatives of and concerns for national sovereignty. Furthermore, the INC-Tax may decide that the institutional provisions of the Framework Convention should encompass mechanisms for the prevention and/or resolution of disputes arising from the implementation of the framework convention. The Framework Convention may also cover aspects of prevention and/or resolution of cross-border tax disputes. Developing a protocol on the prevention and/or resolution of tax disputes may thus need design decision by the INC Tax on the approach taken as well as careful coordination with provision in the main convention.

Children and Youth Perspective:

The prevention and resolution of cross-border tax disputes is essential for creating a stable, fair and predictable global tax environment that benefits both governments and future generations. In today's economy - where young entrepreneurs, start-ups and digital innovators often engage in cross-border activities- legal uncertainty and unresolved tax disputes can discourage investment, limit market access and reduce opportunities for youth-led enterprises to grow internationally. For governments, prolonged disputes can delay or reduce tax revenue, limiting the resources available for youth priorities such as quality education, healthcare, climate resilience, digital access and skills development. The MG CY supports a multilateral approach to dispute prevention and resolution that enhances inclusiveness, transparency, and fairness. This should include strengthening advance agreements, improving administrative cooperation (such as joint tax audits), and enabling secure and efficient information exchange between jurisdictions. Mechanisms like mutual agreement procedures, non-binding dispute resolution, and, where appropriate, arbitration can help ensure that conflicts are resolved in a timely and cost effective manner. However, these tools must be designed to respect national sovereignty while ensuring equitable outcomes for all parties, including smaller economies whose markets are often driven by youth consumption and innovation. By reducing the frequency and severity of disputes, such mechanisms would not only increase legal certainty

for cross- border business activity but also help safeguard fiscal stability- allowing countries to reinvest tax revenues into programs that directly improve the lives and opportunities of children and youth.

Commitment 3:

4. As noted in paragraph 3, Member States have different views regarding the various mechanisms mentioned in that short description of the issues. Accordingly, although the INC/Tax decided on dispute prevention and resolution as the topic for the second early protocol, that decision does not suggest any particular approach or scope to be taken in the protocol. The workstream therefore began its review of the topic de novo, with the task of providing an overview of the issue and then, after the August 2025 Sessions, proposing possible options for measures.

Children and Youth Perspectives:

From the perspective of children and youth, starting the review of dispute prevention and resolution from a clean slate offers a valuable opportunity to design mechanisms that are inclusive, transparent, and effective in today's interconnected economy. Youth-led enterprises, digital innovators, and start-ups increasingly operate across borders, and uncertainty or inefficiency in resolving tax disputes can deter their participation in global markets, limit access to investment, and create barriers to scaling their businesses internationally. For governments, unresolved disputes delay critical tax revenue that could otherwise be invested in youth priorities such as education, healthcare, climate action, digital infrastructure, and skills development. The MGCY believes that the process following the August 2025 Sessions should consider options that ensure dispute mechanisms are accessible to all jurisdictions, adaptable to modern business models, and designed to prevent disputes before they arise. This includes exploring cooperative tools like coordinated advance agreements, joint tax audits, and efficient, secure channels for cross-border information exchange. Any proposed measures should also balance fairness, cost-effectiveness, and respect for national sovereignty, while ensuring that markets where youth drive significant economic activity are not disadvantaged. By taking a forward-looking and inclusive approach, the resulting protocol can help create a more stable and equitable international tax environment that supports both fiscal sustainability and the long-term economic participation of young people.

Commitment 4:

5. This note follows discussions within Workstream III held in multiple meetings under the co-leadership of Marlene Nembhard-Parker (Jamaica) and Michael Braun (Germany). Its issuance is in accordance with the work plan for Workstream III, which calls for the development of a note providing an outline of the issue overview and scope of the protocol ahead of the INC's August 2025 Sessions. The purpose of this note is to assist in obtaining targeted input from multi-stakeholders in the preceding consultations and to inform discussions of the INC Plenary, which is expected to provide direction on the scope of the protocol at those Sessions.

Children and Youth Perspectives:

From the perspective of children and youth, transparency is essential to the development of a fair and equitable tax convention, which allows all stakeholders and participants to remain actively involved. Therefore, defining the scope of the protocol ahead of the INC is critical to embed fairness, accessibility, and future proofing into international tax cooperation from the start. A clear and inclusive scope ensures that mechanisms for revenue mobilization reflect the realities of our current world. Therefore, there is a need to emphasize the role of a digital, interconnected economy and prioritize investments in youth-centered areas such as education, healthcare, climate action, digital infrastructure, and skills development. By consulting youth and incorporating their expertise and fresh perspectives in emerging business models, sustainability, and technology Member States can craft a protocol that safeguards fiscal space for future generations and aids in advancing a global perspective on the future while enabling equitable participation, especially those with large youth populations, in the global economy.

Commitment 5:

6. The ToR refer to disputes three times. In addition to references to a possible early protocol in paragraph 16, paragraph 10 provides that the Framework Convention should include a commitment on “the effective prevention and resolution of tax disputes” and “dispute settlement mechanisms” are mentioned as an “other element” in paragraph 13. Drafting of these provisions are within the purview of Workstream I, although the work plans of both provide for coordination between

Workstream I and Workstream III to ensure legal and technical alignment between both instruments. Participants in both workstreams were kept informed of the relevant discussions in the other workstream and, in some instances, participated in both.

III. Issues Overview a. Reasons for work on dispute prevention and resolution

7. Litigation of tax disputes frequently is time-consuming and resource-intensive for both taxpayers and tax authorities. Final resolution of a cross-border tax dispute through domestic courts may take years, and there is no guarantee that a court decision will be accepted by any other countries whose tax revenues are at stake, meaning that the risk of double taxation may persist. It is also often the case that tax authorities are at a significant disadvantage in litigation because of information asymmetries – the taxpayer, either an individual or a corporation, knows its own situation and has access to information that a tax authority does not. The tools available to tax authorities in connection with fact-finding vary with the procedural rules and their application in different jurisdictions, as well as with the legal basis available for intergovernmental administrative cooperation. While these conditions have existed for decades,⁴ the urgency to address them has increased as individual taxpayers are more mobile, business structures and supply chains touch more jurisdictions, and underlying transactions become more complex.

Children and Youth Perspective:

If the litigation of tax disputes increases then this will affect economic development, because a country would have a hard time consuming foreign investments, this means businesses in a particular country will not flourish. The lack of investments and the lack of successful businesses will harm the economy which can bring down investments in education, if the government will lack investments to allocate into building schools. There will also be an increase in illicit trade and smuggling which can harm the security of youth and children all around the world. Border disputes could increase illegal activities, because this will escalate illicit trade to be transported to a specific country which can escalate drug trade and trafficking which can harm the population. Transparency is essential in this situation, because citizens need to know the current situation when it comes to their tax rights. Because

Children and youth recognize the time and resource consuming nature of litigation of tax disputes, which only serves to exacerbate global financial crises. The increased litigation of tax disputes is guaranteed to take a toll on economic development as foreign investments in solving such disputes will result in the pulling of resources from other sectors such as sustainability and education.

Furthermore, the time consuming nature of such disputes allows for increased usage of “back door methods”, such as trafficking and illicit trade. Therefore, it is important that in the creation of this convention, there are clear methods which aid in the swift resolution of such litigations without serving as a fiscal burden, as a means of securing our future. Children and youth believe that we can play an active role in designing more sustainable and future-proof litigations of tax disputes, offering both our expertise and personal experience. We also continue to advocate for transparency internally and externally across all parts of the litigation, ensuring that once a final resolution comes to pass it is acceptable across all parties.

Commitment 5:

8. For these reasons, tax authorities over time have developed various mechanisms aimed at either preventing tax disputes from arising in the first place or resolving them without resorting to court proceedings. Successful use of such mechanisms can be in the best interests of both taxpayers and tax authorities by conserving resources. However, this is the case only if the processes are fair, independent, accessible, and effective in resolving disputes in a timely manner for both taxpayers and the tax authorities involved.

Children and Youth Perspective:

From the perspective of the Major Group for Children and Youth, effective mechanisms for preventing and resolving tax disputes are critical for building trust, ensuring fairness and maintaining the stability of the international tax system. Youth-led enterprises, start-ups, and digital innovators - often operating with limited resources - are especially vulnerable to the financial and administrative strain of prolonged tax disputes. If these disputes are not resolved quickly and fairly, they can block access to international markets, deter investment, and limit opportunities for young entrepreneurs to expand their businesses across borders.

The MGCY supports the development and implementation of dispute prevention and resolution mechanisms that are fair, independent, transparent, and easily accessible to all taxpayers, regardless of size or capacity. These mechanisms must also be timely, as delays in resolving disputes can disrupt business operations and delay much-needed tax revenue for governments. For countries, timely resolution ensures that funds can be redirected toward youth priorities such as education, healthcare, climate resilience, and digital infrastructure. In this context, the MGCY emphasizes that fairness means ensuring all parties - especially smaller economies and emerging market jurisdictions where youth are key drivers of consumption and innovation- are treated equitably. Accessibility means reducing complexity and cost so that both large corporations and small youth-led businesses can navigate the process. Ultimately, well-designed dispute prevention and resolution systems can conserve resources, foster stability, and create a more predictable global tax environment that benefits both governments and the next generation.

Commitment 6:

9. The ultimate goal of work on effective prevention and resolution of tax disputes is to increase domestic resource mobilization by increasing cross-border trade and investment. An effective system can do so by providing legal certainty and lessening compliance burdens.

Children and Youth:

From the perspective of the Major Group of Children and Youth, effective prevention and resolution of tax disputes plays a key role in strengthening domestic resource mobilization while fostering an environment that supports cross-border trade and investment. For young entrepreneurs, start-ups, and youth-led enterprises, legal certainty and reduced compliance burdens are essential for accessing new markets, attracting investment, and scaling innovations internationally. Without predictable and fair tax rules, youth-led businesses may face disproportionate risks and costs that discourage their participation in the global economy. The MGCY supports the creation of dispute prevention and resolution systems that not only protect government revenues but also enable young people to engage fully in cross-border commerce. By ensuring timely, transparent, and equitable outcomes, these systems can help channel the resulting economic growth and increased revenues into investments in education, healthcare, climate actions, and digital infrastructure - all of which directly benefit youth. In this way, a well-functioning dispute resolution framework is not only a technical tax measure but also a catalyst for inclusive economic opportunities and long-term development for future generations.

Commitment 7:

b. Cross-cutting challenges 10. There was a strong convergence of views among participants in the workstream on the types of cross-border disputes that are most common. The disputes were said to mainly concern corporations, but also arise with individual taxpayers. Many concern transfer pricing, permanent establishments, and issues regarding the residence of taxpayers, while others involve the treatment of digital services, other tax treaty aspects and the taxation of capital gains on the disposal of assets, 27 June 2025 4 including offshore indirect transfers. In these areas, disputes could arise either (a) because of the ambiguity or complexity of the relevant substantive and procedural rules, (b) because the parties have different interpretations or applications of those rules or the facts or (c) because there is no treaty between the two countries so there is no common set of rules to apply, with each country applying its domestic rules. Some participants highlighted their experience with multinational enterprises (“MNEs”), drawing attention to international transactions related

to payments made for the provision of intra-group services that are stated to be ‘low-value adding’. Often these services are found to lack commercial substance and the payments made do not appear to adhere to the arm’s length principle.

Children and Youth:

From the perspective of MGCY addressing cross-border tax disputes is not only a technical necessity but also a matter of ensuring that tax systems work for the next generation. The most common disputes - covering transfer pricing, permanent establishment status, taxpayer residence, treatment of digital services, tax treaty provisions, and capital gains on asset disposals including offshore indirect transfers- often involve large sums of potential revenue. When unresolved or delayed , these disputes reduce the fiscal resources available for investments in areas critical to children and youth, such as education, healthcare, climate resilience, and digital infrastructure.

The MGCY emphasizes that ambiguity, complexity, and inconsistent interpretations between jurisdictions create uncertainty that can discourage youth-led enterprises from engaging in cross-border trade or digital service provision. For young entrepreneurs, unclear rules around digital services or intra-group transactions can result in disproportionate compliance burdens and financial risk, especially when there is no treaty framework in place to harmonize rules. The prevalence of disputes involving multinational enterprises- particularly over payments for “low-value adding” intra- group services that lack commercial substance- underscores the need for stronger transparency, fair allocation of taxing rights, and rules that prevent profit shifting away from markets where value is actually created, including those where young people are key consumers and innovators. By creating clearer, fairer and more coordinated tax rules, countries can reduce disputes, increase certainty for youth economic participation, and ensure that the revenues generated from global commerce are reinvested in opportunities and services that directly benefit children and youth.

Commitment 8:

11. In particular, in connection with transfer pricing, a number of participants cite lack of relevant information as a significant problem. There is no publicly available database that governments can access to identify and examine comparable transactions. Participants described difficulties in using commercial databases to establish comparable transactions, either because of their cost or finding that the transactions in such databases were not appropriate for use in their circumstances, due to a lack of relevance or because the data was not up to date. The lack of access to country-by-country reports, gaps in the reports and their limited scope also are a problem for some countries. In addition, some participants described concerns as to the credibility of the information provided in order to ascertain costs and apply

allocation keys in cost contribution arrangements. These information problems may be compounded when many years have passed between the time a transaction took place and when it is being examined.

Children and Youth Perspective:

For MGCY, the lack of accessible, reliable, and up-to-date information for transfer pricing assessments creates a major obstacle to fair and effective taxation- one that directly impacts the ability of governments to secure revenue for youth priorities such as education, healthcare, climate resilience and digital infrastructure. Without public databases to identify comparable transactions, tax authorities face significant barriers in ensuring that multinational enterprises pay their fair share. The high cost of commercial databases, the limited relevance of available data, and outdated information further reduce the effectiveness of transfer pricing enforcement. For children and youth, these gaps mean lost opportunities for investment in the services and infrastructure essential for their future. Limited access to country-by-country reports, the narrow scope of those reports and missing or incomplete data hinder transparency and accountability in the global tax system. Concerns over the credibility of self-reported information and the challenges of examining transactions years after they occur only worsen the problem. The MGCY calls for measures that improve data transparency, accessibility, and quality- including publicly available, standardized databases and more comprehensive country-by-country reporting. Such reforms would empower tax authorities to apply fair allocation rules efficiently, strengthen trust in the system, and ensure that the revenues from global economic activity are reinvested into opportunities that benefit young people now and in the future.

Commitment 9:

12. Some participants emphasized the potential benefits of systematically embedding digital solutions, such as online platforms for administrative support, throughout dispute prevention and resolution processes, recognizing that digitalization could significantly streamline such processes and improve efficiency and accessibility.

Children and Youth Perspective:

From the perspective of MGCY, embedding digital solutions- such as online platforms for administrative support - into dispute prevention and resolution processes can greatly improve efficiency, transparency and accessibility, especially for younger generations who are already highly engaged in digital environments. Digitalization can reduce bureaucratic delays, lower administrative costs, and make it easier for youth-led enterprises, start-ups and small businesses to navigate cross-border tax procedures without the prohibitive expense of traditional paper-based or in-person systems.

For MGCY, accessible digital platforms mean that tax processes can be more inclusive, enabling participation from individuals and businesses regardless of location or resources. This is particularly important for young entrepreneurs in the digital economy, whose business models often depend on speed, cross-border collaboration, and the ability to resolve issues quickly. The MGCY supports the systematic integration of secure, user-friendly and multilingual digital tools to streamline tax dispute procedures, improve communication between jurisdictions and provide real-time updates to stakeholders. Such modernization not only enhances fairness and efficiency but also ensures that dispute resolution systems are aligned with the needs and realities of a generation that is both digitally active and globally connected.

Commitment 10:

13. In the view of some participants, subparagraph (f) of paragraph 10 of the ToR is not limited to cross-border transactions. In their views, taxpayers are equally in need of tax certainty with respect to purely domestic tax issues (i.e., those that do not involve transactions that take place cross-border). However, there was no similar convergence of views regarding the most common issues that arise in the purely domestic context.

Children and Youth:

From the perspective of MGCY, tax certainty is just as important for purely domestic transactions as it is for cross-border ones. For young entrepreneurs, start-ups, and youth-led enterprises, unclear or inconsistent domestic tax rules can create uncertainty that discourages investment, slows business growth, and limits access to economic opportunities. This is especially critical for youth entering the workforce or starting businesses for the first time, as they often lack the financial and administrative capacity to navigate complex or ambiguous tax systems. The MGCY supports the inclusion of domestic tax certainty within the scope of discussions under subparagraph (f) of paragraph 10 of the ToR, with focus on identifying the most common issues affecting small and emerging businesses, including those in the youth sector. Clear, transparent, and predictable domestic tax rules would not only reduce compliance burdens but also help ensure that more resources - both from governments and from youth-led enterprises - are directed toward innovation, job creation, and sustainable development initiatives that directly benefit children and young people.

Commitment 11:

c. Prevention of tax disputes

14. Dispute prevention traditionally has been a matter primarily of domestic law. It starts by ensuring that taxpayers understand their tax obligations by providing clearly drafted legislation. This is facilitated by clearly establishing tax policy goals before drafting tax legislation and then, after legislation is enacted, assisting taxpayers in complying by providing easily accessible supplementary guidance. This requires significant investment in capacity development, including human and technological resources, but such capacity development should reap substantial benefits in terms of more efficient tax administration.

Children and Youth Perspective:

From the MGCY perspective, preventing tax disputes begins with making tax rules clear, accessible, and easy to understand for everyone, including young entrepreneurs, start-ups, and youth-led enterprises. Clear legislation, supported by well-defined tax policy goals, allows taxpayers to meet their obligations without confusion or costly mistakes. Providing simple, easily accessible guidance – especially through user-friendly digital tools– can help youth navigate their tax responsibilities more confidently and efficiently. Investing in the human and technological capacity of tax administrations is essential to achieving this. Stronger systems mean faster responses, clearer communication, and fewer misunderstandings, which in turn reduces the likelihood of disputes. For children and youth, these improvements create a fairer, more predictable tax environment that supports innovation, encourages compliance and ensures that both governments and young taxpayers can focus their resources on building sustainable economic opportunities for the future.

Commitment 12:

15. The goal of tax administration should be to ensure that the taxpayer pays the correct amount of tax, no more and no less, and at the right time. The structure of the tax administration can help to further that goal. Many countries provide, under their domestic law, various types of internal appeal or review processes that allow for a “second look” by someone other than the auditor before an adjustment is made. Some countries have found that adopting a practice of “cooperative

compliance” with large taxpayers, which involves constant communication with the goal of resolving issues before a return is even filed, is a good use of scarce resources

Children and Youth Perspective:

From the perspective of MG CY, an effective and fair tax administration is essential to building trust in the tax system and ensuring that public revenues are available for investment in youth priorities such as education, healthcare, climate resilience and digital infrastructure. The goal of ensuring that taxpayers pay the correct amount of tax – no more no less, and at the right time – is fundamental to maintain both fairness and fiscal stability. Internal appeal and review processes that provide an independent “second look” before an adjustment is made are critical for preventing errors, protecting taxpayer rights, and fostering confidence in the system. For youth-led enterprises and start-ups, timely and transparent resolution of tax matters can be the difference between sustaining operations and being forced to close. Practices like “cooperative compliance” with large taxpayers – build on regular communication and early issue resolution – can also be adapted for smaller or emerging businesses, including those led by young entrepreneurs, to reduce disputes and compliance burdens. By encouraging proactive engagement between tax administrations and taxpayers, these approaches conserve resources, prevent unnecessary disputes, and create a more predictable and accessible environment for all businesses. Ultimately, fair and efficient tax administration benefits both governments and the next generation by ensuring resources are collected in a way that supports sustainable development and economic participation for young people.

Commitment 13:

16. Another common approach to preventing tax disputes is the development of programs for Advance Pricing Agreements (“APAs”), which generally apply to transfer pricing and income allocation issues. APAs allow the taxpayer and tax authorities to discuss complex factual and legal transfer-pricing questions in a cooperative manner. Ideally, questions are settled before returns are filed, and countries may allow “roll-backs” to tax years for which the statute of limitations has not run. APAs address the constant problem of asymmetry of information between the taxpayer and tax authorities. Taxpayers who voluntarily apply for APAs can be required to provide information regarding their business operations as part of the process. From the tax authorities’ point of view, this reduces their risk as they otherwise would have to try to get that information during the course of an audit. From the taxpayer’s point of view, an APA is desirable because it can provide certainty for years regarding how its operations will be taxed. Bilateral or multilateral APAs can further enhance legal certainty by ensuring consistent treatment across jurisdictions, avoiding the problems associated with unilateral determinations. A formal process with clear procedural rules and strict documentation requirements—including risk

analyses—can be particularly helpful in providing transparency and predictability for both sides. Similar benefits might be achieved through advance agreements on other issues, but those are less common.

Children and Youth Perspective:

From the perspective of the Major Group for Children and Youth, Advance Pricing Agreements (APAs) can be an important tool for creating fairness, transparency, and predictability in the international tax system - conditions that ultimately help secure stable public revenues for investments in youth priorities such as education, health care and climate resilience, and digital infrastructure. By allowing taxpayers and tax authorities to settle complex transfer pricing and income allocation issues in advance, APAs reduce the risk of costly disputes, save administrative resources, and provide legal certainty that benefits both sides. For youth-led enterprises and start-ups operating in cross-border markets, predictability in how their operations will be taxed is essential for strategic planning, attracting investment, and sustaining growth. APAs, especially when bilateral or multilateral, ensure consistent tax treatment across jurisdictions, helping avoid situations where inconsistent rules place smaller or emerging businesses- often led by young innovators - at a competitive disadvantage. The MGCY supports APA programs with clear procedural rules, strict documentation standards, and strong transparency safeguards to ensure they are accessible and fair for all taxpayers, not just large multinational corporations. Such agreements should also address the asymmetry of information between taxpayers and tax authorities by requiring full disclosure of relevant operational and financial data in exchange for predictable and equitable treatment. Expanding the concept of advance agreements beyond transfer pricing to other tax matters could further reduce disputes and foster a tax environment where governments can reliably mobilize revenue, and young people can confidently participate in the global economy.

Commitment 14:

17. APA programs are clearly more common in developed countries, with some developing countries noting that they do not currently have a legal framework to allow for such agreements. Even those developing countries that have adopted such programs, or that are in the process of doing so, noted that the resulting APAs or other rulings will, in most cases, be unilateral, either as a result of legal restrictions or the practical consideration that they do not have large tax treaty networks that would allow bilateral or multilateral APAs. They acknowledge that unilateral APAs could resolve domestic issues but also could lead to more cross-border disputes because there is no guarantee that other tax authorities would accept the results.

Children and Youth Perspective:

From the perspective of MG CY, the limited availability of bilateral and multilateral Advance Pricing Agreements (APAs) in many countries poses a barrier to creating a fair and predictable tax environment that benefits both business and the public. While unilateral APAs can help resolve domestic transfer pricing and income allocation issues, they do not provide the same level of cross-border certainty, leaving the door open for disputes between jurisdictions. These disputes can delay or reduce tax revenues that could otherwise be invested in critical youth priorities such as education, healthcare, climate resilience and digital infrastructure. For youth-led enterprises and start-ups engaged in international trade or digital services, the absence of bilateral or multilateral APA frameworks means greater legal uncertainty and higher compliance risks. This can discourage young innovators from expanding into new markets and limit their ability to compete globally. The MG CY supports the development of legal and institutional frameworks that enable broader use of bilateral and multilateral APAs ensuring consistent treatment across jurisdictions and reducing the likelihood of cross-border conflicts. Expanding APA accessibility beyond large multinational corporations would also empower emerging youth-led businesses to operate with greater confidence, contributing to both economic growth and the public revenues needed to invest in future generations.

Commitment 15:

18. Another possible approach to dispute prevention is conducting simultaneous controls or even joint audits with tax authorities in other relevant jurisdictions to ensure consistent analysis of the facts and law. This can also be a way to build capacity in countries with less experience, as pursued, for example, under the Tax Inspectors Without Borders programme. However, these mechanisms require that there be a bilateral tax treaty, information exchange agreement or other legal instrument that allows the tax authorities to share taxpayer information and to cooperate in these specific manners.

Children and Youth Perspective:

From the perspective of the MG CY, simultaneous controls and joint audits between tax authorities in different jurisdictions can play a vital role in prevent disputes, ensuring consistent application of tax rules, and safeguarding revenues that can be reinvested in priorities such as education, healthcare, climate resilience, and digital infrastructure. By enabling coordinated analysis of facts and law, these mechanisms reduce the risk of conflicting tax assessments that can discourage cross border business activity, including that of youth-led enterprises and start-ups. Joint audits also provide an opportunity to strengthen administrative capacity, share best practices and enhance technical expertise - benefits that are particularly valuable for tax administrations that have less experience in

handling complex cross-border cases. Initiatives like the Tax Inspectors Without Borders programme demonstrate how cooperation can improve both fairness and efficiency in global tax enforcement. However, the MGCY stresses that these benefits are only possible when there is a robust legal framework in place, such as bilateral tax treaties or information exchange agreements, that allows for secure sharing of taxpayer information. For young entrepreneurs and emerging businesses operating internationally, joint audits can create a more predictable and transparent tax environment, reducing uncertainty and compliance burdens. The MGCY supports expanding access to such cooperative mechanisms and ensuring they are implemented with strong safeguards for confidentiality, fairness, and inclusivity, so that both public revenues and youth economic opportunities are protected.

Commitment 16:

19. Over the past decade or so, there has been increasing private sector and academic interest in the use of mediation for tax disputes. Some countries have reported positive experiences in using mediation as between taxpayers and the tax authorities to resolve domestically disputes before they go to trial. However, most participants did not have much, if any, experience with mediation, making it difficult to draw conclusions regarding its usefulness as compared, for example, to collaborative compliance which has received more positive reactions.

Children and Youth Perspective:

From the perspective of MGCY, mediation in tax disputes offers a potentially valuable tool for resolving conflicts more quickly, cost-effectively, and collaboratively, freeing up public resources that can be investment in youth priorities such as education, healthcare, climate resilience and digital infrastructure. Mediation – by providing a neutral space for dialogue between taxpayers and tax authorities – could be particularly beneficial for youth-led enterprises, start-ups, and small businesses that may lack the resources to engage in lengthy and costly litigation. A faster resolution process can help these businesses maintain stability, access markets, and focus on innovation rather than prolonged legal battles. However, the MGCY notes that the limited experience with mediation among many jurisdictions makes it difficult to assess its effectiveness compared to more established approaches like collaborative compliance, which has shown more consistent positive results. If mediation is to be integrated into tax dispute resolution frameworks, it should be tested in ways that ensure fairness, independence, transparency, and accessibility for taxpayers of all sizes – not just large corporations. The MGCY support pilot programs and capacity-building initiatives that explore mediation's potential, especially where it can complement other dispute prevention tools, reduce administrative burdens, and foster trust between taxpayers and tax administrations, ultimately creating a more predictable and youth-inclusive international tax environment.

Commitment 17:

20. With respect to the cross-border issues that have been identified as the most pressing concerns, the primary legal framework providing substantive rules for the allocation of taxing rights is the network of over 3000 bilateral tax treaties. It is important to remember that, while this workstream process addresses situations where disputes arise, the substantive rules included in these agreements provide legal certainty for millions of transactions that take place every day, facilitating cross-border trade and investment.

Children and Youth Perspective:

From the perspective of MGCY, the global network of over 3,000 bilateral tax treaties plays a critical role in providing the legal certainty needed for cross-border trade and investment, which directly affects the economic opportunities available to young people. By clearly defining the allocation of taxing rights, these agreements help prevent disputes, reduce uncertainty, and create a stable environment in which youth-led enterprises, start-ups, and digital innovators can operate confidently across borders. For young entrepreneurs, predictable tax rules are essential for securing investment, entering new markets, and scaling their operations internationally. At the same time, the MGCY stresses that the benefits of these treaties must be inclusive and reflective of modern business realities, including the rise of remote service provision and digital platforms where youth are often major drivers of value creation. While these agreements facilitate millions of transactions daily, they should also ensure that markets generating significant economic- activity- especially those with large youth populations- retain fair taxing rights to reinvest in education, healthcare, climate resilience and digital infrastructure. In this way, the treaty network can not only promote trade and investment but also support the sustainable development and economic empowerment of the next generation.

Commitment 18:

21. In addition to the substantive rules, tax treaties provide for government-to-government resolution of disputes pursuant to the Mutual Agreement Procedure (“MAP”). Under this process, taxpayers may bring to the attention of the “competent authorities”⁵ taxation not in accordance with the rules of the treaty. If a competent authority agrees that there is taxation not in accordance with the convention but cannot unilaterally resolve the case, the relevant competent authorities are to endeavour to resolve the case through a MAP. Under the model conventions and many tax treaties, the competent authorities may also resolve cases of double taxation not addressed in the tax treaty.

Children and Youth Perspective:

From the MGCY perspective, the Mutual Agreement Procedure (MAP) is an important tool for ensuring fairness and preventing double taxation, which can be especially valuable for youth-led enterprises and young entrepreneurs engaged in cross-border trade or digital services. By allowing taxpayers to raise cases where taxation is not in line with treaty rules, the MAP can help resolve disputes that might otherwise create heavy financial and administrative burdens. For young people entering international markets, unresolved tax conflicts can mean lost opportunities, reduced competitiveness, and limited growth potential. A well-functioning MAP process - efficient, transparent, and accessible - can give youth-led businesses the confidence to operate globally without fear of unfair or duplicative taxation. The MGCY supports strengthening the MAP to make it faster, more inclusive, and better suited to modern business models, ensuring that it protects the economic participation and innovation of the next generation.

Commitment 19:

22. Some of the most frequent concerns raised by taxpayers regarding the MAP are the fact that the competent authorities are not required to reach an agreement and the length of time it takes to conclude an agreement. They also express concerns about access to MAP. Some countries describe being burdened by the absolute number of open MAP cases (close to 6500 at the beginning of 2023 but declining to just over 6000 at the end).⁶ In fact, the size of the inventory may suggest that taxpayers continue to believe that the MAP provides a useful approach to resolving potential cases of double taxation. While some participants in the workstream said that taxpayers prefer domestic court proceedings in their countries because the MAP does not require the competent authorities to reach a resolution, others noted that the MAP is the only way to ensure that the tax authorities of the state of residence will relieve double taxation.

Children and Youth Perspective:

From the perspective of the Major Group for Children and Youth, improving transparency in the use of the Mutual Agreement Procedure (MAP) is critical because young people make up a large share of the global workforce and are directly impacted by tax governance decisions. Greater transparency in how individual tax matters are addressed can help build trust, strengthen understanding of tax rights, and ensure that fiscal systems are seen as fair and accountable. This is especially important for young entrepreneurs, freelancers, and small business owners who engage in cross-border economic activity and may encounter tax disputes.

Beyond transparency, investing in capacity-building programs that train young people in tax cooperation, negotiation, and policy design is key to creating the next generation of tax governance leaders. These programs can equip youth with the technical knowledge and diplomatic skills needed to participate in tax negotiations, contribute to policy reforms, and advocate for equitable tax systems. By embedding youth in these processes, governments and international bodies can ensure fresh perspectives, foster long-term leadership pipelines, and create decision-makers who are prepared to address the evolving challenges of global taxation.

Such engagement not only benefits youth directly but also strengthens overall tax governance by promoting diversity, innovation, and inclusivity in decision-making—leading to more effective, fair, and future-proof tax cooperation frameworks.

Commitment 19:

23. OECD statistics⁷ regarding the MAP show that taxpayers received either full or partial relief, whether under the treaty or by domestic remedy, in approximately 75% of cases in 2023. Moreover, while a commonly-stated goal is to resolve disputes in under 24 months, the average time to completion of transfer pricing cases was 32.01 months and of other cases was 23.36.8 This longer period likely reflects the relative complexity of transfer pricing cases. At the beginning of 2023, the inventory included 1042 cases that had been received prior to 2016 or the year in which a relevant party had joined the OECD/G20 Inclusive Framework on BEPs (the “IF”). Of these, 213 were closed in 2023, leaving an inventory of older cases of 813. (One indication of the effect of these older cases on the statistics is that the average time to complete a bilateral MAP with respect to post-2015 cases was 29.46 months for transfer pricing cases and 23.04 months for other cases.) At the same time, 2388 newer cases, received after 2016 or the year in which relevant parties joined the IF, were closed, so that the inventory of such cases declined slightly from 5413 at the beginning of 2023 to 5362 at the end. The statistics include MAP cases where at least one of the parties is a member of the IF. However, a number of IF members indicated that they have not been involved in a MAP case.

Children and Youth Perspective:

From the perspective of the MGCY, the OECD statistics on the Mutual Agreement Procedure (MAP) highlight both progress and ongoing challenges in resolving cross-border tax disputes that have direct implications for future generations. While the fact that taxpayers received full or partial relief in roughly 75% of cases in 2023 indicates that dispute resolution mechanisms can work, the lengthy resolution times - averaging over 32 months for transfer pricing cases and over 23 months for other cases - are a significant concern. Extended timelines delay the flow of tax revenues that could be reinvested in priorities such as education, healthcare, climate

resilience, and digital infrastructure, areas essential to the well-being and opportunities of young people. The MGCY is particularly concerned about the large backlog of older cases, with 813 still pending before 2016. This backlog not only affects fiscal stability but also undermines legal certainty for businesses, including youth-led enterprises and start-ups, which rely on predictable tax environments to plan and grow. The reduction in newer cases is a positive sign, but the continued high inventory underscores the need for more efficient processes. From a youth perspective, improving MAP efficiency is not just a technical matter- it is about ensuring that governments can secure timely resources to invest in future generations and that young entrepreneurs can operate in a fair, stable and transparent global tax environment. The MGCY advocates for reforms that streamline procedures, enhance capacity for complex cases like transfer pricing, and strengthen cooperation between jurisdictions to reduce delays and backlogs, ultimately supporting both fiscal equity and economic opportunity for youth worldwide.

Commitment 20:

24. Many developed countries described the importance of mandatory arbitration as a way to resolve cross-border tax disputes.⁹ They noted that the inclusion of such a provision does not result in many actual arbitrations; rather, it creates an added incentive for the competent authorities to resolve cases during MAP in order to avoid arbitration. Developing countries are generally more wary of such provisions. They may have had negative experiences with investor-state arbitration under bilateral investment or other agreements. Some countries may be concerned that their relative lack of experience in the resolution of tax disputes will put them at a disadvantage in arbitration. Another concern was that the arbitrators may not rely on principles that are ascertainable and known before the arbitration is launched. Some countries seemed open to the idea of exploring ways in which to structure arbitration (for example, determining the composition of panels, so as to enhance transparency, and by providing institutional support mechanisms to ensure a level playing field and facilitate impartial outcomes).

Children and Youth Perspective:

From the perspective of the MGCY, mandatory arbitration in cross-border tax disputes could be a valuable tool if structured to promote fairness, transparency and equal access for all parties. While some countries see mandatory arbitration as a way to encourage faster resolutions during the Mutual Agreement Procedure (MAP), its design must ensure that no jurisdiction is disadvantaged due to limited experience or resources in handling international tax disputes. If arbitration outcomes are perceived as biased or based on unclear principles, trust in the system is undermined - and this, in turn, affects the stability of tax revenues that

fund youth priorities such as education, healthcare, climate resilience, and digital infrastructure. For young entrepreneurs and start ups, predictable and timely resolution of tax disputes is crucial for market confidence and business planning. Arbitration can help by reducing prolonged uncertainty, but it must be governed by clear, publicly available rules and guided by principles agreed upon in advance. The MGCY supports exploring ways to make arbitration more balanced, such as ensuring diversity and transparency in the composition of panels, providing institutional support to level the playing field, and building mechanisms that guarantee impartiality. In this way, mandatory arbitration - properly designed - can contribute to a more equitable and efficient global tax environment , protecting public revenues and fostering a fair marketplace in which youth-led businesses can grow and compete internationally.

Commitment 21:

25. At the same time, other countries rejected arbitration entirely, noting that constitutional limits prevent them from settling tax disputes through arbitration. The workstream considered the possibility that mediation of tax disputes might be useful as a substitute with respect to cases involving countries that cannot agree to arbitration, but would have to learn more about whether mediation has been used in government-to-government dispute resolution and, if so, what procedures had been adopted in such cases.

Children and Youth Perspective:

From the perspective of the MGCY, the outright rejection of arbitration by some countries due to constitutional limits highlights the need for alternative dispute resolution mechanisms that are both legally compatible and effective in maintaining fairness and predictability in the global tax system. Mediation could serve as a practical substitute for arbitration in these cases, provided it is designed to deliver impartial, timely, and transparent outcomes. For youth-led enterprises, start-ups, and innovators engaging in cross-border activities, unresolved tax disputes create uncertainty that can hinder growth, deter investment, and delay market expansion. Mediation, if structured well, could help prevent such disruptions by facilitating cooperative solutions between governments without the prolonged timelines of formal litigation. However, its effectiveness in government-to-government tax disputes remains largely untested, and clear procedural frameworks would be essential to ensure credibility and consistency. The MGCY supports further exploration of mediation as a viable tool, including research into existing international models, the adoption of clear rules, and the establishment of safeguards to ensure equal treatment of all parties. By implementing reliable mediation

processes, countries could avoid protracted disputes, protect public revenues, and create a more stable and inclusive tax environment that enables young people to fully participate in and benefit from the global economy.

Commitment 22:

26. While the MAP process, with or without arbitration, resolves many disputes that arise under tax treaties, many countries have limited tax treaty networks but a large amount of cross-border trade and investment. As a result, many of their cross-border disputes are not governed by tax treaties, leaving them without an intergovernmentally-agreed mechanism to resolve any disputes that may arise. In almost every meeting, developing countries returned to this fundamental problem. They encouraged the workstream to consider using the protocol to provide a legal basis for resolving such disputes, at least when the domestic law of each country is sufficiently similar (e.g., when each country uses the arm's length method with respect to transfer pricing). Several countries refused to adopt such an approach, with some stating that they are not permitted to deviate from their domestic law unless a treaty sets out the substantive basis for agreement.

Children and Youth Perspective:

From the perspective of MG CY, the lack of a formal mechanism to resolve cross-border tax disputes outside of tax treaties leaves many countries- and the young people within them - without the stability and predictability needed for fair taxation. In economies with significant cross-border trade and investment, this gap means disputes can drag on without resolution, delaying or reducing the revenues needed for education, healthcare, climate resilience, and digital infrastructure that directly benefit youth. Young entrepreneurs and start-ups are particularly affected, as legal uncertainty makes it harder to attract investment, plan expansion, and compete internationally. The MG CY supports using the protocol to create a legal basis for resolving these disputes when domestic laws are sufficiently aligned, such as when both countries apply the arm's length principle in transfer pricing. This would provide greater consistency, help avoid costly and prolonged disagreements, and give youth-led businesses confidence to operate across borders. At the same time, any solution must respect domestic legal frameworks while ensuring that the absence of a treaty does not leave markets - especially those where youth are key economic drivers- without access to fair, transparent, and timely dispute resolution. A balanced, rules-based approach would strengthen fiscal stability and create a more predictable global tax environment that supports opportunities for the next generation.

Commitment 23:

28. Participants also differed in their views regarding the possible scope of the protocol. Several took the view that the protocol should only serve to resolve disputes arising under the Framework Convention and its protocols. These participants emphasized that the commitment under the Framework Convention should not affect existing obligations regarding resolution of tax disputes, including those that may arise under bilateral tax treaties, free trade agreements, bilateral investment agreements, the General Agreement on Tariffs and Trade, the General Agreement on Trade in Services, the Multilateral Instrument on BEPS and the European Union Tax Dispute Resolution Directive. On the other hand, at least one participant expressed the view that taxpayers already have many means of resolving disputes and indicated that the protocol could help to rationalize and provide a hierarchy for different mechanisms. As noted in paragraph 26, other countries view the protocol as an opportunity to provide a mechanism for resolving cross-border tax disputes in cases where there is no existing tax treaty relationship, while others rejected this possibility.

Children and Youth Perspective:

From the perspective of the Major Group for Children and Youth, the scope of the dispute resolution protocol should be designed to maximize fairness, accessibility, and efficiency in resolving tax disputes, while avoiding gaps that leave taxpayers—especially young entrepreneurs, start-ups, and small enterprises—without clear avenues for resolution. Limiting the protocol only to disputes under the Framework Convention and its protocols could leave unresolved cases where there is no tax treaty or other formal agreement in place, potentially disadvantaging youth-led businesses that operate across borders but lack the resources to navigate multiple, fragmented mechanisms.

At the same time, the MGCY recognizes the need to respect existing obligations under bilateral treaties, trade agreements, and other international instruments, but believes the protocol can play a complementary role by providing clarity, reducing duplication, and helping rationalize the use of different mechanisms. In cases where no tax treaty exists, the protocol could serve as an important safety net, ensuring that all taxpayers—including young people participating in global commerce—have access to a fair and transparent process. By streamlining dispute resolution and providing a clear hierarchy of mechanisms, the protocol can reduce uncertainty, lower compliance burdens, and free up resources for both governments and young taxpayers to focus on sustainable economic growth and innovation.

Commitment 24:

29. One participant noted that not every possible approach to dispute prevention and resolution is susceptible to multilateral solutions. Therefore, the workstream should consider whether some possible approaches should be addressed through the sharing of best practices rather than obligations in the protocol.

Children and Youth Perspective:

From the perspective of the MGCY, not every approach to preventing and resolving tax disputes needs to be locked into binding multilateral obligations. In some cases, sharing best practices could be more effective, allowing countries to learn from proven methods while adapting them to their own legal and economic contexts. For young people, this flexibility matters - especially for youth-led enterprises and start -ups- because it can lead to quicker adoption of innovative , fair , and efficient solutions without waiting for lengthy international negotiations. The MGCY supports using the protocol to promote structured exchanges of best practices on tools like early engagement processes, transparent dispute procedures, and accessible compliance programs. By fostering collaboration and knowledge-sharing, countries can improve dispute resolution capacity, strengthening fiscal stability and ensure that tax revenues are collected efficiently and fairly-unlocking resources that directly benefit children and youth through better education, healthcare, climate action, and digital opportunities.

Commitment 25:

30. The protocol provides an opportunity to provide a series of mechanisms that could be used in a wide range of situations (a “universal” framework for dispute resolution). However, as not all countries would be equally interested in various provisions, the workstream discussed the concept of optionality within the protocol (noting that the decision whether to become a party to the protocol is also optional). Most countries acknowledged that achieving broad participation may require a level of optionality. If the concept of such optionality by virtue of an opt-in or opt-out to certain mechanisms is acceptable to the INC Plenary, its exact scope with respect to each provision would have to be considered as the protocol is developed.

Children and Youth Perspective:

From the perspective of MGCY, the idea of building a “universal” framework for tax dispute resolution with built-in optionaluty could make the protocol more inclusive and adaptable, encouragin wider participation. Allowing countries to opt in or out of specific mechanisms gives flexibility while still creating a common foundation for resolving disputes fairly and efficiently. For young people, especially those running start-ups or working in youth-led enterprises engaged in cross-border trade, this flexibility can help ensure that dispute resolution tools are practical, relevant, and responsive to different national contexts. The MGCY supports structuring the protocol so that essential principles - fairness, transparency, timeliness and accessibility - are non-negotiatble, while certain procedural tools can remain optional. This approach can help countries with varying legal systems and administrative capacities to participate meaningfully, without compromising the integrity of the framework. By enabling more jurisdictions to join and implement effective dispute resolution, the protocol can strengthen tax certainty, protect public revenues, and ensure that funds are available for investments in youth priorities like education, healthcare, climate resilience, and digital infrastructure. A well-designed optionality framework could therefore balance inclusivity with effectiveness, fostering a global tax environment that benefits both governments and future generations.

Commitment 26:

30. The protocol provides an opportunity to provide a series of mechanisms that could be used in a wide range of situations (a “universal” framework for dispute resolution). However, as not all countries would be equally interested in various provisions, the workstream discussed the concept of optionality within the protocol (noting that the decision whether to become a party to the protocol is also optional). Most countries acknowledged that achieving broad participation may require a level of optionality. If the concept of such optionality by virtue of an opt-in or opt-out to certain mechanisms is acceptable to the INC Plenary, its exact scope with respect to each provision would have to be considered as the protocol is developed.

Children and Youth Perspective:

From the perspective of MGCY, creating a “universal” framework for tax dispute resolution offers a valuable chance to set global standards that promote fairness, transparency, and accessibility across a wide range of situations. However, the optionality discussed in the workstream - allowing countries to opt in or out of certain mechanisms – must be carefully designed so it encourages broad participation without undermining the effectiveness of the framework. For young people, particularly those leading start-ups or working in youth-driven sectors engaged in cross-border trade and digital services, consistency and predictability in dispute resolution are essential for planning, attracting investment, and scaling operations. The MGCY supports a model where core principles and minimum safeguards - such as fairness, timeliness, and impartiality - are mandatory for all parties, while certain procedural tools can remain optional to accommodate different legal systems and administrative capacities.

This approach could allow more countries to join the protocol while still ensuring that it delivers meaningful protection for taxpayers, secures public revenues, and provides a stable environment for youth economic participation. If designed well, such optionality would not weaken the framework but rather make it more inclusive, ensuring that the benefits of efficient dispute resolution reach all jurisdictions and that the resulting revenues can be invested in youth priorities such as education, healthcare, climate resilience, and digital infrastructure.

Commitment 27:

IV. Issues for the Committee

31. As noted in paragraph 4, the purpose of this note is to provide an overview of the issues; the Workstream III work plan provides that proposed solutions are to be addressed in later notes after the August 2025 Sessions.

32. The Committee therefore is invited to discuss:

(a) whether Section III describes the primary barriers to prevention and resolution of tax disputes that Member States encounter;

(b) whether the protocol should address only tax disputes involving cross-border transactions, or whether it might be appropriate to include mechanisms for the prevention or resolution of purely domestic disputes;

(c) whether the concept of optionality with respect to mechanisms provided in the protocol is generally acceptable to the Committee (with specifics to be elaborated as the protocol is drafted).

Children and Youth Perspective:

From the perspective of the Major Group for Children and Youth, Section III should clearly identify the main barriers to preventing and resolving tax disputes, as these directly affect fiscal stability and the ability of governments to invest in youth priorities like education, healthcare, climate resilience, and digital infrastructure. The protocol should focus primarily on cross-border disputes, as these have the greatest impact on global trade, investment, and youth economic participation, but there is value in exploring whether domestic dispute mechanisms could also benefit from shared best practices.

On the question of optionality, the MGCY supports flexibility to encourage broad participation, but core principles—fairness, transparency, timeliness, and accessibility—must be mandatory for all parties. This ensures that dispute resolution is consistent and effective while allowing countries to adapt certain procedural tools to their legal systems. A well-balanced protocol will create a predictable and inclusive tax environment that enables young entrepreneurs and innovators to operate confidently across borders while safeguarding public revenues for future generations.