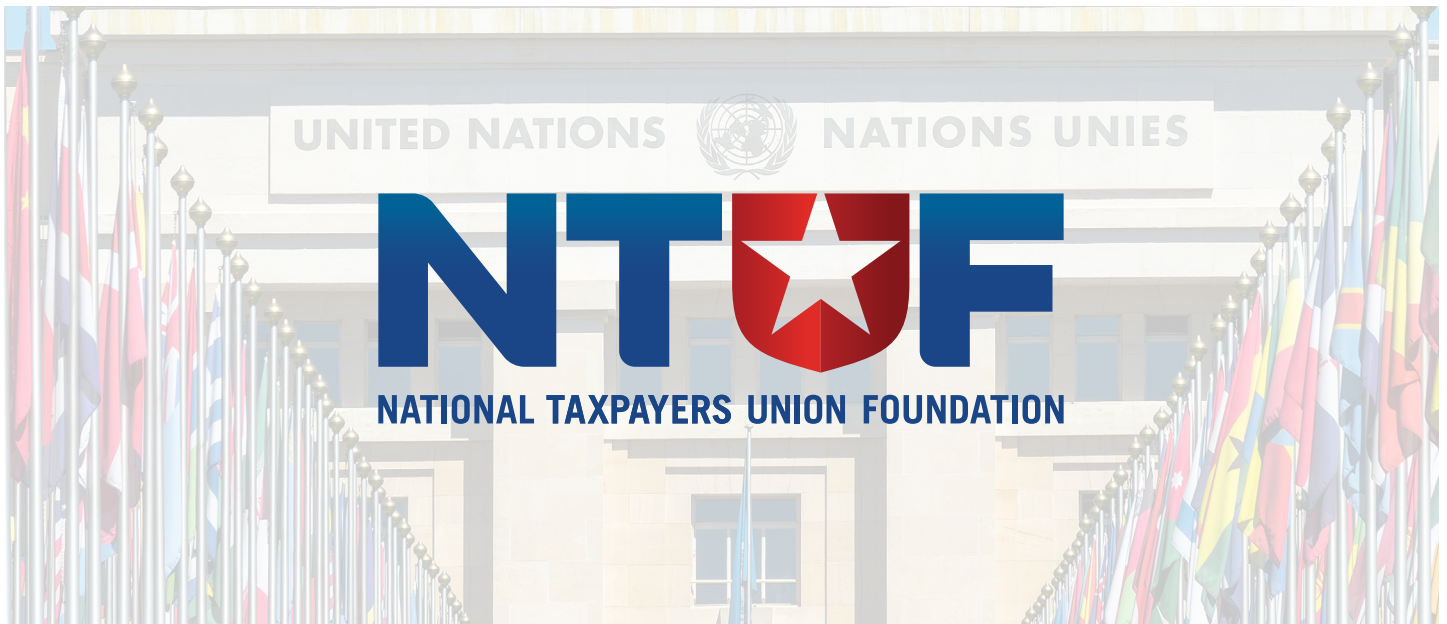




# The UN Global Tax Grab Is Worse Than Expected

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## Key Takeaways

- The United Nations is currently convening a multi-year forum for tax negotiations between developed and developing countries following a similar effort led by the Organization for Economic Cooperation and Development.
- The process ongoing at the UN is currently intended to have roughly three end products: a principles-based framework convention, a protocol dealing specifically with cross-border services, and a protocol dealing with tax disputes.
- Both the framework convention and the protocol on cross-border services are deeply flawed, with the convention bringing social and environmental policy into scope and the protocol mimicking digital services taxes for nearly all cross-border payments.

## Introduction

Multilateral tax negotiations continue to take up outsized bandwidth on the international stage even in the midst of ongoing trade disputes, regional conflict, and a growing urgency to focus on new technologies. Unfortunately, it is unclear whether the time and effort spent negotiating global tax deals will bring stability and certainty or merely subject businesses to politically correct jargon and complexity.

The United Nations (UN) is currently convening a multi-year forum for tax negotiations between developed and developing countries with an end product expected in late 2027. This comes after seven years of negotiations among a smaller group of countries through the Organization for Economic Cooperation and Development (OECD), resulting in a [two-pillar deal](#).

While the processes have several differences, both the UN and OECD negotiations are based on the faulty assumption that countries are better off following tax rules prescribed by an intergovernmental organization than rules that would otherwise be determined through local tax laws and direct negotiation.

## Goodbye, OECD!

Pillar One of the OECD framework would have reallocated the power to tax profits of some multinational corporations to countries where consumers are based. The U.S. hosts many of the most profitable digital services providers in the world and would stand to lose more taxing jurisdiction than all other countries combined under the agreement. This effectively gives the U.S. unilateral veto power over its implementation, leaving its status officially stalled and unofficially dead.

Pillar Two implements global minimum taxes of 15% on multinational businesses, reinforced through mechanisms within both the country where the organization is headquartered and the country where its subsidiaries are located. Pillar Two remains at [various stages](#) of implementation across the developed world, with countries such as China, India, and several others avoiding the agreement entirely. The U.S., for its part, recently [secured](#) what amounts to a carveout from Pillar Two known as the [side-by-side agreement](#) on the basis that the U.S. has had its own global minimum tax, formerly the Global Intangible Low-Taxed Income (GILTI) and now called the Net CFC Tested Income (NCTI) tax, for nearly a decade.

## Hello, UN!

As the dust settles on the failed reallocation of taxing powers and the global minimum tax faces fragmented implementation, talks at the UN offer some participants renewed hope and others a fresh headache.

Unlike the OECD, the UN offers developing countries more seats at the table and gives them considerable leverage through a two-thirds voting mechanism rather than the OECD's consensus-based structure. Developed countries feel a need to negotiate again at the UN, despite possible fatigue after a lengthy and lackluster process in their preferred venue at the OECD, in the name of inclusivity and to advocate for their interests.

The U.S. has rightfully decided to walk away from the process entirely, saving time and effort that could be used to rebuild trade relationships or tackle any number of other global challenges. Most of all, by walking away, the U.S. is preserving its right to negotiate mutually beneficial bilateral tax treaties without the unwelcome overreach of the UN.

The process ongoing at the UN is currently intended to have roughly three end products: a framework convention consisting of principles that can inform bilateral tax treaties, a protocol dealing specifically with cross-border services, and a protocol dealing with tax disputes. Countries that sign onto the convention can opt-out of the two protocols, but the convention itself is not something to overlook.

## A Framework Convention of Buzzwords

A [draft](#) of the UN convention released in July 2026 outlines several goals that contradict each other, attempt to reproduce the failed work of the OECD agreement, and extend into policy areas far beyond the tax code. Essentially, it trades sound tax policy for feel-good buzzwords.

First, it includes a recognition of state sovereignty that cannot possibly be upheld given the document's contents. The very nature of global coordination necessarily leaves everyone with a compromise result that could influence bilateral treaties to be less favorable for both parties than what would have otherwise been negotiated under a system that values state sovereignty.

Under the draft, countries would be bound to pursue “fairness in allocation of taxing rights under the international tax system.” Reallocation of taxing powers is the subject of the first protocol under the convention, from which countries can choose to opt out. Yet, by signing the framework convention, they would still be committing to fair allocation of taxing powers, presumably under whatever definition of fair the two-thirds majority at the UN decides.

Pillar One of the OECD agreement, which attempted a similar reallocation of taxing powers, has failed without consent of the U.S. since it largely targeted U.S.-based firms. The U.S. is not participating at all in the UN discussion, leaving other developed countries to have a taste of their own medicine should they sign onto this framework convention and later be strongarmed into ceding the authority to tax their most profitable companies.

Allocation of taxing powers is not the only policy area where the convention under discussion breaches national sovereignty. The principles included thus far are guidance by a sustainable development perspective that “covers social and environmental policy aspects” as well as alignment with international human rights law.

At a time well after companies began [repositioning away](#) from environmental, social, and governance (ESG) goals back to their core business function, injecting such language into tax agreements is rather tone deaf. Having such language, as well as human rights, then policed by a tax-focused arm of the global cabal that frequently [faces criticism](#) for its record on human rights is equally ironic.

Finally, the framework calls for both flexibility “to ensure equitable and effective results as societies, technology and business models and the international tax cooperation landscapes evolve,” as well as administrative simplicity and certainty for taxpayers and governments.

These goals cannot be achieved simultaneously with ease, and will very likely leave everyone dissatisfied. For example, allowing for flexibility in the instance that business models change could allow a developing country to impose sweeping new taxes on a business located in a developed country while claiming that nearly any new taxes are allowable under the framework. This erodes both taxpayer and government certainty.

## **An Unworkable Protocol**

The contradictory and overly ambitious language described above is contained within the broad, principles-based framework convention. The real catch lies within the more detail-oriented [protocols](#), specifically the Draft Protocol on the Taxation of Income from Cross-Border Services, which is also known as the first protocol.

As the title suggests, this first protocol is meant to address the taxation of services provided across borders. In recent years, overzealous countries have imposed digital services taxes (DSTs) on large multinational corporations. DSTs largely target American technology companies and serve as a method of discrimination and extraterritorial taxation. Pillar One of the OECD deal was negotiated in part to replace DSTs with a new regime.

The first protocol takes a much different and much broader approach to DSTs than Pillar One. First, it is not meant to replace the faulty DST regime and require their removal as Pillar One was intended to do. Under the UN approach, countries could maintain whatever discriminatory taxes they wish so long as they do not violate the protocol.

In fact, the protocol includes an extraterritorial taxation mechanism that effectively acts as a DST, but would affect a much broader range of services. The protocol loops in nearly all cross-border payments including insurance premiums, fees for services, online teaching services, and more.

The UN’s first protocol and OECD’s Pillar One agreement share the fact that they base some reallocation on revenue rather than profits, but the UN deal goes far beyond what the OECD cooked up. Pillar One affects the largest multinational companies with revenue exceeding 20 billion euros, but the taxing powers allocated are for taxation of profits. The UN takes this significantly farther by proposing a gross-basis withholding tax. This would allow countries where customers are located to tax foreign companies based on the amount paid to the company, regardless of whether the company generated a profit from the transaction.

In comments submitted to the UN, the National Foreign Trade Council (NFTC) rightfully called out that the protocol can lead to double taxation and could fail to provide tax certainty. NFTC [states](#):

Our central concern is that the Draft Protocol would substantially increase the risk of double taxation notwithstanding the relief contemplated in Article 10. That risk arises from the interaction of several provisions: gross-basis taxation under Articles 5(2), 6(2) and 7(2), a definition of covered services broad enough to capture nearly every cross-border payment, sourcing rules that permit more than one State to claim the same payment, the absence of any physical presence requirement, and a relief mechanism that does not adequately address all circumstances. We further caution that provisions which evolve over time erode certainty for administrations and taxpayers alike. Finally, material portions of the draft remain unwritten.

Overall, the protocol as it is currently written would add significant uncertainty and unfairness to the taxation of cross-border payments. Given the stated goals of the protocol and the broader framework convention, it is unlikely that this could be written in any way that avoids those outcomes.

## Moving Forward

Stakeholders and country representatives at the UN tax forum are splitting between those who support the lofty and inconsistent goals of the project and those who understand what makes sound tax policy. Yet, by continuing to participate, the countries involved are tying themselves to a sinking ship.

Even countries that have been quite [critical](#) of certain elements, such as the United Kingdom and Germany, will have to cede tax sovereignty to the largest international organization in the world if they sign onto the framework convention and protocols. Developing countries that would be free to impose distortionary, discriminatory, and extraterritorial taxes on a broad basis are likely to lose out on critical foreign direct investments from global partners that do not want the headache of compliance or the high cost of gross basis taxation.

Meanwhile, the U.S. continues to sit comfortably on the sidelines while pursuing mutually beneficial bilateral double taxation treaties, such as the [U.S.-Taiwan treaty](#), which could be signed into law this year. Alongside the attainment of a side-by-side agreement to avoid the most egregious elements of Pillar Two, the global pause on Pillar One, and the passage of [comprehensive](#) international tax reforms in the One Big Beautiful Bill Act, the U.S. proves that tax sovereignty can triumph over international coercion.

If the UN negotiators are anything like the OECD negotiators, the timeline for this project could be delayed by several years. If sound tax policy prevails, it may never be enforced at all. Countries would be wise to take this into consideration when considering their international tax policies.



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