**Draft for ICC Global Tax Commission Meeting 14-15 October 2024**

**Accompanying Note**

The release of the updated ICC Tax & SDGs report has been postponed to the Fourth International Conference on Financing for Development (FfD) will take place from June 30 to 3 July 2025 in Sevilla (Spain).

The comments and feedback received through the first round of consultation have now been included in the current version of the draft.

In comparison to the 2017 version of the report, more SDGs have been included also on the basis of the UNDP Tax for SDGs initiative.

From a structural perspective, based on members suggestions, we have grouped SDGs addressed in this paper in 4 different clusters, namely:

1. Reducing Inequalities
2. Tackling Climate Change
3. Fostering Sustainable Economic Growth
4. Strengthening Governance and Institutions

Based on the comments received at the ICC Global Tax Commission meeting in October 2024, we have reworked on the revised version of the report you will find below.

**We would like to ask you for written in text comments, improvements, additional suggestions by end of January 30th.**

**Please ignore formatting mistakes and inaccuracies, we will be working on them afterwards together with our communication team.**

## **Introduction**

The International Chamber of Commerce (ICC), as the world business organization, works to promote open, rules-based multi-lateral trade and investment, sustainable economic growth, responsible business conduct and a global approach to regulation. ICC supports business’ contribution to peace, prosperity and inclusive growth and in the area of taxation, ICC seeks to promote transparent and non-discriminatory treatment of foreign investments and earnings that eliminates tax obstacles to cross-border trade and investment.

ICC is an indispensable partner of intergovernmental organisations and international stakeholders in leveraging business engagement to advance sustainability, accelerate action on climate and nature and ensure a sustainable and prosperous future for all. We do this in line with United Nations Sustainable Development Goals, objectives of the Paris Climate Agreement and the Kunming-Montreal Global Biodiversity Framework.. ICC has a key role as the official Business and Industry Focal Point to the United Nations Framework Convention on Climate Change (UNFCCC), as well as an active role within the UN Convention on Biological Diversity (CBD) representing the global business community’s views and insights.

In 2015 the United Nations (UN) General Assembly adopted the [2030 Agenda for Sustainable Development](http://www.un.org/sustainabledevelopment/development-agenda/) and the 17 [UN Sustainable Development Goals](http://www.un.org/sustainabledevelopment/sustainable-development-goals/) (SDGs), calling on all countries to improve the lives of people everywhere. A core aim of the SDGs is to eradicate poverty in all its forms and dimensions, recognizing that it is the greatest global challenge and is an indispensable requirement of sustainable development.[[1]](#footnote-2) Improving economic growth is a necessary driver to achieving this goal. ICC’s mission to promote a system of open, cross-border exchange for the benefit of society as a whole underlines the integral role that international business plays in fostering growth and development.

However, the achievement of the SDGs is far from being a reality by 2030, and the 4th International Conference on Financing for Development (Ffd4) in 2025 will have to address how to accelerate progress towards achieving the Goals, a commitment also undertaken by UN Member Countries within the UN Pact for the Future, adopted in September 2023 in the context of the Summit for the Future. Against this background and to set the achievement of the SDGs back on track, government spending alone will not be enough. Thus, there is also a need for the optimization of tax systems that can incentivize private sector investments to advance sustainability and the UN SDGs. This could be done through rethinking the tax mix for the future, while promoting green taxes and other taxation mechanisms such as R&D incentives, indirect taxes, VAT, and carbon pricing. It is also essential to ensure that investments in sustainability are always considered deductible business expenses and governments must also ensure that tax systems are robust, transparent, well-functioning and not open for misuse.

The link between tax policy and the achievement of the SDGs was acknowledged by ICC in 2017 with the release of the ICC Tax & SDGs Position Paper. Recent developments in international tax policy, along with the approaching 2030 deadline for achieving the Sustainable Development Goals, present an opportunity to reassess the importance of international tax policy in advancing sustainable development. Updating the 2017 ICC Tax & SDGs Position Paper is crucial, especially in the lead-up to the 4th International Conference on Financing for Development (Ffd4) in 2025 which will address new and emerging issues and the urgent need to fully implement the Sustainable Development Goals, and support reform of the international financial architecture.

This updated version of the ICC paper focuses on how effective tax policy can facilitate economic growth, and in doing so, support the UN SDGs. The paper highlights measures that would support trade growth and outline the potential risk areas that exist. By examining specific taxation measures and incentives, the paper aims to provide insights into how the private sector can actively contribute to the realization of these global sustainability objectives.

## **ICC policy approaches in support of SDG principles**

ICC has been actively engaged throughout the UN SDG campaign and has continuously underscored the importance of **collaboration between the private sector, governments, and intergovernmental organizations as vital to making progress towards achieving the SDGs and ensuring a more sustainable and prosperous future for all.**

ICC issued the [Business Charter for Sustainable Development](https://iccwbo.org/publication/icc-business-charter-for-sustainable-development-2015/) (2015), which was specifically designed to enable companies to contribute to implementing the SDGs. Based around eight guidelines, the Charter sets out a strategic framework to enable companies to place sustainability at the heart of their operations. These guidelines include sustainable value chain approaches, transparency in communications and reporting, as well as inclusive economic growth and improvement. The framework makes the case for sustainability as a key driver of competitiveness in today’s economy.

As the international community confronts the task of implementing the SDGs, ICC stresses the need for governments to maintain and strengthen investment promotion and protection agreements to help realize the vision of driving foreign direct investment in sustainable development. Investment, including foreign direct investment (FDI), plays an important role in determining a country’s economic prospects. In [Foreign Direct Investment – Promoting and protecting a key pillar for sustainable development and growth](https://iccwbo.org/publication/policy-statement-foreign-direct-investment/) (2016) eight policy principles are established to provide a foundation for leveraging the investment needed to eradicate poverty, combat climate change and ensure inclusive growth. The paper notes that nations, as well as sub-central governmental units, should focus on clear, non-discriminatory and well-implemented policies, including on taxation. In doing so, countries help create a climate that nurtures private investment, including FDI.

The ICC Principles for Sustainable Trade: Wave 3[[2]](#footnote-3) (2024) provide a frame to assess the sustainability of a given trade transaction across four components of trade and two dimensions of sustainability, namely how it supports both environmental and socio-economic sustainability , in meeting the related UN SDGs. As global trade represents as much as 30% of all carbon emissions, it is imperative that trade transforms itself into an engine for the implementation of the Paris Agreement and for sustainable development and becomes a facilitator of sustainable practices across international, sectoral and enterprise levels. The principles are designed to support business in meeting these objectives.

In order to fully leverage information communication technology (ICT) for sustainable development, policy approaches must be consistent with the mutually supporting layers of the ICT ecosystem, spanning economic, technical, social, cultural, and governance issues. To this end, ICC also published a roadmap – [ICT Policy and Sustainable Economic Development](https://iccwbo.org/publication/ict-policy-sustainable-economic-development/) (2017) – to support governments in developing an interoperable, open, seamless and secure ICT ecosystem underpinned by private sector investment and robust multi-stakeholder dialogue. ICC encourages all governments to consider these recommendations in the development of enhanced policy frameworks, to harness the power of ICTs to drive economic, social and environmental progress towards realisation of the SDGs.

In the area of tax policy, ICC also released guidelines on [Tax Principles for Multinational Businesses](https://iccwbo.org/news-publications/news/icc-releases-new-guidelines-tax-principles-multinational-businesses/) (2017) which are intended to serve as guidance in the formulation of the tax policies of multinational businesses and as an indication to revenue authorities of the principles sought by multinational businesses in their interactions with them.

In order to recognise the rights and obligations of both taxpayers and tax administrations, and in an effort to advocate for a balanced tax system, ICC also proposed a [Tax Charter](https://iccwbo.org/news-publications/policies-reports/icc-tax-charter/) in 2018. The ICC Tax Charter provides a common international approach to Tax Charters for individual countries with the aim of creating trust and efficient co-operation between governments and the business community which is essential to achieve a balanced and effective tax system and ultimately achieve the fulfillment of the SDGs.

Finally, tax policy plays a critical role in fostering trade and investment, yet measurable interlinks exist between assessing the sustainability of trade throughout the full environmental, social and governmental lenses. These links have recently been explored in an ICC publication:  [Why trade is critical to achieve the sustainable development goals](https://iccwbo.org/news-publications/policies-reports/why-trade-is-critical-to-achieve-the-sustainable-development-goals/) (2017) where, based on research data, it highlights how trade can be an engine of economic growth and an ally in the fight against climate change, incorporating means of implementation of the SDGs (e.g. redeciding poverty SDG1; promoting economic growth SDG8; responsible consumption and production SDG12).

## **Interplay between tax policy making and economic growth**

The world’s population is predicted to increase by 2 billion people by 2050,[[3]](#footnote-4) and the population of the world’s least developed countries is projected to double[[4]](#footnote-5) by 2050, in some countries even tripling.[[5]](#footnote-6) Climate change, an increasingly potent driver of migration, could force tens of millions people across the developing world to move within their countries by 2050.[[6]](#footnote-7) As stated in the Political declaration of the high-level political forum on sustainable development convened under the auspices UN General Assembly, at the midpoint of the 2030 Agenda, the progress on most of the SDGs is either moving much too slowly or has regressed below the 2015 baseline.[[7]](#footnote-8) Under such circumstances, the need for large-scale investment in economic growth and development becomes evident.

Whilst there is no panacea, it is evident that greater alignment of investment and tax policies would be essential in promoting investment, job creation and economic growth. International commerce remains a powerful mechanism to help lift people out of poverty. Tax is intrinsically linked to development as taxation provides the revenue that states need to mobilize resources and reinforce a country’s infrastructure. Taxation “provides a predictable and stable flow of revenue to finance public spending, and shapes the environment in which investment, employment and trade takes place.”[[8]](#footnote-9)

Further, it is important to have a fair, efficient, and effective revenue collection infrastructure to promote economic and social development. Domestic resource mobilization[[9]](#footnote-10) (DRM) has been proposed as a way to meet the SDGs with the development finance already available. However, DRM can be impeded by unclear and confusing tax systems. It is imperative that companies are able to move products and services into areas where they are most needed without unnecessary administrative impediments. In addition to raising revenues, taxation policy also needs to support and encourage investment. Moreover, while the focus is increasingly placed on corporate income tax, indirect taxes still represent one of the major sources of revenue for countries. The strength of the value-added tax (VAT), otherwise referred to as the Goods and Services Tax (GST), is to raise substantial tax revenues at low economic costs that can play a vital role in achieving the SDGs.

Indeed, tax compliance imposes significant burdens on businesses, including time-consuming processes, complex documentation requirements, high costs, and administrative challenges. Frequent changes in tax laws add to the difficulty, increasing the risk of errors and penalties. Simplifying tax laws can reduce these burdens, enhance compliance rates, and lower administrative costs. It supports businesses by freeing up resources for growth and innovation, encourages economic activity, and improves transparency and fairness in the tax system. Simplification also streamlines tax administration, enhances global competitiveness, and promotes investment in innovation, driving long-term economic growth.

## **SDGs – how tax policy can facilitate their achievement**

The adoption of the 2030 Agenda for Sustainable Development brought a commitment from all countries to a set of universal, integrated and transformational goals and targets – codified in the 2030 Agenda. However, translating the vision of the SDGs into action is a major challenge. In addition to the ICC policy initiatives, the OECD released the document[Policy Coherence for Sustainable Development](http://www.oecd.org/development/policy-coherence-for-sustainable-development-2017-9789264272576-en.htm) (2017),which seeks to inform policy making by showing how a policy coherence lens can support implementation efforts, drawing on OECD evidence and analysis.[[10]](#footnote-11) It identifies challenges and good institutional practices for enhancing policy coherence in SDG implementation, drawing on the experience of the early implementers of the SDGs. The report introduces eight building blocks for policy coherence for sustainable development, as well as a conceptual “coherence monitor to track progress on policy coherence.”[[11]](#footnote-12)

Policy coherence helps create a level playing field which is essential to encourage investment. Successful economies create an enabling environment and infrastructure, which incorporate well-implemented policies that attract investment and support economic development and growth.

The aim of the SDGs is to relieve poverty and improve economic growth, and the private sector can be viewed as a key driver to achieving this goal. Many businesses are directly invested in the SDGs which provide a blueprint for human progress and a call for action for businesses to contribute to a better future. Businesses contribute directly through environmental actions to reduce energy consumption and the reliance on fossil fuels, through investment in technology and infrastructure, the creation of jobs and economic prosperity and indirectly by providing the skills and opportunities for the economically disadvantaged and through good governance, inclusivity and diversity.  Taxation policy is a key component to help promote investment and economic development and has an integral role to play in facilitating the achievement of the SDGs as illustrated in the overview below.

In our analysis we divided SDGs into 4 clusters based on their overall focus and aim.

**GROUP A: REDUCING INEQUALITIES**

* Goal 1: No Poverty
* Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture
* Goal 3: Ensure healthy lives and promote well-being for all at all ages
* Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
* Goal 5: Achieve gender equality and empower all women and girls
* Goal 10: Reduce inequality within and among countries

**Goal 1: No poverty**

*1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than $1.25 a day*

*1.a Ensure significant mobilization of resources, including through enhanced development cooperation.*

*1.b Create sound policy frameworks.*

*1.2: By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its components according to national definitions*

*1.3: Implement nationally appropriate social protection systems and measures for all*

As noted in the UN Pact for the Future, adopted in the context of the Summit for the Future in 2023, poverty in all its forms and dimensions, including extreme poverty, remains the greatest global challenge and its eradication is an indispensable requirement for sustainable development. Revenue collection contributes to national treasuries, which finances national development plans and in turn works towards reducing poverty. Effective tax policies are integral to ensuring that profits are taxed where economic value is created; corporate income tax should be levied according to where economic activity takes place and profits are earned. Collaboration with business, for an inclusive and transparent process, throughout international tax policy initiatives has been essential to helping define the contours of a suitable global tax framework that encourages business activities, job creation and economic growth. **Governments must agree on acceptable forms of tax competition and in return businesses must adhere to rules and principles agreed upon by and between countries. Predictable tax rules are essential for cross-border trade, business investment, jobs and growth. They set a solid foundation that enables mobilisation of resources.**

**Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture**

The targets of Goal 2 also include “increase investment, also through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries.” In order to promote these investments which are key to end hunger as well as producing job opportunities and strengthening supply chains involving local producers, a balanced tax policy mix will need to be in place.

In relation to indirect taxes, in their design, they can also account for lower rates in order to make essential goods more accessible to everyone.

**Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**

Taxes paid by companies play a vital role in advancing Sustainable Development Goal 4, which aims to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. Taxes paid by companies can be a critical source of funding for public education, from primary schools to universities. By ensuring a stable and substantial tax base, companies enable governments to improve access to education for all children, especially those in underprivileged and marginalized communities.

At the same time, many companies make important investments in education in emerging markets to train specialized workers and offer education possibilities for their families.

Lifelong learning is also a cornerstone of SDG 4, emphasizing skills development and continuous education. Corporate taxpayers provide and contribute to vocational training programs, adult education centers, and online learning platforms. These initiatives prepare individuals for the workforce, enhance their employability, and adapt to the demands of a rapidly changing job market.

**Goal 5: Achieve gender equality and empower all women and girls**

*5.1 End all forms of discrimination against all women and girls everywhere*

*5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels*

*of decision-making in political, economic and public life*

*5.a Undertake reforms to give women equal rights to economic resources, as well as access to*

*ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws*

Research shows that foreign direct investments have a positive effect on gender equality and reducing the wage gap. Effective tax policies that promote investments can therefore have a positive effect on the achievement of this goal. A growing economy also opens up opportunities for female entrepreneurship within the value chain. Business investments can improve the overall sustainable economic development of a country or region, reduce inequality and promote inclusive growth.

Though much progress has been made in the last half century, gender gaps remain significant on a global scale, either due to legal restrictions or non-legal barriers to women’s access to education, healthcare, financial services, and the labor force. Promoting gender equality along those margins has been shown to play an important role in boosting economic productivity and growth, enhancing economic resilience, and reducing overall income inequality.[[12]](#footnote-13)

The macroeconomic relevance of gender equality stands as especially acute as we begin to turn the page on a pandemic crisis whose economic consequences have been particularly detrimental for women[[13]](#footnote-14)

Understanding the taxation of the informal sector is essential for assessing gender implications especially in developing countries.[[14]](#footnote-15) Many gender issues in CIT are linked to the female labor force barriers to entrepreneurship. [[15]](#footnote-16) In many developing countries, businesses owned by women still tend to be unregistered and in the informal sector. Consequently, women are underrepresented in company participation and ownership, despite reduced standard global corporate tax rates and increasing tax benefits for female-owned corporations.[[16]](#footnote-17) Women face significant socioeconomic barriers to incorporating their businesses because of socioeconomic realities (e.g., assets, capital, education, and other time demands such as care work). Female entrepreneurs often also face disparities in business financing, bureaucratic obstacles in registering a business, resource development, and organizational capacity. Combined with low margins of profitability, such impediments result in women being less likely than men to incorporate their business activities.[[17]](#footnote-18) The degree of informality in women’s businesses can also be explained by women’s involvement in a large share of agricultural and unregistered employment activities. The lack of accounting required for income assessment prevents such activities from being able to adhere to the standard corporation tax framework.[[18]](#footnote-19)

Against this backdrop, effective support measures for women entrepreneurship can be helpful in reducing women’s disadvantages in incorporated businesses. Simplifying tax regimes and, where necessary, providing tax training to women could also encourage and enable them to comply with tax regulations and join the formal economy.[[19]](#footnote-20)

**Goal 10: Reduce inequality within and among countries**

*10.1 By 2030, progressively achieve and sustain income growth of the bottom 40 percent of the population at a rate higher than the national average.*

*10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.*

*10.6 Ensure enhanced representation and voice for developing countries in decision-making in global international economic and financial institutions in order to deliver more effective, credible, accountable and legitimate institutions*

*10.a Implement the principle of special and differential treatment for developing countries, in particular least developed countries, in accordance with World Trade Organization agreements*

Tax policies should be designed to support sustainable economic development, reduce inequality and promote inclusive growth. In addition, tax policies should be flexible and capable of adjusting to socio-economic changes as the fiscal environment in which they operate evolves.

However, it should be considered that tax policy is part of a broader policy mix that can lead to sustainable development goals. As also indicated by the Pact for the Future Action 4, developing countries also need support to catalyse increased private sector investment in sustainable development, including by promoting inclusive and innovative finance mechanisms and partnerships and by creating a more enabling domestic and international regulatory and investment environment.

**GROUP B: TACKLING CLIMATE CHANGE**

* Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all
* Goal 13: Take urgent action to combat climate change and its impacts
* Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development
* Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss

Tax policy and incentives can play a crucial role in achieving the goal of ensuring access to affordable, reliable, sustainable, and modern energy for all. Targeted tax policies can support research and development in energy innovation, fostering advancements that reduce costs and improve the efficiency of sustainable energy solutions. Incentives can also encourage the adoption of energy-efficient practices and technologies among consumers and businesses, contributing to a reduction in overall energy consumption and promoting environmental sustainability.

However, to fulfil goal 7, it is necessary to invest in strategic sectors and industries that require support to attract capital, such as large capital-intensive projects, R&D and innovation, and energy transition. For these types of projects, companies might not see a return on investment in the short term and thus, tax incentives can play a very important role.

Through strategic tax incentives, governments can accelerate the transition to a sustainable energy future, ensuring that modern energy services are accessible to all, including underserved and remote communities. This not only helps mitigate climate change but also drives economic growth, job creation, and improved quality of life globally.

**Goal 13: Take urgent action to combat climate change and its impacts**

*13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries*

*13.2 Integrate climate change measures into national policies, strategies and planning*

Tax is one of a number of policy instruments (market mechanisms are another possible instrument, for example) and policy-makers should seek to utilise the most appropriate policy instrument to achieve environmental goals.

Given its purpose to incentivise behavioural change, environmental taxation should not increase the overall tax burden. It is important to note that using taxation for pursuing environmental policies is an interference with markets and must thus be used with caution. This is even more important when taxation is levied on a country basis, and not levied on a co-ordinated and worldwide (or large regional) basis, requiring to take into account crossborder trade issues and their pricing effects caused by such domestic tax rules.

The design parameters for environmental taxation should provide a framework that underpins environmental policies in the most economically efficient manner as to affect behaviours for specific environmental goals in the most economically efficient manner. Such a framework has to be designed within and be consistent with the overall context of the total fiscal framework. Otherwise, environmental taxes may increase the economic costs of taxation while providing only a limited environmental benefit.

Carbon pricing, including emissions trading systems and carbon taxation, is considered as an essential tool for comprehensive climate policy packages. It can assist governments in achieving existing nationally determined contributions at the lowest possible cost, scaling up investment for further climate mitigation and adaption efforts and ratcheting up ambition.

The overriding common objective of carbon pricing should be to reduce greenhouse gas emissions. The development of sustained and robust carbon markets maximises the effect of carbon pricing in achieving that objective.

When developing, designing and implementing national carbon pricing approaches, governments are encouraged to build on the ICC Carbon Pricing Principles[[20]](#footnote-21) and other existing guidance to increase effectiveness, minimise risks related to carbon leakage and promote linkage for greater international cooperation and coordination.

Any approaches to prevent carbon leakage should be considered and designed carefully and proportionately and without compromising trade rules. The recent ICC paper, “Global Principles for Effective Border Carbon Adjustments”[[21]](#footnote-22), cautions that a patchwork of uncoordinated national interventions could create severe compliance challenges for companies trading internationally and, moreover, undermine essential international cooperation to fight climate change.

National legal, regulatory and policy frameworks for carbon pricing market mechanisms should consider (i) linkage across national and sub-national compliance mechanisms to prevent greenhouse gas emissions leakage between countries; (ii) broader linkages between domestic compliance mechanisms, Article 6 mechanisms and the voluntary carbon markets, and (iii) broader climate, energy, trade and taxation policies.

Article 6 of the Paris Agreement on cross-border emissions trading itself is not designed to lead to a global carbon price. However, it has the potential to create the necessary transparency to forge a more cohesive multilateral approach to carbon pricing. The final provisions on Article 6.2 and Article 6.4 were adopted at COP29 in Baku, marking a welcome and important milestone to the full operationalisation of Article 6. Substantial focus must now shift to implementation and capacity-building to ensure effective markets operations.

**GROUP C: FOSTERING SUSTAINABLE ECONOMIC GROWTH**

* Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
* Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
* Goal 12: Ensure sustainable consumption and production patterns

**Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**

*8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.*

*8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services*

*8.5 Achieve full and productive employment and decent work.*

*8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products*

*8.10 Strengthen the capacity of domestic financial institutions.*

The achievement of SDG 8 will require more private-sector investment. The [Addis Ababa Action Agenda](https://sustainabledevelopment.un.org/content/documents/2051AAAA_Outcome.pdf) (2015) recognises this by stating that “private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation”. Income tax treaties could help trade grow by providing greater certainty for business, reducing double taxation and providing a mechanism to fight tax avoidance. Tax policies that promote investment and innovation, particularly in developing economies, would go a long way in attracting foreign direct investment (FDI), which consequently provides opportunities for decent work, innovation and increased productivity to effectively increase the gross domestic product of countries. Financing is key to the success of the 2030 Agenda and sound investment and tax policies will play a critical role in leveraging the investment needed to eradicate poverty and ensure inclusive growth. Effective implementation of the SDGs requires widespread support from the private sector, awareness and recognition of the key role they have to play in achieving these goals, and an active response to ensure that business models align with the global objectives.

**Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.**

*9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets*

*9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending*

*9.b Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.*

As also indicated in the Pact for the future, advances in knowledge, science, technology and innovation could deliver a breakthrough to a better and more sustainable future for all.[[22]](#footnote-24)

R&D tax incentives play a crucial role in advancing **Sustainable Development Goal (SDG) 9**, which emphasizes the need to build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation. These financial mechanisms incentivize businesses and organizations to invest in research and development, driving technological advancements and innovative solutions that align with the core tenets of SDG 9.

1. **Fostering Innovation**: Innovation is a cornerstone of SDG 9, and R&D tax incentives directly fuel the innovation ecosystem by reducing the financial barriers to experimentation and development. By providing tax credits or deductions for investments in research, governments encourage industries to pursue groundbreaking technologies, such as renewable energy systems, advanced materials, and digital infrastructure, which are essential for sustainable development.
2. **Promoting Sustainable Industrialization**: R&D tax incentives encourage companies to adopt and develop cleaner, more efficient technologies, reducing environmental footprints while enhancing productivity. These incentives often prioritize projects that address sustainability challenges, such as reducing greenhouse gas emissions, improving energy efficiency, and advancing circular economy models, ensuring industrial growth is environmentally sustainable and socially inclusive.
3. **Building Resilient Infrastructure**: Infrastructure development is critical for economic growth and societal well-being. Tax incentives targeting infrastructure-related R&D foster innovations in resilient construction materials, smart cities technologies, and disaster-resilient designs. Such advancements ensure infrastructure can withstand climate impacts and meet the needs of diverse populations, particularly in underserved and vulnerable regions.
4. **Driving Inclusive Growth**: Tax incentives encourage innovation in areas that support inclusion, such as affordable healthcare technologies, accessible transport solutions, and educational tools for marginalized communities. By supporting R&D in these domains, governments can reduce inequalities and promote equitable access to essential services.
5. **Stimulating Collaboration and Public-Private Partnerships**: SDG 9 emphasizes partnerships to achieve its goals. R&D tax incentives often stimulate collaboration between governments, academic institutions, and private industries, pooling resources and expertise to develop innovative solutions for global challenges.
6. **Ensuring Ease of Compliance to Maximize Impact**:  
   While R&D tax incentives are powerful tools, their potential can be undermined if compliance and application processes are overly complex or burdensome. Small and medium enterprises (SMEs), which are critical drivers of innovation and economic inclusion, may struggle to access these incentives if faced with excessive administrative hurdles or opaque requirements. Simplified, transparent, and streamlined application processes are vital to ensure that businesses of all sizes, especially in developing regions, can fully leverage the benefits of these incentives. Clear guidelines, digitalized systems, and proactive government support are essential to remove barriers to participation and ensure the broad adoption of R&D initiatives.

**Challenges have emerged also in relation to specific design of R&D, for instance a recent report from ICC Sweden** highlights that there are currently numerous obstacles that disincentivize businesses from increasing their investments in R&D. For instance, the challenges from the inability to deduct expenses when collaborating with academia on research projects.[[23]](#footnote-25) Such challenges are faced by other countries as well.

By aligning R&D tax incentives with the objectives of SDG 9 and ensuring that their implementation is accessible and equitable, policymakers can catalyze industrial transformation that is both economically viable and environmentally sustainable. A balanced approach that fosters innovation while minimizing compliance burdens is key to building resilient societies underpinned by cutting-edge innovation and inclusive growth.

**Goal 12: Ensure sustainable consumption and production patterns**

*12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses production and supply chain, including post-harvest losses.*

*12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.*

There is a growing interest in the circular economy among businesses across all sectors to reduce possible waste and environmental impact, but the shift is being impeded by many barriers. What role can tax policy play in promoting the circular transition?

Long-term solutions may include limitations on specific materials and

linear disposal practices. By restricting certain materials and disposal methods, policies can propel industries towards circularity by creating demand in the market. Cross-border business models that support the efficient use of resources, such as cars and textiles, can be made attractive to businesses and consumers through market incentives. A crucial aspect lies in striking a balance between regulatory measures like restrictions, bans, and taxes, and proactive support measures and incentives to circularity. Government-backed initiatives and dedicated circular funds stand as catalysts for increased investment in circular innovation, fostering a conducive environment for industry transformation. Any consideration of subsidies must be done in full compliance with the WTO Agreement on Subsidies and Countervailing Measures (SCM) to limit market distortions that may limit the trading of circular goods. Current policies lean heavily towards restrictions and a prescriptive approach, whereas the magnitude of changes and investments required call for supportive and enabling measures. A comprehensive policy framework, integrating penalties, incentives, and support measures, is pivotal in steering industries towards circularity.[[24]](#footnote-26)

Incentivising innovation and creating market demand for circular products can motivate

businesses to invest in circular economy practices. Addressing financial risks and offering

incentives can aid in scaling up circular initiatives. Introducing tax incentives can spur

innovation in bio-based and circular materials. These financial incentives should help offset

research and development (R&D) costs and scaling of sustainable materials.[[25]](#footnote-27)

In relation to indirect taxes, there has been a certain level of attractiveness to countries to use VAT to drive consumer behavior toward more sustainable choices in line with green policy objectives. While it is important to recognize that well-designed and targeted measures may have a role to play, however, any such proposals need to be weighed carefully against alternatives, always being mindful of the design imperatives of a broad tax base and neutrality.

**GROUP D: GOVERNANCE & INSTITUTIONS**

*Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions for all;*

*Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development*

**Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions for all.**

*16.4 By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime.*

*16.5 Substantially reduce corruption and bribery in all their forms*

*16.6 Develop effective, accountable and transparent institutions at all levels.*

*16.8 Broaden and strengthen the participation of developing countries in the institutions of global governance*

Ensuring a consistent global approach that allows developing countries to adopt internationally recognised minimum standards is an important step in order to fight tax evasion. It should be noted, however, that work on illicit financial flows should be distinguished from measures to prevent tax avoidance, as this is a different phenomenon from criminal activity and requires different measures. These illegal activities should be clearly distinguished from the use of lawful and legitimate methods of tax planning and tax management. The principal aim of country-by-country reporting should be to develop a high-level risk assessment tool to provide tax authorities with a better overview of multinationals’ global activities and taxes paid, while expressly not being the basis of taxation itself.

Building on the work already realized by the OECD workstream on Tax Morale[[26]](#footnote-28), a sustainable tax system can only be achieved if trust is ensured between taxpayers and governments. This can be achieved, notably by addressing the need for greater transparency from governments about how much tax is collected and how it is spent. Greater cooperation between governments and the business community is also needed to achieve a balanced and successful tax system that provides for the effective, accountable and transparent institutions that the SDGs call for.

As an increasing number of tax authorities are revising their tax policies in response to the Global Minimum Tax and additional international standards and policies, it is evident that tax compliance could become more burdensome for business, particularly with increased reporting obligations. It will also result in greater costs for tax administrations at a time when there is great pressure on public funding.

As revenue bodies and businesses work to find their footing in the post-BEPS implementation environment and as the negotiation process for a UN Tax Framework Convention has started[[27]](#footnote-29), co-operative compliance is ever more relevant and could be a powerful tool that is a cost effective and efficient solution for the benefit of both business and tax administrations (alongside other related initiatives such as digitalisation). The OECD first referred to co-operative compliance as “a relationship that favours collaboration over confrontation and is anchored more on mutual trust than on enforceable obligations”[[28]](#footnote-30) and “a relationship with revenue bodies based on co-operation and trust with both parties going beyond their statutory obligations.”[[29]](#footnote-31) Thereafter, the OECD characterized the concept as “transparency in exchange for certainty.”[[30]](#footnote-32)

Figure: Existence of co-operative compliance approaches for different taxpayer segments, 2021

A graph with a red square

Description automatically generated

Percent of administrations that have such approaches

With the need to increase revenue yield and in response to perceptions that large multinationals engage in tax avoidance, some tax administrations have progressively adopted more adversarial approaches. Tax administrations are also under severe cost pressure and as a result they need to become as efficient as possible. Achieving efficiency also relies on responsible business practice by multinational enterprises and playing an appropriate role in the administration of taxes.

In 2019, the OECD and the IMF issued a [joint report on tax certainty](http://www.oecd.org/tax/g20-report-on-tax-certainty.htm) as a response to heightened concern expressed by the G20 leaders about uncertainty in tax matters and its impact on cross-border trade and investment, especially in the context of international taxation. Co-operative compliance could be an effective response to addressing these challenges and plays a key role in achieving tax certainty, which in turn impacts cross-border trade and investment.

The [report](https://www.oecd.org/tax/tax-policy/imf-oecd-2019-progress-report-on-tax-certainty.pdf) highlights that tax certainty for taxpayers is a crucial factor in investment decisions and economic growth. It underscores the importance of co-operative compliance, dispute prevention, and efficient tax administration in achieving tax certainty. Additionally, the report notes that transparency and a cooperative approach to tax compliance can significantly reduce uncertainty, enhance trust, and allow tax administrations to better allocate their resources. Addressing challenges such as digitalization and corruption in tax administrations is also pivotal in maintaining and improving tax certainty, thereby positively influencing cross-border trade and investment.

**Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development**

*17.1 Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.*

*17.7 Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favorable terms, including on concessional and preferential terms, as mutually agreed.*

*17.9 Enhance international support for implementing effective and targeted capacity building in developing countries to support national plans to implement all the Sustainable Development Goals, including through North South, South South and triangular cooperation.*

*17.16 Enhance the Global Partnership for Sustainable Development, complemented by multistakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries*

There is a need to recognise and support existing initiatives aimed at capacity building through international organisations and collaboration between developing countries (e.g*.*, [UN Transfer Pricing Issues in Extractive Industries](http://www.un.org/esa/ffd/wp-content/uploads/2017/02/14STM_CRP9_TP-and-Extractive-Industries.pdf); the [Platform for Collaboration on Tax](http://www.worldbank.org/en/programs/platform-for-tax-collaboration) between UN, OECD, World Bank and IMF; OECD programmes through which businesses undertake to help tax authorities understand their business models).

The SDGs present an important roadmap which could guide policy at domestic, regional and international level, to redirect public and private investment flows to eradicate poverty and promote a more sustainable world for all. As a driver of economic growth and employment and an important source of investment, business has an integral role to play.

While governments have the ultimate responsibility to determine policy at domestic level, collaborative and meaningful action by business is fundamental to achieving the SDGs.

It is in this context that ICC highlights the following considerations for both businesses and governments.

## **Key considerations for businesses and governments**

* Promote sustained, inclusive, and sustainable economic growth in alignment with the United Nations Sustainable Development Goals (SDGs) should be at the core of the international tax policy agenda.
* To achieve this, clear, consistent and transparent international standards of taxation are essential for cross-border trade, business investment, jobs and growth. Furthermore, co-operation is a key consideration to simplify administrative processes that facilitate trade.
* Governments should agree on acceptable forms of tax competition and avoid labelling businesses as aggressive tax planners or tax avoiders when using legislated tax incentives. In return, businesses must adhere to rules and principles agreed upon by and between countries.
* A lack of co-ordination between countries on tax rules (including differences between developing countries and emerging markets on source and residence-based taxation, differing definitions of economic instruments and legal entities, as well as administrative procedures) can lead to double-taxation or unintended double non-taxation.
* The key to balancing local tax legislations while avoiding double-taxation of businesses operating internationally is having effective dispute resolution mechanisms in place.
* Tax must be raised in a way which is fair, reduces inequality and sustains economic growth – tax policies must not impede this.
* Large businesses have gained a critical size that imposes a different treatment than smaller businesses to ensure equity in the tax system. This has already been initiated by the OECD/G20 Inclusive Framework Two-Pillars Reform. Coordination and avoidance of a fragmented tax system is key to ensure tax certainty and clear rules that can be administered and complied with.
* Developing countries often have inadequate infrastructure, social protection and services. Many view the lack of resources from taxation as a constraint to achieving the SDGs. However, tThere is a misconception that development funding could be financed entirely or primarily by “cracking down on the questionable tax practices of multinational enterprises.”[[31]](#footnote-33) The most important source of revenue for funding the SDGs is centred on maintaining sustainable economic growth. Thus, tax policies that encourage growth are required to meet these goals. Tax policies should also be seen in perspective and not as the only solution to funding development. They are only a part of the equation and careful evaluation of their impact in other trade and investment policies’ aims should be undertaken.
* Blind adherence to a push for more taxation is likely to have adverse consequences unless the international community prioritises improving the investment climate and support for better and more effective tax systems, rather than more tax collection.[[32]](#footnote-34)
* In some cases targeted taxes will help specific goals – such as relating to climate change; however the most important aspect is how to increase the overall tax take in developing countries to invest in the SDGs.[[33]](#footnote-35)
* The role of formalizing the informal economy, which would represent an important broadening of the tax base and would create a level
* playing field among businesses, is vital.
* Co-operative compliance could be a powerful tool that is a cost-effective and efficient solution for the benefit of both business and tax administrations. It could also help in enhancing certainty for business, which is an important driver for trade and investment.
* Trust and Tax Morale could be improved through more cooperation between government and the different stakeholders when elaborating tax legislation, ensuring engagement and understanding on the importance of the tax policies adopted.

1. **Conclusion**

The 4th Financing for Development Conference in 2025 represents a key opportunity to assess progress in the implementation of the 2030 Development Agenda.

Effective taxation policy works conjointly with investment policy as a key driver for foreign direct investment and economic growth. International tax rules serve to safeguard the fundamental principles of enhancing cross-border trade, foreign direct investment, and economic growth while allowing economies to retain sovereignty over their tax policy in support of their own social and fiscal policy objectives. Determining the right balance for effective domestic resource mobilisation is essential, particularly for developing countries.

Business is an indispensable partner for governments in implementing the 2030 Development Agenda. Collaboration is key, as all businesses, large and small, governments, civil society, and local authorities need to work together actively and constructively in partnership to achieve the UN SDGs by 2030. This collaborative approach ensures that the diverse perspectives and resources of all stakeholders are harnessed to create sustainable and inclusive economic growth. By working together, we can build resilient economies that are capable of addressing global challenges and fostering a more equitable and prosperous future for all.

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