

INFORMATION NOTE

The Right to Development and Taxation

All States are responsible for mobilising the resources necessary to implement their international obligation to promote, protect, and fulfil human rights. The collection of taxes and allocation of resources is essential to the realization of the right to development and requires efficient and equitable State action. Progressive taxation plays an important redistributive role ensuring the equitable sharing of wealth. Government expenditures funded by taxation are essential to guaranteeing access to basic services for all, including the poor and disadvantaged groups that face discrimination.

However, in a globalized economy, equitable taxation is not merely a matter of domestic concern. Competition for foreign investment can drive States to engage in a “race to the bottom,” competing to offer the lowest taxes and most attractive tax incentives for business. Foreign debt and aid can come with restrictions that limit domestic tax policy space. Transnational corporations can exploit the tax codes in different States in which they operate to engage in tax avoidance and evasion, for example, through transfer mispricing: setting the prices of goods and services that are sold between subsidiaries in different countries in such a way as to shift profits for maximum tax benefit. Today, around \$7.6 trillion of personal wealth is said to be hidden in tax shelters, with a devastating impact on tax revenues, particularly in poorer countries.¹ Developing countries are estimated to be losing at least \$170 billion a year to tax havens.² By failing to address the ways that international differences in taxation can lead to reduced domestic resources for the realization of human rights, and indeed in some cases actively enabling tax avoidance practices by transnational corporations, States also fail to live up to their human rights commitments.

Human rights obligations related to taxation

The 1986 UN Declaration on the Right to Development requires that States formulate national development policies that equitably improve human well-being (Article 2(3)); that they create “national and international conditions favourable to the realization of the right to development” (Article 3(1)); that they ensure that developing countries have the appropriate means and facilities to foster their comprehensive development” (Article 4(2)); and that they are to “fulfil their duties in such a manner as to promote a new international economic order based on sovereign equality, interdependence, mutual interest and co-operation among all States” (Article 3(3)). The collection of adequate tax revenue is essential to ensure that States “undertake...all necessary measures for the realization of the right to development and...ensure, inter alia, equality of opportunity for all in their access to basic resources, education, health services, food, housing, employment and the fair distribution of income,” as required by Article 7(1) of the Declaration.

Under core human rights treaties, States acting individually and collectively, are obligated to mobilize and allocate the maximum available resources for the progressive realization of economic, social and cultural rights, as well as the advancement of civil and political rights. As elaborated in the UN’s Guiding Principles on Extreme Poverty, “States should make certain that adequate resources are raised and used to ensure the realization of the human rights of persons living in poverty. Fiscal policies, including in relation to revenue collection, budget allocations and expenditure, must comply with human rights standards and principles, in particular equality and non-discrimination.”³ In order to eradicate poverty, achieve the Sustainable Development Goals, and fulfil their human rights commitments, States must improve tax cooperation and fulfil their commitments to equitable development finance including those made at the Third International Conference on Financing for Development in Addis Ababa.

¹ <https://www.oxfam.org/en/campaigns/even-it-up>

² <https://www.oxfam.org/en/even-it/inequality-and-poverty-hidden-costs-tax-dodging>

³ Guiding Principles on Extreme Poverty, para. 53.

Making tax systems support equitable development for all

In order to achieve equitable, people-centred development, tax systems must be progressive, transparent, accountable and effective. Tax systems that disproportionately favour taxation of wages and indirect consumption taxes over taxation of capital and direct taxes on property shift the tax burden towards the poor and marginalized, and thus fail to live up to the Declaration's mandate of national and international policies and conditions that are favourable to just and equitable development. Raising the resources needed for the implementation of the 2030 Agenda for Sustainable Development will require international cooperation including support for new and innovative sources of finance (such as financial transaction taxes and carbon taxes) that are additional to traditional ODA, predictable and stable, and distribute global income to reduce inequalities.

International cooperation will also be needed to close tax loopholes, to build collecting capacity in developing countries, and to ensure that each country is able to extract a fair and reasonable tax benefit from the natural resources and productive activity within its borders. The recent strengthening of the Committee of Experts on International Cooperation in Tax Matters agreed in the Addis Ababa Action Agenda represents an important first step toward better cooperation at the international level. However, further action is needed to ensure improved international tax cooperation that promotes equitable and inclusive development for all. States, in their domestic policy, must also ensure that taxation is efficient, just and equitable, and that resources collected through taxation are expended for the fulfilment of human rights. These efforts will be critical for the realization of the right to development and of all human rights.

During the 30th anniversary of the UN Declaration on the Right to Development in 2016, the United Nations Human Rights office (OHCHR) seeks to raise awareness, enhance understanding and promote dialogue on the right to development. More information including the text of the Declaration is available on the OHCHR website:

<http://www.ohchr.org/EN/Issues/Development/Pages/DevelopmentIndex.aspx>

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