

## Finnwatch comment on the Launch event of *Taxation for Development – Finland’s Action Program 2020–2023*

First of all, at Finnwatch, we want to thank the Ministry for Foreign Affairs and the Minister for Development Cooperation and Foreign Trade, Mr. Ville Skinnari, for this very important Programme.

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Taxation for Development Action Programme succeeds in outlining the current problems in the field of tax and development, and in finding meaningful ways to help to tackle these problems.

We are particularly happy to see how the Programme acknowledges the vital role that taxation plays in the realisation of human rights. Without sufficient tax income, states are unable to provide universal access to public services – such as education, health care and social security. In other words, the lack of tax income can endanger a state’s capacity to carry out its primary duty of ensuring the progressive realisation of human rights.

This is why taxation needs to be considered as a fundamental human rights and development policy issue, and this is why we are very delighted to see that taxation is really becoming one of the focus areas in Finnish development policy.

The Programme clearly recognizes the important role that taxation plays in eradicating poverty and reducing economic inequalities, and the Programme’s main goal – to strengthen the taxation capacity of developing countries – is well-deserved and strongly aligned with UN 2030 Agenda for Sustainable Development.

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When it comes to the other two pillars of the Programme, there’s one key concept uniting these two: that is policy coherence for development. Its importance cannot be over-emphasized. Policy coherence simply means that development policy objectives are taken into account in all state actions and policies that are likely to have an impact on developing countries. The aim is to make sure that other policies do not contradict with development policy objectives, and on the other hand, to make sure SDGs are supported by all government policies.

Pillar two seeks to advance policy coherence by requiring higher tax responsibility and transparency from companies supported by development cooperation funding. Pillar three, in turn, acknowledges the need to incorporate developing country perspectives to all international tax policy processes.

The aim of ensuring policy coherence is highly important. However, its scope should not be limited to development fund supported companies and international tax policies only. Many

national tax policies, too, have impacts on developing countries. Further, Agenda 2030 is a universal programme that not only drives us to support developing countries in reaching the SDGs, but also urges us to improve our own national policies. Following this, Finland should take the SDGs, developing country perspectives and development policy objectives into account in all tax policies – both on international and on national level. At the same time, Finland must make sure all tax policies promote human rights and economic equality both internationally and within its own borders.

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The ongoing coronavirus pandemic and its huge economic consequences are further increasing the importance of just tax policies.

OECD recently published a report focusing on Tax and fiscal policy in response to coronavirus crisis<sup>1</sup>. The report stresses the importance of addressing global tax challenges, such as taxation of digital economy, and the need for a global corporate minimum tax. The report also encourages countries to increase their support to developing countries to improve their domestic resource mobilisation and calls for the overall progressivity of the tax systems. This is particularly important in developing countries, as the less-developed tax systems often rely heavily on indirect taxes that are regressive in nature.

These suggested tax reforms would not only boost tax revenue but also help to make the taxation more fair and progressive. Advancing these reforms will require substantial international cooperation. In addition, cooperation between different ministries, especially with Ministry of Finance, is surely required as noted in the Programme.

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We are very much looking forward to see how this advanced and forward-looking tax and development programme will be put into practice in the next years.

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<sup>1</sup> OECD Policy Responses to Coronavirus (COVID-19): Tax and fiscal policy in response to the Coronavirus crisis: Strengthening confidence and resilience, <http://www.oecd.org/coronavirus/policy-responses/tax-and-fiscal-policy-in-response-to-the-coronavirus-crisis-strengthening-confidence-and-resilience-60f640a8/>