



Unitary Taxation System for Multi-National Enterprises

Recently, the United Nations Conference on Trade and Development (UNCTAD's) in its **Trade and Development Report 2019** has recommended for the adoption of a **unitary taxation system** for the Multi-National Enterprises (MNEs).

- The theme of the report was '**Financing a Global Green New Deal**'.
- The report stated that such an approach would simplify the global taxation system and is expected to increase tax revenues for all countries.
- The report took cognizance of the fact that the profits of MNEs are generated collectively at the group level. Hence, unitary taxation should be applied by combining it with a global **minimum effective corporate tax rate** on all MNE profits.
- There was a dire need for this change, as the current international corporate taxation norms consider affiliates of MNEs as independent entities and treat taxable transactions between different entities of MNEs as unrelated.
 - This move facilitates the tax-motivated illicit financial flows.
 - According to the report, the tax-motivated illicit financial flows of MNEs are estimated to deprive developing countries of **\$50 billion to \$200 billion** a year in terms of the fiscal revenues.
- The report also highlights that the fiscal revenues of a country could be augmented through fair taxation of the digital economy. The **rapid digitalization of economic activities** is changing the way how values are created, measured and distributed, adding new challenges to the international tax framework.

United Nations Conference on Trade and Development (UNCTAD)

- UNCTAD is a **permanent intergovernmental body** established by **the United Nations** General Assembly in **1964**.
- Its headquarters are located in **Geneva, Switzerland**.
- It is **part of the UN Secretariat**.
 - It reports to the UN General Assembly and the Economic and Social Council, but UNCTAD has its own membership, leadership, and budget. It is also a part of the United Nations Development Group.
- It supports developing countries to access the benefits of a globalized economy more fairly and effectively. Along with other UN departments and agencies, it also measures the progress made in the Sustainable Development Goals, as set out in Agenda 2030.
- Some of the **reports published by UNCTAD** are:
 - Trade and Development Report
 - World Investment Report
 - Technology and Innovation Report
 - Digital Economy Report

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