Bangkok Global Law
540, Unit 1705, 17th Floor, Mercury Tower,Ploenchit Road,
Lumpini, Pathumwan, Bangkok 10330 Thailand
Tel: +(66) 2 2525895-6 Fax: +(66) 2 2525897
Website: www.bgloballaw.com
E-mail: info@bgloballaw.com

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UN Tax Convention Challenges Where Multinationals Pay Tax

Countries are negotiating a proposed United Nations Framework Convention on International Tax Cooperation that could reshape the rules governing how multinational enterprises are taxed across jurisdictions. The latest negotiating round in New York concluded with further talks scheduled for Nairobi in November 2026, while a final treaty text is currently targeted for 2027. A central issue is whether international tax rules should move away from taxing multinational profits primarily where companies report them and place greater emphasis on where the underlying economic activity, employees and customers that generate those profits are located.

The debate reflects longstanding concerns over profit shifting and the ability of multinational groups to allocate taxable income to low- or no-tax jurisdictions through cross-border structures and intra-group transactions. Research cited in the commentary by Public Services International and the Tax Justice Network estimates that governments could collect substantially more corporate tax if profits were allocated according to where businesses actually operate. The proposed approach is described as a shift from “pay-where-you-say” toward “pay-where-you-play”, with the objective of reconnecting taxing rights to substantive economic activity rather than the jurisdiction in which profits are ultimately booked.

Such an approach would represent a significant departure from the existing international tax architecture, particularly the reliance on transfer pricing to determine the allocation of profits between related entities. Under current rules, multinational groups generally price transactions between associated enterprises by reference to arm’s-length principles. The model advocated in the commentary would instead place greater weight on factors such as employees, sales and operational presence when allocating taxable profits among countries. If reflected in the eventual Convention, this could materially change how multinational groups structure cross-border operations and how taxing rights are divided between source, market and residence jurisdictions.

Transparency is another important element of the negotiations. The commentary argues for stronger country-by-country reporting (CbCR), under which multinational enterprises disclose key financial information separately for each jurisdiction in which they operate. Existing OECD rules already require certain large multinational groups to provide CbCR information confidentially to tax authorities, but access is not uniform across jurisdictions. A global framework providing broader access—or potentially public reporting—could give tax authorities, particularly in lower-income countries, greater visibility over the geographic distribution of revenue, profits, employees and taxes within multinational groups.

From a legal and business perspective, the UN negotiations should be viewed as a potentially important development in the continuing shift toward taxation based on economic substance and greater cross-border transparency. The final Convention has not yet been agreed, and the eventual allocation rules and reporting obligations will depend on the negotiating process. Nevertheless, multinational groups should monitor whether the Convention moves toward a more formula-based allocation of profits and expanded CbCR requirements, as either development could affect transfer pricing policies, holding and financing structures, tax risk management and the allocation of taxable profits across jurisdictions. For countries such as Thailand that participate extensively in multinational supply chains, any eventual change in international taxing rights could also influence both tax administration and investment structuring.

Should you have any question, please do not hesitate to contact us via info@bgloballaw.com