The Multilateral Convention to Prevent BEPS as an Instrument for Reducing Fiscal Inequality: a comparative analysis supported by the 2030 Agenda

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This research addresses the issue of tax inequality, aggravated by the misuse of tax rulings that enable multinational enterprises and corporate groups to shift profits and reduce their tax burden.
The study compares the positions taken by five jurisdictions—Luxembourg, Ireland, Belgium, the Netherlands, and the United Kingdom—when signing the Multilateral Instrument (MLI). These countries were investigated by the European Commission for using tax rulings that may qualify as state aid, encourage harmful tax practices, and distort market competition.
The study aims to assess the effectiveness of the MLI in curbing such practices and advancing tax justice, particularly in line with Sustainable Development Goal (SDG) 10.4 of the United Nations 2030 Agenda.

Research Question

"Can the structural flexibility of the MLI undermine or support international tax justice?"

Objetives

To assess the limitations and potential of the MLI as a mechanism for addressing inequalities, in light of its alignment with the commitments undertaken by States under the 2030 Agenda, particularly Target 10.4, which calls for the adoption of fiscal policies aimed at reducing inequality.

Methodology

Mixed-method approach combining documentary analysis of OECD reports, EC documents and decisions, EU court decisions, and comparative case studies of Luxembourg, Ireland, Belgium, the Netherlands, and the United Kingdom.

Hypotheses

The MLI represents progress in combating harmful tax practices that contribute to inequality.
The MLI's flexible structure, in itself, does not prevent the issuance of tax rulings that provide selective tax benefits to taxpayers or categories of taxpayers, thereby posing a barrier to the reduction of inequality as advocated by the 2030 Agenda.
Revising the MLI flexible structure may be a necessary condition for aligning the instrument with the redistributive aims of global taxation.

Theoretical Framework

This research is based in economic theories of inequality and legal principles of tax justice, drawing on the work of Sen, Piketty, and Stiglitz to highlight the role of taxation in addressing disparities in access, income, and opportunity. From a legal standpoint, scholars such as Pires, Dourado, de la Feria, and Rothenburg examine the balance between tax sovereignty, fiscal equality, and the governance of tax benefits. Additional contributions from Burges, Huesecken, Cobham, and others explore the implications of tax rulings, harmful tax practices, and multilateral cooperation. Together, these perspectives form an interdisciplinary framework for evaluating the MLI's effectiveness in promoting the reduction of inequalities and tax justice.

Structure and Expected Contributions

Part A: Theoretical Foundation

- **Chapter 1:** From Economic Development to Sustainable Development - UN 2030 Agenda: the Convergence of Tax Policy and SDGs
- **Chapter 2:** Tax Rulings, Tax Benefits, and Harmful Tax Practices: assessing their Impact on Reducing Inequality
- **Chapter 3:** Tax Rulings in the Context of BEPS: Confronting Harmful Fiscal Practices and Inequality

Part B: Documentary Analysis

- **Chapter 4:** A comparative analysis of the positions adopted by selected jurisdictions upon joining the MLI and the impact of the instrument on the use of tax rulings
- **Chapter 5:** Evaluation of the Proposed Objectives and Hypotheses Based on the Findings of the Document Analysis

Expected Contributions

- Providing empirical evidence on the impact of the MLI on tax rulings
- Identifying weaknesses in the current multilateral tax framework
- Offering policy recommendations to enhance fair and just taxation

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