

October 7, 2021

The Hon. Chrystia Freeland, PC, MP  
Deputy Prime Minister and Minister of Finance  
House of Commons  
Ottawa, Ontario  
K1A 0A6



Dear Minister:

**Subject: G20 Discussions on International Taxation**

Congratulations on your reelection and being reappointed to the positions of Deputy Prime Minister and Minister of Finance.

I am writing on behalf of the National Union of Public and General Employees (NUPGE) regarding the proposed Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy that will be discussed at G20 meetings this month. While the discussions have the potential to be a significant step towards greater tax fairness, there are concerns that what is being proposed is so weak that it will result in a lost opportunity to deal with the problem of many multinational corporations being able to dodge paying what they should in taxes.

These potential weaknesses include the fact that the global minimum tax under Pillar Two could be as low as 15%. A 15% rate will do little to end the race to the bottom in corporate tax rates that has deprived governments around the world of the revenue they need to meet the needs of their residents.

A serious problem with Pillar One is that, based on what has been proposed, it will only apply to a very a small number of multinationals. To make matters worse, that there has been no fundamental reform of transfer pricing rules means that most profits will be exempt from the provisions of Pillar One. Because of these issues, it has been estimated that Pillar One will only increase global corporate tax revenues by between 0.2% and 0.5%.

Adding to the problem with both proposals is that they will disadvantage many developing economies. That may leave Canada better off in the short-term, but as the COVID-19 pandemic has shown, when governments in other countries don't have the financial resources they need, we will be affected. There is no benefit to a formula that assists countries like Canada if it means many of the world's countries aren't collecting the taxes they need to reduce emissions causing climate change or to deal with outbreaks of deadly diseases.



Around the world, corporate tax dodging is undermining the ability of governments to provide the services people need. It also contributes to the problems of income inequality and the growing concentration of wealth.

The majority of NUPGE's 390,000 members work in the public sector. Like other public sector workers around the world, our members see the impact of the corporate tax dodging that has been made possible by weak international rules. While wealth is concentrated in fewer and fewer hands, our members are expected to deliver services without the resources they need.

This is not sustainable. For this reason, I would strongly urge you to support the following measures to strengthen the Two-Pillar Solution:

- A global minimum tax rate of 25%, corresponding to the average effective rate in OECD countries.
- The safeguarding of tax sovereignty when it comes to increasing revenues through measures like excess profits taxes.
- Permitting the withholding of taxes to be set at a sufficiently high level to reduce any negative impact on developing economies.

I would also urge you to support public access to key data from country-by-country reporting. As with the public registry of beneficial owners of companies that you committed to earlier, shining a light on tax arrangements is essential for both tax fairness and public confidence in the tax system.

I look forward to your response on this matter and hope to see Canada playing a leading role in the push to make international tax rules fairer. I would also welcome the opportunity to meet with you and your office to discuss these issues.

Sincerely,

A handwritten signature in black ink, appearing to be 'LB' with a stylized flourish.

Larry Brown  
President

cc: Bert Blundon, NUPGE Secretary-Treasurer  
National Executive Board