STATEMENT

# STRENGTHENING SOCIAL PROTECTION FINANCING THROUGH TAX JUSTICE

## On behalf of the Global Coalition for Social Protection Floors - GCSPF

The Global Coalition for Social Protection Floors (GCSPF) welcomes the attention given to the human right to social protection in the outcome document of the Fourth International Conference on Financing for Development (the Sevilla Commitment) and the Doha Political Declaration of the "Second World Summit for Social Development" (WSSD2). However, for these commitments to be more than mere rhetoric, they must be backed by sustainable and equitable financing. As governments pledged to integrate social protection into their medium-term country plans and increase coverage, the international community must address the structural barriers in the global financial and tax architecture that currently hinder these efforts.

**Tax systems and policies** are not merely technical fiscal tools for generating revenue. They are foundational to the core objectives of social protection itself: for the management of risks over the life course, preventing poverty, and reducing inequality. As the analysis by Hujo/McCoy/Nelson (2025) shows, tax systems serve five distinct functions that **are directly relevant to social protection outcomes**:

- **Revenue:** Public revenue is the foundation for providing public services, including universal social protection. Fragmented systems relying on private revenue (e.g. competing private health insurance providers) fail to ensure optimal risk-sharing across society.
- **Redistribution:** Tax systems can directly reduce socioeconomic inequalities, leading to greater well-being and less social exclusion.
- **Representation:** Governments that rely more heavily on direct taxes tend to have stronger political representation, higher quality of governance and more social spending.
- **Repricing:** "Sin taxes" on harmful substances (e.g. alcohol and sugar) and climate-related taxes can steer consumption to reduce climate, environmental and health risks, thereby indirectly supporting the objectives of social protection.

- **Regulation:** Tax systems play an indirect role in enabling the regulation of markets, e.g. financial markets or labour markets, helping curb harmful behaviour by economic actors.

**Tax revenue in many low-income countries (LICs) remains persistently low — often below 15% of GDP.** Tax avoidance and evasion by multinational corporations and high-net-worth individuals (HNWI) cause serious harm to jurisdictions seeking to build progressive fiscal systems. Transfer pricing and profit shifting fuel a "race to the bottom" in tax competition and erode tax sovereignty. It is estimated that the global revenue loss for 2024 reached US$492 billion: US$347 billion lost to corporate tax abuse and US$145 billion to offshore wealth in tax havens (Tax Justice Network 2024).

The consequences for social protection are severe: tax abuse by global multinational corporations causes revenue losses equivalent to 45% of health expenditure in Latin America and 53% in Africa (Tax Justice Network 2025). In South Africa alone, the annual tax loss could fund direct cash transfers sufficient to lift over 3 million people out of poverty. These dynamics deprive states of the resources needed to realize human rights — including the right to social security — and systematically undermine national social protection floors.

**The GCSPF emphasizes the importance of progressive tax-transfer systems.** Regressive tax systems that rely heavily on indirect taxes undermine poverty reduction by placing a disproportionate burden for financing the common good on those with the least resources. They also disproportionately burden women, who tend to have lower incomes and have to spend a higher share of their earnings on consumption.

**The impact of tax-transfer systems on poverty and inequality is highly heterogeneous and, in some cases, counter-productive.** In several countries, including India, Ghana, and Colombia, indirect taxes and regressive subsidies are making the poor even poorer. In Latin America, fiscal policies in 9 out of 18 countries actually increase poverty, primarily due to high consumption taxes on basic goods (Lustig et al. 2025). Roughly two-thirds of countries in Sub-Saharan Africa apply simplified or presumptive tax regimes to the informal sector, many of which are highly regressive (WB 2024). Post-pandemic austerity measures have frequently compounded these regressive dynamics. There is a concerning trend whereby governments increase consumption taxes, burdening the poor rather than increasing tax rates on multinational corporations and high-net-worth individuals (HNWI) — a choice that is both inequitable and economically counterproductive (IMF 2026).

Well-founded proposals for structural reform towards tax justice are already on the table. The negotiations on the United Nations Framework Convention on International Tax Cooperation represent a critical window of opportunity to create a supportive environment to securing the domestic resources necessary to realize the right to social security everywhere, particularly in the Global South. While the Sevilla Commitment signalled a willingness to engage, the international community must now move beyond diplomatic gestures towards binding structural changes.

# OUR CALL FOR ACTION

## To National Governments:

- **Raise Tax Revenue Progressively:** Adequate social protection cannot be financed without sufficient and fairly collected public revenue. This requires appropriate tax rates, progressive taxation, effective collection and action to prevent revenue losses caused by tax evasion and avoidance.
- **Strengthen Progressivity of the Tax System:** Reduce the burden of consumption taxes on basic goods while increasing it for luxury goods. Shift the tax burden away from low-income earners, including among workers in the informal economy, towards progressive income tax, direct taxes on corporate profits and dividends, inheritance taxes and wealth taxes. Ensure that tax-transfer systems reduce poverty and inequality.
- **Strengthen Social Security Contributions:** Increase coverage of social insurance programmes — including for the informal sector — and ensure employer compliance. Link social security contributions to governance structures that give workers and employers a strong voice in national social dialogue
- **Introduce Progressive Environmental Taxation and Phase Out Fossil Fuel Subsidies:** Progressive environmental taxes can reduce climate and health hazards while generating revenue for social protection. Fossil fuel subsidies, by contrast, create perverse incentives and are highly regressive — only 8 cents of every dollar spent reaches the bottom 20% of households (IMF 2025). These resources should be redirected towards rights-based social protection systems.
- **Use Increased Fiscal Space to Realize the Right to Social Security:** Move towards universal and rights-based social protection programmes that provide comprehensive risk management for all residents over the life course. In contexts of austerity, social spending — including social protection, health, education and housing — must be protected and prioritized, also over military expenditure. Inequality and injustice are drivers of conflict; social protection contributes to social cohesion and stability.
- **Design Gender-Just Fiscal Policies:** Tax and social spending policies are powerful instruments for fostering gender equality. Women are more likely to work in unpaid or part-time jobs, earn less, face higher prices for gender-specific essential goods (“pink tax”), and spend a higher share of their income on consumption. Gender-sensitive fiscal policies must take these disparities into account, design the tax and transfer systems accordingly and close protection gaps in areas such as pensions, maternity protection and care.

## To the International Community:

- **Commit to a Meaningful UN Framework Convention:** Ensure the UN Framework Convention includes a guiding principle that commits governments to mobilize public funds, reduce fiscal inequalities and advance access to human rights — including health, education, housing, social protection and care. Social protection must be treated not as a discretionary expense but as a core state function supported by the tax system.
- **Ensure Fair Taxing Rights over Global Profits:** Taxing rights over global profits should be allocated based on where economic activity actually takes place — accounting for employment, assets and sales (PSI/NUTJ 2026; Loretz 2025). Implementing such rules through a Global Minimum Tax combined with Unitary Taxation could generate an additional **US$700 billion annually**, of which an estimated US$200 billion would flow to countries in the Global South.
- **Promote Taxation of HNWI and Billionaires:** The Convention must provide a framework for taxing extreme concentrations of wealth. A global minimum tax on billionaires equivalent to 2% of their wealth could generate **US$200–250 billion per year** from approximately 3,000 taxpayers; extending the tax to centimillionaires would add a further US$100–140 billion (Zucman 2024).
- **Implement a Financial Transaction Tax (FTT):** A tax on stock, bond, currency, and derivative trades can reduce excessive financial speculation, lower market volatility, increase revenues for social investment, and reorient financial flows towards productive activities and job creation — reclaiming part of the wealth generated in speculative markets and channelling it back into societies (ITUC 2025).
- **Ensure Transparency and Information Exchange:** The effectiveness of any reform depends on robust transparency mechanisms regarding financial flows, including public country-by-country reporting, global asset registries and automatic information exchange. Several OECD countries show significant resistance to changing rules on information exchange. We call on these states to prioritize global equity over the protection of fiscal structures that facilitate tax avoidance.
- **Support Strengthening of Tax Systems in Low-Income Countries (LICs):** Deepen international coordination and cooperation to support LICs in strengthening their fiscal systems and protecting their tax sovereignty against aggressive tax avoidance and illicit financial flows.

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