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Economic and Financial Affairs Council



**REGULATING DIGITAL FINANCE AND TAXATION IN AN INCREASINGLY
DIGITALIZED ECONOMY**

-Committee Guide-

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I.INTRODUCTION

1. Introduction to the Committee

The Economic and Financial Committee (ECOFIN), also known as the Second Committee of the United Nations General Assembly, is responsible for addressing global economic, financial, and development-related issues. It plays a vital role in promoting international economic cooperation, sustainable development, poverty eradication, and financial stability among nations. ECOFIN discusses a wide range of topics including macroeconomic policy, globalization, financing for development, climate financing, and the implementation of Sustainable Development Goals (SDGs). Through debates, resolutions, and international collaboration, the committee works to strengthen economic growth, reduce inequalities, and improve living standards worldwide. During its sessions, representatives from Member States, international organizations, and experts come together to evaluate global economic challenges and propose solutions that encourage inclusive and sustainable development for all countries.

2.Introduction to the topic

The rapid growth of digital finance and online economic activity has transformed the global economy, creating new opportunities for innovation, trade, and financial inclusion. However, the increasing digitalization of economies has also raised major challenges regarding regulation, taxation, cybersecurity, and financial stability. Digital financial services such as cryptocurrencies, mobile banking, and online payment platforms often operate across borders, making it difficult for governments to establish clear legal frameworks and ensure accountability.

At the same time, multinational digital corporations generate significant profits in countries where they may pay little or no taxes, creating concerns over tax avoidance, unfair competition, and loss of public revenue. This weakens governments' ability to fund essential public services and widens economic inequalities, particularly in developing countries.

To address these issues, effective international cooperation and regulations are necessary. Measures such as establishing global digital tax standards, strengthening the oversight of digital financial systems, improving cybersecurity protections, and promoting transparency in cross-border transactions are essential for creating a fair and stable digital economy. Encouraging innovation while ensuring consumer protection and fair economic competition remain key challenges for policymakers worldwide. Advancing effective regulation of digital finance and taxation aligns with ECOFIN's mission to promote international economic cooperation, sustainable development, and inclusive global growth in an increasingly interconnected world.

II.FACTS AND CURRENT SITUATION

1.Facts

- More than 5.4 billion people worldwide use the internet, making digital economic activity one of the fastest-growing sectors of the global economy.

- Global digital payments are expected to exceed trillions of US dollars annually due to the growth of mobile banking, e-commerce, and online financial services.
- Cryptocurrencies such as Bitcoin and Ethereum have created decentralized financial systems that operate outside traditional banking structures.
- According to the OECD, multinational digital corporations are able to shift profits to low-tax jurisdictions, causing governments to lose billions of dollars in tax revenue every year.
- Developing countries are often more affected by digital tax avoidance because they rely heavily on corporate taxation to fund public services and infrastructure.
- Cybercrime and financial fraud have increased significantly with the expansion of digital financial systems, creating major security concerns for governments and consumers.
- Financial technology (FinTech) companies have improved financial inclusion by giving millions of unbanked people access to digital banking and mobile payment services.
- Central Bank Digital Currencies (CBDCs) are currently being researched or developed by many countries, including China, the European Union, and India.

2.Current situation

The international community is currently facing major challenges in regulating the rapidly expanding digital economy. While digital finance has increased innovation and global connectivity, governments are struggling to keep legal and taxation systems up to date with technological developments.

One of the most important recent developments is the OECD/G20 global tax agreement, which aims to establish a minimum global corporate tax rate of 15% for multinational companies. The agreement seeks to reduce profit shifting and ensure that digital corporations pay taxes in countries where they generate revenue. However, implementation remains difficult because countries have different economic interests and tax systems.

At the same time, cryptocurrencies and decentralized finance (DeFi) continue to expand rapidly. Some governments support innovation in digital assets, while others fear financial instability, tax evasion, money laundering, and illegal transactions. Countries such as China have imposed strict restrictions on cryptocurrencies, whereas the European Union and the United States are focusing on stronger regulation and transparency measures.

Cybersecurity has also become a growing concern. Digital financial systems are increasingly targeted by hackers, ransomware attacks, and online fraud schemes. This creates risks not only for individuals but also for national economies and financial stability.

Another important issue is the digital divide between developed and developing countries. Many developing nations still lack a sufficient digital infrastructure, internet access, and regulatory capacity. As a result, they often struggle to fully benefit from the digital economy while remaining vulnerable to exploitation by multinational corporations.

International organizations such as the IMF, OECD, World Bank, and the United Nations continue to call for stronger international cooperation, fair taxation systems, consumer protection, and regulations that balance innovation with economic security.

III. DEFINITION OF KEY TERMS

- **Digital Finance:** Financial services that use digital technologies, including online banking, mobile payments, cryptocurrencies, and financial technology platforms.
- **Cryptocurrency:** A decentralized digital currency that uses blockchain technology to secure transactions, such as Bitcoin or Ethereum.
- **FinTech (Financial Technology):** Innovative technologies used to improve and automate financial services.
- **Digital Taxation:** Tax policies designed to ensure that digital companies pay taxes in countries where they generate profits.
- **Cybersecurity:** Measures used to protect digital systems, networks, and financial data from cyberattacks and unauthorized access.
- **Tax Avoidance:** The use of legal methods to reduce tax payments, often by shifting profits to low-tax countries.
- **Central Bank Digital Currency (CBDC):** A digital form of a country's official currency issued and controlled by its central bank.
- **Money Laundering:** The process of hiding illegally obtained money through financial systems to make it appear legal.

IV.MAJOR PARTIES INVOLVED

North America:

The United States plays a major role in shaping global policies on digital finance and taxation due to the presence of large multinational technology companies such as Google, Amazon, and Meta. The U.S. generally supports innovation and market-driven growth but has faced international pressure to support fairer global taxation systems for digital corporations. It also focuses heavily on cybersecurity, cryptocurrency regulation, and financial transparency.

Canada has supported international cooperation on digital taxation and financial regulation while promoting secure digital banking systems and consumer protection laws. Canada works closely with international organizations to address tax avoidance and strengthen oversight of financial technologies (FinTech).

Europe:

The European Union has become one of the strongest advocates for regulating digital markets and introducing fair digital taxation policies. The EU has proposed digital services taxes and stricter rules for technology companies regarding competition, privacy, and data protection.

Countries such as France and Germany strongly support international agreements that ensure multinational digital companies pay taxes in countries where they generate profits. The EU also leads efforts in cryptocurrency regulation through frameworks designed to reduce financial crimes and increase transparency in digital transactions.

Asia:

The People's Republic of China has rapidly expanded its digital economy through mobile payments, e-commerce, and digital banking platforms. At the same time, China has introduced strict government regulations on financial technology companies and cryptocurrencies to maintain financial stability and state oversight.

India has emerged as a major digital economy through initiatives such as digital payment systems and online financial inclusion programs. India strongly supports fair taxation of multinational tech companies and has implemented its own equalization levy on foreign digital services.

Countries like Singapore and Japan focus on balancing innovation with strong cybersecurity protections and international financial cooperation.

Africa:

Many African nations are rapidly adopting digital finance, particularly mobile banking and digital payment systems. Kenya is internationally recognized for the

success of mobile payment platforms that have expanded financial inclusion for millions of people. However, concerns remain regarding cybersecurity risks, weak regulatory systems, and unequal access to digital infrastructure.

Nigeria has become one of Africa's largest digital economies and cryptocurrency markets, leading the government to introduce regulations for digital assets and online financial services. African countries continue to advocate for fair global tax systems that allow developing economies to benefit more equally from digital trade and multinational technology companies.

Latin America:

Countries such as Brazil, Mexico, and Argentina are increasingly focusing on digital taxation policies and the regulation of online financial systems. Governments in the region seek to prevent tax evasion by multinational digital corporations while encouraging economic modernization and digital inclusion.

Several Latin American countries are also exploring central bank digital currencies and stronger regulations for cryptocurrencies in response to growing public use of digital financial platforms. Regional cooperation has become important in addressing cross-border digital trade, cybercrime, and taxation challenges.

V.EVALUATION OF PREVIOUS ATTEMPTS

In recent years, governments and international organizations have taken steps to regulate digital finance and improve taxation in the digital economy. Organizations such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) have promoted global cooperation on digital taxation and financial regulation. Many countries have introduced digital taxes on multinational technology companies and stronger rules for cryptocurrencies and online financial services.

However, these efforts have faced challenges due to differences in national laws, weak enforcement, and rapid technological change. Large corporations still use tax loopholes, while unregulated digital finance increases risks of cybercrime, fraud, and financial instability. These issues highlight the need for stronger international cooperation and updated regulatory systems.

VI.POSSIBLE SOLUTIONS

Countries should work together to create fair international digital tax rules so multinational companies pay taxes where they earn profits. Governments should also strengthen regulations on cryptocurrencies and digital financial platforms through better transparency and anti-money laundering measures.

Improving cybersecurity and consumer protection laws is important to protect users from fraud and online financial crimes. Supporting developing countries with digital infrastructure and financial technology can also help reduce global inequality. Finally,

cooperation between governments, international organizations, and technology companies is necessary to build a secure, fair, and sustainable digital economy.

VII.USEFUL LINKS

- <https://unctad.org/publication/digital-trade-development?utm>
- <https://www.imf.org/en/Topics/fiscal-policies/RevenuePortal/TaxPolicy?>
- <https://www.un.org/en/ga/second/index.shtml>
- <https://www.oecd-ilibrary.org/en/topics/sub-issues/international-standards-on-tax-transparency/tax-transparency-resource-centre.html?>

VII.STATISTICS



<https://www.marketsandmarkets.com/Market-Reports/digital-payment-market-209834053.html>



<https://www.databridgemarketresearch.com/reports/global-financial-statement-fraud-market?srsId=AfmBOoqKzsrSinZSC64MGdN6W0VXCbEDj7cu1pAwz1Y65YzKL7JRnB1F>