ICRICT
Independent Commission for the Reform of International Corporate Taxation

PRESS RELEASE

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ICRICT: the OECD has not delivered. The world needs an answer now, not further delays

In the fallout from the 2008 financial crisis, the Organisation for Economic Cooperation and Development (OECD) was tasked in 2013 with stopping global corporations from shifting profits to tax havens and ending the race to the bottom in corporate tax rates. Seven years later, as the world suffers the consequences of the worst recession in nine decades**, the OECD has not delivered**, as demonstrated by its latest announcement.

The **misplaced sense that national interest is served by protecting multinationals has prevailed** over genuine, global public interest with the result that multinationals continue to dodge taxes that could help pay for public expenditure to support health, incomes and employment.

The current proposals have not obtained agreement, **despite having sacrificed all ambition and simplicity** in the search for support of the dominant OECD member countries. And the process is unlikely to succeed as long as it continues to promote only marginal reform and excludes most countries from real equal participation, while allowing a few to protect 'their' multinationals at the expense of public services and economic recovery everywhere.

What is needed is an **inclusive process, global leadership and proposals** for fundamental reform in the public – rather than corporate - interest.

ICRICT has proposed a set of comprehensive and fundamental reforms that incorporate principles of efficiency and fairness.

In the midst of a pandemic, countries cannot afford to wait**. Governments should move unilaterally to introduce interim measures** to ensure that profitable companies, in particular those in the tech sector, can contribute to a just recovery. Such unilateral measures can bring effective pressure to bear on the international community for genuinely fair, international tax reforms. It can also support greater revenue raising for as long as wider reforms are blocked by leading OECD members.

Quotes of ICRICT commissioners (please feel free to use them):

José Antonio Ocampo, Professor at Columbia University and ICRICT Chair:

“The OECD's announcement is bad news for multilateralism. It is time for powerful countries to consider global interest rather than protecting their own multinationals to deliver ambitious and comprehensive reforms. But if global reforms are hard to come by, it is time for countries to move unilaterally or at regional level to introduce interim measures. This will both deliver desperately needed resources now and create the necessary pressure to force change"

Joseph Stiglitz, Professor at Columbia University and ICRICT commissioner:

“The proposals at the OECD are simply not adequate, they really represent the capture of this agenda by the multinational corporations and the countries that are closely allied with those multinational corporations. The old system of taxation is not fit for purpose. We have to shift to a formulaic principle where you allocate profits in proportion to sales, employment, capital stock.

Eva Joly, ex-Member of the European Parliament, ICRICT commissioner:

“It is a terrible disappointment that in these Coronavirus times, with the States needing so desperately to get more tax revenues, the OECD has once more only the interests of the multinational companies in focus. We expected the OECD to come forward with a minimum taxation rate to stop the endless race to the bottom.

From now on, we know that the only hope for citizens are in the European Union. The reform is ready to be able to tax in a more equal way the multinational companies, adopted by the parliament, but blocked in Council due to the unanimity rule. Ursula von Leyden has promised she will use the art 116 of the treaty to get out of the unanimity rule and take the reform to a majority vote. She will do so, now that the OECD has failed”

Jayati Ghosh, former Professor of economics at Jawaharlal Nehru University and ICRICT commissioner:

“Developing countries are facing existential threats from the health pandemic and climate change. Thus far, the global community has failed to enable governments in these countries to undertake the required increases in public spending. The most recent—and major—failure is of minimal international tax cooperation to ensure that multinationals pay their fair share of taxes, without shifting profits to low tax jurisdictions.

The OECD process offered only marginal changes, but now even those have not been delivered. If the majority of the world’s population is not to suffer untold damage because of inadequate public spending in the face of such huge challenges, governments must now take action on their own and form coalitions that push through changes that introduce unitary taxation based on shares of sales/users and employment in different countries”.

Irene Ovonju-Odida is a member of the South Centre Tax steering committee and ICRICT commissioner:

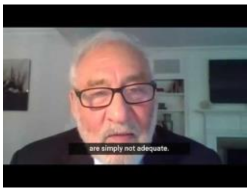
> "New rules should equitably reflect and account for the labor, natural resources, infrastructure and consumption developing countries contribute to profit margins of multinational corporations, much of which is lost through illicit financial flows. It is time for developing countries to require evidence, based on data, of the projected impact of the OECD proposals under BEPS 2.0 on their domestic revenues.
>
> Ultimately, the UN is the only truly inclusive legitimate negotiating forum for developing countries to achieve fair rules on new taxing rights based on where economic activities that add value take place".

Léonce Ndikumana, Director of the African Development Policy Program at the University of Massachusetts Amherst and ICRICT commissioner:

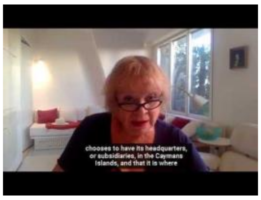
> "The announcements of the OECD, which promotes the interests of multinationals over those of the most disadvantaged populations, leave no doubt: African countries can no longer wait. They must begin to introduce unilateral measures, such as to require the digital giants, that have been at the forefront of tax avoidance, to pay their fair share of taxes. Ironically, digital multinationals have been the big winners from the pandemic."

Videos of ICRICT commissioners (please feel free to use them):

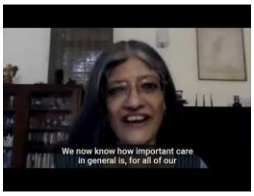
The proposals of the OECD are not adequate. They represent the capture of this agenda by the multinational corporations, says **Joseph Stiglitz**, Professor at Columbia University and ICRICT Commissioner. Watch him here.



All States must discipline their own multinationals, and behave as collectors of last resort, explains **Eva Joly**, former member of the European Parliament and ICRICT commissioner (in French, subtitled). Watch her here.



Developing countries have to increase their tax revenues. We also need a multicolored global new deal, says **Jayati Ghosh**, former Professor at Nehru University and ICRICT commissioner. Watch her here.



Thomas Piketty, Professor at Paris School of Economics and ICRICT commissioner reminds that somebody will have to pay the bill of the Coronavirus crisis. Watch him here.

KEY FIGURES:

- Globally, tax avoidance diverts 40% of foreign profits to tax havens, according to ICRICT commissioner Gabriel Zucman. You can explore the world map to see how much profit and tax revenue your country loses (or attracts) here.
- IMF's Fiscal Affairs Department estimates annual total corporate tax losses associated with profit shifting at more than $500bn, with $400bn for OECD member states and around $200bn for developing countries per annum.
- Africa is losing nearly $89bn a year in illicit financial flows equivalent to 3,7% of the continent's GDP, amounting to more than it receives in development aid, a new United Nation study shows.
- American multinationals alone have been estimated to cause the EU to lose nearly 25 billion euros in corporate taxes annually.
- Illicit financial activity has already, and is expected to, increase during the COVID-19 crisis, with developing countries set to suffer the most from the instability and shifted attention.
- Developing countries rely relatively more on corporate tax income as a source of government revenues. Corporate tax represents 15% of total tax revenues in Africa and in Latin America, compared to 9% in OECD countries.
- Because of the pandemic, global tax revenues will probably fall in an even in a stronger way than the 11.5% decline they experienced from 2007 to 2009.

Read our latest report, "The global pandemic, sustainable economic recovery and international taxation".

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ABOUT ICRICT:
The Independent Commission for the Reform of International Corporate Taxation (ICRICT) aims to promote the international corporate tax reform debate through a wider and more inclusive discussion of international tax rules than is possible through any other existing forum; to consider reforms from a perspective of public interest rather than national advantage; and to seek fair, effective and sustainable tax solutions for development.