

Tax Justice Network's call for unitary taxation in the ...

Published: January 12, 2026, 10:18 pm

My Tax Justice Network colleagues Nick Shaxson and Sol Picciotto [are in the FT this morning](#). Their argument is a simple one. They say:

It is time for a new approach to international tax.

I think few would argue, although few also put it as clearly as they do that:

The international tax system in effect provides vast subsidies for multinationals, helping them outcompete local rivals on a factor — tax — that has nothing to do with economic productivity. They free-ride on tax-funded benefits — roads, educated workforces, reliable courts — provided by the countries where they do business, while others pay for those benefits. This distortion is inefficient and unproductive, and corrupts the very fabric of markets.

And, as they say:

The world's tax rules have not kept pace with profound changes in the global economy.

Again few would disagree. Unfortunately though, although such statements are obviously true, and it is clear that the existing OECD sponsored method for taxing international companies is intellectually bankrupt and is actually help bankrupt countries, the obvious alternative they promote has yet to receive enough attention:

Fortunately, a far better system is available: unitary tax. Instead of taxing multinationals according to the legal forms that their tax advisers conjure up, they are taxed according to the genuine economic substance of what they do and where they do it. Each company submits to the tax authorities of each country where it does business a “combined report” providing consolidated accounts for the whole global group, ignoring all internal transfers. The report specifies the group's physical assets, workforce and sales and the overall profits are then divided up among jurisdictions according to a formula weighing these three factors. This system would benefit everyone, particularly developing countries.

Tax experts have long argued that this approach is better. It is proved, too: most US states already use it successfully for state taxes. The EU's proposal for a [common consolidated corporate tax base](#) goes a long way towards this, though its geographical focus should be expanded to require a worldwide combined report. It is possible to move towards unitary taxation without widespread international co-ordination, though that would certainly help.

This is the only way forward. The alternative, is not. They note:

George Osborne, the UK chancellor of the exchequer, and his German counterpart Wolfgang Schäuble have said they will engage with the OECD to tackle the problems in international tax. If the initiative ends up merely tinkering with the "arm's-length" method, they will fail. Citizens should demand a new and serious approach.

I agree.