

The OECD is planning real action on tax avoidance by mu...

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The OECD is [publishing a new report this morning](#) on what it calls Base Erosion and Profit Shifting, but which in plan language is corporate tax avoidance.

I was not optimistic about this report which is intended for the G20, and which can be seen as the preamble to another report for the G8 in June, but on this occasion I was wrong. The OECD has bitten the bullet and has accepted that major tax reform is essential, unilaterally maybe and multilaterally essentially, if the problem of tackling tax avoidance is to be addressed.

A few quotes give a flavour of the report:

What is at stake is the integrity of the corporate income tax

And:

A lack of response would further undermine competition, as some businesses, such as those which operate cross-border and have access to sophisticated tax expertise, may profit from BEPS opportunities and therefore have unintended competitive advantages compared with enterprises that operate mostly at the domestic level

These are arguments I and other tax justice campaigners have long made, but now they are being accepted by the OECD.

In summary it says:

*In addition to a clear need for increased transparency on effective tax rates of MNEs, **key pressure areas include** those related to:*

- International mismatches in entity and instrument characterisation** including hybrid mismatch arrangements and arbitrage;
- Application of treaty concepts to profits derived from the delivery of digital goods and services;**

- **The tax treatment of related party debt-financing, captive insurance and other inter-group financial transactions;**
- **Transfer pricing**, in particular in relation to the shifting of risks and intangibles, the artificial splitting of ownership of assets between legal entities within a group, and transactions between such entities that would rarely take place between independents;
- **The effectiveness of anti-avoidance measures**, in particular GAARs, CFC regimes, thin capitalisation rules and rules to prevent tax treaty abuse; and
- **The availability of harmful preferential regimes.**

It's not quite the document I'd have written, of course. But it is a very welcome step in the right direction. I look forward to the G8 with more optimism as a result.