Funding the Future

Why's the world of tax changing? At least in part due t...

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I think the new OECD report on tax avoidance, out today, provides some very clear evidence that tax campaigning has worked. As Chapter 1 says:

There is a growing perception that governments lose substantial corporate tax revenue because of planning aimed at shifting profits in ways that erode the taxable base to locations where they are subject to a more favourable tax treatment Recent news stories such as Bloomberg's "The Great Corporate Tax Dodge", the New York Times' "But Nobody Pays That", The Times' "Secrets of Tax Avoiders" and the Guardian's "Tax Gap" are only some examples of the increased attention mainstream media has been paying to corporate tax affairs Civil society and non-governmental organisations (NGOs) have also been vocal in this respect, sometimes addressing very complex tax issues in a simplistic manner and pointing fingers at transfer pricing rules based on the arm's length principle as the cause of these problems

This increased attention and the inherent challenge of dealing comprehensively with such a complex subject has encouraged a perception that the domestic and international rules on the taxation of cross-border profits are now broken and that taxes are only paid by the naive Multinational enterprises (MNEs) are being accused of dodging taxes worldwide, and in particular in developing countries, where tax revenue is critical to foster long- term development.

I can live with the little dig. Those newspaper reports would not have happened without civil society creating the environment in which they happened. If the result of that work is that tax is going to change we're making progress. And I think the OECD knows it too.

In 2004 Jeffrey Owens, then head of the OECD's tax department, told the FT that in 10 years tax campaigning would be where the environment was then. I leave it to others decide if we have succeeded as he predicted, but we've certainly effected change.