

The FT regrets

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The FT's editorial on the OECD's Base Erosion and Profits Shifting report, published today, is interesting. [It says \(in part\):](#)

The best outcome would be an international agreement on how to link tax bases to real economic activity and limit the creation of brass-plate subsidiaries whose sole purpose is to locate the most profitable parts of businesses in low-tax jurisdictions or in no jurisdiction at all. But a global deal is a tall order and the OECD sets aside such radical reform in favour of a more incremental approach.

Absolutely right. As the Tax Justice Network, I and others have argued, the real need is for fundamental reform, and the FT has clearly accepted that only unitary taxation can really solve this problem. The OECD has, however, ducked that issue. The result, as the FT says is that:

It remains to be seen whether states can rise to the challenge and act together under the OECD's aegis. They need to amend ill-designed national rules and bilateral treaties whose aim of no double taxation has had the effect of double no-taxation. Without such action, the risk is that they will act unilaterally to the detriment of global trade. The report is a start but there is much work to do.

Again, spot on. The worry is, will they do it? [With the UK dedicated to tax competition](#) does the will to reform really exist? Or will, as the FT fears, the free-riders win?