The OECD has conceded that the tax justice argument is ...

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The OECD has, in its Base Erosion and Profits Shifting (BEPS) report published today accepted that international tax competition when exploited by multinational corporations causes harm. As it says:

As the economy became more globally integrated, so did corporations Multi-national enterprises (MNE) now represent a large proportion of global GDP Also, intra-firm trade represents a growing proportion of overall trade Globalisation has resulted in a shift from country-specific operating models to global models based on matrix management organisations and integrated supply chains that centralise several functions at a regional or global level Moreover, the growing importance of the service component of the economy, and of digital products that often can be delivered over the Internet, has made it much easier for businesses to locate many productive activities in geographic locations that are distant from the physical location of their customers These developments have been exacerbated by the increasing sophistication of tax planners in identifying and exploiting the legal arbitrage opportunities and the boundaries of acceptable tax planning, thus providing MNEs with more confidence in taking aggressive tax positions

These developments have opened up opportunities for MNEs to greatly minimise their tax burden This has led to a tense situation in which citizens have become more sensitive to tax fairness issues It has become a critical issue for all parties:

- ***Governments are harmed.*** Many governments have to cope with less revenue and a higher cost to ensure compliance Moreover, Base Erosion and Profit Shifting (BEPS) undermines the integrity of the tax system, as the public, the press and some taxpayers deem reported low corporate taxes to be unfair In developing countries, the lack of tax revenue leads to critical under-funding of public investment that could help promote economic growth Overall resource allocation, affected by tax-motivated behaviour, is not optimal

- ***Individual taxpayers are harmed*** When tax rules permit businesses to reduce their tax burden by shifting their income away from jurisdictions where income producing activities are conducted, other taxpayers in that jurisdiction bear a greater share of the burden

- ***Businesses are harmed*** MNEs may face significant reputational risk if their effective tax rate is viewed as being too low At the same time, different businesses may assess such risk differently, and failing to take advantage of legal opportunities to reduce an enterprise’s tax burden can put it at a competitive disadvantage Similarly, corporations that operate only in domestic markets, including family-owned businesses or new innovative companies, have difficulty competing with MNEs that have the ability to shift their profits across borders to avoid or reduce tax Fair competition is harmed by the distortions induced by BEPS.

I do, of course welcome this, and agree. Much of this is exactly what I and the Tax Justice Network and others have been saying for a decade. It is good to see it all now being acknowledged when for so long the OECD, amongst others, was in denial about it.

There is no doubt we have won this argument.

The trouble is we now need to win the war about what to do about it. And that's going to be at least as hard.