

Avoiding Davos

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A year ago David Cameron did something that, to be candid, few of us involved with tax justice expected. When addressing the World Economic Forum at Davos he [said](#):

We want to use the G8 to drive a more serious debate on tax evasion and tax avoidance. This is an issue whose time has come. After years of abuse people across the planet are rightly calling for more action, and most importantly there is gathering political will to actually do something about it. [T]here are some forms of avoidance that have become so aggressive that I think it is right to say these raise ethical issues, and it is time to call for more responsibility and for governments to act accordingly.

The rollercoaster that became the G8 and G20 programmes to tackle tax abuse by multinational corporations had begun. It was exciting to witness, and it felt like change was happening, but the real question a year on is whether or not anything is really happening.

I have just undertaken a review of this issue for Kofi Annan's Africa Progress Panel that will be published soon, but I can share the depressing conclusion now. As Larry Elliott has [noted in the Guardian](#), there is no indication that tax avoidance is on the agenda at this year's Davos meeting. The excuse is that the work was all done in 2013 and that now it is time for the OECD to deliver the programme of reform that has been agreed upon. And the trouble is, they don't appear to be doing so.

I will take an example with which I have been closely involved, which is the demand for country-by-country reporting. This is the new form of accounting that would require a multinational company to publish a profit and loss account for each and every country in which it operates. What this would reveal, very obviously, is just who is, and who is not using tax havens. It would also show who is recording disproportionate profits in those places, or not.

The benefits of country-by-country reporting are obvious to three groups. The first, of course, is tax inspectors who want to identify which companies they want to tackle to recover the maximum amount of tax owing at lowest cost. There is no way they can

identify these as easily as country-by-country reporting would allow right now. As a result every country, bar tax havens, would win as a result of having country-by-country reporting. I genuinely believe that most politicians thought they would get these gains if they demanded country-by-country reporting — as the G8 did.

So too would investors in these companies benefit. After all, many investors, including most pension funds, are decidedly risk averse. They don't want to have their money in companies taking big tax risks in dodgy places. Country-by-country reporting would let them avoid doing so. Right now they have no way of being sure who is doing what. The result would be that anyone relying on a private pension might have a more secure future as a result of country-by-country reporting.

And we'd all win too, of course, because we're tax payers who want to pay our fair share, but no more, and right now business is making us pay a lot more than we have to because they're not paying as they should.

So, what has happened? The G8 called quiet explicitly for country-by-country reporting for tax purposes and the G20 endorsed that call. But, if you go to what is called the Base Erosion and Profits Gifting Action Plan that the Organisation for Economic Cooperation and Development has produced to guide its work for the G8 and G20 in this area you'll find something quite extraordinary. Country-by-country reporting is not mentioned, at all in that [plan](#).

I had to explain recently to one of the leading journalists in this area that the response to this demand was actually hidden in Action Plan 13 on what is called 'transfer pricing documentation'. And far from there being a plan for the full set of accounts that country-by-country reporting demands just the sales, labour cost, profit and tax paid figures may be disclosed, and then only to tax authorities, and not to the public.

So the OECD watered down their response to the G8 demand before they even got to work. And in November, when this matter was discussed at an OECD meeting in Paris at which I was present you could literally feel the weight of business lobbying against the remaining limited plan for providing information on sales, labour costs, profits and taxes paid. Two of the biggest firms of accountants actually described it as dangerous to supply this information to tax authorities because they could not be trusted with it.

The fight back is on: big business is trying to turn back the clock on 2013 and make sure it can continue to abuse at will, ensuring that it will continue to massively underpay its taxes. And worryingly this is not just at Davos, this is happening in the heart of the OECD who is supposedly making sure that the promised reforms happen.

We should be worried. And civil society should not rest on its laurels. Getting tax justice onto the agenda was one thing. Actually achieving it may be something that is much harder to secure.

Note: this blog [first appeared today on the Class Thinktank website](#)