The inevitable backlash against tax reform has begun. I...

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It was almost inevitable that at some time big business, with its ability to command almost untold sums in lobbying budgets, would fight back against the moves to implement international tax reform. The Guardian notes that this trend is underway this morning, in two separate articles.

The first is by Larry Elliott, who has a pre-Davos price in which he notes:

Davos debates income inequality but still invites tax avoiders

He sets this in a context, that Davos attendees think inequality is the biggest issue for the next decade. Tax avoidance has, of course, been a major factor in increasing inequality and yet as Larry notes:

[Davos] could make life more uncomfortable for [its] guests by naming and shaming the aggressive tax avoiders, declining to invite them to[its] annual talkfest. This, though, would leave many empty rooms in Davos.

Instead, companies such as Google (UK 2012 turnover: £3bn; UK profits: £900m; corporation tax: £11.6m) can pretend they are good global citizens.

As Larry concludes:

Memo to self: things to pack for Davos this year — boots, woolly hat, gloves, sick bag.

I think he has a point, but not as strong as the one another friend and colleague, Prof Sol Picciotto, has to make in the same paper when discussing the response of many of the world's digital companies to the OECD's enquiry into ways in which the taxation of the digital economy can be transformed. As the Guardian notes:

The Digital Economy Group, a lobbying group dominated by the leading US digital firms, has written to the OECD, the Paris-based thinktank tasked by G20 leaders with drawing up reforms, saying it is not true that communications advances have allowed multinational groups to game national tax systems.

Suggesting that any leakage of tax revenues flowing from the complex corporate structures of digital groups is merely coincidental, the Digital Economy Group says: "Enterprises that employ digital communications models do not organise their business operations differently as a legal or tax matter."

Sol Picciotto, a Lancaster University law professor, said the DEG's stance was hard to sustain. "I don't think you could fairly say that they don't organise their business differently [to secure tax advantages] ... I don't think it's true ... It's rubbish."

I suspect Sol was being very polite. My off the record comments would have been much more robust. I'll settle for similar on the record language. It should be noted that the Digital Economy Group is widely believed to include Google. In that context it's easy to understand why Sol has been robust.

In fact many of the submissions to the OECD are pretty much a combined exercise in denial of reality. Sol wrote the submission for the BEPS Monitoring Group of which Tax Research UK is a member. It was, unfortunately, the only civil society submission: we simply don't have the resources of big business.

The Digital Economy Group submission is a classic in demanding that the status quo that suits them so well be maintained. Indeed their conclusion is:

We believe that enterprises operating long-standing business models, subject to established international tax rules, should not become subject to altered rules on the basis that they have adopted more efficient means of operation.

I can only presume that efficiency in this context relates to that in not paying tax.

Deloitte, predictably, followed a not dissimilar argument, saying:

Digital businesses and models continue to evolve with advances in technology, and it is essential that there be flexibility in taxation (and regulatory) models to accommodate changes. In particular, it remains important that the digital economy is allowed to continue to flourish and, through its growth, provide benefits to the global economy.

Note that word 'flexible': ever the opening for abuse.

The Irish Consultative Committee of Accounting Bodies was in straight heads in sand approach:

We suggest that a useful and pragmatic resolution of any of the ambiguities associated with the taxation of digital economy enterprises lies in the provision of guidance and consistent application of existing taxing rights principles, rather than a restructuring of the legal principles underpinning them.

Central to such guidance and application is the recognition that in reality, there is no *such thing as “international tax”. Taxes are paid to the competent authority of a National Government of a State by reference to the amounts which are subject to the taxing rights of that State, and levied at the rates charged by the State. Taxing rights are, in the vast majority of the developed countries, governed by the bilateral Double Tax Conventions and the majority of such Conventions are derived from the OECD model.*

You can almost see the two fingers that sent that missive on its way, coupled with the tacit smirk that accompanied the implicit statement that the OECD got us into this mess, how dare it try to get us out of it.

The fight back is real. It will be on-going. There is just one problem with it: it's based on myth and misrepresentation But it remains the job of a few in civil society to point that out. Sol Picciotto is, right now, at the forefront of that task.