

## Oxfam says it's time for international tax reform

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Oxfam [issued a new report which I do not have time to report when published on Friday](#), but its relevance has not faded because of a 48 hour delay. Entitled '[Business Among Friends: Why corporate tax dodgers are not yet losing sleep over global tax reform](#)' the report is by Claire Godfrey based in part on work by my friend Alex Cobham working with Petr Jansky.

The essence of the report is a sentiment with which I can wholeheartedly agree, which is that the OECD's BEPS process is failing the world's developing countries. I have not a shadow of a doubt that it is. The report's recommendations, which Cobham and Jansky's econometric modelling suggests if implemented could more than double the tax yield of developing nations, are excellent and the best thing I can do is reproduce them here:

*The broken system that allows MNCs to escape their tax obligations, particularly in poorer countries, can no longer be ignored. It denies governments the vital revenues that are rightfully theirs to spend on essential services and on fulfilling human rights obligations to their citizens. Establishing a progressive tax system in which MNCs pay their fair share is essential to enable governments worldwide to reduce inequality. In the G20 Finance Ministers Communiqué, world leaders committed to 'engage with, and support low-income and developing countries so that they benefit from our work on tax'. This commitment now needs to be translated into actions.*

*The G20/OECD BEPS project presents a unique opportunity to overhaul international corporate tax rules to deliver more equitable returns for all countries and companies. Currently, however, there is a huge risk that any proposed revisions to the rules will only serve the interests of wealthier and more powerful countries. This opportunity is too rare and important to be squandered. The process must allow sufficient time for the full and meaningful involvement of non-OECD/G20 countries to achieve a more level playing field.*

*The final goal is to deliver ambitious international tax reforms, where profit shifting will no longer be made possible and profits will be taxed where the substance of economic activity takes place, so that countries' tax base is no longer eroded.*

**Within the OECD Action Plan on BEPS, G20 and OECD members should:**

- \* Open up negotiations to reform tax rules, so that all countries can participate in the decision making process on an equal footing;**
- \* Promote worldwide tax transparency by requiring MNCs to make country-by-country reports publicly available for each country in which they operate, including a breakdown of their employees, physical assets, sales, profits, and taxes (due and paid), so that there can be an accurate assessment of whether they are paying their fair share of taxes;**
- \* Address other key issues that contribute to tax base erosion and hit developing countries hardest, such as harmful tax competition, changes to the allocation of tax rights (source vs residence principle), and taxation of extractive industries.**

**As part of the G20 Presidency programme, G20 countries should:**

- \* Request that the OECD report to be delivered in September 2014 to the G20 Development Working Group (on the impact of BEPS in developing countries) be made public and be considered within BEPS negotiations;**
- \* Agree a programme to support the integration of developing countries to build effective tax systems and better co-ordinate the work between the 'Finance Track' (the G20's co-ordination process for all financial and economic issues, composed of all G20 Finance Ministers and Central Bank Governors) and the Development Working Group of the G20;**
- \* Work with the IMF, World Bank, UN, African Tax Administration Forum, Inter-American Center of Tax Administrations, and other relevant bodies to develop a coherent plan to help developing countries strengthen their fiscal administrations in order to tackle base erosion and profit shifting in the future;**
- \* Implement a multilateral system for exchanging tax information on an automatic basis, which would include developing countries from the start with non-reciprocal commitments (i.e. no obligation to send information until they have established the capacity to do so).**

**Launch a more comprehensive international tax reform**

- \* All countries should** promote a proposal to establish a WTA to ensure tax systems deliver for the public interests of all countries. A WTA could independently follow global tax developments and gather statistics; be a forum for discussion on international issues related to tax policy; tackle tax competition by setting common minimum tax rates to prevent a 'race to the bottom' on corporate taxation; exert peer pressure on

countries/jurisdictions that enable companies to be free riders; and develop best practices and codes of conduct on tax-related issues.

\* **The WB and IMF should** host a joint agencies' meeting to reanimate the 2010 G20 Seoul initiative that led to the joint agencies' recommendations on supporting the development of more effective tax systems, and agree on a plan to help developing countries build effective tax systems that will lead to better global governance of international taxation.

\* **The IMF should** conduct research on possible alternatives to the OECD's Arm's Length Principle, such as unitary taxation, and their impact on base erosion and profit shifting in developing countries.

\* **All governments, but developed country governments in particular, should** give financial support to the UN Tax Committee to facilitate innovative discussions on topics including changes to the allocation taxation rights of companies, and explore alternatives to the Arm's Length Principle.

\* **All governments and tax policy-making bodies** should introduce and abide by a code of conduct that ensures that businesses and accountancy firms, and their personnel, avoid any conflicts of interests when being paid or hired by decision makers to 'provide intelligence and innovation', and ensure that commercial interests do not take precedence over the interests of the public.

The [full report is available here.](#)