

# A tax agenda for 2015 and beyond - the vision

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I have been asked several times by people from at least four countries this week, so far, what I see the agenda for tax to be now that the end of the BEPS discussion process is in sight and the Millennium Development Goals are to be replaced, all taking into consideration the revelations of Luxleaks and similar leaks relating to personal information.

The issues split between the practical and the visionary. The practical are about embedding the progress made to date; the visionary about continuing the process of change because I do not see that as complete as yet. Let me offer some insights into both, starting with the visionary.

First, wealth taxation is now on the agenda, whether that be literally wealth taxes, or inheritance taxes, capital gains taxes, land value taxes or transaction taxes levied on assets used for investment purposes. Piketty is part of the reason for this of course, but by no means the sole one. The reality is that these taxes have been largely inoperable to date because of the difficulty in tracing wealth if hidden offshore. If more than 90 states take part in information exchange soon then this tracing problem is going to reduce, if not disappear. Wealth taxation is now possible and in a world where the impact of inequality is beginning to be understood it is going to happen. This may be the biggest single shift in taxation to come.

Second, tax gaps are going to become much more important. They exist, of course, but countries are very largely in denial about them. It suits tax authorities to deny that scale of the problems they face because without a tax gap measure it is hard to assess the effectiveness of a tax authority. This is going to change. Tax revenues will remain in short supply and the need to collect what is due will grow. Tax gap measurement will become more common and I hope it will be encouraged by both the EU and OECD. More study on methodology will be required, but top down approaches have to be favoured. The impact of this on tax debate will be significant.

Third, the shift on tax will move from tax avoidance and the international arena to tax evasion and the domestic agenda. There is an obvious reason for this: this is where the

big losses are. I am certain that in most economies seventy five percent of all tax losses are likely to be from domestic evasion. The issue cannot continue to be given low priority for ever, and yet has been to date.

Internationally, despite the progress BEPS will deliver (and the process will not be in vain, although all the hoped for promise will, inevitably, not be fulfilled) problems will remain for three reasons. The first is that the arm's length transfer pricing process remains flawed. The second is that inadequate and incompatible accounting data permitted and even encouraged by International Financial Reporting Standards and its relationship with a hotchpotch of local generally accepted accounting principles around the world will continue to allow accounting arbitrage of tax rules around the world even if tax rules begin to be harmonised. Third, the accountants will exploit this fact and there is far too little understanding of the implications of tax on accounting revenues at present. I think this is, then an issue requiring attention in a very big way. I predict significant interest in Tax Reporting Standards that seek to overcome these issues and ensure that the start point for all tax computations - which is the figure for profit before tax in the accounts - has some consistency in it.

Fifth, there will be a change in philosophy on international tax. Tax competition is going to begin like what it is, and that is tax war. States are going to realise that this is a route to madness - mutually assured destruction. Tax cooperation is going to replace tax competition over time, and public sentiment will demand it as it is appreciated that tax competition has been promoted by those who seek to exploit it to avoid tax due.

Sixth, and, for the moment and a little arbitrarily, last on this list, public pressure on this issue will begin to shift from corporations to the state. The scandal has been abuse by major companies, but there has been progress on that issue and there will be more. Tax avoidance will not stop, but it will be curtailed and the inevitable introduction of country-by-country reporting into the public domain (it is inevitable: I suspect within five years, at most) will help contain this issue still further. But, as that awareness grows and yet austerity remains an issue and awareness of the tax gap increases then the focus of public anger will become the lack of resources to collect tax owing. The demand for resources for tax authorities, who are now being denied them, will grow, significantly. People will realise that cuts in tax authority staff are causing real harm to society and will question why they are happening. With that will come three other things: the demand for automatic information exchange from domestic banks to domestic tax authorities on trading activity to curb tax cheating; a demand for greater domestic transparency such as proper regulation of companies with all accounts on public record, which we are denied now, as well as registers of beneficial ownership for companies and trusts that are properly policed, and lastly, proper political oversight of tax authorities, which is where my belief in the need for an Office for Tax Responsibility comes into play.

So that's the high level stuff. What about the more pragmatic responses that need working on? In the interests of keeping this to blog length that will be the subject of a

separate post, soon.