

New global tax rules just a sticking plaster

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The [All Party Parliamentary Group on Responsible Taxation](#) (of which I am formal supporter) issued the following press release this morning. I have a lot of sympathy with it:

New international rules to tackle global tax avoidance will not work properly until tax secrecy is swept away, a report released by the All Party Parliamentary Group (APPG) on Responsible Tax has found.

The failure to introduce full transparency into the tax system, MPs say, means that the Organisation for Economic Co-operation and Development's (OECD) action plan for tackling profit shifting (BEPS) has fallen short of creating the fair global system needed to combat global tax avoidance.

The report raises concerns that the OECD recommendations simply patch up existing rules and are not sustainable for a tax system struggling to keep up with both digitalisation and globalisation. The report calls for a fundamental review of the way in which global companies are taxed.

The APPG on Responsible Tax has said that the OECD recommendations could bring new and greater complexities to the international tax system that could lead to the emergence of new loopholes.

Dame Margaret Hodge MP, chair of the APPG on Responsible Tax said:

The OECD has done well to build consensus but the proposals are likely to fail to meet the challenge of tackling global tax avoidance.

We need to open up the affairs of global companies to public account if we are to clean up the widespread abuse that pervades so many international businesses. Only when we know who owns what, where the assets are owned, where the money is earned and what tax has been paid, can we have confidence in the fairness and integrity of the tax system.

The new rules add to an already complicated tax system. Corporations, aided by an army of advisors, banks and lawyers, can exploit these rules to avoid paying tax where value is genuinely created. This, could further undermine public trust in the tax system.

The report is critical of the role of the UK government which has been a 'difficult friend' of the process, leading on the OECD's work in public while undermining the effectiveness of the same proposals behind the scenes.

Mrs Hodge said:

The government has been facing both ways. While publicly proclaiming their determination to tackle global tax avoidance, they have been encouraging these practices by changes they have made to the UK tax system and by refusing privately to agree to some key OECD proposals. Their unwillingness to get tough on our Overseas Territories and Crown Dependencies, home to a number of tax havens, by forcing them to introduce public registers of beneficial ownership is frustrating.

The new prime minister must put an end to tax secrecy. The UK Government should take a leading role and introduce public country-by-country reporting. The UK Government should use the law to end the secrecy that encompasses tax havens. The Government should work internationally to create rules that are sustainable and that ensure tax is properly paid where value is actually added.