

The OECD does a tax deal and it is time for tax justice...

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In another [post this morning](#) I made the comment that in many areas there are purists who think that there are perfect outcomes to the issues that they address. I added that in the real world of political economy where much broader matters are taken into account this is not necessarily true. There you welcome progress despite there being big reservations attached to it as a step forward, nonetheless. I take that progress because in political economy we know that purism is not always closely related to achieving real world success, and that is what I want.

The comment applies just as much to [yesterday's global tax agreement](#) as it does to Rishi Sunak's green bonds. The global tax agreement is significant.

The OECD got sign on from 130 countries. Ireland, Hungary and a few others held out, but their consent is not required.

The minimum tax rate of 15% is too low.

The fact that too much revenue goes to developed countries is regrettable.

The carve outs are not good. Banks and financial services will be exempt from the deal to keep the UK happy, as are oil and extractive industries and multinationals with turnover under \$20bn and profit margin under 10%. That means many companies will avoid this charge. And the charge is, anyway, on too little profit.

So why celebrate the deal? Three reasons.

First, it happened. That is big progress.

Second, it is definitely better than no deal. That is good.

Third, because the deal is obviously not good enough there will have to be another round. That's the way that these things work.

I worked with the OECD as a tax justice campaigner from 2004 until 2017, since when I

rather hoped others might take on that role. John Christensen and I had a decision to make when creating the Tax Justice Network. We could either be in the OECD tent, with a voice and a credible presence, or we could be outside it, yelling and screaming and getting nowhere fast. We chose to be in it, much more than this blog ever recorded. Such things are best done quietly. The result was massive advance in the civil society tax agenda. And I agree, we have still not got all we wanted.

But, all we wanted was not in the gift of the OECD. It is a member organisation. Those members have interests opposed to tax justice in a great many cases. It is hardly surprising that not everything is won. That is the way of the world when negotiating.

But, to then say, as I see some doing, that the OECD is the problem when it comes to tax and needs to be replaced by the UN is naive, in the extreme. First, that is not going to happen because the UN does not have the ability to do this. Second, nor does it have the desire to do this. Third, it is made up of the same countries. The same opposition would arise at the UN, with developed countries still dominating the show. To think otherwise is absurd.

But worse, those in civil society now saying that the time has come to reject the OECD process just guarantee that they will not be at the table next time this issue is considered. They will fail their constituent interests as a result.

But then, maybe they already are. With one more iteration, frankly international tax will be as good as it gets. Not perfect, of course. But as good as it gets. And the tax haven issue as far as multinational corporations are concerned is becoming a non-issue; they know the risk of going there now. The behavioural change is under way, whether or not the OECD deal is good enough, or not.

Now it is also time for tax justice to move on. The need is for more tax transparency, better tax accounting, including by governments, and for vastly improved investment in domestic tax systems, which is where most developing countries lose most of their revenues despite the claims of current tax justice campaigners.

It is time too to develop new demands, for better wealth taxation, financial transaction taxes, and for the elimination of the allowances that so favour wealth and big business. The campaign for general anti-avoidance principles and ethical codes of conduct for tax advisers also need promotion. The concentration on corporate tax alone is now going to deliver deeply declining returns, even if there is another round to go.

Yesterday's deal was not all I wanted. It is riddled with issues still to negotiate. But in reality it may have been the best available, and I have long learned that the OECD team do want tax justice or they would not take the risks that they do.

The challenge now is for the tax justice movement to recognise this, to show it has the clout to still be at the negotiating table (which is at the OECD doubt, I know) and to

show that they are now capable of innovating, which has not been their forte of late. That is what the political economy of this demands. Are they up to it? Developing countries need them to be so. I admit I only live in hope on this one. I think the jury is out right now.