

It's time to celebrate a global tax deal, and then to...

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The OECD's new global tax deal has been ratified by the G20, to no great surprise to anyone.

There is almost universal condemnation of this deal amongst tax justice groups. I think they are wrong in their assessment of it. It's important to say what it does in that case.

There are, in effect, two parts. In one part a global 15% minimum corporation tax rate is set. This is appraised on a country-by-country level. If the parent country jurisdiction of a multinational company then notes that the group that parent company controls pays less than 15% tax in any country it can then ask for and collect the difference. The aim is to discourage the use of tax havens. This part only applies to groups with sales in excess of €750 billion.

The second part applies to only the top 100 or so companies in the world, and excludes banks (which is a shame). Here, if they make profit margins of more than 10% then part of the excess profit is available for redistribution to the places where the group makes sales rather than the place where it chooses to record its profits. The aim is to target tech companies, on the whole (although pharmaceutical companies could also be in the firing line, but Amazon definitely is not), and to stop the myriad of different measures being taken around the world to try to collect some local revenues from companies like Google, Facebook and Twitter.

I welcome these moves for a number of reasons, and congratulate the OECD on delivering them. First, they treat groups as a whole for the first time in such deals, and not as a collection of individual companies. That is very good news, as so much of the abuse we have seen has resulted from game playing the claim that the individual companies in a group had to be taxed individually.

Second, this is a direct assault on tax havens. Even Ireland was in the end drawn in, albeit that some concessions were made.

Third, this introduces a formula apportionment method of allocating profits within

multinational companies for the first time. That has to be good news, and will be the direction for future travel.

Then there are the disappointments, and there are some of them too. The first is that the 15% rate is too low. Biden wanted 21% at first. Now it is just 15% and that is not high enough. But it is obviously better than the zero available in many tax havens. If the aim is to disincentivise the use of those places this will likely work because the gain from doing so is now much reduced, but only for the largest companies.

Second, very obviously the size of company to be addressed could have been smaller. The limit has been chosen to coincide with that where country-by-country reporting for tax purposes is required. The OECD should, however, note that their version of country-by-country reporting is really not up to the job of appraising data for the purpose of this agreement, so work needs to be done there. I hope that in the future both the size of the company covered gets smaller and the accounting improves.

Third, the OECD has to do more to help developing countries. There is no doubt about that, but to assume that this deal is the only way to do that is naive, at best. There are many ways in which they require help with which the OECD could assist. Help could include:

- Training tax inspectors, which is a joint initiative between the OECD and UN in which John Christensen, formerly of TIN, is heavily involved;
- Improving tax transparency in many countries so that the willingness to pay tax is improved, as are tax administrations. This is now my focus;
- Undertaking tax spillover analyses in countries to work out the low hanging fruit that require reform too make systems better. These seem so obvious that their roll out should be done as soon as possible;
- Introducing better taxes on the wealthy in many countries as income and wealth distributions are so heavily skewed in many;
- Assisting with climate related tax reforms, which are essential;
- Making the VAT that applies in many countries a lot fairer and developing better indirect tax systems that are genuinely progressive;
- Delivering the data that these countries require on multinational corporations on a more timely basis;
- Exploring alternative tax bases in these countries - most especially when they are exploited for raw materials.

The impact of moves like these would be much larger than corporate tax reform might be now, important as they are.

This is why I am so disappointed by the reaction of so many tax justice organisations to this deal. I am aware that the Tax Justice Network, Eurodad, the Global Alliance for Tax Justice and others are now calling for the negotiation of deals like this to move to the UN. Their claim is that this will make them fair for developing countries. It would seem that they have not noticed that:

- A) This deal only happened because the US finally backed it;
- B) The UN does not have the resources and experience to negotiate any tax deal like this;
- C) The same 136 countries would have signed a UN tax deal as have signed this one,

and the reality of the power relationships between them that dictated the outcome of this deal would not have changed whoever negotiated it.

As a result these tax justice organisations now want to spend years ignoring tax issues and instead campaign on where tax reform should be negotiated without any consequent gain ever being likely to arise. I hope their funders take note. More, I hope that their funders look to where their money might be better used.

The need for tax justice goes on, as strongly as ever. Today is one to celebrate an achievement, to note what the OECD has achieved, and to then reflect on what next.

What next is not to start dismantling the OECD so that the expertise to deliver global tax deals is lost. That's playing straight into the hands of the populist far-right who would have no such deals at all. It's quite worrying that so-called tax justice campaigners now seem to be in the same camp as them. What next is to set out the required agenda for reforms that are now much more broadly based, and on many more issues than just corporation tax.

The tax justice movements may want to alienate the OECD. I look forward to working with them on what can be done because only one of those options will really help developing countries, and I am certain which one it is.