

## What is the Tax Justice Network playing at by demanding...

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I noted the concerns I have [with the credibility of the calculations](#) within the Tax Justice Network's [State of Tax Justice report for 2021](#) yesterday.

Unfortunately, it is not just the figures that Tax Justice Network is not good at these days. Their logic is also awry. Take this from page 42 of their report, referring to the loss they suggest arises from personal tax abuse using offshore locations:

### Results

The State of Tax Justice 2021 reports that the world is losing US\$171 billion in tax a year to offshore wealth tax evasion related to financial wealth alone.

In absolute terms, higher income countries lose far more tax revenue to offshore tax evasion (over US\$168 billion lost a year) than lower income countries (over US\$2 billion lost a year). But higher income countries also bear almost all of the responsibility. Higher income countries are responsible for over 99 per cent of all tax lost around the world in a year to offshore wealth tax evasion. Lower income countries are responsible for less than 1 per cent.

### OECD countries are responsible for most of the global tax losses to offshore wealth

The Tax Justice Network's Financial Secrecy Index 2020, a ranking of countries' complicity in global financial secrecy, assessed OECD countries and their dependencies to be responsible for enabling 49 per cent of the world's financial secrecy risks. But the State of Tax Justice 2021 reports that OECD countries and their dependencies are responsible for an overwhelming 92 per cent of the US\$171 billion the world loses to offshore wealth tax evasion every year – just over US\$157 billion a year.

As with corporate tax abuse, many OECD members lose out. The UK, Netherlands, Luxembourg and Switzerland are again collectively responsible for the bulk of the harm here. And as with corporate tax abuse, the gains are not well shared by their citizens – so almost everyone could be made better off by eliminating offshore evasion.

Let's just summarise this. High-income countries aligned to the Organisation for Economic Cooperation and Development suffer 98% of the losses to offshore tax evasion, and developing countries just 2%. Those higher-income countries are responsible for 99% of the losses and the OECD states within that grouping create 92% of that loss. Developing countries create 1% of the losses. Or to put it even more straightforwardly, around 98% to 99% of this problem is associated with and suffered by the OECD and 1% to 2% is related to developing countries.

Despite that what the Tax Justice Network is saying is that the OECD cannot be trusted to solve this problem and the task must be handed to the United Nations - which has almost no capacity or experience in this area - so that they can solve the problem for developing countries which the Tax Justice Network suggests is insignificant compared to that in developed countries. They say:

The third recommendation accompanies these immediate national measures with a global, architectural shift. The OECD continues to be responsible for setting international tax rules, despite growing momentum for a shift to the United Nations. The analysis here shows that OECD member countries and their dependent territories are responsible for 78.3 per cent of the losses suffered by countries around the world due to both forms of cross-border tax abuse, costing countries over US\$378 billion in lost tax every year.

The majority of the blame among OECD countries falls on a handful of extreme offenders, while many other OECD members themselves lose the largest amounts in absolute terms. But lower income countries continue to lose the largest share of their current tax revenues, and of their public health budgets. We all suffer - so change is urgently needed. Rather than hoping against hope that the OECD could deliver change when its imbalanced membership includes the greatest opponents, governments should begin negotiations on a **UN Framework Convention on Tax**, to establish a transparent and globally inclusive alternative.

I have to confess that I am really struggling to see what the logic of this is when on the basis of its own data tax abuse of the type they refer to with regard to personal taxation is not a developing country issue, although I suspect that [if they used my version of the data](#) they might find better evidence for their claim.

So why are the Tax Justice Network demanding UN involvement in an issue where that appears to make little sense, not least because the UN has not got the capacity to be involved and their own data shows that change in this area cannot be a tax justice priority? And why did they use this rather odd argument to work so hard to undermine the latest OECD tax deal when the actual evidence suggests that the OECD is delivering on this issue\*? I genuinely don't know the answer. When their own evidence suggests that they are pursuing an answer to a problem that is insignificant in scale when it comes to developing countries and it is known that the answer that they are proposing cannot solve the problem that they are claiming to address I have to question what they are doing.

I am, of course, willing to give the Tax Justice Network a right of reply.

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\* And for the record I do know the OECD deal was corporation tax focussed, and was not great for developing countries - but I am referring to personal tax here and they are still proposoig. a UN solution.