PRESS RELEASE

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G20/OECD Inclusive Framework tax deal: a missed opportunity

The agreement announced at the OECD Inclusive Framework on Base Erosion and Profit Shifting is a another lost opportunity to put an end to tax avoidance by multinationals and and generate revenues worldwide to support governments in their fight against the pandemic and the recovery post COVID. The world is at a crossroads and the time to act to ensure all countries have sufficient resources to pay for public goods and to create a more resilient economy post-COVID is now.

ICRICT considers that a comprehensive reform would see ALL multinationals' worldwide profits taxed in line with their real activities in each country - that is, by allocating global corporate profits of multinationals to different countries on a formulaic basis, according to the key factors that generate profit: employment, sales, and assets AND an ambitious 25% global effective minimum tax on multinationals, putting an end to harmful tax competition between countries and reducing the incentive for multinationals to shift profits to tax havens.

The Inclusive Framework agreement falls short of the comprehensive reform the world needs and does not reflect the demands that developing countries have made in the past few weeks for a bigger and fairer reallocation of taxing rights for the largest and most profitable businesses and for a high global minimum tax to ensure that meaningful revenues are generated and shared fairly.

This agreement only serves the interests of a handful of countries, the richest. It is now time for the G20 countries to show real leadership and raise the ambitious of the current deal. This requires a commitment to both introduce a much higher minimum tax, of at least 21% as the US and Argentina are now proposing, and to advocate within the Inclusive Framework for a higher share of global profits of multinationals to be reallocated using a formula, as both the Intergovernmental Group of 24 and the African Tax Administration Forum , which coordinate the positions of their members that are active in the negotiations, have been calling for.

Notes to editors:

- A global minimum tax is one of the main recommendations of the Report on Financial Integrity for Sustainable Development - presented last February by a United Nations high-level panel, the FACTI.
- A global minimum tax rate close of 21% could generate $640 billion, according to a recent study on the potential revenue-raising effects of the widespread adoption of this measure.
- The European Tax Observatory, run by ICRICT commissioner Gabriel Zucman, just considered several scenarios, depending on a range of rates. An international agreement on a minimum rate of 25% - as supported by ICRICT- would allow the European Union (EU) to raise its tax revenues by €170 billion in 2021, an increase of 50% of the corporate tax revenue collected today and equivalent to 12% of total EU health spending. With a 21% minimum rate (Biden's proposal), the EU would collect about €100 billion more. Moving from 21% to 15% would halve these revenues (to €50 billion).
- A 25% global minimum corporate tax rate would raise nearly $17 billion more for the world's 38 poorest countries (for which data is available) than a 15%. These countries are home to 38.6 % of the world's population.
- Multinationals, supported by some economists, claim that a 21% rate would be excessive and would harm developing countries, depriving them of a valuable tool to attract investment. This is a specious argument. Studies show that when a multinational company considers where to locate a production unit, tax advantage does not take pride of place at all on the list of criteria to be considered. In fact, it appears well behind other issues such as the quality of infrastructure, the education of workers, or legal security.
- Additional revenue generated by a global minimum tax must be shared equitably between the home countries of multinational companies and the developing countries where the activities – workforce and raw materials – are sourced. The Intergovernmental Group of 24 (G24), a body representing emerging economies, is requesting that, in some circumstances, these economies should have priority in taxing profits shifted to tax havens.
- Globally, tax avoidance diverts 40% of foreign profits to tax havens, according to ICRICT commissioner Gabriel Zucman. You can explore the world map to see how much profit and tax revenue your country loses (or attracts) here.
- A list of the 139 members of the OECD Inclusive Framework on BEPS is available here.

Read our latest report, "The global pandemic, sustainable economic recovery and international taxation".

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ABOUT ICRICT:

The Independent Commission for the Reform of International Corporate Taxation (ICRICT) aims to promote the international corporate tax reform debate through a wider and more inclusive discussion of international tax rules than is possible through any other existing forum; to consider reforms from a perspective of public interest rather than national advantage; and to seek fair, effective and sustainable tax solutions for development.