

Oxfam letter for the second plenary meeting of the Inclusive Framework on BEPS

19 June 2017

Dear Delegate,

We hope this letter finds you well. Oxfam has prepared this letter for you in advance of the second plenary meeting of the Inclusive Framework, to share its views on the initiatives undertaken by the OECD to curb international tax avoidance, as one of the NGOs leading the fight for tax justice. Oxfam estimates that the plenary meeting, bringing together over 100 countries and jurisdictions, is an opportunity to critically review progress against BEPS as well as to set more ambitious goals and priorities, especially for developing country participants.

Tax avoidance is a key factor in the rapid rise in extreme inequality seen in recent years. Developing countries are more vulnerable to aggressive corporate tax practices and to the erosion of taxation at source. At the same time, their revenues are under pressure because of a perceived need to grant ever larger tax incentives and cut corporate tax rates, even when other measures might be more effective to stimulate investment. As governments are losing tax revenues, ordinary people end up paying the price: schools and hospitals lose funding and vital public services are cut. This year Oxfam has shown that just 8 men own the same wealth as the poorest half of humanity. The extreme inequality crisis threatens to undermine the progress made in tackling poverty during the last quarter of a century.

Therefore, it is important that international tax standards help to address the tax problems of developing countries. In this context, the outcomes of the BEPS project led by the OECD are welcome steps forward to stop aggressive tax practices by multinational companies but more needs to be delivered.

Oxfam regrets that OECD and G20 Members could not find agreement on a necessary fundamental reform of the tax system. This means that the agreed BEPS measures will not end tax avoidance. Furthermore, the BEPS project does not end the race to the bottom as countries undercut each other through tax incentives for real economic activities and lower tax rates. Moreover, the BEPS project hardly addresses the distribution of taxing rights between countries and will be difficult for poor countries to implement.

For this reason, Oxfam calls on the OECD to provide strong support for a next phase of global policy making on key corporate tax issues that have been insufficiently addressed. This includes a more effective approach against corporate tax havens and harmful tax regimes, including non-preferential regimes, and putting an end to the race to the bottom in general corporate tax rates. Although Oxfam does appreciate the recent efforts by the OECD to include developing countries into BEPS implementation, this time, the reform process should involve all types of countries, including developing countries, on an equal footing and right from the start. For Oxfam, this means that all countries can actively participate, from the beginning onwards, in setting the agenda and designing new policies and standards, in contrast to what was now the case.

Going further, the Inclusive Framework should be used as a platform for developing countries to start this new phase of international tax reform. In addition, Oxfam believes that the members of the Inclusive Framework themselves should push the OECD to pursue a more ambitious agenda that better fits the policy needs and priorities of developing countries. Here you have the space and the opportunity.

There is room for improvement within the current agenda of the Inclusive Framework as well. Oxfam calls on all members to support effective progress on the agreed minimum standards and on the

areas identified for further work, in particular:

- 1) Preventing the need for bilateral negotiations for the implementation of anti-abuse provisions in tax treaties (Action 6);
- 2) Not interfering in initiatives of individual countries to oblige multinational companies to file a copy of their CBCR directly to the host country tax authority (Action 13);
- 3) Tackling the proliferation of low-tax regimes that enable international tax avoidance, including non-preferential regimes, by reviewing the existing but outdated OECD criteria on harmful tax practices (Action 5 and area identified for further work).

Finally, Oxfam regrets the limited opportunities for stakeholder participation in the Inclusive Framework. Oxfam has been actively engaging with the BEPS process in a constructive way from the beginning, but in this plenary meeting, civil society is only allowed to attend and speak in one special session, which we consider insufficient.

For more information, you can contact Oxfam policy advisor Johan Langerock, who is attending the special session, via johan.langerock@oxfamnovib.nl.

Oxfam wishes you a fruitful Inclusive Framework plenary meeting.