OXFAM POLICY NOTE

In support of a comprehensive tax reform to stop corporate tax dodging and limit tax competition[1]

A unique chance for a better tax system

The international tax landscape has seen a multitude of reforms over the past five years. But despite a proliferation of initiatives, the reforms have been unable to fundamentally transform an almost century-old international tax system based on outdated rules, such as the arm's length principle or the separate entity approach to tax multinationals. As a result, multinational corporations are still paying less taxes than before the 2008 financial crisis[2] and as much as 40% of multinational corporations' foreign profits are shifted to tax havens.[3]

On 9 June 2019, G20 countries officially gave the greenlight to an OECD-led work programme to develop a consensus-based solution to reform our international corporate tax system, addressing the challenges of taxing multinational corporations in the digital era. Options on the table go beyond how to tax digital giants, and rather considers the broader challenges of an increasingly digitalized economy. It provides a unique chance to reform the system, put a stop to corporate tax dodging and end the race to the bottom in corporate tax rates and incentives.

Oxfam calls for fundamental reforms

A new set of global rules is needed to fundamentally redesign the corporate tax system. Developing countries have an equal voice in the process. To make the tax system fair, Oxfam calls on governments to:

1. **Support a transformative international reform of corporate income tax** leading to an equitable rebalancing of taxing rights between developed and developing countries. The aim should be to find a solution for all economic sectors and not ring-fence highly digitalized companies, ensuring sufficient taxing rights for operations in consumer markets as well as manufacturing and natural resource operations. Redistribution of taxing rights should allocate profits based on corporations' global activity and a combination of factors such as consumption, employment and production.

2. **Adopt a minimum effective tax rate at a fair level.** The minimum effective tax rate should be set globally, applied on a country-by-country basis without carve-outs, and set at a high enough rate to effectively curb profit shifting. It should generate additional revenues where economic activity takes place, even if low-tax jurisdictions would raise their rate to the minimum.

Both pillars are essential and complementary to fundamentally reform our corporate income tax system and put an end to the race to the bottom in corporate income taxation.

[1] This policy note was prepared in August 2019 by Johan Langerock, Quentin Parinello, Francis Weyzig and Susana Ruíz Rodriguez, with input from various other colleagues. It builds on Oxfam's submission to the OECD/G20 Inclusive Framework consultation in March 2019; see www.oxfamnovib.nl/responsetaxchallenges

[2] FT (2018). "Multinationals pay lower taxes than a decade ago". https://www.ft.com/content/2b356956-17fc-11e8-9376-4a6390addb44

[3] Zucman et al. (2018). The Missing Profit of Nations. NBER Working Paper 24701. https://gabriel-zucman.eu/files/TWZ2018.pdf

The interests of developing countries must be put at the very forefront

The international corporate tax architecture was designed 90 years ago by and for a small number of developed economies at the expense of developing countries. The current system is detrimental to developing countries as it still encourages the attribution of a large share of profits to entities owning intellectual property and other intangible values. But these are usually never located in developing countries. It is for this reason that developing countries have long been requesting an expansion of the permanent establishment definition and solution for the dysfunctional transfer pricing system. Any outcome of this process should be judged on precisely these terms: to what extent would these global inequalities in taxing rights will be redressed by the proposed outcome?

The reforms are essential to finance the Sustainable Development Goals

Corporate income tax is essential for revenue raising in developing countries. Low income countries are especially exposed to profit shifting and tax competition. They have more limited alternatives for raising revenue and their limited administrative capacity is now stretched further by increased complexity.[4] For them, securing the tax base on inward investment is key. A transformative reform of the international corporate tax system should generate more revenues for developing countries, vital to reach the Sustainable Development Goals (SDGs) by 2030 and face the looming debt crisis.

The consensus-based approach for reform must be built on five critical elements

- **Fairness:** It is time to make the international tax system fit for the reality of a much more globalized and digitalized business environment. A fairer system is essential to deliver on the SDGs and contribute to reducing inequalities, especially in developing countries. In addition, no mandatory binding arbitration rules should be imposed on states.
- **Sufficiency:** It remains critical that this set of reforms leads to a significant increase in revenues collected from large corporations.
- **Inclusiveness:** All countries must have an equal and effective voice in the decision-making process.
- **Accountability:** Civil society must be actively involved in the process at all stages, at the global, regional and national levels, to enable scrutiny of the proposals and provide relevant input to decision makes.
- **Transparency:** The current country-by-country reporting system as designed by the OECD needs to be reformed to allow partial publication of data. At the moment, developing countries are not equally benefitting from the exchange of country-by-country data. More data will be needed to implement new standards, especially for developing countries, whatever the outcome of the process.

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[4] IMF (2019). Corporate Taxation in the Global Economy. IMF Policy Paper No. 19/007. https://www.imf.org/en/Publications/Policy-Papers/Issues/2019/03/08/Corporate-Taxation-in-the-Global-Economy-46650

ANALYSIS OF THE PROGRAMME OF WORK

BACKGROUND

An outdated international tax system

At the centre of the discussion on how to reform our international corporate tax system and make it work for the 21st century lies the problem of allocating more income to certain countries that now feel disadvantaged. Although high on the political agenda, this problem is not new and has been waiting for at least two decades to be addressed. Many factors have pushed this debate into a higher pace, including the fact that some large developed economies are impacted as well.

The current system is limited by the inefficiency of three very strong principles that are outdated and have proved to be failing: (1) the arm's length principle to control transfer pricing; (2) the separate entity approach and (3) the need to have a physical presence in the territory for taxing purposes. Such principles have created multiple loopholes in the international tax system and allow for artificial profit shifting to tax aggressive jurisdictions. The loopholes deriving from these principles explain how profits generated from sales and other digital activities in one territory can remain largely untaxed or how little profits can be allocated to countries in which the actual production of goods takes place. Current rules also do not sufficiently take into consideration the value directly generated by customers and digital users. The current international tax system requires a total overhaul.

In particular, the existing international tax framework, which also enshrines duality between source and residence in OECD the Model Tax Convention, is not working for developing countries. It has been detrimental for government revenues, the fiscal health of countries, well-functioning markets, and the competitive position of SMEs. A system that encourages the attribution of a large share of profits to entities owning intellectual property, performing certain functions or assuming certain risks is particularly detrimental to developing countries, where these are usually not located. It is for this reason that developing countries have been long requesting for an expansion of the permanent establishment definition. Because of the growing importance and mobility of intangibles in the global economy, which has been further increased by the digitalisation of the economy, the current system has also become highly problematic for developed countries.

A race to the bottom

Moreover, there has been a race to the bottom in corporate taxation, with countries trying to become more attractive for investors by offering ever lower corporate taxes. As a result, the global average rate of corporate income tax has fallen from over 29 percent in 2000 to under 24 percent in 2018. Recent reforms have intensified this race to the bottom, as countries have been replacing ring-fenced low-tax regimes with regimes that apply more broadly or lower general tax rates.[5] Developing countries have been granting massive tax holidays because of pressure from foreign investors. Such incentives are often wasteful, because research shows that corporate tax incentives are largely redundant.[6] If countries would not compete for mobile investments by offering tax holidays,

[5] Oxfam warned against this when BEPS Actions were endorsed in 2015. See Oxfam et al (2015). Still Broken: Governments must do more to fix the international corporate tax system. Joint agency briefing note. https://www.oxfam.org/en/research/still-broken-governments-must-do-more-fix-international-corporate-tax-system

[6] IMF (2015). Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment. IMF Staff Report. https://www.imf.org/external/np/g20/pdf/101515.pdf

multinationals would make such investments anyway. Thus, the problem of countries caught in a losing game by undercutting each other's corporate tax revenues must be urgently addressed as well.

The programme of work

The reforms are referred to as BEPS 2.0 and negotiated in the OECD/G20 Inclusive Framework, which currently has 131 member jurisdictions and is supported by the OECD Secretariat. In May 2019, the Inclusive Framework adopted a programme of work to reform the current system.[7] The programme of work has been approved by the G20 Ministers of Finance meeting in June 2019, with a strong commitment to reach a consensus-based solution before the end of 2020.

The programme of work is based on two pillars. Pillar 1 is about allocation of taxing rights. Pillar 2 addresses the race to the bottom in corporate taxation and remaining opportunities for large-scale international tax avoidance by setting an effective minimum corporate tax rate. New rules discussed under pillar 1 could be a historic opportunity for many countries – including many developing countries – to have a fair share of profits allocated to their territory taking into account the global profits generated by the multinational company. The objective should be to have transformative redistribution of taxing rights. The rebalancing of taxing rights between source and residence countries needs to happen for all economic sectors. Equally important, pillar 2 presents stronger measures to stop tax avoidance and profit shifting, while restricting competition between countries to take away the pressure for granting ever lager corporate tax incentives.

PILLAR 1: TOWARDS A FAIR REDISTRIBUTION OF TAXING RIGHTS?

Inclusive Framework proposals

The proposals for redistribution of taxing rights have two parts: the allocation of profits and the recognition of a taxable presence (nexus). Regarding the allocation of profits, the programme of work presents three methods to quantify the amount of profits to be reallocated and to determine how these should be allocated among jurisdictions.

1. **Modified residual profit split method (MPRS).** The MRPS method would allocate to market jurisdictions a portion of a multinational group's non-routine profit that reflects the value created in markets that is not recognized under the existing profit allocation rules. It involves four steps: (i) determine total profit to be split; (ii) remove routine profit, using either current transfer pricing rules or simplified conventions; (iii) determine the portion of the non-routine profit that is within the scope of the new taxing right, using either current transfer pricing rules or simplified conventions; and (iv) allocate such in-scope non-routine profit to the relevant market jurisdictions, using an allocation key.
2. **Fractional apportionment method.** The fractional apportionment method involves the determination of the amount of profits subject to the new taxing rights without making any distinction between routine and non-routine profit. One possible approach to assessing the profit derived by a non-resident enterprise is to take into account the overall profitability of the relevant group (or business line). This method would involve three steps: (i) determine the profit to be divided, (ii) select an allocation key, and (iii) apply this formula to allocate a fraction of the profit to the market jurisdiction(s).

[7] OECD/G20 Inclusive Framework (2019). Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy. https://www.oecd.org/tax/beps/programme-of-work-to-develop-a-consensus-solution-to-the-tax-challenges-arising-from-the-digitalisation-of-the-economy.pdf

3. **Distribution-based approaches.** In contrast to the MRPS method, this approach might address, in addition to non-routine profit, profit arising from routine activities associated with marketing and distribution. One possibility would be to specify a baseline profit in the market jurisdiction for marketing, distribution and user-related activities. Other options might also be considered, for example, the baseline profit could increase based on the multinational group's overall profitability. Through this mechanism, some of the multinational group's non-routine profit would be reallocated to market jurisdictions. The baseline profit could also be modified by additional variables to accommodate, for instance, industry and market differences.

Profits can only be attributed in case there is a taxable presence in the jurisdiction. The current Permanent Establishment rules are limited as they are focused on physical presence, even though firms can generate large sales in a country without a physical presence. This restricts the taxing rights of source countries where firms conduct large activities through a foreign legal entity. As such, the OECD proposes amending the existing permanent establishment definition in the OECD model tax treaty, or creating a new standalone provision defining a non-physical presence with thresholds and indicators.

Current discussions

The OECD is trying to develop a unified approach as a basis for further negotiations, meaning the final approach should integrate elements of all three methods. However, it is clear that all three options have a very similar architecture with a division between routine profits which would remain under the current taxation regime, and non-routine (or residual) profits which would be allocated according to a distribution key taking into account consumption factors. Such factors could include the number of users, ownership of marketing intangibles, sales, etc. This method would come along with a new nexus rule, meaning the existing permanent establishment would not change and a standalone provision giving market jurisdictions a taxing right over the profits allocated to them would be introduced. Moreover, it would be accompanied by strong dispute settlement rules.

Oxfam's position on pillar 1

Oxfam welcomes the initiative to move beyond the arm's length principle, which has turned out to be the root cause of many tax avoidance structures. The proposed reforms should be designed in such a way that they deliver for developed as well as developing countries and for large as well as small economies.

However, there is a risk that a unified approach leads to further complexity while the initial goal was to simplify the system and design easy-to-implement rules. It could create a parallel system that operates next to the existing transfer pricing system and permanent establishment definition, meaning that a large chunk of multinational's profits could remain under the same taxation regime. Such an outcome should be avoided.

Moreover, the focus on marketing jurisdictions, where users and consumers are located, could be detrimental for small developing countries. If the new taxing rights (non-routine or residual profits) would only be distributed on the basis of consumption criteria, rather than a comprehensive set of factors including production and employment criteria, these rights might be biased towards large and high-income economies.

Only fair, simple and easy methods of allocating all profits based on production, consumption and employment criteria will make the tax system effective, fit for purpose and sustainable for the next decades. Complex and unfair rules will inevitably lead to more disputes and unilateral adjustments between taxpayers and tax administrations.

Instead Oxfam recommends a new profit allocation method to integrate all of the following elements:

- **The rules must be simple** so they can be applied equally by countries with high and low capacity.
- **The rules should help to avoid disputes and unilateral adjustments** associated with the current transfer pricing system. There should be no mandatory binding arbitration, because this would create a parallel undemocratic system to the existing national and international legal system.
- **The rules should not create an information gap** between companies and tax administrations. The information that is needed to levy corporate taxes on internationally operating firms should be readily available to all tax administrations. This also means that the current OECD-system of confidential country-by-country reporting needs to be revised, because many developing countries are not receiving these data. Only a public reporting requirement would benefit developing countries equally.
- **A new profit allocation method should consider all profits.** No distinction should be made between routine and non-routine profits. Such a distinction maintains the status quo of a misfunctioning transfer pricing system and would further complexify the system.
- **A new profit allocation method should take more factors into account than sales only.** Distribution of profits on the basis of a single sales factor will disproportionally benefit large consumer markets, without taking into account countries in which innovative activities take place, natural resources are extracted or large production facilities are based. As such, broader measures of activity should be used like employment and production. In the end, not only countries with marketing activities should be remunerated more fairly. Also natural resource countries should be protected better to effectively raise revenues and countries with large manufacturing and distribution facilities should get sufficient taxing rights, regardless of how risks and functions are allocated on paper.
- **Solutions should be broad and encompass all businesses**, with appropriate allocation rules for different business sectors, leading to a level playing field and horizontal equity.
- **There should be no business line or regional segmentation** in the application of the new profit allocation method. This will be unworkable for developing countries, and in developed countries this will lead to more disputes due to information asymmetry. The digitalization of the economy has created a need to reconsider nexus rules and to consider users as a factor of production for the allocation of profits. However, this is not confined to specific business lines. A robust and simple solution calls for such principles to be applied to all businesses, even though they may initially have a larger impact on certain highly digitalized business models. With many established digital companies having multiple business lines, it becomes challenging to clearly categorize companies, identify the value chains and find comparables. At the same time, traditional businesses have started to digitize their processes and services as well. This economic reality should be kept in mind when designing the tax system of the future. For reasons of public trust, and business certainty we should avoid entering in 3-5 years' time in a new round of global reforms.
- **The permanent establishment definition should be completely revised**, as has been requested by many non-OECD countries in the past. Oxfam opposes a stand-alone provision and calls for a fundamental reform of the existing permanent establishment definition as included in article 5 of model Double Tax Conventions.
- **Absolute thresholds should be avoided** in new stand-alone provision. Even if the amount of sales or users in a certain country might be small from a global perspective, it can still be of relative importance for a small economy.

PILLAR 2: ENSURING A MINIMUM EFFECTIVE TAX RATE

Inclusive Framework proposals

The minimum tax proposal includes several rules. These require changes in the tax laws of source and home countries of multinationals as well as in bilateral tax treaties. The combination of these rules is needed to uphold the minimum tax effectively and achieve the overall objective. One of them can serve as a back-up rule, to prevent gaps in global enforcement of the minimum tax.

- An **Undertaxed Payments Rule** would allow source countries to deny a deduction of payments to a foreign related company whose profits are effectively taxed below the minimum rate. Alternatively, source countries could levy a withholding tax on such transactions.
- A **Subject to Tax Rule** in tax treaties complements it. This rule denies treaty benefits, such as reduced withholding taxes, on payments to foreign companies taxed below the minimum. Thus, the Subject to tax Rule is required to implement the Undertaxed Payments Rule in case of transactions covered by a tax treaty. Together, these two rules are referred to as the **Tax on Base Eroding Payments (TBEP)**. The TBEP can discourage profit shifting and it can raise revenues for source countries in cases where profit shifting continues. It does not reduce tax competition among source countries. For developing countries that normally levy withholding taxes on all relevant transactions, the same effect might be achieved via the Subject to Tax Rule alone.
- An **Income Inclusion Rule (IIR)** would allow countries where multinational corporations are headquartered to tax foreign profits whenever they are subject to no or very low taxation abroad. Similar to the TBEP, the IIR can discourage profit shifting and it can raise revenues in cases where profit shifting continues. However, the revenues are then raised in the home country. If the minimum effective tax rate is applied per country, the IIR can also limit tax competition, by eliminating the benefits for an investor of a source country tax rate below the minimum.

Current discussions

As of July 2019, various options for these rules are being explored and further developed. Amongst others, these include potential exemptions to the rules, whether to apply the IIR at the level of individual entities or allow blending of high-taxed and low-taxed income from different entities, how countries can get access to the required information to apply the TBEP, and how to coordinate the different rules. Moreover, a key challenge is how a source country should determine the tax base of a related company receiving payments (TBEP), and how a home country should do this for a foreign subsidiary or permanent establishment (IIR). An internationally agreed approach for determining the tax base is necessary to assess effective tax rates

Oxfam’s position on pillar 2 objectives

A minimum corporate effective tax rate, set at an ambitious and sufficient level, and applied to profits in every country, would greatly reduce the incentive for companies to shift profits to low or zero corporate tax countries. This could end the problem of tax havens for multinationals. Moreover, it would put a floor in the damaging tax competition between countries.

The objective of a global minimum tax should be to increase revenues for source countries. To this end, the minimum tax rules should do two things. First, they should limit tax competition between source countries. Second, they should reduce profit shifting out of source countries.

1. **Limiting tax competition**. Minimum tax rules should end the race to the bottom in corporate taxes by putting a floor in tax competition. This will make it ineffective for source countries to offer full tax holidays. Source countries may continue offering tax rate reductions and other benefits to attract foreign investors. However, once the tax rate hits the minimum further reductions will have no effect. This takes away the pressure from investors and other countries to offer further tax reductions, resulting in higher tax revenues. It would also create a more level playing field for investors. The total amount of investment will not be strongly affected, because countries mostly compete for concrete foreign investment projects that can go to different countries, but will be undertaken anyway.
2. **Addressing profit shifting**. Minimum tax rules should reduce revenue losses in source countries resulting from profit shifting. This can happen in different ways. If the minimum tax rules are strong enough, and the minimum effective tax rate is set at sufficiently high level, the potential tax advantage for multinationals will become much smaller. Some multinationals will then stop shifting profits out of source countries, which leads to increasing revenues. However, some tax-aggressive multinationals will continue shifting profits out of source countries and simply pay the minimum rate on those profits, even if the difference between the source country rate and the minimum rate becomes much smaller. Therefore the rules should be designed in such a way that the minimum tax charge is levied as much as possible in the source country, regardless of the policy response of low-tax countries. In particular, if low-tax countries raise their own tax rate to the minimum, the new rules should still make the higher tax payments by profit shifting firms go to source countries.

Note that 'source countries' refer to countries where real activities of a multinational take place. These include developing countries and OECD countries. Real activities can be everything from mining of natural resources and manufacturing to distribution activities and interacting with online users. In the first case, the source country is a production location. In the last case, it is a market jurisdiction. Usually, the home country of a multinational is also a source country with regard to domestic activities.

Oxfam's position on pillar 2 design choices

To raise tax revenues in source countries, by addressing tax competition as well as profit shifting, the following design choices for the TBEP and IIR are essential.

- **There must be no exceptions.** There should be no carve-outs for approved low-tax regimes or for companies with real economic activities. These would make the rules completely useless. The IIR must be applied to all profits, active and passive, distributed and retained. Also, there should be no thresholds based on the size of a multinational group. A multinational that is small by global standards can still have operations in a developing country that are relatively large from that country's perspective. Moreover, there should be no carve-outs for specific sectors or industries. The only type of thresholds that would be acceptable are *de minimis* thresholds that exclude transactions or country-level profits below a fixed minimum amount.
- **The Income Inclusion Rule must be applied per country.** Otherwise, the IIR will not take away the pressure on smaller developing countries to offer tax holidays, because such tax holidays hardly affect a multinational's global average tax rate. Moreover, applying the IIR on aggregate foreign profits is much less effective against profit shifting. This is because

multinationals that have activities in high-tax jurisdictions can still reduce their global average rate towards the minimum by shifting profits towards zero-tax jurisdictions.

- **A source country rule must take priority.** Application of the different rules must be coordinated, to prevent conflicts in situations that are be covered by both the TBEP and IIR. To ensure that the minimum tax charge is levied as much as possible in the source country, a source country rule should take priority. This could be a normal withholding tax or a variety of the Undertaxed Payments Rule, combined with a Subject to Tax Rule. There is also a practical reason for giving priority to source country rules. These rules can have a broader scope, for example withholding taxes that apply to both related and unrelated parties. These are much easier to apply if the source country does not need to verify first whether a relevant transaction would also fall within the scope of a home country's IIR.
- **Source country rules should be administrable for developing countries.** Complex rules that place a large burden on capacity-constrained revenue authorities or require information that is not readily available to them must to be avoided. This could be achieved by placing the burden of proof for source country rules on companies. For example, the TBEP could be applied on transactions to foreign related parties under the rebuttable assumptions that the recipients make sufficient profits to allow for a credit of the source country tax or that they are subject to a tax below the minimum effective rate. In addition, developing countries could apply the TBEP on transactions to all countries that do not have a TBEP themselves, thus avoiding the need for complex rules against conduit arrangements.
- **The rules must be based on effective tax rates, not on nominal rates.** Agreeing on a minimum tax rate, but not on the corresponding tax base, is like building half a dam in a river. Countries could then continue offering low-tax environments by narrowing the profits on which they impose corporate tax. This can be illustrated with the new tax rules of Mauritius, introduced in 2019. The nominal corporate tax rate in Mauritius is 15%. However, there is an 80% exemption for interest and leasing income. Therefore the effective tax rate on such income is only 3%. Thus, a TBEP and IIR with a 15% nominal tax rate threshold would not apply to a Mauritian entity that is effectively taxed at 3%.
- **The minimum effective rate must be set at a fair and sufficient level.** Only when the rate is set high enough, it will effectively discourage profit shifting to jurisdictions that adopt precisely the minimum rate. This means that the rate should be sufficiently close to the current global average.

Oxfam's positions on pillar 1 and pillar 2 are complementary

Pillar 2 can be adjusted afterwards to the outcomes of pillar 1 if needed. In particular, for taxable profits that are allocated between countries on the basis of objective factors instead of individual transactions between related entities, there would be no need for protection against base-eroding payments. However, pillar 2 on its own cannot solve all profit shifting problems associated with transfer pricing, nor compensate for a weak outcome of pillar 1. Imagine, for example, that pillar 1 would be limited to strengthening taxing rights of countries where consumers or users are located, instead of allocating profits on the basis of a combination of factors in line with Oxfam's position. In that case, pillar 1 would fail to address transfer pricing problems in pure business-to-business sectors, such as agriculture or manufacturing of product components. Yet under current transfer pricing rules, firms in these sectors can allocate key risks, assets and functions, and thus shift profits, to low-taxed distribution hubs that sell directly to business clients in other countries. In addition, firms engaging in such practices might escape the IIR by locating their parent company in a country without a corporate tax system. Pillar 2 could address such tax avoidance structures only if the TBEP is strengthened well beyond the proposals in the programme of work, for example by

denying deductions for inputs purchased from a third party that is subject to an effective tax rate below the minimum.

MAKING THE DECISION-MAKING PROCESS INCLUSIVE

Current situation

Negotiations are taking place in the OECD/G20 Inclusive Framework and currently involve all 131 member states and jurisdictions. This is an improvement compared to the first round of negotiations of the BEPS process, which were limited to developed economies and a handful of big developing countries. However, some developing countries will not be able to participate, because they have not yet signed up to the four BEPS minimum tax standards – a prerequisite for membership of the Inclusive Framework.

Oxfam's position on the decision-making process

Oxfam proposes to temporarily lift the requirement for developing countries to commit to implement existing BEPS minimum standards prior to joining the separate work on BEPS 2.0. A truly inclusive decision-making process is even more necessary at this stage as the new set of rules that are being discussed may impact all countries' tax base, regardless of their participation in the Inclusive Framework.

Oxfam supports a redistribution of seats within the Inclusive Framework Steering Group, to reflect all views – especially those of non-G20 developing countries – in a balanced way. Being a member of the Inclusive Framework, or joining the BEPS 2.0 negotiations, does not mean having an equal voice in the process. There are concerns that developing countries are not adequately represented in the Inclusive Framework Steering Group that leads the negotiations. For example, it does not include a smaller developing country from Asia. By contrast, developed countries are over-represented, with a third of the members representing countries from Western Europe. Only 6 out 24 members[8] of the Inclusive Framework Steering Group are not G20 or OECD countries.

[8] Ivory Coast, Georgia, Jamaica, Nigeria, Senegal and Singapore.