

# ICRICT

Independent Commission for the Reform  
of International Corporate Taxation

## AN EMERGENCY TAX PLAN TO CONFRONT THE INFLATION CRISIS

ICRICT SEPTEMBER 2022 DECLARATION

## ABOUT ICRICT

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The Independent Commission for the Reform of International Corporate Taxation 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.

ICRICT was initiated and is supported by a coalition of the following civil society and labor organizations: Action Aid, Alliance-Sud, the Arab NGO Network for Development, the Center for Economic and Social Rights, Christian Aid, the Council for Global Unions, the Global Alliance for Tax Justice, Oxfam, Public Services International, Tax Justice Network, South Center, Canadians For Tax Fairness and the World Council of Churches. The creation and work of ICRICT is supported by Friedrich-Ebert-Stiftung, Luminare, WellSpring Philanthropic Fund and Norad.

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### EXECUTIVE SUMMARY

The battle against the global pandemic has left many governments vulnerable, saddling them with massive debts they took on as tax revenues fell, health needs soared, and as they strived to soften the economic blow. Now developing countries confront spiralling energy and food prices, higher interest rates, and more volatile capital flows: the world is standing on the threshold of an economic slowdown, and the effects are once again disproportionately falling on most vulnerable households, exacerbating poverty and inequality.

The question is how to respond. States have a choice: they can opt for austerity programs, cutting funding to public services and increasing the contribution of the poorest through inflation-enhanced consumption taxes, at the expense, once again, of the most vulnerable. Or they can decide to increase taxation on those who have so far failed to pay their fair share: the multinationals and the super-rich, many of whom have also benefited from the crisis.

ICRICT is calling on governments to implement emergency tax measures, especially on companies profiting from the crisis, to avoid an ever deeper economic downturn and counter unacceptable levels of hunger, extreme poverty, and inequality. Secondly, rather than waiting for the OECD/G20 Inclusive Framework “global tax deal” to get out of its political impasse, countries should introduce measures to tax large corporations engaged in cross-border and highly digitalized activities and to combat the continuing abuse of tax havens.

## Tax Superprofits

Corporate profits in key sectors are at record high levels with enormous windfall profits in the energy and food sectors. In many sectors, firms with market power have increased their mark-ups, leading to higher profits, and higher inflation. ICRICT is calling on all governments to quickly implement a set of tax responses to protect against the impact of inflation and help build a fairer tax future:

1. As an emergency response, tax windfall profits of companies that are benefiting from the crisis and the pandemic, including but not limited to the energy sector.
2. In many countries, prices are going up far faster than costs, and this is so especially where there is large market power. Governments should impose a surtax on firms raising prices substantially in excess of costs--a market-based incentive system to combat inflation.
3. Tax oligopolistic companies on their excess rates of return, by targeting economic rents – the excess of returns over the minimum investors require – wherever they arise.

## The global tax deal - political impasse or a way forward?

After years of negotiations involving 140 countries, in October 2021 the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) announced an agreement based on two pillars. In very broad terms, it would establish a global corporate effective minimum tax (referred to as Pillar II) and a reallocation of a small share of global taxation rights of the largest and most profitable corporations to market countries (referred to as Pillar I).

A global minimum tax makes more sense than ever. Multinationals' tax avoidance costs countries \$240-\$600 billion per year in lost revenues. With close to 40% of their international profits booked in tax havens, a fairer reallocation of "taxing rights", based on real activities, including sales, also seems imperative.

As a Commission, we recognize the deal is a paradigm shift that can pave the way for sweeping reforms, but we have criticized its lack of ambition and faulty and unfair design. Pillar One would finally establish a methodology for apportioning global profits among countries in proportion to where they do business. However, as currently designed it would only apply to only c140 of the largest and most profitable multinationals, allocate only a small part of their profits to countries where they make sales (and leave intact for almost all purposes the current complex and ineffective transfer pricing rules which facilitate multinationals' tax avoidance). Developing countries would be little benefited—many could be worse off—because the allocation principles favour the rich ones, while all countries, including low-income countries, would have to give up all their other rights to tax multinationals, such as digital services taxes.

The global minimum tax in Pillar Two sets a rate of only 15%, expected to raise additional taxes of only about \$150bn<sup>1</sup>, while the rate of 25%, [as we advocate](#), could have provided the world with additional revenues of [more than \\$500bn](#). Moreover, it too is designed to benefit primarily the rich countries that are the headquarters of multinationals. It is therefore both insufficient and unfair.

It has taken nearly 10 years to reach a deal, but its implementation still seems far from reality. Pillar One requires ratification of a binding multilateral treaty by a large number of states, following approval by their legislatures. This would be unprecedented, and is highly unlikely, particularly in a short time frame. The main component of Pillar Two, the global minimum tax, does not depend on a binding multilateral treaty, but even this is blocked in the EU, where the unanimity rule allows a single country to veto its implementation<sup>2</sup>, meanwhile, the US has now taken a different approach by enacting an [alternative minimum tax](#), but one not conforming to the OECD standard. The [new target date](#) of 2024 for implementation of Pillar Two remains ambitious, but a global minimum tax could be achieved by a critical mass of states, given the political will, and with sufficient flexibility to accommodate alternatives, such as posed by the US legislation. All countries should be able to pursue measures in line with the overall goals of Pillar Two, leaving the reconciliation of the different approaches to later, with the objective of “leveling up,” (i.e. using the most comprehensive definition).

Overall, the OECD/G20 Inclusive Framework proposals are not consistent or fair in principles, in design or in outcomes, especially with regard to the interests of developing countries or emerging markets. The likely increase in their tax revenues is limited, as Pillar One is expected to result in less than 1% additional corporate tax revenue, and Pillar Two’s revenue gains are likely to be concentrated in advanced economies, as multinationals headquartered in these countries generate 20 times more profit than those located in emerging market economies<sup>3</sup>. The complexity of the proposals is an additional concern. Whether eventually, it will be in their interests to go along with these will depend on a careful assessment of the benefits of doing so versus the costs of not doing so, and the consideration of available alternatives.

The following two sections provide our analysis of the two pillars, followed by our critique of the current system by which current global tax agreements are made, and suggestions for the way forward. Further details are provided in the longer report.

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<sup>1</sup> Source: IMF April 2022 fiscal monitor – Page 31. Available at: <https://www.imf.org/en/Publications/FM/Issues/2022/04/12/fiscal-monitor-april-2022>

<sup>2</sup> Germany announced last week plans to prepare domestic rules to implement the minimum tax in an attempt to put pressure on Hungary to remove its veto on the proposed EU directive [Source: FT <https://www.ft.com/content/7b78fc76-ec8e-4469-8bfc-d993def6be96> ]

<sup>3</sup> Revenue gains are likely to be concentrated in advanced economies which are home to most multinationals and because multinationals headquartered in these countries generate 20 times more profit than those located in emerging market economies [ Source: IMF Fiscal Monitor April 2022 Page 21. Available at: <https://www.imf.org/en/Publications/FM/Issues/2022/04/12/fiscal-monitor-april-2022> ].

## A- Analysis of Pillar One and Alternatives

Pillar One finally recognises that multinationals are unitary businesses operating across jurisdictions and provides the technical building blocks both to define their global profits for tax purposes, and to apportion them according to where they have real activities (employees, physical assets, and sales).

Comprehensive adoption of this approach would ensure that multinationals could no longer pick and choose where to record their profits. But the current proposal applies only to the largest and most profitable multinationals (with both a global turnover of over €20 billion and a pre-tax profit margin above 10%) and only to 25% of their so-called residual profit above 10%<sup>4</sup>. This would leave the current defective rules still in place for most of their profits, as well as for the vast number of other multinationals. It would generate expected revenues of only \$6-\$15bn to be shared globally.

The reallocation of a portion of excess profit to market countries under Pillar 1 is estimated by the IMF to apply to only 140 companies, capturing a small global tax base of 2% of global profits. Estimates suggest that revenues will be reallocated from low-tax investment hubs (about 2% of their total corporate tax), raising total global corporate tax revenues by 0.7% and 0.9% in low-income countries and advanced economies, respectively<sup>5</sup>. In return for this pittance, all signatory countries would have to give up the rights to impose other forms of taxation, such as a digital tax, and submit to a mandatory dispute resolution mechanism (combining both taxes authorises and independent private experts), something that many developing and emerging markets find particularly distasteful, given their experience with international arbitration processes in other contexts.

The requirement of implementation by a multilateral convention means that it will take a long time to be adopted—with the real possibility that it never will be, even by some of the advanced countries that it most favors. At least in the interim, and perhaps more permanently, countries should therefore consider alternative measures suited to their own circumstances, coordinated as appropriate.

Some of these could build on the considerable technical work that has been done, which provides the building blocks to begin to implement formulary approaches. Low-income countries should take note that such alternative and complementary measures have also been adopted and/or are contemplated by some OECD countries, such as the UK, the US, and Australia.

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<sup>4</sup> The concept of residual profits is one without any sound economic foundation. Given that most countries allow the deduction of all costs, including capital and labour, all of the taxable profits are rents and should be taxed.

<sup>5</sup> Source: IMF Fiscal Monitor April 2022, Page 31 [ Available at: [Available at: https://www.imf.org/en/Publications/FM/Issues/2022/04/12/fiscal-monitor-april-2022](https://www.imf.org/en/Publications/FM/Issues/2022/04/12/fiscal-monitor-april-2022) ]

Alternative measures that developing countries should consider include:

1. Progressive digital services taxes;
2. Taxing payments for all services at source through withholding taxes;
3. Taxing net profits from services;
4. Taxing income transferred offshore as payments for intangibles; and
5. Reviewing tax policies and treaties.

## **B- Analysis of the Pillar Two Global Minimum Tax and alternatives**

The main component of Pillar Two is a 15% minimum effective corporate tax rate applied on a country-by-country basis, with the objective to put a floor to tax competition. This could be a major step forward. However, there are legitimate concerns that it will turn out to be the global standard so that the minimum could become a maximum. Also, it is designed to give priority to the rich home countries of multinationals and conduit countries and has highly detailed and complex rules, making it unsuitable for most low-income countries.

Pillar 2 is estimated by the IMF to capture a tax base of \$1.47 trillion, which increases global annual corporate income tax revenues by roughly 5.7%. However, the minimum tax applies only to profits exceeding 8% of assets and 10% of payroll. This “carve-out” reduces the revenue-generating potential of Pillar 2 by an estimated 9%<sup>6</sup>. Overall, Pillar 2 is estimated to result in additional corporate income tax revenues of c\$150bn.

Nevertheless, its adoption by capital-exporting and conduit countries would potentially reduce the pressures on host countries to provide low-tax incentives for foreign firms, making it much easier to strengthen source taxation and ensure fairness between foreign firms and local entrepreneurs. We believe that there are better ways of incentivizing multinationals to locate in a country than through tax incentives, which inevitably result in a race to the bottom in which the main beneficiary, in the end, is the multinational.

Alternative measures that developing countries should consider include:

1. Alternative minimum taxes;
2. Review of tax incentives for foreign-owned businesses.

<sup>6</sup> Source: IMF Fiscal Monitor April 2022, Page 31 [ Available at: Available at: <https://www.imf.org/en/Publications/FM/Issues/2022/04/12/fiscal-monitor-april-2022>]

## Changing global governance for global taxation

There is an urgent need to reconsider how decisions are made at the global level and under multilateral principles. The G20/OECD Inclusive framework is credited with broadening the participation of developing countries in the governance of global taxation post-2015, but the agenda had already been set and the action points agreed on by developed countries. Given the governance structure, the outcome which is unfavourable to developing countries and emerging markets is not that much of a surprise.

Given the breadth of the issues covered, small developing countries are inherently at a disadvantage. Capacity building can only go so far in bridging the gap in global governance, and several changes should therefore be considered in the processes and structure of the Inclusive Framework:

- The creation of a self-standing secretariat, reflecting the full membership of the Inclusive Framework, not just OECD members, and structured to be sensitive to the needs and concerns of the developing countries and emerging markets.
- Greater transparency and accountability in the decision-making process (e.g., deliberations/debates should be open to the public, decisions should be subject to votes and appropriately registered).
- Addressing the current lack of political representation beyond G7/G20/OECD countries. The OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting is a G20-mandated initiative. The breadth of membership has provided the momentum necessary for such an initiative, and yet, there is both inadequate full *effective* representation and political legitimacy, reflected in the unbalanced outcomes that we have noted. The solution, as we continue to advocate, may lie in strengthening the role of the UN in global tax governance, with its universal membership and transparent structure which can provide the legitimacy for rules to coordinate such a central element in the sovereignty of all states.

## Conclusion: the way forward

Once again, we are in the midst of a crisis that may have disproportionately adverse effects on those with low incomes everywhere, but especially in developing countries and emerging markets, with limited resources to provide the necessary social protection. A set of tax emergency measures needs to be activated, with two-pronged effects of social protection and enhanced collection.

Taxing corporate super profits, and especially windfall profits driven by the pandemic and the war, could help social cohesion and generate additional revenues that could partially mitigate the adverse effect of inflation on the poorest. Some countries are already taking action<sup>7</sup>, more should follow, and regional/multilateral institutions should help develop a

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<sup>7</sup> Some European countries (i.e., Greece, Hungary, Italy, Spain, Romania, United Kingdom) have introduced or announced new taxes or fiscal instruments on a temporary basis to capture windfall profits.

[Source: IMF notes “Taxing Windfall Profits in the Energy Sector” September 2022, Page 9. Available at: <https://www.imf.org/en/Publications/IMF-Notes/Issues/2022/08/30/Taxing-Windfall-Profits-in-the-Energy-Sector-522617>]

coordinated long-term approach. But that alone will not be enough to reshape the unfairness in the current global tax system, especially with regard to how wealth, capital and large corporations are taxed on their cross-border activities.

What was supposed to be “the historic deal”, led by the G20 and OECD, already lacked ambition and fell short of both requirement and possibility. It failed to enhance significantly taxing rights in developing countries and was insufficient to end the role of tax havens. But shockingly, even this limited effort it is now blocked in a political impasse at the rich country level (US and EU).

If real multilateralism on tax matters is failing and blocked by individual countries’ interests, we as a commission strongly encourage countries not to wait. Rather they should move forward and consider their own alternative measures, formulated where possible in a coordinated manner, to be actively implemented without any delay. Large companies operating across borders and especially the very digitalized ones benefit from the current political inaction, while most citizens are facing a cost-of-living crisis and many developing countries and emerging markets are facing a debt crisis.

These measures will both deliver desperately needed resources now and create the necessary pressure to force change towards a genuinely fair international tax architecture, which will require multilateral discussions extending well beyond the current process.

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### INTRODUCTION

The world economy is on the threshold of recession.

The world is facing a perfect storm of spiralling inflation, energy and food crises, slowdown in growth, expanded budget deficits, and high debt levels. The worst cost of living crisis in decades followed quick on the heels of the worst health and economic crisis we could ever imagine. The effects are once again disproportionately falling on the most vulnerable households, exacerbating poverty and inequality.

ICRICT calls on governments to implement emergency tax measures, especially on companies profiting from the multiple crises through which the world has been moving, to lessen the severity of this economic storm and counter the unacceptable levels of hunger, extreme poverty, and inequality. Bold taxation actions by governments in the short term could avoid the worst to come. It would also pave the way for more transformative tax systems in the medium term, while the international community overcomes the political impasse on how to better tax large multinational corporations in a digitalized world.

The cost-of-living crisis currently affects hundreds of millions of people, with soaring food and energy prices expected to push more than [70 million people into poverty in 2022](#). But we are not all equal when it comes to this storm. In all countries, low-income households and small businesses are the first to suffer, with higher food prices weighing more heavily on their food baskets than on those of the better-off. In the poorest countries, there is already significantly increased hunger and food insecurity.

These multiple crises have exposed and exacerbated the fragility and inequity of the global economic system. The battle against the global pandemic left many governments vulnerable, saddling them with massive debts they took to soften the economic blow. As interest rates increase, those debts become increasingly harder to service, threatening the largest spate of debt crises in developing economies in a generation. High debt levels and higher interest rates mean that there is pressure to ensure that any additional spending measures are funded through new revenues or expenditure reductions elsewhere.

The question is: who should foot the bill? The call for action is urgent. Who and what to tax is an essential part of any package of solutions. Contrary to what some claim, countries do have a choice: they can opt for austerity programs, cutting funding to public services, raising the retirement age, and increasing the contribution of the poorest through inflation-enhanced consumption taxes, at the expense, once again, of the most vulnerable. But other viable options exist: they can also decide to increase taxation on those, the multinationals and the richest, which have benefitted from the crisis or have so far failed to pay their fair share.

## PART 1: TAX SUPERPROFITS

The recent turmoil in the international economy has led to supply shortages and demand imbalances. But these are only partly responsible for rising global prices. Large international firms – particularly in fuels but also food, pharmaceuticals, finance, etc – have seen price increases well beyond increasing costs, and thereby experienced significantly greater than normal profits. Whilst people and some businesses suffer catastrophic economic damage, some corporations have seen profits rising dramatically since the onset of the pandemic, making their shareholders richer than ever, while others are left behind.<sup>8</sup> A significant part of these increases in margins (mark-ups) reflects the exercise of market power.

This in turn has led to falling real wages and increased poverty. Because of the ability of multinationals to move money around, taxing their super profits effectively will require international cooperation (see Part 2 below). But the political process to try to implement the global deal on a global minimum tax and where to tax large and highly profitable companies in a more digitalized economy is at an impasse. In the meanwhile, many of the companies that have been most successful in tax avoidance are enjoying unprecedented profits. We cannot wait for the implementation of the global tax deal. ICRICT calls all governments to quickly implement a set of tax measures to protect against the impact of these economic storms and build a fairer future tax environment—but responses which at the same time transform the tax system to make it more equitable and efficient:

1. As an emergency response, tax the windfall profits of companies that are seeing record and abnormal profits, including but not limited to the energy sector. The introduction in a few countries (e.g., Italy, UK, Spain) of such taxes on energy companies profiting from high oil, electricity, and gas prices and banking sectors in 2022 and the proposal this week of a of a “temporary solidarity contribution” on fossil fuel companies by the European Commission<sup>9</sup> are steps in the right direction.

<sup>8</sup> [A recent report](#) on the 22 most iconic US companies shows for example that their shareholders grew \$1.5 trillion richer during the pandemic, while their 7 million workers (more than half of whom are nonwhite) received \$27 billion in additional pay—less than 2% of shareholders’ gains.

<sup>9</sup> The European Commission proposed a “temporary solidarity contribution” on fossil fuel companies to recoup 33% of excess profits made in 2022. Excess profits are defined as profit exceeding the average of the last 3 years (2019-2021) by 20%. This is a threshold rate and EU countries can apply a higher rate.

2. In many countries prices are going up far faster than costs, and this is so especially where there is large market power. Governments should impose a surtax on firms raising prices substantially in excess of costs--a market-based incentive system to combat inflation that can discourage companies from exercising monopoly power and induce them not to increase prices.
3. Tax oligopolistic companies on their excess rates of return, by targeting economic rents – the excess of returns over the minimum investors require – wherever they arise.

As a Commission [we have previously advised](#) governments to consider applying a higher corporate tax rate to large corporations in oligopolistic sectors with excess rates of return, to deal with highly concentrated industries.

A distinction between “normal” and “excess” profit has been important in the debate on taxation reform for multinationals,<sup>10</sup>. Normal profit, conceptually, is broadly equivalent to normal return to capital, whereas excess profit is above the normal return to capital<sup>11</sup>.

As it can be challenging to measure excess profit with precision, this points to the broader need to introduce progressive profit taxes, with higher rates on larger firms in sectors dominated by monopolies/oligopolies as indicated by high levels of concentration and high markups and profit rates and lower rates on smaller firms in highly competitive sectors. Such a tax would target economic rents and raise revenue in a way that is non-distortionary<sup>12</sup>.

Opponents of these measures will argue that corporations will “shift” the burden of increased taxation by raising prices and lowering wages. But economists have long recognized that the current corporation-tax regimes – which allow firms to deduct virtually all costs, including labour and capital – are close to a pure profits tax, and a pure profits tax does not distort any economic decision. A pure profits tax does not lead to either higher prices or lower wages. This also implies that these taxes can be raised without fear of

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<sup>10</sup> Though the definition of residual profit in the OECD pillar I proposal has little to do with any meaningful economic concept.

“Multinationals generated profit of \$7.9 trillion in 2019 (9.2 percent of global GDP). Estimates, based on simplifying assumptions, suggest that a sizable share of multinationals’ profit (possibly reaching 60 percent) is excess profit (IMF April 2022 fiscal monitor – Page 30). Available at:

<https://www.imf.org/en/Publications/FM/Issues/2022/04/12/fiscal-monitor-april-2022>)

<sup>11</sup>Source: IMF April 2022 fiscal monitor – Page 29. Available at:

<https://www.imf.org/en/Publications/FM/Issues/2022/04/12/fiscal-monitor-april-2022>

<sup>12</sup> Source: IMF Special Series on COVID-19, April 16, 2021, COVID-19 Recovery Contributions – Page 2

<https://www.imf.org/-/media/Files/Publications/covid19-special-notes/en-special-series-on-covid19-recovery-contributions.ashx>

adverse effects, either on inflation or investment. The big distortions – and gross inequities – in the tax system come from inadequate enforcement and large loopholes.

Large oligopolistic multinational firms can set their prices so as to maximise their profits. Even if the after-tax profits is reduced by taxation, optimal pricing, and even optimal investment and employment, remains unchanged, so higher corporate taxation does not contribute to inflation as long as investment, depreciation etc., are properly excluded – as is approximately the case with most if not all modern corporation tax regimes.

## **PART 2: The global tax deal - political impasse or a way forward?**

Tax avoidance by multinationals is estimated to cost countries [\\$240-\\$600](#) billion per year in lost fiscal revenues, with the greatest relative intensity of losses occurring in low- and middle-income countries. Such avoidance continues unabated, with close to [40%](#) of multinationals' international profits coming from subsidiaries registered in tax havens.

After years of negotiations involving 140 countries under the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (“[BEPS](#)”) process, the agreement announced in October 2021 showed that it is finally possible to change an archaic system that was built one hundred years ago. The agreement recognises a two-pillar solution, based on a global effective corporate minimum tax of 15% and a reallocation of a share of the global profits of the largest and most profitable multinationals to the market jurisdictions.

The acceptance of the basic principle that MNEs are global unitary businesses and that their global profits should be allocated between countries by applying a formula reflecting their real presence in each country, combined with a global minimum tax to put an end to the tax havens business model and stop the race to the bottom, could be a revolution in international taxation, as the OECD Secretary-General [has said](#). We welcome the technical work done in the BEPS project, which now provides the building blocks for defining the global profits of MNEs for tax purposes, as well as detailed specifications for defining and attributing the location of sales, employees, and physical assets.

The technical requisites for unitary taxation of MNEs with formulary apportionment of their global profits are therefore now in place. This is the only effective way to ensure that MNEs are taxed where their activities occur and value is created, as originally mandated by the G20 for the BEPS project. The global minimum tax acts in a complementary way, by reducing opportunities for tax avoidance, since regardless of where multinationals record their profits (artificially or not), they will be taxed at least at the minimum effective rate.

This shows that it is possible to agree to international tax rules better fit for the 21<sup>st</sup> century. As a Commission, we have long argued that formulary apportionment (rather than the widely abused transfer price system) and a global minimum tax provide the direction for reforms, with appropriate interim measures for the short term. But as a Commission, we

have been disappointed with the deal's ambition, and the detailed provisions serve far better the interests of the advanced countries than those of the developing countries and emerging markets, with many of those provisions being hard to justify on any good grounds—they simply reflect the deficiencies in global tax governance and the power of the relevant interests at the table.

A global minimum tax of 25%, [as we advocate](#), could have provided the world with additional revenues of [more than \\$500bn](#). Instead, the agreed global minimum of 15% is only expected to provide \$150bn, with most of the increased revenues slated to go to countries where large corporations are headquartered, risking increased between-country inequality. And we are already witnessing calls in many countries to reduce the main rate of corporate tax to this minimum, risking making such a low global minimum the global standard. Developing countries, which [rely relatively more on corporate tax](#) income as a source of government revenues, would be big losers if this were to happen.

As a commission, [we previously wrote to G20 leaders](#) requesting them to continue the international tax negotiations during the presidency of Indonesia in 2022 and India in 2023. But we call on them to do so in a different institutional framework that could give an effective voice to developing countries and provide a platform for a new, more inclusive, round of negotiations.

It has taken nearly ten years to reach this stage, but the implementation of the current deal still seems far from reality, and it is stuck in a political impasse both in the US and in the EU. To be effective, implementation requires a critical mass of countries, and in particular large economies, to turn both Pillars into law. With the date for the minimum tax to be effective [already pushed back](#) to 2024, the deal is now blocked in the EU, where the unanimity rule allows a single country to veto the implementation of the minimum tax.

Measures to adopt Pillar 2 have been blocked in the US due to objections in Congress, while a minimum tax has been passed, but one which is markedly different from that agreed upon in the G20/OECD Inclusive Framework.

Despite the political hype, it seems clear that the deal is failing to receive sufficient support for actual implementation, at least in the foreseeable future, despite the many compromises that have been made--compromises that weaken its effectiveness and fairness.

Our view as a Commission is that states, and in particular developing countries, can no longer afford to sit still and wait for rich economies to resolve their own political challenges, whilst base erosion and profit shifting by multinationals continue unabated. Instead, they should move ahead to protect their interests, by considering the implementation of their own measures to boost domestic resource mobilization, coordinated where possible through regional and other appropriate bodies.

In the past, such measures have often been criticised on the grounds that they may circumvent tax treaty rules and risk causing double taxation. But we also have to bear in mind the more prevalent situation: essentially very low or zero taxation in a world starved

of public funding. Moreover, steps that have been taken such as the widespread introduction of digital services taxes (DSTs) have acted as a catalyst to accelerate multilateral processes, and there is a prevailing view that there are forms of taxation that are consistent with current tax conventions. In fact, countries have made clear that they are prepared to withdraw DSTs and similar taxes, but only when Pillar One is implemented. Even some large economies plan to retain some of their other unilateral measures (e.g., the UK diverted profit tax).

Particularly in the absence of multilateral progress, countries should pursue alternative measures to ensure the collection of a fair share of tax revenues from multinational enterprises' activities arising within their jurisdictions. There are good alternatives to both pillars of the deal that could be adopted immediately.

What follows is an overview of the two 2 Pillars, followed by some suggested alternatives. These have the merit of being effective and equitable ways to raise domestic revenues, at least until there is finally the political will for a real overhaul of the international tax system.

## Pillar One proposals and the alternatives

- **What has been agreed**

Pillar One finally recognises the principle that multinationals are unitary businesses, operating across jurisdictions. Therefore, their worldwide profits should be taxed on a formulaic basis, according to the key factors that generate profit (employees, sales, and physical assets), and in line with their real activities in each country, so that multinationals can no longer pick and choose where to record their profits.

Pillar One creates a new tax nexus, allowing a reallocation of a part of the residual profits of businesses to market jurisdictions, thereby giving them taxing rights even without a multinationals' physical presence.

But the new taxing right (so-called "Amount A") will apply only to MNE groups with both a global turnover of over €20 billion and a pre-tax profit margin above 10%, therefore bringing into scope circa 140 of the largest and most profitable multinationals. For those in-scope companies, only 25% of residual profit (defined as profit in excess of 10% of revenue) will be allocated to market jurisdictions *based on their share of total sales revenues*. However, the balance of the global profits of these MNEs, as well as all the profits of the vast majority of MNEs outside the scope of Pillar One, would continue to be allocated under current rules. The model rules for defining and allocating Amount A are highly detailed and abstruse, largely because Pillar One aims to retain existing transfer pricing rules, and only to allocate part of the so-called residual profits. Hence, they will only add a new layer of complexity to the already convoluted existing system. Moreover, there are no grounds presented for distinguishing "residual" profits from ordinary profits, except that companies generating such very high profits are likely to have a high degree of market power.

In short: Pillar One Amount A currently requires 25% of global profits in excess of 10% net profits for circa 140 of the largest and most profitable multinationals to be reallocated as new taxing rights between all countries where the company has *sales*. The expected revenues to be shared globally could be as little as \$6-\$15bn<sup>13</sup>. This is a pittance, particularly in relation to the hundreds of billions of dollars amassed by these giant monopolistic multinationals.

- **Our assessment**

The Amount A proposal can only be seen as at best a stop-gap solution. It creates a special tax regime for only around 140 of the largest and most profitable MNEs and allocates only a small share of their profits. Even the possible future extension of its scope would be deferred for at least eight years and would only lower the turnover threshold to €10 billion.

In a well-designed corporate tax system, the cost of capital is fully costed (with often more than economically justifiable deductions for depreciation and interest), so that there is no disincentive to enterprise investment and sustainable growth. Thus, for practical purposes, it is already the case that only “pure” profits (i.e., economic rents) are taxed, and those economic rents are associated with the global activities of the highly profitable multinationals. Hence, all the profit of these MNEs should be apportioned for tax purposes through a formula among all the countries where they have real activities.

A positive step is that the technical blueprints that are being developed provide the building blocks for unitary taxation with formulary apportionment, including the technical specifications to define consolidated profits adjusted for tax purposes, as well as definitions and sourcing rules for sales (to determine the allocation of the new taxing right to markets Under Pillar One) , employees and physical assets (to determine the amount of carve out/deductions from the minimum in Pillar Two).

The Commission’s concerns over Pillar I are thus (a) its lack of ambition—it should embrace more firms and all of the profits should be subject to allocation; (b) its complexity; (c) its demand that even countries receiving minuscule benefits give up other taxing rights; (d) the manner in which disputes are settled, through a mandatory dispute resolution mechanism, which historically has not worked out well, and especially so for developing countries and emerging markets; and (e) its inequity—the allocation of profits just on sales, just one component of the formulaic approach that we have advocated. With sales occurring disproportionately in rich countries and production in developing, this is a provision that in many cases will disadvantage developing countries.

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<sup>13</sup> The [October 2020 OECD economic impact assessment](#) estimated additional global revenue associated with Pillar One Amount A to be c\$5-12bn, based on a reallocation of \$100bn profit to market jurisdictions. [The October 2021 agreement](#) states that Under Pillar One, taxing rights on more than \$125bn profit are expected to be reallocated to market jurisdictions each year. However, the OECD has not published revised estimates of the additional global revenue associated with this reallocation of taxing rights. The amount of \$6-15bn is approximated by increasing the original estimate to reflect the increase in reallocation of taxing rights.

Sales may be an appropriate basis for certain digital companies, suggesting that a one size fits all approach may not be appropriate.

Beyond this, serious doubts remain over the implementation of Pillar One. As currently designed, it will require ratification of a multilateral convention, following parliamentary approval, by the bulk of participating countries.

- **Alternative measures**

Provisions to enact measures suitable for each country can be introduced in domestic law, although they can be restricted by bilateral tax treaties. In many cases tax treaties have deprived source countries of taxing rights, restricting their ability to tax the profits which are generated locally and have allowed developed countries to circumvent taxation at the source. Though originally justified as encouraging investment, there is little evidence that they have actually done so. Indeed, the resulting lack of public revenue has undermined countries' ability to make critical investments that would have attracted investment.

With the legacy of tax treaties aimed at reducing multinational double taxation rather than at ensuring that all firms pay their fair share of taxes to the jurisdiction in which real activities occur, there may need to be extensive and hard work revising tax treaties. Fortunately, there remain important arenas in which existing treaties may not be a constraint.

Countries should consider the following alternative solutions, which can be implemented unilaterally or in coordination with appropriate regional and global bodies. This coordination is essential in order to avoid tax competition between countries for foreign investment, which does not increase total investment or efficiency, but rather benefits multinational companies and undermines domestic fiscal revenues.

1. **Progressive digital services taxes (“DSTs”).** DSTs are a tax on selected gross revenue streams of large digital companies in a country. They have been initiated and implemented by various countries (e.g., Austria, France, Hungary, Italy, Poland, Portugal, Spain, Turkey, and the United Kingdom), as interim measures awaiting a multilateral solution. When signing onto the global deal, some countries committed to dropping DSTs or similar measures as soon as Pillar 1 is implemented, and the United States has in past threatened to impose trade sanctions for applying national or unilateral digital tax measures. As long as the deal is delayed, countries should consider moving in this direction, as for example Denmark has recently done by imposing a [6% digital service](#) tax on streaming services.

Given the growing importance of digital services and e-commerce in developing countries, DSTs could provide meaningful resources because of the booming profits realised by digitalised companies during the COVID-19 pandemic. These taxes would target the

economic rent of high-tech businesses, and can be progressive, so that the tax rate increases as sales increase.

Countries should give especial attention to e-commerce digital taxes, because without such taxes, local businesses may be put at a disadvantage and government revenues actually reduced.

**2. Taxing payments for all services at source through withholding taxes.** Developing countries have for long argued that services are a major source of profit shifting, due to the relative ease with which payments for services can be routed through entities formally located in low-tax jurisdictions. This has been exacerbated by digitalisation. Payments for services are deductible in the source country, so they reduce the taxable profits of the entity paying them. Foreign providers of services do not create local jobs, and giving them tax preferences disadvantages the local providers who do.

Withholding taxes on payments for services are simple to implement and easy to administer, and most countries have them in place for several types of payments to non-residents. It is important that withholding taxes are applied to all categories of payment for services, including automated digital services.

However, they are not an ideal solution, because they may fall more directly on customers, and apply to the gross amounts of payments, so they are hard to tailor to profitability. Hence, countries should also consider ways to tax the net profits at an appropriate rate related to actual profitability and be particularly sensitive to instances where payments for services is simply a way of shifting profits out of the country (e.g., when a company charges for “corporate headquarters services”).

**3. Taxing net profits from services.** A fair share of the profits from services, expressly including digitalised services, should be taxable in countries where they are performed or sold. This should apply particularly to non-resident entities, which do not create local jobs.

A requirement can be imposed on non-residents wishing to do business in a country to register a local affiliate that can be taxed, or countries can legislate to tax non-residents if they have a ‘significant economic presence. This has been done in countries such as India, Kenya, and Nigeria. The key issue is how to attribute an appropriate level of net profit. In Nigeria, for example, combined with a power to deem 20% of the turnover of non-resident companies as profit, thus taxable at the standard rate of 30%, or a rate of 6% of turnover. While easy to apply, this is economically more like a tax on sales. India has proposed a method to tax such entities formulaically, by applying the multinational’s global profit rate to its local revenues, which is much closer to a tax on profits. The detailed rules now developed under Pillar One for defining the source of sales, based on place of performance for services, can be used to prevent jurisdictional conflicts.

**4. Ensure taxation of income transferred offshore by payments for intangibles.** Profits are also shifted from source countries by royalties and other payments related to intangibles to conduit countries where they are subject to low or no taxation. OECD countries have already enacted, or are contemplating, measures to combat such practices. Notably, the UK enacted its Diverted Profits Tax in 2015, and its measures against Offshore Receipts in respect of intangible property income (ORIP) in 2019, and [considers that they are compatible](#) with the global minimum tax under Pillar Two. The US enacted its base erosion anti-abuse tax (BEAT) in 2017, while Australia recently issued a [consultation paper](#) outlining similar measures that it could adopt, in line with those and other similar measures.

Many developing countries apply withholding taxes to royalty payments, but these may be restricted by tax treaties, and broader measures are needed to deal with the wider variety of intangibles-related tax avoidance. The Pillar Two package includes not only a minimum effective tax of 15% but also a new tax treaty provision to implement a subject-to-tax rule (STTR), in the form of a minimum withholding tax of 9% on “interest, royalties and yet to be defined related party payments” to be included in double tax agreements with developing countries. This is one of the key demands made by developing countries participating in the negotiations. However, the agreement proposes a maximum rate of 9%, which is below the withholding tax rates in most existing treaties, and is unlikely to cover most services (especially digital). Furthermore, it will require revision of treaties. Instead of simply accepting this, countries should themselves renegotiate any treaties that unfairly restrict implementation of tax policies suited to their needs and limit the extent of deductibility for tax purposes of costs incurred for services provided by non-residents, particularly when they appear to be part of profit shifting.

**5. Revision of tax policies and treaties.** Each country should design its tax system to suit its own circumstances. In some cases, domestic measures may conflict with tax treaties, but the solution is to ensure that treaties are in line with tax policies, rather than the reverse. Developing countries should review their tax and treaty policies, inviting comments and debates through public consultations. Fortunately, developing countries generally have fewer treaties, and they are more often based on the UN Model Tax Convention, which is much less restrictive of source taxation. The UN Committee of Tax Experts has also in recent years revised this model to include articles to allow for the taxation at the source of the provision of technical services (Article 12A) and more recently for automated digital services (Article 12B).<sup>14</sup>

The provision to tax automated digital services allows for either taxation on a gross basis (similar to a digital services tax) or through a simple formulaic method for taxing net profits computed on the basis of the revenue derived locally from the market jurisdiction and the

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<sup>14</sup> Automated digital services can be defined as (e.g., advertising services, supply of user data, online search engines, online intermediation platform services, social media platforms, digital content services, online gaming, cloud computing services and standardized online teaching services).

global profitability of the MNE<sup>15</sup>. This provides source countries with a simpler solution than Pillar One, with a 30% share of the entire profits from sales<sup>16</sup> and by reference to the overall global profitability of the multinational and not just a share in the non-routine profits.

Whilst both Article 12B and Amount A rely on a formulaic approach based on sales and not on the arm's length principle underlying the transfer price system, Amount A only applies to large and highly profitable taxpayers<sup>17</sup>, Article 12B targets all businesses performing automated digital services and unlike Amount A, the design of Article 12B in the UN Model Treaty does not impose a minimum threshold on revenues or profits of taxpayers, so this measure could bring into scope hundreds of digital companies even in developing countries, unlike Amount A which brings in scope only multinationals with global revenue above \$20 billion .

Recent [research](#) shows that the revenue potential for developing countries of Pillar One Amount A and Article 12B is comparable but overall limited, as these measures apply only to a narrow subset of multinationals.

The implementation of Article 12B would likely require the renegotiation of bilateral treaties. The High-Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda ("[FACTI Panel](#)") has recommended that Article 12B could be incorporated through the negotiation of a UN tax convention which would provide a speedy manner for updating multiple tax treaties through a single negotiation.

## Pillar Two: proposals for a global minimum tax on multinationals

- **What has been agreed**

The main component of Pillar Two is the "GLOBE" – the Global Anti-Base-Erosion tax, a 15% minimum effective corporate tax rate applied on a country-by-country basis. The carve-out in the calculation of the GLOBE will allow a proportion of income to continue to benefit from low or even 0% tax rate where there are real activities (by excluding income equivalent to 8% of the carrying value of tangible assets and 10% of payroll costs).

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<sup>15</sup> Example: A non-resident multinational receives gross payments from the source State of 100 and has a worldwide profit margin of 40%. The qualified profits would be  $30\% * 40\% * 100 = 12$ .

<sup>16</sup> Since a major part of the business model of digital giants is based on acquiring data, the value of the "sales" needs to include some estimate of the value of the data acquired. Thus, even if a digital multinational derived no revenues from advertising in country A, if the data it acquired in country A enhances its global profits, it is as if its sold its services, not in exchange for dollars, but in exchange for data.

<sup>17</sup> Multinationals with consolidated revenues of 20 billion euros or greater and profit before tax to revenue ratio of at least 10 percent engaged in primary activities other than extractive businesses and regulated financial activities

For firms with real activities in low tax jurisdictions, the carve out would mean that a company can still benefit from low and even 0% effective tax rate on the share of profits covered by the carve-out.

- **Our assessment**

The stated objective of Pillar Two is to put a floor to tax competition, but there are legitimate concerns that the 15% global effective minimum tax will turn out to be the global standard. Thus, a reform that was intended to make sure multinationals pay their fair share would end up doing just the opposite.

The right to impose the minimum tax is subject to ordering rules, which give priority in imposing taxes to states that are the home countries of MNEs, which is inconsistent with the principle of taxing where activity occurs. A new provision inserted after October 2021 now gives priority to a “Domestic Top-Up tax”, allowing countries that currently offer effective tax rates below the minimum 15% to impose first a top-up tax. In practice, this benefit low-tax countries that at present aim to attract foreign multinationals to set up intermediary or conduit entities to channel income from high-tax countries where it is generated, because there is no point in applying a top-up tax to domestic income if you already have high domestic effective tax rates. Switzerland and Ireland have already announced their intention to apply this “domestic top-up tax”.

Hence, the effects of the GLOBE will only be felt indirectly by most developing countries. The bulk of the additional tax revenues is expected to be received by high-income countries because of the rule order. Moreover, the Commission has felt strongly that the minimum tax as formulated lacks ambition: it is too low, especially so with the carve out provisions.

The implementation of the minimum tax does not require a treaty, but it is based on highly detailed and very complex model rules. Developing countries should consider whether to devote scarce technical capacity to try and join this scheme, particularly as they would likely gain little from it due to the unfairness of the rules. The effective implementation of the GLOBE is currently at a political impasse at the EU level because of the Hungarian veto but may be approved in the Autumn. In August the US Congress enacted different measures designed to protect the US tax base including a corporate alternative minimum tax which could be deemed compatible with but not based on the GLOBE. Developing countries should therefore also consider available alternatives.

- **Implementing alternative minimum taxes**

Alternative minimum taxes are essentially taxes on alternative output or profits measures, such as turnover or assets, sometimes in combination. They are quite common in many tax systems and have proven particularly popular when it comes to the presumptive taxation of certain types of businesses—differentiated, for example, by size or sector.

Alternative minimum taxes require some taxpayers to calculate their tax liability twice—first, under ordinary income tax rules, then under the alternative minimum tax rule—and pay whichever amount is highest. For most multinationals, with highly digitalised accounting system, the costs of calculating an alternative minimum tax should be relatively low.

Alternative minimum taxes [have re-emerged](#) as an instrument of interest to help deter tax evasion and avoidance, particularly for developing economies. A turnover-based minimum can be effective against tax planning strategies that generate tax-deductible expenses but may be susceptible to manipulation of the transfer price, though this too could be partially addressed under an alternative minimum tax, by calculating it on a variety of factors. The alternative minimum taxes should be designed so that no multinational pays less than the global minimum effective rate, and thus could be set at a higher rate than 15%.

Spain has recently introduced an alternative minimum tax of 15% of the tax base for certain taxpayers effective in 2022, which means that it will not be possible to reduce net tax liability below this amount through the application of deductions. In August, the US Congress also enacted a corporate alternative minimum tax to ensure that US-based MNEs pay a minimum of 15% on their global income. This is intended to apply to the adjusted financial statement income (“book income”) of MNEs, with certain adjustments.

- **Reviewing existing tax incentives regimes**

Tax breaks on profits often used to induce firms to locate in a particular jurisdiction can be very expensive in revenue terms and they reward companies for booking profits in particular places at particular times, which is not necessarily the same thing at all as creating lasting investment and jobs. They are hard to administer, easy to abuse, open to corruption, and can reward investments which would in any case be sufficiently profitable. And they create the race to the bottom that has long been a concern of ICRICT, so that in the end, the firm’s location may be the same—but this perverse competition has simply led to shifting the burden of taxation towards workers.

Putting an end to unproductive and cost-ineffective tax preferences is the first best solution to broadening the base and discouraging rent seeking behaviour.

Despite the blockages facing the GLOBE, countries around the world are considering or adopting measures to ensure global minimum effective taxation. This will affect existing incentives to varying degrees, because any multinational company that benefits from an incentive such that its tax rate is less than the minimum rate may simply have to pay the balance to a foreign jurisdiction, usually the residence country of the company that receives the incentive. Some countries may decide to impose a minimum tax on MNEs operating within their jurisdictions ( e.g., selling products) thereby reducing the advantages that such companies have in competing with home-based companies.

Hence, the imposition of the minimum tax by the US and other should provide an incentive for countries to review or repeal their tax incentives in domestic law and investment agreements in order to bring the effective tax rate at least in line with the effective tax rate.

Tax breaks offered to companies should be available to non-residents and residents equally, to avoid unfair competitive advantages for foreign multinational firms over domestic enterprises (many of which are small and medium in size and generate the greatest employment).

Tax breaks that are granted to reduce investment costs should also be subject to a public hearing before adoption and when legislated, conditional on the attainment of measurable goals, and should include sunset provisions. Tax expenditures (the cost of tax incentives due to revenue foregone) should be regularly reported to the public in budget expenditure reports which are detailed enough to allow for informed public scrutiny.

## **Governance: How are decisions are made? Who makes the rules, and where?**

Whatever happens regarding the OECD and G20 global deal, there is an urgent need to reconsider how decisions are made at the global level and under multilateral principles. We can't afford a decision-making process that discourages countries from actively engaging in global negotiations. The way decisions are made needs to reflect principles of fairness, transparency, accountability, and stability. We are still far from that.

The voices of all have to be *effectively* heard. Just being in the room is not enough. Countries in the Global South must be able to influence the outcome and not be mere participants in processes where their views are sought only for the appearance of broad consultation.

It is true that the OECD/G20 Inclusive framework is credited with broadening the participation of developing countries in the governance of global taxation post-2013. But developing countries joined the Inclusive Framework after the agenda had already been set and the action points agreed on. This meant that the characterisation of the problem itself was done by developed countries and what was discussed is what the developed countries originally tabled. And many of the details of the outcome of the process show that the concerns of developing countries and emerging markets were often given short shrift—even when doing so would have cost the advanced countries little.

Most developing countries did not have adequate resources to participate on an equal footing, especially now, with other priorities including the pandemic and the current energy/debt crisis. Some lack expertise in international tax policy.

Beyond that, there must be a change in structure and processes for more inclusive deliberations and governance going forward.

Capacity building can only go so far in what are political negotiations shaped by the power of most influential countries. The disappointing outcomes of the process, from the

perspective of developing countries—both the inequities to which we have pointed and the relatively small amounts of increased revenues that they are likely to receive—reflect these governance deficiencies.

There are several changes in the processes and structures of the Inclusive Framework that should be therefore considered for more inclusive governance and decision-making, in particular:

- The creation of a self-standing secretariat, whose staff should reflect the full membership of the Inclusive Framework, not just OECD members.
- Transparency and accountability in the decision-making process. Decisions are currently being made based on consensus and silence is taken as endorsement. It is unclear if and how voting takes place and so who speaks and how vocal they are affect the decision-making process, and this is biased against developing countries, many of which remain silent. A formal and transparent process (e.g., where deliberations/debates are open to the public, votes are registered) to reflect the diverse views of members in the Inclusive Framework should be considered, including written and public submissions which will provide developing countries and emerging markets more time to reflect and consult on the critical issues.
- Addressing the current lack of political representation beyond G7/G20/OECD countries. The OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting is a G20 mandated initiative. The breadth of membership has provided the momentum necessary for such an initiative, and yet, there is both inadequate full effective representation and political legitimacy, reflected in the unbalanced outcomes that we have noted. The frustration all along in BEPS negotiations, the constraints in reflecting the interests of developing countries and the political impasse at the rich countries' level, have revitalized the issue of whether the OECD is the best forum to host such global negotiations. Therefore, in May 2021, [African finance ministers](#) called upon the United Nations to begin negotiations under its auspices on an international convention on tax matters, with the participation of all States members and relevant stakeholders, aimed at eliminating base erosion, profit shifting, tax evasion, including of capital gains tax, and other tax abuses.

As long as the Inclusive Framework does not become substantially more *effectively* inclusive, calls for a move to a space that allows equal and effective participation for all countries, including the poorest will grow only louder, and discussions towards creating a global tax body within the United Nations should and will continue.

## **Conclusion: the way forward**

A disproportionate share of the expected additional revenues generated by the global tax deal will accrue to rich countries. The OECD/G20 Inclusive Framework process hasn't contributed to a meaningful reallocation of taxing rights, and it has not in particular resulted

in increasing taxing rights for developing countries. Nor would the suggested compromise contribute substantially to the reduction of tax havens. Instead, the agreement reflects the kind of influence that multinationals can still exert over positions taken by certain governments. This operates to consolidate unequal taxing rights between countries and continue to protect MNEs from paying their fair share of taxes, even in developed countries.

In a way, that is not surprising. It reflects the power dynamics of the international regime, the bargaining power of the advanced countries, and the influence of MNEs, especially in advanced countries.

But no agreement at all means the large powerful countries in the world will use their power to continue to shape the multinational tax structures to their advantage. The current agreement should therefore be seen as a stepping-stone towards a more comprehensive solution.

Fortunately, the enormous work done in the OECD/G20 Inclusive Framework has resulted in agreement on the detailed technical building blocks needed to implement unitary taxation of MNEs based on formulary apportionment. This remains in our view the only fair and effective way to tax multinationals and should continue to be the objective for all reform efforts.

The current uncertainty surrounding the implementation of the deal and the failure to deliver a comprehensive and fair solution mean the incentives for some countries to introduce unilateral measures will increase, under the pressure of understandably deepening public anger on the issue and the need for revenues.

If real multilateralism on tax matters is failing and blocked by individual countries' interests, we as a commission strongly encourage countries not to wait. Rather they should move forward and consider their own alternative measures, formulated where possible in a coordinated manner, to be actively implemented without any delay. Large companies operating across borders and especially the very digitalized ones benefit from the current political inaction, while most citizens are facing a cost-of-living crisis and many developing countries and emerging markets are facing a debt crisis.

Countries should introduce measures to ensure that the companies that are benefitting most from the crisis pay their fair share, through progressive profit taxes and windfall taxes.

These measures will both deliver desperately needed resources now and create the necessary pressure to force change towards a genuinely fair international tax architecture, which will require multilateral discussions extending well beyond the current process.

We deserve national and global governance that just doesn't hide behind excuses but chooses to face environmental, health, social, debt, energy, and economic crises directly. The price of inaction is severe: more inequality, hunger, and extreme poverty.

# ICRICT COMMISSIONERS



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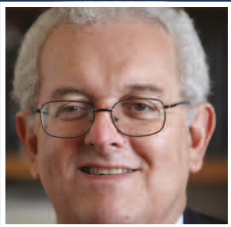
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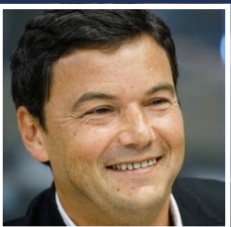
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