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OECD minimum corporate tax rate negotiations

An open letter by Greens/EFA MEPs Kira Peter Hansen and Ernest Urtasun

Ahead of the Plenary meeting of the OECD Inclusive Framework on Friday 8th of October where countries are expected to agree on a final tax deal to impose a minimum effective tax rate on the largest multinationals, the Greens/EFA Group urges the countries around the table, in particular the European Member States, to not bend to the pressure of tax havens and raise the bar of the final agreement. A strong minimum effective tax rate, is a rate set at 21% with no loopholes and applied country-by-country.

Unfortunately, according to media reports, European tax havens have been able to push through a far-reaching concession in the negotiations on the global corporate tax reform. Until now, the plans of the OECD Inclusive Framework had referred to an effective minimum tax rate of “at least 15 per cent”. As it seems “at least” has been deleted from the final text. This deletion is crucial as it removes a strong incentive for countries to set a higher minimum effective tax rate. US President Biden had originally proposed an effective minimum tax rate of 21%; the wording “at least 15 percent” was already a concession to countries with low taxes.

Mandated by the G20, the OECD Inclusive Framework started in 2019 negotiating a minimum effective tax rate to curb the race to the bottom in corporate tax rates and put an end to tax competition. During 3 years of negotiations we witnessed how large multinationals continue to use tax havens to lower their tax bill. In the same week of yet a new major tax scandal “Pandora Papers”, it is unacceptable to bend to the demands of tax havens and tax avoiding multinationals on what should be a powerful instrument to put an end to an unfair tax system.

The members of the OECD Inclusive Framework must stand together to keep the level of ambition high. EU Member States must defend the option to introduce a higher minimum tax rate. The adherence to the unanimity principle in tax matters in the EU gives European tax havens disproportionate influence.

Capping the minimum tax at 15% would be a major setback for this important project for tax justice. An effective minimum tax of 15% is not enough to end the disastrous tax competition which is ongoing between countries.

Signed,

Greens/EFA MEPs, **Kira Peter Hansen** and **Ernest Urtasun**

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