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OECD pushes ideas for global corporate tax overhaul

US-led proposal said to have backing as countries adapt to digital economy

The OECD has said there is growing consensus behind a US proposal for an overhaul of global corporate tax rules, as countries try to strike a deal on how to levy multinational companies in the digital era.

Under the plans companies would pay taxes based on where they make their sales — a significant change from today, when tax on companies largely depends on where their employees, offices and other assets are located.

The club of richer nations is spearheading efforts to rethink international agreements underpinning corporate tax, as part of a crackdown on how multinationals move profits between jurisdictions. Countries in the EU led by France have sought action against mainly US-based tech companies, arguing that they do not pay their fair share of tax in countries where they sell digital services.The OECD on Tuesday presented four different proposals to rewrite corporate tax rules to take account of the growing digital economy. Of the four, a plan led by the US was "forceful" and would radically alter how countries share the right to tax multinationals, Pascal Saint-Amans, head of tax at the OECD, told the Financial Times.

"It needs to be refined but the philosophy of the US tax proposal is pretty strong. They have the US, Brazil, China, India and other emerging economies lined up," Mr Saint-Amans said.

***The new regime, which would limit the opportunities for companies to shift profits from high to low tax jurisdictions, would apply to all multinational groups, not just the digital companies the action initially targeted*. The OECD would like to reach agreement by the end of 2020.The change would shift multinational tax revenues out of tax havens and away from some exporting nations and towards countries with large numbers of consumers.**

Mr Saint-Amans said Washington's position on digital tax reform had undergone "a fundamental change", which he suggested was driven by a need to protect the US tax base after cuts to tax rates in 2017. The proposals put forward by the OECD on Tuesday have

been agreed by 127 countries. They include narrower plans from some European member states that focus only on digital companies.

Mr Saint-Amans said: “It may be a challenge for European countries to explain (that) their approach would result in taxing only Google.

”The US-led proposal is broadly in line with European Commission proposals made last year. The commission said it was “glad to see this progress from the OECD, which echoes our own efforts to tackle these issues at EU level. We have been unwavering in our support . . . to achieve an international solution to this global challenge as soon as possible.

”Last year Brussels also proposed an interim EU-wide tax on digital services revenues to prevent a patchwork of taxes on digital companies in different member states. EU finance ministers are still haggling over that stopgap initiative, which requires unanimous approval, but a dozen EU countries — including Austria, France and Spain have approved or are planning special levies on digital companies. Bruno Le Maire, the French finance minister, said on Tuesday that the OECD had made “an important announcement”.

“We have been fighting for months to advance the topic of fair taxation of the digital giants, and we are starting to see the results: 127 countries are committed to changing tax rules,” he wrote on Twitter.