the guardian

Households forced to plug corporate tax gap, says OECD

Report says increasing inability to tax corporate profits means governments are forcing workers and consumers to plug the revenue gap

Simon Bowers

December 3, 2015

Individual workers and consumers have shouldered an increasing share of the tax burden in industrialised countries as governments have been forced to become less reliant on taxing corporate profits, according to a report from the OECD.

“Corporate taxpayers continue finding ways to pay less, while individuals end up footing the bill,” said Pascal Saint-Amans, director of the OECD Centre for Tax Policy and Administration.

“The great majority of all tax rises since the crisis have fallen on individuals through higher social security contributions, value added taxes and income taxes. This underlines the urgency of efforts to ensure that corporations pay their fair share.”

The study released on Thursday found ratios between growth and taxation across the 34 OECD countries last year returned to levels similar to those seen before the financial crisis of 2008. However, a breakdown of the figures shows that governments are requiring individuals to shoulder more of the tax burden than corporations.

OECD hopes tax reforms will end era of aggressive avoidance

The OECD average for corporation tax receipts was equivalent to just 2.8% of GDP last year, compared with 3.6% in 2007. Meanwhile, over the same period, social security contributions rose from 8.5% to 9.2% of GDP; personal income tax was up from 8.8% to 8.9%; and VAT increased from 6.5% to 6.8%.

The OECD last month published wide-ranging reforms for corporation tax and multinationals, which have been accepted by G20 leaders. It has argued that the current rules for taxing corporate profits are out of date and open to abuse. On conservative estimates, it says this is costing countries $100bn-$240bn (£65bn-160bn) a year – equivalent to between 4% and 10% of global corporation tax revenues.

Corporate lobbying groups have attacked many of the OECDs reform plans. This week the National Association of Manufacturers in the US urged the Senate finance committee to help block reforms it said would force US companies to disclose “extremely sensitive information unrelated to actual taxpayer activities” to foreign tax offices.

The libertarian Cato Institute, funded by the billionaire industrialist Koch brothers, has also campaigned hard against OECD reforms describing them as a “global tax cartel” plot.

The US government, however, has played a leading part in the two-year negotiations that produced the OECD reforms, and remains a supporter along with G20 nations and others.