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Guest Columnist

136 countries agree on a minimum global corporate tax, but Republicans say no

The Organization for Economic Cooperation and Development estimates that this minimum tax will generate \$150 billion in global tax revenues annually.



The Organization for Economic Co-operation and Development (OECD) headquarters is pictured in Paris. Nearly 140 countries have agreed on a tentative deal that would make sweeping changes to how big, multinational companies are taxed in order to deter them from stashing their profits in offshore tax havens where they pay little or no tax. [FRANCOIS MORI | AP]

Multinational corporations currently engage in aggressive global tax avoidance strategies causing great harm to the American economy. For example, a Senate Finance Committee reported this month that the pharmaceutical giant AbbVie

made three-quarters of its sales to American customers in 2020, yet reported only 1 percent of its income in the United States. This action effectively slashed AbbVie's effective tax rate to about half required by law.

The International Monetary Fund reports that tax havens collectively cost governments between \$500 billion and \$600 billion a year in lost corporate tax revenues. American Fortune 500 companies alone held an estimated \$2.6 trillion offshore in 2017.

This lost revenue hinders the ability of the U.S. government to provide for the "public goods" essential for companies and citizens to flourish, including environmental protection and pandemic prevention. To set up a business, an entrepreneur depends on critical government action to maintain a peaceful society, create effective transportation and education systems, and provide clean air and water. A businessperson's ability to produce "private goods" or services to sell in the market depends on these other "public goods" being provided. Tax avoidance through parking money overseas in "tax havens" undermines the ability of our government to provide for these essential public goods.

To rein in these aggressive tax avoidance actions, President Joe Biden and Treasury Secretary Janet Yellen have achieved a remarkable foreign policy success, which will greatly benefit U.S. citizens and the global economy. One hundred and thirty-six countries signed an agreement to ensure that all companies pay a minimum tax rate of 15%. These countries supporting a global minimum tax rate together account for over 90% of the global economy. The Organization for Economic Cooperation and Development (OECD) estimates that this minimum tax will generate \$150 billion in global tax revenues annually.

The minimum global corporate tax is intended to end decades of "tax competition" between countries to attract foreign investments. Multinationals have taken advantage of this environment and shifted profits and tax revenues to low-tax countries regardless of where their sales are made.

When the new agreement goes into effect, companies that pay a lower rate in a particular country would see their taxes "topped up" to the 15% minimum in their home country. This would eliminate the corporate incentive to shift profits to tax havens such as the British Virgin Islands, Cayman Islands and Bermuda, the top

three countries on the Tax Justice Network's corporate tax haven Index.

Economists argue that the deal will encourage multinational corporations to repatriate capital to their home country, giving a boost to those government's ability to provide public goods to their citizens.

As Yellen stated: "(The) global minimum tax would end the race-to-the-bottom in corporate taxation, and ensure fairness for the middle class and working people in the U.S. and around the world."

Republicans have recognized and drawn attention to the problems of massive corporate tax avoidance. As a presidential candidate, Donald Trump highlighted the inequitable corporate income tax policy. Trump stated, "What's happening is companies are leaving our country ... to get a better tax deal." The latest Republican Party platform stated: "We endorse the recommendation ... to switch to a territorial system of taxation so that profits earned and taxed abroad may be repatriated for job-creating investment here at home."

However, in this election season, Republicans are desperate to avoid giving President Joe Biden a victory and falsely claim that the agreement would cut our nation's competitiveness and cede a level of tax decision-making to foreign countries. In fact, the agreement, as Yellen states will "level the playing field in the taxation of multinational corporations" which could spur innovation and growth at home.

The 136 countries that have signed onto this agreement include democracies, autocracies and dictatorships; capitalists, socialists and communists; Christians, Jews and Muslims. The world's main holdout — the Republican Party.



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