# OECD nations move on tax dodging, without the US

More than 60 countries signed Wednesday a convention that aims to hinder multinational firms that shift profits around the globe to reduce their tax bills. One notable absence from the convention was the United States, which judges its own rules sufficient. "This convention is the result of very strong political will to put an end to aggressive tax planning," said Pascal Saint-Amans, director of the tax policy and administration centre at the OECD, where the convention was signed.

The Organisation for Economic Cooperation and Development, which provides policy advice to advanced economies, has spearheaded the international effort to get nations to harmonise their rules. That would make it more difficult for multinationals to use legal loopholes to shift profits to low-tax jurisdictions using complicated accounting schemes, a practice often called tax avoidance or tax optimisation.

The initiative was undertaken amid growing outrage over large multinationals paying almost no taxes while the public in many nations faced tax and spending squeezes in the wake of the global economic crisis. One of the convention's main aims is to put an end to so-called treaty shopping, whereby multinationals take advantage of bilateral tax treaties between two countries to escape paying taxes.

It is a practice that has become so prevalent it is almost an "industry" according to Saint-Amans. He cited a Dutch government study that estimated there are between 8,000 and 12,000 tax lawyers whose practice is limited solely to treaty shopping. To counter the practice the OECD convention will automatically change the terms of bilateral tax treaties of signatories. "This is without precedent," said Saint-Amans. "It has never been done."

It is a solution that has the advantage of speed and simplicity, rather than asking each country to amend each of its tax treaties with its partners, a task that would likely take years. Saint-Amans said he expects another couple of dozen countries may sign by the end of the year, taking the total to nearly 90. "It is a success for the OECD which is becoming the international organisation for taxes," one diplomat told AFP on condition of anonymity.

While the OECD hasn't disclosed the signatories, Saint-Amans has previously said that several nations with tax treaties that were popular among multinationals such as the Netherlands, Belgium, Luxembourg, Singapore and Hong Kong, have indicated they will join.

Among those who won't sign is the United States. "A decision was taken before the arrival of Donald Trump at the White House," a diplomatic source told AFP. While the newly elected president has up-ended US trade and environment policy by signalling its withdrawal from multilateral deals, the source said this was not the case with cooperation on tax matters.

Saint-Amans also downplayed the absence of the United States. "Their tax treaties are good and very robust, they don't have bad ones," he said. "The United States doesn't represent a threat for the rest of the world" in terms of reducing tax avoidance, said Saint-Amans. The convention may

not be a bad development for most multinationals. Tim Wach, managing director at the global tax advisory firm Taxand, said a significant aspect of the convention is its "attempt to improve the means of resolving tax disputes when tax authorities of different countries assert the right to tax the same income of a taxpayer, with the taxpayer being 'caught in the crossfire'. A survey of chief financial officers and tax directors Taxand conducted at one of its recent conferences found that more than three-quarters believed the convention will be a benefit to multinationals in the long term.