THE GLOBAL MINIMUM TAX

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BETTER POLICIES FOR BETTER LIVES

Pillar Two Overview

- Pillar Two seeks to protect the corporate tax base from tax competition and tax avoidance through:
  - A global minimum tax (the GloBE rules) that ensure large multinational enterprises pay at least a 15% effective tax rate, and
  - A treaty rule that allows developing countries to protect their taxing rights over base eroding payments (like interest and royalties) where the payments are taxed below 9% in a foreign country (the Subject to Tax Rule or STTR)
- Estimated annual global revenue gains of **USD 220 bn for 2018**
  - Ongoing work on jurisdiction-group results

Global Minimum Tax - Example

- If Operating Company income has an effective tax rate of less than 15%, then Parent Country can tax the difference.
- Even if Parent Country does not introduce rules, Investment Hub could tax the difference.
- But **Source country can tax first** – either by reforming tax incentives or introducing a **QDMTT** (Qualified Domestic Minimum Top-up Tax).

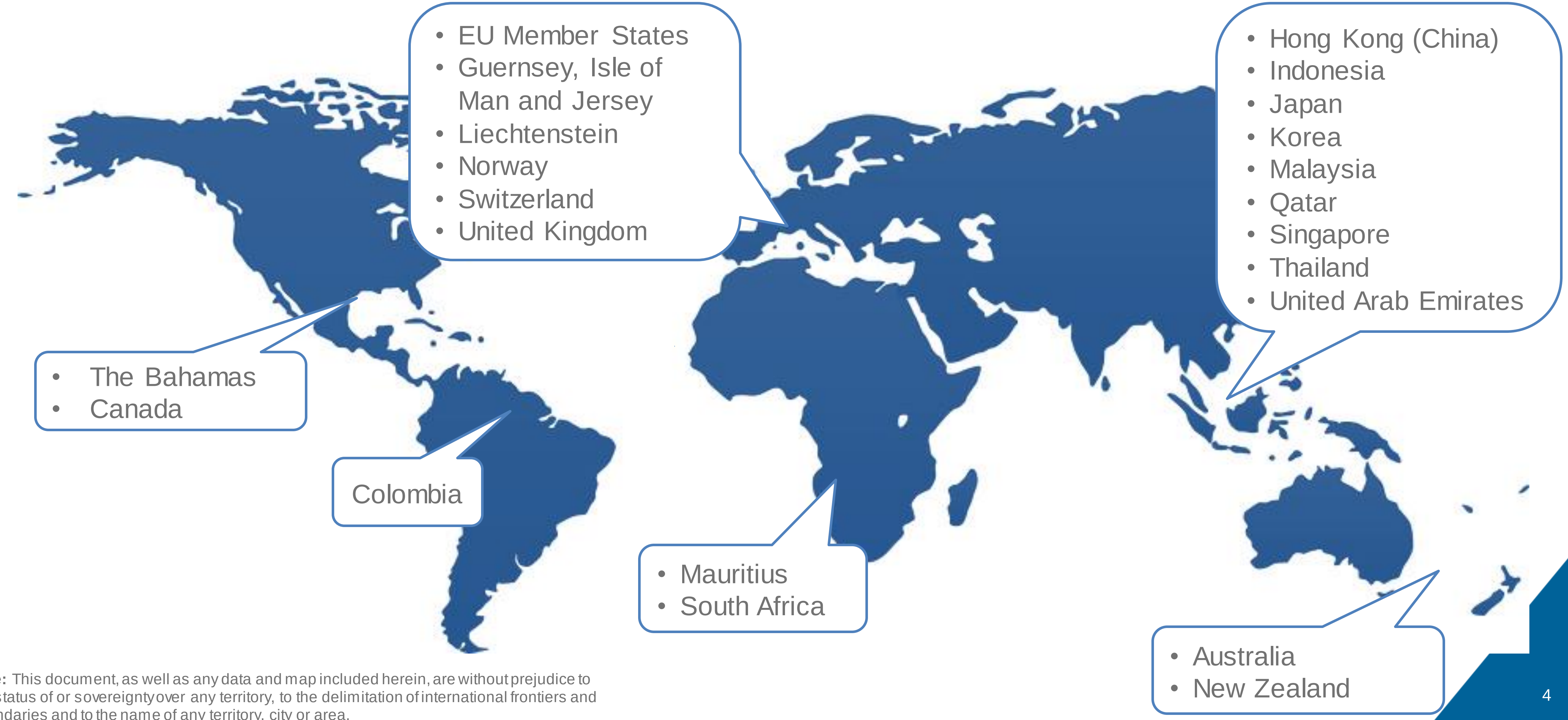
Parent Co — Parent Country

Hold Co — Investment hub

Operating Co — Source Country

- Pillar Two provides an opportunity to introduce a **Qualified Domestic Minimum Top-up Tax** (QDMTT).
- Pillar Two puts a floor on **tax competition**, reducing **profit shifting**, relieves pressure to provide wasteful tax incentives to attract investment.
- Pillar Two may affect the effectiveness of tax incentives, but a granular analysis is required to reassess tax incentives for each country's circumstances. Pillar Two presents an opportunity to offer **real investment incentives**.

Countries are taking steps towards implementation of GloBE rules



Note: This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Development Partners' Initiatives

OECD Capacity Building

- **Outreach –** regional consultations, pre-meeting briefing sessions
- **Training and e-learning** – webinars, multilateral seminars, live Q&A, self-paced courses
- **Targeted Assistance** – bilateral support, pilot programmes on GMT and tax incentives
- **Tax Inspectors Without Borders** gearing up to support implementation of GMT

Development Partners' Initiatives

- **Toolkits/Guidance** – WBG, IMF, ADB, IISD
- **ADB Helpdesk** – Web portal with useful background material including guides, toolkits and information on upcoming events in the Asia-Pacific region.
- **ATAF** – suggested approach to Domestic Minimum Top-up Taxes (DMTT).
- **FTA Capacity Building Network** – Pillars Knowledge Sharing Network, led by HMRC.
- **Integration of GloBE into existing strategies by IOs** – Medium Term Revenue Strategies (MTRS) by IMF, WBG and Integrated National Financing Frameworks (INFF) by UN.

Further resources and references on the Global Minimum Tax

- Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy
- Tax Incentives and the Global Minimum Corporate Tax: Reconsidering Tax Incentives after the GloBE Rules
- GloBE Training Webinars
- GloBE Model Rules
- GloBE Commentary
- GloBE Illustrative Examples
- Administrative Guidance on the GloBE Rules
- ATAF (2022) Suggested Approach to Drafting Domestic Top-Up Tax Legislation

Contact address and further useful information

For any questions please contact us at: CTP.BEPS@oecd.org.

- http://www.oecd.org/ctp/beps/
- Inclusive Framework on BEPS Progress Report
- OECD Secretary-General Tax Report to G20 Finance Ministers and Central Bank Governors, India, February 2023
- OECD Report for the G7 Finance Ministers and Central Bank Governors, May 2023, Japan
- TIWB Annual Report
- Tax and Development Case Studies