

GLOBAL PARLIAMENTARY NETWORK Special Session of the Parliamentary Group on Tax

Tax Challenges arising from Digitalisation

9 February 2021





Tax Challenges Arising from Digitalisation

12 October 2020

Launch of the public consultation

21-22 November 2020

G20 Leaders summit 14 December 2020

Public consultation comments due

By Mid-2021

Reaching a global and consensusbased solution















14 October 2020 G20 Finance Ministers

meeting

December 2020 G20 Italian Presidency 14-15 January 2021

Public consultation meeting



Impact Assessment-Overview of main findings

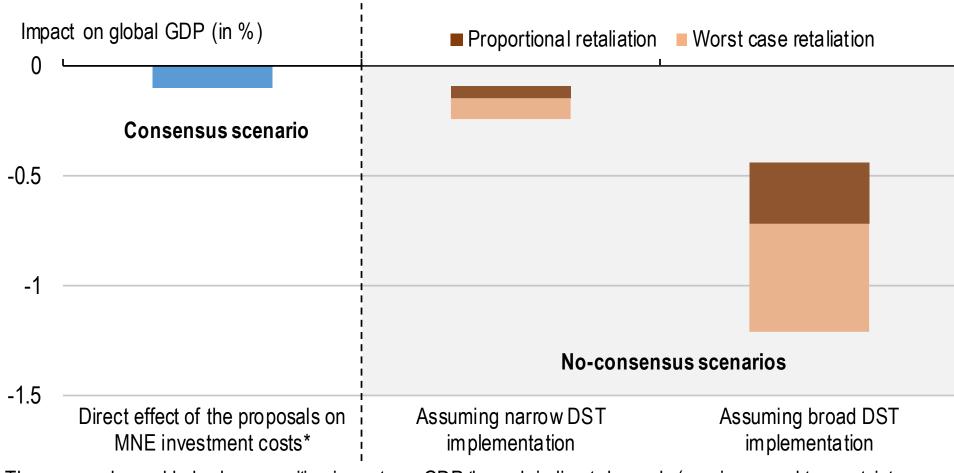
Pillar One & Pillar Two could increase global corporate income tax (CIT) revenues by about USD 50-80 billion per year.

The combined effect of the reforms and the US GILTI could represent USD 60-100 billion per year or up to around 4% of global CIT revenues.

- The reforms would lead to a more favourable environment for investment and growth than would likely be the case in the absence of a consensus-based solution.
- The COVID-19 crisis is likely to accelerate the trend towards the digitalisation of the economy and exacerbate the tax challenges arising from digitalisation in the absence of an agreement by the Inclusive Framework.



Estimated effect on global GDP Stylised scenarios

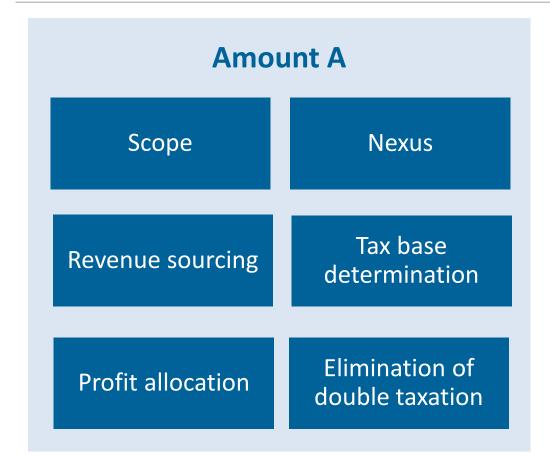


^{*} The proposals would also have positive impacts on GDP through indirect channels (e.g. increased tax certainty, reduced need to increase other distortive taxes) which are not quantified in this figure.

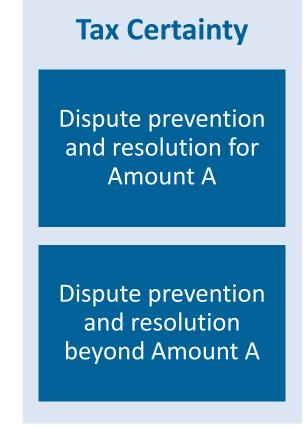


P1 Background

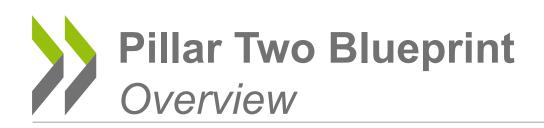
Building blocks agreed in January 2020







Implementation & Administration



GloBE Rules Chapters 2-7

Scope (Chapter 2)

Calculation of jurisdictional ETR (Chapter 3)

Carry-forwards (Chapter 4)

Carve-out (Chapter 4)

Simplifications (Chapter 5)

Chapter 6

Top-Down Approach

Split Ownership

Special Rules Chapter 8

Simplified IIR for JVs and Associated **Entities**

Orphan Entities

STT rule **Chapter 9**

Scope

Trigger

Adjustment

Rule coordination Chapter 10

Rule Order

Treaty Compatibility

Co-ordination

Dispute Prevention

IIR

Chapter 7

UTPR

1st Allocation Key

2nd Allocation Key

Annex with examples



Thank you

Achim Pross

Head of the International Co-operation and Tax Administration OECD Centre for Tax Policy and Administration