



**FISCAL AFFAIRS**

# **Twelfth IMF- Japan High-Level Tax Conference for Asian Countries**

## **Two Pillar Agreement**

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Ruud de Mooij

Assistant Director

Fiscal Affairs Department

# CORPORATE INCOME TAXES UNDER PRESSURE



## Why Reform Is Needed and How It Could Be Designed

EDITORS  
RUUD DE MOOIJ  
ALEXANDER KLEMM  
VICTORIA PERRY

## Mounting Pressures

System from 1920 League of Nations agreement –  
and 3000 double tax treaties – raise concerns of

- **Profit shifting**
  - ▶ Boundaries to the arm's-length principle
- **Tax competition**
  - ▶ Rates and preferential regimes
- **Developing countries**
  - ▶ Eroding source taxing rights; complexity
- **Digitalization**
  - ▶ Taxing in country of users/destination

# Historic Agreement October 8, 2021

BREAKING | Oct 8, 2021, 03:09pm EDT

## 136 Countries Agree To Establish 15% Minimum Corporate Tax Rate



Téa Kvetenadze Forbes Staff  
Business  
I'm a New York-based reporter covering breaking news.

**TOPLINE** The Organization for Economic Cooperation and Development announced Friday that 136 countries representing over 90% of GDP have agreed to tax reforms that include establishing a 15% corporate rate beginning in 2023, clinching a long sought-after agreement of multinational tax levies.

## Global Deal to Establish 15% Rate Moves Ahead as

More than 130 countries agreed to a 15 percent floor as governments look for bottom on corporate taxation.



## 136 nations agree to biggest corporate tax deal in a century

OECD-led pact sets 15% floor aimed at raising \$150bn annually as US wins two-year ban on tech levies



OPINION | REVIEW & OUTLOOK

## Yellen's Global Tax Railroad

She wants to use an OECD pact to coerce Congress to go along.

Editorial Board

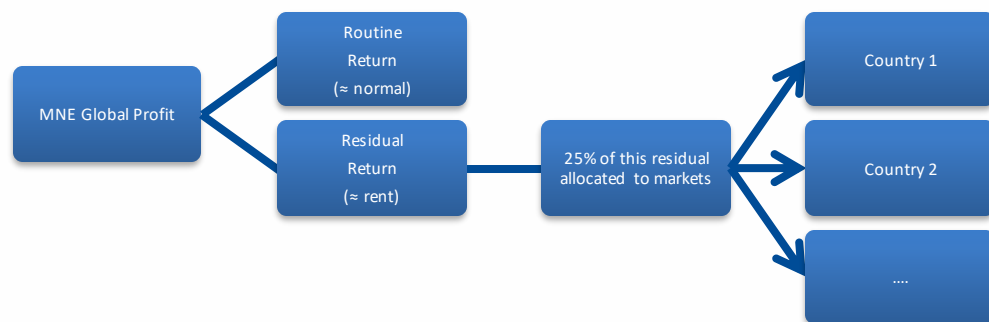
Oct 21 6:34 pm ET



## Global minimumtarief voor multinationals stap dichterbij

Winstbelasting 136 landen hebben gedetailleerde afspraken gemaakt om multinationals meer belasting te laten betalen. Het is een belangrijke deal, maar die moet nog wel worden geïmplementeerd.

## Pillar 1 – New taxing right



- Amount A departs from ALP and introduces **formula apportionment**
- Amount A moves part of allocation right to **destination** countries (‘sales’ factor)
- Amount B is **simplification** and strengthens source (but postponed)
- Removal of **unilateral** measures that target digital economy

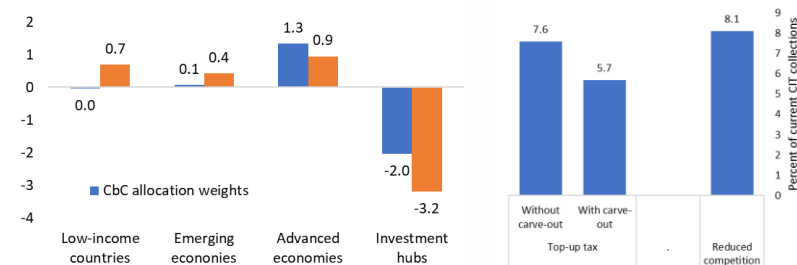
## Pillar 2 – Global minimum tax

- 15% minimum, enforced through outbound and inbound tax rules, addresses **profit shifting and tax competition**
- No requirement for countries to adopt it (**optional**) and no need for all countries to participate for it to work
- 9% minimum tax on certain **cross-border payments**

Figure 1: Revenue Impact of Pillars 1 and 2 (Static Estimates)

a. Pillar 1

b. Pillar 2 (GloBE rules)



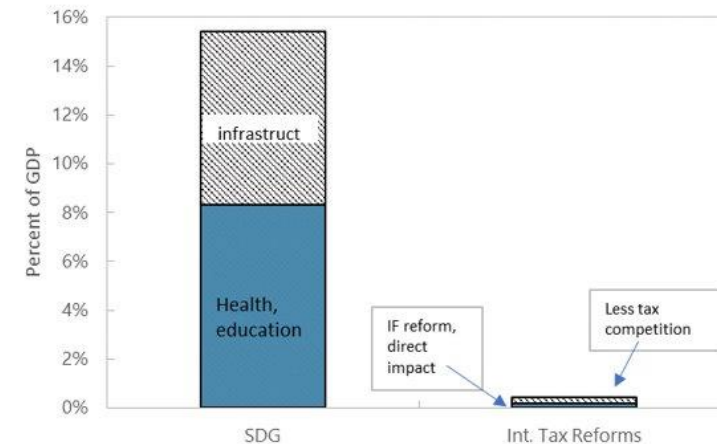
Source: IMF staff estimates.

# What countries need to do?

## Corporate tax agenda

- Further **shape** international tax agenda
  - ▶ Amount B, STTR, simplification, OIT
- Carefully decide which rules to **adopt**
  - ▶ Pillar 2 rules
- Assess optimal **domestic response**
  - ▶ Rate and design of domestic CIT
  - ▶ Review investment tax incentives

## Domestic tax agenda



- Achieving **development goals** requires much more revenue mobilization efforts
- **Concerted effort** in tax policy, legal framework and revenue administration
- Embark in **medium-term revenue strategy**



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**Thank You!**

**Questions  
Welcome**