

OECD Base Erosion and Profit Shifting (BEPS) Pillar I and Pillar II

Wednesday 30 June 2021

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CAREY OLSEN

Global Business Taxation A New Era?

Mourant Consulting
June 2021



Introductions



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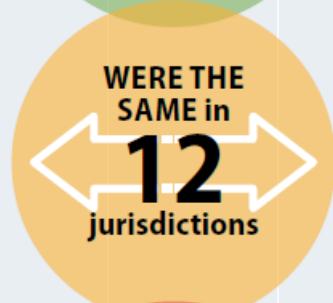
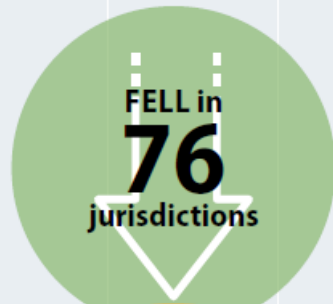
- A global specialist consulting business
- Clients appoint us to collaborate with them as a trusted adviser
- Prevent and detect approach to governance, risk and compliance matters that aims to inspire the confidence of the Regulator
- Enhance the governance, risk and compliance functions for the firms we advise & make this a competitive advantage for them
- We combine substantial regulatory knowledge with expertise in helping financial services clients build long-term strategies to enhance their governance, risk and compliance culture and navigate the regulatory agenda
- Work collaboratively and seamlessly with the law firm – engage Mourant and you can have detailed legal advice and consulting expertise in one package
- Our clients include many of the world's leading financial institutions, as well as regulators and governments in multiple jurisdictions

Tax Challenges Arising from the Digitalisation of the Economy

OECD Corporation Tax Reform

Corporation Tax rates have been falling for a long time

When comparing 2000 and 2018, statutory corporate tax rates:



Corporate tax revenues are particularly important in developing economies

(CIT revenues as a share of total tax revenues in 2016)

AFRICA (21): 15.3%

LAC (25): 15.4%



OECD: 9.0%



Whilst effective rates of tax have been in freefall



Graphic: Mail online

Taking a bite out of Apple



Apple ordered to pay
€13bn after EU rules
Ireland broke state aid
laws

OECD proposals

Pillar I Taxing Rights

Pillar II Global Minimum Tax

OECD plan mid 2021

US Tech

EU DST proposal

Investment hubs lose



Yellen Supports Global MAT



"Working in the context of the OECD negotiations on global taxation, we have much greater leverage to keep our American firms competitive if we avoid a race to the bottom in corporate taxation more globally,"

Source: ITR

BUT:

OECD Threshold of EUR €750m nets circa 2,300 MNEs

Vs:

US Residual profit @10% and \$3bn = 100 MNEs

EU Platform for Tax Good Governance

EU will await OECD outcomes

In parallel they are **planning**:

- Reset of COC Group with wider TOR
- New list of non co-operative jurisdictions – 0% criteria?
- Revision of 2.1 and 2.2 Economic Substance
- Defensive measures vs EU States treatment

Membership

Members of the Platform are the tax authorities of all Member States and 15 organisations representing business, civil society and tax practitioners.

Organisations selected as members of the Platform

Accountancy Europe
ActionAid
American Chamber of Commerce in EU
BEPS Monitoring Group
Business Europe
European Confederation of Independent Trade Unions (CESI)
European Association of Tax Law Professors (EATLP)
European Centre for International Political Economy (ECIPE)
European Network on Debt and Development (EuroDaD)
Confédération Fiscale Européenne (CFE) Tax Advisers Europe
International Chamber of Commerce (ICC)
Oxfam
SMEunited
Tax Executives Institute (TEI)
Tax Justice Network (TJN)

G7 Summit

Pillar 1

Large MNCs – 20% of profits over 10%

Pillar II

15% Minimum Acceptable Tax – MNCs

Financial Services – In or Out

European Commission DST



OECD Inclusive Framework – G20

OECD IF - 30th June - 1st July

G20 FM's & CBG – Venice 9 - 10th July

G20 Leaders Oct 29 – 31 Rome

Agreement likely – Parameters?



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THANK YOU FOR YOUR ATTENDANCE

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