

ABOLISHING DIGITAL TAXES ONE PART OF THE OECD'S GLOBAL TAX REFORM

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The OECD announced in October 2021 final agreement, by 136 of the 140 base erosion and profit shifting (BEPS) Inclusive Framework countries (including the UK, US and China), of a landmark global tax reform package, aimed at addressing the tax challenges arising from the digitalisation of the economy.

Participating jurisdictions have committed to fundamental reform of the international tax rules, consisting of two “pillars”:

Pillar One: reallocation of taxing rights	Pillar Two: minimum tax rate
Around 100 of the world’s largest and most profitable multinational enterprises, with global turnover above US\$20 billion and at least a 10% profit margin, will have 25% of their profits in excess of the 10% margin reallocated to and taxed in market jurisdictions from which they derive at least €1 million in revenue, without the requirement for a physical presence in that taxing jurisdiction.	Agreement of a global minimum effective corporate tax rate of 15% on a country-by-country basis. The minimum rate is aimed at removing any advantage that multinational groups have enjoyed by establishing subsidiaries in low tax jurisdictions, and will operate principally by imposing a “top-up” tax on the ultimate parent entity of a group if any subsidiaries pay an effective corporate tax rate of less than the agreed minimum

Participating jurisdictions have also agreed to abolish existing domestic Digital Services Taxes and to not introduce any new digital taxes.

The ambitious aim is for the new rules under both Pillars to be effective from 2023.

FURTHER INFORMATION

[Statement on transition to new Pillar 1 international tax rules](#)

[HMT News story: UK agrees transition toward new global tax system](#)

[HMT News story: Statement on transition to new Pillar 1 international tax rules](#)

KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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