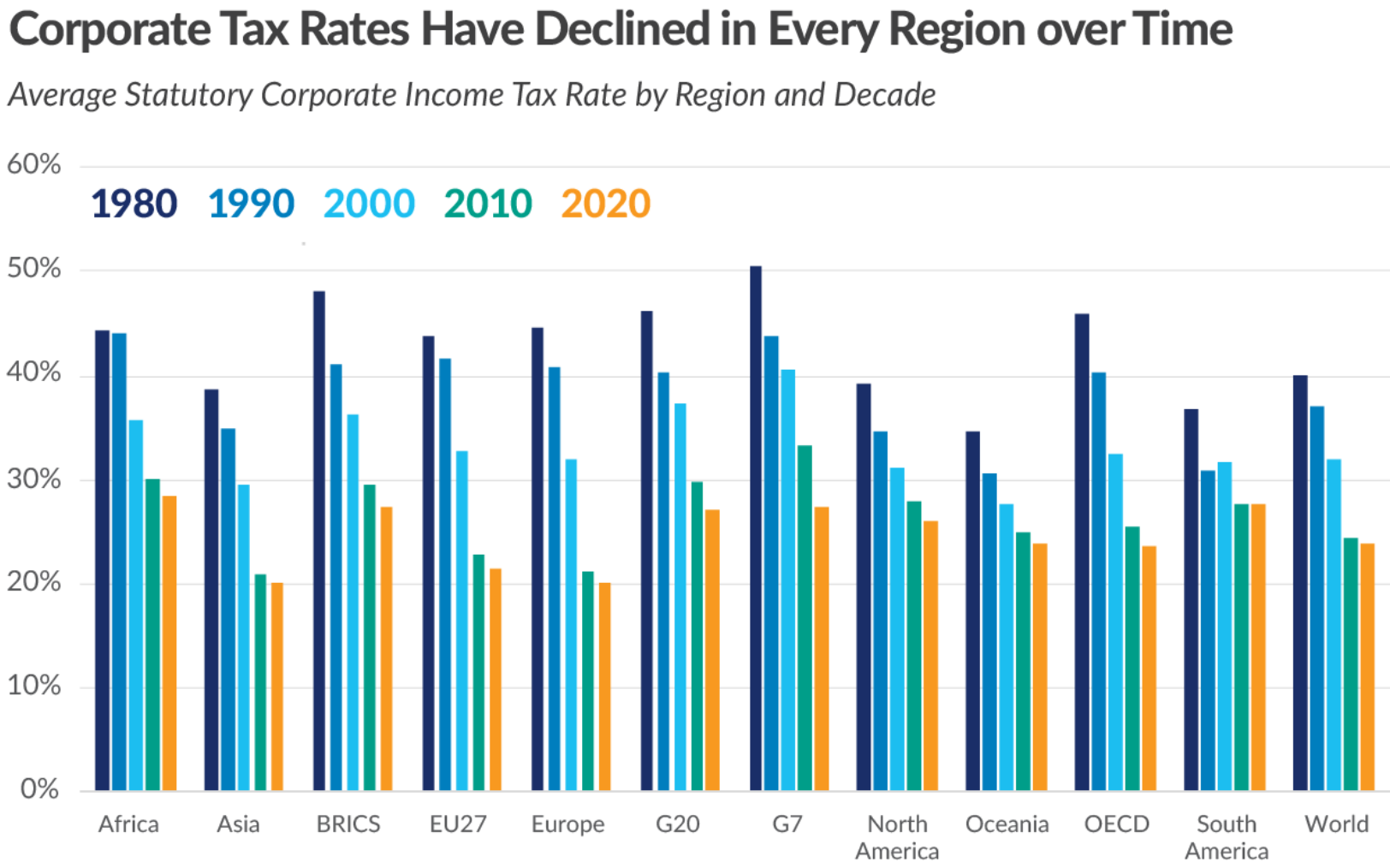
The End of Tax Incentives: What will a global minimum tax mean for developing countries?

Alexandra Readhead

June 2021

IISD
International Institute for Sustainable Development

The ‘Race to the Bottom’



Source: Tax Foundation

Pillar 2 / ‘GloBE’ Rules

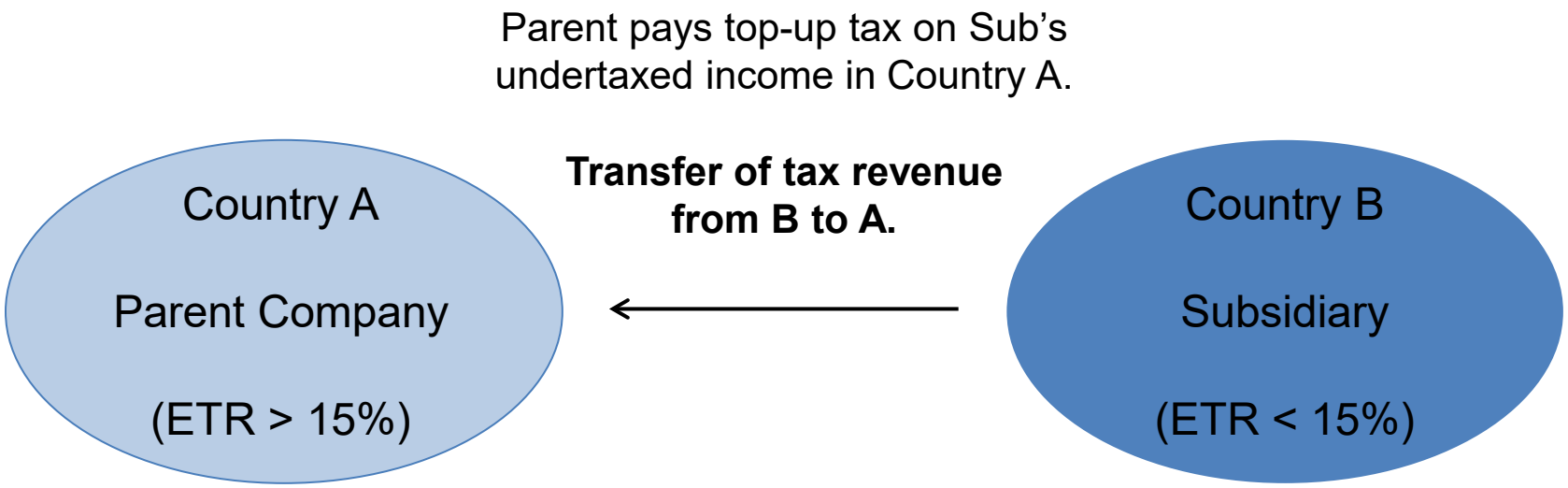
Main Features:

- Global minimum tax on corporate profits
- Applies to MNEs with a global consolidated annual revenue of 750mn Euros
- Global profits are taxed at least at a minimum Effective Tax Rate (ETR)
- ETR is total taxes on corporate profits paid to government / accounting profits

$$\text{ETR} = \frac{\text{Covered Taxes (current year cash taxes paid)}}{\text{Accounting Profits}}$$

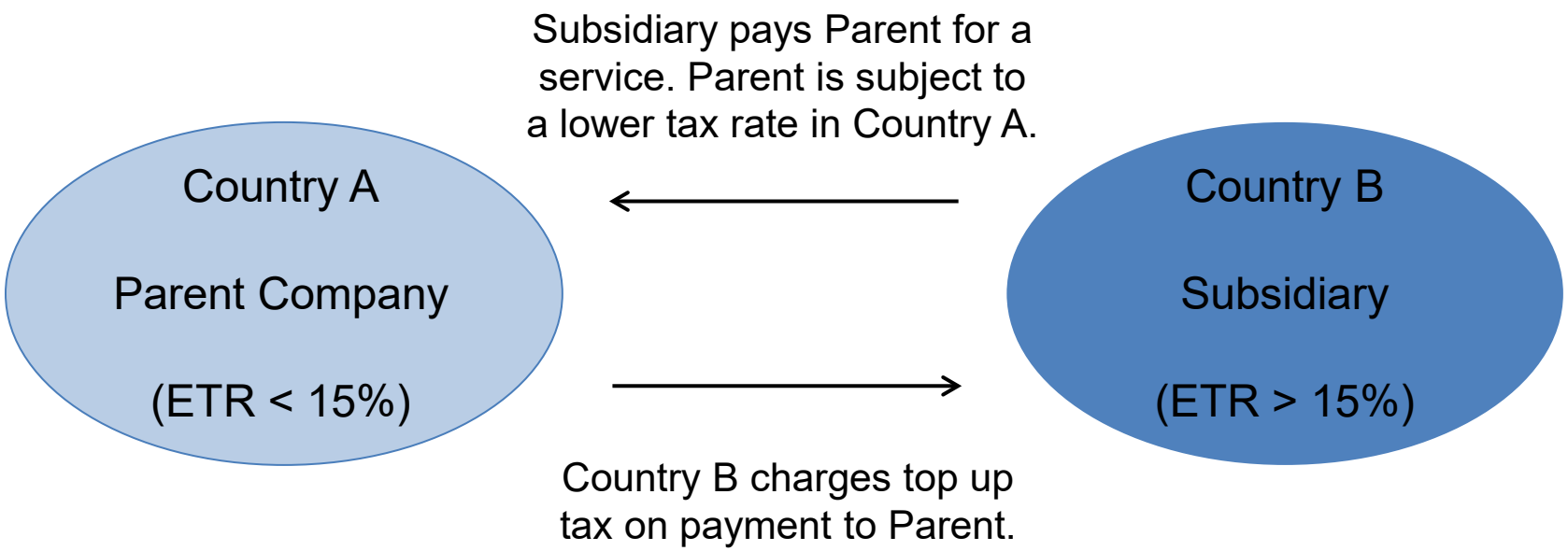
How it works

1. Income Inclusion Rule



How it works

2. Undertaxed Payments Rule (Backstop to IIR)



Transfer of tax revenue from A to B.

G7 agrees at least 15%

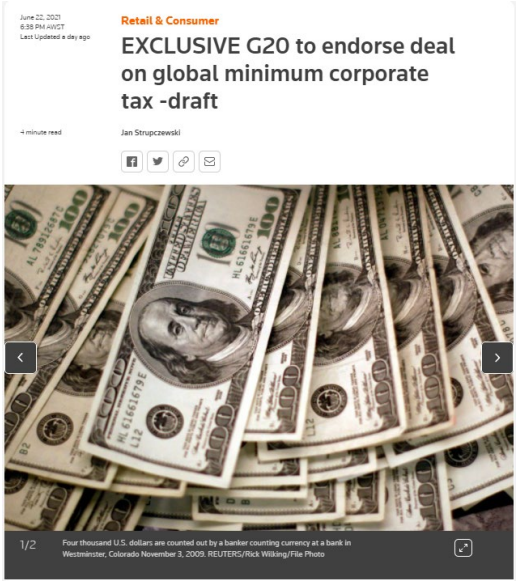
G7 nations reach historic deal to tax multinational corporations

A group of the world's richest nations agree on a minimum global corporate tax rate to close cross-border tax loopholes used by some corporations.

The G7 hopes to reach a final agreement at the July gathering of the expanded G20 finance ministers group [AFP]

5 Jun 2021 | Updated: 5 Jun 2021 02:25 PM (GMT)

Finance ministers from the Group of Seven (G7) rich nations reached a landmark accord on Saturday backing the creation of a global minimum corporate tax rate of at least 15 percent in an effort to close cross-border tax loopholes used by some corporations.



Speakers

WEBINAR SPEAKERS
The End of Tax Incentives: What will a global minimum tax mean for developing countries?
Thomas Lassourd
IISD
Ricardo Martner
ICRICT
Anthony Munanda
ATAF
Joy W. Ndubai
Institute for Austrian & International Tax Law