OECD/G20 Base Erosion and Profit Shifting Project

Addressing the tax challenges arising from the digitalisation of the economy

JULY 2021

OECD
BETTER POLICIES FOR BETTER LIVES

CONTENTS

Introduction 3

Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy 4

Reforming the international tax system for the 21st century 8

Background 8

What are the problems with the existing rules? 9

What is the solution? 10

What will the impact be? 12

Next steps 13

Key milestones 13

Frequently asked questions 14

This document is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries or of members of the OECD/G20 Inclusive Framework on BEPS.

This document, as well as any data and any map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

© OECD 2021

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at **www.oecd.org/termsandconditions**.

All images © Shutterstock.com

Introduction

As of 9 July, 132 countries and jurisdictions joined a new two-pillar plan to reform international taxation rules and ensure that multinational enterprises pay a fair share of tax wherever they operate.

Over **130** countries, representing more than **90%** of global GDP, joined the Statement establishing a new framework for international tax reform. A small group of the Inclusive Framework's 139 members have not yet joined the Statement at this time. The remaining elements of the framework, including the implementation plan, will be finalised in October 2021.

The Statement is based on a two-pillar package. Pillar One aims to ensure a fairer distribution of profits and taxing rights among countries with respect to the largest MNEs, which are the winners of globalisation. Pillar Two seeks to put a floor on tax competition on corporate income tax through the introduction of a global minimum corporate tax that countries can use to protect their tax bases. Pillar Two does not eliminate tax competition, but it does set multilaterally agreed limitations on it.

The agreement will also bring much needed tax revenue. Under Pillar One, taxing rights on more than **USD 100 billion of profit** are expected to be reallocated to market jurisdictions each year. With respect to Pillar Two, the global minimum tax rate of at least 15% is estimated to generate around **USD 150 billion in new tax revenues globally** per year. Additional benefits will also arise from the stabilisation of the international tax system and the increased tax certainty for taxpayers and tax administrations.

The two-pillar solution contains a number of points on which Inclusive Framework members must still agree details. In addition, a small number of Inclusive Framework members have not signed on to these proposals. **The deal will be finalised in October 2021, complete with an implementation plan to develop model legislation, guidance and a multilateral treaty in 2022, with implementation from 2023.**

© OECD 2021

This document sets out the Statement which has been discussed in the OECD/G20 Inclusive Framework on BEPS. 132 member jurisdictions have agreed to it as of 9 July 2021. It is noted that not all Inclusive Framework members have joined as of today.

Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy

1 JULY 2021

Introduction

The OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (IF) has agreed a two-pillar solution to address the tax challenges arising from the digitalisation of the economy. The agreed key components of each Pillar are described in the following paragraphs.

A detailed implementation plan together with remaining issues will be finalised by October 2021.

Pillar One

Scope

In-scope companies are the multinational enterprises (MNEs) with global turnover above 20 billion euros and profitability above 10% (i.e. profit before tax/revenue) with the turnover threshold to be reduced to 10 billion euros, contingent on successful implementation including of tax certainty on Amount A, with the relevant review beginning 7 years after the agreement comes into force, and the review being completed in no more than one year.

Extractives and Regulated Financial Services are excluded.

Nexus

There will be a new special purpose nexus rule permitting allocation of Amount A to a market jurisdiction when the in-scope MNE derives at least 1 million euros in revenue from that jurisdiction. For smaller jurisdictions with GDP lower than 40 billion euros, the nexus will be set at 250 000 euros.

The special purpose nexus rule applies solely to determine whether a jurisdiction qualifies for the Amount A allocation.

Compliance costs (incl. on tracing small amounts of sales) will be limited to a minimum.

Quantum

For in-scope MNEs, between 20-30% of residual profit defined as profit in excess of 10% of revenue will be allocated to market jurisdictions with nexus using a revenue-based allocation key.

Revenue sourcing

Revenue will be sourced to the end market jurisdictions where goods or services are used or consumed. To facilitate the application of this principle, detailed source rules for specific categories of transactions will be developed. In applying the sourcing rules, an MNE must use a reliable method based on the MNE's specific facts and circumstances.

© OECD 2021

Tax base

The relevant measure of profit or loss of the in-scope MNE will be determined by reference to financial accounting income, with a small number of adjustments.

Losses will be carried forward.

Segmentation

Segmentation will occur only in exceptional circumstances where, based on the segments disclosed in the financial accounts, a segment meets the scope rules.

Marketing and distribution profits safe harbour

Where the residual profits of an in-scope MNE are already taxed in a market jurisdiction, a marketing and distribution profits safe harbour will cap the residual profits allocated to the market jurisdiction through Amount A. Further work on the design of the safe harbour will be undertaken, including to take into account the comprehensive scope.

Elimination of double taxation

Double taxation of profit allocated to market jurisdictions will be relieved using either the exemption or credit method.

The entity (or entities) that will bear the tax liability will be drawn from those that earn residual profit.

Tax certainty

In-scope MNEs will benefit from dispute prevention and resolution mechanisms, which will avoid double taxation for Amount A, including all issues related to Amount A (e.g. transfer pricing and business profits disputes), in a mandatory and binding manner. Disputes on whether issues may relate to Amount A will be solved in a mandatory and binding manner, without delaying the substantive dispute prevention and resolution mechanism.

Consideration will be given to an elective binding dispute resolution mechanism for issues related to Amount A for developing economies that are eligible for deferral of their BEPS Action 14 peer review and have no or low levels of MAP disputes.

Amount B

The application of the arm’s length principle to in-country baseline marketing and distribution activities will be simplified and streamlined, with a particular focus on the needs of low capacity countries. This work will be completed by the end of 2022.

Administration

The tax compliance will be streamlined (including filing obligations) and allow MNEs to manage the process through a single entity.

Unilateral measures

This package will provide for appropriate coordination between the application of the new international tax rules and the removal of all Digital Service Taxes and other relevant similar measures on all companies.

Implementation

The multilateral instrument through which Amount A is implemented will be developed and opened for signature in 2022, with Amount A coming into effect in 2023.

© OECD 2021

Pillar Two

Overall design

Pillar Two consists of:

- two interlocking domestic rules (together the Global anti-Base Erosion Rules (GloBE) rules): (i) an Income Inclusion Rule (IIR), which imposes top-up tax on a parent entity in respect of the low taxed income of a constituent entity; and (ii) an Undertaxed Payment Rule (UTPR), which denies deductions or requires an equivalent adjustment to the extent the low tax income of a constituent entity is not subject to tax under an IIR; and
- a treaty-based rule (the Subject to Tax Rule (STTR)) that allows source jurisdictions to impose limited source taxation on certain related party payments subject to tax below a minimum rate. The STTR will be creditable as a covered tax under the GloBE rules.

Rule status

The GloBE rules will have the status of a common approach.

This means that IF members:

- are not required to adopt the GloBE rules, but, if they choose to do so, they will implement and administer the rules in a way that is consistent with the outcomes provided for under Pillar Two, including in light of model rules and guidance agreed to by the IF;
- accept the application of the GloBE rules applied by other IF members including agreement as to rule order and the application of any agreed safe harbours.

Scope

The GloBE rules will apply to MNEs that meet the 750 million euros threshold as determined under BEPS Action 13 (country by country reporting). Countries are free to apply the IIR to MNEs headquartered in their country even if they do not meet the threshold.

Government entities, international organisations, non-profit organisations, pension funds or investment funds that are Ultimate Parent Entities (UPE) of an MNE Group or any holding vehicles used by such entities, organisations or funds are not subject to the GloBE rules.

Rule design

The IIR allocates top-up tax based on a top-down approach subject to a split-ownership rule for shareholdings below 80%.

The UTPR allocates top-up tax from low-tax constituent entities including those located in the UPE jurisdiction under a methodology to be agreed.

ETR calculation

The GloBE rules will operate to impose a top-up tax using an effective tax rate test that is calculated on a jurisdictional basis and that uses a common definition of covered taxes and a tax base determined by reference to financial accounting income (with agreed adjustments consistent with the tax policy objectives of Pillar Two and mechanisms to address timing differences).

In respect of existing distribution tax systems, there will be no top-up tax liability if earnings are distributed within 3 to 4 years and taxed at or above the minimum level.

Minimum rate

The minimum tax rate used for purposes of the IIR and UTPR will be at least 15%.

© OECD 2021

Carve-outs

The GloBE rules will provide for a formulaic substance carve-out that will exclude an amount of income that is at least 5% (in the transition period of 5 years, at least 7.5%) of the carrying value of tangible assets and payroll.

The GloBE rules will also provide for a *de minimis* exclusion.

Other exclusions

The GloBE rules also provide for an exclusion for international shipping income using the definition of such income under the OECD Model Tax Convention.

Simplifications

To ensure that the administration of the GloBE rules are as targeted as possible and to avoid compliance and administrative costs that are disproportionate to the policy objectives, the implementation framework will include safe harbours and/or other mechanisms.

GILTI co-existence

It is agreed that Pillar Two will apply a minimum rate on a jurisdictional basis. In that context, consideration will be given to the conditions under which the US GILTI regime will co-exist with the GloBE rules, to ensure a level playing field.

Subject to tax rule (STTR)

IF members recognise that the STTR is an integral part of achieving a consensus on Pillar Two for developing countries.[1] IF members that apply nominal corporate income tax rates below the STTR minimum rate to interest, royalties and a defined set of other payments would implement the STTR into their bilateral treaties with developing IF members when requested to do so.

The taxing right will be limited to the difference between the minimum rate and the tax rate on the payment.

The minimum rate for the STTR will be from 7.5% to 9%.

Implementation

IF members will agree and release an implementation plan. This will contemplate that Pillar Two should be brought into law in 2022, to be effective in 2023.

The implementation plan will include:

- GloBE Model rules with proper mechanisms to facilitate over time the coordination of the GloBE rules that have been implemented by IF members, including the possible development of a multilateral instrument for that purpose.
- An STTR model provision together with a multilateral instrument to facilitate its adoption.
- Transitional rules, including the possibility of a deferred implementation of the UTPR.

Next steps

The agreement reached above indicates the ambition of the IF members for a robust global minimum tax with a limited impact on MNEs carrying out real economic activities with substance. It acknowledges that there is a direct link between the global minimum effective tax rate and the carve-outs and includes a commitment to continue discussions in order to take a final decision on these design elements within the agreed framework by October. Excluding MNEs in the initial phase of their international activity from the application of the global minimum tax will also be explored.

1. For this purpose, developing countries are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of $12,535 or less in 2019.

© OECD 2021

Reforming the international tax system for the 21st century

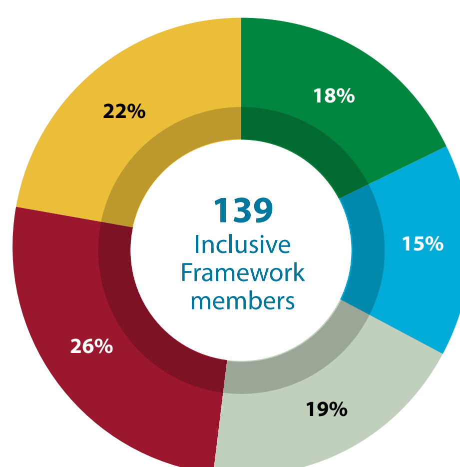
BACKGROUND

An overwhelming majority of Inclusive Framework members have agreed on a package that would bring the most significant changes to the international tax rules in over a century. This two-pillar package will ensure that the largest and most profitable companies pay tax where their users and customers are located as well as putting a floor on tax competition by introducing a global minimum corporate tax. This package is the result of intense discussions over the past few years and compromise on all sides.

The OECD has been leading international efforts since the 1990s to enable countries to prevent tax evasion and corporate tax avoidance. Early work in the 2000s sought to identify standards and gain commitments from countries to establish a global level playing field. This was the foundation for the great progress made in the aftermath of the global financial crisis in 2008/09. World leaders' resolve to repair the global financial system included a pledge to end bank secrecy and crack down on tax evasion by individuals. This led to the creation of the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) in 2009. Subsequently, the international community turned its attention to the problem of corporate tax avoidance, leading to the launch of the project on Base Erosion and Profit Shifting (BEPS) in 2013.

The BEPS Project has made significant progress in bringing more coherence, substance and transparency to the international tax system. **A key part of the BEPS Project is addressing the tax challenges arising from the digitalisation of the economy.** Digitalisation and globalisation have undermined the basic rules that have governed the taxation of international business profits for the past century. Large multinational enterprises (MNEs) are able to earn significant revenue in foreign markets without those markets seeing much, if any, tax revenue as a result.

Under the OECD/G20 BEPS Project, Inclusive Framework members are collaborating to put an end to tax avoidance strategies that exploit gaps and mismatches in tax rules to avoid paying tax.



Africa | Asia-Pacific | Eastern Europe-Central Asia | Americas (North America, Latin America and the Caribbean) | Western Europe

WHAT ARE THE PROBLEMS WITH THE EXISTING INTERNATIONAL TAX RULES?

The existing international tax rules are based on agreements made in the 1920s and are today enshrined in the global network of bilateral tax treaties.

There are two problems:

- **The first is that the existing rules provide that the profits of a foreign company can only be taxed in another country where the foreign company has a physical presence.** One hundred years ago, when business revolved around factories, warehouses and physical goods, this made perfect sense. But in today's digitalised world, MNEs often conduct large-scale business in a jurisdiction with little or no physical presence there.

- **The second problem is that most countries only tax *domestic* business income of their MNEs, but not foreign income, on the assumption that foreign business profits will be taxed where they are earned.** The growth of intangibles, like brands, copyright and patents, and companies' ability to shift profits to jurisdictions that impose little or no tax, means that MNE profits often escape taxation. This is further complicated by the fact that many jurisdictions are engaged in tax competition by offering reduced taxation – and often zero taxation – to attract foreign direct investment.

The OECD estimates corporate tax avoidance costs anywhere from USD 100-240 billion annually, or from 4-10% of global corporate income tax revenues. Developing countries are disproportionately affected because they tend to rely more heavily on corporate income taxes than advanced economies. Countries' inability to tax MNE profits have given rise to unilateral measures at the national level, such as Digital Services Taxes (DSTs), and the prospect of retaliatory tariffs. A global solution is urgently needed to avoid trade wars and prevent uncertainty that could adversely impact trade and investment. Such an outcome could cost the global economy up to 1% of global GDP and hamper recovery efforts from the COVID-19 crisis. Again, this would hit developing countries harder than more advanced economies.

Corporate tax avoidance costs countries anywhere from **USD 100-240 billion*** annually, which is equivalent to **4-10%** of global corporate income tax revenues.

*OECD estimates

© OECD 2021

WHAT IS THE SOLUTION?

The OECD/G20 Inclusive Framework was mandated to provide a solution to these two problems by mid-2021. The Inclusive Framework has 139 members, all participating on an equal footing.

As of 9 July 2021, 132 member countries and jurisdictions joined a new two-pillar plan – the outcome of negotiations co-ordinated by the OECD for much of the last decade – aiming to ensure that large MNEs pay tax where they operate and earn profits. The two-pillar package provides a two-pillar solution:

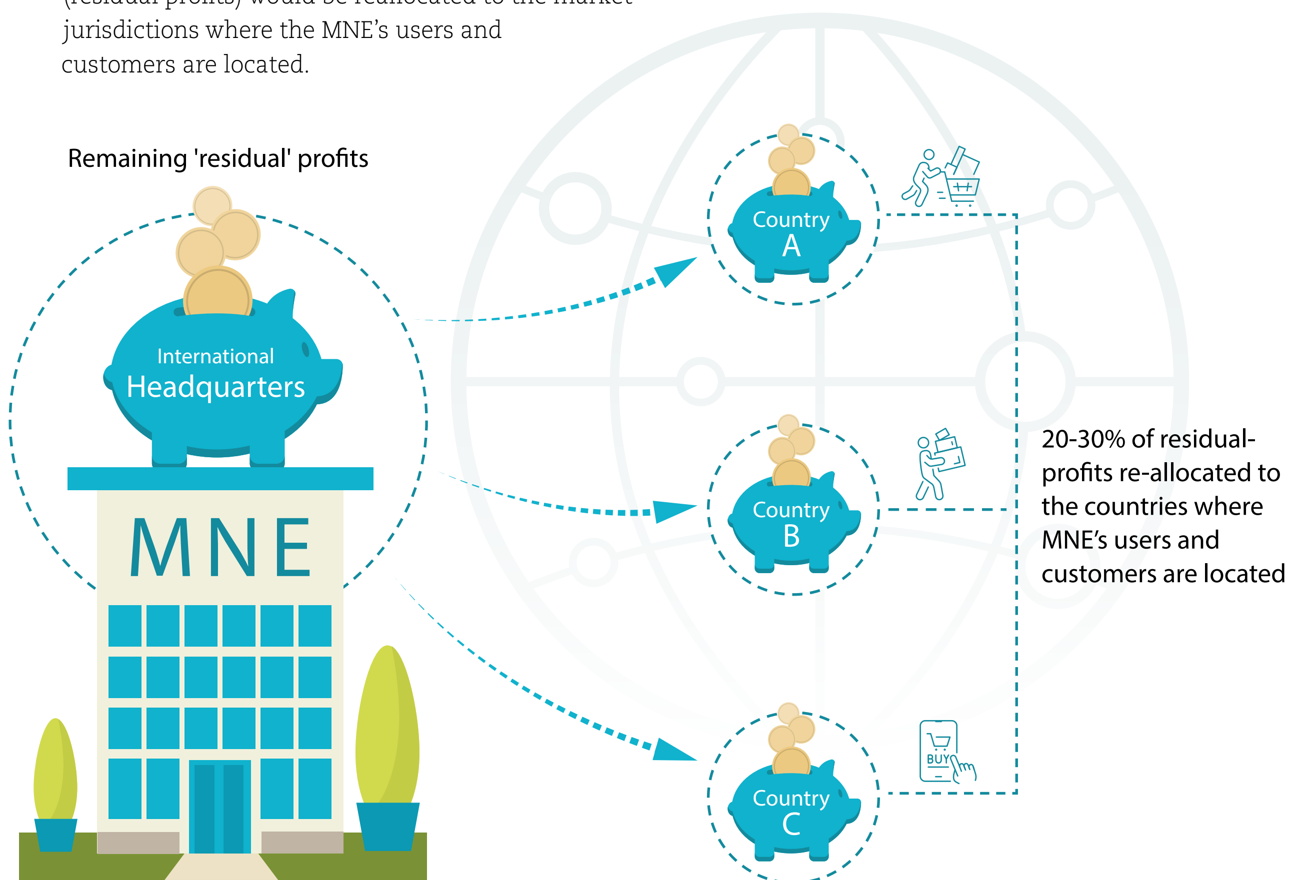
Pillar One

- **Pillar One would bring dated international tax rules into the 21st century**, by offering market jurisdictions new taxing rights over MNEs, whether or not there is a physical presence.

  – Under Pillar One, 20-30% of profits of the largest and most profitable MNEs above a set profit margin (residual profits) would be reallocated to the market jurisdictions where the MNE's users and customers are located.

  – Pillar One includes features to ensure dispute prevention and dispute resolution in order to address any risk of double taxation.

  – Pillar One also entails the standstill and withdrawal of unilateral measures, such as digital services taxes (DSTs), avoiding harmful trade disputes.

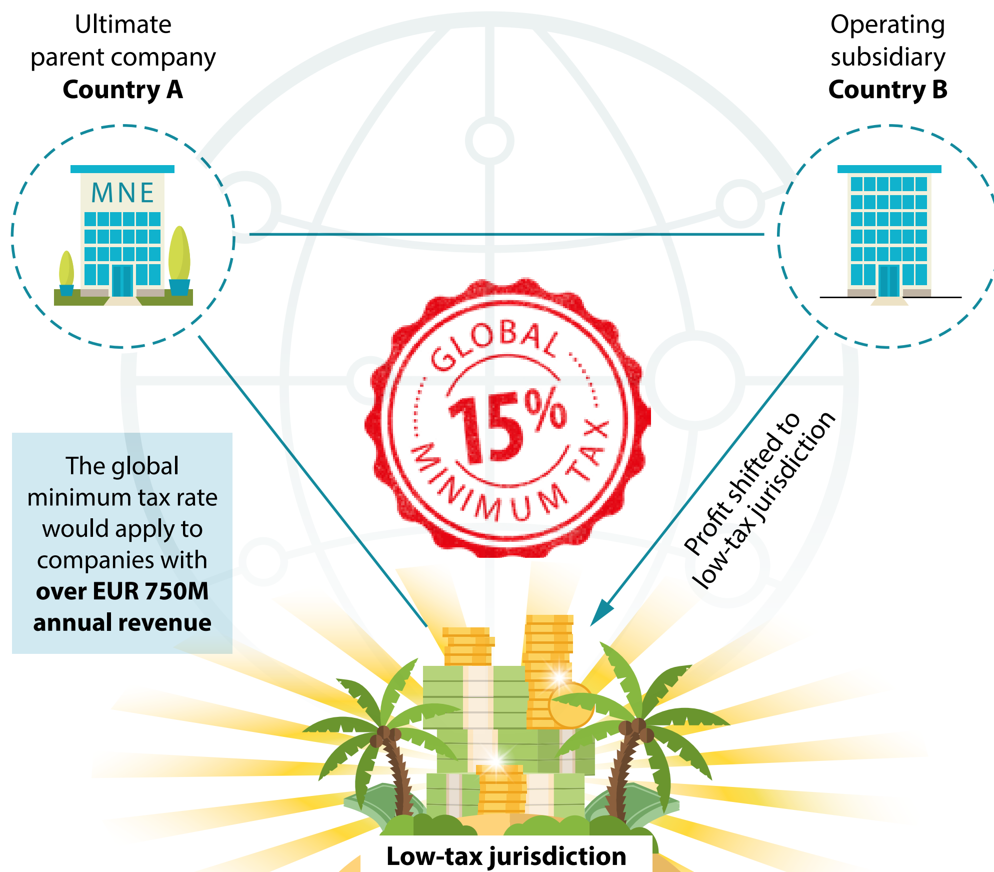


Under Pillar One, taxing rights on more than **USD 100 billion of profit** are expected to be reallocated to market jurisdictions

© OECD 2021

Pillar Two

- **Pillar Two provides a minimum tax on corporate profit, putting a floor on tax competition.** Governments worldwide agree to allow additional taxes on the foreign profits of MNEs headquartered in their jurisdiction at least to the agreed minimum rate. This would mean that tax competition would now be backstopped by a minimum level of taxation wherever an MNE operates.



Under Pillar Two, the global minimum tax, with **a rate of at least 15%**, is expected to generate more than **EUR 150 billion** in new tax revenues globally.

© OECD 2021

WHAT WILL THE IMPACT BE?

In *Tax Challenges Arising from Digitalisation – Economic Impact Assessment*, the OECD estimated that Pillar One would be expected to lead to a revenue gain in developing countries of around 1% of corporate income tax revenues, on average. Under the two-pillar package, low-income countries can be expected to gain even more.

Under Pillar One, taxing rights on more than USD 100 billion of profit are expected to be reallocated to market jurisdictions each year. With respect to Pillar Two, with a minimum rate of at least 15%, the global minimum tax is estimated to generate around USD 150 billion in additional global tax revenues per year. The precise revenue impact would depend on the final technical details of Pillar One and Pillar Two, the extent of their implementation, the nature and scale of reactions by multinational enterprises and governments and future economic developments.

In terms of the investment impacts, the two-pillar package would also lead to a more favourable environment for investment and growth than would likely be the case otherwise. The absence of an agreement would likely have led to a proliferation of uncoordinated and unilateral tax measures (e.g. digital services taxes) and an increase in damaging tax and trade disputes. This would undermine tax certainty and investment and result in additional compliance and administration costs. The magnitude of the negative consequences would depend on the extent, design and scope of these unilateral measures, and the scale of any ensuing trade retaliation. These disputes could reduce global GDP by more than 1%.

The absence of a consensus-based solution would likely have led to a proliferation of uncoordinated and unilateral tax measures (e.g. digital services taxes) and an increase in damaging tax and trade disputes.

© OECD 2021

Next steps

The two-pillar solution contains a number of points on which Inclusive Framework members must still agree details – for example, the profit to be re-allocated will be between 20% and 30% and the global minimum tax rate will be "at least" 15%, with precise numbers to be decided. In addition, a small number of Inclusive Framework members have not signed on to these proposals.

The deal will be finalised in October 2021, complete with an implementation plan to develop model legislation, guidance and a multilateral treaty in 2022, with implementation from 2023.

Key milestones

- **1996** – G7 makes the problems of tax evasion and avoidance a priority
- **1998** – OECD report: *Harmful Tax Competition: An Emerging Global Issue*
- **2000 – 2007** – Development of international standards on tax transparency and securing commitments to a global level playing field
- **2008-2009** – Global Financial Crisis – G20 pledge to end bank secrecy and establish the Global Forum on Transparency and Exchange of Information for Tax Purposes
- **July 2013** – G20 identifies tax avoidance as a priority
- **October 2015** – Adoption of the Base Erosion and Profit Shifting (BEPS) package of 15 Actions to counter tax avoidance – Action 1 deals with the digitalisation of the economy
- **June 2016** – Establishment of the OECD/G20 Inclusive Framework on BEPS, now counts 139 members
- **2017-2020** – Active discussions in the Inclusive Framework on how to address the tax challenges of the digitalisation of the economy culminating with the release of "blueprints" for a two-pillar solution in October 2020.
- **July 2021** – Over 130 countries and jurisdictions join a new two-pillar plan to reform international taxation rules.
- **October 2021** – Further report to the G20 Finance Ministers on the finalisation of the agreement and resolution of technical details.
- **2022** – Development of model legislation, a multilateral instrument and detailed guidance for the implementation of the digital agreement.
- **2023** – Implementation

© OECD 2021

Frequently asked questions

1. How would the two-pillar package make sure that MNEs pay their fair share of tax?

The package has two pillars, and each one addresses a different gap in the existing rules that allow MNEs to avoid paying taxes. First, Pillar One applies to about 100 of the biggest and most profitable MNEs and spreads part of their profit around to the countries where they sell their products and provide their services. Without this rule, these companies can earn significant profits in a market without paying much tax there. Secondly, under Pillar Two, a much larger group of MNEs (any company with over EUR 750 million of annual revenue) would now be subject to a global minimum corporate tax. So even if one of these companies is able to shift its profits to a tax haven, those profits would still be subject to tax of at least the minimum rate of 15%.

2. This two-pillar package only applies to around 100 companies. What about the others: shouldn't they pay tax, too?

First of all, Pillar One applies to about 100 companies, but Pillar Two applies to hundreds more MNEs. Secondly, the aim of these rules is to address the tax challenges that come from the digitalisation of the economy and it is these MNEs that are at the highest risk of taking advantage of the existing rules to avoid paying tax. For other, smaller companies, the existing rules continue to apply and the Inclusive Framework has a number of other international tax standards to ensure that they pay their fair share.

3. How much tax are we talking about?

Under Pillar One, taxing rights on more than USD 100 billion of profit are expected to be reallocated to market jurisdictions each year. With respect to Pillar Two, with a minimum rate of at least 15%, the global minimum tax is estimated to generate around USD 150 billion in additional global tax revenues per year.

4. What do developing countries get out of this deal?

Pillar One gives developing countries the right to tax major MNEs on the income they earn from the users and customers located in those countries. The OECD estimates that on average, low-, middle- and high-income countries would all experience revenue gains, but these gains would be expected to be larger (as a share of current corporate income tax revenues) among low income jurisdictions. Also, the rules are expressly designed so that the new right to tax applies more easily in smaller countries.

For developing countries, Pillar Two protects the right of countries to tax payments (like interest and royalties) made to companies in other countries, when they are not taxed up to the minimum rate of at least 15%. This is a big deal for developing countries as they often have given up the right to tax these payments in their tax treaties on the assumption that they are taxed in the other country. In addition, the minimum tax will lead to the demise of tax havens, which will improve the ability of all countries, including developing countries, to ensure they are able to protect their tax base from tax avoidance. Finally, the global minimum tax will relieve pressure on developing countries to provide excessively generous tax incentives in order to attract foreign investment, while at the same time there will be carve out for activities with real substance.

© OECD 2021

5. Is this the end of tax havens?

Yes. Tax havens have thrived over the years by offering secrecy (like bank secrecy) and shell companies (where the company doesn't need to have any employees or activity in the jurisdiction) and no or low tax on profits booked there. The work of the G20 and the Global Forum has ended bank secrecy (including leading to the automatic exchange of bank information) and the BEPS Project requires companies have a minimum level of substance to put an end to shell companies along with important transparency rules so that tax administrations can apply their tax rules effectively. Pillar Two would now ensure that those companies would pay at least 15% tax on their profits. The cumulative impact of these initiatives means that the "tax haven" as people think of them would no longer exist. Those jurisdictions that offer international financial services may continue to find a market for their services, particularly where they add value for their customers in providing advice and support for commercial transactions that are not tax-driven.

6. When will companies start paying this new tax?

The two-pillar package will need to be finalised in October 2021 and then implemented and this requires more work to address the outstanding points and in developing model legislation, a multilateral instrument and implementation guidance. The Inclusive Framework intends to complete this work in 2022 with the aim of implementation in 2023, meaning that companies would pay tax on their profits earned in 2023.

7. If most countries have corporate tax rates of more than 20%, then why is the minimum tax set at 15%?

A large portion of corporate profit is subject to an effective tax rate lower than 15% - despite the fact that the MNEs home jurisdiction imposes corporate tax at a much higher rate, so the compromise reached represents a major achievement. Remember also that the Inclusive Framework package has been agreed by a large and diverse group of members, many of which have corporate tax rates that are lower than 15%. While many members may have been happier with a higher minimum rate, the two-pillar package is the result of compromises on all sides.

8. Can't countries just tax these companies on their own, like some have tried to do with "digital services taxes"?

The two-pillar package provides for the standstill and rollback of unilateral measures, such as digital services taxes (DSTs). Countries have experimented with these taxes as an alternative to a global solution agreed by all members, but always as a second-best approach. Inclusive Framework members understand that unilateral measures can be inefficient and lead to disputes with other countries – both because they may create double taxation and because they can lead to trade retaliation. The main targets of these DSTs were always the major digital companies, which would now be subject to the new tax in Pillar One.

© OECD 2021

9. How can the OECD guarantee that all the countries that have signed up to this package will actually implement it?

This is a crucial point because establishing a global level playing field is essential to making sure the Inclusive Framework package is effective. The two-pillar package represents the commitment of the overwhelming majority of the Inclusive Framework members, under a mandate from the G20. As with other international standards developed by the OECD, commitment comes with the obligation to implement the agreement and this implementation process will be monitored closely by the Inclusive Framework. The Inclusive Framework will work to have the few remaining members that have not signed on join the consensus. The OECD track record on this is excellent – implementation of tax transparency standards and the BEPS package are prime examples – and securing a global level playing field has always been the highest priority.

10. The two-pillar package provides exclusions for things like mining companies, shipping, regulated financial services and pension funds; why shouldn't those kinds of companies pay their fair share?

The aim of the two-pillar package is to make sure that MNEs can't take advantage of the existing rules on international tax to avoid paying their fair share and the rules are designed to capture and address this problem. The exclusions that are provided for kick out types of profit and activities that are not part of this problem either because the profit is already tied to the place where it is earned (for example, regulated financial services and mining companies will have to have their operations in the place where they earn their income) or the activity benefits from different taxation regimes due to their specific nature (such as shipping companies and pension funds). These types of businesses are still subject to all the other international tax standards on transparency and BEPS to ensure that tax authorities can tax them effectively.

© OECD 2021

REFERENCES

OECD (2021), *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – July 2021*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris, https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-july-2021.htm.

Hanappi, T. and A. González Cabral (2020), “The impact of the pillar one and pillar two proposals on MNE’s investment costs : An analysis using forward-looking effective tax rates”, *OECD Taxation Working Papers*, No. 50, OECD Publishing, Paris, https://dx.doi.org/10.1787/b0876dcf-en.

Millot, V. et al. (2020), “Corporate Taxation and Investment of Multinational Firms: Evidence from Firm-Level Data”, *OECD Taxation Working Papers*, No. 51, OECD Publishing, Paris, https://dx.doi.org/10.1787/9c6f9f2e-en.

OECD (2020), *Corporate Tax Statistics*, OECD, Paris, https://www.oecd.org/tax/beps/corporate-tax-statistics-database.htm.

OECD (2020), *Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy – January 2020*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris, www.oecd.org/tax/beps/statement-by-the-oecd-g20-inclusive-framework-on-beps-january-2020.pdf.

OECD (2020), *Tax Challenges Arising from Digitalisation – Economic Impact Assessment: Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, https://dx.doi.org/10.1787/0e3cc2d4-en.

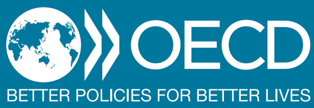
OECD (2020), *Tax Challenges Arising from Digitalisation – Report on Pillar One Blueprint: Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, https://doi.org/10.1787/beba0634-en.

OECD (2020), *Tax Challenges Arising from Digitalisation – Report on Pillar Two Blueprint: Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, https://doi.org/10.1787/abb4c3d1-en.`

OECD (2019), *Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris, www.oecd.org/tax/beps/programme-of-work-to-develop-aconsensus-solution-to-the-tax-challenges-arising-from-the-digitalisation-of-the-economy.htm.

OECD (2015), *Addressing the Tax Challenges of the Digital Economy, Action 1 – 2015 Final Report*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, https://doi.org/10.1787/9789264241046-en.

© OCDE 2021



For more information:

ctp.beps@oecd.org

https://oe.cd/bepsaction1

@OECDtax

OECD Tax