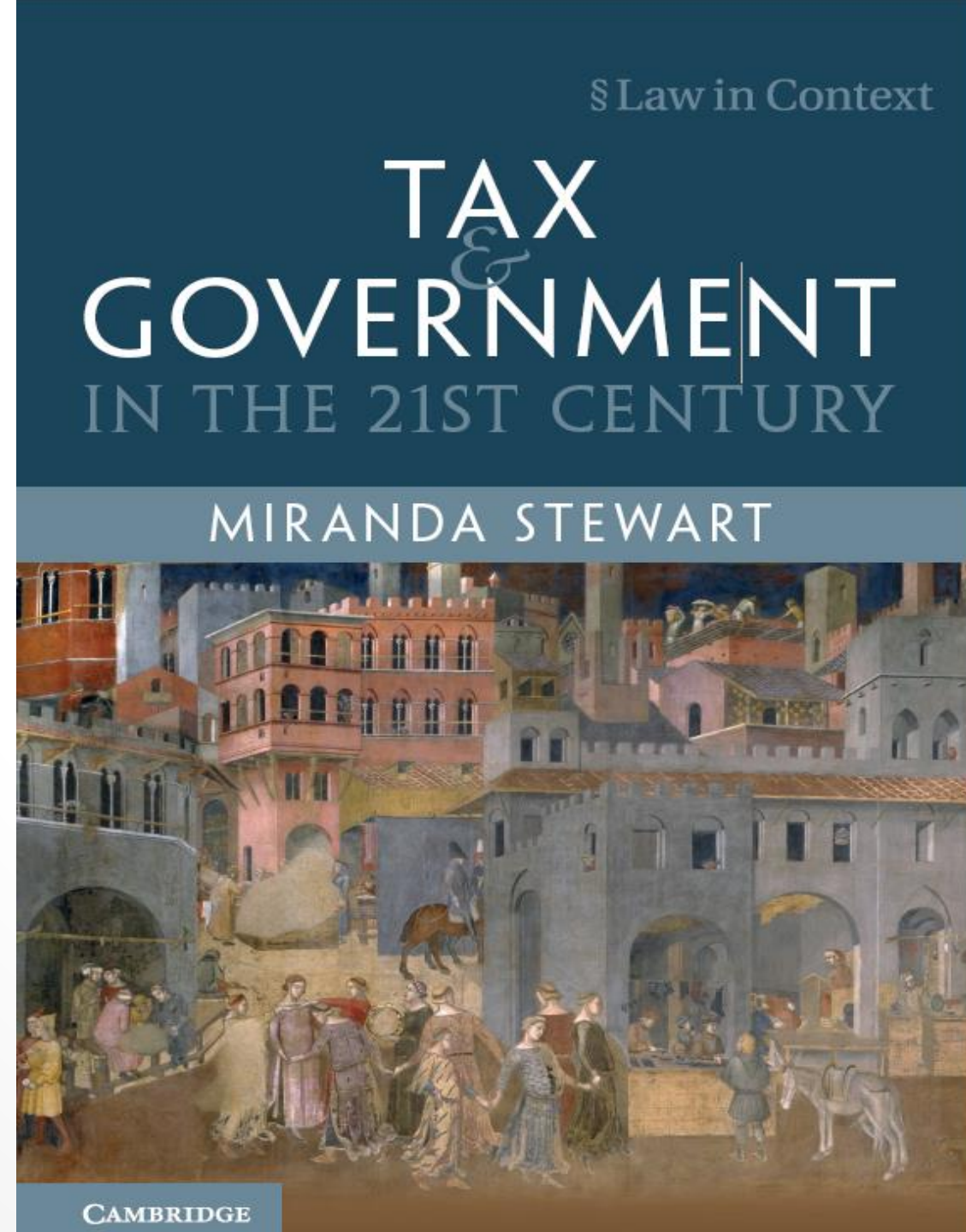


INTERNATIONAL TAX TENSIONS IN A DISRUPTED WORLD

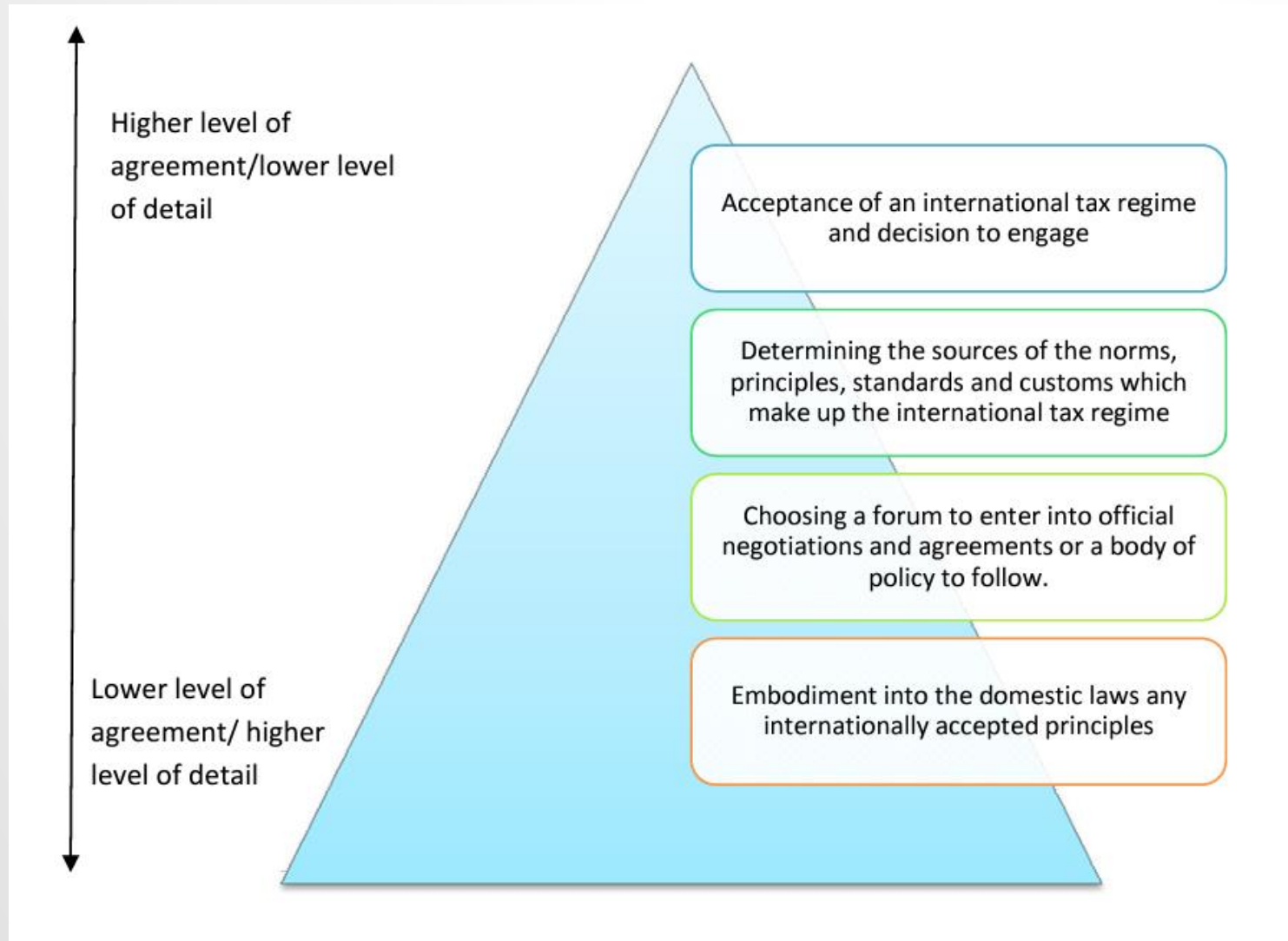


SOVEREIGNTY AND GLOBALISATION

“The engagement of states in international tax regulation is an expression of national sovereignty; cooperation between governments in taxation may enhance sovereignty through enhancing the taxing capacity of the state.” (p.254)

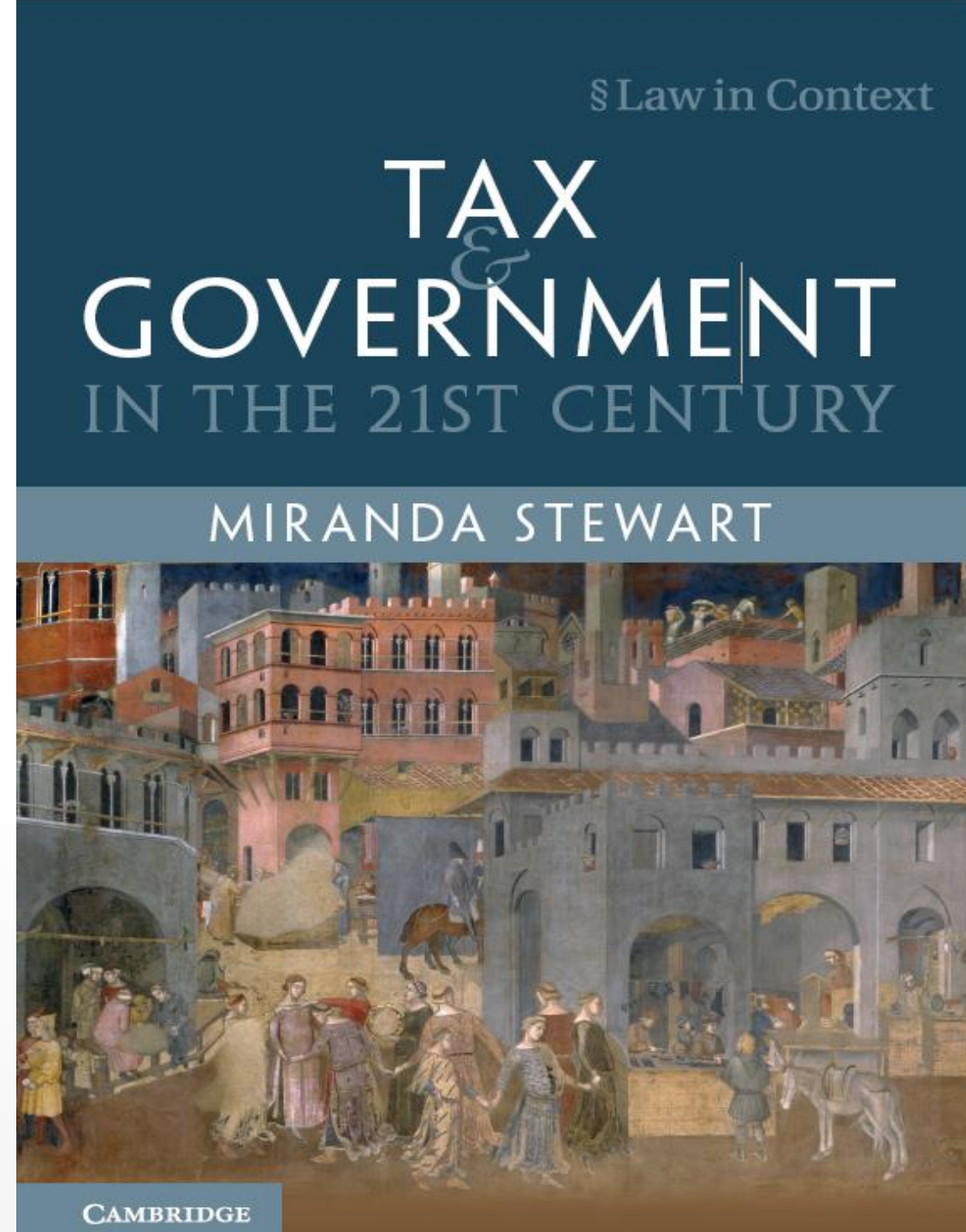


SOVEREIGNTY AND THE ADOPTION OF AN INTERNATIONAL TAX REGIME



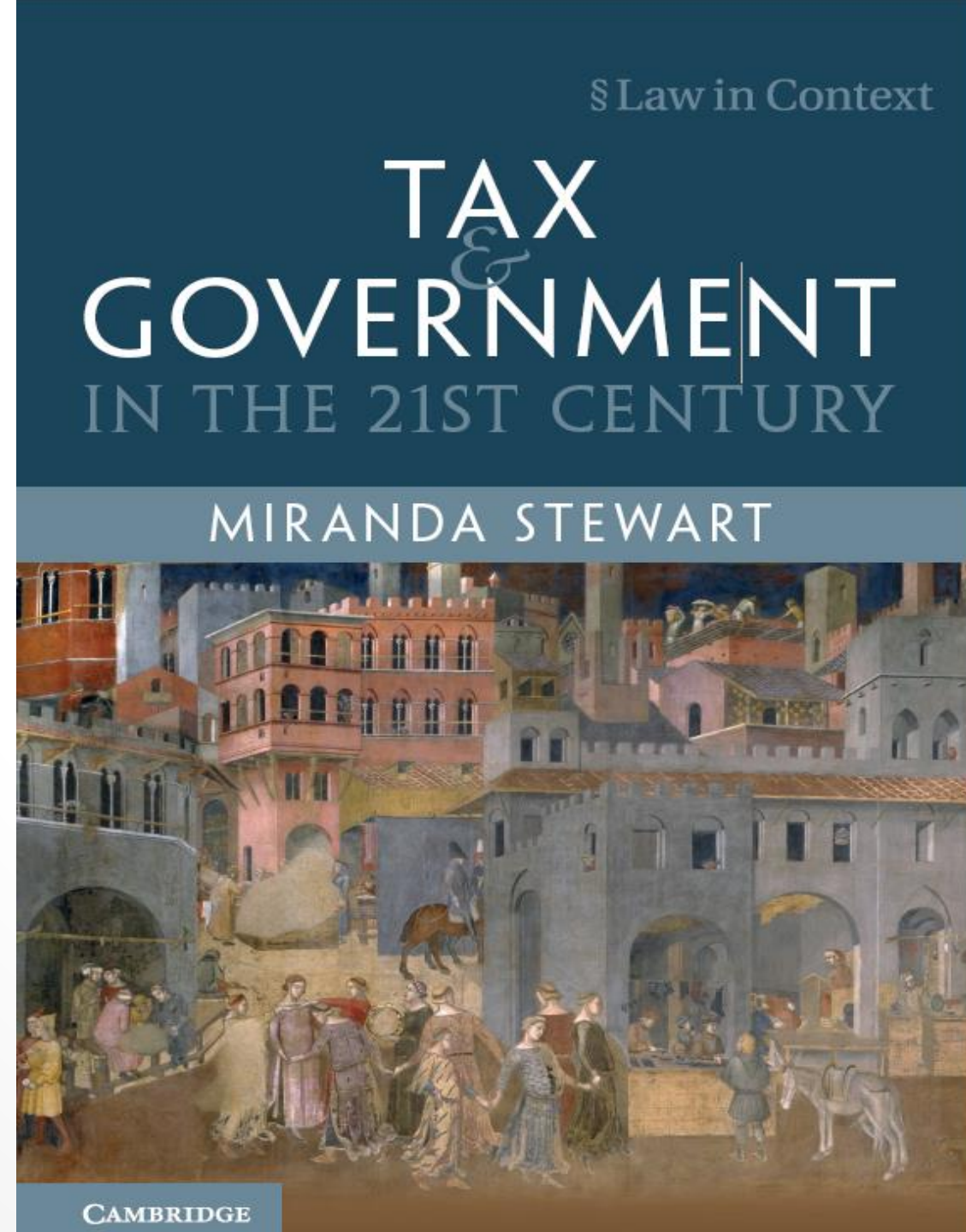
SOVEREIGNTY AND GLOBALISATION

“Ruth Mason argues that the multilateralism (and substance) of BEPS ‘reflected – and to a significant extent operationalised – major changes in the participants, agenda, institutions, norms, and legal instruments of international tax’. These changes reveal, Mason suggests, growing agreement on an international norm of ‘full taxation’ of income (one may query if this is the same as the ‘single tax’ principle proposed by Avi-Yonah). It also indicates the establishment of minimum standards, for example in transfer pricing and anti-abuse. Others suggest that neither the BEPS project nor the MLI has changed the status quo.” (p. 316)



COOPERATION AND COMPETITION

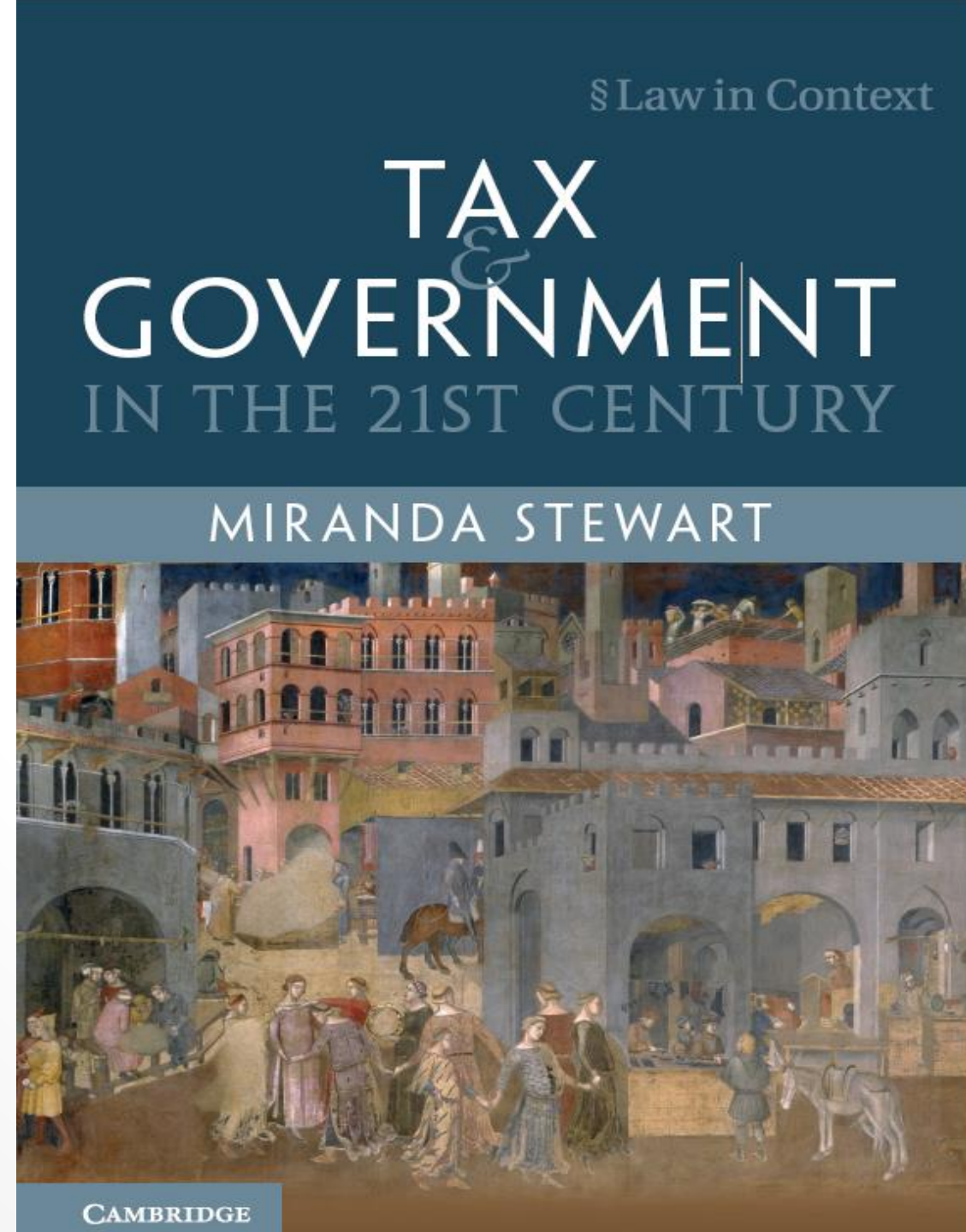
“Tax competition is usually presented as an exercise of sovereignty by tax states. Yet cooperation in an international order of states is also an exercise of sovereignty. The more fundamental question concerns in what circumstances tax competition, or tax cooperation, would be beneficial or detrimental for tax states or for global welfare.” (p, 295)



CORPORATE TAX NEUTRALITY

“The most important critique of the classic models of corporate tax neutrality is that they ignore a crucial third type of tax territory – the ‘offshore’ tax haven. ... In a world with tax havens, it is impossible to optimise global welfare, absent a global minimum tax.” (P. 302)

Rosanne Altshuler, ‘Lessons from the Study of Taxes and the Behavior of US Multinational Corporations’ in Iris Claus, Norman Gemmell, Michelle Harding and David White (eds.), *Tax Reform in Open Economies* (London: Edward Elgar, 2010), 61–77;



THE GLOBAL MINIMUM TAX PROPOSAL



Tax Incentives and the Global Minimum Corporate Tax

RECONSIDERING TAX INCENTIVES AFTER THE
GLOBE RULES

WILL PILLAR TWO BE IMPLEMENTED?

- There are those who would ask the question as to why a jurisdiction should prepare for Pillar Two at all.
 - The US has stalled in relation to its introduction, and it is unlikely that Pillar Two legislation will be introduced in that jurisdiction in the near future.
 - There is also the failure to achieve consensus on a draft directive to implement Pillar Two in the EU with both Poland and Hungary objecting due to the absence of any steps towards Pillar One.
- Despite such opposition, jurisdictions should prepare for the consequences of Pillar Two adoption by jurisdictions that are home to large MNEs. These jurisdictions will introduce an IIR that affects jurisdictions that have an ETR below the minimum rate.
- Consensus is that adoption by a critical mass of countries will result in an effective GloBE.

HOW WILL THE TECHNICAL ASPECTS WORK?

- Challenges centred on using financial accounting principles
- OECD Commentary and examples released in March 2022

DESIGN ELEMENTS

- Income Inclusion Rule (IIR)
 - Backstop Undertaxed Profits Rule (UTPR)
 - Qualified Domestic Minimum Top Up Tax (QMTT)
 - Substance Based Income Exclusion (SBIE)
 - Subject to Tax Rule (STTR)
-
- GloBE Rules
- Treaty Based Rule

THANK YOU