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Sent via email: taxpublicconsultation@oecd.org

14 December 2020

Subject: Comments on OECD secretariat's Public Consultation Document on the Reports on the Pillar One and Pillar Two Blueprints

BDO is one of the largest full-service audit, tax and advisory organisations in the world. We have over 80,000 people across 1,591 offices in 162 countries. Our global organisation focuses on supporting entrepreneurially spirited, ambitious businesses.

We appreciate the opportunity to submit our comments on the public consultation document titled **"Public Consultation Document on the Reports on the Pillar One and Pillar Two Blueprints"** that was released by the OECD on 12 October 2020 and provide our input into the OECD's ongoing work in respect of this important tax policy matter.

We welcome the initiative taken by the OECD to reconsider whether the current international tax framework remains effective for a modern, highly digitised economy. In developing a future framework for international taxation, we consider that there are some key guiding principles:

- **Not Distortive -** Where thresholds are utilised to guide the application of the rules to certain businesses, the rules should not be drafted so as to give rise to the potential for competitive disadvantage for organisations that fall below the thresholds (including disadvantage that may arise through a lack of access to processes to obtain tax certainty); an elective regime may resolve this tension
- **Administrable -** The rules must be administrable for both taxpayers and tax authorities, noting that there may be challenges in policing a global revenue threshold for the application of Pillar 2 where a multilateral treaty override is not (in large part) required
- **Simple -** The rules should favour simplicity over 'accuracy', and should seek the path of least resistance to the policy objective – in certain instances, this may mean leadership from the OECD in driving the tax policy of sovereign nations towards an agreed international standard rather than seeking to influence jurisdictional tax policy by imposing substantial burdens on taxpayers engaged in certain activities in a territory
- **Effective double tax relief** - The rules must avoid double taxation, and should seek the simplest manner to relieve double taxation

Overall, delivering simplicity in administration and seeking to ease, rather than increase, the compliance burden and uncertainty for taxpayers is of paramount importance in the current increasingly complex global environment. This overarching principle should be reflected in the design of all aspects of the new rules if the OECD is to meet its mandate of encouraging trade and economic growth.

We note that the intent is that the rules only apply to large global businesses. However, this should not be used as a reason to justify making the rules unnecessarily complex, and we believe that the ambition should be to make them capable of being administered for all businesses. Further, it is critical that the application of the new rules should not create competitive disadvantage to businesses that fall below any thresholds for application of the rules, or components thereof. Our comments are therefore framed, in part, from the perspective of companies that would otherwise fall below the planned thresholds, and some of the challenges that they may experience, and the concerns that they have, with the blueprints as currently drafted.

Once feedback on the blueprints has been obtained through the current consultation, there should be a commitment to a refined modelling/impact assessment exercise that takes full account of behavioural shifts already occurring as a result of the OECD BEPS initiative, and related regional and local territory responses. Businesses will need to be guided through the application of the rules by use of worked examples for them to fully understand how the rules are meant to work in practice, and what impact these will have on their effective tax rates.

Our comments in response to the public consultation are set out below. We hope this response, developed on behalf of a BDO global working party, will be of assistance. We would welcome an opportunity to attend any future meetings and webcasts with the OECD, in order to ensure that an environment is developed that will help international businesses get certainty on their tax position and effectively manage their tax profile, while allowing tax authorities to collect the tax revenues required to fuel their respective economies.

If you have any questions or would like any further detail, please do not hesitate to get in touch with us. We look forward to working with you and supporting you as you continue your work in this area.

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OVERVIEW

We set out below our comments against each of the guiding principles discussed above.

Not distortive
There appears to be a working presumption that the application of Pillar 1 will be (necessarily) too onerous for certain businesses and tax administrations, and this is leading to suggestions of an applicability threshold by reference to global turnover (e.g. EUR 750m, or possibly higher, initially).

We have concerns that some businesses that fall below the stated thresholds could be placed at a competitive disadvantage. We see this potentially arising in the following ways under the Pillar 1 Blueprint:

- Double tax relief mechanism - If the double tax relief mechanism for Amount A operates through an exemption rather than credit method, then the application of Amount A principles could, for certain taxpayers, result in a lower total tax liability on a global basis (broadly, those businesses established in high-tax territories which are selling into relatively lower-taxed markets). This could mean that businesses below the threshold (wherever it is ultimately set) could be at a competitive disadvantage to their larger competitors, depending on the specific factual circumstances of where they are established and where their key markets are, and how tax policy in each varies over time [see our later comments regarding the double tax relief mechanism]
- Tax certainty processes – If access to the processes for enhanced dispute prevention and resolution under Pillar 1 is subject to global revenue thresholds, businesses that fall below the threshold may have less ability to obtain certainty on their global affairs than their larger competitors. The current blueprint appears to suggest that the enhanced dispute prevention and resolution mechanisms would be targeted at the application of Amount A within Pillar 1. However, given the overlap with many principles of international tax, it is possible that even targeted mechanisms could end up considering (and ultimately providing a degree of certainty over) wider matters of relevance to the operation of an international group.

However, we also acknowledge the desire to protect smaller businesses from a potentially onerous administrative burden, and to ensure that tax authorities have the ability to administer the new rules effectively.

Given the potential distortions noted above, we recommend that consideration is given to the inclusion of an ability for businesses that do not otherwise fall within the scope of particular Pillar 1 components to elect into the application of the rules. The election could be irrevocable, and could require application of all components of Pillar 1 in its entirety, to mitigate the risk of businesses 'opting in and out' based on their financial position in any given year.

Administrable

Unlike Pillar 1, Pillar 2 (in large part) does not require a treaty override to function as intended. We are therefore concerned about the ability of the OECD to manage the implementation of Pillar 2 into domestic law in such a way that maintains the application of a global revenue threshold. The local territory logic for inclusion of (such a high) revenue threshold in domestic implementation is not clear; how would a local authority be incentivised or required to apply the agreed global threshold? If Pillar 2 principles are implemented into local law without a revenue threshold (or even with a much lower revenue threshold) then smaller businesses will be exposed to a complex set of requirements under the blueprint as currently drafted. If the threshold varies by territory, then this will become even more complex for businesses to manage.

We recommend that further thought is given to how a global revenue threshold for the application of Pillar 2 could be effectively maintained.

Simple

We acknowledge that the OECD is seeking to deliver simplicity where possible, and the introduction of simplification mechanisms is welcomed. However, it is not clear to us that the simplest path has been taken to address each policy challenge.

A critical example of this is the approach to the design of Pillar 2. In principle, Pillar 2 is seeking to prevent a race to the bottom on corporation tax rates, and ensure a sustainable source of corporate tax revenues for jurisdictions around the world. That is fundamentally a question of local tax policy, yet the OECD appears to be seeking to influence local tax policy through the imposition of a tax regime that seeks to ultimately discourage investment by taxpayers into certain territories where the investment is, to a large part financially (i.e. tax) driven, with a likely end outcome that local tax rates will stabilise at or above whatever minimum rate is set. In other words, there appears to be an intent to influence tax policy decisions by influencing taxpayer behaviour.

We question whether it would not be simpler, and more effective, for the OECD to seek to manage local tax policy through a 'blacklist' approach, which would see the application of Pillar 2 principles to only those territories that appear on the OECD blacklist. We have seen this work effectively in other instances. The OECD would have greater control over what constitutes 'reasonable' tax policy as thinking around that varies over time, by adding or removing territories (as well as particular regimes within territories, e.g. incentive-based or remittance-based regimes) from the blacklist, and taxpayers and tax authorities would bear a much lower compliance burden, as the relevant rules would be much more targeted.

We would note in this context that in a post-COVID-19 world the race to the bottom for corporation tax rates may slow or even reverse and in such an environment OECD influences on local tax policy may be seen as unhelpful and/or unwelcome. A blacklist approach would provide for greater flexibility in the approach to manage of local tax policy at a global scale.

Another key example is the expectations that the current blueprints place on financial accounting and reporting systems to enable compliance. Systems for multinational businesses take a variety of forms, and an ability to provide for optionality of the application of the regime in a way that best aligns to the financial system of a particular organisation is worth

further thought. The current blueprints may be at risk of being overly prescriptive with a lack of optionality to account for different business circumstances.

Effective double tax relief

We understand that there is ongoing debate around the mechanism for the mitigation of double tax. As a general principle, we recommend that the mitigation of double taxation by exemption should be favoured over the mitigation of double taxation by credit. Credit systems are inherently complex, both to self-assess and administer, and it is very challenging to gain a high level of certainty that any credit mechanism will provide effective relief for all business circumstances.

CONSIDERATION OF THE SPECIFIC CONSULTATION QUESTIONS

We address certain of the consultation questions below.

PILLAR 1

I) The activity test to define the scope of Amount A

The principles on which the scope of Pillar 1 is determined are not clear, and we would welcome further clarity on this so that as businesses inevitably evolve over time, the scope of Pillar 1 can be adjusted to ensure that the principles of application continue to be satisfied.

Whilst work is ongoing to address the broader issues surrounding scope of Amount A and the activity-based tests, it has been suggested that taxpayers may be required to unbundle transactions to identify elements that are in scope and those that are not in scope. Such rules could be difficult to apply, significantly increase the complexity of Amount A determination, and there could be an increase in disputes about whether a business activity is in scope or out of scope.

We also consider that the current definitions of CFB and ADS are likely to create segmentation challenges as products and services continue to digitalise. The growth of the 'internet of things' market is a key example of this. This could be addressed through consideration of principles that would 'bundle' certain activities together into (ideally) one category or the other. This is an example of a trade-off between simplicity and 'accuracy', but one which is important to consider further.

Another concern is in relation to cloud computing services which are primarily for business enablement and productivity, and therefore the value contributed by a user of the service is less apparent. The blueprint states that: "*the scope requirements for ADS distinguish between standardized cloud computing services, which would be in scope, and bespoke cloud services, which would not*". We consider that this is a fairly arbitrary distinction to make, and that all cloud services should be exempt.

Finally, we consider that the approach to determining whether a business is in scope or out of scope is overly complex. The blueprint speaks to exclusions, plus factors, positive lists and negative lists. This would create difficulties in legislation and application, and could give rise

to controversy in application if it is overly dependent on different factors, or overly subjective. We would recommend the approach to determining whether a business is in scope or not is streamlined to a cleaner "in or out" approach.

II) The design of a specific Amount A revenue threshold

Overall, we understand the rationale for setting a revenue threshold on Amount A. However, as noted in the Overview section, we consider that it is critical that the impact of setting a threshold is considered from the perspective of both those within, and those outside, the scope of the rules, to ensure that unintended distortive impacts are identified and managed. We consider that unintended distortive impacts could be best mitigated through enabling businesses that would not otherwise be within the scope of the rules relating to Amount A, and the principles for enhanced dispute prevention and resolution, to elect into the application of the regime.

Another key area is ensuring that any threshold that is set is applied consistently on a global basis, to mitigate the complexity that varying thresholds of application would cause.

III) The development of a nexus rule for Amount A

General comment

There is concern amongst some businesses we speak to about distinguishing CFB from ADS businesses when assessing the concept of nexus. To deliver the stated simplicity, a single revenue threshold may be more appropriate, noting that minimising distinctions between CFB and ADS businesses in application of the rules will enable other simplifications (such as mitigating the need for segmentation between CFB and ADS).

Plus factors (a and b in consultation document)

Under the proposed nexus rules, the existence of a permanent establishment (PE) in the market jurisdiction would be determined using a self-standing PE definition, rather than by relying on existing definitions (domestic or under treaty). Given it is often difficult and technically challenging to assess whether a PE exists or not under the current framework of international tax rules, new rules for in-scope businesses (CFB/ADS) are likely to further increase complexity and impose additional administrative burden on taxpayers and on tax administrations, as different rules will need to be analysed for those businesses that are in-scope and those that are not. We therefore recommend utilising the existing PE definition instead of creating a new PE principle for the purposes of these rules.

IV) The development of revenue sourcing rules for Amount A

Sourcing rule (a in consultation document)

Any attempt to source revenue by reference to user/consumer location will need to take into account the mobile nature of consumers of particular services, and also the inherent challenges associated with determining the location of users/consumers as a result of legal (e.g. GDPR), commercial (e.g. simple availability of data) or digital (e.g. the use of VPNs)

challenges. The nature of these challenges will vary by sector, and this is an area that likely warrants further consultation.

V) Segmentation framework for Amount A

General comment

Of key importance here is ensuring that any required segmentation does not in itself require extensive system changes. Providing for optionality in approach, or adopting an agreed reasonable basis for a particular set of facts, should help to mitigate the risk of such outcomes. The proposal for a group revenue materiality threshold below which Amount A is computed on a group basis is also welcomed.

Amount A tax base (a and b in consultation document)

Where an accounting standard is used to determine segmentation, we recommend having reference to IFRS 8 rather than IAS 14. We consider this will provide for greater alignment of segmentation with how a business is run and the management information on which a business already bases its decision making. Seeking to apply a different form of segmentation to how a business already organises and reports its activities would create an industry of activity consisting of a fairly subjective attribution of income and costs, which would decrease certainty and create additional scope for dispute. Again, ensuring optionality in the segmentation approach should help to mitigate these challenges. This could be balanced with a need to demonstrate consistency with Pillar 1 principles if required by a relevant authority.

VI) The development of a loss carry-forward regime for Amount A

Loss carry-forward (a, b and c in consultation document)

We see symmetry in the treatment of profits and losses as key in ensuring the fairness and optimal simplicity of the regime. The carry forward of losses should not be time-limited (either in terms of how many pre-implementation periods could be brought into account for carry forward purposes, and also how long any losses can be carried forward for offset) in order to recognise the life cycles of different sectors. This could be subject to a burden of proof on the existence of the losses, enabling taxpayers to determine their own use of resources in seeking to 'prove out' the existence of losses, and how many years they wish to go back. Preferably, there would be no pools of losses, to keep the rules as simple as possible to administer. Consideration should be given to ensuring the ability to secure up-front certainty from tax authorities on "proven" pre-regime losses.

VII) Double counting issues arising from the interactions between Amount A and existing taxing rights on business profits in market jurisdictions

Double counting (a and b in consultation document)

We support the use of an exemption method in general for the relief of double tax, as it should provide a high degree of confidence on the effective relief of double taxation. A credit method is difficult for taxpayers to apply, and it is challenging to prove that it will always give effective relief in all instances.

However, an exemption method is not necessarily possible for all forms of potential double tax, such as market jurisdiction withholding taxes. We believe that double tax arising through the application of withholding taxes in a market jurisdiction could be addressed by giving credit for royalty withholding tax paid in a jurisdiction against any Amount A liabilities which remain for that jurisdiction after any netting-down adjustments have been made.

VIII) Scope of Amount B and definition of baseline marketing and distribution activities and profit level indicators

General comments

What constitutes an appropriate return will vary by sector and geography.
Therefore, we agree with the proposals in the Blueprint that these variations should be accounted for within Amount B.

Defining baseline activities (a and b in consultation document)

We consider that the determination of the baseline return should take account of the functional intensity of activities in a particular geography. Reliance on return on sales in all instances would mean that there would be the same return in a geography where there is a single sales person as a scenario where there is a whole sales team. This would create the potential for distortion, and possibly manipulation, of the application of the rules. Amount B is meant to achieve greater certainty and less scope for controversy on application of the arm's length principle, and therefore the scope of manipulation/subjectivity in the application of Amount B should be minimised.

IX) Development of Amount A early tax certainty process

General comments

Achieving tax certainty is a key pillar for the successful application and functioning of the Amount A allocation and Amount B returns. This is likely to require significant amendments to tax treaties and existing tax information exchange agreements, to allow the relevant jurisdictions to share and exchange information and conduct their reviews in record time and with speed and efficiency. The process will need to be kept simple and clear if the objectives of tax certainty are to be achieved, which in this case is of paramount importance. At present, Advance Pricing Agreements can take anywhere between 15 to 36 (even longer in some cases) months to complete; if the current lead times are anything to go by, then the anticipated process to achieve tax certainty under Pillar 1 would need to be designed such that it is significantly different and less time-consuming to existing dispute resolution mechanisms available to taxpayers and tax administrations.

Clearly, the existence of a process to prevent disputes and accelerate resolution of any disputes that do arise is welcome. However, the significant political differences that have emerged in the discussions to date on Pillar 1 and Pillar 2 place some doubt on how practically effective such mechanisms will be.

Where resolution is reached, it should be capable of reliance for a period of time so that taxpayers are not in a continuous cycle of agreeing a position.

As noted in the Overview section, we also consider it important to assess whether this process may enable large multinational enterprises that are within the scope of Amount A to obtain a higher degree of certainty over their tax affairs than their smaller competitors. This may be the case if the process delivers, directly or indirectly, comfort over issues faced by multinational groups beyond the pure calculation of Amount A. Tax certainty is a hugely valuable commodity for businesses in today's complex environment. Whilst the rules bed in, we would welcome the inclusion of an election to enable businesses that are below the determined revenue threshold to apply the Amount A principles and access the associated processes for certainty. This election would need to be embedded into domestic legislation.

PILLAR 2

I) GILTI Co-existence

A1 and A2 in consultation document

It is being suggested in the Pillar 2 Blueprint that GILTI may be treated as a qualified IIR (subject to political agreement), which could mean that other jurisdictions would not impose the UTPR with respect to entities whose earnings are included in GILTI.

Accepting GILTI co-existence appears to be a political necessity to ensuring agreement of the US to the Pillar 2 proposals. However, there are a few points that should be noted in this regard:

- How BEAT interacts with the Pillar 2 proposals will require careful thought. In particular, BEAT and any similar regime should not apply where a payment is made to an entity that is under the scope of a parent entity that has implemented the IIR. If that is not considered possible, then BEAT and any similar regime needs to be included as a 'Covered Tax' for Pillar 2.
- There are differences in the blending approaches applied by GILTI (global) and the Pillar 2 blueprint (jurisdictional). If global blending is considered to be an acceptable mechanism to address the policy intent, then we would encourage reflecting further on whether global blending could be applied for Pillar 2, as it would dramatically simplify compliance obligations. If that is not considered viable, then the ongoing co-existence of GILTI with Pillar 2 will need to be monitored to ensure that distortive effects do not arise due to the difference in blending approach. Equality of treatment for US and non-US headed groups will be important.
- If GILTI is allowed to co-exist, consistency should be sought in terms of the co-existence of any similar regimes in other jurisdictions (whether in existence today or which may be implemented in the future). There was a similar process undertaken in the context of the EU ATAD rules, whereby specific regimes were tested for compliance. An important question would be whether a territory that sought to implement a GILTI-like regime in future might expect similar co-existence under the Pillar 2 principles, or if it is an agreement which is specific to the GILTI regime only. If this was not permitted, the policy rationale would need to be explained. If this was permitted, this could create an

effective 'optionality' on whether jurisdictions implement a GILTI-like regime or a regime based on the Pillar 2 blueprint. The potential impact of this tax policy choice on competition for inward investment would need to be explored further. A GILTI-like regime with global blending may be considered more easily administrable than a jurisdiction-based blending, and therefore may be favoured by ''holding company' locations that compete for inward investment.

- Complexity will likely arise in respect of losses and excess taxes carried forward, because GILTI and Pillar 2 operate these concepts differently. This should be addressed both within the technical Blueprint and any guidance issued as part of implementation.

II) Calculating the ETR under the GloBE rules

The treatment of reorganisations under Pillar Two (Chapter 3b in consultation document)
The Blueprint provides that gains or losses from non-taxable restructurings should be excluded. We agree with this proposed approach. However, it requires careful implementation to ensure that 'positive' behaviours (such as exiting of low tax/tax haven structures through reliance on minimal/no exit tax) should not be counteracted by the IIR (given such restructuring is driven by factors in line with the policy intent). This may arise, for example, in an M&A context where a historic structure is inherited, and the acquirer wishes to align the assets to their own operating model. A general differentiation between 'income' and 'capital' transactions would be welcomed here, as the concern under Pillar 2 is more one of taxation of income (which arises yearly), than it is of gains (which arise less frequently, and which are subject to broad exemptions in many territories today).

Rules to adjust for accelerated depreciation (Chapter 3c in consultation document)
We support a view to use deferred tax accounting to manage timing differences arising from, for example, accelerated depreciation. The intent of deferred tax accounting is to smooth and more accurately present the effective tax rate of a company or group and therefore is, in our view, aligned entirely with the aims of Pillar 2. Creating specific rules around the treatment of unrecognised deferred tax for Pillar 2 purposes could manage concerns related to subjectivity, if that is indeed a concern in the use of deferred tax accounting. Creating an alternative set of rules for Pillar 2 purposes seems to add an additional and largely unnecessary level of additional complexity to an already complex set of rules.

Allocation of "cross-jurisdictional" taxes (particularly, anti-avoidance rule) - (Chapter 3c in consultation document)
Finally, we consider that implementation of Pillar 2 creates an opportunity for territories to review and simplify their existing provisions, as many regimes including CFC rules, diverted profits tax rules, or ORIP rules serve a similar policy purpose to that of Pillar 2. Maintaining multiple layers of rules that serve a similar purpose would place an unnecessary administrative burden on businesses. We would welcome the OECD creating guidance for jurisdictions in reviewing their existing regimes to assess where simplification can and should be sought.

III) Carry-forward and carve-out

Substance-based carve-out (Chapter 4b in consultation document)

The suggestion of a substance-based carve-out is welcome; however, it is narrow in its scope. We question whether it is distortive between industries which utilise intangibles within their trade to a greater or lesser extent, as well as regulated financial assets like those that exist in the insurance and banking sectors.

IV) Simplification options

General (5a of consultation document)

As set out in our earlier comments, we consider that the most effective simplification would be a transition towards a 'blacklist' approach, whereby a central list is maintained and monitored by the OECD, so that the application of Pillar 2 principles is much more targeted than is currently proposed.

Where that is not possible, other simplifications are certainly required.

The next most favoured simplification would be the development of a 'white list', which could accord with the proposal relating to tax authority guidance. The hope would be that this list would evolve over time to cover the large majority of jurisdictions and tax regimes to which most businesses are subject. Accelerating the development of this list, rather than letting it evolve over time, would be welcome.

Using CbCR (5b of consultation document)

The proposed CbCR simplification is a third possible option, though there would be a need for businesses to adapt their CbCR processes to make it fit for purpose in determining effective tax rate in a way that would be suitable for the purposes of such an exclusion.

V) Income Inclusion and Switch-over rules

Top-down approach (6a in consultation document)

The proposed top-down approach appears to significantly reduce the number of jurisdictions in which an MNE Group can be subject to an IIR, and thus appears significantly more administrable, in that it removes the uncertainty of multiple parent undertakings of low-taxed entities applying the IIR.

General comments

With regard to the application of the switch-over rule, whilst we agree that this is a necessary adaptation and aligns with the principles of the wider GloBE rules, these changes would require changes to bilateral tax treaties, which could be an administratively burdensome exercise for governments across the globe.

We are supportive of a rule that ensures that a parent jurisdiction could apply this rule (i.e. by taxing the profits of an exempt branch up to the minimum level of tax) through changes in its domestic tax laws to tax profits of an exempt permanent establishment, even where a bilateral tax treaty would otherwise exempt those profits.

VI) Undertaxed payments rule (UTPR)

General design (7a in consultation document)

The Under Taxed Payment Rule is intended to act as a back stop to the IIR where a top-up tax cannot be collected through the application of the IIR. We agree there may be structures that may not tax income at a minimum rate, or allow the rules to apply a top-up tax, therefore an alternative option to tax, in particular, certain base-erosive payments should be in place.

Having said that, the interaction and co-existence of the UTPR with the US BEAT provisions will need to be thought through carefully, as invariably there is likely to be an overlap in the operation of both the rules, which will significantly increase the compliance burden on those businesses that have US operations, or are part of a wider US group.

The application of the UTPR is complex, and this is likely to give rise to a complex set of compliance procedures for MNEs in addition to those that will need to be adopted for the IIR. This adds credence to our suggestion of adopting a "blacklist" approach whereby the rules would naturally be disapplied (and hence, no requirement for compliance under the UTPR) for payments made to entities in those jurisdictions that sign-up to the IIR or the similar rules such as the GILTI rules.

VII) Subject to Tax Rule (STT)

The STT rule is mainly targeted at intragroup payments that seek to exploit treaty provisions by shifting profits from a high tax source jurisdiction to another jurisdiction where the income is either not taxed at all or is taxed at a low rate, achieving a kind of natural arbitrage.

Administrative considerations (9c in consultation document)

Given the STT rule applies independent of the IIR and the UTPR, this may give rise to double taxation or over-deduction of withholding tax by the payer of such income. On the basis the agreed minimum rate under the STT is set lower than that of the IIR/UTPR, the top-up tax under the STT rule could still be higher, as it is expected that it will be applied on a gross basis. The application of the STT is likely to be administratively burdensome on the taxpayer. One possible simplification that could be further explored is where a jurisdiction has signed up to implementing the IIR, there is an exemption from the application of the STT rule, such that it is disapplied in its entirety.

Another possibility of simplifying the application of this measure could be to introduce a stand-alone threshold/rule, in addition to and independent of, the materiality thresholds being considered, for payments that are made to jurisdictions that are not featured on the OECD's blacklist (if this is an approach that finds favour with the OECD and the IF countries). As set out in our earlier comments, we consider the more targeted these measures are, the lesser will be their administrative requirements thereby easing, somewhat, the compliance requirements and pressures taxpayers typically face with changes brought about by new legislation.

VIII) Implementation

Effective co-ordination of the GloBE rules (10a in consultation document)

It would be our suggestion for the rules to be implemented in a phased manner. Given the significant complexity, a considered approach towards implementation is required. If everything is done at once, it carries the risk of countries not adopting these rules on a consistent basis (which may lead to a proliferation of unilateral measures in the interim), which approach is likely to diminish the effect the rules are meant to be having.