



Corporate tax alert

International tax

OECD releases blueprints relating to the tax challenges of digitalisation

The [OECD/G20 Inclusive Framework on BEPS](#) (“Inclusive Framework”), which groups 137 countries and jurisdictions for multilateral negotiation of international tax rules, agreed during its 8-9 October 2020 meeting that the two-pillar approach they have been developing since 2019 provides a solid foundation for a future agreement.

Following this meeting, the Inclusive Framework released two detailed “blueprints” in relation to its ongoing work to address the tax challenges arising from the digitalisation of the economy.

A [detailed analysis and comments on both Blueprints](#) are available on [Global tax@hand](mailto:Global.tax@hand).

The [Pillar One blueprint](#) sets out “building blocks” for potential future international agreement on rules for taxable presence (nexus) in countries and profit allocation between countries to address tax challenges arising from digitalisation.

The [Pillar Two blueprint](#) proposes a set of interlocking international tax rules designed to ensure that large multinational businesses pay a minimum level of tax on all profits in all countries.

Comments on the blueprints are invited by 14 December 2020 and a virtual public consultation meeting will be held in January 2021.

The Inclusive Framework acknowledges that “no agreement has been reached,” but asserts that “the blueprints nevertheless provide a solid foundation for a future agreement that would adhere to the concept of net taxation of income, avoid double taxation and be as simple and administrable as possible.” It establishes a new goal of “bringing the process to a successful conclusion by mid-2021,” while acknowledging further work “to resolve technical issues, develop model draft legislation, guidelines and international rules and processes as necessary to enable jurisdictions to implement a consensus-based solution.”

The economic impact assessment estimates that Pillars One and Two could increase global corporate income tax revenues by approximately USD 47-81 billion annually (between 1.9% and 3.2% of corporate income tax revenues, with the bulk of the gains coming from Pillar Two (USD 42-70 billion)). For both pillars, investment hubs have the most revenues to lose, whereas high, middle, and low-income countries all stand to benefit. Finally, the OECD highlights that a consensus-based solution should only have minimal negative impact on MNE investment activity: less than 0.1% of global GDP in the mid-to-long term, whereas the lack of consensus could cause global GDP to decrease by more than 1%, especially if unilateral digital services taxes (DSTs) are broadly implemented.

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