

Global minimum tax agreement

By [Oliver Biernat](#),
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The OECD has published detailed rules to assist in the implementation of a landmark reform to the international tax system that will ensure multinational enterprises (MNEs) will be subject to a minimum 15% tax rate starting from 2023. The agreement has been signed by 136 countries.

Why was a global minimum tax introduced?

Over the years, multinational enterprises have used tax loopholes to shift profits to low tax jurisdictions, which has been possible to do when there is intangible income

such as software, patents, and royalties on intellectual property.

OECD mechanism to deal with profit shifting

OECD has introduced Pillar One and Pillar Two model rules. Each pillar addresses a different gap in the existing rules that allow MNEs to avoid paying taxes.

Pillar One applies to about 100 of the biggest and most profitable MNEs, and reallocates part of their profits to the countries where they sell their products and/or provide their services.

Pillar Two (also referred to as the Anti Global Base Erosion or GloBE) rules are part of the solution to address the tax challenges of the digitalisation of the economy. Pillar Two model rules are designed to

ensure large MNEs pay a minimum level of tax on income made in each jurisdiction where they operate, thus creating a more level playing field and further cracking down on tax avoidance. This will be implemented on a country-by-country basis.

The new minimum tax rate will apply to companies with revenue above EUR 750 million, and is estimated to generate around USD 150 billion annually in additional global tax revenues.

Implementation dates?

The OECD's detailed plan provides for a clear and ambitious timeline to ensure effective implementation of the new rules from 2023 onwards. Model rules for domestic legislation are being developed in the first half of 2022, and the new taxing right and minimum corporate tax

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Benefitax GmbH is a tax consultancy and public auditing company located in

Frankfurt, which is widely recognised as the financial centre of Germany. Benefitax predominantly serves German entities of foreign multinational groups, mid-sized German companies with cross-border activities and wealthy private individuals.
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30 years of experience. Since 2008, he has chaired GGI's International Taxation Practice Group (ITPG), increasing its size to more than 570 experts from 90 countries in the process.

rules will be implemented in the second half of 2022 through a multilateral convention/instrument.

Implementation of agreement in the US

The Global Intangible Low-Taxed Income (GILTI) regime, which was enacted in 2017, affects US multinationals to a minimum tax on foreign income. The adoption of the Pillar Two regime will level the playing field for US businesses by ensuring that foreign multinationals also face a minimum tax on their foreign income.

However, the proposed Pillar Two regime imposes a higher effective minimum tax rate than the current GILTI regime. Though Pillar Two's 15% tax rate is only slightly higher than the rate on GILTI, it adopts a more restrictive approach to determining taxable income and tax credits. Under GILTI's broader approach, US multinationals can

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diversified client profile across industries has helped improve its ability to advise clients on the dynamic and challenging environments in which they do business.

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still benefit from shifting profits to low-tax countries. Pillar Two largely eliminates these benefits, and

makes it much more challenging for multinationals to exploit tax havens.

Implementation of agreement in the UK

The UK government has published a consultation seeking views on how a worldwide 15% minimum corporation tax should be domestically implemented. The consultation seeks views on the application of the global minimum corporation tax in the UK, as well as a series of wider implementation matters, including who the rules apply to, transition rules and how affected firms should report and pay.

Implementation of agreement in the European Union

The EU is pushing GloBE rules, and is keen on making it work

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in 2023. However, a multilateral instrument cannot be implemented so easily, as it first needs to go through parliament in countries such as Germany, and will only come into force three months after the respective state has deposited its instrument of ratification.

Implementation of agreement in India

India may rely on how the countries mentioned above implement GloBE, and may take its cue from their regulations for ideas on how to make India's regulations stronger and more

efficient. This could also mean that India may not want to give sufficient time to MNEs to restructure their operations to achieve compliance with global tax reduction policies despite the implementation of GloBE.

Read the full version of the article [↗](#) here.

Special tax regime for impatriates:

Requirements for application of the Beckham law

By [↗](#) **Jesús Ruíz Ballesteros**

Known as the Beckham law, this tax regulation is widely used by foreign executives who come to

Spain to work for their companies, because **it allows them to pay income tax at a rate of 24% (up to EUR 600,000) instead of 45%.**

In order to apply this special regime, the following **requirements** must be met:

- 1) You must be a Natural Person, and not have been a tax resident in Spain **during the ten years prior** to the time when their posting to Spanish territory takes place.
- 2) The move to Spanish territory must be for one of the following reasons:
 - a. As a consequence of an **employment contract** (except for professional sportsmen and women).
 - b. As a consequence of acquiring the status of director of an entity in whose capital you do not have a shareholding or, otherwise, when the shareholding in the same does not determine the consideration of a related entity.
- 3) You do not obtain income through a **permanent establishment** located in Spain.

If you meet these requirements, you may opt to apply under this special regime, in which case you will be subject to **Spanish Wealth Tax** by real

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