



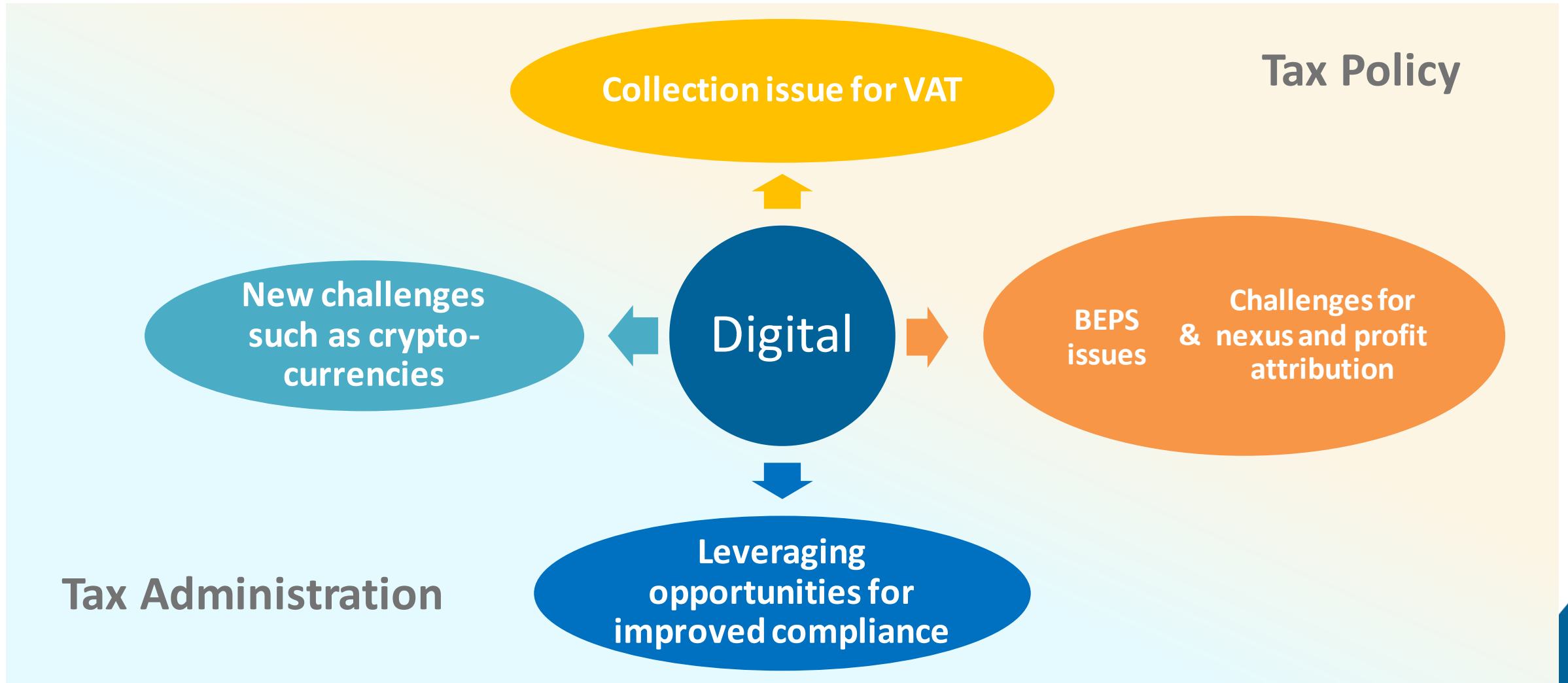
The 11th IMF- Japan High-Level Tax Conference for Asian Countries

# ADDRESSING THE TAX CHALLENGES ARISING FROM THE DIGITALISATION OF THE ECONOMY

16 June 2021 - Matt Andrew, Center for Tax Policy and Administration, OECD

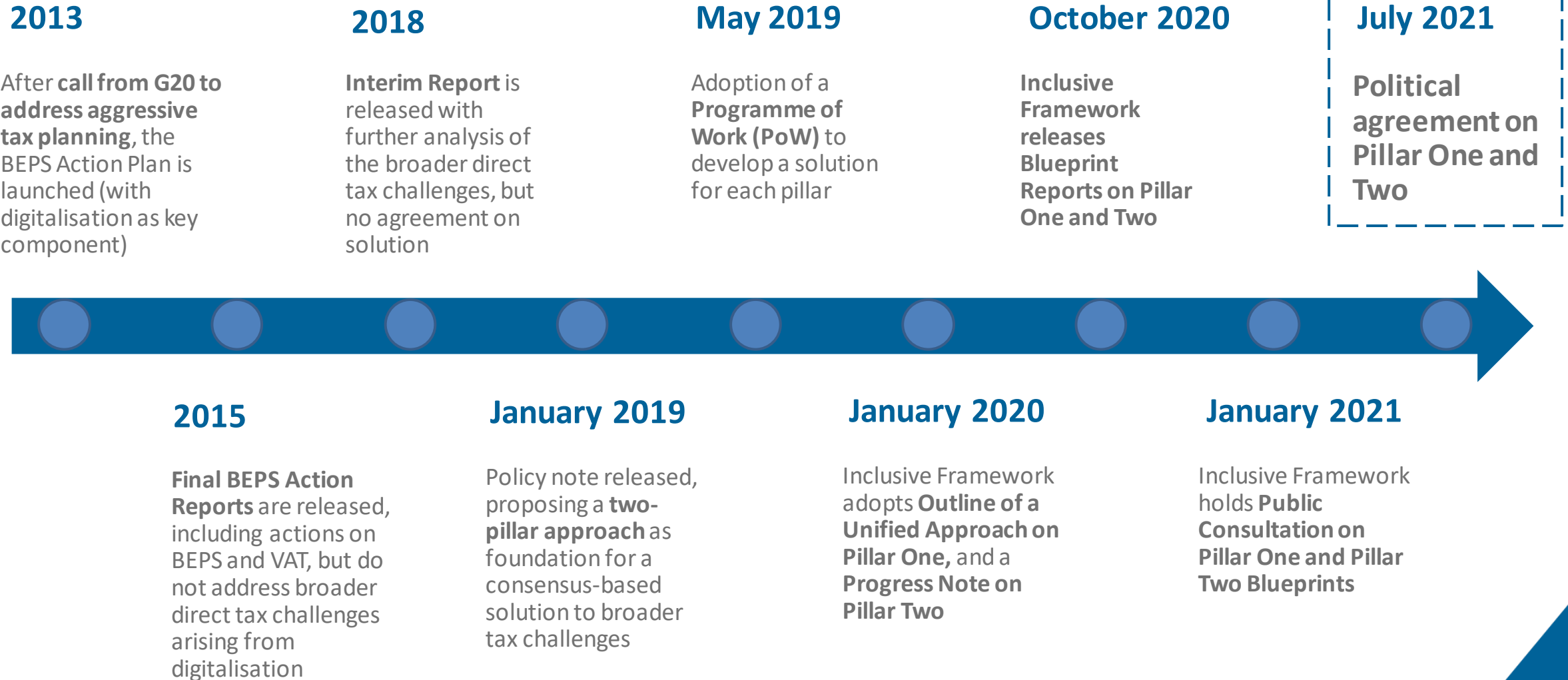


# Key Tax Challenges Arising from Digitalisation





# Timeline





# Release of Blueprint Reports – October 2020

## Inclusive Framework meeting on 8-9 October 2020

More than **650** delegates from **130** jurisdictions and **13** international organisations

## Agreement to release a package consisting of:

- Cover Statement
- Report on the Pillar One Blueprint
- Report on the Pillar Two Blueprint
- Economic Impact assessment
- Public consultation document on both Blueprints



# Blueprint Pillar One - Progress on substance

Brings together three previously competing proposals into one solution

Identifies key guiding principles

- New taxing right no longer exclusively circumscribed by reference to physical presence
- Net basis taxation and no double taxation
- Improved tax certainty processes
- Removal of unilateral measures
- Achieve least complexity (simplifications)

Recognises open policy issues on key features of the solution

(e.g. scope; quantum; extent of tax certainty)

Recognises areas where further technical work is required

(e.g. segmentation; administration)



# Key Themes from January 2021 Public Consultation

1. Continued strong support for an international consensus-based solution (with removal of unilateral measures)
2. Convergence on the technical parts of a number of the Amount A building blocks
3. Calls for greater simplification to reduce complexity and compliance costs
4. Concerns about level playing field issues (e.g., potential differentiations between in-scope businesses)
5. NGOs consider the reform too narrow, in particular the amount of profits to be redistributed



## Recent developments – U.S.’ proposal

### February 2021

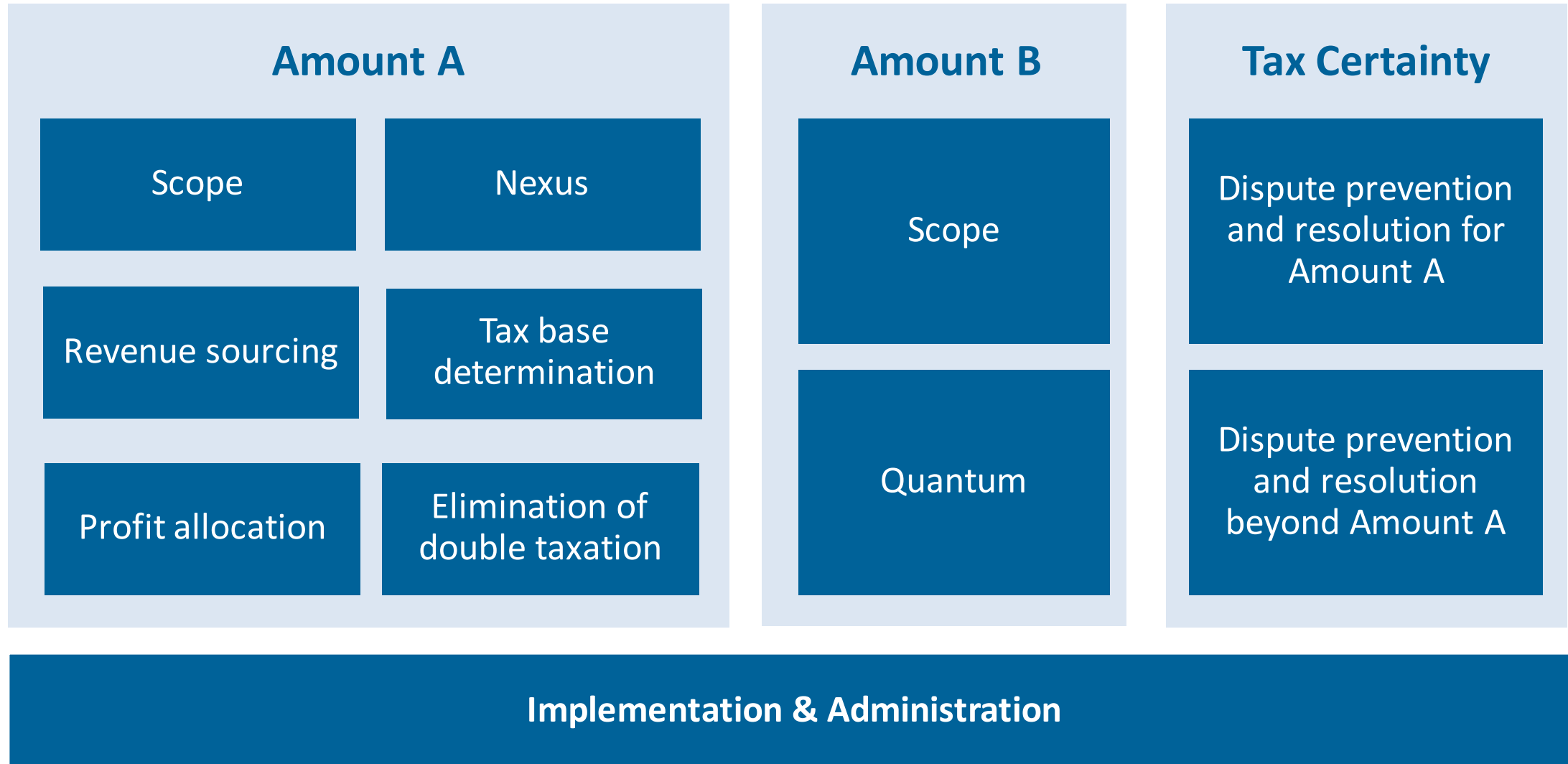
- U.S. reemphasises its commitment to finding a multilateral consensus-based solution.
- U.S. withdraws safe-harbour proposal.

### April 2021

- U.S. proposes a ‘comprehensive scope’ based on quantitative factors (e.g. revenue threshold and profit measure) instead of ADS/CFB activity tests.
- U.S.’ proposal was generally well received by IF members as potential basis for negotiations due to the simplifications it brings to the Pillar One design.
- Discussions continue on the key features and technical design of Pillar One.



# Pillar One Blueprint – Building Blocks







# Remaining policy and technical challenges

## Scope

- Establishing scope, including thresholds, quantum to be reallocated, and exclusions

## Nexus

- Establishing thresholds
- Determining whether or not to include 'plus factors'

## Revenue sourcing

- Further work on sourcing rules for cloud computing and B2B transactions

## Tax base

- Further work on the segmentation framework

## Profit Allocation

- Further work on marketing and distribution profits safe harbour

## Elimination of Double Taxation

- Further work on core principles and main framework

## Tax Certainty

- Binding nature of tax certainty processes

## Amount B

- Further work on core principles and main framework

## Implementation and Administration

- Further work on defining a framework on relevant unilateral measures and ongoing work on a general implementation and administration framework



## Next Steps and Timeline

**Immediate next steps: build on input received on both pillars via public consultation**

**February 2021**

G20 Finance  
Ministers' Meeting

**July 2021**

Political agreement on Pillar One and Two  
Inclusive Framework Meeting  
G20 Finance Ministers' Meeting




**April 2021**

G20 Finance Ministers'  
Meeting



# THANK YOU

For more information:

-  Contact us by e-mail: [ctp.contact@oecd.org](mailto:ctp.contact@oecd.org)
-  Visit our public website: [www.oecd.org/tax](http://www.oecd.org/tax)
-  Sign-up to our tax news alerts: <http://oe.cd/taxnews-signup>