Ireland One Of 9 Holdouts Who Refused To Sign OECD Global Corporate Tax Reform Package

Description

Update (1310ET): Irish Finance Minister Paschal Donohoe (the current head of the Eurogroup assemblage of EU finance ministers) just issued a terse statement claiming that while Ireland supports the aims of the OECD's tax reform, it's wary of the 15% minimum global tax rate.

> 130 nations, including China & India have signed the 15% global minimum tax plan sponsored by the US and OECD
>
> Except Ireland
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> Ireland is smart to defend her advantage over China as a gateway to Europe
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> I am shocked any African Nation and UK will agree to 15% tax on FDI pic.twitter.com/vDsiea8anC
>
> — Kalu Aja (@FinPlanKaluAja1) July 1, 2021

Meanwhile, here's the OECD statement on the deal, including a description of "Pillar 1" and "Pillar 2", the two parts of the agreement.

130 countries and jurisdictions have joined a new two-pillar plan to reform international taxation rules and ensure that multinational enterprises pay a fair share of tax wherever they operate.

130 countries and jurisdictions, representing more than 90% of global GDP, joined the Statement establishing a new framework for international tax reform. A small group of the Inclusive Framework's 139 members have not yet joined the Statement at this time. The remaining elements of the framework, including the implementation plan, will be finalised in October.

The framework updates key elements of the century-old international tax system, which is no longer fit for purpose in a globalised and digitalised 21st century economy.

The two-pillar package – the outcome of negotiations coordinated by the OECD for much of the last decade – aims to ensure that large Multinational Enterprises (MNEs) pay tax where they operate and earn profits, while adding much-needed certainty and stability to the international tax system.

Pillar One will ensure a fairer distribution of profits and taxing rights among countries with respect to the largest MNEs, including digital companies. It would re-allocate some taxing rights over MNEs from their home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there.

Pillar Two seeks to put a floor on competition over corporate income tax, through the introduction of a global minimum corporate tax rate that countries can use to protect their tax bases.

The two-pillar package will provide much-needed support to governments needing to raise necessary revenues to repair their budgets and their balance sheets while investing in essential public services, infrastructure and the measures necessary to help optimise the strength and the quality of the post-COVID recovery.

Under Pillar One, taxing rights on more than USD 100 billion of profit are expected to be reallocated to market jurisdictions each year. The global minimum corporate income tax under Pillar Two – with a minimum rate of at least 15% – is estimated to generate around USD 150 billion in additional global tax revenues annually. Additional benefits will also arise from the stabilisation of the international tax system and the increased tax certainty for taxpayers and tax administrations.

“After years of intense work and negotiations, this historic package will ensure that large multinational companies pay their fair share of tax everywhere,” OECD Secretary-General Mathias Cormann said. “This package does not eliminate tax competition, as it should not, but it does set multilaterally agreed limitations on it. It also accommodates the various interests across the negotiating table, including those of small economies and developing jurisdictions. It is in everyone’s interest that we reach a final agreement among all Inclusive Framework Members as scheduled later this year,” Mr Cormann said.

Participants in the negotiation have set an ambitious timeline for conclusion of the negotiations. This includes an October 2021 deadline for finalising the remaining technical work on the two-pillar approach, as well as a plan for effective implementation in 2023.

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Update (1224ET): In a rare scoop, the Irish Times just reported that Ireland was one of nine countries that didn’t sign on to the global corporate tax deal that was reportedly struck Thursday afternoon in Paris following weeks of negotiations. Ultimately, 130 countries signed on, while the remaining nine countries – including Ireland – refused (the OECD has 139 members in total).

As we have reported, the Irish government has long been wary of the new framework. The Irish Department of Finance even calculated that agreeing to it would cost the country some €2 billion in annual tax revenue as it would lose its advantageous 12.5% minimum corporate rate.

With the lowest corporate tax rate in Western Europe, Ireland's participation in the deal is critical. If Dublin refuses to lower its corporate rate, it could create serious problems for the countries that agree to its terms, since Ireland won't be bound by the 15% minimum rate that's reportedly part of the deal.

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Following weeks of intense talks involving diplomats from more than 130 countries and jurisdictions, Washington has succeeded in winning international backing for a new global minimum corporate tax framework that, if implemented, would constitute the biggest shakeup in international tax rules in a century.

The world took a critical step toward implementing the deal, which involves implementing an international minimum corporate tax rate in exchange for the US sharing the tax spoils from hundreds of the biggest American multinationals. The plan is a critical piece of Biden's "Build Back Better" strategy, which involves passing trillions of dollars in "infrastructure" spending that will be partially offset by the biggest tax hikes in decades.

The deal, brokered with the help of the OECD, follows years of missteps and other setbacks for the organization, which has been trying to reform international tax rules for years, even before the US threw its support behind reform. The framework received the backing of the G-7 and G-20. Now, finance ministers from the G-20 are expected to sign off on an "agreement in principle" during a meeting in Venice, Italy set for next week.

Both China and India have reportedly given their blessing to the deal, eliminating the last bit of resistance from within the G-20.

Treasury Secretary Janet Yellen, who was tasked with overseeing the US-led effort, [tweeted Thursday](#) that the deal would soon put a stop to “self-defeating international tax competition, lowering our corporate tax rates only to watch other nations lower theirs in response.” Read the full thread below:

> “Today is an historic day for economic diplomacy. For decades, the United States has participated in a self-defeating international tax competition, lowering our corporate tax rates only to watch other nations lower theirs in response. The result was a global race to the bottom: Who could lower their corporate rate further & faster? No nation has won this race.”
>
> “Lower tax rates have not only failed to attract new business, they’ve also deprived countries of funding for important investments like infrastructure, education, & efforts to combat the pandemic. In the United States, this agreement will ensure that corporations shoulder a fair share of that burden.”
>
> “Today’s agreement by 130 countries representing more than 90% of global GDP is a clear sign: the race to the bottom is one step closer to coming to an end. In its place, America will enter a competition that we can win; one judged on the skill of our workers & the strength of our infrastructure.”
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> “We have a chance now to build a global & domestic tax system that lets American workers & businesses compete and win in the world economy.”
>
> “President Biden has spoken about a “foreign policy for the middle class,” and today’s agreement is what that looks like in practice.”

While Washington and the US press celebrated the “deal”, it’s worth remembering that a small group of rogue nations haven’t joined the plan, as the OECD acknowledged in a statement. Holdouts like

Bermuda and other traditional tax havens (including Ireland, which has benefited tremendously from its low corporate tax rates) are anxious about hiking taxes, worrying that joining the deal could seriously destabilize their economies.

To be sure, implementing the deal will take years, and there’s still no guarantee that it will make it to the finish line.

by Tyler Durden

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