

To: Public Affairs & Communications Committee, Taxation WG

## OECD publishes Pillar 2 model rules

On 20 December, the OECD published its [Pillar Two model rules](#) for domestic implementation of 15% global minimum tax, which are detailed rules to assist in the implementation of a landmark reform to the international tax system, which will ensure Multinational Enterprises (MNEs) will be subject to a minimum 15% tax rate from 2023.

In a nutshell, the Pillar Two model rules:

- provide governments a precise template for taking forward the two-pillar solution to address the tax challenges arising from digitalisation and globalisation of the economy agreed in October 2021 by 137 countries and jurisdictions under the OECD/G20 Inclusive Framework on BEPS.
- define the scope and set out the mechanism for the so-called Global Anti-Base Erosion (GloBE) rules under Pillar Two, which will introduce a global minimum corporate tax rate set at 15%.
  - The minimum tax will apply to MNEs with revenue above EUR 750 million and is estimated to generate around USD 150 billion in additional global tax revenues annually.
  - The GloBE rules provide for a co-ordinated system of taxation intended to ensure large MNE groups pay this minimum level of tax on income arising in each of the jurisdictions in which they operate. The rules create a “top-up tax” to be applied on profits in any jurisdiction whenever the effective tax rate, determined on a jurisdictional basis, is below the minimum 15% rate.
- will assist countries to bring the GloBE rules into domestic legislation in 2022, and provide for a co-ordinated system of interlocking rules that:
  - define the MNEs within the scope of the minimum tax;
  - set out a mechanism for calculating an MNE’s effective tax rate on a jurisdictional basis, and for determining the amount of top-up tax payable under the rules; and
  - impose the top-up tax on a member of the MNE group in accordance with an agreed rule order.
- will also address the treatment of acquisitions and disposals of group members and include specific rules to deal with particular holding structures and tax neutrality regimes
- address administrative aspects, including information filing requirements, and provide for transitional rules for MNEs that become subject to the global minimum tax.

### Next steps

The secretariat will organise an ad hoc call in January, to discuss the model rules and to possibly provide feedback for the second BIAC letter (expected to be sent later in January 2022).

### For more info

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