BRITACOM BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT

Pillar 2 & Simplicity

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Pillar 2 and Simplification for Tax Administrations

What are the GloBE rules?

Jurisdictional-based 15% ‘top-up tax’ which works at 3 levels:
- Domestic (‘QDMTT’), then
- Parent (‘Income Inclusion Rule’ or IIR), then
- Sister-Policeman (‘UTPR’)

Incorporation into domestic legislation?
- Full direct adoption (with guidance) not ‘re-writing’
- BUT, administration will need local rules

Global rules will be ‘similar’ but some deliberate variations
- Non-QDMTT (e.g. Bermuda) – credit for upchain taxes

Processes for sharing GIR tax information
- Table for all jurisdictions – summary of impacts

Coordinated risk assessment (to come)

Technical Challenges for Tax Administrations

- Heightened importance of CBCR – transitional safe harbours
- ETR is based on current tax and deferred tax – skills gap?
- Co-ownership structures (JVs etc) can be complex
- Scope for private companies – complex
- **Subject to Tax Rule** - can undo treaties to lift rate to 9% at request of developing countries
- Depends on concessions in residence jurisdiction – complex

Generators of complexity

1. Fairness exceptions (eg. grandfathering)
2. Cumulative legislation, multiple terms
3. Failure to limit number of ‘building blocks’
4. Lack of legislative maintenance
5. Information required vs business system
6. Unnecessarily high levels of optionality

Keys to simplification

1. Leapfrogging through Technology and AI
2. Minimize economic, personal distinctions
3. Charters and established review processes
4. Return-free vs simplified systems
5. Administrative – co-operative compliance
6. Reduce transition complexity – no lock-in

THANKS