ASIAN DEVELOPMENT BANK

Tax Integrity Webinar Series

Webinar – April 17th: Impact of the Pillar II project – Global Minimum Tax Rules – on Tax Incentives and Post-Pillar Two Tax Incentives – 100 minutes

Webinar start time: 8am EU Time / 2pm Indonesian time / 3pm Philippines time / 5 pm Papa New Guinea time

Background

In October 2021, over 135 jurisdictions agreed to a transformative two-pillar solution aimed at reforming international taxation rules. The second pillar of this solution – Pillar II – introduces rules which are primarily designed to curb tax competition.

In a nutshell, these rules seek to ensure that large MNEs are subject to minimum taxes. Towards this end, the Pillar II package consists of rules that implementing countries will need to introduce in their domestic tax laws and tax treaties.

With respect to domestic law rules, the Pillar II package contains rules such as Qualified Domestic Minimum Top-up Tax (QDMTT) rules, the Income Inclusion Rule (IIR) and the Undertaxed Profits Rule (UTPR). These domestic rules, in one way or another, ensure that In Scope MNEs would be subject to an Effective Tax Rate (ETR) of 15% in each and every jurisdiction that they operate in with subsidiaries or branches. With respect to tax treaties, the Pillar II project introduces a Subject To Tax Rule (STTR). This rule enables source jurisdictions to reclaim taxes on certain types of cross-border intra-group payments whenever they are subject to taxation at nominal corporate income tax rates below 9%.

Currently, many countries around the world (more than 30) have introduced the domestic tax law rules and several other countries have already started taking legislative action towards their implementation. In particular, QDMTTs seems to be on the rise. On the other hand, although a Multilateral Convention has been opened for signature to implement the treaty-based rule, no country has yet signed up to the STTR.

These new Pillar II rules could have an adverse effect on corporate tax incentives offered to large MNEs. This is because these incentives usually lower / reduce the amount of corporate taxes that are required to be paid by the MNE to the State offering the incentive. Thus, there could be Pillar II top-up tax implications with respect to many tax incentives.

Webinar content

Against this background, this webinar explains the impact of the Pillar II project on national corporate tax incentives offered by countries across the world (with an emphasis on Asian countries) and discusses the various tax and non-tax incentives that Governments can offer post Pillar II to both large and small MNEs**.**

After an introductory speech and presentation, the webinar will also feature a panel discussion wherein the tax administrations of selected countries, such as the Philippines, Indonesia, and Papua New Guinea, will provide their perspective on post-Pillar Two Tax Incentives.

The presentation and panel discussion will then be followed by a Q&A session.

Topics discussed in this webinar include:

- Overview of Different types of tax incentives
- Impact of Pillar II (GloBE and QDMTT) Scope on Tax Incentives
- Impact of Pillar Two ETR calculation mechanism on tax incentives
- Impact of STTR on tax incentives
- Overall Assessment and Post Pillar 2 Incentives
- Panel discussion with selected tax administrations

Speakers

- Sathi Meyer-Nandi, Integrity Specialist, OAI, Asian Development Bank
- Prof Dr Vikram Chand- International Tax Specialist (Consultant), OAI, Asian Development Bank
- Melanie Dewi Astuti- Senior International Tax Analyst, Fiscal Policy Agency, Ministry of Finance of Indonesia
- Vanessa Asivo Mamu- Tax Lawyer, Internal Revenue Commission, Papua New Guinea
- Jossef Lacson, Deputy Executive Director, Department of Finance (DOF), Philippines