Chancellor hails global cooperation as landmark tax reforms aimed for 2023

News story

The Chancellor has hailed global cooperation after 136 countries agreed a new system ensuring large multi-nationals pay the right tax in the right places.

- Rishi Sunak hails the global community's cooperation as historic tax reforms, and plan to implement them, agreed by 136 countries
- Historic reforms will introduce a 15% global minimum rate along with changes to where large firms are taxed, aiming to become effective from 2023
- Landmark plan comes from the deal agreed in principle by the G7 at talks chaired by the Chancellor in June

The historic reforms, agreed in principle by the G7 at talks chaired by the Chancellor in June, will mean multinationals pay their fair share of tax in the countries they do business (Pillar One), along with a minimum 15% corporation tax rate in each country they operate in (Pillar Two).

The aim is for these historic rules to be implemented and effective from 2023.

Rishi Sunak said:

> I am proud that the UK has taken a leading role in the world's efforts to upgrade the global tax system for the modern age – a key priority of our G7 presidency.
>
> We now have a clear path to a fairer tax system, where large global players pay their fair share wherever they do business.

The UK has taken an active role in the push for an international solution to the challenge of taxing technology multi-nationals for nearly a decade – with the Chancellor making securing a global agreement a key priority of the UK's

G7 Presidency.

The deal struck today means that firms with at least a 10% profit margin will see 25% of any profit above the 10% profit margin reallocated and then subjected to tax in the countries they operate. Previously countries had only agreed to reallocating “between 20% and 30%”.

The principles of the agreement were agreed at OECD-level in July and the UK will continue discussions with its global partners over the coming months as it looks towards beginning the implementation process.

Further information:

- The agreement commits countries to remove DSTs when Pillar 1 comes into effect. There continue to be ongoing discussions about appropriate transitional arrangements.
- Under Pillar One of this historic agreement, the largest and most profitable multinationals will be required to pay tax in the countries where they operate – and not just where they have their headquarters.
- The rules would apply to global firms with at least a 10% profit margin – and would see 25% of any profit above the 10% margin reallocated and then subjected to tax in the countries they operate. Pillar 1 will be implemented through a Multilateral Convention (MLC) with this aiming to come into effect in 2023.
- Under Pillar Two, the G7 also agreed to implement a 15% global minimum corporation tax, aiming to become effective from 2023. This will be operated on a country by country basis, creating a more level playing field for UK firms and cracking down on tax avoidance.
- Discussions on the two Pillars have been ongoing for many years – with the Chancellor making securing a global agreement a key priority of the UK’s G7 Presidency.
- The OECD’s statement on today’s agreement can be found online.

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