

International Tax Reform

01/07/2021 – [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.

Further information on the continuing international tax reform negotiations is also available at: <https://oe.cd/bepsaction1>.

Media enquiries should be directed to [Pascal Saint-Amans](#) (+33 1 4524 9108), Director of the OECD Centre for Tax Policy and Administration, or to [Lawrence Speer](#) (+33 1 4524 7970) in the [OECD Media Office](#) (+33 1 4524 9700).

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