UK launches consultation on domestic implementation of global minimum tax for large multinational groups

News story

The UK government has today (11 January 2022) published a consultation seeking views for how a worldwide 15% minimum corporation tax should be domestically implemented.

- More than 130 countries signed up to a new global minimum tax framework in October 2021, after G7 agreed in principle during UK's presidency
- The historic framework will ensure large international firms pay at least 15% tax rate on profits in each country in which they operate, helping to tackle avoidance and ensure a more level playing field for UK businesses
- UK shows continued leadership through acting swiftly to launch consulting on domestic implementation

Agreed by over 130 countries in October 2021, the landmark reform comes as part of a two-pillar package first agreed in principle by the G7 last June during talks chaired by the Chancellor in London.

With changes aimed to come into effect from 2023, today's consultation will run for 12 weeks, and underlines a further achievement in the UK's global leadership on tax reform.

The consultation seeks views on the application of the global minimum corporation tax in the UK, as well as a series of wider implementation matters, including who the rules apply to, transition rules and how firms within scope should report and pay.

Chancellor of the Exchequer Rishi Sunak said

> Ensuring large multinational groups pay the right tax in the right place has been a long-standing priority for the UK.
>
> We reached an historic agreement last October following more than a decade of talks and negotiations, and today marks another important milestone on how this will work in practice.

The Pillar 2 framework will ensure large multinational firms pay tax of at least 15% on profits in each country in which they operate, creating a more level playing field and further cracking down on tax avoidance. It will be operated on a country-by-country basis.

The OECD published detailed guidance on the Pillar 2 framework in December last year which countries will use to implement the rules in domestic law. This includes guidance on how to calculate the effective tax rate (ETR) of a group in a jurisdiction and the steps that should be taken to collect additional tax where the ETR falls below 15%.

Work continues to progress within the OECD on implementation of Pillar 1 of the October 2021 agreement, which reforms taxation rules to ensure a greater share of multinational profit is taxed in the countries in which their customers are located.

Notes to Editors

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