



## The new global minimum tax

Major economies are aiming to discourage multinational companies from shifting profits - and tax revenues - to low-tax countries regardless of where their sales are made. Increasingly, income from intangible sources such as drug patents, software and royalties on intellectual property has migrated to these jurisdictions, allowing companies to avoid paying higher taxes in their traditional home countries.

The minimum tax is expected to make up the bulk of the \$50 billion-\$80 billion in extra corporate tax that the OECD estimates companies will end up paying globally if deals on both efforts are enacted.

The global minimum tax rate would apply to companies' overseas profits. Therefore, if countries agree on a global minimum, governments could still set whatever local corporate tax rate they want.

But if companies pay lower rates in a particular country, their home governments could "top-up" their taxes to the agreed minimum rate, eliminating the advantage of shifting profits to a tax haven.

The Biden administration has said it wants to deny exemptions for taxes paid to countries that don't agree to a minimum rate.

The OECD said last month that governments broadly agreed already on the basic design of the minimum tax although the rate remains to be agreed. International tax experts say that is the thorniest issue.

The Biden administration wants to raise the U.S. corporate tax rate to 28%, so it has proposed a global minimum of 21% - double the rate on the current GILTI tax. It also wants the minimum to apply to U.S. companies no matter where the taxable income is earned.

That proposal is far above the 12.5% minimum tax that had previously been discussed in OECD talks - a level that happens to match Ireland's corporate tax rate.

The Irish economy has boomed in recent years from the influx of billions of dollars in investment from foreign multinationals, so Dublin, which has resisted European Union attempts to harmonize its tax rules for more than a decade, is unlikely to accept a higher minimum rate without a fight.

However, the battle for Ireland and other low-tax countries is less likely to be about trying to scupper the overall talks and more about building support for a minimum rate as close as possible to its 12.5%.

Feel free to get in touch with us in case of questions!

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