

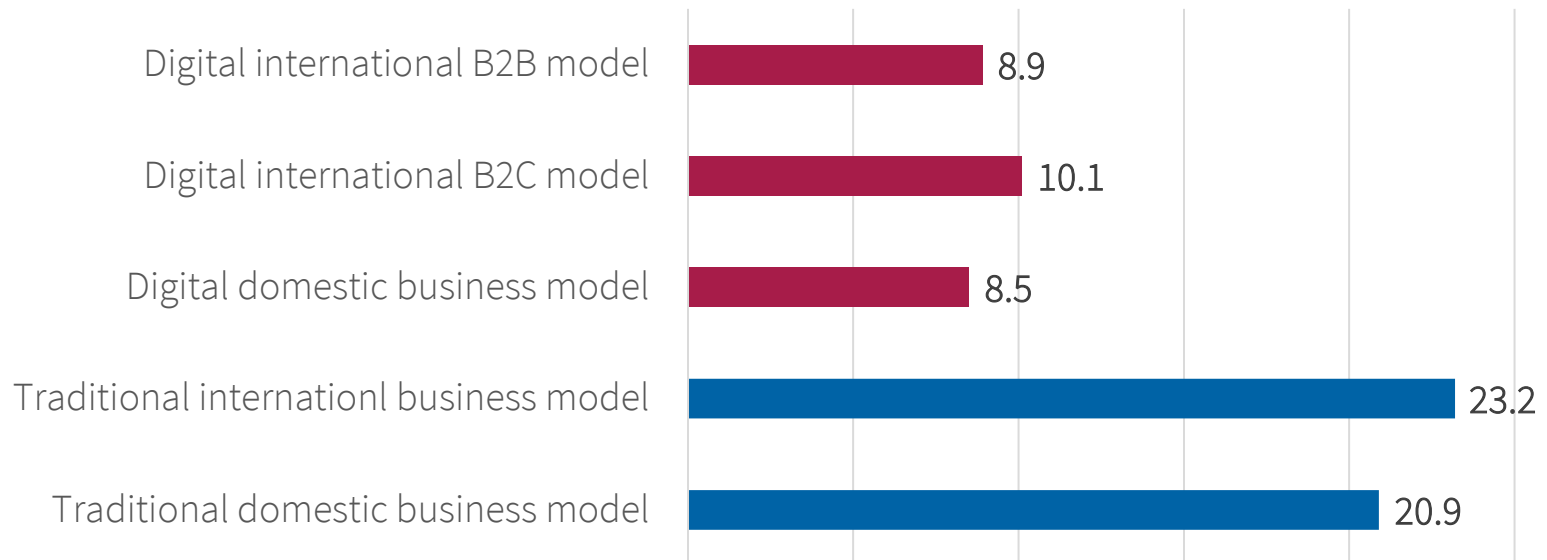
JVI Webinar – BEPS and the way forward

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Digital Business Models vs. Traditional Business Models

Effective Average Tax Rate (%) EU 28



Starting point ...

“Vintage style” international tax rules in a digitalized world: are “market states” getting a fair share of the tax pie?

- Digital Economy:
 - Cross-jurisdictional scale without mass
 - Heavy reliance on intangible assets, especially IP
 - Importance of data, user participation and their synergies with IP
- Current **nexus** and **profit allocation** rules
 - PE concept → „brick-and-mortar business“
 - misalignment between place where the profits are taxed and place where value is created
- BEPS discussion



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From BEPS to Pillar I and II

2013

- OECD/G20 BEPS Project
- Action 1 – Addressing the Tax Challenges of the Digital Economy (TFDE)

2015

- BEPS Action 1 – Final report (contd. work necessary)

2016-
2018

- Inclusive Framework – inclusion of non-OECD-states
- Interim Report

2019

- 2 Pillar approach
 - Pillar 1: Nexus and profit allocation (Unified approach)
 - Pillar 2: global minimum tax and remaining BEPS issues (GloBE)

1/2020: Statement of support by the IF on 2 Pillar Approach

10/2020

- Release of „blueprints“ (Report on Pillar I Blueprint/Report on Pillar II Blueprint)
- Public consultation

From BEPS to Pillar I and II

4/2021

- US compromise proposal on a “Pillar One”

6/2021

- G7 agreement on global tax reform (Pillar I+II)
Cornerstones of Pillar I + global minimum (corporate) tax rate of “at least” 15%

7/2021

- Inclusive Framework statement of support
(132 states joined; including all G20 states)

10/2021

- Finalization of the agreement and resolution of technical details

2022

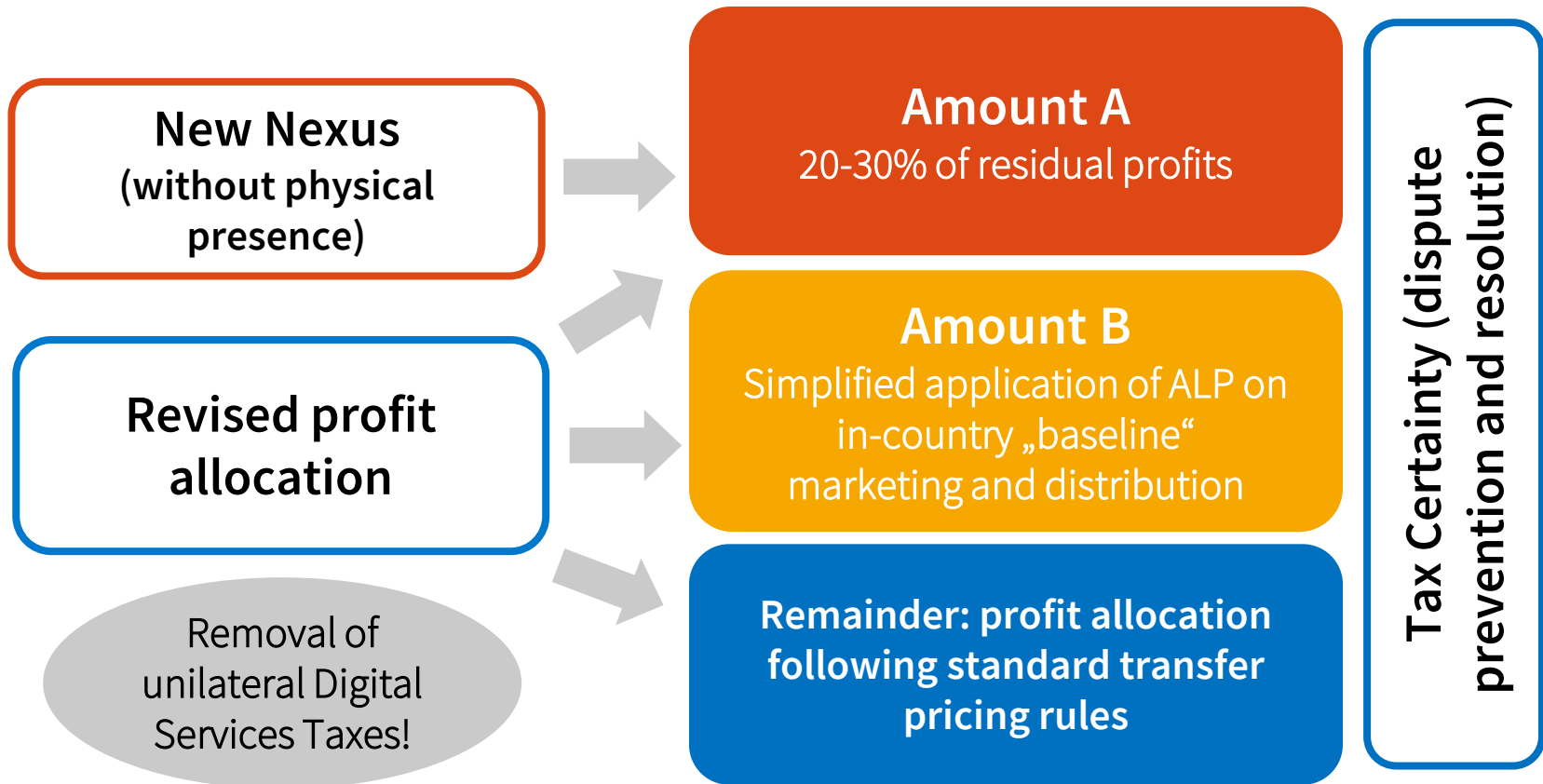
- Development of a model legislation, a MLI and guidance

2023

- Implementation

Pillar I in a nutshell

Expansion of taxing rights of market/user jurisdictions where there is an „active and sustained participation“



Pillar I in a nutshell – Amount A

Scope

Comprehensive

NEW: not limited to ADS and CFB
Carveout for Extractives and Regulated Financial Services

MNE with global turnover > 20 billion €* 

Profitability* > 10%

*After 7 years reduction to 10 billion €

*PBT/revenue

Nexus

„new special purpose nexus“


Market revenue > 1 Mio €* 

*250 000 € if GDP < 40 billion €

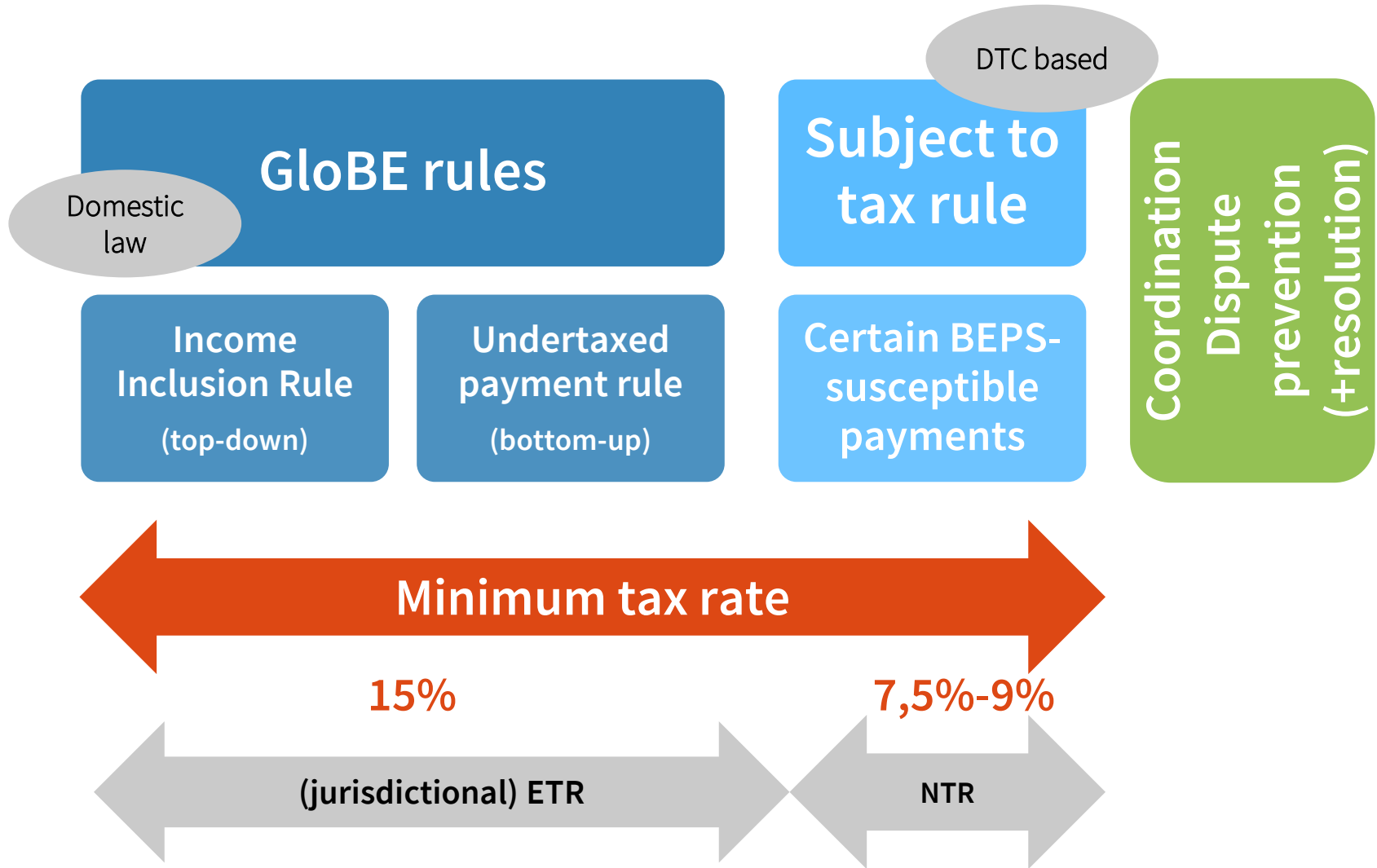
Pillar I in a nutshell

Amount A („quantum“)

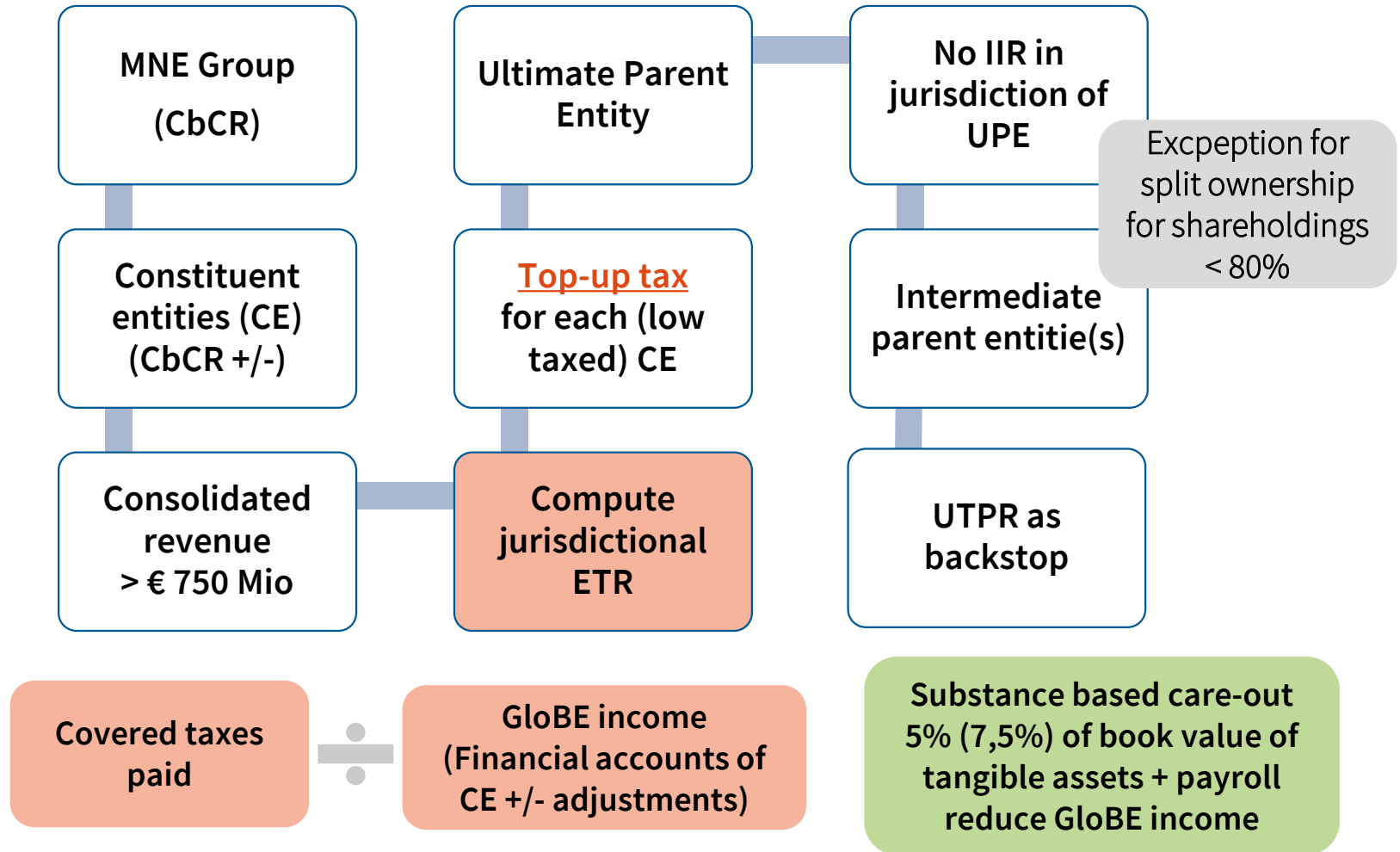
<p>1. Tax base determination („profit before tax“) of MNE</p>	<p>consolidated financial accounts + book-to-tax adjustments + loss carry forward segmentation if on the segments disclosed in the financial account, a segment meets the scope rules</p>
<p>2. Determination of residual profit</p>	<p>Profit in excess of 10% of revenue</p>
<p>3. Determination of share of residual profits to be reallocated</p>	<p>20-30%</p>
<p>4. Allocation to the market jurisdiction</p>	<p>Revenue-based allocation key (revenue sourcing rules)</p>
<p>5. Marketing and distribution profits safe harbor rule</p>	<p>Where residual profits are already taxed in a market jurisdiction, safe harbor caps residual profits allocated through Amount A</p>

 **Rules on the elimination of double taxation (MLI)**

Pillar II in a nutshell



Pillar II in a nutshell



Thank you for your attention