

TAX FLASH NEWS

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G20 Leaders approve BEPS 2.0

Rome hosted the annual G20 Summit on 30th-31st October for Heads of State, Ministers of Economy and Finance. At the conclusion of the meeting, the G20 Leaders adopted the Rome Declaration. This Declaration outlines G20 Leaders agreement to introduce the OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

According to the Leaders' Declaration this is the: 'final political agreement as set out in the Two Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy'.

In response, Secretary-General Mathias Cormann from the OECD welcomed the declaration recognising the work that had been undertaken through the Inclusive Framework to develop new international taxation rules.

Implementation by 2023

It was noteworthy to see implementation language included in the Leaders' Declaration as well as reference to an implementation deadline. The Declaration says that countries should work: 'with a view to ensure that the new rules will come into effect at global level in 2023.'

Secretary-General Mathias Cormann said: "As we move into the implementation phase of the agreement, the OECD stands ready to facilitate the work needed to ensure the timely and effective implementation of the two-pillar solution."

This further reinforces the resolve to implement these new rules within twelve months which is widely acknowledged as ambitious. That said, the UTPR is targeted to be effective in countries from one year later, in 2024.

All eyes now turn to the United States and President Joe Biden's domestic tax reform agenda and specifically to what extent and when the U.S. will adopt provisions that mirror the BEPS 2.0 rules. In particular the speed with which the U.S. adopts rules that mirror BEPS 2.0 will influence the roll back, or proliferation, of Digital Services Taxes. This outcome may even influence the timing and adoption of BEPS rules by other participants of the Inclusive Framework.

Implementation considerations for India

The adoption of Pillar Two GloBE rules will require changes in domestic law based on the model rules developed by OECD. These changes may be enacted as part of the annual Budget exercise in February-March 2022 or through a separate enactment to ensure effective implementation by 2023. This process will entail approval by both houses of Parliament as well as the assent of the President.

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