

**INTERNATIONAL TAX POLICY AT A CRITICAL JUNCTURE:
THE SEARCH FOR CONSENSUS ON REFORMS**

Saturday 13 April 2019 – 8.00-9.30am

Room HQ2-05B-073

The need for a global consensus for far-reaching reform

The OECD has pledged to draft a work plan to address the tax challenges of the digital economy to be approved by the OECD/G-20's Inclusive Framework on Base Erosion and Profit Shifting (BEPS) in May 2019, and by the G20 Finance Ministers in early June 2019. Negotiations are ongoing among countries to identify common ground. For the first time, the availability of country-by-country reporting and other data has enabled countries to better estimate the revenue implications of the different proposals: this is now driving the negotiation process. However, the way forward requires consensus.

Negotiators should seek sustainable solutions based on clear and appropriate principles, looking beyond immediate administrative concerns and short-term resolutions. The current rules were devised nearly a century ago: the considerable efforts to overhaul them should aim to make them fit for the 21st century.

The G20/OECD BEPS project so far

It is now six years since the OECD published its Action Plan for the Base Erosion and Profit Shifting (BEPS), endorsed by the G20 leaders in their Saint Petersburg Declaration of 2013. The mandate from the G20 was for reforms to international tax rules to ensure that multinational enterprises could be taxed 'where economic activities occur, and value is created.' The Action Plan was the first general re-examination of international tax system since it was devised nearly a century ago.

Regrettably, however, the first phase of the BEPS project, the [package of reports](#) released in October 2015, produced mainly a patch-up of existing rules and was unable to consider more transformative and challenging reforms to allocate taxing rights in a fairer way and how to stop the race to the bottom in corporate tax rates.

The ongoing work on the tax challenges of the digital economy and the G24 proposal

The partial failure of the BEPS process is reflected in the total incapacity to address the *Tax Challenges of Digitalisation of the Economy*. Although this was Action 1 of the BEPS project, only an analysis of the problem was produced in 2015, reflecting the lack of consensus and a new deadline of 2020 was agreed for this work. But the effect of the US tax reform, the pressure of EU unilateral initiatives and the multiplication of national solutions in front of global ineffective joint action has created a perfect storm. The need to address the tax challenges of a digital economy highlights the urgency to rethink the entire design of the current system. The OECD has now realised this urgency and has opened a round of consultations, with a new deadline to 2020 agreed to come up with consensus-based solutions.

For the first time, solutions to move *beyond the arm's length principle* are being considered, and the G-24 has put forward an alternative proposal (the "Significant Economic Presence" proposal), as part of the three Pillar I proposals concerning the rules on profit allocation and nexus (with a fourth proposal concerning a global anti-base erosion proposal for a type of minimum tax also being discussed under Pillar II). The G-24 proposal was presented to the Inclusive Framework in January and was reinforced by the G24 submission to the March public consultation.

There is finally an acceptance that reforms should be tailored to ensure that the needs of developing countries are also met. ICRICT is supportive of the G-24 proposals and consider it the best basis for a more comprehensive solution which reflects a balanced allocation of income using both supply and demand factors.

Dialogue between ICRICT and G-24

The aim of this dialogue is to engage G-24 representatives in a discussion of progress made through the Inclusive Framework and to explore prospects for advancing a principle-based consensus solution that would benefit G-24 and other developing countries. The agenda's objectives are:

- Discuss the need for reform and the current proposals on the table
- What meaningful progress should look like
- Where consensus is likely to be found and what this may mean for G-24 and other developing countries

Proposed Agenda, 13 April 2019 8.00-9.30am

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| 8.00-8.15am | <p>Welcome & opening address</p> <ul style="list-style-type: none"> • Luise Rürup, Executive Director, FES New York • Marilou Uy, Director, G-24 Secretariat • José Antonio Ocampo, ICRICT Chair and G-24 delegate for Colombia |
| 8.15-8.45am | <p>Presentation by Joseph Stiglitz, ICRICT Commissioner and Nobel Laureate</p> <p>Presentation by Suresh Yadav, Advisor (India), World Bank</p> |
| 8.45-9.30am | <p>Discussion and conclusion</p> |