ICRICT – G24 HIGH LEVEL EVENT
“How to get a global tax deal that is fair to the World?”
June 29, 2021 – 9:45 am – 11am EST
Link to Recording: https://www.youtube.com/watch?v=M7kL7EKwKTo

Takeaways from Panelists

Martín Guzmán, Minister of Economy of Argentina: “Taxing multinationals corporation is a must, it’s one of the most toxic aspects of globalisation, the elusion and evasion that we are seeing today. So it is historic that these discussions are happening today but we have a long way from setting [global] rules that make sense for the challenges we face today…. We are seeing large asymmetries among advanced countries and the rest… We need to move to global rules to resolve these asymmetries. … We need to make progress in problems regarding international taxation …. We are confident that there is enough knowledge to have a proper debate, and we hope to collectively construct the political will to move forward in the right direction.”

“This year the G20 is addressing these issues in a more meaningful way and this is a step in the right direction. There is a small window of opportunity to achieve something historic. However, there is a substantial risk developing countries get nothing in terms additional revenues. So we have to work on both pillars, this requires the political commitment and will to fight against the lobbies that in every occasion in which we attempt a major reform become very present. The world needs today to move faster and through stronger principles.”

“We think the 15% minimum tax is way too low. There is a substantial risk that the minimum rate will in fact be the maximum rate that will be feasible… we think there has to be a principled approach to how the profits are shared in Pillar 1, and that is not what we are seeing now. In our view we think there should be an approach closer to what the ICRICT is proposing, basically apportioning profits according to a formula, based on variables like sales, employment and capital, and with a minimum tax rate that is certainly higher, we advocate for more than 15%, certainly not less than 21%, and 25% would be even better.”

Mathew Gbonjubola, Director at the Federal Internal Revenue Services of Nigeria: “Before now, the discussion around the allocation of taxing rights has been very muted in most fora, but now it is being openly discussed, and that in itself is very historic. However, as to whether the inequality in the current allocation of taxing rights [between developed economies and emerging countries] has been corrected, my view is that No, it has not, and the current proposals may not be able to address this.”

“In Africa we know the [corporate] tax rates average about 28%, so setting the rate this low [15%] …will not do much benefit to countries in Africa…it is likely to continue to promote base erosion from African countries … Also, the way the rules are designed, particularly in Pillar Two, the income inclusion rule appears to be the most favored rule, such that taxes not paid in developing countries are going to be paid in developed countries, and this is opposed to the initial understanding and expectation that the countries where those revenues arose should have first choice of refusal. This is one of the major issues we have with the current design." "Developing countries in the Inclusive Framework have been very clear that they are not prepared to do mandatory binding dispute resolution… The concerns of developing countries are inched on fundamental issues."

"Each jurisdiction will have to stand to be counted and speak for itself and how the proposals will affect its economic circumstances and its tax revenue …. My admonition to developing countries would be to take a deep breath before saying Yes or No."

Jayati Gosh, ICRICT Commissioner: "There is a very small window of opportunity…. The G7 proposal is historic in terms of recognising the principles but the devil is in the details and the details are such that they are undermining these very principles. Pillar One is going to apply only to the largest firms with global profit margin of at least 10%, and then only 20% of the residual profits will be reallocated to the market jurisdictions. This is so small that it completely undermines the principles, it will generate maybe less than $10bn globally… developing countries will be effectively being denied revenue yet this is the major interest of developing countries; this is where they are losing out in terms of tax revenues from profit shifting, which enables multinationals to shift profits away from the countries where they have production activities and sales... All profits should be in scope as there is no conceptual justification for distinguishing between routine and residual profits."

"If citizens of the G7 countries know how much they will be losing by accepting a minimum rate of 15% there will be greater public demand – even in developed countries – for this higher rate…. If G20 were to impose a minimally ambitious tax rate of 21% of the global income of their own multinationals, you will already have 90 percent of global profits of multinationals being automatically taxed… Citizens across the world will benefit."

Jose Antonio Ocampo, ICRICT Commissioner: "I hope that at the G20 level there will be a significant improvement of the current proposals as, at the moment, they are insufficient. We need to see what the capacity is of developing countries to negotiate a better deal, but this is not the end of the road. We have to continue the international discussions. It has been excellent that G-24 has been involved in the negotiations as a group, as until a couple of years ago the views of developing countries were minimal in the negotiations; it has played a positive role that will hope it will continue in the future."

"International tax negotiations and coordination should take place at the United Nations in the future, due to its universal membership but also because the UN secretariat is more neutral and the role the secretariat plays in negotiations such as the current ones matters."

Alexandra Hass, Oxfam (moderator): "… we simply cannot afford a global tax deal that creates more inequalities between and within countries. This is an ultimate chance to address historic imbalances on international tax system, we could simply not miss it."