

# OECD/G20 Project on Digitalization

Barbara Angus, EY Global Tax Policy Leader

ITIF, 11 June 2019

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► *Comment by Chip Harter, Deputy Assistant Secretary for International Tax Affairs, US Department of the Treasury*

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“The tax challenges that have arisen due to digitalization of the economy affect businesses headquartered all over the world, and solutions to these challenges are best negotiated multilaterally. We are supportive of the United States participating in the ongoing OECD negotiations on these solutions. We call on other countries to focus on and engage productively in the OECD dialogue in order to reach measured and comprehensive solutions, and abandon unilateral measures. **Even on an interim basis, unilateral actions, such as digital services taxes proposed by some countries, can adversely affect U.S. businesses and have negative economic and diplomatic effects. [...]**”

► *Joint statement by the Chairman and Ranking Member of the House of Representatives Committee on Ways and Means and of the Senate Committee on Finance, 10 April 2019*

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“Important progress has been made through the adoption of this new Programme of Work, but there still is a tremendous amount of work to do as we seek to reach, by the end of 2020, a unified long-term solution to the tax challenges posed by digitalization of the economy. Today’s broad agreement on the technical roadmap must be followed by a strong political support toward a solution that maintains, reinforces and improves the international tax system. The health of all our economies depends on it.”

► *Statement by OECD Secretary-General Angel upon release of OECD Workplan, 31 May 2019*

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“We welcome the recent progress on addressing the tax challenges arising from digitalization and endorse the ambitious work program that consists of a two-pillar approach, developed by the Inclusive Framework on BEPS. We will redouble our efforts for a consensus-based solution with a final report by 2020.”

► *Communique, G20 Finance Ministers and Central Bank Governors Meeting, Fukuoka, Japan, 8-9 June 2019.*

## Pillar I: Changes to existing profit allocation and nexus rules

*These alternative proposals would require fundamental changes to the profit allocation and nexus rules to expand the taxing rights of user/market jurisdictions.*

Proposal has impacts beyond digital businesses

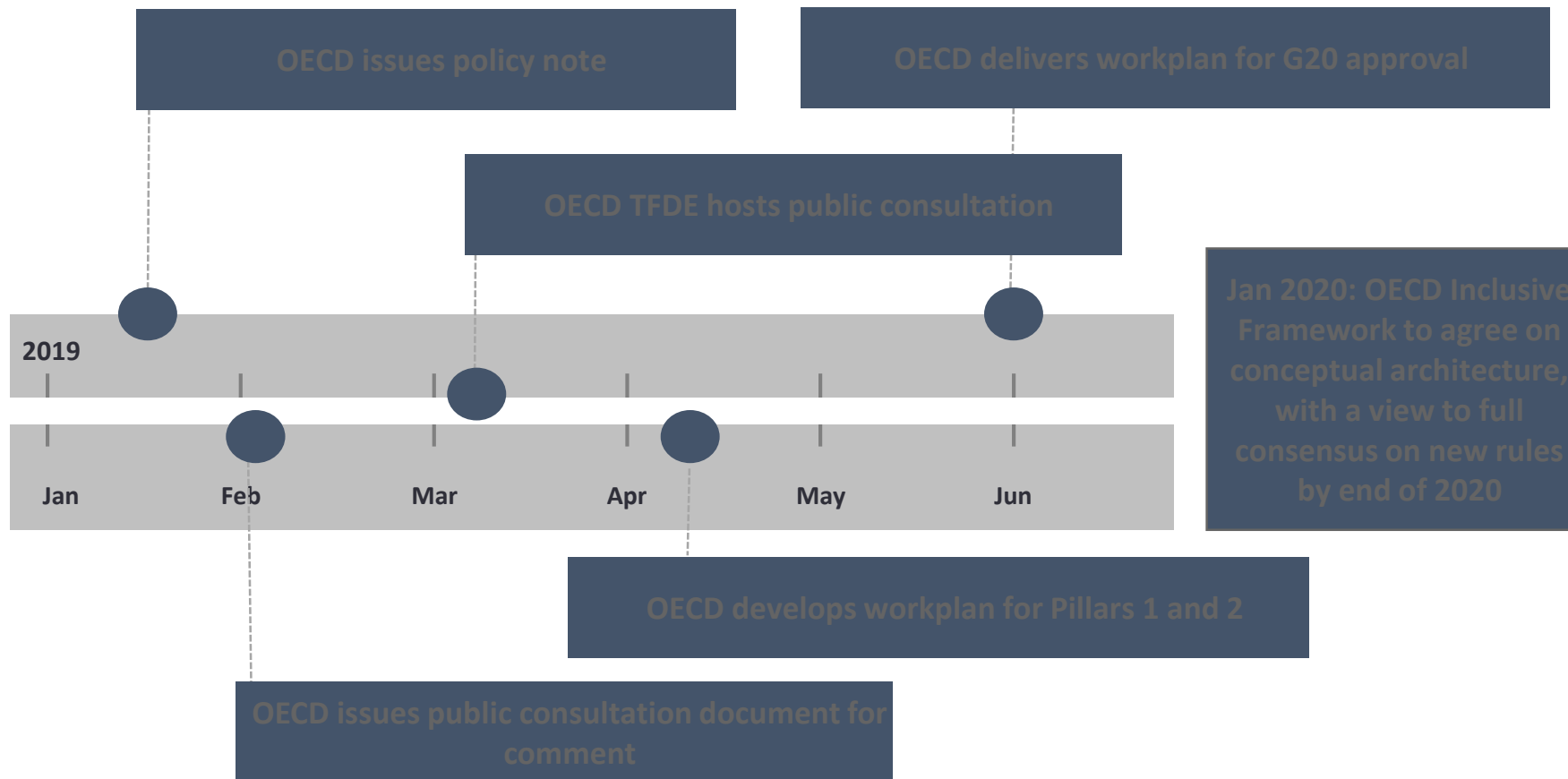
- 1 User participation proposal
- 2 Marketing intangibles proposal
- 3 Significant economic presence proposal

## Pillar II: Global anti-base erosion rules

*This proposal is aimed at addressing ongoing opportunities for profit shifting to entities subject to no or very low taxation. This is to be accomplished through a set of two interlocking rules.*

Proposal has impacts beyond BEPS measures

- 1 Income inclusion rule
- 2 Denial of deduction or treaty benefits for base eroding payments



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## US response to Digital Services Taxes - Administration

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# OECD/G20 Project on Addressing the Tax Challenges of Digitalization

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# G20/OECD Timeline for Digitalization Project

