

# G20 endorses historic global tax reform

July 10 2021, by Gildas Le Roux, Brigitte Hagemann

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Security is tight for G20 finance minsiters meeting in Venice.

G20 finance ministers on Saturday gave their backing to a historic deal to overhaul the way multinational companies are taxed, and urged hold-out countries to get on board.

Some 132 countries have already signed up to a framework for

international tax reform, including a minimum corporate rate of 15 percent, struck earlier this month.

But the endorsement by the 19 biggest economies plus the European Union will help ensure it becomes a reality following years of negotiations.

"We have achieved a historic agreement on a more stable and fairer international tax architecture," the ministers said in a final statement following two days of talks in Venice, hosted by G20 president Italy.

"We endorse the key components of the two pillars on the reallocation of profits of multinational enterprises and an effective global minimum tax."

US Treasury Secretary Janet Yellen, among those attending the grouping's first face-to-face meeting since February 2020, said the momentum must not now be lost.

"The world is ready to end the global race to the bottom on corporate taxation," she said in a statement, adding that it "should now move quickly to finalise the deal".

French Finance Minister Bruno Le Maire said it was a once-in-a-century opportunity for a "tax revolution", adding: "There is no turning back."

His German counterpart, Olaf Scholz, tweeted: "Finally, large corporations can no longer escape their tax liability."

The reforms aim to prevent countries competing to offer the lowest tax rates to attract investment, which has often resulted in multinationals paying derisory levels of tax.

Final agreement is expected in the run-up to the G20 leaders' summit in Rome in October, with hopes the reforms can be in place by 2023.

## **Pressure on hold-outs**

Countries including the United States, France and Germany have been pressing for a higher minimum tax rate.

But some nations are opposed to 15 percent, including Ireland, which lured Apple and Google to Dublin with low tax rates.

In their final statement, the G20 ministers "invite" countries to sign up.

Without the agreement of Ireland and other EU hold-outs Hungary and Estonia, the European Union cannot implement the deal.

And while hailing an "unprecedented agreement", EU economic affairs commissioner Paolo Gentiloni warned: "Our work is not done."



In Venice, G20 finance ministers are expected to reach agreement on a historic deal to tax multinational companies more fairly.

Non-governmental groups that analyse the tax affairs of multinationals, like Oxfam, have criticised the reform for letting rich countries keep most of the extra tax revenue.

Indian Finance Minister Nirmala Sitharaman, who attended the Venice talks remotely, said that "further work needs to be done to ensure a fairer, sustainable and inclusive tax system which results in meaningful revenue for developing countries".

## Worldwide rules

Italian Finance Minister Daniele Franco said what had been achieved must not be underestimated.

"To have worldwide rules for taxing multinationals, for taxing profits of big companies is a major change, it's a major achievement," he said.

The minimum tax rate is expected to affect fewer than 10,000 major companies, but the OECD estimates an effective 15 percent rate would generate an extra \$150 billion in revenue per year.

The measure is one of two so-called pillars of global tax reform that have been under negotiation for years, and were given new impetus under US President Joe Biden.

The other would give countries a share of the taxes on profits earned in their territory.

Multinationals operate in many countries but usually pay taxes on profits only in tax domiciles cherry-picked for their low rates.

The profit reform would initially apply to the top 100 or so companies, and is targeted at the most aggressive users of tax-reducing domiciles, such as technology giants Google, Amazon, Facebook and Apple.

The changes agreed will ensure "that the right companies pay the right tax in the right places", British Finance Minister Rishi Sunak told AFP.

## **COVID risks**

Hundreds of protesters converged on Venice on Saturday, although the Arsenal area of the lagoon city, where the meeting was held, was cordoned off to the general public.



"We don't expect the real change, radical change that we need," said student Elena Carraro, 20, demanding the G20 focus more on climate change.

The G20, whose members represent about 85 percent of global wealth, did discuss the climate as well as the post-pandemic recovery.

Ministers warned that the global recovery was uneven and "exposed to downside risks, in particular the spread of new variants of the COVID-19 virus and different paces of vaccination".

They backed an initiative by the International Monetary Fund to increase aid to countries struggling to cope with the pandemic through special drawing rights—international reserve assets—saying it must be implemented "by the end of August".

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Citation: G20 endorses historic global tax reform (2021, July 10) retrieved 18 April 2024 from <https://techxplore.com/news/2021-07-g20-ministers-green-global-tax.html>

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