

KPMG Perspectives on OECD/G20 GloBE Rules

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KPMG is pleased to provide our thoughts and observations on the recent release of the Global Anti-Base Erosion (GloBE) Rules by the Organisation for Economic Cooperation and Development (OECD) as part of a plan to ensure large multinational enterprises (MNEs) pay a minimum level of tax (15%) on their profits arising in each jurisdiction they operate in.

Please click [here](#) to read our perspectives.

Background

On 20 December 2021, the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) released model rules called Global Anti-Base Erosion (GloBE). These rules provide for a coordinated system of taxation that imposes a top-up tax on profits arising in a jurisdiction whenever the effective tax rate, determined on a jurisdictional basis, is below the minimum rate.

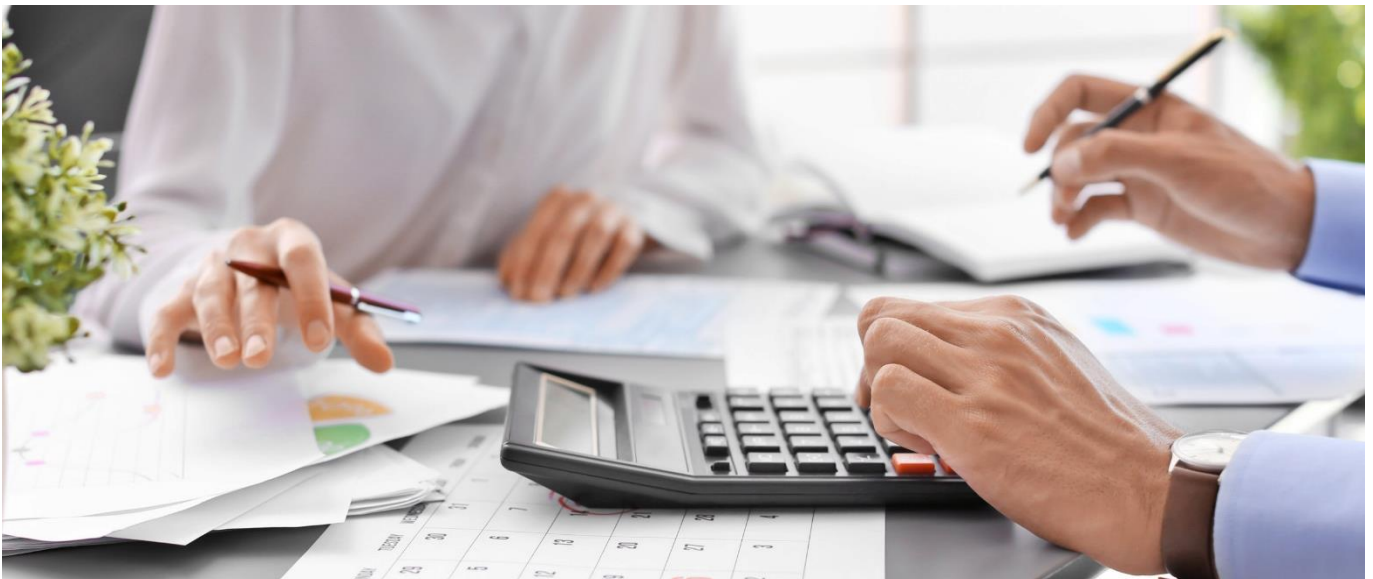
The model legislation contains 70 pages (15 of which are definitions) on the agreed taxation methodology for the introduction of a global minimum tax rate of 15%.

These rules will apply to MNEs with a turnover of more than 750 million euros. The adoption of these new rules by Inclusive Framework (IF) members is based on a “common approach”, which means that jurisdictions are not required to adopt the rules. Those that choose to do so will need to implement the rules consistently with the model. IF members who choose not to adopt the rules, however, will need to respect the application to taxpayers located in their respective jurisdictions by other adopting jurisdictions.

The Income Inclusion Rule (IIR) is expected to be effective for the year 2023 and beyond, while the Undertaxed Payments Rule (UTPR) will be effective from the year 2024 and beyond.

Commentary on these rules has not yet been released, but a document with a detailed commentary to aid understanding and interpretation is anticipated for release by the OECD in early 2022. Please note that these model rules differ from the original OECD Blueprint on Pillar Two released in October 2020.

Please visit the [OECD website](#) for the model rules.



Coexistence with US tax reform

We expect the OECD to release commentary on the GloBE rules in early 2022 and provide some insight into how these new rules will coexist with current or modified US Global Intangible Low-Taxed Income (GILTI) rules. We will need to await US tax reform developments in 2022 as part of this evolutionary process.

Next steps

The OECD announced on its website that it will develop an implementation framework focused on administrative, compliance and coordination issues relating to Pillar Two.

This work will focus on agreed administrative procedures (e.g. detailed filing obligations and multilateral review processes) and the possible use of safe harbours to facilitate both compliance by MNEs and administration by tax authorities.

The OECD is also working on the development of a model for the Subject to Tax Rule (STTR), together with a multilateral instrument for its implementation through the IF. This will be released in early 2022.

For more insights on these issues, please reach out to Dean Rolfe at deanrolfe@kpmg.com.sg.



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² The fixed input tax recovery rate from 1 April 2021 to 31 March 2022 is 74% for a full-licensed bank.

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