Jurisdiction not to tax and minimum taxation

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GloBE, jurisdiction not to tax and developing countries

- GloBE
  - Effect: achieve minimum taxation of income obtained by the components of MNEs, at a 15% ETR on a per-jurisdiction basis
  - Aim: curtail the effectiveness of tax incentives
- Jurisdiction not to tax: a sovereignty matter
- Developing countries adopt tax incentives to attract investment – tax sparing clauses as an example

Policy choices

- Main issue: trade-off between offering tax incentives and the extra-resources gained through GloBE
- Does not address concerns expressed by developing countries on the redistribution of taxing rights
- Lack of effective participation, overwhelming speed on the discussions and high complexity
- Not much of a choice anyway: adoption by few (relevant) countries would force the rest of the world to increase their ETRs

Tax sparing and GloBE

- Relationship between GloBE and tax treaties?
- OECD: the problem does not arise
- GloBE may paradoxically trigger tax sparing clauses
- GloBE leads to taxation at home of foreign-source income (CFC equivalent)
- Implementation is key to avoid the issue – review of policy choices

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