

The Impact assessment of Implementing a Global Minimum Tax for MNEs in Sweden Nordic Tax Journal, Volume 2023 issue 1

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Background

- Over the past few years, substantial international efforts have been underway to address tax base erosion and profit shifting (BEPS)
- Some other previous estimates:
 - Barake et al. (2021) made a calculation for the EU and according to their estimate, Sweden could increase its corporate tax revenue by an additional EUR 1.5 billion in 2021.
 - Álvarez-Martínez et al. (2022) employed an equilibrium model to assess the extent of profit shifting. According to the study, Sweden experiences an annual loss of EUR 459.8 million in corporate tax revenue.
- This paper complements the literature by presenting the central findings in the impact analysis conducted as part of the legislative process on the implementation of pillar 2 to Swedish law (SOU 2023, 6).

Different components of the legislation

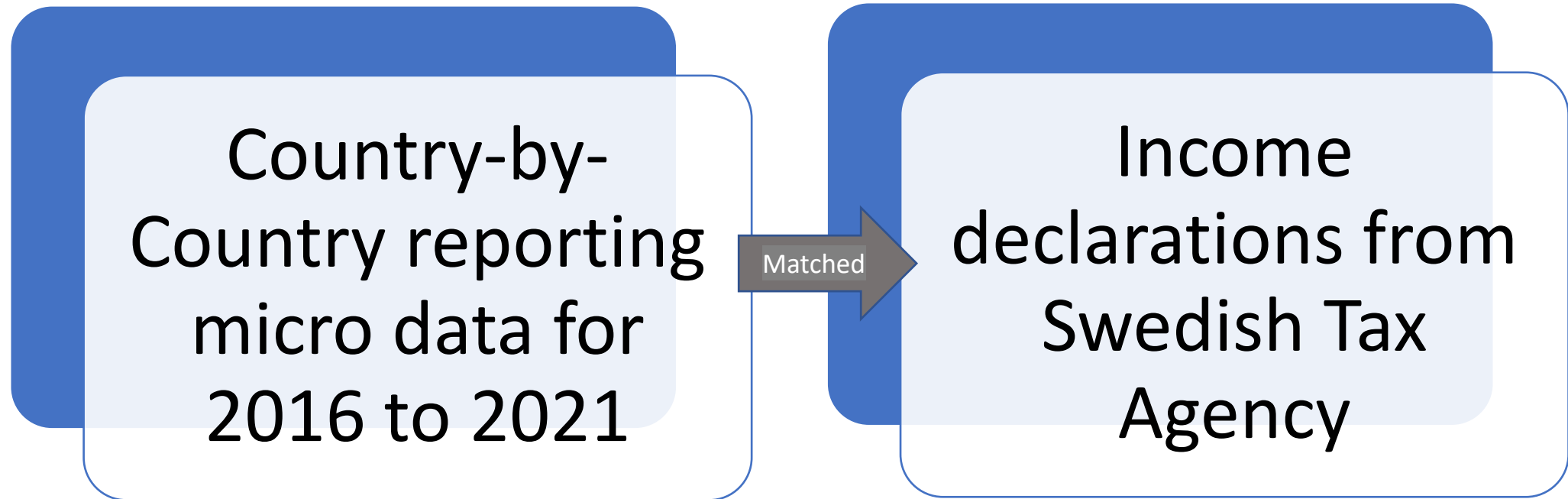
Income Inclusion Rule (IIR)

Undertaxed profit rule (UTPR)

Substance-Based Income Exclusion (SBIE)

Qualified Domestic Top-up Tax (QDMTT)

Data sources



Hypothetical Top-Up tax revenue from IIR for Swedish MNEs 2016–2021

Billions SEK (1 SEK ≈ 0,1 USD)

Year/Region	2016	2017	2018	2019	2020	2021
EU	14	18	21	8	3	6
G20 (excluding EU)	3	3	5	3	1	1
Rest of the world	9	5	4	2	1	3
Total	26	25	30	12	5	10

Source: CbCR and own calculations

Swedish tax revenue

- Our estimation suggests that Swedish tax revenue could increase by approximately SEK 500 million per year following implementation. This is low compared to previous estimates.
- Detailed analysis reveals that undertaxed entities are exceptionally rare in Sweden
- We assume that other jurisdictions will implement rules that allow them to collect the additional revenue from undertaxed entities under their jurisdiction.

Comparison of CbCR & Income declarations

High correlation
between PBT figures
in CbCR and profit
before tax
adjustments

Low correlation
between PBT in CbCR
and taxable income
after adjustments

Three main factors

Intra-group dividends

Other book income or the transfer of partial ownership rights

Carried forward losses from previous years

Dynamic effects

- Tax cost in affected Swedish groups globally increase SEK 5-10 billion (5-10 %).
 - Static calculation.
- Investments globally decrease 0,15 %.
 - Based on semi-elasticities from Millot et al. (2020).
- Tax competition is shifted from tax rates, not eliminated.
 - Competition through SBIE.

Other impacts

- If a minimum standard is established, it can result in a more balanced tax structure and reduce pressure on countries to lower their corporate tax rates.
- Administrative costs of this legislation can be very high. According to our estimates, safe harbors can reduce administrative costs to one-sixth of the original estimates

Questions?

Thank you!