This document sets out the Outcome Statement approved by 142 members of the OECD/G20 Inclusive Framework on BEPS as of 28 May 2024.

**OECD/G20 Base Erosion and Profit Shifting Project**

# Outcome Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy

**11 July 2023**

## Introduction

1. Members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (Inclusive Framework) have delivered a package to further implement the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy.

2. The consensus-based Two-Pillar Solution plays an important role to ensure fairness and equity in our tax systems and to fortify the international tax framework in the face of new and changing business models. The global minimum tax under Pillar Two establishes a floor on corporate tax competition which will ensure a multinational enterprise (MNE) is subject to tax in each jurisdiction at a 15% effective minimum tax rate regardless of where it operates, thereby ensuring a level playing field. This global minimum tax framework under Pillar Two is already a reality, with over 50 jurisdictions taking steps towards implementation.

3. The Inclusive Framework is finalising the work on Pillar One and has completed the work on the development of the Subject to Tax Rule (STTR) and its implementation framework. Amount A of Pillar One will establish a taxing right for market jurisdictions with respect to a defined portion of the residual profits of the largest and most profitable MNEs operating in their markets, prevent the proliferation of Digital Service Taxes (DSTs) and relevant similar measures, avoid double taxation and excessive compliance burdens, and enhance stability and certainty in the international tax system.

4. This Statement summarises the package of deliverables developed by the Inclusive Framework to address the remaining elements of the Two-Pillar Solution. This package reflects compromises made by small and large jurisdictions, developing and developed countries, and source and residence jurisdictions alike.

5. The package delivered by members of the Inclusive Framework comprises four parts, which are outlined in the following paragraphs.

## Part I – Multilateral Convention on Amount A of Pillar One

6. The Inclusive Framework has delivered a text of a Multilateral Convention (MLC),[1] which will allow the Parties to the MLC to exercise a domestic taxing right (Amount A of Pillar One) with respect to a defined portion of the residual profits of MNEs that meet certain revenue and profitability thresholds and that have a defined nexus to the markets of these Parties.

7. The MLC sets out the substantive features necessary for it to be prepared for signature, including the scope and operation of the permissible taxing right, the mechanisms for relieving double taxation, a process for ensuring tax certainty, the conditions for the removal of existing DSTs and relevant similar measures upon its entry into effect, and the commitment as of the same time not to enact new DSTs and relevant similar measures. The MLC also includes several provisions designed to address the unique circumstances of developing Inclusive Framework members. The MLC will be accompanied by an Explanatory Statement that will set out the common understanding of the MLC.

8. A few jurisdictions have expressed concerns with some specific items in the MLC. Efforts to resolve these issues are underway with a view to prepare the MLC for signature expeditiously. The MLC will be opened in the second half of 2023 and a signing ceremony will be organised by year end, with the objective of enabling the MLC to enter into force in 2025, allowing for the domestic consultation, legislative, and administrative processes applicable in each jurisdiction.

9. Recognising the progress made and the need to prevent disruption or delay of the ratification of the MLC, and subject to at least 30 jurisdictions accounting for at least 60 percent of the Ultimate Parent Entities (UPEs) of in-scope MNEs signing the MLC before the end of 2023, members of the Inclusive Framework agree to refrain from imposing newly enacted DSTs or relevant similar measures, as defined in the MLC, on any company between 1 January 2024 and the earlier of 31 December 2024, or the entry into force of the MLC. Assuming sufficient progress has been made by that date towards the entry into force of the MLC, members of the Inclusive Framework may agree to extend this commitment to the earlier of 31 December 2025, or the entry into force of the MLC.

## Part II – Amount B of Pillar One

10. Amount B of Pillar One provides a framework for the simplified and streamlined application of the arm's length principle to in-country baseline marketing and distribution activities with a particular focus on the needs of low-capacity countries which are most often related to the unavailability of appropriate local market comparables through which arm's length prices can be established.

11. The Inclusive Framework recognises that Amount B is a critical component of the broader agreement on Pillar One and as such have achieved consensus on many aspects of that framework. To ensure the appropriateness of the scope and pricing framework, further work will be undertaken on the following aspects:

I. Ensuring an appropriate balance between a quantitative and qualitative approach in identifying baseline distribution activities;

II. The appropriateness of:
   a) the pricing framework, including in light of the final agreement on scope;
   b) the application of the framework to the wholesale distribution of digital goods;
   c) country uplifts within geographic markets; and
   d) the criteria to apply Amount B utilising a local database in certain jurisdictions.

[1] With efforts continuing on a small number of specific items as mentioned in paragraph 8.

12. We invite input from stakeholders on the elements identified above through 1 September 2023 with the work on those elements to be completed by year end.

13. Once this work is completed, the Inclusive Framework will approve and publish a final Amount B report, content from which will be incorporated into the OECD Transfer Pricing Guidelines by January 2024 with due consideration given to both the needs of low-capacity jurisdictions (which are most often related to the absence of local market comparables), and the interdependence of Amount B and the signing and entry into force of the MLC. The timeline for the smooth implementation of Amount B will take into account those considerations and the time necessary for some jurisdictions to adopt legislative changes to give effect to the revised guidelines as well as to allow business to be prepared.

## Part III – The Subject to Tax Rule (STTR) under Pillar Two

14. The STTR is an integral part of achieving consensus on Pillar Two for developing Inclusive Framework members. Inclusive Framework members that apply nominal corporate income tax rates below nine per cent to intra-group interest, royalties and a defined set of other payments will implement the STTR in their treaties with developing Inclusive Framework members when requested to do so.

15. The Inclusive Framework has completed and delivered:

- **An STTR model provision and commentary**. The STTR is a treaty-based rule, which applies to intra-group interest, royalties and a defined set of other intra-group payments (covered income). The list of covered income includes all payments for intra-group services. Where items of covered income are subject to a nominal corporate income tax rate below the STTR minimum rate of nine per cent in the residence jurisdiction, and the treaty limits the rate at which the jurisdiction in which that income arises can tax that income, the STTR allows that jurisdiction to tax it at a rate up to the difference between nine per cent and the nominal corporate income tax rate of the residence jurisdiction. The STTR is subject to certain exclusions, a materiality threshold and a mark-up threshold, and is administered through an ex-post annualised charge.
- A **Multilateral Instrument (MLI), together with an Explanatory Statement**, to facilitate the implementation of the STTR. The MLI will amend the treaties that it covers. The Explanatory Statement reflects the agreed understanding of the negotiators on the approach taken in the MLI. Finally, the Inclusive Framework has also agreed a process to assist developing Inclusive Framework members in implementing the STTR.

The MLI implementing the STTR will be open for signature from 2 October 2023. Inclusive Framework members can elect to implement the STTR by signing the MLI, or bilaterally amending their treaties to include the STTR when requested by developing Inclusive Framework members.

## Part IV – Implementation Support

16. The Inclusive Framework also calls upon the Secretariat to prepare a comprehensive action plan to support the swift and co-ordinated implementation of the Two-Pillar Solution. In particular, the plan should offer additional support and technical assistance to enhance the capacity necessary for the implementation of the Two-Pillar Solution by developing countries. In this regard, the OECD should co-ordinate with relevant regional and international organisations.