

Rethinking Pillar I

Case 1: Pillar I the opposite to a consensus model – or how to go back to the drawing board?

Case 2: What is the position of the inclusive members – are they seeing benefits to stay onboard?

Speakers:

Catalina Hoyos, Mukesh Butani, Hans van den Hurk

Panellists:

George Gillham

UN Alternative to Pillar 1.

Income from the rendering of automated digital services (ADS)

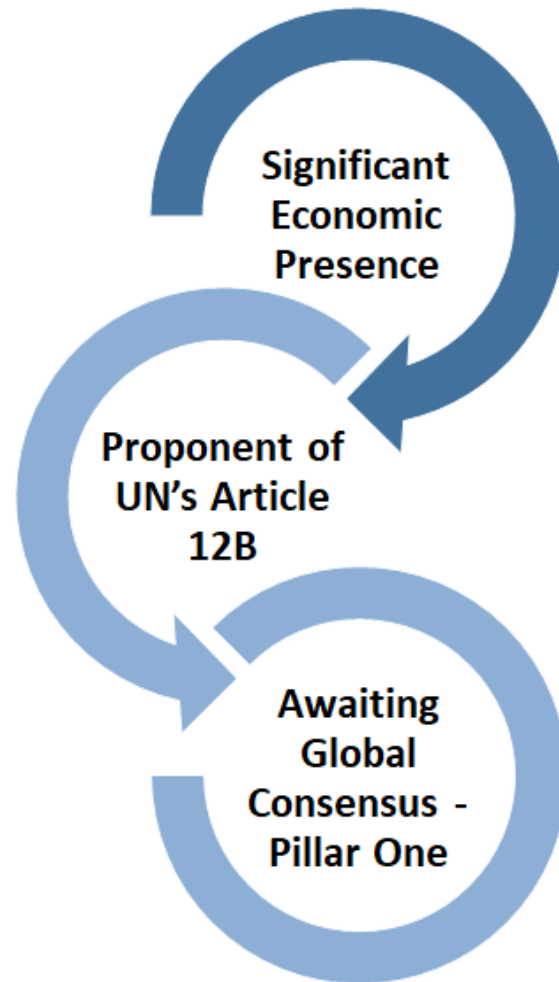
ADS: Any service provided on the internet or an electronic network requiring minimal human involvement from the service provider. It does not include technical services.

Online advertising services, Online Intermediation platform services, Social media services, Digital content services, Cloud computing services, Alienation of user data, Standardised online teaching services

Alternative 1: ADS may be taxed in the Contracting State in which payment arises on a gross basis.

Beneficial owner who is resident in the other Contracting State can benefit from a reduced tax rate.

Alternative 2: Beneficial owner can apply for being taxed on qualified annual profits at domestic IT rate.



Comparison of OECD Pillar One and UN Article 12B

Particulars	OECD Pillar One	UN Article 12B
Scope*	Broader scope - ADS & CFB	Narrow scope - Only ADS
Option of gross taxation	No	Yes
Minimum threshold	Yes	Not prescribed
Implementation	Multilateral	Bilateral

* US and ATAF have recommended a business agnostic scope to include all the global MNEs.

UN Proposal – Discussion Points



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- A feasible, workable, simpler solution
- Would allow a satisfying outcome for market jurisdictions
- Targets the original intent of Action Plan 1 I.e., taxing digital businesses
- May face resistance from UPE (Ultimate Parent Entity) jurisdictions as a viable alternative
- Does not address market jurisdictions' concern for non-digital businesses
- Potentially cumbersome to implement? Bilateral negotiations with every treaty partner!

- Limited tax administration resources available with developing countries
- Pillar 1 originally envisaged as simple to understand and easy to implement – too many variables now?
- Ultimate reallocation to market jurisdictions – low quantum?
- Consensus elusive in light of difference in approach – US, ATAF, developing countries' views
- Amount A, B, C and now D proposed by ATAF – increasing complexity?
- Transfer pricing disputes may not reduce significantly

Speakers:



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