

EY Tax Short Cuts - English

Latest tax news for Austria
by EY

BEPS 2.0: Update on global tax reform

Content

01 BEPS 2.0: Update on global tax reform

In the course of the OECD/G20 global corporate tax reform, the OECD published the October Statement on 8 October 2021 as an update to the 1 July 2021 Statement (July Statement) on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalization of the Economy (see already our Tax Short Cuts No. 14/2021 of 16 July 2021). The two-pillar solution is intended to ensure that multinational enterprises pay taxes where they operate and generate their profits, while at the same time providing the international tax system with the necessary legal certainty and stability. In the meantime, 136 of the 140 member countries of the Inclusive Framework have agreed to the global tax reform, most recently also the EU member states Ireland, Hungary and Estonia. The G20 Finance Ministers endorsed the October Statement on 13 October 2021.

The European Commission has already announced that a directive for the uniform implementation of Pillar Two in the member states will be presented. In addition, it is examining whether a directive for the uniform implementation of Pillar One is also necessary.

Pillar One is aimed at the distribution of profits and taxation rights.

- ▶ The taxation rights in relation to multinational companies (with a worldwide turnover of more than EUR 20 billion and a profit margin of more than 10%, which is not restricted to the digital sector) are to be partly redistributed from the residence countries to the countries in which they operate and generate profits (Amount A), and this regardless of where these businesses are physically present.
- ▶ It has already been determined that the threshold of EUR 20 billion can be reduced to EUR 10 billion after 7 years.

BEPS 2.0: Update on global tax reform

- ▶ In the October Statement, it was specified that 25% of the profit (previously: 20% to 30%) exceeding the profit margin of 10% should be redistributed to the market jurisdiction in which the businesses operate (provided that the revenue in this country amounts to at least EUR 1 million; for smaller jurisdictions the prerequisite is a revenue of EUR 250,000).
- ▶ Extractive and regulated financial services are to remain exempt from the redistribution of Amount A.
- ▶ In addition, a safe harbour rule for marketing and distribution activities shall be established (Amount B) and a dispute prevention and resolution mechanism for Amount A shall be introduced.
- ▶ Amount A is to be implemented by means of a multilateral convention to be drawn up by the beginning of 2022.
- ▶ The new multinational provisions are intended to abolish the digital taxes introduced unilaterally in some countries (including Austria).

The planned redistribution of tax rights should only generate a minor amount of additional tax revenue for Austria. Austrian businesses should not be affected for the time being, as the new regulation will initially only be applicable from a worldwide group turnover of more than EUR 20 billion.

To simplify it, Pillar Two is intended to introduce a global minimum tax in order to counteract tax competition with regard to corporate income tax. In the October Statement it was stated that this minimum tax should be 15% (the 15% is also the limit). This provision will apply to multinational enterprises with a consolidated group turnover of at least EUR 750 million (this threshold also applies to country-by-country reporting). However, countries are free to apply the regime to all multinationals that are tax resident in their territory.

Information on the implementation plan, including target dates, was published in the annex to the October Statement. Specifically, all technical details are expected to be finalized during 2022, enabling effective implementation of the two-pillar solution in 2023. Due to the many complex technical details involved in the actual implementation, this is a very ambitious schedule.

The entire October statement can be found under the following link:

<https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.pdf>

Contact

Feedback

If you have any questions or suggestions or if you would like to be contacted please send an e-mail to: [Feedback](#)

Website

Get more information about our services, activities and events on our website: ey.com/at

Archive

Find our previous issues of this newsletter on our [website](#) or send us an inquiry to newsletter@at.ey.com.

Unsubscribe

If you want to unsubscribe from this newsletter please send an e-mail that contains your name and your e-mail address to ey.crm@ey.com.

Business Tax

Markus Schragl
+43 1 211 70 1268
markus.schragl@at.ey.com

International Tax

Roland Rief
+43 1 211 70 1257
roland.rief@at.ey.com

Transfer Pricing

Andreas Stefaner
+43 1 211 70 1041
andreas.stefaner@at.ey.com

Indirect Tax

Ingrid Rattinger
+43 1 211 70 1251
ingrid.rattinger@at.ey.com

People Advisory Services

Regina Karner
+43 1 211 70 1296
regina.karner@at.ey.com

Global Compliance & Reporting

Maria Linzner-Strasser
+43 1 211 70 1247
maria.linzner-strasser@at.ey.com

Transaction Tax

Andreas Sauer
+43 1 211 70 1625
andreas.sauer@at.ey.com

Editor and owner of the medium:

Ernst & Young
Steuerberatungsgesellschaft
m.b.H. („EY“)
Wagramer Straße 19, IZD-Tower
1220 Vienna

Responsible Partner

Klaus Pflieger
+43 1 211 70 1179
klaus.pflieger@at.ey.com

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

The integrated service portfolio of EY is complemented by comprehensive legal advisory services provided by the international network of EY Law, in Austria represented by Pelzmann Gall Größ Rechtsanwälte GmbH.

In this publication, “EY” and “we” refer to all Austrian member firms of Ernst & Young Global Limited. Each EYG member firm is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. For more information about our organization, please visit ey.com.

Information according to § 25 Austrian Media Act (MedG) can be accessed here.

In Austria, EY has 4 locations.

© 2021 Ernst & Young
Steuerberatungsgesellschaft m.b.H.
All Rights Reserved.

Ernst & Young
Steuerberatungsgesellschaft m.b.H.
1220 Vienna, Wagramer Straße 19
4020 Linz, Blumauerstraße 46
5020 Salzburg, Sterneckerstraße 33
9020 Klagenfurt, Eiskellerstraße 5

This publication has been prepared for general informational purposes only and is therefore not intended to be a substitute for detailed research or professional advice. No liability for correctness, completeness and/or currentness will be assumed. Neither Ernst & Young Steuerberatungsgesellschaft m.b.H. nor any other member of the global EY organization can accept any responsibility.

ey.com/at