

G20 leaders approve BEPS 2.0



Rome hosted the annual G20 Summit on October 30 and 31 for Heads of State and Ministers of Economy and Finance. At the conclusion of the meeting, the G20 leaders adopted the Rome Declaration.

The Declaration outlines G20 leaders' agreement to introduce the Organisation for Economic Co-operation and Development's (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

According to the G20 Rome Leaders' Declaration, this is the "final political agreement as set out in the Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy".

OECD Secretary-General Mathias Cormann welcomed the declaration, recognising the work that had been undertaken through the Inclusive Framework to develop new international taxation rules.

Implementation by 2023

It was noteworthy to see implementation language included in the Leaders' Declaration, as well as reference to an implementation deadline.

The Declaration states that countries should work "with a view to ensure that the new rules will come into effect at global level in 2023".

Secretary-General Cormann said: "As we move into the implementation phase of the agreement, the OECD stands ready to facilitate the work needed to ensure the timely and effective implementation of the two-pillar solution."

This further reinforces the resolve to implement these new rules within 12 months, which is widely acknowledged as ambitious. That said, the introduction of the Undertaxed Payments Rule (UTPR) may be delayed in some countries.

All eyes are now on the United States and President Joe Biden's domestic tax reform agenda, specifically to what extent and when the US will adopt provisions that mirror the BEPS 2.0 rules. The speed with which the US adopts rules that mirror BEPS 2.0 will, in particular, influence the roll back, or proliferation, of Digital Services Taxes. This outcome may influence the timing and adoption of BEPS rules by other participants of the Inclusive Framework.

Singapore's reaction to the G20 Leaders' Declaration

In response to the G20 Leaders' Declaration, Singapore Prime Minister Lee Hsien Loong said in an interview with local media that Singapore will need to consider how to modify existing corporate income tax incentives. "We will have to see how those will have to be modified," he said.

Implementation considerations for Singapore

The adoption of Pillar Two Global Anti-Base Erosion (GloBE) rules will need to pass through Singapore's parliamentary process and then be signed into law. A new Bill will therefore be needed to introduce these rules into domestic law and it is expected that Singapore will be able to legislate these model rules in 2022 for effect in 2023.

How we can help

For further details on BEPS and how these rules might apply to your business activities in 2023, please reach out to your KPMG contact or the author.



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