

OECD adopts workplan for reaching a new global agreement for taxing multinational enterprises

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Executive summary

On 31 May 2019, the Organisation for Economic Co-operation and Development (OECD) released the *Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy* (the [Workplan](#)).

The Workplan describes the process for addressing the tax challenges of the digitalization of the economy that has been agreed upon by the 129 countries participating in the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS). The Workplan was approved earlier this week at the plenary meeting of the Inclusive Framework, which brought together 289 delegates from 99 countries and jurisdictions and 10 observer organizations. The Workplan will be presented by OECD Secretary-General Angel Gurría to G20 Finance Ministers for endorsement during their 8-9 June ministerial meeting in Fukuoka, Japan.

Under the Workplan, an outline of the core elements of a long-term solution to the challenges of the digitalization of the economy is to be submitted to the Inclusive Framework for agreement in January 2020. Work will continue on fleshing out the policy and technical details of the solution throughout 2020 in order to deliver consensus agreement by the end of 2020.

This Alert focuses on the process and timeline laid out in the Workplan. A more comprehensive Alert on the Workplan will be issued early next week.

Discussion

The Workplan covers the two Pillars described in OECD documents on addressing the tax challenges of digitalization of the economy that were released earlier this year:¹

- Pillar One – proposals for revised nexus and profit allocation rules
- Pillar Two – global anti-base erosion proposal

The Workplan acknowledges that there is overlap between the two Pillars that will need to be considered as the work on each goes forward.

The Workplan reflects the OECD commitment to deliver a consensus-based long-term solution by the end of 2020. The Workplan states that, for a solution to be delivered within this timeframe, the outline of the architecture of the solution needs to be agreed by January 2020. This outline will include a determination of the nature of, and the interaction between, both Pillars and will reduce the number of options to be pursued under Pillar One.

The Workplan acknowledges that this is an ambitious timetable, particularly in light of the fact that the work involves revisiting fundamental aspects of the international tax system. However, it indicates that the timeline reflects the political imperative that countries attach to reaching a timely solution to the issues at stake. The Workplan also acknowledges that this ambitious timeline will require early

political-level input, which will be informed in part by planned OECD work on an economic analysis and impact assessment of the possible designs of a solution.

The OECD subgroups responsible for substantive work on the two Pillars will meet in June and July and subsequently throughout the remainder of 2019 to consider relevant technical issues in connection with the development of the outline on the architecture of the solution. Following agreement on that outline, work will continue on the policy and technical details throughout 2020 in order to deliver the consensus-based solution by the end of 2020. The Workplan indicates that public consultations may be held as needed in order to obtain stakeholder feedback as the various proposals are refined.

Implications

The proposals addressed in the Workplan have implications well beyond digital businesses or digital business models. These proposals could lead to significant changes to the overall international tax rules under which multinational businesses currently operate. It is important for businesses to follow these developments closely as they unfold in the following months.

A more detailed Alert on the OECD's plans to deliver a global agreement on new rules for taxing multinational businesses in 2020 will be published early next week.

Endnote

1. See EY Global Tax Alerts, [OECD opens public consultation on addressing tax challenges arising from digitalization of the economy: time-sensitive issue impacting all multinational enterprises](#), dated 14 February 2019 and [OECD hosts public consultation on document proposing significant changes to the international tax system](#), dated 18 March 2019.

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EYG no. 002699-19Gbl

1508-1600216 NY
ED None

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