

New Times, New Taxes?

Financing State and Welfare in a Globalized World

A Seminar on a Global Minimum Tax for Multinational Companies in the EU

29th March 2023 - Saco, Lilla Nygatan 14, Stockholm

EVENT SUMMARY

The OECD's Inclusive Framework reached a ground-breaking agreement in July 2021 to reform the rules of international taxation of multinational companies that have been in place for more than a century. The agreement rests on two pillars: Pillar 1 creates new taxing rights for countries, which allocate profits of multinationals based on their activities rather than their location; Pillar 2 introduces a global minimum tax of 15%, aiming at ending a race to the bottom between countries and, at the same time, the use of tax havens by multinationals to lower their tax liabilities.

Implementation of the agreement and the allocation of the expected revenue have been a subject of debate in recent months. Whilst 137 jurisdictions worldwide agreed on the reform, transposition to national law has been impeded by country and party interests. Following months of negotiations, the EU Council has reached an agreement on Pillar 2 in December 2022, which experts hope to cause a cascade effect in other countries, leading to worldwide implementation. Discussions on Pillar 1 have been ongoing, while the final details are being drawn in country negotiations.

In this context Saco and the EU Tax Observatory are co-organising a one-day conference to discuss recent developments, implementation issues and the expected impact of the Pillar 1 and Pillar 2 reforms. The conference will focus on the implications for the EU, as well as, for Sweden in particular, especially given its current role as holder of the rotating Presidency of the EU Council. Does the agreement match up to the hype in terms of expected revenue? What would it mean for the economy, for public finances and for multinational companies? What would the implications be for Sweden and what role will it play during its current Presidency of the EU Council? What are the implementation concerns and how to overcome them?

INDICATIVE PROGRAMME

Session 1 – Taxing Multinationals: Implications and the Role of Sweden

- 8.30 am - 9.15 am (CET): Registration and Coffee
- 9.15 am - 9.20 am (CET): **Welcome Address** by [Göran Arrius](#) (President of Saco)
- 9.20 am - 10 am (CET): **Presentation:** “New Times, New Taxes” by [Emil Bustos](#) (IFN)
- 10 am - 11.30 am (CET): **Panel Discussion** with
[Göran Arrius](#) (President of Saco)
[Mikael Damberg](#) (Former Minister of Finance, Vice Chair of the Riksdag Finance, Committee and Economical Spokesperson for the Swedish Social Democrats)
[Séverine Picard](#) (Coordinator of the Network of Unions for Tax Justice)
[Edward Riedl](#) (Moderaterna, chairman of the Swedish Parliament's Committee on Finance)
[Claes-Mikael Ståhl](#) (vice general secretary, ETUC)
[Elinor Odeberg](#) (chief economist, Arena Idé)

11.30 am - 12.30 pm (CET): Lunch Break

Session 2 - Revenue Estimates

- 12.30 pm - 1 pm (CET): **Presentation:** “Revenue Estimates from the Two-Pillar Proposal” by [Mona Barake](#) (EU Tax Observatory)
- 1 pm - 1.30 pm (CET): **Presentation** by [Pierce O’Reilly](#) (OECD)
- 1.30 pm - 2 pm (CET): **Presentation** by [Shafik Hebous](#) (Deputy Division Chief Fiscal Affairs Department, IMF)

The event will be moderated by Simon Vinge, Chief Economist, Union for Professionals ASSR.

ADDITIONAL INFORMATION

Mona Barake – EU Tax Observatory

Presentation: Revenue Estimates from the Two-Pillar Proposal

In October 2021, 137 countries and jurisdictions agreed to implement a major reform of the international corporate tax system: the Two Pillar solution proposed by the OECD. Pillar One would introduce new taxing rights for jurisdictions based on the location of the final user of the largest and most profitable Multinationals (MNEs). Pillar Two would imply a minimum tax of 15% for multinationals with revenues above 750 million euros. Recently in December 2022, the EU member states agreed to implement the Pillar two proposal of a 15% minimum tax. In its current design, the Pillar Two introduces a 15% minimum tax on activities of MNEs in all jurisdictions where they operate through the Income Inclusion Rule (IRR). Multinationals can deduct amounts related to where they generate economic activity through what is called « carve-outs ».

We estimate that the IRR scenario would bring the EU around 67 billion euros with no carve-outs. This amount is reduced to 55 billion euros if carve-outs are introduced. We estimate that Sweden could collect around 2.3 billion euros with carve-outs (based on the 2017 CbCR data). Another interesting scenario is the Qualified Domestic top up tax (QDMTT). Under this design, the host jurisdictions could choose to collect the minimum tax instead of the headquarter country of the MNE. For the EU we estimate that the overall revenues will remain the same but with a different distribution among the different EU countries than the one in the IRR scenario. Sweden is expected to get around 1.7 billion euros under the QDMTT scenario. Regarding Pillar One, the design of the rules is still ongoing and it would generate taxing rights of around 100 billion euros and additional tax revenues of only 17 billion euros.