

# More than 130 countries reach deal on corporate minimum tax

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FRANKFURT, Germany (AP) — More than 130 countries have agreed on sweeping changes to how big multinational companies are taxed in order to deter them from avoiding taxes by shifting their profits to nations with lower rates.

Under the agreement announced Friday, countries would enact a minimum global corporate tax of 15 percent on the biggest companies, reaping an estimated \$150 billion for government coffers once implemented.

U.S. President Joe Biden has been one of the driving forces behind the agreement as governments around the world seek to boost revenue following the COVID-19 pandemic.

“Today’s agreement represents a once-in-a-generation accomplishment for economic diplomacy,” U.S. Treasury Secretary Janet Yellen said in a statement. She said it would end a “race to the bottom” in which countries outbid each other with lower tax rates.

“Rather than competing on our ability to offer low corporate rates,” she said, “America will now compete on the skills of our workers and our capacity to innovate, which is a race we can win.”

The agreement among 136 countries was announced by the Paris-based Organization for Cooperation and Economic Development, which hosted the talks that led to it.

The deal faces several hurdles before it can take effect. U.S. approval of related tax legislation proposed by Biden will be key, especially since the U.S. is home to many of the biggest multinational companies. A rejection by Congress would cast uncertainty over the entire project.

The deal is an attempt to address the ways globalization and digitalization have changed the world economy. Alongside the minimum tax, it would allow countries to tax some of the earnings of companies whose activities, such as online retailing or web advertising, don’t involve a physical presence.

The big U.S. tech companies like Google and Amazon have supported the OECD negotiations. One reason is that countries would agree to withdraw individual digital services taxes they have imposed on them in return for the right to tax a part of their earnings under the global scheme.

That means the companies would deal with just the one international tax regime, not a multitude of different ones depending on the country.

“This accord opens the way to a true tax revolution for the 21st century,” said French Finance Minister Bruno Le Maire. “Finally the digital giants will pay their just share in taxes in the countries — including France — where they produce.”

On Thursday, Ireland announced that it would join the agreement, ditching a low-tax policy that has led companies like Google and Facebook to base their European operations there.

Although the Irish agreement was a step forward for the deal, developing countries have raised objections and Nigeria, Kenya, Pakistan and Sri Lanka have indicated they will not sign up.

Anti-poverty and tax fairness advocates have said the bulk of new revenue would go to wealthier countries and offer less to developing countries that are more dependent on corporate taxes. The G-24 group of developing countries said that without a bigger share of revenue from reallocated profits, the deal would be “sub-optimal” and “not sustainable even in the short run.”

The deal will be taken up by the Group of 20 finance ministers next week, and then by G-20 leaders for final approval at a summit in Rome at the end of October.

Countries would sign up to a diplomatic agreement to implement the tax on companies that have no physical presence in a country but earn profits there, such as through digital services. That provision would affect around 100 global firms.

The second part of the deal, the global minimum of at least 15 percent, would apply to companies with more than 750 billion euros (\$864 billion) and be passed into domestic law by countries according to model rules developed at the OECD. A top-up provision would mean tax avoided overseas would have to be paid at home. So long as at least the major headquarters countries implement the minimum tax, the deal would have most of its desired effect.

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