

# Global Minimum Taxation: Normative Justification and Implications in Practice



IFA: Global Minimum Taxation/Pillar II  
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## Normative Justification: Efficiency Gains



- Key claim: Global minimum tax has superior features from an economic (ie welfare maximization) standpoint:
  - Curbs profit shifting (=social waste) and
  - Improves the international allocation of capital that is currently distorted by large tax rate differentials.
- Disadvantages: increased compliance costs (caused inter alia by high complexity) and restriction on individual states' political leeway in using tax incentives as means to attract FDI
- Global "distributive fairness" concerns do not play any evident role
  - *Prima facie* agnostic towards "who" taxes as long as minimum level is ensured
  - On a second glance:
    - IIR and UTPR: Conceptually deeply rooted in traditional residence-based taxation
    - Substance-based carve out: substance as a traditional means to measure economic allegiance to a jurisdiction
    - QDMTT arguably functions as a corrective feature from a distributive perspective



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## Practical Implications: Future of Tax Competition



- Pillar Two as the end of the competitive race to the bottom in corporate taxation?
  - First simulations (without UTPR and QDMTT) for Austria (see *Bernhofer/Petutschnigg*, ÖStZ 2023, 53 et seq):
    - Top-up-tax potential created by 19 companies listed on the Vienna stock exchange amounts to EUR 135 mio per year; 50% of which derives from domestic subsidiaries
    - Total estimated top-up-tax in Austria of EUR 500-600 mio (76 Austrian headquartered MNEs subject to CbCr)
  - (Potential) Future of tax competition:
    - Intra-systematic competition (e.g. "attractive" local GAAP rules; substance-based carve-out)
    - Increased competitive pressure with regard to "non covered taxes"
    - Increased importance of direct subsidies (subject to limitations by EU State Aid rules and WTO ASCM)
- How will businesses react?
  - Increased relevance of decisions concerning accounting policy
  - Technical level: Avoiding "Pillar Two"-traps
  - Preference for taxation "at source" vs. top-up-tax?



## Vielen Dank für Ihre Aufmerksamkeit!





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