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International taxation: Council reaches agreement on a minimum level of taxation for largest corporations

EU member states reached agreement to implement at EU level the **minimum taxation component, known as Pillar 2, of the OECD's reform of international taxation**. The ambassadors of EU member states decided to advise the Council to adopt the Pillar 2 directive, and a written procedure for the formal adoption will be launched. The Committee of Permanent Representatives reached the required unanimous support today.

Effective implementation of the directive will **limit the race to the bottom in corporate tax rates**. The profit of the large multinational and domestic groups or companies with a combined annual turnover of at least €750 million will be taxed at a **minimum rate of 15%**. The new rules will reduce the risk of tax base erosion and profit shifting and ensure that the largest multinational groups pay the agreed global minimum rate of corporate tax.

> I am very pleased to announce that we agreed to adopt the directive on the Pillar 2 proposal today. Our message is clear: The largest groups of corporations, multinational or domestic, will need to pay a corporate tax that cannot be lower than 15%, globally.
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> *Zbyněk Stanjura, Minister for Finance of Czechia*

The directive has to be transposed into member states' national law by the end of 2023. This will still result in the EU being a front-runner in applying the G20/OECD global agreement on Pillar 2.

Background

On 8 October 2021, almost 140 countries in the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) reached a **landmark agreement** on international tax reform, as well as on a detailed implementation plan.

The reform of international corporate tax rules consists of two pillars:

- **Pillar 1** covers the new system of allocating taxing rights over the largest multinationals to jurisdictions where profits are earned. The key element of this pillar will be a multilateral convention. Technical work on the details thereof is ongoing in the Inclusive Framework
- **Pillar 2** contains rules aimed at reducing the opportunities for base erosion and profit shifting, to ensure that the largest multinational groups of companies pay a minimum rate of corporate tax. This pillar is now enshrined legislatively in an EU directive which was adopted unanimously by all member states voting in favour

On 22 December 2021, the Commission therefore presented a proposal for a directive which aims to implement Pillar 2 in a way which is consistent and compatible with EU law.

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