



# A Minimum Global Corporate Tax Rate

5 June, 2021, Saturday: The weekend saw a historic agreement by the G-7 reached in global tax reform. Besides the initial global reactions, below is Singapore's response and a snapshot of perspectives from the tax profession.

Photo: Henry Nicholls/Reuters

## The G-7 Agreement

### Agreement on Taxation of Digitalised Economy, Global Minimum Rate

"The Biden Administration plan to amend the US global intangible low-taxed income (GILTI) regime to bring it into much closer alignment with Pillar Two's income inclusion rule, as well as raising the GILTI minimum tax rate, as part of domestic changes to increase corporation tax rates." – Deloitte

### Global Minimum Tax: An Easy Fix?

"We may see other policy initiatives where tax incentives are built around economic zones that offer certain benefits, but with any tax incentives being focused on property taxes or employer social security contributions, (those taxes that do not form part of any global minimum tax regime)..." – KPMG

### G-7 Finance Ministers' Support

"The proposals being developed in the BEPS 2.0 project could lead to significant changes in the overall international tax architecture under which multinational businesses operate... Affected companies should also follow developments with respect to DST activity around the world." – EY

### Significance of the G-7 Agreement

"So, although public officials and media outlets have termed the agreement as 'historic' and conveyed the sense that global adoption is inevitable, while there is clearly momentum, there nevertheless remain numerous political and technical elements of disagreement among countries that will have to be bridged for real consensus to emerge." – PwC

## The Road Ahead

### Impact on MNCs

"...For the purposes of the ETR (effective tax rate) calculation, a global standard tax base will need to be devised to determine the accepted tax adjustments ranging from capital allowances to participation exemptions."

### G-7 agreed. Now what?

"...How will the calculations work in practice? How will they define 'profit'? How can we get hold of and process the data we need to be able to comply?"

### Lawrence Wong, Minister for Finance:

"We will continue to ensure that our tax system is compatible with international norms, while managing the administrative and compliance burden on businesses."

### Parliamentary Response:

"...when a global consensus on an internationally agreed minimum effective tax rate is reached, we will make adjustments to our corporate tax system where needed, in consultation with the industry."

## Impact on Singapore

### [Liu Hern Kuan, Head of Tax, Tan Peng Chin LLC:](#)

“The majority of companies benefiting from existing tax incentives are likely to fall under the €750 million revenue threshold and be unaffected by the G-7 deal. However, the multinational companies (MNCs) that are caught by the minimum tax are likely to have a disproportionate effect on Singapore's economy.”

### [Loh Eng Kiat, Tax Practice Leader, Baker Tilly Singapore:](#)

“Some longstanding tax incentives here could well face existential challenges; yet many are set to operate “business as usual” especially with the ongoing discussions that certain industries (eg international shipping, financial services, commodities trading, etc) ought to be excluded from some of the new rules.”

### [David Sandison, Singapore Practice Leader & Head of Tax, Grant Thornton Singapore:](#)

“Other businesses will, of course, be affected if this causes any reduction in the presence of multinational businesses and, as a result, in the extensive ecosystem of SMEs in Singapore that support them.”

### [Simon Poh, Associate Professor \(Practice\), NUS Business School:](#)

“A more realistic global minimum corporate tax rate of 15 per cent may bring it closer to global acceptance and soften its negative impact on Singapore, but it would still require the country to rethink incentives for large MNCs.”

## What Needs to be Done?

### [Ajay Kumar Sanganeria, Head of Tax, KPMG Singapore:](#)

“It is unclear when the rules will be implemented but businesses in Singapore would need to consider the impending impact of these announcements starting now.”

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### [Soh Pui Ming, Head of Tax, EY Singapore:](#)

“...Singapore will need to accelerate the build-up of its X-factors to attract and retain the MNCs, which for the tech sector may mean the need to develop a talent pool fast enough to support this rapidly growing industry.”

### [Low Hwee Chua, Regional Managing Partner, Tax & Legal, Deloitte Southeast Asia:](#)

“While the global minimum tax may limit the effectiveness of our tax incentives, Singapore could still remain a favourable investment destination if it continues to maintain and strengthen its other competitive advantages including political stability, pro-business environment, IP protection, diverse talent pool and the resilient spirit of Singapore.”

### [Chris Woo, Head of Tax, PwC Singapore:](#)

“We are confident that existing measures can be enhanced and new ones can be developed to maintain and even increase the attractiveness of Singapore for businesses to decide that it's the right place to grow and do business in.”