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MEETING DOCUMENT

From:	Presidency
To:	Working Party on Tax Questions (Digital Taxation)
Subject:	Tax challenges arising from digitalisation

Delegations will find attached a document in view of the Working Party on Tax Questions (Direct Taxation - Digital) on 11 October 2019.

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1 Background

1. OECD's Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy (PoW) was adopted at the Inclusive Framework on BEPS (IF) at its May 2019 meeting. It was endorsed by the G20 ministers at their meeting on 9 June 2019.
2. PoW includes Pillar 1 and 2 proposals. Pillar 1 focuses on the allocation of taxing rights and seeks to undertake a coherent and concurrent review of the profit allocation and nexus rules. In the background of Pillar 1 there are different proposals (user participation, marketing intangibles and significant economic presence) made by some IF members. The PoW includes different approaches (the modified residual profit split method, the fractional apportionment method and distribution-based methods) that need to be explored. Pillar 2, on the other hand, includes a Global anti-base erosion proposal (GloBe) and explores the possibilities for other jurisdictions to apply the rules when income is taxed at an effective rate below a minimum agreed rate. The OECD work is aimed at achieving a consensus-based solution by the end of 2020.

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