OXFAM

Oxfam submission for the OECD public consultation on the Unified Approach

Dear Secretariat,

Oxfam welcomes the opportunity to share its views on the proposal about the 'Unified Approach' under pillar 1 as presented by the Secretariat serving the OECD/G20 IF (hereafter the Secretariat) on the 9th of October 2019.

Oxfam has been following the current negotiations on the reform of the international tax system, referred to as 'BEPS 2.0' plan, closely. It has also actively participated in the previous public consultation process organized in March 2019.

Oxfam supports a transformative international reform of the corporate income tax rules leading to an equitable rebalancing of taxing rights among countries, in particular between developed and developing countries. For Oxfam any outcome of the 'BEPS 2.0' process should be judged on precisely these terms: to what extent this new package of reforms is successful in addressing tax dodging and tax competition and will global inequalities in taxing rights be addressed by the proposed outcome?

Before responding to the specific questions raised in the public consultation document, Oxfam would like to share the following general remarks:

- Oxfam considers that these negotiations are not aiming anymore at a fundamental overhaul of the international corporate tax framework to fit the economic reality of the 21st century. Instead, the OECD is set to develop new rules likely to introduce new complexities and grey zones in addition to an already very complex system, that will however not achieve the overall aim of ending corporate profit shifting and tax competition. It feels like the OECD stopped halfway through to compromise between countries willing to make the system fundamentally change and countries wanting to stay as close as possible to the current system to protect their interests. The proposed rules will only redistribute a limited amount of taxing rights, for a limited number of activities and businesses. Oxfam believes the Secretariat should aim at finding a solution for all economic sectors and ensuring sufficient taxing rights for operations in consumer markets as well as manufacturing and natural resource operations. This should lead to a truly equitable rebalancing of taxing rights between developed and developing countries.
- Oxfam is surprised to read public statements (e.g. interview in MNE tax magazine[1]) from the OECD indicating that it is sufficient for a group of large and small countries to agree in negotiating a final outcome under pillar 1. This increases our concerns that the new rules may not be designed in such a way that they are based on fairness principles and work for all countries. It is key that the interests and special needs of developing countries are fully taken into account., The secretariat should ensure that all countries have equal influence in the process and guarantee that all voices are heard equally including those of low income countries. In the end these negotiations should generate more revenues for developing countries, vital to reach the Sustainable Development Goals by 2030, face the climate crisis and the looming debt crisis.

[1] https://mnetax.com/unanimity-not-required-to-update-rules-for-taxing-multinational-groups-oecds-saint-amans-says-36188

- Oxfam reiterates the need for a comprehensive reform encompassing both an ambitious reallocation of taxing rights between developed and developing countries (discussed under Pillar 1) and the set-up of an ambitious minimum effective tax rate at the global level (discussed under Pillar 2). A proper reallocation of taxing rights under Pillar 1 should be matched by an ambitious and effective minimum effective tax rate under Pillar 2, to prevent that diminished profit shifting opportunities lead to another round of tax rate reductions or an exacerbated provision of wasteful corporate tax incentives. If the reallocation of taxing rights under Pillar 1 would be limited in scope or size, a strong outcome under Pillar 2 would become even more important, to address remaining BEPS challenges (involving for example profit shifting by non-consumer facing businesses, if these were to be excluded from Pillar 1). Thus, only a sufficiently strong combination of both Pillars will lead to a predictable, sustainable and fair corporate tax revenues for all countries.
- Oxfam calls on the OECD to publish its impact assessments of the current proposals to inform negotiations as soon as possible. It is unreasonable to expect countries and politicians in those countries to support proposals without an informed analysis of how such changes are likely to affect their economies.
- Oxfam hopes that these negotiations are the needed wake-up call to develop more and better data to assess the effect of existing and proposed tax measures. Therefore, we also call on all IF member jurisdictions to use the scheduled review of the OECD's Country-by-Country standard to replace the confidential exchange system with a public disclosure system. Also, we call on government to publish aggregated statistics based on Country-by-Country reports that have already been filed. The United States has taken at least a first step in the right direction by publishing its aggregated CBCR data for 2016, outlining how vital such data are to understand profit allocation per country. Moreover, developing countries are not equally benefitting from the OECD designed exchange of country-by-country data.

Oxfam hopes these remarks along with our developed responses below can be considered in the decision-making process. Oxfam remains constructively engaged in this process.

Yours Sincerely,

Susana Ruiz and Oliver Pearce

Oxfam International Tax Policy Leads

Oxfam's comments have been prepared by Francis Weyzig, Johan Langerock and Quentin Parrinello with contributions from Henry Ushie (Nigeria), Armando Mendoza (Peru), Awa Penda Ndiaye (Senegal), Joab Okanda (Kenya), Didier Jacobs (US), Joanna Spratt (New Zealand), Christian Hallum (Denmark), Chiara Putaturo (Brussels), Hanna Nelson (Sweden), Oliver Pearce (UK) and Susana Ruiz (Spain).

General remarks:

- Firstly, Oxfam finds it problematic for stakeholders to be asked to contribute to this Unified Approach document - and unreasonable for countries to make a well-informed contribution to the further development of the process of this Pillar 1 - without having access to the economic impact assessment and based on economic evidences of the impacts the entire BEPS 2.0 program of work will have.
- Oxfam also considers that it remains unreasonable to assess the proposals presented under the Unified Approach of Pillar 1 in isolation from Pillar 2.
- Oxfam also rejects the artificial division of routine and non-routine profits to address in the most appropriate way a holistic understanding of how to reallocate taxing rights.

Bearing all this in mind, we however would like to propose some elements of analysis to contribute to the improvement of the "Unified Approach" as it is presented.

(1) Scope. Under the proposed "Unified Approach", Amount A would focus on, broadly, large consumer (including user) facing businesses. What challenges and opportunities do you see in defining and identifying the businesses in scope, in particular with respect to:

a. their interaction with consumers/users;

b. defining the MNE group;

c. covering different business models (including multi-sided business models) and sales to intermediaries;

Responding to point a, b and c.

The OECD presented its BEPS 2.0 initiative in January 2019 to find simple solutions to taxing companies in a digitalizing economy. The guiding principle was that solutions should not ring-fence any sector, particularly highly digitalized businesses. Oxfam believes that the focus on consumer-facing businesses featured in the unified approach is not an adequate solution to design a fairer and simpler tax system.

Firstly, there is no existing and clear definition of a consumer-facing business. Why should we create a new artificial divide in the economy for which there is no significant economic or tax rationale? Such artificial divide is set to create new complexities in determining which companies are subject to new taxing rights, leading to increasing burden on tax administrations. Moreover, it is still unclear how this reform will apply to companies with activities and business lines falling both under B2B and B2C. Determining which activities are subject to new taxing rights may lead to increasing costs both for companies and tax administrations and weaken tax certainty.

Secondly, the proposal for the scope of Amount A is full of potential carve-outs and differential treatments of different sectors. This will inevitably create new grey zones, and areas of conflict. Every carve-out is a step closer to de-facto ring-fencing a certain economy and sectors from another. Furthermore, with many established digital companies having multiple business lines, it becomes challenging to clearly categorize companies and their business lines, identify the value chains and find comparables. At the same time, traditional businesses have started to digitize their processes and services as well. This economic reality should be kept in mind when designing the tax system of the future.

The restriction to consumer-facing businesses and the possibility of carve-outs are set to reduce the number of companies subject to the new rules – and by extension the amount of taxing rights reallocated between countries.

The lack of political will is now endangering a future-proof solution to our broken international tax system. Tax administrations and taxpayers will likely pay the price with significant new complexities while tax revenues in countries won't increase drastically, and especially not in developing countries. Without ambition, unilateral tax measures (simple and efficient despite not being a transformative solution) may keep on proliferating and a new round of international tax negotiation may be needed in a few years to address all the remaining challenges, further weakening tax certainty.

For Oxfam new rules should apply to all profits of companies from all economic sectors, including extractives and commodities, with no carve-outs, and a distribution key reflecting the economic and value adding activities throughout the value chain (e.g. resource extraction, manufacture, distribution). The OECD should find a solution for the whole economy if it seeks new and truly transformative rules.

d. the size of the MNE group, taking account of fairness, administration and compliance cost;

Oxfam notes that the lack of publicly available economic impact assessments prevents an evidence-based analysis on how to set the lowest and therefore meaningful reasonable threshold. Despite this, Oxfam observes that some large developed countries are advocating for a high size threshold to limit the impact of the reform. Thresholds higher such as the one defined in BEPS Action 13 on Country-by-Country reporting i.e. EUR 750 million of annual turnover are being promoted by several countries.

The OECD and all countries around the table at the Inclusive Framework should consider the following when negotiating a size threshold. Any threshold should keep the scope of companies meaningful for developing countries. If excessively high, that will undermine the impact of companies to be affected specially in developing countries.

- First of all, a multinational company considered large at domestic level may be considered medium or small at global level. Excluding these companies could hurt especially small economies and developing countries. In numbers such threshold leaves out 85-90 % of multinational companies.
- Secondly, it is hard to see a rationale for any size threshold for the MME group for the new profit allocation methods. These proposals are intended to apply to both multinational companies that already have a taxable presence under current rules, as well as to those to which the proposed new nexus would apply. The size

thresholds would mean that multinational companies having a physical presence would be taxed differently depending on their global size. It seems unnecessary, undesirable and unjustifiable to make this proposed new allocation method applicable only to the globally largest multinational companies.

Oxfam would like to stress the need to discuss the threshold with publicly available economic impact assessment to have a thorough idea of what is the best threshold. However, Oxfam emphasizes that there is no economic or tax rationale for a EUR 750 million threshold, or even higher (as seems to be considered) and such a threshold leaves out 85-90 % of multinational companies. Oxfam calls for a threshold at the lowest level so that the number of companies to be covered and the implications for developing countries can be meaningful. Obviously, any higher threshold would be highly undesirable and even further marginalize the impact the reform.

e. carve outs that might be formulated (e.g., for commodities)?

We emphasize that a more comprehensive approach is desirable, involving allocation of full profits and without trying to distinguish between routine and non-routine profits. Under such an approach, no carve outs or other limitations in scope would be needed. Instead, differences between economic sectors should be accounted for by assigning different weights to various factors for the allocation of profits. However, if the alternative to be considered is an Amount A approach that is narrowly focused on reallocation of a fraction of total profits towards market jurisdictions, carve outs would be needed for commodities. Such a carve out should exclude from Amount A the extraction and processing of natural resources, but it need not to exclude services provided from abroad related to production of natural resources. See also response above under point a, b and c.

(2) New nexus. Under the proposed "Unified Approach", a new nexus would be developed not dependent on physical presence but largely based on sales. What challenges and opportunities do you see in defining and applying a new nexus, in particular with respect to:

a. defining and applying country specific sales thresholds; and

b. calibration to ensure that jurisdictions with smaller economies can also benefit?

Responding to point a and b.

Oxfam welcomes the step of creating a new non-physical nexus. However, Oxfam still calls for a complete revision of the permanent establishment definition, as has been requested by many non-OECD countries in the past. Oxfam opposes a stand-alone provision and calls for a fundamental reform of the existing permanent establishment definition as included in article 5 of the OECD Model Tax Treaty. A source of inspiration could be the work conducted by the UN Tax Committee which proposes a revenue-based threshold as a new comprehensive permanent establishment definition: ''A revenue-based threshold would replace the existing thresholds based on a fixed place of business, duration-of service activities, or the conclusion of contracts by dependent agents. It would remove the need for having a list of exceptions or distinguishing between dependent and independent agents. The revenue realized from transactions (online or offline) with customers in a market country would be the only, or main, basis. The goal of the revamped PE is to ascertain the level of a non-resident enterprise's engagement in the economy of the market country and the enterprise's benefit from the infrastructure and business environment created by that country. It would treat traditional businesses and digital businesses in the same manner. A non-resident enterprise's significant economic presence in a market country entitles that country to tax the profit derived from such presence. It would be consistent with the policy rationale of the current test. However, as a radical change from the existing test, it could be difficult to develop an international consensus on the issue.''

(3) Calculation of group profits for Amount A. The starting point for the determination of Amount A would be the identification of the MNE group's profits. The relevant measure could be derived from the consolidated financial statements. In your view, what challenges and opportunities arise from this approach? Please consider in particular:

a. what would be an appropriate metric for group profit;

b. what, if any, standardised adjustments would need to be made to adjust for different accounting standards; and

c. how can an approach to calculating group profits on the basis of operating segments based on business line best be designed? Should regional profitability also be considered?

Response to a, b and c.

Oxfam supports the idea of determining a multinational's tax base based on the group's profits. The metric used could be either starting from a multinational's consolidated financial statements prepared under the accounting standards of the headquarters jurisdiction in accordance with the Generally Accepted Accounting Principles (GAAP) or the International Financial Reporting Standards (IFRS) or aggregated Country-by Country data submitted under BEPS Action 13.

Oxfam rejects the idea of segmentation. Business models are fluid and the margins of difference between business lines are very thin.

(4) Determination of Amount A. In determining Amount A, the second step would exclude deemed routine profits to identify deemed residual profits. The final step would allocate a portion of the deemed residual profits (Amount A) to market jurisdictions based on an agreed allocation key (such as sales). In your view, what challenges and opportunities arise from this approach?

Oxfam welcomes the initiative to move beyond the arm's length principle, which has turned out to be the root cause of many tax avoidance structures. Oxfam also welcomes the idea to develop a formula that can be easily applied to transnational companies. However, Oxfam is concerned with the pathway to construct this formula and the underlying principles of the formula.

The proposed reforms should be designed in such a way that they deliver for developed as well as developing countries and for large as well as small economies.

However, this "Unified Approach" risks in leading to further complexity while the initial goal was to simplify the system and design easy-to-implement rules. It could create a parallel system that operates on top of the existing transfer pricing system, meaning that a large chunk of multinational's profits could remain under the same taxation regime. Such an outcome should be avoided.

A new profit allocation method should take more factors into account than sales only. Distribution of profits on the basis of a single sales factor will disproportionally benefit large consumer markets, without taking into account countries in which innovative activities take place, natural resources are extracted or large production facilities are based.

As such, broader measures of activity should be used like employment and production. In the end, not only countries with marketing activities should be remunerated more fairly. Also, natural resource countries should be protected better to effectively raise revenues and countries with large manufacturing and distribution facilities should get sufficient taxing rights, regardless of how risks and functions are allocated on paper.

As it stands the proposal will likely only deliver a very limited increase in taxing rights for most countries despite involving a lot of complexities, as only a very small fraction of the total profits of some multinationals will be covered by the new system. A new profit allocation method should consider **all** profits. **No distinction should be made between routine and non-routine profits.** Such a distinction maintains the status quo of a misfunctioning transfer pricing system that will still apply for the bulk of cross-border transactions and make the system even more complex.

Moreover, the idea of splitting the non-routine profits further into trade and marketing intangibles is hard to understand. One of the reasons for BEPS2.0 initiative was the increased importance of intangibles in a multinational's value chain and the arm's length principle being inadequate for an economy based on intangibles. Despite that assessment, the proposed rule will still apply the old transfer pricing rules to certain intangibles but not to others. This division should not take place. A good formulary apportionment for the entire profits of the group should remunerate countries fairly for both the development of trade and production intangibles.

Going further, the current proposal seeks to apply fixed percentages. Oxfam understands this from a point of view of seeking simplicity, however this approach cannot provide the basis for a solution that could be effective, sustainable or accepted as fair. There are enormous differences between economic sectors, business models and even individual firms. Hence, agreed fixed percentages could only provide a very crude approximation of both the residual profit and the portion of it attributable to market jurisdictions.

In Oxfam views, solutions should be broad and encompass all businesses, with appropriate allocation rules for different business sectors, leading to a level playing field and horizontal equity. There should be no business line or regional segmentation in the application of the new profit allocation method. Such segmentation will be unworkable for developing countries, and will likely lead to more disputes due to information asymmetry.

At minimum the Inclusive Framework should agree to consider the entire set of residual profits to be redistributed among countries and this through an allocation key that takes more into account than sales only.

In any case, without having access to evidence, impact assessment data and simulation tools results, such exercises are fraught with political risks especially for developing countries. Only fair, simple and easy methods of allocating all profits based on production, consumption and employment criteria will make the tax system effective, fit for purpose and sustainable for the next decades. Complex and unfair rules will inevitably lead to more disputes and unilateral adjustments between taxpayers and tax administrations.

5. Elimination of double taxation in relation to Amount A. What possible approaches do you see for eliminating double taxation in relation to Amount A, considering that the existing domestic and treaty provisions relieving double taxation apply to multinational enterprises on an individual-entity and individual country basis? In particular, which challenges and opportunities do you see in:

a. identifying relevant taxpayer(s) entitled to relief;

b. building on existing mechanisms of double tax relief, such as tax base corrections, tax exemptions or tax credits; and

c. ensuring that existing mechanisms for eliminating double taxation continue to operate effectively and as intended.

The proposed Unified Approach solution raises more complexity and is likely to lead to increasing tax disputes due both to double taxation and double non-taxation risks. Oxfam supports a formulary apportionment of all global profits according to a distribution key based on production, consumption and employment criteria. Such an approach would eliminate double taxation risks.

(6) Amount B. Given the large number of tax disputes related to distribution functions, Amount B of the "Unified Approach" seeks to explore the possibility of using fixed remunerations, reflecting an assumed baseline activity. What challenges and opportunities does this approach offer in terms of simplification and prevention of dispute resolution? In particular, please consider any design aspects and existing country practices that could inform the design of Amount B, including:

a. the need for a clear definition of the activities that qualify for the fixed return; and

Oxfam welcomes the idea of seeking simple to implement solutions for baseline activities of multinational companies. However, the mechanisms outlined as "Amount B" appear as an attempt to compensate for some very specific shortcomings of the transfer pricing system, rather than to solve the underlying problems. The problems related to the transfer pricing system go far beyond distribution functions of multinational companies. Multinational companies also operate production, R&D and other activities in source countries that they claim work on a stripped risk basis. Therefore, developing an approach to allocate all profits of large multinationals in a simplified way would be a better solution.

While we find the limited approach for Amount A as currently proposed by the OECD Secretariat undesirable, this could be somewhat compensated by applying the Amount B approach more broadly. It could apply equally to toll manufacturing, contract R&D and other baseline activities. Moreover, because of its very nature, Amount B should apply to all multinationals, regardless of the size of the group, the type of business, or profitability at group level. Digitalization of the economy exacerbates these problems, yet risk stripping and related transfer pricing disputes occur in all sectors and are not limited to large multinationals.

A fixed remuneration for baseline activities within multinational companies also seems to be built on the assumption that there are clearly demarcated activities within companies for which historical market data on remuneration for such activities are publicly available. The increasingly digitalized economy demonstrates that business does not operate in such ecosystem. This is another reason why we support a comprehensive approach for allocation of all profits of a multinational, without having to distinguish routine from non-routine or baseline from non-baseline profits. In the absence of such an approach, Amount B can still be an improvement for governments as well as businesses, provided that it really operates as a fixed and sufficient remuneration and cannot easily be gamed.

Amount B should not operate as a safe harbour for tax payers with an arm's length escape, otherwise it will fail to increase tax certainty or to prevent disputes. That requires a clear distinction between baseline activities, to which the new Amount B approach applies, and non-baseline activities, to which the Amount C or the traditional arm's length method approach applies. Note that for baseline activities (including limited risk distribution, production and R&D activities), a fixed positive remuneration would be appropriate; for non-baseline activities, under the current system profit margins are more variable and can be higher but also negative. Thus, the Amount B and Amount C approaches should be mutually exclusive. However, in practice such a separation is difficult, because tax-aggressive firms might seek to game this distinction by adding a minimum amount of non-baseline activity (or slightly reduce risk stripping), continuing to report very low margins (on average) for the operations involved, and seeking to justify these low margins on the basis of traditional arm's length pricing. Uncertainty and disputes would then continue to be a problem, not for baseline activities that clearly fall within the Amount B approach, but for activities that fall just outside it or in a grey zone in between the Amount B and Amount C approaches.

From the perspective of governments and non-aggressive tax payers, a practical solution to reduce this problem might be to define baseline activities in a relatively broad way, applying the Amount B approach also to operations that retain a few functions, assets or risks that would usually be moved to other affiliates in case of tax-driven risk stripping. Alternatively, tax authorities could be granted some discretionary power to classify operations in the grey zone.

Oxfam calls on the OECD Secretariat to develop alternative proposals for the demarcation of baseline activities that can be tested by tax authorities, including by tax authorities of small developing countries. The proposals should cover different types of baseline activities, such as baseline distribution, manufacturing and R&D activities. The key findings from tests and impact assessments by tax authorities should be published to inform the development of a baseline activities definition for Amount B.

b. a determination of the quantum of the return (e.g., single fixed percentage; a fixed percentage that varied by industry and/or region; or some other agreed method).

Oxfam calls for an economic impact assessment to make a well-informed recommendation to determine the return under Amount B.

A key criterion to assess levels or formulas for determining the return under Amount B is that they should generate substantial additional revenues for various types of developing countries. This is because developing countries, especially those with limited administrative capacity, are currently losing revenues because of profit shifting to low-tax jurisdictions via aggressive risk stripping. Thus, if the Amount B approach would be effective, the approach would strengthen the taxing rights of countries that are on balance suffering from aggressive reallocation of risks away from domestic operations. This also implies that the Amount B approach should be simple enough to implement, including for capacity-constrained developing countries, and that all required information is readily available to tax authorities.

Note that such additional revenues can be generated in two ways. First, the new rules will discourage risk stripping. Some multinationals may therefore stop using tax-driven low-risk structures, and assign more functions, assets and/or risks to operations that were previously limited to baseline activities. These upgraded operations will fall outside the scope of the Amount B approach, thus leading to additional tax revenues from non-baseline activities, taxed under traditional arm's length rules. Second, some multinationals may continue to operate low-risk structures, either because these are not tax-driven or because the Amount B approach does not fully eliminate the corresponding tax advantages. Amount B will increase taxing rights for these baseline operations and generate tax revenues via the fixed remuneration method itself. For both channels, it is important that the fixed remuneration is high enough, and substantially higher than the taxable profits that would otherwise be attributed to baseline activities.

Different ways for determination of the fixed return could be justified, provided they meet the key criterion above. Obviously, there are trade-offs. A single fixed percentage is easiest to implement. However, similar to Amount A, this might not be sustainable or accepted as fair, because of enormous differences in normal returns between economic sectors. A fixed percentage by industry could provide a more balanced solution, while it would still be relatively simple. The complexities of business line segmentation at group level may be avoided, because Amount B is applied at the level of a subsidiary or permanent establishment, unlike Amount A that starts from the global level. Moreover, applying the Amount B approach to all types of baselines activities, including limited risk distribution, toll manufacturing and contract R&D, may require the use of different percentages for different types of baseline activities as well. A percentage that is linked via some formula to the global profit margin of the multinational group as a whole might be more sophisticated and allow consideration of differences in profitability between individual firms as well as economic sectors. However, this would greatly increase information needs for tax authorities. Considering that Amount B would be appropriate for all multinationals, regardless of the size of the group, a formula that involves group level data requires a great increase in public transparency or automatic exchange of information covering all countries.

It may be desirable that multinationals are allowed some flexibility to set prices for intra-group transactions between principal entities and dependent low-risk entities or permanent establishments, so that the actual profit reported by a low-risk operation is close or equal to the fixed remuneration under Amount B. Alternatively, a corresponding adjustment may be needed in the tax base of the principal entity to avoid double taxation.

However, the rules should be designed in such that they prevent double non-taxation in case the actual profit reported by low-risk subsidiary or permanent establishment is *higher* than the fixed remuneration under amount B. Otherwise, tax-aggressive multinationals my try to abuse the new rules by allocating excessively high profits to baseline activities. Although it would be the primary responsibility of the jurisdiction where a principal risk-bearing entity is located to ensure that profits are not shifted towards baseline operations through too low compensation for the functions, assets and risks of the principal entity, the inherent limitations of the arm's length method mean that this could sometimes be difficult. An additional safeguard against such abuses could be to be make Amount B a minimum taxing right, and allow jurisdictions to tax the higher of Amount B and actual reported baseline profits. Note that such an additional safeguard under the Amount B approach would be different from Amount C. It would apply only in situations where Amount C does not apply and where the arm's length principle may not work well.

(7) Amount C/dispute prevention and resolution. In the context of Amount C of the "Unified Approach", what opportunities do existing and possible new approaches to dispute prevention offer to reduce disputes and resolve double taxation? In particular, what are your experiences with existing prevention and resolution mechanisms such as:

a. (unilateral or multilateral) APAs;

b. ICAP; and

c. mandatory binding MAP arbitration?

Response to a, b and c.

There should be no mandatory binding arbitration, because this would create a parallel undemocratic system to the existing national and international legal system. Instead the Inclusive Framework should focus on negotiating rules to avoid disputes. To do it will require having simple rules so they can be applied equally by countries with high and low capacity.

The problems related to the global tax system require a global solution. However, due to the concerns outlined above, we believe it is important that the outcome of the Pillar 1 negotiations, at the very least, does not restrict the possibilities for countries to go further and apply unilateral measures to protect their tax base and ensure that multinational corporations pay their share of tax. As such, amount C as currently worded, can be an important policy trap for low income countries and others as it could mean that, regardless of how well the BEPS 2.0 negotiation works for them, countries that join may be unable to deviate from it.