G20 Press Release on International Taxation

1. We welcome the recent progress on addressing the tax challenges arising from digitalization of the economy led by the Inclusive Framework on Base Erosion and Profit Shifting (BEPS), along the lines of the work program endorsed by G20 Leaders in June. The work program consists of a two-pillar approach. The first pillar focuses on the allocation of taxing rights, and seeks to undertake a coherent and concurrent review of the profit allocation and nexus rules (Pillar 1). The second pillar seeks to address the remaining BEPS risks of profit shifting to entities subject to no or very low taxation (Pillar 2).

2. We reaffirm our full support for a consensus-based solution with a final report to be delivered by the end of 2020. With a view to meeting this ambitious timeline, we stress the importance of the Inclusive Framework on BEPS agreeing to the outlines of the architecture by January 2020. The outlines will include a determination of the nature of, and the interaction between, both Pillars. We welcome the OECD Secretariat's efforts for the proposed unified approach under Pillar 1.

3. We note a public consultation process has been initiated on the OECD Secretariat's proposed unified Pillar 1 approach to seek further input from external stakeholders. The approach proposes to focus on consumer-facing businesses, including highly-digitalized business models. It would create a new nexus for taxpayers in scope not dependent on physical presence. The proposed new profit allocation rules would use formula-based methods to reallocate a portion of profits of taxpayers in scope to market jurisdictions. Greater tax certainty, including effective dispute prevention and resolution mechanisms, is a key component of the approach.

4. We look forward to further progress on both pillars in this collective endeavor at the Inclusive Framework on BEPS, and ask the OECD to update us on its work at our next meeting in February 2020 under the Presidency of Saudi Arabia.