

Implementing a global and domestic minimum tax – Australia's experience

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Overview and update on Australia's experience in implementing a global and domestic minimum tax

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Australian Context

- Corporate income tax rates of 25 and 30 per cent (large companies subject to the 30 per cent rate).
- Imputation system of corporate taxation.
- Broad tax base.
- Strong integrity rules, including:
 - thin capitalisation rules;
 - controlled foreign company rules;
 - transfer pricing rules;
 - hybrid mismatch rules; and
 - general anti avoidance rule.

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What is Australia doing?

- Implementing a 15 per cent global minimum tax and a 15 per cent domestic minimum tax for large multinational enterprises based on the OECD's Global Anti-Base Erosion (GloBE) Model Rules.
 - Income inclusion rule (IIR) will apply to fiscal years commencing on or after 1 January 2024.
 - Undertaxed profits rule (UTPR) will apply to fiscal years commencing on or after 1 January 2025.
 - Domestic minimum tax (DMT) will apply fiscal years commencing on or after 1 January 2024.

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Overview of Australia’s implementation process

Ongoing participation in the OECD process

Consultation

Impact Analysis

Government and Parliamentary Processes

Australia along with over 130 other countries endorsed the OECD’s *Statement on a Two-Pillar Solution to Address the Challenges Arising from the Digitalisation of the Economy*.

2021

Consultation paper published, *Global agreement on corporate taxation: Addressing the tax challenges arising from the digitalisation of the economy*.

2022

Australian Government announced that Australia would implement a global and domestic minimum tax based on the GloBE rules.

Impact analysis published.

Confidential consultation on draft legislation.

2023

Exposure draft legislation released for public comment.

Consultation paper released on ‘interaction’ issues.

Further, confidential consultation on draft legislation.

Peer review – self assessment.

Primary legislation introduced into Parliament (July 4) - expected to be passed before end of 2024.

Subordinate legislation will follow passage of primary legislation (either end of 2024 or start of 2025).

2024

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Consultation

- Digital Tax Working Group.
 - Established in 2021 to engage with stakeholders across all sectors on Pillar One and Pillar Two.
- Consultation paper, *Global agreement on corporate taxation: Addressing the tax challenges arising from the digitalisation of the economy*.
 - Released in 2022 and sought views ‘on how Australia can best engage with a new global agreement on corporate taxation that applies to large multinational companies.’
- Exposure draft legislation on the global and domestic minimum taxes released in March 2024.
- Consultation paper *Global and domestic minimum taxes: interactions with other Australia laws*.
 - Released in 2024 and sought ‘feedback on interactions with Australia’s hybrid mismatch rules, foreign hybrid entity rules, foreign income tax offsets, and controlled foreign company rules.’
- Pillar Two Global and Domestic Minimum Tax Working Group.
 - Established by the Australian Taxation Office in 2024, to support consultation on implementation.

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Impact Analysis

- 5,000 multinational groups operating in Australia fall within the scope of the global and domestic minimum tax.
- 140 of those groups likely to be subject to top up tax.
- Key economic impacts for Australia from implementing a global and domestic minimum tax:
 - A smaller differential between Australia's corporate tax rate of 30 per cent and the effective tax rate of other countries.
 - Reduce incentives for large multinational groups to use profit shifting strategies.
 - Increased compliance costs for large multinational groups.
- Estimated revenue impacts
 - Increased receipts of AUD \$370 million over the five years from 2022-23
 - Over the same period, costs associated with administering the taxes estimated to be AUD \$111 million

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Australia’s global and domestic tax legislation

- A separate tax law - that is the legislation will not form part of Australia's existing income tax assessment law.
 - However, the administrative powers of the Commissioner of Taxation in relation to the global and domestic minimum tax are incorporated into the existing *Taxation Administration Act 1953*.
- Primary and subordinate legislation.
- Primary legislation:
 - Taxation (Multinational—Global and Domestic Minimum Tax) Bill 2024;
 - Taxation (Multinational—Global and Domestic Minimum Tax) Imposition Bill 2024; and
 - Treasury Laws Amendment (Multinational—Global and Domestic Minimum Tax) (Consequential) Bill 2024.
- Structure and language closely follows the GloBE Model rules. Includes a requirement that the legislation is interpreted consistent with:
 - The GloBE Model Rules;
 - The Commentary;
 - Agreed Administrative Guidance; and
 - Safe Harbours.

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Interactions with existing laws

- Imputation system.
 - Domestic minimum tax will give rise to franking credits.
 - Global minimum tax will not give rise to franking credits.
- Other interactions.
 - Hybrid mismatch rules.
 - Foreign hybrid rules.
 - Foreign income tax offsets.
 - Controlled foreign companies.
- General policy approach to interactions:
 - Australian income tax laws will continue to apply to relevant taxpayers prior to any application of the global and domestic minimum taxes.
 - However, a foreign jurisdiction's domestic minimum tax, in some circumstances, will take precedence over Australia's income tax laws.
 - The treatment of any interactions should be consistent with the OECD Model Rules to ensure Australia's global and domestic minimum tax rules achieve qualified status under the OECD Peer Review processes.

End

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Links

- [Global agreement on corporate taxation: Addressing the tax challenges arising from the digitalisation of the economy \(Consultation paper, 2022\)](#)
- [Two-Pillar Solution: addressing the tax challenges arising from the digitalisation of the economy Impact Analysis March 2023](#)
- [2023-24 Budget announcement – Implementation of a global minimum tax and a domestic minimum tax](#)
- Exposure draft legislation websites released for public comment:
 - [Primary Legislation](#)
 - [Subordinate legislation](#)
- [Global and domestic minimum taxes: Interactions with other Australian tax Laws \(Consultation Paper 2024\)](#)

Primary legislation (as introduced into Parliament).

- [Taxation \(Multinational—Global and Domestic Minimum Tax\) Bill 2024](#)
- [Taxation \(Multinational—Global and Domestic Minimum Tax Imposition Bill 2024](#)
- [Treasury Laws Amendment \(Multinational—Global and Domestic Minimum Tax\) \(Consequential\) Bill 2024.](#)