



Dear Sir/Madam,

CFE Tax Advisers Europe has now published an [Opinion Statement](#) that sets out CFE's response to the OECD public consultation on the [Global Anti-Base Erosion Proposal under Pillar Two](#).

CFE welcomes the Public Consultation document 'Global Anti-Base Erosion Proposal' as a blueprint for further negotiations among the members of the Inclusive Framework aimed at addressing the shortcomings of the international tax system that are exacerbated by the digitalisation of the economy. However, CFE is of the view there are too many variables in the GloBE proposal, with ramifications that could arise from the open policy and key design questions.

As a minimum, CFE considers that the final design of the GloBE proposals should reflect the following fundamental principles:

- Certainty for taxpayers and tax administrations,
- Simplicity and minimal compliance costs and complexities, and
- Absence of double or multiple taxation.

Considering that Pillars One and Two serve distinct but concurrent objectives, CFE's Opinion Statement also sets out the following key elements that it views should be embedded as part of this process and its outcome:

- The process needs to address the interaction of the four elements of Pillar Two, as it transpires that these are not intended to apply simultaneously, but no decision has been made as to which rule will take priority.
  - The complexity of this proposal under Pillar Two confirms the need for a streamlined multilateral cooperation process; otherwise the system will become unworkable.
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- The introduction of CFC rules are designed to achieve the same objective as the income inclusion rule. From CFE's perspective a simpler alternative to the income inclusion rule might be world-wide introduction of effective CFC rules.
- There are potentially a number of EU law points raised with the income inclusion rule which must be considered and resolved.
- The achievement of the policy aim to establish global minimum tax will depend significantly on the chosen model: jurisdiction-by-jurisdiction approach or an average global rate approach.
- Clarity would be welcome on the interaction between Pillar One and Pillar Two – CFE welcomes introduction of multilateral instruments where treaty benefits/ payments are being denied based on effective rate under Pillar Two, if the effective tax rate is based on a payment that is subsequently spread across multiple jurisdictions under Pillar One.
- As with Pillar One enhanced dispute prevention and resolution mechanisms will be essential, including multilateral mandatory binding arbitration.
- CFE is concerned that the use of financial accounts as a starting point for determining the tax base for the GloBE proposal would amount to more complexity.

Finally, to evaluate the full effect of the existing BEPS standards, some of which are still under implementation in most countries of the Inclusive Framework, a longer-term perspective seems more appropriate to appreciate the entirety of the remaining BEPS issues. Within the EU a number of anti-BEPS policy and legislative measures have been introduced with the ATAD directives, which significantly reduce the incentives to shift mobile tax bases to low-tax jurisdictions. Consequently, more time should be allowed to evaluate the full effect of the BEPS-related anti-avoidance measures, before any such complex rules are introduced.

We invite you to read the [Opinion Statement](#) and remain available to discuss any questions or comments.

Kind regards,

The Office Team at CFE Tax Advisers Europe

Avenue de Tervueren 188A

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B - 1150 Brussels

T. +32 2 761 00 91

E. [info@taxadviserseurope.org](mailto:info@taxadviserseurope.org)

W. [www.taxadviserseurope.org](http://www.taxadviserseurope.org)

EU Transparency Register No. 3543183647-05

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