Explained: Global Minimum Corporate Tax

ABC

- Corporate Taxes and its importance
- Tax Haven
- Tax Avoidance
- Base Erosion and Profit Shifting
How Corporates Avoid Tax

- IP Restructuring

- Thin Capitalization

- Double Irish and Dutch Sandwich
Proposal – Global Minimum Corporate Tax (GMCT)

• The corporate tax rates have declined in 88 tax jurisdictions between 2000 and 2020 and has risen in just six countries
• As per OECD, countries are annually losing $100 bn to $240 bn annually annually because of profit shifting
• Have a GMCT of 21%
GMCT – How it will work?

GMCT – Good and Bad

GMCT - India – Good or Bad?
Reforms Taken by India

- Has ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (Multilateral Instruments - MLI)
- Has signed pact with US to automatically exchange CbC reports
- Has amended Mutually Agreed Procedure
- Advanced Pricing Agreement
- Equalization Levy
Questions:

Q.1 Which of the following committees is related to Equalization Levy in India?
   a. M K Jain Committee
   b. Malegam Committee
   c. Akhilesh Ranjan Committee
   d. None of the above

Q.2 Consider the following statements regarding Equalisation Levy

2. The companies using these services are required to withhold the tax amount.

Which of the statements given above is/are correct?
   a. Only 1
   b. Only 2
   c. Both 1 and 2
   d. Neither 1 nor 2
Q.3 The term ‘GAFA Tax’ sometimes appearing in the newspaper refers to –

a. Trade grouping of top 10 economies  
b. Security agreement between India and Japan  
c. Digital tax on tech companies  
d. None of the above

Descriptive Question:

Q.4 Critically analyze the issue of GMCT (250 words)