

Tax Notes Quotes Peter Barnes' Ways and Means Committee Testimony on Pillar Two

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Tax Notes

The most prominent aspect of the pillar 2 global minimum tax is how it restrains large multinationals from shifting highly mobile income to tax havens. In second place, and of secondary importance is the proposed regime's effect on tax competition. Whether you are friend or foe of tax competition, the minimum tax would eliminate government motivation to reduce multinationals' effective tax rates to below 15 percent to attract investment.

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That isn't just obscure economic reasoning. At the July 19 House Ways and Means Committee hearing that was mostly about pillar 2, Peter A. Barnes, who is president of the International Fiscal Association [and Of Counsel at Caplin & Drysdale] and has over two decades of experience as senior tax counsel at General Electric, responded to an inquiry about pillar 2:

It will put pressure on countries to reduce their corporate tax rates. Those people who believe that high corporate tax rates — that is, above 15 percent — are a deterrent to investment should cheer pillar 2. With a country-by-country analysis, a country like India or Japan with high corporate taxes will be starkly illustrated as having a rate where taxpayers bear an excess cost. Today, with the blended rules under GILTI, that pressure doesn't fall entirely on the high-tax jurisdictions because the taxpayers can self-help to a lower rate.

For the full article, please visit [Tax Notes'](#) website (subscription required).

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