



**BRUSSELS | 21 FEBRUARY 2022**

## **OECD Tax Talks: Update on Pillar 1 & 2**

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The OECD held a [Tax Talks](#) webinar today on 21 February concerning recent and upcoming developments in the OECD's international tax agenda, the first in almost a year, particularly focusing on updates on the two-pillar solution to tax challenges posed by the digital economy.

During the introduction to the Tax Talks update, Director of the Centre for Tax Policy and Administration at the OECD, Mr Pascal Saint-Amans informed attendees that consultations will continue to be launched in the coming months on the 14 building blocks which make up Pillar 1, namely:

- Revenue Sourcing & Nexus
- Tax Base
- Scope Test
- Exclusions - Extractives
- Exclusions - Regulated Financial Services
- Tax Certainty for Amount A
- Tax Certainty for Issues Related to Amount A
- Elimination of Double Tax
- Marketing and Distribution Profits
- Safe Harbour
- Withholding Taxes
- Administration
- Segmentation

- Unilateral Measures

Members of the Inclusive Framework aim to agree a multilateral convention by mid-2022. Input already received on the now closed consultation on [Draft Rules for Nexus and Revenue Sourcing](#) will be analysed and the OECD will finalise model rules based on this public input. The OECD also stressed that input on the newly launched consultation on the [Draft Model Rules for Tax Base Determinations](#) is welcome. Input is required on this consultation by 4 March 2022.

In relation to Pillar 2, Mr Saint-Amans noted that a model treaty provision to facilitate the subject to tax rule and draft multilateral instrument to facilitate the implementation of Pillar 2 will be released in late February/early March 2022, with one consultation to then take place on the STTR model rules and commentary and another which will focus on specific technical questions that may arise from implementing STTR in existing bilateral treaties. A further consultation on filing obligations for MNE groups, safe harbours and the ways to achieve a sensible compliance burden will follow in March 2022.

The slides and recording from the webinar will be made available on the [OECD website](#).

## **EU Parliament Adopts Resolution on Reducing EU VAT Gap**

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The European Parliament adopted a [resolution](#) last week concerning the EU VAT Gap, noting that progress to reduce the VAT Gap in the EU reversed in 2020 and that additional challenges have been posed by the exponential growth of e-commerce since the corona pandemic began, demanding new strategic policy options now be adopted.

The Parliament in the resolution noted that failure at the EU Council level to agree on the proposed definitive VAT regime "is delaying important decisions on adapting VAT for the challenges we will face during the EU's economy recovery

and whereas the absence of action means loopholes that could allow the VAT gap to grow have not been closed".

The Parliament in the resolution calls for a range of legislative action to be taken by the Commission and by the EU Council to progress reaching solutions fit for the issues posed by VAT fraud to the EU economy.

## **OECD Launches Consultation on Draft Rules for Tax Base Determination Under Pillar I**

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The OECD has launched a second consultation concerning the computation of Amount A under the Pillar 1 solution to address the tax challenges arising from digitalisation and globalisation of the economy. Input is now invited on [Draft Model Rules for Tax Base Determinations](#), although it is noted that consensus regarding the substance of the document has not yet been achieved, that the document is only a Secretariat paper at this point, and input will be used by the Inclusive Framework to further review and refine the rules.

As stated in the OECD consultation, the purpose of the tax base determinations rules is to establish the profit (or loss) of an in-scope MNE that will be used for the Amount A calculations to reallocate a portion of its profits to market jurisdictions. The rules determine that profit (or loss) will be calculated on the basis of the consolidated group financial accounts, while making a limited number of book-to-tax adjustments. The rules also include provisions for the carry-forward of losses.

Those who wish to provide feedback can submit comments until 4 March 2022 electronically in Word format by email to [tfde@oecd.org](mailto:tfde@oecd.org), addressed to: Tax Treaties, Transfer Pricing and Financial Transactions Division OECD/CTPA.

## **Applications Open: CFE Tax Advisers Europe's 2021 Albert J. Raedler Medal Award**

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Submissions are now invited for CFE's 2021 *Albert J. Rädler Medal Award*. The award was established in 2013 in order to encourage and reward academic excellence in European taxation, as well as to recognise Professor Albert J. Rädler's esteemed contribution to the field of taxation within Europe. In order to be eligible to apply, an applicant must have completed a Master's thesis in European taxation which received a distinction in the relevant calendar year, and be 30 years or under on the 31st December of that relevant year. The thesis should be written in English or, in the alternative, an English translation must be provided.

The successful applicant will be awarded with the medal at an Award Ceremony which will take place at the announced at the CFE Forum on 12 May 2022 in Brussels, Belgium. In addition to the Albert J. Rädler medal itself, the recipient will be offered travel costs in order to attend the 2022 CFE Forum, as well as a selection of premium technical literature from our partner IBFD.

Please send the applications until 18 March 2022 to the attention of Ms. Karima Baakil via email at: [info@taxadviserseurope.org](mailto:info@taxadviserseurope.org).

## **OECD to Establish New Inclusive Framework on Carbon Pricing**

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During the [Tax Talks](#) webinar on 21 February, Pascal Saint-Amans, Director of the Centre for Tax Policy and Administration at the OECD, announced that the OECD is launching a new inclusive framework on carbon pricing. This framework will address variety of issues, some of which were touched on in the [policy paper](#) released recently on the topic of decarbonising the economy by the OECD.

Mr Saint-Amans noted that a further Tax Talks Webinar will be held in the near future concerning the new inclusive framework and the particular focus of work it will undertake.

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The selection of the remitted material has been prepared by:  
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