Universitat de les Illes Balears

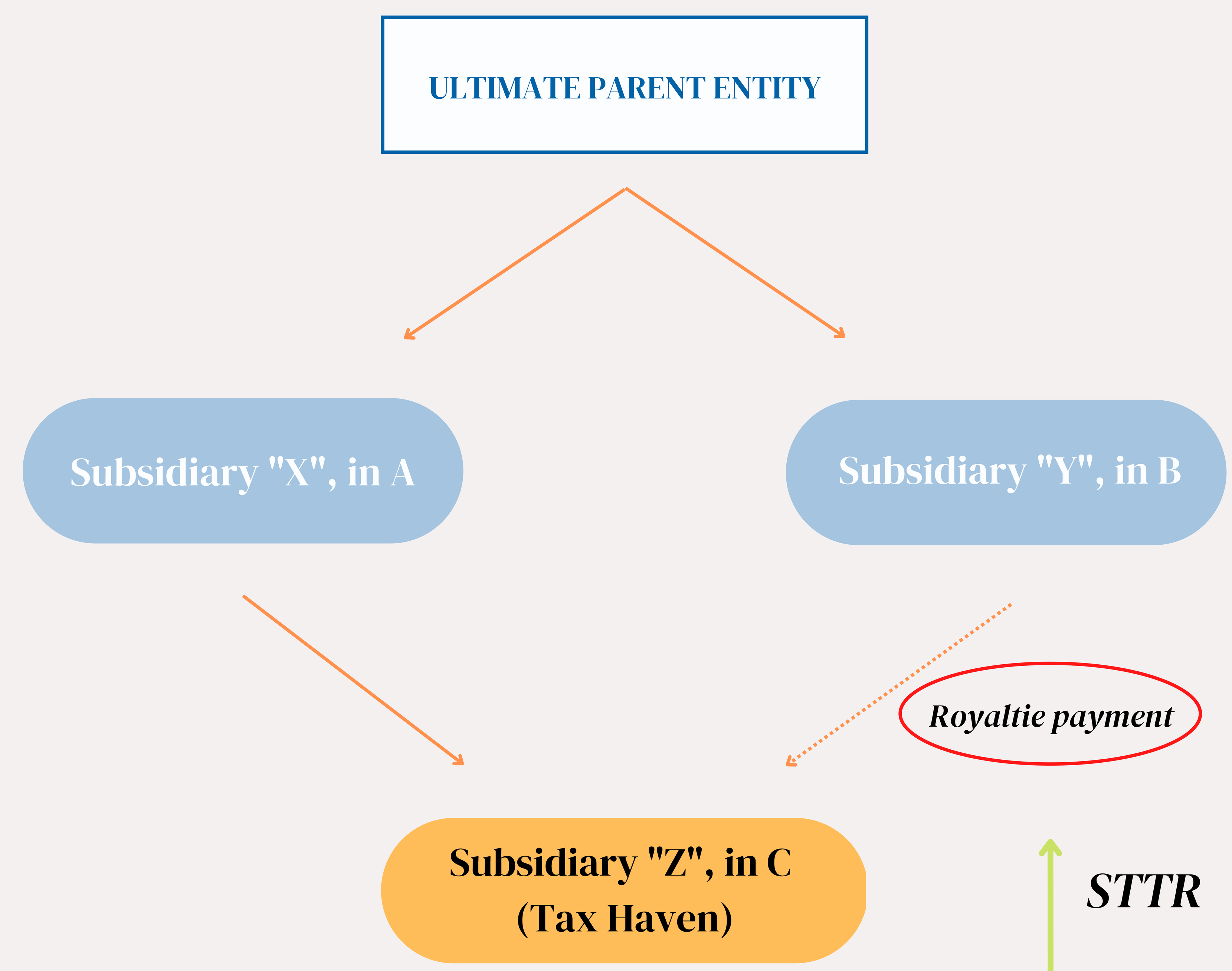
PILLAR TWO BEPS (*GLOBE RULES*): IIR AND UTPR. AND THE STTR?

ANTONI BERGAS FORTEZA*

INTRODUCTION

Pillar Two consists of two interconnected national rules (collectively referred to as global rules against tax base erosion or "GloBE rules"): i) an Income Inclusion Rule (IIR)-, which imposes a supplementary tax on a parent entity when the income of an integrating entity is subject to low taxation; and (ii) an Undertaxed Payments Rule (UTPR)-, which denies deductions or requires an equivalent adjustment to the extent that the low-taxable income of an Integrating Entity is not subject to tax under an RIR.

On the other hand, a rule is established for Taxation Agreements (the Subject to Tax Rule (STTR)) that allows source jurisdictions to impose limited taxation on certain payments between related parties subject to taxation below a minimum rate. Regarding the latter, it is interesting to analyze its practical potential as a measure to "unblock" the negotiations in the BEPS framework and thus achieve effective taxation in the field of the digital economy.

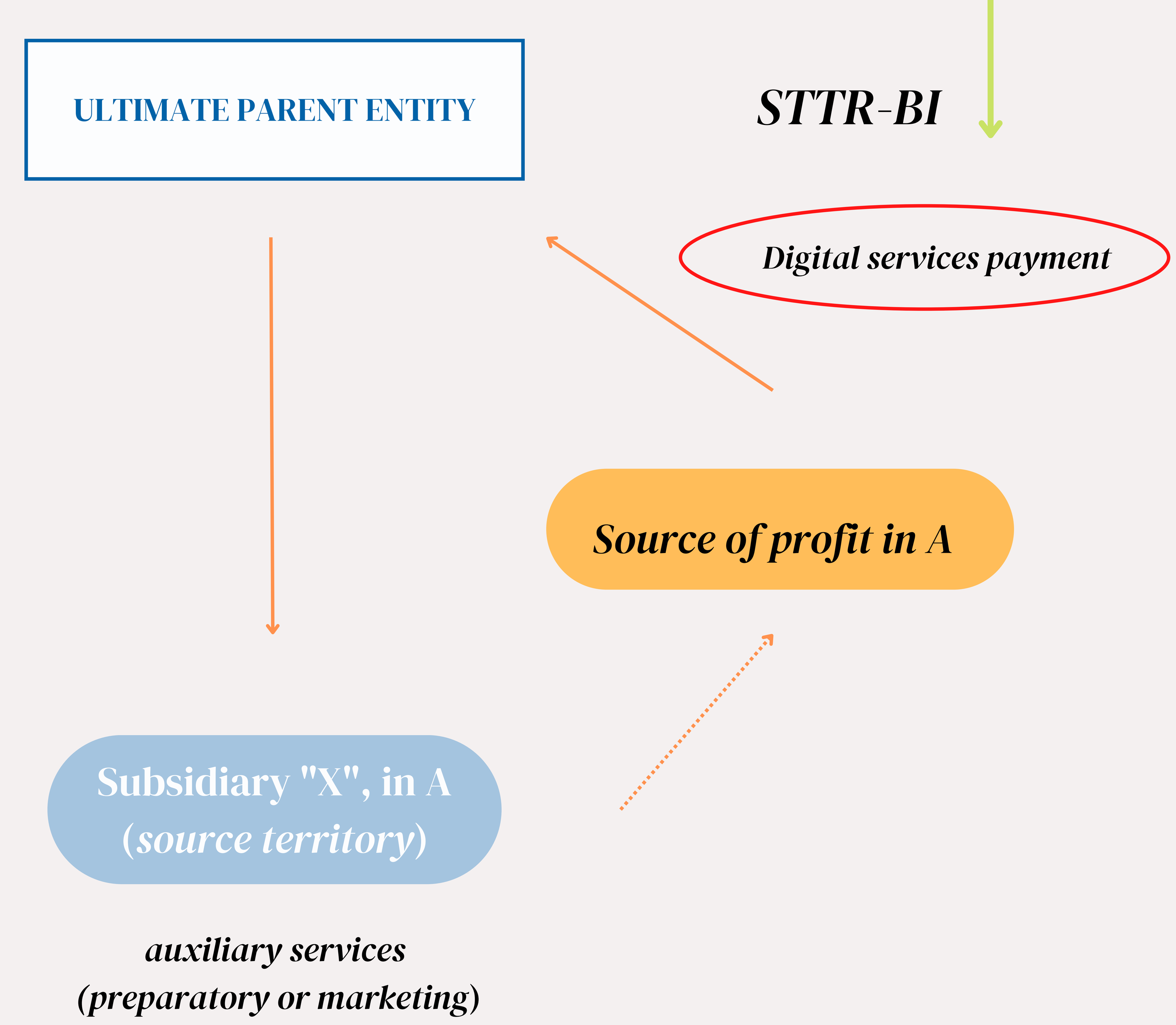


Subject to Tax Rule on business income

STTR-BI

Establish withholdings on payments received by the digital company in the source territory and not exclusively on the payment of royalties, by the subsidiary to the parent company

- Conditioned to the existence of a prior taxation nexus such as the Significant Economic Presence of Pillar One (OECD) or the Significant Digital Presence(EU)? Can be a complementary instrument for this nexus?
- Promotion of international negotiations within the framework of the BEPS project
- Conventional measure of initial effective taxation
- Tax rate linked to the business income of the company



*PhD Candidate. Assistant Lecturer - Public Law. Financial and Tax Law
University of the Balearic Islands
antoni.bergas@uib.es