WILL THE UN TAX PROPOSALS HOLD OUT IN FRONT OF THE OECD 2 PILLAR REGIME?

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ABSTRACT

The UN tax guidelines and the OECD two-pillar regime are two different approaches to overhauling the global corporate taxation system in response to the challenges posed by the digitization of the economy. The UN tax recommendations aim to provide poor countries more taxing powers in areas where the market for digital services is concentrated. They are based on the currently in force UN Model Double Taxation Convention. The two components of the OECD two-pillar regime are Pillar One, which allocates a portion of large multinational enterprises' (MNEs') residual profits to market jurisdictions using a revenue-based allocation key, and Pillar Two, which imposes a global minimum tax on MNE income to prevent profit shifting and base erosion. The authors analyse, how both the regimes fits in the global set-up and the challenges and intricacies both holds.

Keywords: Un Tax Guidelines, OECD Two-Pillar Regime, Global Corporate Taxation, Digitization of the Economy, Taxing Powers, Digital Services, Un Model Double Taxation Convention, Pillar One, Multinational Enterprises (Mnes), Residual Profits, Revenue-Based Allocation, Pillar Two, Global Minimum Tax, Profit Shifting, Base Erosion, Global Set-Up, Challenges, Intricacies.

INTRODUCTION

The international tax system has been relatively static for a long time, but it's currently undergoing significant changes. The OECD has introduced a Two-Pillar Approach aimed at addressing global tax issues arising from the digital economy's growth. This model proposes alterations to existing tax practices, impacting reported earnings and cash flows.

In simpler terms, Pillar One intends to change how sales to customers in different jurisdictions are taxed, while Pillar Two suggests implementing a global minimum tax for multinational companies in each jurisdiction they operate in. However, while explaining these pillars might seem straightforward, implementing them poses challenges and potential consequences (Apriliasari, 2021).

Pillar Two has already materialized with the enactment of tax laws in Japan and South Korea, and other crucial jurisdictions, such as the UK and Switzerland, have plans to pass legislation in 2023. EU member states are required to adopt Pillar Two into domestic law by the end of 2023, leading to the recent publication of draft tax laws in some member states like Germany and the Netherland (Ferreira et al., 2022).

This transformation in the international corporate tax system is a result of more than 130 countries agreeing to modify the rules for taxing multinational enterprises (MNEs) in the digital age. The OECD's plan, consisting of Pillar One and Pillar Two, aims to redistribute profits of large MNEs to the markets they serve and enforce a global minimum tax to prevent profit shifting to low-tax jurisdictions.

However, not all countries are content with this plan, particularly some developing nations that believe it does not adequately address their concerns.

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These dissenting countries prefer the UN's approach, which advocates for giving more taxing rights to developing nations, especially where there's demand for digital services. The UN's proposals seek to expand the definition of permanent establishment, include significant economic presence tests, and introduce taxation for automated digital services, based on the existing UN Model Double Taxation Convention. While both the UN proposals and the OECD's Two-Pillar Approach acknowledge the need for international tax system adjustments due to digital economy challenges, they differ significantly. These disparities encompass the range of covered MNEs, tax base definitions, profit distribution, and dispute resolution mechanisms (Ferreira et al., 2022).

The UN's plan allows developing countries to tax more of multinational companies' profits from digital services in their markets, regardless of physical presence or profitability. In contrast, the OECD's approach benefits developed nations by controlling profit movement to market areas, taxing a portion of companies' profits above certain global thresholds. The OECD also sets a minimum taxation level, discouraging profit shifting to low-tax regions. Both plans require broad political consensus and cooperation among nations. While the OECD's strategy is widely supported and set to be in place by 2023, the UN's proposals face challenges in gaining approval and acceptance. It's unlikely they will replace the OECD's approach without significant shifts in power dynamics. Developing nations can draw inspiration from the UN's ideas but should weigh the risks of diverging from the OECD's anticipated global standard for corporate taxation (UN Press, 2024).

BACKGROUND

Globalisation and digitalization have had a significant impact on economies and people's lives all around the world, and in the twenty-first century, this impact has only increased. These transitions played a significant role in challenging the international taxation regime, which was persistent for more than a century and caused multinational enterprises (MNEs) to underpay taxes in spite of the enormous profits that many of these companies have made as a result of the globalisation of business.

After extensive efforts and negotiations to modernize international tax regulations, the members of the OECD/G20 Inclusive Framework on BEPS reached a consensus on October 8 regarding the Two-Pillar Solution addressing tax challenges arising from digitalization. This solution mandates a minimum tax rate of 15% for multinational enterprises (MNEs) and aims to redistribute profits of the largest and most profitable MNEs across countries globally.[1]

In 2013, the OECD intensified its initiatives to tackle issues stemming from increased public and political worries regarding large multinational corporations engaging in tax avoidance. The ongoing implementation of the 15 Actions outlined in the BEPS package, established in 2015, is making progress, yet certain gaps persist. Existing regulations continue to enable large multinational entities to generate substantial income in a particular jurisdiction without being obligated to pay corporate income tax there. The emergence of new business models heavily reliant on intellectual property has facilitated the ease with which MNEs can transfer profits to jurisdictions with lower tax rates (Tandon, 2022). Additionally, globalization has exacerbated unhealthy tax competition. If we see, 136 countries and jurisdictions which is around 90% of the global GDP are now a part of Two-pillar regime which is a new framework for international taxation.[2]

The Two-pillar regime consists of pillar one and pillar two. One of the most important aspects of the revised regulations which include a mandatory and legally binding dispute resolution process for Pillar One is guaranteeing tax certainty. It is crucial to remember that

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developing nations will be able to use an optional process in some situations, ensuring that the regulations don't become unduly costly for countries with low resources.

The process of profit re-allocation under pillar one regime comprises of removal of Digital Services Taxes (DST) and other similar measures, leading to end trade conflicts. It also aims to prescribe a streamlined procedure for the application of arm's length principle in specific circumstances, with an extra focus towards underdeveloped countries.[3]

Whereas, Pillar Two opted a different approach, it introduced the GloBE rules where it lays down a floor on tax competition on and on corporate income tax. But it doesn't eradicate tax competition (Riccardi, 2021), it establishes internationally agreed-upon constraints on it. The framework acknowledges the provision of tax incentives to encourage significant economic activity, incorporating a carve-out for such cases. Moreover, it safeguards the taxing rights of developing countries concerning specific base-eroding payments (such as interest and royalties) when these payments fall below the minimum rate of 9%. This is achieved through a "Subject to tax rule" (STTR).[4]

KEY ELEMENTS OF THE TWO-PILLAR REGIME

A comprehensive worldwide tax reform proposal, the Pillar One and Pillar Two regimes aim to provide equitable taxation of multinational businesses (MNEs) and meet the issues created by the digital economy. In order to promote a more equal allocation of tax revenues, Pillar One includes a ground-breaking programme that aims to reassign taxing rights over 25% of the residual profit of the largest and most profitable MNEs to the jurisdictions where their users and customers are situated. Tax certainty is further enhanced by the elimination and suspension of Digital Services Taxes and related policies. Pillar Two presents the worldwide Anti-Base Erosion (GloBE) regulations, which impose a 15% worldwide minimum tax on multinational enterprises (MNEs) with yearly sales above 750 million euros. Tax treaty misuse is prevented by requiring jurisdictions with a corporate income tax rate below 9% to incorporate the "Subject to Tax Rule" into their bilateral treaties upon request, improving tax transparency and discouraging profit shifting (Kurian, 2022). In addition, a carve-out clause allows for tax breaks for significant corporate activity, guaranteeing a fair strategy to promote economic growth and prevent tax evasion. By addressing the difficulties of the contemporary digital economy and fostering a level playing field for all participating jurisdictions, both the set-ups aims seek to create a more coherent and equitable international tax regime.

Benefits to Emerging Economies

Developing countries make up a large part of the Inclusive Framework, and they have been quite outspoken and involved in the negotiations. The implementation of Pillar One is expected to result in revenue increases for nations with low, middle, and high incomes alike, according to OECD projections. Nonetheless, the expected benefits are expected to be greater for low-income jurisdictions when expressed as a percentage of current corporate income tax receipts. This emphasises how inclusive the discussions are and how Pillar One may improve the financial results for poor countries, highlighting how beneficial it is for them to participate in the process. Overall, the implementation of GloBE rules is expected to ease the necessity for developing countries to offer overly generous tax incentives to attract foreign investment (Kurian, 2022). Simultaneously, there will be exemptions for activities that have substantial and genuine economic substance.

The specific benefits would include the following:

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- The Subject to Tax Rule (STTR) serves as a safeguard against companies evading taxes on their profits earned in developing countries. It achieves this by restricting deductible payments, like interest or royalties, which may enjoy reduced withholding tax rates under tax treaties and remain untaxed or subject to a low tax rate in the partner country's tax laws. This measure is designed to assist developing countries in safeguarding their treaty networks by preventing abuse through the shifting of profits to jurisdictions with lower tax rates.
- A simplified and efficient method is proposed for applying the arm's length principle to domestic baseline marketing and distribution activities. This is particularly beneficial for low capacity countries that face challenges in enforcing transfer pricing rules. In such instances, a formulaic approach is recommended, aiming to streamline the process and provide a more accessible framework for these countries.
- A lower threshold for determining the re-allocation of profit under Pillar One to smaller economies. [5]

The Globe Rules

The tax levied through the GloBE Rules is termed a "*top-up tax*," and it is computed and enforced at the jurisdictional level. These rules employ a uniform base and definition for covered taxes to determine jurisdictions where a multinational enterprise (MNE) faces an effective tax rate below 15%. Subsequently, a coordinated tax assessment is imposed to raise the MNE's effective tax rate on that income to the minimum threshold, with consideration given to a carve-out based on substance (Jenn et al., 2023). The top-up tax structure of the GloBE Rules is designed to facilitate their unified application Figure 1.[6]

The Following are the Steps to Determine the Top-Up Tax

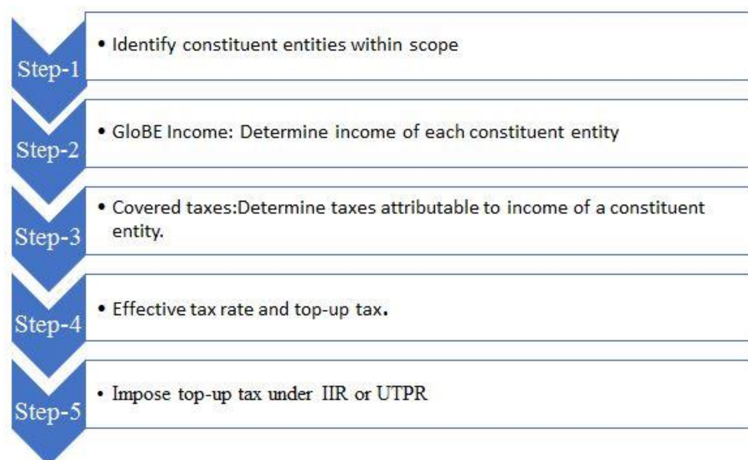

FIGURE 1
TOP-UP TAX STRUCTURE OF THE GLOBE RULES

- Step-1: The GloBE rules apply to Multinational Enterprise (MNE) Groups if their combined revenue surpasses EUR 750 million. Constituent Entities within an MNE Group encompass all entities within the group, treating any permanent establishment of a group entity as an individual Constituent Entity. Entities that are explicitly excluded, however, are not subject to the GloBE rules. The determination of the location of each Constituent Entity relies on its local tax treatment.
- Step-2: The initial step in calculating the GloBE income for a Constituent Entity involves considering the net income or loss utilized in the preparation of the Ultimate Parent Entity's Consolidated Financial Statements, before eliminating intra-group items. Then the net income or loss determined is adjusted to eliminate a number of common book to tax differences where that adjustment is justified on policy grounds. These adjustments includes avoidance of double counting of previously taxed income and

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disallowance of deduction of illegal payments, it also includes exclusion of international shipping income. Furthermore, it is allocated between a permanent establishment and main-entity or to owners.

- Step-3: The calculation of a Constituent Entity's Covered Taxes involves considering the current taxes paid during the Fiscal Year, adjusted to account for specific timing differences. In certain situations, Covered Taxes are assigned from one Constituent Entity to another. Any alterations to tax liability subsequent to filing, whether additions or reductions, are pinpointed and allocated to a specific jurisdiction and timeframe.
- Step-4: The process involves several steps: firstly, determining the Top-up Tax Percentage for each Low-tax Jurisdiction; secondly, applying this percentage to the Excess Profits of the respective Jurisdiction; thirdly, subtracting the top-up tax amount imposed under a qualified domestic minimum tax; and finally, allocating the Jurisdictional Top-up Tax to the Constituent Entities within that Jurisdiction based on their GloBE Income proportions. This comprehensive approach ensures a systematic and proportional application of the top-up tax mechanism to address concerns related to low-tax jurisdictions and excess profits within multinational enterprises.
- Step-5: Initially, the imposition of the Top-up Tax occurs through the IIR on a parent entity possessing an ownership interest in the low-taxed constituent entity. In cases where there is still an unallocated residual amount of Top-up Tax post the application of the IIR, the UTPR allocation mechanism comes into play, leading to a Top-up Tax liability in the jurisdictions where the UTPR was introduced.[7]

OVERVIEW: UN TAX PROPOSALS

A significant change in the international tax system was indicated in 2023 when UN Secretary-General Antonio Guterres unveiled a ground-breaking proposal for a UN framework agreement on taxes. The established two-pillar system of the Organisation for Economic Co-operation and Development (OECD) may face challenges as a result of this project. In place of the OECD, which has dominated this process for the previous 60 years, Guterres proposes that the UN take the lead in formulating international tax regulations. In his view, the OECD has failed to successfully combat global tax abuse despite ten years of efforts, and only UN leadership can do so. Three ideas are being considered: a framework for international tax cooperation, a multilateral convention on taxes, and a UN framework convention on taxes. Every alternative involves a multilateral legally binding agreement that creates a comprehensive framework for international tax regulation. The UN tax proposal advocates for the creation of new UN bodies and processes to monitor, assess, and implement global tax laws in an effort to improve inclusive and effective tax cooperation within the UN. With the adoption of just, thorough, and uniform global taxation regulations, the goal is to establish a global tax governance framework that guarantees the equal representation of all member states and promotes equitable and sustainable development. Three ideas are being considered: a framework for international tax cooperation, a multilateral convention on taxes, and a UN framework convention on taxes (Dourado, 2023). Every alternative involves a multilateral legally binding agreement that creates a comprehensive framework for international tax regulation. The UN tax proposal advocates for the creation of new UN bodies and processes to monitor, assess, and implement global tax laws in an effort to improve inclusive and effective tax cooperation within the UN. With the adoption of just, thorough, and uniform global taxation regulations, the goal is to establish a global tax governance framework that guarantees the equal representation of all member states and promotes equitable and sustainable development. The aim is to create a global tax governance structure ensuring equal representation of all member states, fostering equitable and sustainable development through the implementation of fair, comprehensive, and consistent global taxation rules. The proposal also targets issues like illicit financial flows (IFFs) and aggressive tax avoidance, envisioning a global tax governance framework where countries participate on an equal footing, and international tax decision-making is transparent, participatory, and subject to public accountability (Dourado, 2023). In summary, the UN tax

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proposal marks a pivotal moment in the global tax landscape, potentially challenging the OECD's two-pillar regime. It seeks to establish a more equitable and transparent global tax system, giving all member states a greater say and ensuring multinational corporations contribute their fair share of taxes based on global profits.[8]

The UN tax recommendations for 2023 include a broad purpose and set of objectives that include altering the global tax environment, encouraging inclusive and effective tax cooperation, and tackling concerns associated with aggressive tax avoidance and illicit money flows. The goal of these plans is to create a UN framework convention on taxes, which would potentially upend the two-pillar OECD system and establish a new worldwide tax standard. The goal is to establish a worldwide framework for tax governance in which all nations can engage equally and where international tax decision-making is open (Apriliasari, 2022), inclusive, and enables people to hold their governments accountable.[9] In addition, the ideas aim to give all member states more influence in the formulation of tax policy and guarantee that multinational firms pay their fair share of taxes based on their worldwide profit. The UN tax proposals seek to do this by lowering tax uncertainty and raising international tax transparency.[10]

THE TWO SYSTEMS

The OECD Two-Pillar framework and UN tax policies have similar goals in that they both recognise the need to solve digitalization-related taxation issues and use income as a nexus element to define market countries' taxing authority. In spite of these parallels, there are also significant differences between the two methods with regard to the range of multinational businesses (MNEs) that are covered, the tax base definition, profit-sharing schemes, and dispute settlement procedures. If we look in terms of the spectrum of MNEs covered, the OECD Two-Pillar Framework focuses on a more restricted group, encompassing entities with worldwide revenues exceeding €20 billion and a profit-before-tax to revenue ratio surpassing 10% under Pillar One. In contrast, the UN Tax Proposals cast a wider net, encompassing a broader range of MNEs (Apriliasari, 2022). This inclusivity potentially benefits developing nations by allowing them to tax a larger share of MNE earnings derived from automated digital services in their markets, regardless of the companies' profitability or physical presence.[11]

The clarification with respect to definition of the tax base differs significantly between the two frameworks. The OECD's Pillar One modifies the taxation of sales to clients in other countries, emphasizing the reallocation of profits based on user or market jurisdiction. Meanwhile, the UN Tax Proposals empower developing nations by granting them substantial taxing rights over MNE earnings related to automated digital services in their markets, irrespective of the companies' profitability or physical presence.[12] With regards to profit-sharing mechanisms, the OECD's Pillar One transfers 25% of residual profits (beyond a 10% profitability threshold) of MNEs to market jurisdictions based on the proportion of revenue derived from each jurisdiction. In contrast, the UN Tax Proposals grant more extensive taxing rights to developing nations, allowing them to tax a larger portion of MNE earnings, particularly from automated digital services (Dourado, 2022).

The dispute resolution mechanisms also differ between the two frameworks. The OECD Two-Pillar Framework incorporates a mandatory and binding process for Pillar One, supplemented by an elective mechanism for developing countries in certain cases. Conversely, the UN Tax Proposals face practicality and international acceptance challenges, lacking endorsement from the UN Committee of Experts on International Cooperation in Tax Matters. Additionally, the concept of a minimum tax rate further distinguishes the

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frameworks. The OECD's Pillar Two establishes a minimum tax rate of 15% on MNEs' income, while the UN Tax Proposals do not explicitly mention a minimum tax rate. Instead, the focus is on providing developing nations with broader taxing rights over MNE earnings.[13]

In nutshell, it can be conjectured that while both frameworks aim to address global tax challenges, the OECD Two-Pillar Framework tends to favour developed nations with a more limited scope of profit reallocation and a focus on a minimum tax rate. In contrast, the UN Tax Proposals aim to benefit developing nations by offering broader taxing rights over MNE earnings, particularly in the digital services sector. These frameworks involve complex programs requiring strong political consensus and technical cooperation among member states, with the OECD model having garnered broader global acceptance.

THE OTHER SIDE OF THE COIN

The UN tax proposal and the OECD two-pillar regime represent distinct approaches to updating the international tax system for multinational corporations (MNEs) in the digital age, with notable implications for MNEs in terms of their tax obligations, incentives, and strategic planning.

In terms of profit reallocation, the OECD two-pillar framework limits this activity to a fraction of the remaining earnings for multinational enterprises (MNEs) that exceed a particular threshold of worldwide sales and profitability. In contrast, the UN tax proposal gives developing nations that support the demand for digital services additional taxing powers. Therefore, under the UN tax plan, MNEs operating consumer-facing businesses and automated digital services might have to pay more in taxes in less developed countries than they would under the OECD two-pillar structure. When we look at the subject of a global minimum tax, the UN tax plan lacks such a provision, while the OECD two-pillar regime proposes a 15% worldwide minimum tax on MNEs' revenue to prevent profit shifting to low-tax jurisdictions. This suggests that multinational enterprises with subsidiaries or associated parties in low-tax jurisdictions may encounter increased tax liabilities under the OECD two-pillar regime compared to the UN tax plan. Regarding dispute resolution procedures, the UN tax plan introduces voluntary and non-binding mechanisms, whereas the OECD two-pillar approach mandates mandatory and binding mechanisms. This implies that under the OECD two-pillar approach, MNEs may benefit from enhanced clarity and protection against double taxation or tax disputes compared to the UN tax plan.[14]

ANALYSIS OF THE OECD 2 PILLAR REGIME

Pillar 1: Profit Allocation and Nexus

Although less intricate than previous suggestions, these modifications carry global implications and involve various technological components. The agreement stipulates the elimination of tariffs on digital services and related policies; however, the specific policies to be removed and the timeline for their removal remain unclear. The scope of included enterprises has deviated significantly from the initial goal of targeting highly digitalized company models, as extractive industries and regulated financial services are excluded while most other businesses are encompassed.[15]

Pillar 2: Global Minimum Taxation

The IF aims to adopt the Pillar Two regulations in 2023, set for implementation in 2024, with the undertaxed Payments Rule (UTPR) taking a year to become effective. After

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unveiling the Model Rules on December 20, 2021, the European Commission introduced a proposed EU Directive to incorporate Pillar Two regulations into EU legislation. This proposal included alterations to the Model Rules, extending the applicability of Pillar Two regulations to fully domestic organizations within the EU.

Notably, the Model Rules lacked a model Subject to Tax Rule (STTR) treaty provision, but its development is anticipated in 2023. A multilateral tool to facilitate the application of the STTR in relevant bilateral treaties is set to be established by mid-2023. Additionally, an implementation framework enabling the coordinated application of the GloBE regulations will be formulated by the end of 2023. While uncertainties persist, Pillar Two is poised to instigate significant changes in the tax system.[16]

Challenges in Pursuant 2 Pillar Regime

Implementing these changes would necessitate substantial adjustments to both national laws and existing international tax regulations. The process would entail addressing a myriad of intricate administrative and technological challenges, including determining the effective tax rate, defining the scope of multinational enterprises' (MNEs) jurisdiction, and organizing the execution and enforcement of the regulations. Moreover, the endeavor is likely to confront legal and political hurdles (Brauner, 2022), such as obtaining the consent and agreement of the participating nations and resolving any potential contradictions with existing tax treaties and domestic constitutional restrictions. Achieving successful implementation will require careful navigation through these complexities and the establishment of consensus among the involved parties.

ANALYSIS OF THE UN TAX PROPOSALS

The United Nations' tax recommendations are a collection of steps aimed at modernising the international tax code and tackling the issues brought about by the digitization of the economy (De Broe et al., 2021). Among them are:

- The resolution calls for intergovernmental negotiations on a possible UN treaty on tax cooperation in order to replace the existing tax rules and regulations, which favour wealthier and larger states. The resolution further restates that the principal forum for UN tax policy creation and discussion is the UN Committee of Experts on International Cooperation in Tax Matters.[17]
- A report that the Secretary-General is expected to deliver to the General Assembly in 2024 on the problems and solutions facing the international tax system. The report will provide an overview of the state of international tax cooperation as it stands, highlight the main challenges and shortcomings, and offer recommendations for enhancing UN capacity and engagement in this area.[18]
- A report on the issues and solutions pertaining to the international tax system that the Secretary-General is anticipated to present to the General Assembly in 2024. The paper will give a summary of the current situation of international tax cooperation, point out its principal drawbacks and problems, and make suggestions for improving UN involvement and capability in this field.
- The UN Committee of Experts on International Cooperation in Tax Matters is drafting a convention on tax cooperation. Based on input and comments from the intergovernmental debates and other stakeholders, the draft convention will set out the guiding principles, aims, scope, and institutional structures for a new global tax framework.[19]
- The UN General Assembly passed a resolution in November 2023 with the goal of promoting inclusive and efficient international tax cooperation. The resolution proposes to replace current tax laws and regulations, which frequently favour wealthier and larger governments, with intergovernmental negotiations to investigate the feasibility of adopting a UN convention on tax cooperation. The resolution aims to correct inequities in the current international tax framework and emphasises the UN Committee of Experts on International Cooperation in Tax Matters as the main platform for UN tax policy formation and deliberations. Anticipated in 2024, the Secretary-

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> General is set to deliver a report to the General Assembly, offering insights into the challenges and potential solutions confronting the international tax system. The report will present key findings and provide an overview of the state of international tax cooperation, reflecting the commitment to comprehensively assess and improve the existing framework.

Simultaneously, the UN Committee of Experts on International Cooperation in Tax Matters is actively engaged in drafting a convention on tax cooperation. Drawing from inputs and comments gathered through intergovernmental debates and stakeholder consultations, the draft convention aims to articulate guiding principles, objectives, scope (Perry, 2023), and institutional structures for a new global tax framework. The ultimate goal is to mobilize domestic resources for public expenditure and investment, aligning with the Addis Ababa Action Agenda and the 2030 Agenda for Sustainable Development. This concerted effort signifies a commitment to creating a fairer and more equitable global tax system that aligns with the broader objectives of sustainable development.[20]

THE LIGHT AHEAD

Currently, the resolution was approved by the General Assembly on November 22, 2023, with 125 votes in favour, 48 against, and 9 abstentions. The resolution calls for intergovernmental negotiations on a possible UN treaty on tax cooperation in order to replace the existing tax rules and regulations, which favour wealthier and larger states. The resolution further restates that the principal forum for tax-related debates and policy development within the UN is the UN Committee of Experts on International Cooperation on Tax Matters. It is anticipated that the Secretary-General will report to the General (Tomassini et al., 2023). A convention on tax cooperation is being drafted by the UN Committee of Experts on International Cooperation in Tax Matters (Amnesty, 2023). With consideration for input and comments from various stakeholders as well as the intergovernmental discussions, the draft convention will describe the principles, goals, scope, and institutional structures for a new global tax framework.[21]

The level of political resolve and consensus among countries especially those with significant economies to preserve the UN's mandate and function in international tax cooperation. The resolution was rejected by 48 countries, the majority of which were members of the Organisation for Economic Cooperation and Development (OECD), Canada, Australia, the United States of America (US), the United Kingdom (UK), and all of the European Union (EU). These countries may reject or obstruct the UN tax convention process because they support the existing tax systems and efforts, such as the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS).[22]

The intricate and sophisticated nature of the tax difficulties, as well as the requirement for sufficient resources and knowledge to handle them. Significant modifications to both national laws and current international tax regulations will be made as a result of the UN tax agreement. Complex administrative and technological problems will also need to be resolved, such as determining the effective tax rate, establishing the boundaries of MNEs, and organising the regulations' execution and enforcement. In order to assist the developing nations and streamline the UN tax convention process, the UN will need to gather enough resources and experience.

CONCLUSION

In conclusion, overcoming technical and political obstacles and winning over large economies and the business community are critical to the UN tax ideas' viability in the face of the OECD two-pillar structure. The UN tax suggestions stand out as a more thorough and

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equitable solution to international tax concerns in spite of these obstacles. Their focus on fair distribution of profits from multinational corporations and minimum taxes demonstrates a sophisticated awareness of the various requirements and objectives of both industrialised and developing countries. Crucially, the UN tax proposals offer a departure from the OECD two-pillar framework, which, by relying on existing tax rules, may inadvertently perpetuate disparities favouring wealthier and larger nations. This framework introduces potential complications and uncertainties for businesses and tax authorities. In contrast, the UN's approach demonstrates a commitment to rectifying historical imbalances in the international tax landscape.

Furthermore, the UN tax ideas provide a unique opportunity to foster a more inclusive and durable global tax system. By addressing the concerns of developing countries, they pave the way for a cooperative and collaborative international tax regime. While the OECD two-pillar framework may not be universally suitable or equitable, the UN tax proposals offer a pathway to redress these shortcomings and establish a framework that accommodates the diverse needs of nations worldwide.

In light of the above considerations, the international community should carefully weigh the potential advantages of the UN tax proposals. Their capacity to create a fairer and more sustainable global tax system, coupled with their attention to the specific challenges faced by developing nations, positions them as a promising alternative to the OECD two-pillar regime. Ultimately, embracing the UN tax ideas could signify a crucial step towards achieving a more just and inclusive international tax framework.

END NOTES

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