CONFEDERATION OF INDUSTRY
OF THE CZECH REPUBLIC

Opinion to proposal for a "Global Anti-Base Erosion Proposal ("GloBE") under Pillar Two by Confederation of Industry of the Czech Rep. (contribution to public consultation on Pillar Two):

- We appreciate effort of global solution in this field as we agree there is an issue of a dis-balance between local and large digital companies in taxation. This coordinated activity has a chance to **replace national and non-coordinated national digital tax proposals**.
- Important is **clarifying how and when the various new component parts of Pillar 2 will interact with each other, with Pillar 1** and with pre-existing legislation as well as what the criteria would be for existing legislation, and when unilateral measures could be reversed.
- We advise to **avoid unilateral actions** by individual countries which only lead to a rapid fragmentation of the international tax system, and to avoid a further increase in international double taxation.
- There will be significant **interaction between Pillars 1 and 2 for countries adopting both proposals**, with a high likelihood of double taxation risks without **proper coordination**.
- We are a bit afraid from **impact to not-digital economy**. There is no certainty where is border of business which is considered as digital and will be influenced by this new OECD digital economy proposals and which part of business can "stay in calm".
- This document about Pillar 2 makes useful contributions to the ongoing discussion regarding a proposed minimum tax, but other critical elements remain to be addressed – **crucially the priority within Pillar 2 between the income inclusion rule, and the undertaxed payment rule (as well as the interaction between Pillars 1 and 2).** We anticipate and look forward to a further chance to comment on Pillar 2 when further work results in another consultation document.
- For companies having normal returns and that **already satisfy robust transfer pricing requirements**, a Pillar 2 global minimum tax **should not be applied**.
- **There should not be an option for a market country to impose a withholding tax or deny deductions for "low-taxed" payments between related parties, when there is a tax treaty with the residence country.**
- A country by country minimum tax will be difficult to administer – resulting double taxation could hamper future foreign investment. A global minimum tax should apply on a world-wide basis and it should only be imposed at the ultimate parent company level.
- As the minimum effective tax rate is **not yet decided** (or even yet proposed at a specific rate), **it is difficult to know what impacts it will have on tax base, investment, innovation, etc**. However, **the higher the rate** is compared to currently prevailing average rates, **the higher will be the risk of double taxation impacts.**
- From the viewpoint of reducing the administrative burden, **it is important to minimize the adjustment items as much as possible**. An important permanent difference common to many countries is exclusion of dividends received. The amount of dividends received should be excluded

from the viewpoint of eliminating double taxation. **Capital gains and losses need to be considered carefully**, as there are large **differences in whether they become subject to taxation or not**.

- Any agreement made should be informed by a **thorough impact assessment on a country-by-country basis**, covering the effects on tax revenue, investment, growth, employment and business models. Prior to any agreement, the impact assessment should look at the results of the agreed BEPS-measures and Pillar 2's relationship with Pillar 1, and whether this already not sufficiently counters the practice of artificial arrangements.

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