Global minimum tax deal

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In news- Around 136 countries have agreed a global deal to ensure big companies pay a minimum tax rate of 15% and make it harder for them to avoid taxation.

About the deal-

- The Organisation for Economic Cooperation and Development (OECD) has negotiated the deal.
- Though ***Kenya, Nigeria, Pakistan and Sri Lanka*** – 4 countries have not yet joined the agreement, the countries behind the accord together accounted for over 90% of the global economy.
- The minimum tax and other provisions aim to put an end to decades of tax competition between governments to attract foreign investment.
- The global minimum tax rate **would apply to overseas profits of multinational firms** with **750 million euros ($868 million)** in sales globally.
- Governments could still set whatever local corporate tax rate they want, but if companies pay lower rates in a particular country, their home governments could "top up" their taxes to the 15% minimum, eliminating the advantage of shifting profits.
- Now the finance ministers from the G20 have to formally endorse the deal.
- The agreement **calls for countries to bring it into law in 2022 so that it can take effect by 2023**.
- Countries that have in recent years created national digital services taxes will have to repeal them.

Economic impact-

- The OECD has estimated the minimum tax will generate $150 billion in additional global tax revenues annually.
- The deal would encourage multinationals to repatriate

capital to their country of headquarters, giving a boost to those economies.