ICC comments on UN Committee of Experts Report on Tax Incentives and the Global Minimum Tax in the Extractives

The International Chamber of Commerce (ICC), as the world business organization speaking with authority on behalf of enterprises from all sectors in every part of the world, appreciates the opportunity to provide written comment on the report addressing tax incentives and the Global Minimum Tax in the Extractives that was presented as a first read to the 27th Session of the UN Tax Committee of Experts. published Tax Incentives and the Global Minimum Tax in the Extractives.

General Comment

We note the discussion at the UN Tax Committee meetings in relation to this paper and concerns of some members in relation to the UN engaging on Pillar 2. While we acknowledge that some of the members of the UN Tax Committee have concerns with the OECD proposals, it would be useful to provide practical information on Pillar 2 to developing countries – specifically on the extractives sector and the use of tax incentives. A significant portion of investments in developing country extractive projects are held by MNEs in the scope of Pillar 2 from 1 January 2024, regardless of whether developing countries implement it in their domestic law. Rather than making any recommendations, ICC members note how the paper presents a range of options for developing countries where MNE headquarter locations introduce Pillar 2. For example, these options include responses which ensure developing countries can collect additional tax, rather than shareholder countries. These responses may include raising domestic tax rates, adjusting/removing tax incentives **or** implementing a QDMT. The paper presents the costs and benefits of implementing a QDMT and correctly highlights the complexity with administration for developing countries. It also addresses the challenges associated with stability agreements which are common for extractive projects, in developing countries.

While we have not commented on the detailed aspects of the paper, we note that the definition of 'tax incentives' in the paper is very wide ranging, from full tax exemptions to features that are normal characteristics of tax regimes for resource investment given the high capital cost and long-life nature of investments (some spanning decades) e.g. accelerated tax deprecation, loss carry forward rules etc. We therefore recommend the discussion in relation to the effectiveness of tax incentives is balanced, as they are wide ranging in their nature and their effectiveness depends on policy objectives. For example, incentives may be targeted at specific objectives such as supporting decarbonisation, encouraging employment, expansions, or exploration.

We thank you for the opportunity to provide written comment and as ICC we remain committed to providing knowledge and expertise on behalf of the global business community as the reports continues to be further developed.

About the International Chamber of Commerce

The International Chamber of Commerce (ICC) is the institutional representative of more than 45 million companies in over 170 countries. ICC's core mission is to make business work for everyone, every day, everywhere. Through a unique mix of advocacy, solutions and standard setting, we promote international trade, responsible business conduct and a global approach to regulation, in addition to providing market-leading dispute resolution services. Our members include many of the world's leading companies, SMEs, business associations and local chambers of commerce.

33-43 avenue du Président Wilson, 75116 Paris, France
T +33 (0)1 49 53 28 28 E icc@iccwbo.org
www.iccwbo.org @iccwbo