

G7 statement on global minimum taxes

Earlier this year the U.S. Secretary of the Treasury outlined the United States' concerns regarding the Pillar 2 rules agreed by the OECD/G20 Inclusive Framework on BEPS and set out a proposed 'side-by-side' solution under which U.S. parented groups would be exempt from the Income Inclusion Rule (IIR) and Undertaxed Profits Rule (UTPR) in recognition of the existing U.S. minimum tax rules to which they are subject.

Following discussions on this issue – which were informed by analysis of the respective minimum tax regimes, including consideration of recently proposed changes to the U.S. international tax system based on the Senate amendment of H.R. 1 (introduced June 16, 2025), the *One Big Beautiful Bill Act* (OBBBA), the removal of section 899 in the Senate version of the OBBBA, and consideration of the success of Qualified Domestic Minimum Top-up Tax (QDMTT) implementation and its impact – there is a shared understanding that a side-by-side system could preserve important gains made by jurisdictions in the Inclusive Framework in tackling base erosion and profit shifting and provide greater stability and certainty in the international tax system moving forward.

This understanding, which builds on our continued commitment to collaborate jointly through the Inclusive Framework to address the potential risks of base erosion and profit shifting, is based on the following accepted principles:

- A side-by-side system would fully exclude U.S. parented groups from the UTPR and the IIR in respect of both their domestic and foreign profits.
- A side-by-side system would include a commitment to ensure any substantial risks that may be identified with respect to the level playing field, or risks of base erosion and profit shifting, are addressed to preserve the common policy objectives of the side-by-side system.
- Work to deliver a side-by-side system would be undertaken alongside material simplifications being delivered to the overall Pillar 2 administration and compliance framework.
- Work to deliver a side-by-side system would be undertaken alongside considering changes to the Pillar 2 treatment of substance-based non-refundable tax credits that would ensure greater alignment with the treatment of refundable tax credits.

Delivery of a side-by-side system will facilitate further progress to stabilize the international tax system, including a constructive dialogue on the taxation of the digital economy and on preserving the tax sovereignty of all countries.

We recognize that these issues have relevance to a wider group of jurisdictions and look forward to discussing and developing this understanding, and the principles upon which it is based, within the Inclusive Framework with a view to expeditiously reaching a solution that is acceptable and implementable to all.

We also recognize that the removal of section 899 is crucial to this overall understanding and to providing a more stable environment for discussions to take place in the Inclusive Framework.