



The Home of International Taxation

IBFD Online International Tax Conference

**From China's Perspective: Two-Pillar Solution's Impact,
QDMTT, and Transfer Pricing and Amount B**

Programme – 23 November 2023



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Introduction

We are delighted to invite you to our complimentary annual International Tax Conference. This year will be the 14th anniversary of the IBFD International Tax Conference on China. This conference is held online and available to all our international tax friends and clients in and outside of China.

The half-day event will be held on 23 November 2023 from 14:00 to 17:00 (CST) and will cover three compelling topics.

Topics and Summaries

The Potential Impact of the Two-Pillar Solution on China

At the time of drawing up this programme, China had not yet issued any official documents giving its view on the two-pillar solution, while the various documents proposing Pillar One and Pillar Two had been released by the Inclusive Framework for discussion. It is generally acknowledged that global cooperation is needed for the two-pillar solution to succeed, and it remains to be seen how many countries will enact the domestic laws and conclude multinational conventions to implement Pillar One and Pillar Two. China is a member of the G20 and Inclusive Framework, and the second largest economy in the world, playing a crucial role in international tax cooperation. However, although China has expressed its backing to address the tax challenges arising from the digitalization of the economy, it still needs to study and determine which taxing rights it stands to gain or lose from Pillar One and what benefits could be gained from Pillar Two, also considering other challenges of implementation such as tax administration capacity. The decision is a difficult one for a country like China to make, especially considering China's position as both a capital-importing and capital-exporting country.

China International Taxation Research Institution is a research organization subordinate to the State Taxation Administration, with which IBFD has had a long-term working relationship. We are pleased that the chairman of this institution, Mr. Zhang Zhiyong, has accepted our invitation to shed some light on whether China will commit itself to the two-pillar solution and the challenges faced by China in this regard.

Qualified Domestic Minimum Top-Up Tax

Qualified domestic minimum top-up tax (QDMTT) under the Model Rules of Pillar Two has been heavily debated. The proposal for this domestic tax is controversial. Some see it as a solution for countries to retain taxing rights on excessive profits subject to top-up tax that may otherwise be transferred to the jurisdictions where (intermediate or ultimate) holding companies are situated. Others criticize it because the introduction of a QDMTT could encourage a race to the effective tax rates resulting in the necessary overhaul of tax incentive schemes in their own countries. Further, QDMTT as an additional tax may bring about more implementation issues and extra compliance costs.

We are delighted that Mr Rasmi Ranjan Das, a member of the UN Committee of Experts on International Cooperation in Tax Matters and Joint Secretary of Department of Revenue of the Ministry of Finance of India to share his views on the pros and cons of QDMTT.

Transfer Pricing and Amount B from China's Perspective

In July 2023, the OECD released a public consultation document on Amount B of Pillar One. Transfer pricing is one of the most used measures under Chinese tax legislation to combat tax avoidance and over years China has also developed its own transfer pricing practice with some specific features. Moreover, baseline marketing and distribution are important business activities of many multinational companies given the fact that China is a big market for consumer goods and industrial products for many multinational companies, and some Chinese multinational companies have built up a considerable market share abroad. The discussion in this session will examine the in-scope transactions, pricing methods under Amount B, to some extent the alignment of the proposal of Amount B with transfer pricing practice on marketing and distributions in China, and the different views on Amount B within the international tax community.

IBFD in-house transfer pricing expert, Ms Sharvari Kale, will discuss this new proposal.



Programme (Beijing Time)

14:00

Opening address

Speaker:

Mr Victor Van Kommer, IBFD Executive Board and Head of Tax Training

Topic 1: Potential Impact of the Two-Pillar Solution on China

With a focus on:

- ▶ Endorsement and readiness of China for two-pillar solution
- ▶ Potential impact
- ▶ Challenges for implementation

Speaker:

Mr Zhang Zhi-Yong, former Deputy Commissioner of State Taxation Administration, Chairman of China International Tax Research Institute, member of Board of Trustees of IBFD

Topic 2: Qualified Domestic Minimum Top-Up Tax (QDMTT)

With a focus on:

- ▶ Pros and cons of QDMTT
- ▶ Impact on tax competition and tax incentives
- ▶ Eventual alternatives to achieve the same or similar goals

Speaker:

Mr Rasmi Ranjan Das, Member of the UN Committee of Experts of International Cooperation in Tax Matters and Joint Secretary of Department Revenue of India's Ministry of Finance

Topic 3: Transfer Pricing and Amount B from China's Perspective

With a focus on:

- ▶ General features and challenges of Amount B proposal
- ▶ Amount B and China's TP practice
- ▶ Global reactions to Amount B

Speaker:

Ms Sharvari Kale, IBFD Principal Associate, TP Unit

16:15

Q&A

Hosted by:

Mr Victor Van Kommer, IBFD Executive Board and Director of Tax Services

Mr Shiqi Ma, Head of IBFD China Office and Principal Associate

All the speakers will be present to answer questions from the audience.



IBFD International Tax Conference

23 November 2023

Registration

If you are interested in attending the conference on 23 November 2023, please register online: **TBC**

For more information, contact IBFD at info@ibfd-conferences.org or call Ms Kun Li at +86-10-5907 1260.

General information

- ▶ The conference will be held online.
- ▶ It will be conducted in English, and the presentations of speakers will be subtitled in Chinese. The questions and answers of the Q&A session will also be translated into Chinese.
- ▶ The time of the conference indicated in this announcement is Beijing Time.
- ▶ Participants wishing to try out the IBFD Tax Research Platform free of charge for 2 weeks should contact the IBFD China Office. For more information, please contact: K.li@ibfd.org (Ms Kun Li) or P.Xie@ibfd.org (Mr Pindar Xie).