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OF THE
UNITED STATES OF AMERICA

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Tax Policy and Statistics Division
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Via Email to cfa@oecd.org

RE: Comments on the Public Consultation Document on the Reports on the Pillar One and Pillar Two Blueprints

Dear Sir or Madam:

The U.S. Chamber of Commerce appreciates the opportunity to present the following comments to the Organisation for Economic Co-operation and Development (OECD) on the Public Consultation Document on the Reports on the Pillar One and Pillar Two Blueprints (the "Blueprint").

I. In General

As noted in prior submissions, the Chamber believes it is important to maintain the coherence of the international tax system and, as such, we encourage continuing broad engagement to meaningfully address digital tax issues. We want any solution to this issue to be sustainable and are extremely concerned that the failure of this process or the non-universal adoption of a new solution would yield significant tax and trade disruptions. Further, any agreement needs to be long-term, rather than treated as a "first step" in raising more tax revenue or moving toward formulary apportionment.

Additionally, the Chamber believes that any proposal should require:

- Withdrawal of unilateral measures (digital services taxes (DSTs), diverted profits taxes (DPTs), offshore receipts tax (ORT), multinational anti-avoidance laws (MAALs), equalization levies, etc.). Consideration should be given to requiring a country-specific list of relevant unilateral measures that would need to be repealed as part of any agreement.
- That some form of binding dispute resolution mechanism for both Amount A and issues beyond Amount A be agreed to in conjunction with any final consensus agreement on

digitalization.

- Alignment and harmonization between Pillars One and Two to eliminate risks of multiple taxation.
- That, subject to transition rules for pre-effective date losses, any provisions need to be prospective, without any inference intended with respect to prior years.

II. Pillar One

As a threshold matter (and noted in prior submissions), Chamber members have differing views on the merits of the Amount A proposal. For example, some companies are concerned that the selected formula to determine the quantum of Amount A and the allocation key may be susceptible to future efforts by countries to reset the thresholds. Additionally, they note that a properly structured economic nexus rule in combination with the adoption of Pillar Two could obviate the necessity for Amount A. Other members believe Amount A is a reasonable approach to prevent the proliferation of unilateral DSTs.

A. Amount A Revenue Threshold

The Chamber would like clarification that the de minimis foreign in-scope revenue test applies separately to the ADS and CFB activities potentially giving rise to Amount A. Further, the in-scope revenue threshold for MNEs' CFB activities to fall into the scope of Amount A should at least be €750M. Given the foreign in-scope revenue threshold is the only threshold focusing on *in-scope* revenue, it should be at least as robust as the general revenue threshold in order to justify the compliance burden. Additionally, foreign in-scope revenue should amount to at least 5% of total revenue of the enterprise. A percentage threshold would prevent an MNE from being accidentally swept into Amount A and its heavy compliance burdens by virtue of peripheral activities that are not reflective of the MNE's main business activities. Peripheral activities are unlikely to be reflective of the MNE's direct and sustained engagement with a market jurisdiction.

B. Development of a Nexus Rule

The Chamber supports the introduction of a de minimis threshold to reduce the compliance required in nexus jurisdictions where sales are less than $50 million in the jurisdiction. To avoid doing so will result in a significant compliance burden for very little benefit to either MNEs and taxing authorities.

Further, under the proposed approach, MNEs will be forced into nexus events by unrelated companies (e.g., unrelated distributors) which MNEs have no control over and have no discernable way to determine sales/profits. MNEs cannot control the territories or ultimate delivery point of products sold to an unrelated distributor, nor can they control the sales value of those unrelated distributors to consumers. The OECD's assertion to renegotiate commercial terms and conditions overreaches its authority and may even violate local laws. These requirements place MNEs in a precarious position, forcing them to comply with commercial laws or with tax laws. Also, MNEs would be forced to expend substantial resources (especially

in light of the COVID-19 pandemic) to renegotiate contracts to receive this information, which may come at a significant cost. For these reasons, the Chamber recommends eliminating the revenue sourcing look through rule to end users with respect to sales through unrelated distributors.

C. Revenue Sourcing

The Chamber is concerned that the proposed hierarchy could be overly complex, and, for the reasons stated above, the requirement to look-through to final customers of unrelated distributors should be eliminated. Some of the additional complexity is related to the reconfiguration of financial systems to generate the type of sourcing data that would be needed, leading to expensive and prolonged implementation periods. As such, MNEs should be allowed adequate latitude in the determination whether information is unavailable and/or unreliable.

If the above recommendation to eliminate the requirement to look-through to the final customer of unrelated distributors is not adopted, the Chamber believes additional thought should be given to sourcing rules as they relate to business-to-business (B2B) transactions. While using the place of end consumption works for business-to-consumer transactions, it is difficult to determine for B2B transactions. To provide greater simplicity, a set of clear, unambiguous rules to identify the customer location that includes a clear hierarchy of how the rules are applied is necessary.

Additionally, flexibility should also be provided to businesses to use the information that they have available; creating new data requirements would significantly increase complexity. The Blueprint considers information to be unavailable if it is not "within the MNE's possession, and reasonable steps have been taken to obtain the information but these have not been successful." The determination of "reasonable steps" should not force an MNE to pursue burdensome and costly steps or create friction points with its partners or customers that would harm its business in the pursuit of this data, especially in light of the economic downturn caused by the COVID-19 pandemic. The steps should be achievable in the ordinary course of business, and not require additional systems and resources at a time when many MNEs and industries are under financial duress.

For example, there should be safe harbors that allow MNEs to rely on data collected pursuant to current operating procedures and under current third-party contractual terms. Requiring the changing of third-party contracts, operating models, or data systems to conform with Pillar One would create additional friction, cost, and harm to MNEs' businesses. This would also drive inefficiencies in the contracting process and uncertainty on data privacy and liability provisions.

The Chamber also believes that de minimis rules should be considered regarding revenue sourcing.

D. Tax Base & Segmentation

The Chamber is concerned with the Blueprint's current approach to segmentation. Readily accessible financial information and data should be used to simplify the process and make it easier for tax authorities to audit. Published and audited global consolidated financial statements or published and audited financial statements by segment should generally be used. Financial statements reflect how the business views its operations. The Blueprint indicates that financial statements are not sufficient if companies meet specific hallmarks. However, in general additional segmentation can create unnecessary layers of complexity and ambiguity for taxpayer and tax authority alike.

Accordingly, the Chamber recommends that financial statement segmentation should be used. If the taxpayer (i) has significant revenue out-of-scope of Amount A such that using financial statement segmentation may be distortive or (ii) can show that reported segments do not properly reflect territorial differences and/or materially distinct financial profiles of independently operated businesses (pursuant to a pre-clearance process for approval of the taxpayer's segmentation methodology), the taxpayer may elect to further segment. Further, any taxpayer that elects to perform more refined segmentation should not be denied the ability to segment solely due to a significant amount of intersegmental transactions as proposed in paragraph 467.

E. Profit Allocation and Double Counting

The amount that is reallocated under Amount A should be modest, defined as relatively moderate, limited, or small. In the view of some Chamber members, the 20% residual share that the Blueprint assumes for illustration purposes is not modest.

The Chamber discourages digital differentiation mechanisms. The Amount A formula should apply to all in-scope business activities in the same way. Digital differentiation mechanisms, including an increased allocation percentage for ADS or a profit escalator, introduce unnecessary complexity into the framework and are inherently arbitrary. Increasing the allocation percentage for ADS would further serve to ring-fence those services for more onerous treatment. Including a profit escalator would take the new taxing right to an even greater departure from international tax norms. Rather than a profit escalator, there should be a cap on the percentage of total system profits that would be reallocated on a non-arm's-length basis.

With regard to profit allocation and the issue of double counting, the Blueprint indicates that there are opposing views on whether certain withholding taxes (WHTs) are taxing income that also might be taxed under an Amount A allocation. The Chamber strongly supports that WHTs on royalties, technical services, and other intellectual property (IP) should be viewed as the market jurisdiction already taxing a share of residual profits. We agree that double counting could arise if the market jurisdictions are allocated Amount A on top of certain existing WHT liabilities. In such instances, either the market countries should be obligated to repeal their WHTs or the tax on Amount A allocated to market countries should be reduced by any WHTs they collect.

More broadly, the Blueprint's mechanical rules for determining and allocating the Amount A tax base can give rise to double counting and other inappropriate results in cases where in-scope businesses are already subject to significant market taxation. The Blueprint's marketing and distribution safe harbor is important to minimize double counting, and the Chamber supports its inclusion. However, it does not go far enough where businesses exploit some markets directly through affiliates and other markets indirectly through unaffiliated local market counterparties such as distributors, franchisees, or licensees. In the context of determining the Amount A tax base, focusing only on the results of the in-scope MNE ignores the profit margin generated by unrelated local market counterparties and can distort the determination and allocation of Amount A. Absent significant refinements, the determination and allocation of Amount A in this context will depend on the extent to which local market counterparties are affiliated or independent, and the extent of incidental MNE presence in a market, which is not consistent with the objectives of Pillar One or any rational international tax system. The marketing and distribution safe harbor is helpful in markets served by affiliated local market counterparties, but not in markets served by independent counterparties.

F. Loss Carry-Forward Regime

The Chamber believes that MNEs must be able to carryforward pre-regime losses and profit shortfalls relating to specific, identifiable Amount A activities. Overall MNE losses resulting from business lines not includible in Amount A should not offset Amount A income.

For simplicity and administrative ease, losses for Amount A should be reported and administered for the MNE at a group level, rather than allocated to individual market jurisdictions. Monitoring and tracking losses at a jurisdiction-level, for which jurisdictions will likely change frequently, would be overly burdensome for an MNE.

Further, the intention of Amount A is to ensure a portion of an MNE's residual profit of in-scope businesses are taxed in market jurisdictions. The absence of a profit shortfall carryforward would disadvantage a competitor with a higher variability of profit compared to one with steady profit levels (e.g., variability of business or product lifecycle), even with the same multi-year profit amount.

As such, MNEs should therefore be permitted to carryforward the profit shortfalls in years when their profits are below the Amount A threshold. Otherwise, a hypothetical MNE with one abnormally high profit year in a series of years with minimal residual profit would be unduly harmed by not being allowed to offset the single year residual profit against those multiple years of shortfalls. The analysis should consider the residual profits on a multi-year basis to fairly and appropriately tax a company, rather than an individual year. The calculation of profit shortfalls reducing the Amount A allocation should be consistent with the calculation of the Amount A allocation.

G. Elimination of Double Taxation

The Blueprint includes two components to eliminate double taxation: (1) identification of paying entities and (2) methods to eliminate double taxation. The Chamber recommends that an

exemption approach to eliminating double taxation be adopted, rather than a foreign tax credit approach.

H. Amount B

The Chamber believes that Amount B needs to continue to focus on alignment with transfer pricing principles and be commensurate with arm's length principles. For example, quantitative factors should not be included because, consistent with existing arm's length standards, any transfer pricing return should be based upon the functions performed, risks assumed, and assets deployed.

The Chamber believes that Amount B should be defined broadly in order to deliver the intended tax certainty to MNEs. Amount B should cover a fairly broad array of in-market activities conducted on a limited risk basis, whether under a marketing services model, a commissionaire, or limited risk distributor (LRD).

I. Tax Certainty

The Chamber believes that dispute prevention and dispute resolution are both essential issues that must be addressed to bring needed tax certainty. With regard to Amount A dispute prevention and a panel mechanism, determination panels must include the lead tax authority, be limited to jurisdictions with a direct and material revenue interest and be conducted in a manner that preserves taxpayer confidential information.

With regard to dispute resolution beyond Amount A, the Chamber urges consideration of mandatory binding arbitration. It is imperative that there be a firm commitment from all Inclusive Framework member countries to commit to mandatory binding dispute resolution.

Other key facets of tax certainty center around implementation and removal of current unilateral measures and prevention of future adoption of such actions. With respect to implementation, we are concerned, based on experience with CbCR on Action 13, there is a risk of inconsistent implementation by countries. This concern is only heightened when considering that Action 13 is only a reporting requirement and Amount A creates new taxing rights. Non-conformity in adoption (through law or treaty), inconsistency in timing of implementation (some countries adopt sooner while some adopt later), application of different percentages, etc. will create double taxation.

With respect to those companies subject to Pillar One, all relevant unilateral measures should be eliminated at the time of agreement of these new tax rules and not adopted in the future. "Relevant unilateral measures" should be defined more specifically to include DSTs, DPTs, ORT, MAALs, equalization levies, and other similar levies. Consideration should be given to a list by country of those specific tax measures that are "relevant unilateral measures" and that should be repealed.

III. Pillar Two

A. Global Intangible Low Taxed Income (GILTI) as a "GloBE" Compliant Regime

As noted in prior comments, while GILTI should not be viewed as a model income inclusion rule (IIR), because some of its design flaws result in double taxation,[1] the Chamber believes nevertheless that the U.S. GILTI regime[2] should be treated as a qualified tax regime for purposes of the entirety of the GloBE rules[3] and the OECD should ensure that the GloBE rules are designed in a manner that prevents double taxation.

B. GILTI Co-Existence

The Pillar Two Blueprint, and its GloBE proposal, is quite complex; it would create significant additional work for companies and tax authorities to enable compliance. As noted, the Chamber believes GILTI must be treated as a qualified tax regime for purposes of the entirety of the GloBE rules. Accordingly, any non-U.S. entity subject to GILTI rules (including any entity whose income is partially or entirely subject to tax under the U.S. Subpart F rules or with respect to which an election has been made to apply applicable high tax exclusion rules) will be treated as being subject to a qualified tax regime for purposes of the entirety of the GloBE rules.

Assuming GILTI is accepted as a qualified GloBE regime, no other IIR or undertaxed payments rule (UTPR) should apply to a U.S. based MNE's foreign subsidiaries. As such, GILTI co-existence should mean that a U.S. based MNE should not be required to undertake any of the compliance obligations or reallocations required by either the IIR or the UTPR. The Chamber believes it is crucial that there is clear guidance to this effect on the co-existence of GILTI. The mechanics of this interaction will have to be clearly laid out in the implementation instrument. Additionally, there must be effective dispute resolution and double-taxation mitigation mechanisms included in any implementing instruments.

The Chamber also believes it is imperative that instead of coming in on top of existing rules (e.g., the DPT in the United Kingdom (UK) and other countries, unilateral DSTs, etc.), GloBE's implementation must require elimination of these disparate provisions to ensure fairness, simplicity and certainty.

C. Calculating the ETR under the GloBE Rules

With regard to the treatment of dividends and gains from the disposition of stock in a corporation, the Blueprint provides that only dividends and stock gains where the MNE groups owns a low percentage of equity interests are included in the GloBE tax base. The Chamber

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[1] The Chamber and its members continue to urge the United States to ultimately address these design flaws.
[2] 26 U.S.C. §951A.
[3] The Chair's Summary of the G7 Finance Ministers and Central Bank Governors Meeting in Chantilly in July 2019, available at http://www.g7.utoronto.ca/finance/190718-summary.html, cited to GILTI as the example for a Pillar Two regime to provide for a "minimum level of effective taxation' that 'would contribute to ensuring that companies pay their fair share of tax."

recommends the percentage be set at less than 10 percent, which is consistent with the U.S. dividends received deduction under §245A and certain reporting requirements.

Currently, U.S. tax rules provide extensive guidance on re-organizations and the factors that can make them taxable or tax-free. The Chamber urges the OECD to look to those rules for additional guidance as to the types of re-organizations that can trigger a liability and further consider matching or adopting those rules as a part of GloBE.

The Chamber continues to believe adjustments should be made to consolidated financial statements to take into account permanent and temporary differences between financial accounting and tax principles so that the GloBE effectively functions only to ensure income is taxed at a minimum tax rate. Some Chamber members believe that a deferred tax accounting (DTA) approach would align the tax included in the numerator to the financial accounts income base in the denominator and effectively neutralize the impact of temporary differences each year, thereby achieving an appropriate effective tax rate. If such an approach is not adopted, then significant timing items need to be taken into account to ensure that the GloBE calculation is not skewed by material and systemic timing differences.

With regard to rules to adjust for accelerated depreciation, the Chamber notes that although making further tax adjustments or DTA adjustments add an extra layer of complexity into the GloBE calculation, the Chamber recognizes that an adjustment must be made to mitigate the risk of depreciation timing differences resulting in IIR income in one year and 'excess' tax in later years. While either method is suited for the purpose, we note that the DTA approach can be leveraged to address more general timing issues arising from book tax differences and to address non-timing related book tax differences. For that reason, the Chamber proposes that the GloBE calculation include DTA principles in the ETR calculation. And, if a DTA approach is not adopted, book-tax timing differences other than depreciation that are material and may not reverse for an extended period of time due to continued growth of a business or the nature of the business and item should be treated consistently with accelerated depreciation in order to treat taxpayers across different industries and business models similarly and equitably. Regardless of which choice is made for the purpose of addressing accelerated asset depreciation and other material timing differences, a robust carry-forward regime will still be needed given the complexities of applying either methodology in the context of Pillar Two.

The Chamber also believes that further clarity from the OECD regarding U.S. disregarded entities or foreign branches of U.S. entities, specifically providing that the taxes levied in the United States on these entities are included as "covered taxes" for the purposes of calculating the ETR of the non-U.S. entity.

Further clarity should also be provided related to the treatment of U.S. foreign tax credit carryforwards from pre-regime years that serve as a substitute for paying current year cash tax. The use of a foreign tax credit carryforward from a pre-regime year should be treated as "taxes paid" for purposes of the ETR calculation.

The Chamber supports global blending as opposed to jurisdictional blending. Streamlined compliance and simplified administration would be significant benefits to adopting a global

blending approach. Jurisdictional blending imposes significant complexity into the regime. Consideration should be given to global blending with potentially other changes to the GloBE rules in order to achieve similar results.

Finally, as stated in the Blueprint, cross-jurisdictional taxes, such as WHT and controlled foreign corporation (CFC) tax should be included as covered taxes within the GloBE tax base for the entity which books the income the tax is levied on (e.g., for WHT, the recipient of the dividend, interest, royalty or service fee).

D. Carry-Forwards and Carve-Out

The Chamber generally supports the carry-forward rules described in the Blueprint. However, the Chamber is concerned that there is a possibility that GloBE losses may conflict with jurisdictional losses. Furthermore, the impact of such losses and any timing differences is not addressed. To address this, the Chamber recommends that it be clarified that any jurisdictional loss carry-forwards should not give rise to GloBE tax in the year of utilization.

Furthermore, given the complexity of the GloBE rules and timing and other differences between local taxable income and profits before tax, pre-regime losses and local covered taxes paid by Constituent Entities for at least the preceding 10 years should be allowed as a carryforward to the GloBE rules, to the extent they exceed the minimum ETR and to the extent that taxpayer is willing to establish and maintain carryforward accounts.

The Chamber supports the principle of a formulaic substance-based carve-out in the GloBE rules. For capital-intensive businesses, however, it is important that the asset-based carve-out should be based on the carrying value of tangible assets and not merely the depreciation expense. This is implicitly recognized by the OECD Transfer Pricing Guidelines (see para. 2.98 and 2.103), which provide that a return on assets is appropriate in evaluating the profits of manufacturing or other asset-intensive activities. A return-on-assets approach is also consistent with the U.S. GILTI rules, and with sound economic and finance theory (pursuant to which returns are earned on investments, not expenses). While there is a mathematical relationship between depreciation expense and carrying value, a “routine” markup on depreciation expense is likely to fall far short of a routine return on the carrying value of long-lived assets in a capital-intensive business.

E. Simplification Options

Generally, with regard to the four proposed simplification measures, the Chamber prefers those in the following order:

- The de minimis profit exclusion (based on a combination of percentage of MNE revenue threshold and a fixed de minimis threshold) should be included within the rules, as this would significantly lower the compliance burden for MNEs. It also would allow the rules to focus on those countries / entities with a higher tax risk.
- The tax administrative guidance would be good as a safe-harbor and would reduce compliance costs.

- The proposal to run a calculation over several years may result in the same or more complexity and compliance time as calculating outcomes year-on-year. As such, this is the Chamber's least preferred option.

Additionally, in order to lower compliance costs and to target larger tax risk positions, the Chamber believes that one of the safe harbors should be built into the GloBE rules.

1. De Minimis Profit Exclusion

The Chamber notes that although this safe harbor still entails a degree of work, it is still less work than having to run all of the required GloBE tax base adjustments for a given jurisdiction. Additionally, the Chamber notes that this simplification method should assume no loss carryforward. If a loss carry-forward needs to be computed and adjusted for, this removes the reduced compliance benefits of the safe-harbor. With regard to how to set the de minimis threshold, the proposal of 2.5% of MNE revenue should be applied as a safe harbor, helping to focus attention and compliance on the more material tax risk positions.

2. Tax Administrative Guidance

We agree with the Blueprint criteria, i.e., the main factor to consider should be where the jurisdiction has a sufficiently high headline corporate tax rate (for example, the United States). These jurisdictions should be the published to provide certainty.

F. Undertaxed Payments Rule (UTPR)

The UTPR is a backstop rule to the IIR. The Chamber believes it should therefore be clearly stipulated that, if GILTI is accepted as a qualifying IIR for purposes of the GloBE rules, other jurisdictions would not impose UTPR with respect to payments to a U.S. MNE's foreign subsidiaries.

The Chamber also believes that the UTPR should not be applied with respect to payments to the ultimate parent entity (UPE) of an MNE in a jurisdiction that adopts a qualified IIR (including the United States). First, the objective of Pillar Two is to ensure a minimum level of tax on foreign income earned by MNEs so as to address remaining international base erosion and profit shifting issues. The home jurisdiction of an MNE typically is the center of that MNE's economic interests and the place of ultimate management of the MNE. The home jurisdiction is more appropriately considered to be the natural location of the residual profits arising from the operation of the business, rather than a place to which profits are shifted to minimize tax.

Second, and relatedly, while all jurisdictions have a sovereign right to determine their own tax systems, that right is especially pronounced with regard to the system for taxing resident MNEs (as recognized implicitly by the design of the IIR, which permits the home jurisdiction of an MNE to impose a top-up tax on low-taxed foreign subsidiaries). The home jurisdiction of an MNE should have the right to determine the appropriate manner of taxing the domestic income of its resident UPE, balancing revenue concerns with tax incentives to encourage positive economic activity within its jurisdiction. Applying the UTPR to payments to UPEs would inappropriately encroach on the right of the home country to balance these domestic policy

interests.

An obvious solution to this issue is to exempt payments to UPEs from the UTPR. To the extent there is a concern that such an exemption could facilitate profit shifting, for example in cases in which the UPE is not located in a jurisdiction that represents the center of its economic activities, targeted rules can be designed to mitigate such concerns. For example, the exemption for payments to UPEs can be limited for UPEs located in jurisdictions identified as "investment hubs" by the OECD (FDI to GDP of 125%), unless the UPE's activities in its home jurisdiction met objective substance-based criteria (e.g., relative headcount or tangible assets).

If the above recommendation for the UTPR to apply to a UPE is not accepted, the application of the UTPR to low-taxed profits in the UPE jurisdiction needs a potential modification with respect to the determination of the ETR in the UPE jurisdiction for certain "safe harbor" activities that are associated with the income potentially subject to the UTPR, e.g., tax credits for research and development activities in the UPE jurisdiction. The carry forward and IIR credit do not address UTPR applying to a UPE in a high tax country like the U.S. as a result of timing issues. As noted above, the Chamber believes the determination of an ETR should take into account adjustments for material timing items. In addition, to the extent that the UTPR is imposed on payments to a UPE, a refund mechanism should be allowed to the extent that the UPE's effective tax rate over a period of time is higher than the minimum ETR threshold.

G. Subject to Tax Rule (STTR)

1. In General

The Chamber strongly disagrees with the proposed STTR taking priority over the GloBE rules. OECD members have long worked to reduce and eliminate gross-basis WHTs. The organization should not now support the imposition of WHTs as a primary rule under Pillar Two. This is a global project and countries that are participating in good faith should not be permitted, in effect, to reserve the right to take more of the residual profit through yet another WHT. A global solution cannot have a major exception or override, such as the STTR. Further, an unintended consequence of this rule might be to encourage more countries to impose the STTR, potentially overtaking and limiting the effectiveness of the IIR and UTPR and creating further compliance and administrative complexities.

Rather than elevating the STTR to first in priority, it should either be removed or simply be presented as an optional provision that bilateral treaty partners can decide whether to adopt to shift taxing rights. The STTR is an enormously confusing concept to be proposing on top of rules designed to ensure a minimum level of tax is being imposed on the global income of MNEs. At a minimum, if the STTR remains, a more targeted list of covered payments should be identified and a clear articulation of why such payments should be captured by this rule.

2. Materiality Threshold

Independent of the prioritization concerns articulated above, the Chamber believes a

materiality threshold of either ownership or consolidated revenue will be clear benchmarks. If the latter is chosen, the OECD should provide clear guidance on the revenue base and whether such revenue will be aggregated on a group jurisdictional level. Additionally, the materiality threshold should be considered at the group jurisdictional level and not per legal entity. For instance, if a MNE has multiple legal entities in a jurisdiction, the group average should be acceptable to determine materiality. This precludes consolidation regimes or group relief skewing legal entity results.

H. Implementation and Rule Coordination

The Chamber believes there should be binding mandatory dispute resolution incorporated into the Pillar Two rules, in order to quickly relieve any double tax suffered as a result of more than one jurisdiction asserting taxing rights under these rules on the same income. There should be a time limit imposed on jurisdictions to reach a conclusion under binding arbitration.

The Chamber appreciates the opportunity to offer these comments and is ready to provide additional input as appropriate.

Sincerely,

Caroline L. Harris