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World

Tax Deal Sets Ground to Collect at Least 15 Percent Tax on Online Sales

A new global tax agreement will allow low-income countries to collect taxes from multinational companies with a physical presence in foreign countries but whose products are sold in countries where such multinationals have no physical presence. Under the new arrangement, if a country has a physical presence in Europe or another country but sells its products through online platforms, such a company will be required to pay taxes in the country where its products have been sold. The agreement also introduces minimum tax rates of 15 percent below which no country will be allowed to charge tax rates.

This, the agreement says, will prevent multinational companies from migrating from countries with higher tax rates to countries with lower tax rates. Currently, it is estimated that between USD 100 billion and USD 240 billion about 4 percent to 10 percent of global corporate income taxes in revenue is lost each year because multinational companies take advantage of gaps and mismatches between different countries' tax systems. Africa loses approximately USD 50 billion each year through illicit financial activities of multinationals and wealthy individuals, and approximately USD 88.9 billion in capital flight. Source: Monitor