

UPDATED JOINT STATEMENT FROM THE UNITED STATES, AUSTRIA, FRANCE, ITALY, SPAIN, AND THE UNITED KINGDOM REGARDING A COMPROMISE ON A TRANSITIONAL APPROACH TO EXISTING UNILATERAL MEASURES DURING THE INTERIM PERIOD BEFORE PILLAR 1 IS IN EFFECT

A. Background

1. On October 21, 2021, the United States, Austria, France, Italy, Spain, and the United Kingdom (the “Participants”) reached a political compromise set forth in the Joint Statement from the United States, Austria, France, Italy, Spain, and the United Kingdom Regarding a Compromise on a Transitional Approach to Existing Unilateral Measures During the Interim Period Before Pillar 1 is in Effect (the “[October 21 Joint Statement](#)”). The Participants committed to remain in close contact to ensure that there is a common understanding of the respective commitments under the October 21 Joint Statement and endeavor to resolve any further differences of views through constructive dialogue.

2. On December 18, 2023, the G20/OECD Inclusive Framework on Base Erosion and Profit Shifting (the “Inclusive Framework”) issued a statement calling for a finalization of the text of the Pillar 1 multilateral convention by the end of March 2024 with a view to holding a signing ceremony by the end of June 2024.

B. Extension of the Unilateral Measures Compromise

In light of the revised timeline for adoption and signature of the Pillar 1 MLC, the participants have decided to extend the political compromise set forth in the October 21 Joint Statement until June 30, 2024. This updated joint statement (hereinafter “Updated October 21 Joint Statement”) incorporates the provisions of the October 21 Joint Statement, subject to the elements decided and described below in this Section. As with the October 21 Joint Statement, this Updated October 21 Joint Statement reflects the political understandings of the Participants, which intend to implement it accordingly.

For purposes of this Updated October 21 Joint Statement:

1. The “Interim Period” is the period beginning on January 1, 2022, and ending on June 30, 2024.¹
2. The content of the Annex to the October 21 Joint Statement is replaced with the following text:

ANNEX

This annex to the Updated October 21 Joint Statement provides an example of the application of the Updated October 21 Joint Statement.

Assumed facts: During the Interim Period, XYZ, a corporate taxpayer, pays €130x in taxes to Country A, one of the countries identified in subsection C.1, with respect to its digital services tax, a Unilateral Measure. For Country A, the Interim Period ends on June 30, 2024. On July 1, 2024, Country A implements Pillar 1 Amount A (effective for the calendar year beginning in 2025 and all subsequent years) and repeals its digital services tax on January 1, 2025. XYZ is a member of a MNE group that is subject to Pillar 1 Amount A tax liability in calendar TY 2025. XYZ’s corporate income tax liability in Country A with respect to Pillar 1 Amount A is €20x in calendar TY 2025 and €35x in calendar TY 2026. XYZ’s Interim Pillar 1 Amount is €50x² (i.e., the product

¹ At a later time, the Participants may discuss commitments with respect to Unilateral Measures imposed on taxpayers after June 30, 2024.

² This figure is rounded to the nearest whole number for simplicity.

of the €20x Pillar 1 Amount A tax liability for TY 2025 and 912/365). XYZ's total corporate income tax liability (including but not limited to Pillar 1 Amount A liability) with respect to TY 2025 and TY 2026, before application of the Interim Credit, is €110x and €70x, respectively.

Result: XYZ's Credit Amount with respect to Country A is €80x (i.e., €130x digital services tax liability during the Interim Period less €50x Interim Pillar 1 Amount). XYZ's TY 2025 corporate income tax liability in Country A with respect to Pillar 1 Amount A of €20x is reduced to €0x by the Interim Credit. The €60x remainder of the Interim Credit (i.e., €80x Credit Amount less €20x Pillar 1 Amount A tax liability for TY 2025) is carried forward and reduces XYZ's TY 2026 Country A corporate income tax liability to €0x with respect to Pillar 1 Amount A. Accordingly, XYZ has a remaining €25x Interim Credit that is carried forward to TY 2027. XYZ's total corporate income tax liability for TY 2025 and TY 2026 after application of the Interim Credit is €90x (i.e., €110x total corporate income tax liability less €20x Interim Credit) and €35x (i.e., €70x total corporate income tax liability less €35x Interim Credit carryforward), respectively.