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<u>Subject</u>: Public Consultation Document – Global Anti-Base Erosion Proposal ("GloBE") – Pillar Two

With respect to the issues raised in the Public Consultation Document – Global Anti-base Erosion Proposal ("**GloBE**"), published on 8 November 2019 (the "**Public Consultation Document**"), Tremonti Romagnoli Piccardi e Associati appreciates the opportunity to submit the following observations and comments in relation to the following enquiries.

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By way of introduction, we would like to highlight our appreciation for the OECD's intent to develop a set of coordinated rules – consisting in the "four components" of the GloBE proposal – in order to contrast "base erosion and profit shifting" practices.

It is our understanding that in order to address such issue, OECD has elaborated the following rules which will be implemented after other key design elements of the overall proposal are fully developed:

- <u>an income inclusion rule</u> that would tax the income of a foreign branch or a controlled entity if that income was

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subject to tax at an effective rate that is below a minimum rate;

- an untaxed payments rule that would consist in denying a deduction or imposition of source-based taxation (including withholding tax) for a payment to a related party if that payment was not subject to tax at or above a minimum rate;

- a switch-over rule to be introduced into tax treaties that would permit a residence jurisdiction to switch from an exemption to a credit method where the profits attributable to a permanent establishment (PE) or derived from immovable property are subject to an effective rate below the minimum rate; and

- a subject to tax rule that would complement the undertaxed payment rule by subjecting a payment to withholding or other taxes at source and adjusting eligibility for treaty benefits on certain items of income where the payment is not subject to tax at a minimum rate.

While we agree with the approach adopted by the OECD – in proceeding, first, with the development of some key design elements and, then, with the implementation of the taxing rules - we believe that further considerations should be made regarding the interaction of the "four elements" described above, considering that in our view the aforementioned instruments might raise relevant practical and policy questions.

For instance, further clarifications should be provided in connection with the undertaxed payments rule and its interaction with the anti-hybrid provisions introduced by OECD with the OECD BEPS Action 2[1], considering that the latter might represent a special "case" of the undertaxed payments rule.

[1] In particular, Action 2 aims to address hybrid mismatch arrangements used by MNEs in order to achieve double non-taxation results and long-term tax deferral.

In this context, particular observations should also be made in relation to a potential overlapping between the undertaxed payments rule and the subject to tax rule in the cases where deductible payments may be subject to both the undertaxed payments rule and the subject to tax rule.

Given these preliminary considerations, please find below our comments regarding some of the key design elements developed under the GloBE proposal.

1. Questions for consultation

a) Do you agree that the use of financial accounts as a starting point can provide an appropriate income base (for the computation of an effective tax rate) and would simplify and reduce the compliance costs of the GloBE proposal?

b) What would be the consequences of using the accounting standards applicable to the ultimate parent entity of the MNE? Would you suggest a different approach?

c) How would you recommend determining whether a financial accounting standard is an appropriate standard for determining the tax base under the GloBE proposal?

d) Do you have concerns that allowing more than one financial accounting standard to serve as the starting point for determining the tax base under the GloBE proposal will place some MNEs at a competitive advantage due to variations in financial accounting standards among jurisdictions?

e) There may be some instances where MNEs, particularly smaller MNEs, do not prepare consolidated financial statements for any purpose. How much of an issue do you think this is and for what types of MNEs? Where this is the case, how would you suggest the issue should be addressed?

f) Are there additional or different considerations that apply to the tax base determination for purposes of an undertaxed payments rule?

a) With respect to tax base determination issue, we agree with the approach adopted under the GloBE proposal which suggests to start with the relevant accounting rules, subject to any agreed adjustments, to align accounting income with a proper measure of taxable income in order to improve compliance and neutralise the impact of structural differences in the calculation of the tax base for MNEs.

In this respect, it is worth mentioning that the solution proposed under the Public Consultation Document is the one already adopted by various legislations – such as Italy - in which accounting figures represent a natural starting point for the determination of corporate tax base. Indeed, under the Italian legislation, specific adjustments for tax purposes are, then, required to be made on the figures determined in accordance with the accounting standards (either International Financial Reporting Standard or Italian General Accepted Accounting Principle).

Furthermore, one should consider that, under the Italian Tax legislation, specific accounting criteria - such as the ones related to the (**i**) qualification, (**ii**) timing imputation and (**iii**) classification – are considered relevant also for tax purposes. In other terms, the abovementioned criteria (*rectius*, the accounting treatment of the transaction) prevail over any tax provision in contrast with the latter[2].

[2] This is the so-called "principle of derivation of the corporate income taxable base from the statutory financial statements" - codified in the Italian Income Code (i.e. article 83 of Presidential Decree, 22 December 1986, N.917) – which aims to align the taxable basis determination rules with the statutory financial reporting. In this respect, specific tax rules applies to entities adopting Italian (GAAP) and International Financial Reporting Standards (IFRS). With reference to the latter, accounting rules concerning the

In light of this brief observations, the adoption of such an approach appears to be the most reasonable for GloBE purposes.

An alternative solution to the approach described above might be represented by the drafting of a pure "tax" profit and loss statement. An example of such an approach has been proposed by the European Commission within the "Common Corporate Tax Base ("CCTB")" project, which is aimed at providing a single set of rules to calculate companies' taxable profits within the EU, rather than by applying different domestic rules.

In particular, under the CCTB Directive proposal, there is no formal link between the tax rules and the accounting principles (IFRS) since the rules for calculating the CCTB are presented as a self-standing set of tax provisions not formally linked to the international accounting standards.

b) As highlighted in the above paragraph, we tend to agree with the considerations shared under the GloBE proposal in considering financial accounting as a starting point for the determination of the tax base. However, we believe that further considerations – focused on the selection of the most appropriate accounting standard - should be made in situation in which the various members of the MNE group, operating in different jurisdictions, are subject to different accounting standards.

In this respect, we share the view that the most suitable approach for achieving a more transparent result and eliminating alterations that would derive from the application of different accounting standards under different jurisdictions, may consist in the adoption of the accounting standard of the parent company (also) at the subsidiary level.

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qualification, timing imputation and classification criteria assume also relevance for tax purposes.

The rationale behind this choice relies on the fact that, within the context of the consolidated financial accounts drafted by a MNE group, the subsidiaries, located in a different jurisdiction from the parent company, are already required to restate their accounts in accordance with the accounting principles of the same parent company and to report such data to the headquarter (so called "reporting package"). As a consequence, such (already available) data might be used for GloBe purposes without creating the need to elaborate further in order to align accounting distortions.

c) As mentioned under paragraph 22 of the Public Consultation Document, an additional matter to be properly addressed consists in establishing which accounting standards – among those present in different jurisdictions - should be considered as the appropriate one to be used for the purpose of the GloBE proposal.

In this respect, the Public Consultation Document highlights that the ultimate parent entity's financial accounts need to be prepared under an acceptable set of financial accounting standards (such as the IFRS) or generally accepted principles (such as the American and Japanese GAAP).

We share the concern of the OECD and, in order to achieve a more effective results in a global context, we believe that the selection of the relevant accounting standard/principles to be used under the GloBE proposal should rely on some specific criteria such as:

- the commonalities in terms of legal framework, principles and concepts (such as the "substance over the form" one);

- the geographical diffusion.

d) The selection of a specific set of accounting standards to apply as the starting point for determining the tax base under the GloBE proposal could give some MNEs a competitive advantage due to the variations in accepted financial accounting standards among jurisdictions.

Indeed, it could be the case of two subsidiaries – located in the same jurisdiction – being part of two different MNE groups which might be required, under the GloBE proposal, to adopt different accounting principles (while they would adopt the same accounting standard for local reporting purposes).

However, since we have already shared the opportunity to limit the number of applicable accounting standards for GloBE proposal, we tend to believe that any potential competitive advantage that may arise (e.g. due to a potential more favorable accounting treatment of a specific transaction) should be very limited.

Of course, from a pure administrative perspective, the possibility for an MNE group to adopt accounting standards that are already utilized for MNE group reporting purposes should represent an important administrative advantage.

e) As correctly highlighted by the GloBE proposal some of the main jurisdictions provide no legal obligation for MNEs to prepare consolidated financial statements. As a consequence, the complexity in the implementation of the GloBE proposal could be dramatically increased, considering that no consolidated accounting data would be available.

Given this picture, one should also consider that under some (other) jurisdictions, subsidiaries, acting as sub-holding, may be required to prepare (sub) consolidated financial statements. In such cases, reference to this accounts could be made.

Moreover, in some jurisdictions the lack of consolidated financial data derives upon the qualification of the group as small and medium enterprises group ("**SMEG**"). Indeed, due to the limited amount of some parameters, such as revenues, assets and personnel, those groups are not subject to consolidated accounting data reporting. The reason behind such exclusion is mainly based upon the fact that the benefit granted by the consolidated financial statement does not justify the relevant administrative burden required for its preparation.

For the same reason, we believe that SMEG should be excluded from the obligation to restate their financials in accordance with the parent entity accounting standard under the GloBE proposal.

f) We believe that the issues addressed under the Public Consultation Document are more focused on the "income inclusion rule".

Indeed, one should consider that unlike the income inclusion rule, which takes into account the level of profitability of the entity (e.g. the total income), the undertaxed payment rule should consider only the taxation of the single component of income (such as, an interest revenue) connected with a specific cost (such as, an interest expense).

This being said, even if in principle we agree with the rationale behind the undertaxed payment rule, we consider that applying a "catch all" approach - which is focused on the total amount of income (e.g. the company, jurisdiction or group) rather than the taxation of the single component of income - will reduce complexities which would be registered under a differ approach.

2. Questions for consultation

a) What are the material permanent differences between financial accounting income and taxable income that are common across jurisdictions and that you think should be removed from the tax base without undermining the policy intent of the GloBE proposal?

b) Do you have views on the methods that could be used for dealing with permanent differences?

c) Do you have any comments on the practicality of making adjustments for permanent differences?

d) Do you think any other adjustments to the financial accounts require attention?

a,b) With specific regard to the material permanent differences which are considered common across jurisdictions, we believe that a useful list of such components is given by Article 12 of the CCTB Directive.

In more details, the aforementioned list includes:

- profit distributions (e.g. dividends);
- corporate tax and similar taxes on profits;
- bribes and other illegal payments;
- fines and penalties, including charges for late payment, that are due to a public authority for breach of any legislation;
- gifts and donation.

c,d) That being said in relation to items that are not (tax) relevant and therefore produce "tout court" permanent differences, additional considerations should probably be made with regard to those costs, which are just partially relevant (i.e. whose deductibility is generally established in accordance with a given percentage).

To this end, a possible solution could be their computation on a forfeit basis or the provision of materiality thresholds.

3. Questions for consultation

a) Do you have any comments on the use of carry-forward of losses and excess tax as a mechanism for addressing temporary differences under the GloBE proposal?

b) ***Do you have any comments on the use of deferred tax accounting as a mechanism for addressing temporary differences under the GloBE proposal?***

c) ***Do you have any comments on the use of a multi-year approach to measure the average effective tax rate as a mechanism for addressing temporary differences under the GloBE proposal?***

d) ***Do you have any comments on what limitations (if any) should be imposed on the normal financial accounting rules for deferred tax assets and liabilities and the practicalities of imposing those limitations?***

e) ***Do you see opportunities for potential abuse in any of the approaches for addressing temporary differences described above? Do you have suggestions for designs to prevent those abuses?***

f) ***Do you have any suggestions for alternative mechanisms for dealing with temporary differences?***

g) ***Do you have any additional comments on Section 2, including comments based on experiences with existing regimes that you suggest should be adopted or avoided?***

a,b,c,d) Among the three proposals for addressing temporary differences, which are (**i**) the carry-forward of excess taxes and tax attributes, (**ii**) deferred tax accounting and (**iii**) multi-year averaging, we believe that the adoption of deferred tax accounting approach could produce a more accurate and balanced outcome, fairly in line with the achievement of a standardized result.

Indeed, the possibility to account deferred tax assets and deferred tax liabilities would neutralize the accounting distortion deriving from temporary differences, although a downside could be the presumed increase of the compliance costs at the administrative level.

Additional instruction should then be included to clarify that while it is common standard among the various accounting practices that Deferred Tax Liabilities should always be registered, the same does not happen with regard to Deferred Tax Assets (since the latter from a (pure) accounting prospective, should be only recorded under the forecast of taxable income in the future years). Of course, such a circumstance needs to be cautiously addressed for the purposes of the GloBE proposal in order to prevent distortions and misalignments while making the relevant computation.

A less complicated approach is surely represented by the carry-forward of excess taxes and tax attributes approach since this relies on the current taxation, without the need to consider the accounting effect of the "temporary" adjustments.

As a matter of fact, this approach would be less accurate, since the effect of the temporary differences is not mitigated in the given year.

Therefore, it could happen that, due to temporary differences, groups may face an important burden in terms of higher taxes (due by the parent entity) in a given year (because, by way of instance, some subsidiaries do not meet the "minimum tax" in light of local accelerated deprecations) then offset in the consequent fiscal year.

In our view such approach should be rejected since it could cause – *inter alia* – a negative impact on the cash flow.

With reference to the multi-year averaging method, we are of the opinion that, besides being the simplest approach, its implementation should be discouraged considering that it cannot be easily predicted the adequate length of the monitoring period during which the temporary differences should be annulled.

e,f,g) As far as the presence of potential abuses connected with the three proposed approaches is concerned, we tend to believe that the approach less influenced by such potential abuses is the Deferred Tax Accounting. Indeed, this is the only method which fully address the issue related to temporary differences while the other methods are also influenced by permanent difference effects.
An alternative method to deal with temporary differences could consist in not taking into account temporary differences whose reversal effect are already certain and predetermined. Such an approach would represent a simplification to the proposed approaches and has been already adopted by certain CFC legislations (e.g. Italy)[3].

4. Questions for Consultation

a) How would you assess the general compliance costs and economic effects of a GloBE proposal that is based on either an entity, jurisdictional or worldwide blending approach?

a) From a general standpoint one may consider that the worldwide blending approach is the least burdensome proposal in terms of compliance costs for its implementation. This is mainly due to the fact that the method would imply the monitoring of one single effective tax rate – even if given by the sum of the overall (**i**) foreign "profits before taxes" (denominator) and (**ii**) "foreign taxes due" (numerator) – while the other approaches would necessary require the monitoring of the effective tax rate either at the jurisdictional or at the entity level.

Some practical examples of the advantages of the worldwide blending approach consist in the elimination of possible alterations given by (**i**) either domestic or worldwide tax consolidation regimes, (**ii**) the allocation of profits

[3] See, Regulation of the Director of the Italian Revenue Agency, N. Prot. 143239, para. 5.1.

between branch and headquarter, and (**iii**) the presence of transparent entities.

Due to the above reasons, the compliance costs, which should be borne by the parent company for the application of the worldwide blending approach, could be meaningfully lower than the others.

In addition, also from the "economic effects" perspective, the worldwide approach seems to be the preferred option that minimizes financial disadvantages for the enterprise where, by way of instance, there is an important difference in terms of effective tax rates between two jurisdictions. Indeed, in a situation in which the same amount of income equal to 120 registered by the company both in jurisdiction A and B generates taxes in country A for an amount equal to 5 and in country B for an amount equal to 30 – and assuming that the minimum rate is equal to 15% – the adoption of the worldwide blending approach would avoid the payment of higher taxes which would be due in country A under the jurisdictional or entity approach.

That said, from the pure prospective of successfully challenging harmful tax practices, the jurisdictional and the entity blending approaches, even if apparently more troublesome in terms of compliance costs, could result the fairer option.

5. Questions for consultation

a) In the absence of any of the approaches for addressing temporary differences discussed in Section 2, do you consider that a worldwide approach would be effective at managing the volatility issues discussed above?

a) In case none of the approaches described under Section 2 of the Public Consultation Document, aimed at addressing distortions that may arise due to temporary adjustments, are implemented, we agree with the view that in principle

the worldwide blending approach might be of help in reducing malpractices and misconducts.
However, one should consider that the elimination of such distortions through the application of the worldwide blending approach represents a (pure) algebraic exercise that is not accurate to definitely address the issue.

Given the above, it would be probably more efficient to utilize an approach according to which the worldwide blending methodology is combined with more thorough analysis that is in the conduction to capture forms of tax avoidance.

6. Question for Consultation

a) Assuming that the MNE's income for purposes of the GloBE proposal would be determined by reference to financial statements (adjusted as necessary) and assuming further that an MNE already prepares consolidated financial accounts, what are likely to be the compliance implications for MNEs in (i) separating the income and taxes of their domestic and foreign operations under a worldwide blending approach, (ii) separating the income and taxes to a jurisdictional level, or (iii) breaking down income and taxes to an entity level?

b) How would these compliance implications change if the income for purposes of the GloBE proposal was determined by reference to the rules used for calculating the tax base in the shareholder jurisdiction?

a) Considering the assumptions highlighted under question a), we tend to believe that there are no material differences among the three blending approaches in terms of compliance costs since the possibility that a MNE group which is obliged to draft a financial statement does not possess the un-consolidated data of each subsidiary is quite remote in practice. In fact, those data undoubtedly represent the basis for the computation of the consolidated accounts and should therefore be readily available.

Therefore, the main compliance burden related to the adoption of the worldwide or jurisdictional approach consists in the necessity to restate the consolidated data by, in the first case, separating the foreign income – generated by the foreign entities – from the domestic one, and, in the second case, allocating the foreign among each relevant jurisdiction.

With reference to the possible recalculation under the shareholder's jurisdiction rules, it is easy predictable that this would increase complexity and administrative costs. Additionally, such an approach could procure a less balanced outcome according to the peculiarity of the shareholder's jurisdiction.

7. *Question for Consultation*

a) How would you suggest to apportion the income of an entity between the branch and the head office and do you think it should follow what is done for tax purposes?

b) What are the compliance implications of such an allocation under a worldwide, jurisdictional and entity blending approach?

c) Is the compliance impact smaller for those MNEs that are subject to CbC reporting requirements and that are already required to report the income of a branch and head-office separately even where no such requirement exists under financial accounting rules?

a) Due to the generalized lack of the obligation to draft financial statements for permanent establishments and the widespread practice of considering a permanent establishment as a separate entity for tax purposes under the AOA, we agree with the opportunity to apply what is done for tax purposes also in the context of the GloBE proposal.

Of course, this solution implies that the amount of revenues and expenses allocated to the permanent establishment are excluded from the relevant computation at the level of the head-office.

b) Clearly, the worldwide approach should not be hit by the need to perform the mentioned apportionment. While a certain burden will have to be borne under the jurisdictional or the entity approach. To this extent the adoption of a method which privileges the mentioned segregation between head-office and branch is strongly advisable to reduce complexity and double-counting.

c) Finally, it is quite sharable the view that subjects already obliged to carry out the "CbC reporting" may result more facilitated for the GloBE purposes, although this acknowledgment loses practical emphasis given that structured MNEs are quite used to comply with sophisticated requirements.

8. Question for Consultation

a) How would you suggest to apportion the income of a transparent entity and do you think it should follow what is done for tax purposes?

b) What are the compliance implications of such an allocation under a worldwide, jurisdictional and entity blending approach?

c) Is the compliance impact smaller for those MNEs that are subject to CbC reporting requirements and that are already required to report the income of a transparent entities separately even where no such requirement exists under financial accounting rules?

a,b,c) We believe that our considerations should follow "mutatis mutandis" the comments reported "sub" 7 on permanent establishments, particularly underlining the efficiency of following the same approach used for tax purposes.

For example, in cases where the partner and the (transparent) partnership belong to different jurisdictions, it is our opinion that the relevant income should be attributed to the country where the partner, who bears the burden of taxation, is actually resident. As a consequence, the revenues and expenses generated by the transparent entity should be virtually shifted to the accounts of the partner.

Some hints for the proper allocation may clearly be sought in the terms and conditions of the relevant partnership agreement, although a thorough analysis of the local provision cannot be avoided.

9. Question for Consultation

a) How would you suggest dealing with attributing taxes that arise in another jurisdiction or entity under a jurisdictional or entity blending approach?

b) What comments, if any, do you have on the practicality of crediting taxes paid in an intermediate jurisdiction or entity, such as under a CFC rule, against income of the subsidiary or branch?

a) In order to ascertain the effective tax rate of a foreign entity or jurisdiction it is fundamental to align the taxes paid with the accounting income.
As a consequence, even if some taxes are paid in a jurisdiction where the related income is not registered for accounting purposes, such as in the case of CFC regimes or branches taxed also in the head-quarter jurisdiction (under the credit method), it should in our opinion be found a solution to opportunely adjust the relevant figures.

To this end, there are probably two solutions to deal with the attribution of taxes in the case of jurisdictional or entity blending approaches.

The first solution consists in the allocation of the accounting income of the CFC in the jurisdiction where the taxes are paid, with the consequent exclusion of the foreign income from any analysis. By way of instance, in the case of a CFC or a branch, which does not apply a branch exemption regime, the income should be allocated to the jurisdiction of the controlling entity or the head-quarter and excluded from those latter countries.

The second solution consists in shifting the higher taxes paid in the head-quarter or controlling jurisdiction, in relation to the branch or CFC income, to where (or whom) the accounting income is (has) declared, "de facto" reapportioning the tax burden.

10. Question for Consultation

a) Assuming that the starting point for calculating the income of the MNE under the GloBE proposal is based on the financial accounts do you have any comments on the practicality of dealing with taxation of dividends under worldwide, jurisdictional and entity blending approaches?

b) Do you have any comments on how the taxation of dividends should be dealt with under the GloBE proposal?

c) Are they any other issues that you wish to highlight regarding worldwide, jurisdictional or entity blending?

a,b) The rationale behind the exclusion of dividends from the determination of the income is the elimination of the double taxation of the same income flow (the so-called "economic double taxation"). Indeed, profits that have already been taxed in the payer's jurisdiction or at the payer's level, should not be (double) taxed at the level of the recipient.

In light of the above, we agree with the view that - if the profits have been sufficiently taxed, i.e. at a minimum tax rate, at the payer's level - they should not be included in the determination of the income of the recipient for GloBE purposes.

c) In line with the above, any withholding tax suffered at source should be included among the taxes suffered in the payer's jurisdiction. Such inclusion is preferable since, even if the relevant burden is effectively born by the shareholder, it should be considered - for the purposes of the GloBE proposal - a form of (additional) taxation applied by the subsidiary's jurisdiction on the income locally generated.

This being stated in relation to a dividend fairly taxed, if we consider the case where the dividend has not been taxed in line with a minimum tax rate, the following additional considerations are due.

Mirroring the CFC provision, according to the several tax legislations, dividends are taxed in the parent jurisdiction if the profits have not been properly taxed at source.

In such a case, it should be evaluated how to align such taxation suffered in the parent company jurisdiction with the profits realized by the subsidiary jurisdiction.

In this regard, a possible solution in order to exclude such misalignment consists in including the dividend in the income of the parent company only for the fraction that has not been fairly taxed at source.

11. Question for Consultation

a) Do you have any comments, based on your own experience, as to the preferred design of a carveout taking into account factors such as simplicity, compliance costs, certainty, incentives and behavioural impacts?

b) Are there any technical or compliance considerations that would make you concerned about a particular type of carve-out (i.e. based on facts and circumstances or on a formulaic approach), or suggest that there should be no carve-outs at all? If so, please explain based on your own experience.

c) Would you favour thresholds based on the size of the taxpayer? If so, please give your reasons and suggest a metric that you think should be used.

d) Would you favour any de minimis carve-outs? If so, what type of carve-out do you consider would result in the right balance between compliance costs and benefits?

e) Would you favour a carve-out for specific sectors or industries? If so, please state the sector or industry, explain your reasons and share thoughts on how such a carve-out could be operated with as little compliance cost and uncertainty as possible.

f) Do you have any additional comments on carve-outs, including comments based on experiences with existing regimes that you suggest should be adopted or avoided?

a,b,c) In principle, we tend to believe that the introduction of carve-outs could create asymmetries that risk to jeopardize the scope of the GloBE proposal. Indeed, the main concern in this regard consists in the designation of appropriate carve-outs, which should be easily monitored, otherwise the risk of abusive behaviors could be relevant.

By way of example, we do not agree with the view that the regimes compliant with the standards of the BEPS Action 5 on harmful tax practices, such as the patent box regime, should be excluded from the analysis on the minimum tax rate. Indeed, even if such intangible returns have been properly obtained in accordance with the "nexus approach" principle detailed under Action 5, this does not mean that such returns are taxed with a tax rate that is line with the minimum one to be agreed under the GloBE proposal.

As already mentioned under paragraph 1, we envisage the possibility to introduce a carve-out in relation to SMEG. Indeed, small and medium enterprises groups should be excluded from the application of the GloBE proposal as it would be too burdensome for such entities to implement the proposed approach. The metrics that should be considered for such exclusion, should be – in our view – a mix of the following variables (**i**) amount of revenues, (**ii**) amount of personnel and (**iii**) amount of assets.

d) With specific regard to a "de minimis" carve-out, we share the solution proposed by the Public Consultation Document aimed at excluding companies which do not generate a significant amount of income or, in other terms, an amount of income which would not be considered relevant for the purpose of the GloBE proposal.

By way of instance, in case of adoption of the jurisdictional or company blending approaches, it could be evaluated the possibility to exclude jurisdictions or entities (either subsidiaries, permanent establishments or transparent entities) which generate a turnover lower than 1 million Euro.

Such exclusion should instead be avoided in case of adoption of the worldwide blending approach since the connected benefits could be easily overcome by the downsides in terms of efforts required to make such specific carve-out.

e) As far as the opportunity to introduce some carve-outs for specific sectors or industries is concerned, we tend to disagree with such a solution due to the fact that we do not see a specific sector/industry which should be *per se* left out from the scope of the proposal which consists in challenging the shift of profits to jurisdiction where they are subject to no or very low taxation.

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If you have any questions or you would like further clarification regarding any of the points discussed above, please contact milano@virtax.it.

Respectfully submitted,

Yours sincerely,

Antonio Vitali Simone Zucchetti