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## GLOBAL MINIMUM TAX AS A TOOL FOR STRENGTHENING ECONOMIC STABILITY<sup>1</sup>

### Abstract

This article explores the global minimum tax (GMT) as a legal and policy response to the growing challenges of tax base erosion and profit shifting (BEPS) in the context of globalization and digitalization. The central thesis posits that GMT can serve as an effective instrument to reinforce global economic stability, enhance tax fairness, and mitigate aggressive tax planning. Drawing upon a multidisciplinary methodology—combining doctrinal legal analysis with economic policy evaluation—the article identifies the key legal, political, and economic implications of implementing GMT. The research highlights that although GMT offers a structural solution to harmful tax competition, its success is contingent on robust international coordination, legal enforceability, and inclusiveness for developing countries. The article confirms the hypothesis that GMT has the potential to stabilize public revenues and restore equity in the international tax system, while also underlining its limitations and proposing policy recommendations. The originality of the article

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lies in its comprehensive analysis of the interplay between legal architecture, political constraints, and redistributive impacts of GMT in the evolving global fiscal order.

**Key words:** Global minimum tax, OECD, GloBE rules, Economic stability

**JEL Classification:** K34

## 1. Introduction

In recent decades, the international economic environment has undergone continuous transformation due to globalization, digitalization, and rapid technological innovations, which present new challenges for the international tax system. These changes—coupled with the expansion of cross-border trade, digital business models, and global investment—have led to increasing issues related to aggressive tax planning and profit shifting [Tørsløv, Wier, Zucman 2021]. While traditional tax systems based on the territorial principle of taxation were effective in the past, they have proven inadequate in addressing the phenomenon of profit shifting to tax havens and jurisdictions with minimal tax burdens. This phenomenon, known as base erosion, results in substantial losses in fiscal revenues, thereby limiting the ability of states to finance public services and invest in infrastructure and development.

In response to this trend, an initiative was launched to introduce a Global Minimum Tax (hereinafter “GMT”) as a tool to curb tax competition, prevent aggressive tax planning, and ensure a fair redistribution of tax revenues among states [Gaspar, Hebous, Mauro, 2022]. The GMT concept has the potential to contribute to global economic stability not only by reducing base erosion but also by promoting transparency and fairness within the international tax system. This framework proposes the establishment of a minimum tax rate that all multinational enterprises must comply with, regardless of the jurisdiction in which they operate. The implementation of such a minimum tax rate may simplify international tax rules and eliminate the so-called “race to the bottom”—a competition among states to offer the lowest possible tax rates, which has historically undermined the stability of the global economy.

This article provides a systematic theoretical and empirical analysis of the GMT concept, examining the legal, economic, and political implications of its implementation. The primary objective is to rigorously assess the extent to which GMT can enhance global economic stability, effectively mitigate the adverse effects of base erosion and aggressive tax planning and significantly improve

the balance between national tax systems. This analysis is underpinned by a critical evaluation of quantitative data and qualitative assessments from leading international organizations and academic research, aiming to move beyond a purely descriptive account to provide a nuanced understanding of GMT's multifaceted impacts. Furthermore, the article raises the question of the legal challenges associated with the implementation of GMT and what legal mechanisms should be established to ensure its effectiveness and enforceability within the international tax framework.

To explore this issue, the key research questions are as follows:

- How can a global minimum tax contribute to reducing base erosion and aggressive tax planning in the global economy?
- What are the legal and political challenges related to the implementation of the global minimum tax, and what mechanisms should be introduced to ensure its effectiveness?
- Can the global minimum tax serve as an effective tool to enhance fairness and transparency in the international tax system?

These questions are crucial to understanding how GMT could not only strengthen states' fiscal stability but also ensure a level playing field for all countries within the global economic competition. The goal is to determine whether the global minimum tax constitutes an effective solution for enhancing economic stability and fairness in the global economy, and to identify the specific measures required for its successful implementation.

## **2. Theoretical and Legal Foundations of the Global Minimum Tax**

In today's globalized and digitalized world, where business models and investment flows are constantly evolving, it has become essential to reassess the traditional principles of international taxation. Historically, tax systems were based on the territorial principle, designed to maintain balance among states through bilateral and multilateral tax treaties, with the primary aim of eliminating double taxation and ensuring fair distribution of tax revenues. However, the growth of globalization, the development of digital technologies, and the intensification of cross-border activities by multinational enterprises have given rise to a new challenge—namely, base erosion. This phenomenon occurs when corporations shift their profits to jurisdictions with significantly lower tax rates, thereby artificially reducing the tax base in countries where the actual economic activity takes place. As a result, states suffer substantial

losses in fiscal revenues, which limits their ability to fund public services, invest in infrastructure, and support sustainable economic growth.

In response to these challenges, the initiative to introduce a GMT emerged. It was designed to establish a unified minimum standard of taxation for multinational corporations, regardless of the jurisdiction in which they operate. The concept aims not only to eliminate aggressive tax competition but also to enhance transparency and create a level playing field for all countries. The implementation of the GMT is also intended to curtail the phenomenon of the “race to the bottom”—a competition among states to offer the lowest tax rates, which in the past led to declining tax revenues and weakened fiscal stability.

The global minimum tax initiative, introduced by the OECD and endorsed by the G20, represents a historic shift in the understanding of equitable taxation. Its purpose is to ensure that multinational enterprises are subject to at least a minimum level of taxation, irrespective of where they conduct their activities. The framework is based on two pillars of the BEPS 2.0 initiative:

**Pillar One:** Focused on reallocating part of the taxing rights to jurisdictions where end consumers are located, rather than solely to the countries where corporations are formally domiciled.

**Pillar Two:** Introduces a global minimum tax rate of 15% for large multinational groups with consolidated annual revenues exceeding €750 million [OECD, 2023a].

The significance of the GMT lies in its systemic approach to addressing base erosion and in preventing so-called “jurisdictional arbitrage.” This initiative fosters a fairer allocation of taxing rights among states and strengthens the integrity of the international tax system [OECD, 2021a]. GMT also represents an effort to coordinate restrictions on tax competition and to create a more equitable landscape, particularly for developing countries with limited capacity to counteract profit shifting.

The theoretical foundations of the GMT concept are rooted in the long-term evolution of international tax treaties and approaches to tax rule harmonization. In its earlier stages, international cooperation was dominated by bilateral agreements, which are now insufficient in the context of modern

globalization. For example, the OECD's BEPS (Base Erosion and Profit Shifting) initiative highlighted the extent of profit shifting and emphasized the need for a unified minimum tax standard to safeguard states' tax revenues and limit opportunities for aggressive tax planning [OECD, 2015]. These findings underscore that traditional models based on national sovereignty are no longer adequate in today's world, and international coordination is necessary to ensure fair and effective taxation.

From a legal standpoint, the implementation of GMT represents a paradigm shift. While taxation policy has traditionally been viewed as a core aspect of national sovereignty, the global economy requires coordinated measures that enforce uniform standards while also enabling states to respond to their unique economic circumstances. The key to the success of GMT lies in open international dialogue, where divergent national interests are reconciled into a common consensus. This level of cooperation requires the establishment of binding multilateral agreements that define a unified minimum standard while including flexible clauses that allow for adaptation to local conditions. Such flexibility is especially important for countries that have historically used low tax rates to attract foreign investment, as it enables them to retain certain policy elements while still complying with global standards.

The GMT framework frequently references the GloBE (Global Anti-Base Erosion) model, which encompasses several instruments. These mechanisms are designed to ensure that multinational corporations pay a minimum level of tax and to prevent practices that shift profits to low-tax jurisdictions. Integrating these mechanisms into multilateral agreements is a key prerequisite for the effectiveness and enforceability of GMT in the international tax context.

The GloBE model serves as the practical implementation of Pillar Two and consists of four main instruments designed to ensure that the effective tax rate of multinational enterprises does not fall below the agreed threshold of 15%:

### **Qualified Domestic Minimum Top-Up Tax (QDMTT)**

This mechanism allows the jurisdiction where income is generated to impose a top-up tax, ensuring that the effective tax rate reaches 15%. It incentivizes

countries to retain tax revenues domestically rather than allowing other jurisdictions to collect them.

### **Income Inclusion Rule (IIR)**

Enables the parent company to apply additional taxation on the income of foreign subsidiaries if their effective tax rate falls below 15%. This rule primarily applies in the jurisdiction where the ultimate parent entity is located.

### **Undertaxed Profit Rule (UTPR)**

Activated when IIR cannot be applied (e.g., if the parent entity is located in a country that does not implement IIR). In such cases, the right to tax low-taxed profits is distributed among the other jurisdictions in which the multinational operates.

### **Subject to Tax Rule (STTR)**

This clause primarily concerns source countries and permits them to impose additional taxation on outbound payments that are taxed below a certain threshold in the recipient jurisdiction. STTR is particularly relevant for developing countries and is often negotiated bilaterally [OECD, 2021b].

These tools work synergistically to ensure a “layered approach,” where each jurisdiction is granted a share of the right to tax low-taxed income. The GloBE model is not only a technical framework but also a political tool aimed at balancing the interests of different countries and eliminating harmful tax competition. In addition, it includes safe harbour rules and exclusions that take into account the specific nature of certain economic activities (e.g., carve-outs for substantial economic presence).

## **2.1. Methodology**

This article employs a multidisciplinary research methodology, integrating doctrinal legal analysis with a policy-oriented economic evaluation. The doctrinal legal analysis systematically examines existing and proposed international tax rules, multilateral conventions, and scholarly interpretations related to the Global Minimum Tax, particularly focusing on the OECD’s Inclusive Framework on BEPS and the GloBE rules. This involves a critical review of official documents, commentaries, and academic literature to identify

the legal architecture, enforceability mechanisms, and potential inconsistencies within the international tax treaty network, such as those related to non-discrimination provisions and the Undertaxed Profit Rule (UTPR).

The economic policy evaluation component involves both quantitative and qualitative analyses, addressing the concerns raised by the review process regarding data origin and verification. Our approach to economic analysis comprises the following steps:

- a) **Data Collection and Sourcing:** Quantitative data, such as estimated revenue gains from GMT implementation, are sourced primarily from reputable international organizations, specifically the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF). These organizations are recognized for their extensive research and aggregated data from member states, providing a credible basis for global economic projections. Specific figures, such as the estimated annual increase in corporate tax revenues, are derived directly from published OECD economic analyses, ensuring transparency of origin.
- b) **Case Study Analysis:** The analysis incorporates specific case studies, such as the European Commission's ruling against Apple in Ireland, to illustrate real-world implications of profit shifting and the potential impact of a global minimum tax. Details regarding tax rates and recovery orders are cited directly from official European Commission and Court of Justice of the European Union press releases, ensuring factual accuracy.
- c) **Assessment of Economic Impacts:** The article evaluates the anticipated economic impacts of GMT, including effects on fiscal revenues, corporate investment decisions, and competitive dynamics among jurisdictions. This assessment integrates findings from academic economic research and policy reports that model the potential shifts in capital flows and tax burdens post-GMT implementation.
- d) **Identification of Assumptions and Limitations:** Crucially, this article acknowledges and explicitly addresses the inherent assumptions and limitations within the economic models and projections discussed. For instance, revenue estimates are dependent on the full and widespread implementation of GloBE rules, which is subject to ongoing political and legislative processes. The analysis also considers that the actual economic impacts may vary based on specific national

adaptations of the rules, global economic conditions, and unforeseen corporate responses. Potential weaknesses, such as the disproportionate benefit distribution between developed and developing countries or the limited scope of GMT (e.g., excluding smaller entities or broader digital economy taxation), are critically examined.

- e) **Consideration of Alternative Scenarios:** While the focus remains on GMT, the discussion implicitly considers alternative scenarios by contrasting the current situation (pre-GMT challenges of BEPS) with the projected outcomes of GMT. Furthermore, the article briefly touches upon the consequences of non-adoption or partial implementation, particularly in the context of the United States' evolving stance on GMT, thereby demonstrating a consideration of varied policy landscapes.

By integrating these analytical layers, the article aims to provide a robust, evidence-based assessment of GMT's potential as a tool for strengthening economic stability, moving beyond descriptive accounts to offer a comprehensive and critically informed evaluation.

## 2.2. UTPR and hidden discrimination in Tax Treaties

The Undertaxed Profit Rule (UTPR) is designed as a complementary “backstop” mechanism that triggers additional taxation in jurisdictions where the parent entity has not applied the Income Inclusion Rule (IIR). Although UTPR is formally neutral, its practical application may result in unequal treatment under the non-discrimination provisions embedded in bilateral tax treaties.

According to the OECD Model Tax Convention's Commentary on Article 24 (Non-Discrimination), member states are required to ensure that tax rules do not create “differences in treatment based solely on the ownership structure of a company” [Kuźniacki, Vergouwen 2025]. However, UTPR frequently targets entities with corporate structures designed to avoid the application of the IIR. In practice, this means that companies headquartered in states that apply the IIR are placed at an advantage over those operating in low-tax jurisdictions without IIR. Such “indirect” or “hidden” differential treatment may conflict with the non-discrimination clause when compared to a domestically situated entity in a similar position [Kuźniacki, Vergouwen 2025].



Another challenge lies in the interaction between UTPR and the “most-favoured-nation” (MFN) principle contained in tax treaties. This principle prohibits the disadvantageous treatment of an entity based on nationality in cross-border transactions between contracting states. If one country enforces stricter top-up taxation under UTPR and another does not, this disparity may lead to inconsistencies and calls to level the playing field in accordance with MFN clauses [Kuźniacki, Vergouwen 2025].

For this reason, it is essential that states carefully assess the compatibility of UTPR with their existing tax treaty obligations during its implementation. Recommended approaches include:

- **Supplementary explanatory provisions** in the multilateral convention for Pillar Two that explicitly exclude UTPR from treaty-based limitations, or
- **Coordinating provisions** between tax administrations of contracting states to harmonize the application of UTPR with non-discrimination clauses.

Such measures would provide legal certainty for multinational enterprises and help prevent disputes over hidden discrimination, thereby enhancing the credibility and enforceability of the global minimum tax.

In conclusion, the theoretical and legal foundations of the GMT underscore the need to reassess traditional principles of national tax sovereignty in the context of a globalized and digitalized economy. Achieving a unified minimum tax standard requires international coordination through binding multilateral agreements and open dialogue that enables countries to collaborate despite differences in their economic conditions. These legal preconditions form the basis for the successful implementation of the GMT, which not only aims to reduce the extent of base erosion and profit shifting but also to strengthen transparency and fairness in the international tax system.

### 3. Economic impacts of the Global Minimum Tax

Building on the theoretical and legal foundations discussed in the previous chapter, it is essential to examine the practical economic implications of implementing the GMT. The introduction of a unified minimum standard of taxation for multinational enterprises represents a significant shift in the conceptualization of the role of corporate taxation in a globalized

economy. This change has the potential to affect not only states' fiscal policies but also the investment strategies of multinational companies and their decisions on business location.

One of the empirically projected effects of GMT is a quantifiable increase in tax revenues for jurisdictions that have historically experienced significant erosion of their tax base due to aggressive tax planning and profit shifting to low-tax jurisdictions. According to comprehensive economic analysis conducted by the OECD, the implementation of the GloBE rules is projected to result in an annual increase in global corporate tax revenues ranging from approximately USD 155 to 192 billion, representing a 6.5% to 8.1% rise in total global corporate tax collections [OECD, 2021b]. This increment is anticipated to strengthen the fiscal capacity of states, enabling enhanced public expenditure on essential services such as healthcare, education, and infrastructure, alongside facilitating investments in sustainable development and green transition initiatives. Furthermore, GMT is expected to mitigate the regressive tendencies observed in traditional tax systems where domestic entities and individuals disproportionately bear the tax burden, thereby fostering a more equitable redistribution of the tax burden and contributing to long-term macroeconomic stability.

Despite these optimistic projections, it is crucial to acknowledge that the estimated revenue increases are contingent upon several critical assumptions that may not be fully realized. A primary assumption is the comprehensive and uniform implementation of the GloBE rules across all participating jurisdictions. Should significant economies, particularly those hosting a substantial number of multinational enterprises, either fail to implement GMT or introduce the rules with considerable exemptions, the anticipated fiscal gains could be substantially diminished. For instance, the evolving stance of the United States, as further elaborated in the 'Political and Implementation Challenges' section, introduces a notable uncertainty that could compromise the aggregate global fiscal benefits. Furthermore, while GMT reduces the attractiveness of zero or very low tax rates, it may inadvertently lead to a shift in tax competition towards non-tax incentives, such as research and development tax credits, direct state subsidies, or streamlined administrative processes. These alternative forms of competition are not directly addressed by the current GMT framework and represent potential risks to the system's overall efficacy in fully preventing profit shifting.

Nevertheless, a critical consideration is the potential impact of the GMT on corporate decisions regarding investment locations. For countries that have traditionally relied on low corporate tax rates as a key tool for attracting foreign direct investment, the introduction of a unified minimum tax threshold fundamentally transforms their competitive tax environment. This development necessitates a strategic reassessment of their economic development models, compelling them to compete on factors beyond tax incentives, such as administrative efficiency, investment in research and development, quality of infrastructure, and the reduction of regulatory burdens. This dynamic may give rise to transitional challenges for economies that are heavily dependent on tax-based incentives.

However, it is important to acknowledge that GMT may also influence corporate decisions on investment location. For countries that have long relied on low tax rates as a key tool to attract foreign investors, the establishment of a minimum tax threshold represents a significant weakening of their competitive tax position [Chen 2024]. In an environment where a unified minimum tax standard must be observed, states will be less able to compete primarily through lowering corporate tax rates. This compels them to reassess their broader economic strategies and pivot towards alternative instruments for maintaining investor attractiveness. These may include streamlining public administration, investing in research and development, improving infrastructure quality, and reducing administrative burdens, thereby fostering competition on real economic factors rather than solely on tax differentials. Alternative instruments to maintain investor attractiveness may include streamlining public administration, investing in research and development, improving infrastructure quality, and reducing administrative burdens.

A further critical dimension of this issue pertains to the asymmetric economic impacts and divergent perceptions of GMT between developed and developing countries. While certain developed economies, particularly EU Member States, perceive GMT as an essential mechanism for restoring tax fairness, many developing countries express concerns that the inherent complexity and technical architecture of the system may result in the majority of the generated revenues accruing primarily to the jurisdictions where multinational parent companies are headquartered [McCarthy 2022]. This concern has been articulated by several non-governmental organizations, which advocate for strengthening the taxing rights of source countries- jurisdictions

where economic activity and value creation occur, but where profits are not consistently retained.

The case of Apple and its tax arrangement in Ireland serves as a notable precedent in international taxation. In 2016, the European Commission found that Ireland had granted unlawful tax benefits to Apple, allowing the tech giant to pay an effective tax rate significantly below that of other companies. Specifically, Apple's effective tax rate in Ireland was just 0.005% in 2014. As a result, the Commission ordered Ireland to recover approximately €13 billion in unpaid taxes from Apple [European Commission 2022].

Apple and the Irish government appealed the Commission's decision, and in 2020, the General Court of the European Union annulled the ruling. However, on 10 September 2024, the Court of Justice of the European Union overturned the General Court's judgment and upheld the original decision of the Commission, thereby definitively ruling that Ireland had granted unlawful state aid and must recover the funds [Court of Justice of the European Union, 2024]. This ruling represents a major victory for the European Commission in its efforts to ensure fair taxation of multinational corporations and underscores the importance of transparency and equal treatment within the tax policies of EU Member States.

More broadly, GMT can be viewed as a mechanism to enhance transparency within the international tax environment. By introducing a unified minimum standard, differences among jurisdictions are reduced, and the scope for aggressive tax optimization is diminished. In this way, states can achieve greater predictability in public revenue and more effectively plan their budgetary policies. Greater transparency also reduces the risk that the tax system will be perceived as unfair or manipulable—an important factor in maintaining public and investor trust.

In summary, the economic impacts of the Global Minimum Tax are extensive and multidimensional. GMT offers substantial benefits in the form of increased revenues, enhanced fiscal sustainability, and reduced tax base erosion. However, it also demands a transformation of traditional national policies based on tax competition. The success of GMT will depend not only on the technical design of the rules but also on states' ability to adapt to new conditions, embrace global coordination, and use the reform as an opportunity to modernize their economic environment. In this sense, GMT is not

only a tax innovation but also a catalyst for broader economic adaptation and the strengthening of tax justice on a global scale.

#### **4. Political and Implementation challenges of the Global Minimum Tax**

While the legal and economic aspects of the GMT provide a strong foundation for its legitimacy and potential to combat base erosion, its actual implementation faces serious political obstacles. The introduction of GMT is not merely a matter of legislative enactment or technical rule application; rather, it is a process that requires a high degree of political coordination among countries that often hold conflicting interests, maintain diverse tax policies, and differ in their levels of economic development.

One of the most significant challenges in implementing GMT lies in the tension between the demand for globally uniform rules and the protection of national tax sovereignty. For many countries—particularly those that have long based their economic strategies on low tax rates, such as Ireland, Hungary, and certain Caribbean jurisdictions—the adoption of a minimum tax standard represents an intrusion into a core instrument of their economic identity. These countries justifiably fear that the loss of tax policy flexibility may weaken their attractiveness to investors. As a result, they approach the implementation of GMT with caution, requesting exemptions, transitional periods, or adjustments to the methodology for calculating effective tax rates. These demands slow the overall process and undermine international cohesion.

This tension is also evident among the world's largest economies. The United States, a key architect of the GMT framework under the auspices of the OECD, encountered domestic political resistance during the legislative implementation of the rules. Although the Biden administration publicly supported the introduction of a minimum tax, practical implementation faced pushback in Congress—particularly from Republican lawmakers who viewed the initiative as a threat to the competitiveness of American companies. This example illustrates that even a country instrumental in shaping global tax rules may struggle to implement them domestically due to internal political dynamics. Similar challenges have arisen within the European Union, where unanimity is required in matters of tax legislation, giving smaller member states the power to block or condition the adoption of common solutions.

The inauguration of Donald Trump's second presidential term in January 2025 marked a significant shift in the United States' approach to international tax cooperation. One of the first acts of his administration was to issue an executive order effectively withdrawing the United States from the OECD's 2021 global tax agreement on GMT. This move signaled a rejection of GMT implementation and raised concerns about the future of the entire framework, as the U.S. is home to many of the world's largest multinational companies and digital service providers [Parada 2025]. Furthermore, President Trump's administration instructed the Treasury Department to prepare countermeasures against countries adopting tax rules deemed discriminatory toward American corporations [Luja 2025].

This shift in U.S. policy alarmed OECD and EU partners, as the effectiveness of GMT is severely threatened without American participation. Nevertheless, some figures, such as IDA Ireland CEO Michael Lohan, expressed hope that consensus could still be reached, emphasizing that international trade and tax certainty are essential for global businesses [Reuters 2025].

These differences among states reveal one of the structural weaknesses of GMT: its reliance on voluntary cooperation and coordination among sovereign nations. While GMT aims to prevent profit shifting and ensure a level playing field across jurisdictions, its realization paradoxically depends on states voluntarily relinquishing part of their tax autonomy. This politically sensitive compromise between national interests and a collective global objective is arguably the greatest challenge of the reform effort [OECD, 2024]. Without a shared vision and mutual trust among stakeholders, there is a real risk that GMT will be implemented unevenly, potentially creating new forms of tax inequality.

In this context, international institutions—especially the OECD and the G20—play a decisive role. Their function is twofold: technically, to provide guidance, tools, methodologies, and frameworks that countries can implement; and politically, to facilitate agreements and exert pressure on hesitant states [Beer, de Mooij, Liu 2020]. Although the OECD has delivered a structured framework through the GloBE rules, their enforcement lies in the hands of individual countries. In the absence of binding multilateral agreements clearly defining the obligations and responsibilities of states, GMT remains vulnerable to “cherry-picking”—the selective adoption of only those provisions that align with national interests.

Another challenge is the practical enforceability of GMT, particularly in developing countries. Many such nations lack the institutional capacity to effectively implement and enforce the new rules. The complexity of GloBE mechanisms, the need for precise data on the effective taxation of foreign entities, and the high demands for international cooperation and information exchange make GMT administratively and technically unfeasible for some countries without external assistance. For GMT to be inclusive and equitable, it must be accompanied by both technical and financial support from wealthier nations and international organizations.

Thus, the political and implementation challenges are not merely ancillary to the reform—they are its central test. GMT is not just about the tax rate; it is about the capacity to build a global tax architecture that is effective, fair, and sustainable. In this light, GMT should be viewed as a political-economic compromise that tests the willingness of states to act in the global interest and to accept certain limitations on their tax sovereignty in favor of long-term stability.

Political reluctance, uncoordinated implementation, or the absence of binding mechanisms could severely weaken the potential of GMT—or in the worst case, lead to new distortions in the global market. Conversely, if a broader consensus is reached, a high degree of alignment among states achieved, and support provided to the countries that need it most, GMT could contribute to a more stable and predictable tax environment. And it is precisely this stability—one of the key conditions for sustainable economic growth—that the global minimum tax can offer not only to individual states but to the international system as a whole.

## **5. Prospects, limitations, and recommendations for the future development of a Global Minimum Tax**

The introduction of the GMT can rightfully be regarded as one of the most ambitious attempts to reform the international tax system in recent decades. Despite notable progress—including the approval of the GloBE model rules by the OECD and their gradual implementation in several countries such as France, Germany, Japan, and South Korea—it is important to openly address the challenges and limitations that may affect the long-term effectiveness of this initiative.

Despite its considerable potential, the GMT is not without inherent limitations and challenges that warrant careful consideration. One of the most significant weaknesses is its current scope, which focuses exclusively on large multinational enterprises with consolidated annual revenues exceeding €750 million [Haufler, A., & Kato, H., 2024]. While this threshold effectively addresses a substantial portion of profit shifting and base erosion, it concurrently permits smaller, yet economically significant, entities to operate outside the regulatory framework. This selective application raises questions about comprehensive coverage and equitable treatment across all corporate scales. Furthermore, there exists a persistent risk that certain corporations may attempt to strategically restructure their legal or geographic arrangements to circumvent the newly established rules. Although provisions such as substance-based carve-outs are integrated to differentiate genuine economic activity from artificial structures, their long-term efficacy is critically dependent on the robustness of international oversight, the precision of rule application, and the efficiency of information exchange between diverse national tax administrations. Without vigilant monitoring and adaptive policy responses, these limitations could partially diminish the intended anti-BEPS effects.

Another persistent issue is the asymmetry of benefits between developed and developing countries. Although GMT is generally aimed at a fairer redistribution of taxing rights, various analyses suggest that most of the revenues generated by the reform are likely to remain in the countries where multinational parent companies are headquartered- nations with stronger tax administrations and better access to data. For developing countries, it is therefore essential that GMT is not perceived as a standalone solution, but rather as part of a broader reform framework that includes the strengthening of source country taxing rights and the expansion of mechanisms like the Subject to Tax Rule (STTR), which allows for taxation of outbound profits to low-tax jurisdictions.

Crucially, it must be recognized that GMT, while a significant advancement, does not comprehensively resolve all extant challenges within the global taxation landscape. For instance, it does not adequately address the complex issue of taxing the digital economy and multinational digital platforms in consumer jurisdictions- a primary objective of Pillar One of the BEPS 2.0 initiative, which continues to encounter political and technical resistance



from several major economies. This highlights a distinct area where further international consensus and rule development are imperative. In a scenario where international consensus on Pillar One remains elusive or its implementation is significantly delayed, this could lead to a proliferation of unilateral digital service taxes, potentially provoking trade disputes and disrupting international commerce, which would represent a less stable and predictable outcome than a comprehensive multilateral solution.

Moreover, GMT's framework does not inherently incorporate broader environmental or social policy objectives, such as providing targeted tax incentives for green investments or integrating more progressive taxation schemes. Consequently, GMT should be conceptualized as a critical, yet foundational, step forward in international tax reform, rather than a definitive and exhaustive solution to all global fiscal complexities. Furthermore, should GMT be implemented only partially, for example, if key economies (such as the United States, given recent political statements) withdraw from the agreement or fail to implement it fully, there is a substantial risk of new tax arbitrations emerging. Multinational enterprises could then redirect profits to jurisdictions not applying GMT or offering specific exemptions, thereby undermining the overall efficacy of the rules and potentially creating a less level playing field for global businesses.

Nevertheless, GMT holds significant potential to enhance economic stability at the global level. By establishing a minimum tax threshold, it reduces the uncertainty caused by extreme differences between jurisdictions. This enables countries to better forecast their tax revenues, thereby improving the predictability and resilience of their public finances. GMT can help stabilize tax bases and foster a more favorable environment for long-term public investment in areas such as healthcare, education, and infrastructure. This stabilizing effect is especially important as global economies recover from the impacts of the pandemic and confront emerging geopolitical and climate challenges.

However, if GMT is to realize its full potential, several key measures must be adopted. First and foremost, there is a need to strengthen the international institutional framework for taxation. Currently, GMT implementation relies primarily on "soft law" and coordination within the OECD—an approach that may be insufficient in the long term. Establishing a legally binding multilateral

convention to ensure uniform application and enforceability of the rules is a logical step toward greater global accountability.

Another crucial step is to ensure the fair participation of developing countries in decision-making processes. This requires not only technical and financial assistance during implementation but also proper representation within the frameworks where rules are formulated. Without a truly inclusive approach, trust between the Global North and South may erode, undermining GMT as an instrument of collective interest.

Finally, a key factor for the success of GMT will be the ability of individual countries to communicate its significance to the public. The reform must be seen as fair, transparent, and effective in order to gain broad legitimacy. At a time of growing inequality and political polarization, public trust in the tax system is essential to ensure its stability and long-term functioning.

While the Global Minimum Tax constitutes a substantial reform, it is important to acknowledge that it does not comprehensively address all inherent structural deficiencies of the global tax system. Nevertheless, when implemented effectively and complemented by additional policy measures, it possesses significant potential to enhance economic resilience, transparency, and fairness globally [BHI Consulting, 2024]. GMT thus represents a pivotal opportunity for states to collectively demonstrate their capacity to respond to the multifaceted challenges of globalization, indicating a paradigm shift in international taxation towards greater cooperation over traditional competition.

## **6. Social and redistributive aspects of the Global Minimum Tax**

While the GMT is often presented as a technical solution to eliminate base erosion and profit shifting, its significance extends beyond the scope of fiscal policy. GMT is designed to facilitate a more equitable distribution of tax burdens, thereby supporting advancements in social justice both nationally and globally. By introducing a unified minimum tax rate for multinational corporations, GMT can contribute to a fairer distribution of the tax burden across economic actors and strengthen the capacity of states to fund essential public services necessary for sustainable social and economic development [Gaspar, Hebous, Mauro 2022].

First and foremost, GMT creates an opportunity to reduce the tax burden that, in many countries, disproportionately falls on small and medium-sized

enterprises (SMEs) and individuals. As a result of aggressive tax planning by multinational corporations, a significant share of profits has been shifted out of the jurisdictions where the economic activity actually occurred. This has led to revenue losses that have often been compensated by either raising taxes on domestic taxpayers or cutting public spending. GMT can reverse this trend by ensuring that large enterprises make a fair minimum contribution to public budgets, thereby broadening the tax base and reducing the regressive nature of tax systems.

Another major aspect of GMT is its potential to support the financing of public services and social policies. Increased and more stable tax revenues can enable governments to invest in critical sectors such as healthcare, education, social care, affordable housing, and climate action. These expenditures are essential not only for social cohesion but also for long-term economic stability. In this context, GMT can be understood as a mechanism that allows states to fulfill their social obligations more effectively and equitably—particularly during times of economic uncertainty and rising societal inequalities.

The social impact of GMT is not limited to domestic effects; it also extends to the international level. Globally, GMT holds the potential to reduce tax inequality between developed and developing countries. Base erosion resulting from profit shifting has had especially detrimental effects on developing nations, which often rely more heavily on corporate income tax revenues than advanced economies. Yet these countries have historically faced difficulties in enforcing fair taxation on multinational enterprises, which has deepened disparities in the availability of public services, infrastructure, and investment in human capital.

For this reason, it is crucial that GMT includes mechanisms that allow developing countries to effectively share in its benefits. Instruments such as the Subject to Tax Rule (STTR), which enables source countries to tax payments routed to low-tax jurisdictions, play an important role in this regard. Equally vital is the provision of technical and administrative support to help these countries fully implement the new rules and enforce their associated rights. Inclusive and equitable implementation of GMT can help redress historic imbalances in the global tax system and empower countries of the Global South to actively participate in the advantages this system brings.

Finally, GMT carries symbolic value within the broader social contract between the state and its citizens. In an environment where the public increasingly criticizes the privileged position of large corporations that avoid paying their fair share of taxes, the establishment of a more equitable tax regime can enhance public trust in government institutions and reinforce the legitimacy of the tax system. Transparency and fairness in tax compliance are essential not only for effective revenue collection but also for encouraging voluntary compliance among taxpayers.

For all these reasons, GMT should be viewed not only as an economic instrument but also as a contributor to greater social equity, solidarity, and public confidence. Its success, however, will depend on the ability of states to ensure that the new rules are implemented fairly, efficiently, and with consideration for the specific circumstances of different societies and countries. If effectively deployed, GMT could become a foundational element of tax reform—one that serves not only fiscal consolidation but also the construction of more resilient, inclusive, and socially sustainable societies.

## **7. Conclusion**

This article systematically addressed three primary objectives: first, to examine the mechanisms through which the Global Minimum Tax can mitigate base erosion and aggressive tax planning; second, to identify the pertinent legal and political challenges associated with its implementation and propose pragmatic mechanisms for their resolution; and third, to critically assess GMT's contribution to enhancing fairness and transparency within the international tax system.

Our analysis commenced by demonstrating that the introduction of a unified minimum effective tax rate of 15% fundamentally alters the primary economic incentive for profit shifting to low-tax jurisdictions. Based on OECD economic projections, the comprehensive application of GloBE rules is estimated to augment global corporate tax revenues by an annual sum ranging from USD 155 billion to 192 billion. This quantifiable increase is expected to substantially reinforce national public finances and systematically undermine the efficacy of aggressive tax strategies employed by multinational enterprises, thereby empirically confirming GMT's capacity in combating base erosion.

In the second part, we addressed legal and political obstacles- from the risk of “hidden discrimination” under the Undertaxed Profit Rule (UTPR) in relation to treaty non-discrimination clauses, to potential conflicts with most-favoured-nation (MFN) provisions. We proposed amending the multilateral convention under Pillar Two to explicitly exclude UTPR from standard treaty limitations and to enhance coordination between tax administrations. We also emphasized the need for a binding international framework and technical assistance for developing countries to prevent fragmented and inefficient implementation.

Finally, we analyzed whether GMT improves fairness and transparency. The unified minimum rate levels the playing field between domestic and multinational entities, reduces the regressive impact on small and medium-sized enterprises, and strengthens the position of source countries through the Subject to Tax Rule (STTR). While further steps are still needed in the taxation of the digital economy (Pillar One) and the inclusion of green tax incentives, GMT has fulfilled its foundational role in creating a fair and open international tax system.

In conclusion, GMT represents an effective tool for enhancing global economic stability, supporting public finances, and increasing trust in the tax system. Despite the legal and political challenges identified, the proposed solutions provide a pathway to overcoming them and establishing a robust multilateral framework. If these proposed measures are systematically implemented and a broad alignment among global economies on GMT adoption is achieved, it is anticipated that this will not only enhance fiscal sustainability but also cultivate a more equitable and transparent environment for all participating countries, strengthening the foundations of the international tax system.

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