



International Fiscal Association

**IFA 2021 Virtual Event
29 November – 1 December 2021**

OUTLINE

**The Global Tax Agreement: the Two-Pillar Solution
IFA Regions: the Inclusive Framework
Latin America**

Latin America | Tuesday, 30 November 2021 | 17.00 – 19.00

Introduction

Edgar Anaya (Chair Latin American Region)

Chair

Ana Claudia Utumi (Brazil)

Panel members

Edgar Herrera (Panama)

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Armando Lara Yaffar (Mexico)

Juan David Velasco (Colombia)

Luciana Yañez Salgado (Peru)

Secretary

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Latin America is a heterogeneous region, not only in relation to economy, but also to tax rules where each country has its tax specificities. So, consequences of adopting the Pillars may differ from country to country, depending on those specificities.

In addition, some countries of the region have already implemented digital taxation measures, which may impact the rhythm of implementation of the necessary changes in internal legislations or adherence to multilateral agreement to have the Two Pillars fully adopted. Besides, as most of the countries of the region are struggling with fiscal problems, countries are concerned about not losing tax revenues.

In this scenario, our panel will start discussing the “Interplay between the existing digital economy taxation measures and the future”, exploring to which extent the existing measures have impacted the businesses, which of these measures will have to be revoked to allow the full implementation of the Pillars, and what the panellists impressions are in relation to the feasibility of this revocation.

The second point that our panellists will address is “What may be the advantages/upsides and disadvantages/downsides for LATAM Countries of the actual implementation of Pillar 1?”, considering the differences of the situation of smaller and bigger countries of the region, as well as the development of the digital products/services markets of these countries. Most of LATAM countries have in common the business model that most of the Multinational Enterprises (“MNE”) adopt, which is the creation of local subsidiary to support the parent company’s activities, but normally remunerated by such parent company, and not by the local customers.

Impacts of the Pillar 2 measures in LATAM countries will be the third point that our panellists will explore. Will these measures, to be implemented mostly by changes in local legislation, be beneficial to LATAM countries’ governments? Even though there are LATAM unicorns and important LATAM MNEs, most of LATAM countries are recipients of foreign direct investments (“FDI”), and not exporters. In addition, some of the countries that have already implemented measures that resemble Pillar 2 may charge income tax much above the Minimum Global Tax of 15%. In this case, would the local legislation be able to differentiate taxpayers to apply solely the top-up rate, or would businesses be subject to a higher taxation? So, it is important to understand how the Pillar 2 measures may impact business and governments within the region.

Our fourth topic will supplement the third, to the extent that our panellists will analyse the impacts of Pillar 2 and tax treaties in LATAM countries. In comparison with European countries, most of LATAM countries have quite small network of tax treaties, and oftentimes mixing OECD Model provisions with UN Model provisions.

As a number of LATAM countries adopt UN Model to deal with royalties, our last topic will deal with “Contrasting Pillar 1 x UN Art. 12B in LATAM reality”.

In summary, the panel will seek to shed a light on, amongst other issues, (i) how the LATAM countries have been dealing with the digitalization of the economy such as, which countries have maintained their tax system as it is and which ones have enacted direct and/or indirect taxes; (ii) if the Pillar 1 and 2 proposals are beneficial from a LATAM perspective; (iii) assessment of tax rights to



LATAM countries; (iv) how the Pillars affect LATAM countries' treaty trends; (v) consequences for CFC and international tax rules; (vi) foreign tax credit; (vii) consequences for free zones.