Episode 7 – On the GLoBE: The Global Minimum Tax

This document provides resources for educators looking for ways to incorporate current events into their curriculum. Each podcast episode is approximately 20 minutes long and available on all major podcast outlets for free. This document provides multiple choice and true/false questions to test for high-level comprehension of podcast topics as well as opportunities for either short-answer/essay-style questions or discussion questions to delve further into topics. Email taxnerds@gmail.com for an answer key.

In this episode, we discuss the proposed global minimum tax. This summer over 130 countries agreed in theory to collaborate on developing a global minimum corporate tax. If widely adopted, the policy would put a dent in multinational corporations' abilities to reduce their global tax burdens by locating operations in and shifting profits to low-tax jurisdictions.
We discuss the scope of the proposed global minimum tax as well as its likely consequences.

Multiple Choice and T/F Questions

1. Which of the following is a feature of the GLoBE? Select all that apply.
    a. It is a coordinated effort to curb corporate tax avoidance
    b. It would require separate countries to have any changes to their tax code approved by the OECD
    c. It is part of the OECD's Base Erosion and Profit Shifting (BEPS) initiative
    d. It was enacted in 2016

2. True or False: According to the podcast, there is general agreement among academic researchers about the magnitude of tax motivated income shifting across countries.
    a. True
    b. False

3. Which of the following statements best characterizes the concept of the "race to the bottom"?
    a. Countries agreeing to a single tax rate applicable to all multinational corporations
    b. Corporate taxpayers lobbying for tax breaks in their specific countries
    c. Countries undercutting each other by offering low headline tax rates or other tax breaks to attract investment

d. Pitting individual and corporate taxpayers against each other in tax policy decisions

4. Which of the following best characterizes the "winners" in each situation?

	Tax coordination among countries	Race to the bottom
a.	Countries	Countries
b.	Corporations	Countries
c.	Countries	Corporations
d.	Corporations	Corporations

5. True or False: According to the podcast, corporate taxpayers are solely responsible for aggressive corporate tax avoidance.
   a. True
   b. False

6. According to the podcast, a global minimum tax is most closely related to which current U.S. tax policy?
   a. BEAT
   b. FDII
   c. GILTI
   d. 21% corporate tax rate

7. True or False: According to the podcast, the global minimum tax would apply to companies' book income computed under local GAAP with no adjustments for differences between book and taxable income.
   a. True
   b. False

8. True or False: According to the podcast, the global minimum tax would tax all of a company's profits in each jurisdiction. In other words, there would be no exemption for a routine return.
   a. True
   b. False

9. Which of the following are steps in computing the GLoBE? Select all that apply.
   a. Compute book income
   b. Adjust for allowances for excess executive compensation
   c. Adjust for some permanent and temporary book-tax differences

d. Compute effective tax rates per country

10. The GLoBE would apply to which of the following?
    a. Companies with at least $750M in taxable income
    b. Companies with at least $1B in pretax book income
    c. Companies with at least $750M in revenues
    d. Companies with at least $1B in assets in a specific country

11. According to the podcast, which of the following is ***not*** a potential benefit of a global minimum tax?
    a. Eliminates the race to the bottom
    b. Increases corporate tax collection
    c. Increases incentives for countries to adopt unilateral tax policies like France's digital tax.
    d. Reduces tax-induced distortions

12. According to the podcast, the global minimum tax would allow which of the following countries to charge a "top up" tax on corporate profits earned by a foreign subsidiary that are taxed at a rate less than the global minimum rate?
    a. The foreign subsidiary's country
    b. The parent's country
    c. The United States
    d. All countries in which the multinational operates

13. According to the podcast, the global minimum tax would provide carveouts for a percentage of which of the following expenses? Select all that apply.
    a. Payroll
    b. Depreciation
    c. Depletion
    d. Amortization

14. According to the podcast, what is the currently proposed minimum tax rate?
    a. 12.5%
    b. 15%
    c. 20%
    d. 10%

15. True or False: There is no way for a country to mitigate the impact of a global minimum tax on corporate profits earned within their borders.
    a. True
    b. False

16. True or False: There is no way for a corporation to mitigate the impact of a global minimum tax on its global tax burden.
    a. True
    b. False

Short answer/essay or in-class discussion questions

1. In your own words, explain what "race to the bottom" means when it comes to corporate taxes.

2. In your own words, discuss some pros and cons of the GLoBE.

3. Do you think countries should be allowed to make their tax rate whatever they choose? Should countries consider global welfare in their tax policy decisions?

4. How is the GLoBe likely to influence the level of corporate investment in countries that currently have higher rates? In countries that currently have lower rates?

Data analytics/visualization

Using data from the OECD on corporate tax rates, compare current statutory tax rates to the proposed minimum tax rate. For which countries would the minimum rate be higher or lower than the current top statutory corporate tax rate? Present information in an infographic.

Using data from Compustat, evaluate the distribution of effective tax rates reported in the financial statements of publicly traded US multinationals. Based on these values, which companies would be most/least affected by a global minimum tax?