

BANKING ON KNOWLEDGE

G7 has brought sustainable value creations

By Dr R Seetharaman

The 47th Group of Seven (G7) Summit took place last weekend at Cornwall, United Kingdom, where it holds the presidency of the G7. The G7 comprises of world's largest economies namely Canada, France, Germany, Italy, Japan, the United Kingdom and the US. Even prior to the main G7 meeting, on June 5, 2021, the G7 finance ministers announced an agreement on global tax reform that builds on the two-pillar approach outlined by the Organisation for Economic Co-operation and Development (OECD) as part of its base erosion and profit shifting (BEPS) reforms.

Under Pillar One, the largest and most profitable multinational firms will be required to pay tax in the countries where they do business, rather than simply where the countries they have



headquarters in or hold intangible property. Under Pillar Two, there will be a global minimum corporate tax rate of 15% operated on a country-by-country

basis. The Pillar One proposals are most significant to the UK, France, and Italy, as these countries seek to ensure that the world's largest companies (including the US tech giants) pay more tax in countries where they have little physical presence but significant sales and market share.

The Pillar Two proposals are most significant to the US, given that global minimum taxation is a key priority for the Biden Administration. The US is expected to be the largest beneficiary under the Pillar Two proposals. This agreement got ratified at the G7 meeting. They will now continue the discussion to reach consensus on a global agreement on an equitable solution on the allocation of taxing rights and an ambitious global minimum tax of at least 15% on a country-by-country basis, through the G20/OECD inclusive framework and look forward to reaching an



agreement at the July meeting of G20 finance ministers and Central Bank governors.

G7 was in broad agreement on the need to continue supporting their economies with fiscal stimulus after the ravage of the Covid-19 pandemic. G7 leaders believed there should be long-term policies for ensuring the health of public finances in the future. The backing for more stimulus was shared by all leaders. The administration of US President Joe Biden has been pushing its allies to keep on spending with Treasury Secretary Janet Yellen urging her G7 colleagues in February to "go big".

The G7 committed to immediately share at least 870mn doses of Covid-19 vaccines, supporting global access and helping to end the acute phase of the pandemic. The global leaders made the pledge, with the aim of delivering at least half by the end of 2021. The G7 leaders also reaffirmed their support for the UN-led equitable vaccine distribution initiative Covax, calling it "the primary route" for providing vaccines to the poorest countries.

G7 will protect the planet by supporting a green revolution that creates jobs, cuts emissions and seeks to limit the rise in global temperatures to 1.5

degrees. It committed to net zero no later than 2050, halving its collective emissions over the two decades to 2030, increasing and improving climate finance to 2025; and to conserve or protect at least 30% of land and oceans by 2030.

G7 resolved to deepen its current partnership to a new deal with Africa, including by magnifying support from the International Monetary Fund (IMF) for countries most in need to support its aim to reach a total global ambition of \$100bn.

G7 will support gender equality and education by supporting a target to get 40mn more girls into education and with at least \$2.75bn for the Global Partnership for Education. On the whole, G7 has brought sustainable value creations.

■ The author is Group CEO of Doha Bank.