



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

June 12, 2020

His Excellency
Bruno Le Maire
Minister of Finance of the French Republic

Her Excellency
María Jesús Montero
Minister of Finance of Spain

His Excellency
Roberto Gualtieri
Minister of Finance of the Italian Republic

The Right Honorable
Rishi Sunak
Chancellor of Exchequer

Dear Ministers:

We have worked closely with your countries over the last three years on a bilateral and multilateral basis, including at the Organisation for Economic Co-operation and Development (OECD), to preserve and renew an international consensus on the taxation of multinational enterprises in a rapidly changing global economy. During that process, the United States has consistently made clear that we object to the adoption of measures that focus solely on digital businesses, especially gross-basis digital services taxes that fall predominately on U.S.-based enterprises. During this period, France, Spain, Italy, and the United Kingdom have all proceeded to adopt such digital services taxes.

The United States believes that any reform of the international tax standards that have served the global community well for decades must apply on a broad basis and must not place the financial burdens predominately on the businesses and the fiscal interests of a single country or industry. We have worked diligently to reach agreement at the OECD on the Pillar 1 and Pillar 2 proposals, which would more broadly address the fundamental issues facing the international tax system.

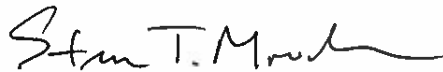
Pillar 1 would change the most fundamental principles of international taxation, including the taxable nexus threshold of physical presence and the arm's-length principle. We believe that such a change should be made only after a thorough evaluation and discussion. It is also the position of the United States that Pillar 1 must be implemented on a safe harbor basis. You have rejected that approach. We therefore find ourselves at an impasse at a time when resolving such a complex multilateral issue is especially difficult.

The world is presently facing the most serious public health crisis in over a century and the most serious economic challenge in generations. The United States does not believe 2020 is a suitable time to be conducting such negotiations. This is a time when governments around the world should focus their attention on dealing with the economic issues resulting from COVID-19. The amounts involved with Pillar 1 and digital services taxes are modest compared with the economic challenges facing the world's economies. Attempting to rush such difficult negotiations is a distraction from far more important matters. The United States therefore calls upon the OECD to pause discussions of Pillar 1, with a view towards resuming later this year, when they can more appropriately receive the attention they require.

I recognize that your joint proposal for a phased implementation of Pillar 1 is intended to facilitate reaching an agreement with respect to increasing the taxation of digital businesses this year and avoiding a proliferation of digital services taxes. The United States, however, is unable to agree, even on an interim basis, on changes to fundamental rules to tax more heavily only a limited group of predominately U.S.-based companies. We hope that later in 2020 an agreement on Pillar 1 can be reached. Meanwhile, the United States remains opposed to digital services taxes and similar unilateral measures. As we have repeatedly said, if countries choose to collect or adopt such taxes, the United States will respond with appropriate commensurate measures.

With respect to Pillar 2, discussions at the OECD regarding a global minimum tax have progressed more rapidly and are much closer to an agreement. Because an agreement on Pillar 2 does not present the same challenges as Pillar 1, the United States fully supports bringing those negotiations to a successful conclusion this year.

Sincerely,



Steven T. Mnuchin

cc: Secretary General Angel Gurría