

MEMO# 33749

September 1, 2021

CIV Industry Coalition Letter to OECD on Pillar Two General Principles for Investment Funds

[33749]

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TO: ICI Members

ICI Global Members

Global Tax Committee

Tax Committee SUBJECTS: International/Global

Tax RE: CIV Industry Coalition Letter to OECD on Pillar Two General Principles for Investment Funds

Eight fund industry associations^[1] today sent to the Organisation for Economic Co-operation and Development (OECD) the attached coalition letter that we crafted; the letter makes specific recommendations for applying to funds the OECD's proposed "Pillar Two" minimum tax.^[2] The specific concern relates to tiered fund structures in which an investor is required to include within its consolidated financial accounts its interest in a fund.

The coalition letter's proposals^[3] are designed to prevent fund investors from incurring Pillar Two "top-up tax" in situations unsupported by any tax policy rationale. The specific proposals advanced, as explained in the letter, are:

- Tax neutrality of Investment Funds should be maintained throughout the fund structure irrespective of whether the Investment Fund is the Ultimate Parent Entity (UPE) of the multinational enterprise (MNE) Group.
- When an investor in an Investment Fund is treated as the UPE (because its interest in the Investment Fund must be consolidated in its financial accounts), the investor should be treated as holding directly its allocable share of the Investment Fund's income and assets.
 - An investor taxed under general (realization) tax principles should include in income only its allocable share of the Investment Fund's realized gains and associated income.
 - An investor taxed under a mark-to-market or similar regime, in contrast, should include in income its allocable share of the Investment Fund's income and all gains.

- All tax paid by the investor, directly and indirectly, should be taken into account in determining its ETR.

Keith Lawson
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endnotes

[1] [Association of the Luxembourg Fund Industry](#), [Assogestioni](#), [BVI Bundesverband Investment und Asset Management](#), [European Fund and Asset Management Association \(EFAMA\)](#), [Financial Services Council \(Australia\)](#), [ICI Global](#), [The Investment Association](#), [Irish Funds Industry Association](#)

[2] See Institute Memorandum No. 32827, dated October 13, 2020, *available at* <https://www.ici.org/memo32827>

[3] These proposals supplement proposals made previously by ICI Global. See Institute Memorandum No. 32981, dated December 14, 2020, *available at* <https://www.ici.org/memo32981>

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