



## International taxation of multinational corporations: Legal challenges and reforms

Arya Sudhir Nikam

LLM in International Business Law, Kings College London, England

### Abstract

Globalization of the economy that is characterized by the rising integration of the markets, digitalization of the business operations, and rise in the complexity of cross-border corporate organizational forms has made the international taxation of multinational businesses (MNCs) a burning question in the global economic governance. Conventional international tax laws were structured in the light of the concepts of residence-based and source-based taxation, assigning the country the right to tax. Nevertheless, these principles have not worked well in the contemporary international economy where multinational corporations are able to conduct business in more than one jurisdiction and make profits without a substantial physical presence.

Research results indicate that multinational companies are transferring hundreds of billions of dollars of profits each year to low-tax destinations which results in major loss of revenues by governments all over the world. To these obstacles, the governments and international bodies have come up with significant reforms to empower global taxation. Also, the adoption of the global minimum corporate tax via Pillar Two in the OECD framework would create minimum effective tax rate of approximately 15 percent among large multinational corporations in order to minimize incentives to shift profits and engage in pernicious tax competition among nations. This paper discusses the legal issues that are linked to multinational companies taxation and the effects of the current international tax reforms aimed at eliminating these problems. The study emphasizes the need of international policies to work together, greater transparency, and improved regulatory framework in an effort to provide a transparent and sustainable system of international taxation.

**Keywords:** International taxation, MNCs, base erosion and profit shifting, global minimum tax, tax havens, transfer pricing.

### Introduction

#### 1. Background of the Study

The high rate of globalization of multinational corporations (MNCs) has changed the economic scene worldwide tremendously. The developments in globalization, global trade, and digital technologies have allowed firms to conduct their activities in various jurisdictions and deal with complex global value chains. Consequently, international economic law taxation of multinational corporations has emerged as one of the most difficult aspects of the international economic law. Governments need to decide on the way to tax the corporate profits that are made across boundaries without causing instances of double taxation and restricted possibilities of offloading taxes. The classical international tax regime that was initially developed at the beginning of the twentieth century is mainly based on the idea of tax residence and source of income to distribute the taxation rights across the countries. Nevertheless, these principles have become more and more hard to implement in the contemporary globalized economy, where business operations tend to occur across a range of countries at the same time (Hoffmanová, 2024) <sup>[11]</sup>.

International taxation models are mostly influenced by bilateral tax treaties and model conventions which are crafted by global organizations like Organization for Economic Co-operation and Development (OECD). The objectives of these agreements are to enhance cross-border investment by removing double taxation and establishing stable tax regimes to multinational business enterprises. However, critics state that current frameworks have been unable to keep pace with the changing nature of multinational companies, specifically across the areas of digital provision and industries based on intellectual

property (Popova, 2025) <sup>[26]</sup>. In more recent years the issue of corporate tax avoidance and tax planning has been raised to a higher level because large corporations can now transfer profits to lower tax jurisdictions.

The world bodies have thus embarked on significant changes that will help to modernize world taxation. The OECD/G20 Base Erosion and Profit Shifting (BEPS) project is one of the most important projects that aim to minimize the loopholes that are used by multinational companies to minimize their taxes through artificial means. In much more current times, there are a greater number of countries (now more than 135) that commit to introduce a global taxation reform package, which includes a global minimum corporate tax, intended to make sure that multinational enterprises must pay at least a minimum rate of tax in each jurisdiction where they conduct their activities (OECD, 2023) <sup>[16]</sup>. These changes underscore the growing role of cooperation at the international level in dealing with corporate tax issues in the global economy.

#### 2. Problem Statement

Regardless of the agreed international agreements and tax treaties, taxation of multinational corporations still encounters some serious legal and policy issues. Many multinational enterprises often conduct their activities in more than one jurisdiction and therefore they tend to take advantage of the discrepancies in the national tax systems to ensure that they reduce their tax liabilities. Some strategies are common, namely, profit shifting, manipulation of transfer pricing and use of tax havens, where corporate income is taxed at very low rate. These practices diminish the tax bases of nations and deny these governments the

revenues to invest in the development of infrastructure and delivery of social services (Popova, 2025) <sup>[26]</sup>.

The other significant threat is caused by the extreme rate of digitalization of the global economy. Online companies are able to generate high revenues in nations where they do not have physical presence, and it is hard to establish where such revenues are supposed to be taxed according to the traditional taxation regulations. OECD has recognized that the existing global tax system is becoming less and less fit to serve the purpose in solving these issues in a globalized and digital economy (OECD, 2021) <sup>[15]</sup>. This in turn is putting a growing pressure on policy makers to reform the international tax systems.

### 3. Objectives of the Study

This study will aim at analyzing the legal and policy issues involved in the international taxation of multinational corporations. The research paper will focus on uncovering the shortcomings of current international taxation systems and the current measures that are being undertaken around the world to curb tax evasion and profit transfer to multinational companies.

The following are the specific objectives of the study:

1. To look at the legal principles that govern international corporate taxes including a tax treaty and international tax rules.
2. To determine the key techniques employed by multinational corporations in order to reduce their taxations in various jurisdictions.
3. To examine issues in taxing cross-border multinational enterprises as it is challenged by the law and regulation by governments.
4. To check the efficiency of the global tax reform programs like the OECD Base Erosion and Profit Shifting (BEPS) project and the global minimal corporate tax.
5. To develop policy proposals that may enhance international tax governance and make the global tax system fair.

The research will be seeking to make contributions to the current discourse on the reformation of international taxation through globalization, and in the digital world of economic activities.

### 4. Research Questions

The growing multinational corporate order has posed major problems to policymakers who seek to control international taxation. This paper thus aims to answer some crucial research questions that are to do with the effectiveness of the existing international tax systems and current reforms.

The major research questions to be used in this study are:

1. What do you consider to be the key issues in legal issues related to taxation of multinational corporations which operate in various jurisdictions?
2. What are the ways to explain that multinational enterprises are able to use such strategies like profit shifting, transfer pricing and tax havens to decrease their global taxes?
3. What are the constraints of the existing international tax treaties and the national taxes law that permits the same?
4. What is the level of effectiveness of international reform initiatives like the OECD BEPS project and the

global minimum corporate tax in dealing with these challenges?

5. What more legal or policy changes can be made to provide a fair and sustainable international taxation system on multinational corporations?

These questions will be answered to help comprehend the merits and demerits of the existing international taxation systems and to find out possible changes to be made to enhance global taxation.

## Review of Literature

### 1. International Taxation Systems- Evolution

According to Cui (2024) <sup>[4]</sup>, the principles behind the international corporate taxation system were developed in the first half of the twentieth century with the help of bilateral tax treaties aimed at avoiding the occurrence of cross-border income taxation twice. These treaties were founded on two important principles which are taxation basing on the origin of income and tax based on residence of the person subject to tax. Cui stated that they were appropriate in a traditional economy that was mainly manufacturing and physical trade but have grown out of date in a digital and global economy where businesses need not have a physical presence in a jurisdiction to operate (Cui, 2024) <sup>[4]</sup>. The increased mobility of capitals, intangible goods, and digital services have made the assignment of taxing rights across countries very tricky.

Siva (2023) claims that globalization has radically changed the design of multinational enterprises and posed a threat to the extant international tax system. MNCs are currently conducting business via complicated systems of subsidiaries and intellectual property structures which enable the transfer of profits across jurisdictions quite easily. According to Siva, the introduction of digital business models has additionally made the borders of the national tax systems blurred as governments are now finding it hard to figure out where exactly the economic value is being created. Consequently, the current international tax regulations have been unable to keep up with the organizational and global trade changes in the corporate world (Siva, 2023).

As Hugger (2024) <sup>[12]</sup> points out, the trend of international tax reforms in the modern world is more oriented on the problem of the asymmetry of economic globalization and the right to form taxation at the state level. The rise of international tax projects like the Base Erosion and Profit Shifting (BEPS) program by the OECD indicates an increasing appreciation among countries that single country tax systems cannot be used to govern the actions of multinational corporations. Hugger states that the world of international taxation is slowly moving to the coordinated global policy frameworks to curb tax evasion and encourage more equitable allocation of tax revenues among nations (Hugger, 2024) <sup>[12]</sup>.

### 2. Tax Strategies Multinational Corporations Emulate

As Garcia-Bernado and Janskym (2022) <sup>[8]</sup> reveal, profit shifting is one of the most popular tax evasion techniques in multinational companies. According to their study, multinational enterprises transfer huge amounts of their profits to places that have very low levels of effective taxation, which they do by strategically locating their intellectual property or financial resources. Corporations can also create tax havens by using national tax system

differences to create taxable profits in high-tax jurisdiction and report high profits in tax havens. The practice causes governments to lose a lot of revenue, especially in developing economies (Garcia-Bernardo and Janský, 2022) [8].

Ferrari *et al.* (2022) [6] research the method of multinational corporations transferring profits between jurisdictions through the application of transfer pricing arrangements. Transfer pricing is the pricing of transactions between the related entities in the same multinational group i.e. the sale of goods, services or intellectual property. According to Ferrari and colleagues, transfer pricing manipulation enables corporations to assign profits to subsidiaries which reside in low-tax jurisdictions and register increased costs in nations with high rates of taxation. Despite the international tax rules trying to govern transfer pricing using the arm-length principle, it is still challenging to enforce since multinational business system is too complex (Ferrari *et al.*, 2022) [6].

The authors also state that one of the key aspects of multinational tax planning strategies is the use of tax havens (Dilaga and Daryatno, 2025) [5]. They say that, based on their analysis the multinational corporations have often set up subsidiaries in jurisdictions where the corporate taxes are lower, and financial transparency is minimal. The intellectual property rights, financial resources or intra-group financing facilities are then offshored to these subsidiaries where they make high profits at low tax rates. The authors claim that this practice reduces the integrity of the national tax systems and introduces unfair competition between the multinational and national companies that are unable to transfer profits abroad easily (Dilaga and Daryatno, 2025) [5].

Achaddiah (25) also highlights that the contemporary digital economy has witnessed an improvement in aggressive tax planning schemes. MNCs typically utilize a combination of a number of strategies, such as profit shifting, tax havens and hybrid mismatch structures, to lower their effective tax rates. According to Achaddiah, these practices underscore the importance of enhanced international collaboration and regulatory mechanisms that would be able to handle the complicated cross-border business model (Achaddiah, 2025) [26].

### 3. International Taxation: Legal Issues

OECD (2021) points out that the challenge of digitalization of global economy is one of the biggest legal issues of international taxation. The old taxation regulations were based on the idea of physical presence, i.e. a company could be subjected to taxation in a certain jurisdiction only in case it has a permanent establishment there. Nevertheless, digital firms are capable of generating huge revenues in a nation, without having a physical structure. This has caused significant legal uncertainties on the distribution of taxing rights between countries and has led to the desire to reform the international tax regulations (OECD, 2021) [14].

According to Anjarwi (2026) [2], the complexity of the process of implementing global tax reforms in the national legal framework is another significant challenge. Multilateral conventions like the OECD BEPS framework also compel nations to implement new reporting procedures, compliance and rules of anti-avoidance. The digital reporting models like Country-by-Country Reporting (CbCR) and financial disclosure frameworks are the tool

that Anjarwi claims is necessary to monitor the multinational corporate tax practices. These systems however need substantial administrative abilities and coordination of national tax authorities (Anjarwi, 2026) [2]. According to Grant Thornton (2023) [9], the issue of tax competition between nations only makes it challenging to regulate multinational corporations. Most governments provide tax incentives, lower rates of corporate taxes or special economic zones to encourage foreign investment. Although these kinds of policies might work to spur economic growth, they also promote the profit repatriation of multinational corporations to low-tax haven jurisdictions. This competition on corporate taxes has undermined the capacity of individual nations to sustain constant tax revenue levels and has compelled a stronger demand to have international tax coordination (Grant Thornton, 2023) [9]. According to Schjelderup (2024), the tension between national and global tax collaboration, and national sovereignty also continues to be one of the primary legal issues. Governments tend to divest taxation power to international bodies even where collective action would lead to better tax fairness in the world. Consequently, to engage in the process of coordinated tax reforms, the balancing between the national policy sovereignty and the international regulations should be considered carefully (Schjelderup, 2024) [3].

### 4. International Tax Reform Projects

As described by OECD (2025), the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) is the biggest international tax overhaul effort in the past few years. BEPS project is a set of measures, which are aimed to avoid situations when multinational corporations transfer profits to low-tax regimes artificially. These requirements are augmented transparency requirements, augmented transfer pricing requirements, and anti-avoidance requirements intended to safeguard national tax bases (OECD, 2025) [1].

### 5. Research Gap

According to Haufler and Kato (2024) [10], despite the fact that the global minimum tax is a significant step in minimizing the aspect of profit shifting, it largely relies on how nations apply the policy. The authors mention that multinational corporations can continue to adjust their strategies in order to take advantage of any differences that still exist between national tax systems. Moreover, without foreign investment, the smaller economies might struggle to change their tax policies (Haufler and Kato, 2024) [10].

Another point on which Chen (2024) [3] provides is that the economic impact of global tax reforms is still unpredictable. Although the tax has the potential of decreasing profit shifting across the world, the global minimum tax might also change the dynamics of investments, and the decisions by multinational corporations of where to produce and where to allocate capital. Chen argues that one should conduct further empirical studies to assess the long-term effects of global tax reform on the development of the international economy (Chen, 2024) [3].

These observations suggest that despite the great advancements that have been done in the field of multinational corporate tax avoidance, there are still gaps in the literature. More studies are needed to investigate the effects of tax reforms in the world and the impact it has on

business conduct, foreign direct investment, and the allocation of tax revenues among various nations.

## Research Methodology

### 1. Research Design

The study design is to analyze the major international taxation frameworks, which are OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) and the global minimum corporate tax plan. Such frameworks are intended to deal with the issues of globalization and the digitalization of the economic processes. BEPS project has been created in order to minimize gaps in taxation rules that can enable multinational corporations to transfer the profits to low-tax countries and eliminate the domestic tax bases (OECD, 2021) <sup>[13]</sup>.

Another method that has been used in the study is the comparative legal analysis approach in which the way various countries enforce international tax regulations and anti-avoidance rules is assessed. Comparing the policy regimes and global accords, the study establishes the strengths and weaknesses of the existing taxation systems that regulate multinational corporations.

### 2. Data Sources

The research is founded on the secondary data as the main tool to examine the policies of international taxation and laws that regulate the operations of multinational companies. Secondary sources are suitable in the study that clarifies the legal systems, international agreements, and policy reforms due to the fact that these sources include an exhaustive information given by the authoritative institutions and academic publications.

The main secondary sources that will be used in the study are reports and policy documents that were issued by international organizations such as the Organization of Economic Co-operation and Development (OECD), European Union as well as international tax research institutes.

Besides the institutional reports, the study utilizes the scholarly journal articles, working papers, and policy analysis published during the past five years as well. The sources are scholarly and present information on the new trends in international taxation, tax avoidance techniques in corporations, and economics of global tax reforms. The credibility and reliability of the research findings is improved through the use of other sources.

### 3. Analytical Framework

This research study analytical framework relies on a legal analysis, policy analysis, and comparative assessment analysis of international taxation systems. The study discusses the way in which the international tax regulations assign taxing powers between nations and the ways multinational firms take advantage of the differences in the taxes between countries.

The review dwells on the main mechanisms that define the international corporate tax such as rules under transfer pricing, provisions of tax treaties, and anti-avoidance provisions, which are presented under the BEPS framework. These mechanisms are examined with respect to the overall goal of keeping the profit shifting off and making the multinational enterprises tax in the countries where they generate economic value. It has been demonstrated that with sophisticated corporate structures and intra-group

transactions, multinational corporations tend to transfer profits to low-tax jurisdictions, bringing up the need to adopt more robust regulatory frameworks (Ferrari *et al.*, 2022) <sup>[6]</sup>.

The analysis framework also measures the effect of the recent global reforms like the OECD global minimum tax system which attempts to set a benchmark level of corporate taxation across nations and discourage incentives of beneficial tax competition between nations (Cui, 2024) <sup>[4]</sup>.

The study will present an in-depth analysis of the effectiveness of international tax reforms by using legal analysis and policy assessment.

### 4. Methodology Limitations

In spite of the systematic approach, which was taken in this study, there are a number of limitations that need to be acknowledged. First, the study is based on the secondary data, in particular, reports on the policies, scholarly articles, and documents by international organizations. These sources can be helpful in gaining a better understanding of the situation in international tax governance, but they might not reflect the reality of the situation concerning the application of corporate tax planning by multinational corporations.

Second, the global taxation environment is changing at a high rate especially with the current adoption of the OECD global minimum tax regulations and digital tax systems. The legal and economic effects of the international tax policies could be altered as time passes by as nations keep adopting and amending such reforms. Therefore, not all of the policy conclusions, made in this study, might be final because new regulations and empirical facts appear.

Lastly, multinational corporations tend to have a more complex global systems that are not quite transparent such that, researchers may not be able to access extensive financial details regarding the practice of profit shifting. This has been noted as one of the limitations in international taxation studies, in which transparency and access to data are largely a problem (Chen, 2024) <sup>[3]</sup>.

## Results and Discussion

### 1. Tax Avoidance Affects Global Economies

Research on international taxation has always demonstrated that multinational firms take advantage of the structural variations between the national tax systems in order to reduce taxation cost. Base Erosion and Profit Shifting (BEPS) is one of the most important mechanisms through which it happens. BEPS is an abbreviation used to describe the tax planning techniques which take advantage of gaps and mismatches between international tax regulations to move profits to the jurisdiction where no or little actual economic activity is carried out to pay lower taxes (OECD, 2024) <sup>[7]</sup>.

National tax revenues are greatly affected by profit shifting. The world estimates that the governments lose USD 100 b to USD 240 b annually as a result of multinational profit shifting and that is between 4-10 percent of total worldwide corporate taxations (OECD, 2025) <sup>[1]</sup>. The loss of revenues apply in both developed and developing economies but, in order to simplify the situation, the developing countries tend to lose more since corporate taxation constitutes a bigger part of government income.

The other aspect of tax avoidance is the tactical application of tax havens. MNCs often establish intangible assets

including intellectual property rights in jurisdictions that have extremely low corporate taxes. Intra-company licensing arrangements are made so that the profit earned in high-tax countries is moved to subsidiaries in such low-tax countries. Empirical literature estimates the volume of profits that multinational corporations transferred to jurisdictions with effective tax rates of less than 10 percent around the world within a single year to be over 850 billion (Garcia-Bernardo and Jansk as cited in Garcia-Bernardo and Jansk, 2022) [8].

Loss of revenue is not the only impact of shifting profits to

other economies. Low tax revenue curbs the ability of governments to invest in the infrastructure, and social welfare programs as well as public services. Corporate taxation is an important source of financing the economic development of the developing countries, especially in particular, of those where the developing countries are interested. In avoiding tax, multinationals can cause other domestic firms unable to distribute their profits internationally to experience an increased effective taxation, distorting uncertainty in the national economies by creating competitive imbalance.

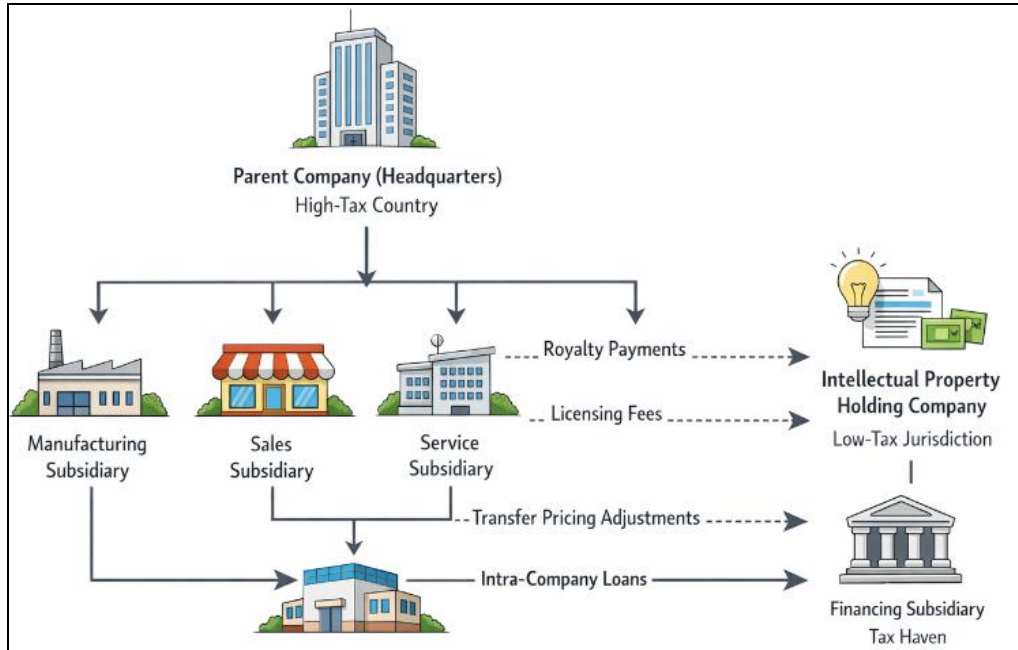


Fig 1: Global Profit Shifting Mechanis

Profit-shifting scheme in Fig 1 is associated with the losses of revenue as in Table 1, and this proves that multinational enterprises transfer profits among jurisdictions to evade tax payments.

**2. Critique of the Existing International Taxation Rules**

The conventional international taxation system is based on bilateral tax treaties and local laws of corporate taxation. These frameworks are aimed at eliminating the occurrence of double taxation and easy cross-border investment. Nonetheless, they also give a chance to multinational corporations to take advantage of discrepancies in the systems of national taxation.

Transfer pricing regulation is one of the most important tools that govern cross-border corporate taxation. The transfer pricing principles mandate that transactions between companies within a multinational group should be priced based on arm length principle, that is, they should be priced based on the prices that would be charged between independent firms.

In practice, though, the process of uncovering the price of an arm length is extremely complicated particularly in situations where the objects of transaction are intangible (e.g., patents or trademarks).

Multinational companies tend to patent intellectual property in subsidiaries in low-tax countries and later charge high licensing fees to subsidiaries in jurisdictions with high taxes. The fees minimize taxable profits in high-tax jurisdictions and maximize profits in tax havens. Multinational corporate structures are complex and as such, it is not easy to find out such arrangements by the tax authorities.

The other issue is based on the concept of permanent establishment which is used to decide whether a company has an adequate economic presence in a country to be taxed. Under the digital economy, businesses do not have to be physically present in a specific jurisdiction to earn a lot of revenue through users of the product or service. It is therefore historically the case that many digital corporations have paid minimal or no tax in those countries where they create a lot of economic activity.

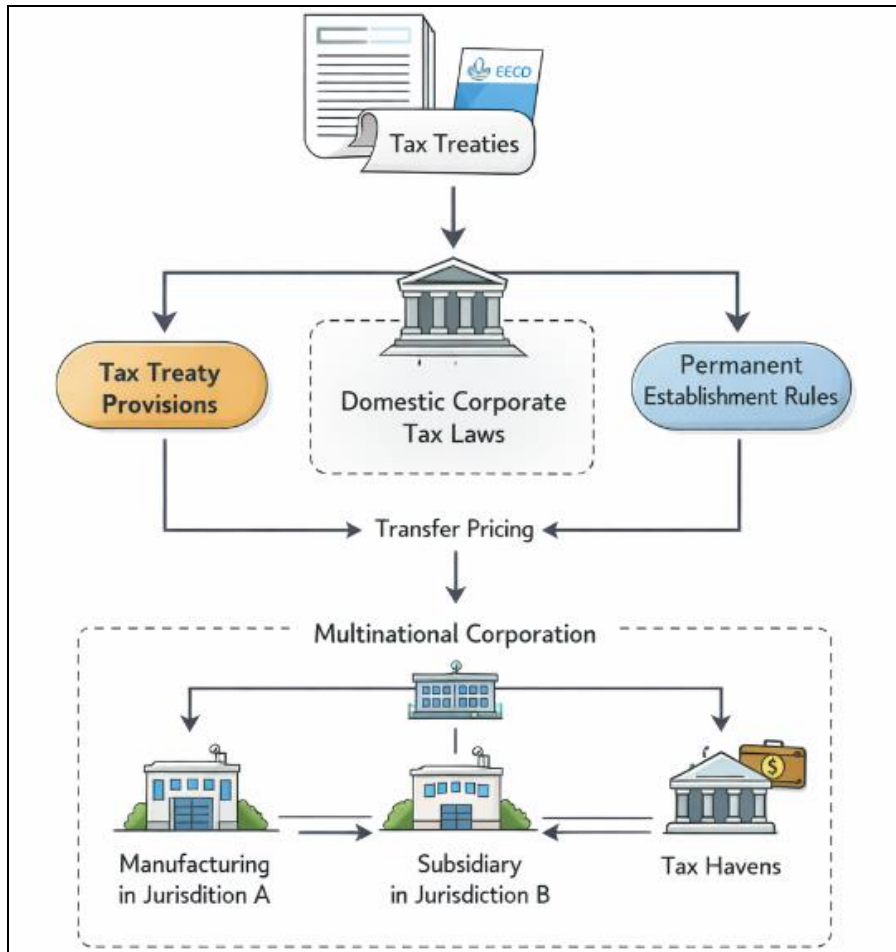
Table 2: Major Legal Challenges in International Taxation

Challenge	Description
Profit shifting	Allocation of profits to low-tax jurisdictions
Transfer pricing manipulation	Artificial pricing of intra-company transactions
Digital economy taxation	Difficulty taxing firms without physical presence
Tax competition	Countries lowering tax rates to attract investment
Tax haven usage	Corporations routing profits through low-tax jurisdictions

The table 4.2 identifies some of the main issues of law that fail to enhance effectiveness of systems of international taxation.

The issues of the international taxation, as Table 4.2

demonstrates, can be caused by structural and regulatory factors. Such concerns have led to demands to reform taxation at the global level to fill the loopholes in the international taxation system.



**Fig 2:** Structure of International Corporate Tax Rules

Table 2 contains a summary of the regulatory challenges; these are graphically presented in Fig 2 and they reflect that there are openings in the overlapping national tax systems that allow MNEs to avoid taxes.

**3. Effectiveness of Global Tax Reforms**

Following increasing worries on the issue of multinational tax avoidance, international organizations have come up with a number of activities to enhance global taxation. The most notable of these is the OECD/G20 Base Erosion and Profit Shifting (BEPS) initiative that comprises fifteen policy actions aimed at eliminating gaps in the international

taxation regulations and enhancing corporate reporting transparency.

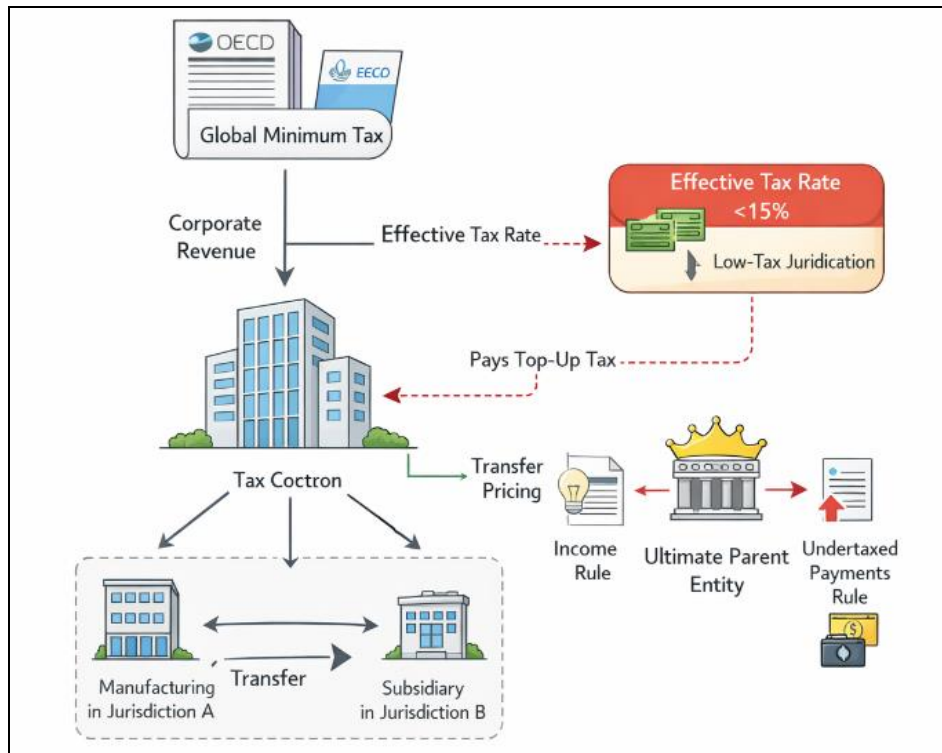
Besides BEPS reforms, the OECD and the G20 nations have established the Global Minimum Corporate Tax commonly referred to as Pillar Two. This reform sets the minimum effective tax rate at 15 percent on the profits of multinational corporations so that big corporations will make a minimum fee of tax at any level they are operating (OECD, 2024) [3]. The international minimum tax would help discourage profit shifting and promote bad tax competition among the nations.

**Table 3:** Key Components of the Global Tax Reform Framework

Reform Initiative	Objective
BEPS Action Plan	Prevent tax base erosion and profit shifting
Country-by-Country Reporting	Improve transparency of multinational tax reporting
Global Minimum Tax (15%)	Ensure minimum taxation across jurisdictions
Pillar One Reform	Reallocate taxing rights for digital companies

The key aspects of the global taxation reform model elaborated by OECD and G20 are presented in Table 3. Transparency, minimum taxation and redistribution of

taxing rights are the areas of international tax reforms, as illustrated in Table 3. These reforms are one of the greatest changes toward coordinated international tax measures.



**Fig 3:** Global Minimum Tax Framework

The processes in Fig 3 can be linked to the policy elements summarized in Table 3 and show how global minimum tax regulations can mitigate the incentive to engage in profit-shifting.

#### 4. International Tax Governance Policy implications

The results in this research indicate a number of significant implications of the international taxation policy. To start with, the international taxation systems should be made flexible to the evolving form of the global economy. New business models, intangible assets and complicated corporate structures demand regulatory frameworks capable of properly determining points of economic value creation.

Second, it is necessary to deal with multinational tax avoidance through international cooperation. The independent action of individual nations is not able to control multinational corporations that are operating on more than one jurisdiction. International taxation through coordinated global measures including BEPS framework and global minimum tax is thus very important in ensuring fair and stable global taxation.

Third, there is more transparency, which is important to enhance tax enforcement. Tax structures like Country-by-Country Reporting enable the tax authorities to have a detailed picture of the activities of the multinational corporations and hence compare the taxable profits and the real economy operation.

**Table 4:** Policy Recommendations for Strengthening International Tax Systems

Policy Recommendation	Expected Impact
Strengthen global tax cooperation	Reduce profit shifting opportunities
Expand transparency and reporting requirements	Improve detection of tax avoidance
Reform digital economy taxation rules	Ensure fair taxation of digital firms
Harmonize corporate tax regulations	Reduce tax competition among countries

Table 4 gives the policy suggestions on how to enhance the effectiveness of the international corporate taxation systems. The policy recommendations as shown in Table 4.4 indicate a need to have a global approach to corporate taxation. Governments can minimize the possibility of multinational tax avoidance by using better transparency mechanisms, aligning taxation systems, and adaptability to online economic operations.

#### Limitations and Future Scope

##### 1. Conclusion

Global taxation of multinational companies has become one of the most complicated issues in the contemporary global economic management. Nevertheless, these models were

created at the time when business activities were mostly associated with physical places. In the digital and globalized economy of the modern economy, multinational corporations are able to make large-scale profits in locations that they do not have a physical presence, which presents a major challenge to national taxation authorities.

Base Erosion and Profit Shifting (BEPS) is one of the most urgent problems of international taxation. This is frequently done by the multinational enterprises whose gaps and differences in tax systems in various countries transfer profits to low-tax countries, thus cutting on their overall tax burden. These measures involve manipulation of transfer pricing, intellectual property transfer and tax havens. These activities minimize government income and provide an

unhealthy competition between foreign companies and the local companies. The international community has understood that such tax planning practices are based on the compromising of national tax regimes and need organized global measures (OECD, 2024) <sup>[11]</sup>.

To address these issues, the international policy reforms have been implemented to enhance global tax governance. OECD/G20 BEPS initiative is one of the significant efforts to eliminate loopholes in the international taxation policies and enhance transparency in multinational company reporting. The project brought about a number of mechanisms such as the strengthened transfer pricing and country by country reporting. These are considered to make sure that the MNEs do not pay taxes to low-tax jurisdictions where profits are being artificially transferred and economic values are being created in these jurisdictions (OECD, 2025) <sup>[26]</sup>.

Another important change is that the global minimum corporate tax has been introduced according to Pillar Two by OECD. This reform sets the minimum effective tax rate of big multinational corporations to be about 15 percent, which diminishes the incentives of profit shifting and destructive tax competition among nations.

Altogether, this study reveals that although the problem of international tax avoidance has been significantly improved, considerable issues are still present. MNCs keep changing their strategies following new regulations and disparities between countries tax regimes still leave room to tax planning. Thus, the international cooperation, enhanced level of transparency and further innovation of policies should be sustained to have a fair and sustainable global system of taxation.

## 2. Limitations of the Study

Although this study offers a lot of useful information on the subject of international taxation challenges, it has a number of limitations that ought to be mentioned. One, the study is based mostly on secondary sources of data, such as international policy reports, scholarly articles and institutional publications. Although such sources can be of good and thorough information, they might be inadequate to answer the complexity of multinational corporate tax planning strategies which most of them are shrouded in secrecy within the corporate financial framework.

Second, the global taxation environment is changing very fast especially as the global minimum tax structure of OECD continues to get adopted. Various countries are implementing the rules of Pillar Two at a different pace and in distinct ways on a domestic level. Consequently, it is not clear what the long-term economic and legal implications of such reforms will be. The regulatory environment, which is the focus of this study, may change considerably in the future owing to policy changes or modifications on international tax acts.

Third, the paper is more about global policy frameworks and not about empirical analysis of the specific multinational corporations. Though this method can give a general overview of the international tax governance issue, more extensive empirical studies can be used to provide more in-depth information on the behavior of multinational enterprises to tax reforms in reality.

## 3. Future Scope of Research

This study can be developed in numerous significant ways in future research. The first possibility is related to the investigation of the economic effects of the global minimum tax on the multinational corporate behavior, such as the investment choices, the distribution of capital, and the restructuring plans of the corporations. Empirical research may be conducted on the effectiveness of global minimum tax to reduce profit shifting or corporations may come up with new measures to pay less taxes.

The other crucial avenue of research is taxation of digital multinational corporations that have persistently tax laws through their capability of functioning without a physical location in most jurisdictions. Due to the growing entity of digital services in the world, policymakers need to come up with taxation models that best represent the economic value of digital platforms.

Also, the future research might consider investigating the effect of global tax reforms on developing nations. Numerous emerging economies are very dependent on the corporate tax as a government revenue source, and the alteration in the world taxation policies can impact their capacity to attract foreign investments and keep tax bases steady.

Lastly, interdisciplinary studies that may incorporate international law, economics and public policy may give more detailed insights into the effectiveness of the global tax governance. This type of research would help in the development of more fair and effective international taxation frameworks that will be able to handle the problems of multinational enterprises in a more globalized economy.

## References

1. Achaddiah BN. Tax governance in the era of Pillar Two: Legal certainty and compliance challenges. *International Journal of Law and Governance*, 2025. <https://journal.sinergi.or.id/index.php/ijl/article/view/888>
2. Anjarwi AW. Digital reporting and the global minimum tax: Compliance infrastructures in BEPS 2.0. *International Journal of Accounting and Finance*, 2026. <https://www.tandfonline.com/doi/full/10.1080/25741292.2026.2617719>
3. Chen X. The global minimum tax, investment incentives and asymmetric tax competition, 2024. <https://arxiv.org/abs/2409.05397>
4. Cui W. Strategic incentives for adopting the global minimum tax. *Journal of Legal Analysis*, 2024. <https://academic.oup.com/jla/article/16/1/211/7922943>
5. Dilaga TP, Daryatno AB. Global minimum tax: Implications and recommendations for multinational corporations, 2025. <https://www.researchgate.net/publication/397640437>
6. Ferrari A, Laffitte S, Parenti M, Toubal F. Profit shifting and international tax reforms, 2022. <https://arxiv.org/abs/2211.04388>
7. Fordham University Tax Law Review. Taxing the digital giants: OECD global tax deal implications, 2024.
8. Garcia-Bernardo J, Janský P. Profit shifting of multinational corporations worldwide, 2022. <https://arxiv.org/abs/2201.08444>
9. Grant Thornton. Implications of the OECD Pillar Two global minimum tax, 2023.

- <https://www.grantthornton.global/en/insights/articles/implications-of-pillar-2/>
10. Haufler A, Kato H. A global minimum tax for large firms only: Implications for tax competition, 2024. <https://arxiv.org/abs/2404.14302>
  11. Hoffmanová J. Global minimum tax as a tool for strengthening economic stability. *Financial Law Review*, 2024. <https://ejournals.eu/en/journal/financial-law-review/article/global-minimum-tax-as-a-tool-for-strengthening-economic-stability>
  12. Hugger F. The global minimum tax and the taxation of multinational enterprise profit, 2024. [https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/01/the-global-minimum-tax-and-the-taxation-of-mne-profit\\_2c3d9f9d/9a815d6b-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/01/the-global-minimum-tax-and-the-taxation-of-mne-profit_2c3d9f9d/9a815d6b-en.pdf)
  13. OECD. Base erosion and profit shifting project overview, 2021. <https://www.oecd.org/tax/beps/>
  14. OECD. Tax challenges arising from digitalisation of the economy, 2021. [https://www.oecd.org/en/publications/2021/12/tax-challenges-arising-from-digitalisation-of-the-economy-global-anti-base-erosion-model-rules-pillar-two\\_ee81a23.html](https://www.oecd.org/en/publications/2021/12/tax-challenges-arising-from-digitalisation-of-the-economy-global-anti-base-erosion-model-rules-pillar-two_ee81a23.html)
  15. OECD. Tax challenges arising from the digitalisation of the economy: Global anti-base erosion model rules (Pillar Two), 2021. [https://www.oecd.org/en/publications/2021/12/tax-challenges-arising-from-digitalisation-of-the-economy-global-anti-base-erosion-model-rules-pillar-two\\_ee81a23.html](https://www.oecd.org/en/publications/2021/12/tax-challenges-arising-from-digitalisation-of-the-economy-global-anti-base-erosion-model-rules-pillar-two_ee81a23.html)
  16. OECD. Tax incentives and the global minimum corporate tax, 2023. [https://www.oecd.org/en/publications/tax-incentives-and-the-global-minimum-corporate-tax\\_25d30b96-en.html](https://www.oecd.org/en/publications/tax-incentives-and-the-global-minimum-corporate-tax_25d30b96-en.html)
  17. OECD. Two-pillar solution to address the tax challenges arising from the digitalisation of the economy, 2023. <https://www.oecd.org/en/about/news/announcements/2023/07/outcome-statement-on-the-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-july-2023.html>
  18. OECD. Base erosion and profit shifting (BEPS), 2024. <https://www.oecd.org/en/topics/policy-issues/base-erosion-and-profit-shifting-beps.html>
  19. OECD. Global anti-base erosion model rules (Pillar Two), 2024. <https://www.oecd.org/en/topics/sub-issues/global-minimum-tax/global-anti-base-erosion-model-rules-pillar-two.html>
  20. OECD. Global anti-base erosion model rules commentary, 2024. <https://www.oecd.org/en/topics/sub-issues/global-minimum-tax/global-anti-base-erosion-model-rules-pillar-two.html>
  21. OECD. Global minimum tax framework, 2024. <https://www.oecd.org/en/topics/sub-issues/global-minimum-tax.html>
  22. OECD. Taxation and base erosion and profit shifting, 2024. <https://www.oecd.org/en/topics/policy-areas/taxation.html>
  23. OECD. Corporate tax statistics and BEPS actions report, 2025. [https://www.oecd.org/en/publications/corporate-tax-statistics-2025\\_6a915941-en.html](https://www.oecd.org/en/publications/corporate-tax-statistics-2025_6a915941-en.html)
  24. OECD. Corporate tax statistics report, 2025. [https://www.oecd.org/en/publications/corporate-tax-statistics-2025\\_6a915941-en.html](https://www.oecd.org/en/publications/corporate-tax-statistics-2025_6a915941-en.html)
  25. OECD. Tax policy reforms report, 2025. [https://www.oecd.org/en/publications/tax-policy-reforms-2025\\_de648d27-en.html](https://www.oecd.org/en/publications/tax-policy-reforms-2025_de648d27-en.html)
  26. Popova N. The BEPS project and international tax competition. *Finance, Accounting and Business Analysis*, 2025. <https://www.faba.bg/index.php/faba/article/view/289>
  27. UK Parliament Research Service. Tax implications of corporate profit shifting, 2025. <https://lordslibrary.parliament.uk/tax-implications-of-corporate-profit-shifting/>