



ATOZ ALERT

G7 Global Minimum Tax Agreement with the US announced - Relief for EU Funds and EU-owned MNEs as the US intend to drop withholding tax threat

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Yesterday, ten days after the conclusion of the last G7 summit held in Canada, US Secretary of the Treasury Scott Bessent announced an international tax agreement reached at the G7. The agreement excludes US companies from the global minimum level of taxation for multinational enterprise (“MNE”) groups under the Global Anti-Base Erosion (“GloBE”) rules—also known as “Pillar Two”—as agreed upon by the OECD/G20 Inclusive Framework on BEPS in the Statement to Address the Tax Challenges Arising from the Digitalisation of the Economy and the Detailed Implementation Plan, dated 8 October 2021. Under Pillar Two, large multinationals are required to pay a minimum 15% tax in each jurisdiction where they operate.

As a result, House Ways and Means Committee Chairman Jason Smith and Senate Finance Committee Chairman Mike Crapo issued a statement confirming that the United States have dropped a controversial tax provision—also referred to as the “revenge tax.” In this significant policy reversal, the US has decided to remove the proposed new Section 899 from the Internal Revenue Code of 1986. This provision, originally included in President Donald Trump’s “One Big Beautiful Bill Act” (“OBBA”) that has shaken up the world’s business leaders, would have notably imposed higher withholding taxes on certain foreign persons located in jurisdictions deemed to impose “unfair foreign taxes,” as well as on domestic corporations majority-owned by such persons.

The measure was also expected to affect EU-domiciled funds investing in US equities as well as EU-owned MNEs and had raised particular concerns among European asset managers, especially those based in Luxembourg. According to Morningstar, European mutual funds and ETFs investing in US equities held c. € 1.17 trillion in assets at the end of April 2025, with over € 800 billion managed through vehicles domiciled in Ireland and Luxembourg. Thus, the move is welcome and is a relief for asset managers and global markets.

However, one must remain extremely vigilant. Neither the G7 nor the OECD has yet communicated on the exclusion of US companies from Pillar Two, and the technical details and scope of this exclusion remain uncertain. Also, the EU member states have to agree on a uniform approach and have sufficient time for implementation.

Do you have any questions?



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