



BACKDROP Tracing the development of the Pillar 2 Proposal As part of its concentrated effort to tackle base erosion and profit- shifting measures under the G20 mandated BEPS Project, the OECD identified tax challenges of the digitalization of the economy as one of the main areas of focus resulting to the 2015 Action 1 Report (“the Report”). The Report concluded that the entire economy was digitalising and, as a result, it would be difficult, if not impossible, to “ring-fence the digital economy.”¹ Further, the Report noted that digitalisation of the economy raises a set of wider tax challenges, which were identified as “nexus, data and characterisation”.² Work was undertaken by the OECD on trying to address these challenges under the moniker of BEPS 2.0. However, the proceedings received a