



Multinational Corporate Tax Strategies in the Wake of Global Minimum Tax Reforms

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DESCRIPTION

Global taxation rules have entered a period of significant adjustment, driven by a widespread effort to address long-standing issues related to profit shifting and tax base erosion. The initiative, largely centered around the introduction of a global minimum corporate tax, aims to limit the ability of multinational firms to relocate profits to jurisdictions with minimal or zero corporate taxation. This transformation affects how companies allocate capital, structure their operations, and report earnings across borders.

For decades, multinational corporations have arranged their tax strategies to take advantage of varying tax regimes across countries. By shifting intangible assets, such as intellectual property rights, to subsidiaries in low-tax jurisdictions, firms have managed to significantly reduce their global effective tax rates. With the introduction of the global minimum tax rules led by the OECD and G20 nations, such tactics are becoming less effective. The reforms impose a minimum rate of taxation on profits, regardless of where they are reported, reducing the incentive to route profits through favorable jurisdictions.

The most immediate consequence for multinational enterprises is a recalibration of where and how they report profits. Traditional tax havens that once served as shelters for large volumes of income may no longer provide the same advantages. Countries that rely on attracting foreign direct investment through ultra-low corporate tax rates may experience shifts in investment patterns, as companies reevaluate the benefits of establishing entities in these regions. This is especially relevant for digital firms and tech-based conglomerates whose revenue models rely heavily on licensing and other cross-border intangible transactions.

Beyond location decisions, corporations are reexamining transfer pricing structures, intercompany loans, and the use of hybrid entities. Many of these arrangements previously helped reduce global tax liabilities while remaining compliant with local laws. The introduction of uniform minimum taxation levels

limits the scope for such practices. Firms are also considering the administrative burden of adhering to multiple compliance standards across jurisdictions, as the new tax rules require detailed reporting and documentation to demonstrate conformity with the minimum rate.

The reforms are also reshaping how firms disclose financial information. With increased transparency required under the new framework, some firms may face pressure from stakeholders, including investors and regulators, to simplify their tax profiles. This trend could affect investor perceptions, especially for firms that historically relied on tax strategies to maintain higher profit margins. There may be shifts in equity valuations and dividend policies as after-tax income adjusts to the new requirements.

In terms of broader strategy, multinational firms are exploring ways to integrate tax considerations into their business planning without over-relying on tax-driven structures. There is a growing emphasis on substance—ensuring that business operations, decision-making processes, and asset management actually occur in the jurisdictions where income is reported. This approach aligns more closely with the direction of current tax policy and reduces exposure to penalties or disputes with tax authorities.

Smaller jurisdictions that have previously offered favorable tax regimes may respond by adjusting their tax policies, focusing more on non-tax attributes to attract and retain business activity. These might include improved legal infrastructure, workforce development, or better digital and physical infrastructure. Meanwhile, larger economies are beginning to assess how the new rules influence their own corporate tax competitiveness and revenue streams.

Although the global minimum tax is aimed at preventing aggressive tax planning, it also raises questions about the balance between national tax sovereignty and coordinated international tax rules. While the intention is to promote fairness and reduce distortions, not all countries are on the same page in terms of implementation. Some are delaying the adoption of rules, while others are introducing domestic minimum taxes to ensure they

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Received: 27-Aug-2025, Manuscript No. IJAR-25-30122; **Editor assigned:** 29-Aug-2025, Pre QC No. IJAR-25-30122 (PQ); **Reviewed:** 12-Sep-2025, QC No. IJAR-25-30122; **Revised:** 19-Sep-2025, Manuscript No. IJAR-25-30122 (R); **Published:** 26-Sep-2025, DOI: 10.35248/2472-114X.25.13.433

Citation: Winton L (2025). Multinational Corporate Tax Strategies in the Wake of Global Minimum Tax Reforms. *Int J Account Res*.13:433.

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can collect revenue before profits are taxed elsewhere. This lack of uniformity may create short-term complexity and uneven effects across sectors and regions.

Moreover, the new tax framework could change merger and acquisition strategies. Companies may reconsider transactions where tax synergies were once a driving factor. Instead, decisions may focus more on operational alignment, cost reduction, or strategic expansion, with less emphasis on tax optimization. Private equity firms and holding companies may also revise their structures to reflect the reduced appeal of routing profits through multiple layers of ownership in tax-favorable jurisdictions.

Multinational companies must now invest more in tax governance and technology to track compliance. Enterprise resource planning systems and data analytics are becoming essential for monitoring effective tax rates and managing

intercompany flows. This added layer of oversight reflects a shift in how tax functions are viewed within organizations—moving from a back-office role to a more integrated part of corporate risk and strategic planning.

While the full impact of global minimum tax reforms will continue to evolve, their introduction represents a recalibration of how multinational firms interact with tax regimes worldwide. The emphasis is shifting from minimizing liabilities through complex structures to demonstrating alignment between income, activity, and location. This reorientation challenges long-standing assumptions about where value is created and how it should be taxed in a global economy. Over time, the success of these reforms will likely depend on consistent implementation, international cooperation, and the ability of businesses to adapt to a landscape that now places greater weight on substance and transparency.