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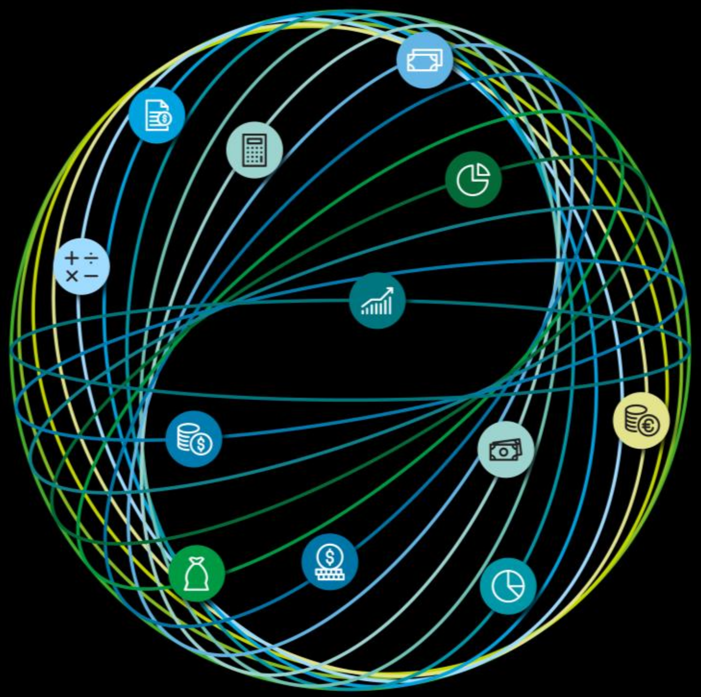

FinTax hour
OECD Pillar 2 – Implications for Indian MNCs

22 June 2023

Agenda

Context Setting

OECD Pillar II framework - GloBe Rules

Country-by-Country Reporting

Tool for Implementing of Pillar II

Background – BEPS Actions

<table>
<tr><th>“Gaps”</th><th colspan="2">“Frictions”</th><th>“Transparency”</th></tr>
<tr><td>Action 1
Tax challenges arising from digitalisation</td><td colspan="2">Action 6:
Prevent treaty abuse</td><td>Action 11:
Establish methodologies to collect and analyse data on BEPS and the actions to address it</td></tr>
<tr><td>Action 2:
Neutralise the effects of hybrid mismatch arrangements</td><td colspan="2">Action 7:
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Limitation on interest deductions linked to economic activity within the jurisdiction</td><td rowspan="3">Assure that transfer pricing outcomes are in line with value creation . Guidance on arms length principle</td><td>Action 8:
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Mutual Agreement procedures -Make dispute resolution mechanisms more timely and effective</td></tr>
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Risk and capital</td><td rowspan="2">Action 15: Develop a multilateral instrument</td></tr>
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Other high-risk transactions</td></tr>
</table>

Background – Two Pillar approach

Pillar One

Allocation of taxing rights, seeking to undertake profit allocation and nexus rules

Revision of the existing profit allocation and nexus rules: **'Realigning who gets to tax'**

Pillar Two

Minimum Tax, seeking to develop rules that would provide jurisdictions with a right to 'tax back' where other jurisdictions have not exercised their primary taxing rights or the payment is otherwise subject to low levels of effective taxation

A global anti-base erosion (GloBE) and treaty proposal: **'Ensuring enough tax is paid somewhere'**

- Pillar Two is focused to ensure that **large internationally operating businesses pay a minimum level of tax** regardless of where they are headquartered or the jurisdictions, they operate in.
- Pillar Two leaves jurisdictions free to determine their own tax system, including whether they have a corporate income tax and where they set their tax rates, but also **considers the right of other jurisdictions to apply the rules contained in the OECD framework where income is taxed at an effective rate below a minimum rate**
- Rules to permit countries to tax profits of MNEs where income is subject to no or low taxation

Economic Impact Assessment

OECD Release - Revenue and Investment Impacts of Two Pillar Solution

Overall: Revenue gains have increased, with higher revenue gains accruing to low, middle and high income jurisdictions under Pillar One

Pillar One: Revenue gains have increased and rise over time

- Estimated annual global revenue gains of USD 13-36 bn (2021) or USD 12-25 bn per year on average over the period 2017-2021
- Taxing rights on an estimated USD 200 bn of profit to be allocated under Amount A (2021) or USD 132 bn on average over the period 2017-2021
- Low and middle income jurisdictions gain more than high income jurisdictions, as a share of existing CIT revenues, while investment hubs face increased revenue losses on average

Pillar Two: Estimated annual global revenue gains of USD 220 bn for 2018

- Ongoing work on jurisdiction-group results

OECD Pillar Two – Roadmap to Implementation

2021

- OECD Model GloBE rules under Pillar Two
- GloBE Rules to apply to large multinational businesses with consolidated group revenues of at least EUR 750 million in 2 out of 4 preceding years.
- Rules require a minimum Effective Tax Rate of 15% in every country in which the MNE Group operates. Difference to be paid by way of top-up taxes
- EU proposal for a global minimum tax directive

2022

- Commentary to model rules for GloBE Rules
- Implementation framework for Pillar two
  - EU reached consensus to implement GloBE Rules..

2023

- Detailed administrative guidance released

2024

- IIR goes into effect
- Likely applicable for fiscal periods beginning on or after 31 December 2023

2025

- UTPR goes into effect
- Likely applicable for fiscal periods beginning on or after 31 December 2024

Implementation status – Around the World (as on June 2023)

Total 139 member jurisdictions have agreed Two-Pillar Rules

United Kingdom
- Multinational top-up tax and domestic top-up tax for IIR and QDMTT included in Spring Finance Bill 2023
- Effective: 31 Dec 2023, UTPR 1 year later

Canada
- IIR & QDMTT : 2024
- UTPR : 2025

United States
- President Joe Biden stated during the United Nations General Assembly in Sep 2022 that the US champions GMT and will work to see it implemented
- Introduced domestic minimum tax for certain companies but not exactly aligned to GloBE Rules
- The Agreed Administrative Guidance provided some clarity on the treatment of GILTI taxes for fiscal years on or before 31 Dec 2025

Bermuda
- Announced that it is examining GMT implementation during its 2023 Budget on 17 Feb 23

Liechtenstein
- Announced GMT implementation
- Effective: 1 Jan 2024

Switzerland
- Parliament approved the constitutional amendment to implement GloBE Rules
- IIR & QDMTT : 1 Jan 2024
- UTPR : 2025

European Union (EU)
- The 27 EU member states reached agreement to implement GloBE Rules
- Effective: 31 Dec 2023 (IIR), UTPR 1 year later

Germany
- Draft legislation for IIR, UTPR and QDMTT published for public comments
- Effective: IIR and QDMTT 30 December 2023 UTPR 30 December 2024

Hong Kong
- Announced implementation of GloBE and QDMTT
- Effective: 2025

Taiwan
- Announced GMT implementation
- Effective: 1 Jan 2024 at the earliest

Republic of Korea
- Domestic legislation enacted for IIR & UTPR (currently no QDMTT)
- Effective: 1 Jan 2024 for both IIR & UTPR

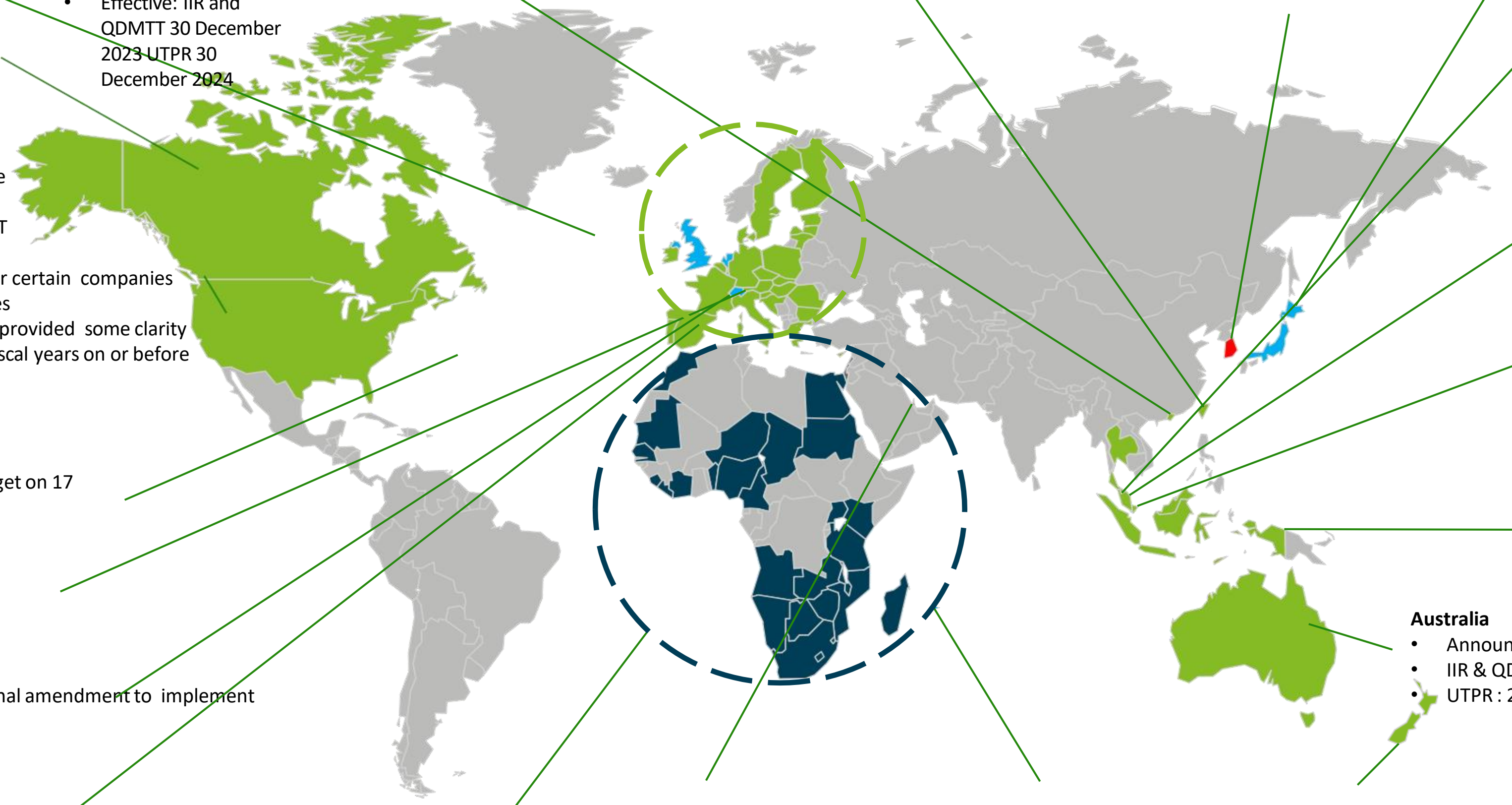
Japan
- Draft legislation for IIR
- Finance Bill published for parliament approval
- IIR : 1 Apr 2024
- UTPR: 2025

Thailand
- Indicated submission of proposal on Pillar Two + Incentives Policy this year
- Expected: 2025

Malaysia
- Announced GMT implementation, including QDMTT
- Expected to be effective from 2024

Singapore
- Announced GloBE implementation, including QDMTT
- Effective: 2025

Indonesia
- Issued Regulation No. GR.55/2022 in Dec 2022 as a legal basis to adopt GMT



Australia
- Announced GloBE implementation
- IIR & QDMTT effective : 2024
- UTPR : 2025

African Tax Administration Forum (ATAF) Members
- Discussing draft legislation for QDMTT

Qatar
- Introduced provisions for GloBE Rules and GMT in its corporate tax law; details to be issued in the Executive Regulations

Mauritius
- Draft legislation for QDMTT

New Zealand
- Implementation of IIR & QDMTT from 2024
- UTPR: 2025

Enacted legislation
Draft legislation
African Tax Administration Forum (draft QDMTT legislation for discussion)
Announced implementation/public consultation launched

Polling question 1

What is the agreed timeline for implementation of pillar two law per OECD?

- From 2024 onwards
- From 2025 onwards
- From 2026 onwards
- From 2027 onwards

Pillar Two – Global minimum tax

About OECD Pillar Two

OECD Applicability

- Pillar 2 rules apply to multinational groups
- With global revenues exceeding €750 million threshold
- Global Minimum Tax Rate at 15%

Process and Requirement

- OECD P2 are the new global regulations with mandate compliance requirement
- Process includes data identification, calculation and filing
- Data requirements cover 110 core data point types to collect per constituent entity
- Identify the impact assessment and minimum taxes
- Calculate GloBE income, arrive at top-up tax and file returns

Key OECD Rules

Main rule	**Income inclusion rule** **Large multinational groups pay a minimum level of tax in each country in which they operate**	**Group revenues of €750 million + 15% rate**
Backstop rule	**Undertaxed payments rule**	
Domestic Top-Up Tax	**Qualified Domestic Minimum Top-up Tax**	**Domestic law**
Priority rule	**Subject to tax rule** Source country taxation of specific types of **intra-group payments** Gross level taxation (not a tax on net profits) via an amendment to tax treaties	**Threshold 9% rate**

All rules operate as a 'top up' to a minimum rate

High Level Calculation Mechanism for IIR

Key Steps Multinational Entities shall perform to determine its liability under Pillar 2 Rules

Entities In scope	Entities/Income Not In Scope
MNE's with consolidated revenue of EUR 750m and more	Taxpayers with no foreign presence or having less than EUR 750m in consolidated revenue
	Government entities
	International organizations
	Non-profit organizations
	Entities that are Excluded Entities are not subject to GloBE rules
	Entities with definition of pension, investment or real estate fund - these are excluded even if the MNE group subject to the globe rules control these entities
	Qualifying shipping income

Step 1: Entities within scope

Identify groups within scope and the location of each constituent entity within the group

Step 2: GloBE Income

Determine Income of each Constituent Entity

Step 3: Covered Taxes

Determine tax attributable to Income of Constituent Entity

Step 4: Effective Tax Rate and Top Up Tax

Calculate the Effective Tax Rate of all Constituent Entities located in same jurisdiction and determine resulting top up tax

Step 5: Top-up tax as per IIR

Impose Top-up tax under IIR in accordance with agreed rule order

Step 6: Additional rules (mergers/acquisition, transition rules etc.)

Additional rules to be applied if its applicable

Overview - Computation of GloBE Income/Loss

This sets out the mechanics for calculating a Constituent Entity's GloBE Income or Loss

01

The **starting point** for this calculation is the **financial accounting net income or loss** determined for the Constituent Entity in the **preparation of the Consolidated Financial Statements** for the Fiscal Year

- Determining GloBE Income or Loss as it provides a uniform measure of income that can be applied in all jurisdictions
- It draws on information already used in the preparation of Consolidated Financial Statements; it reduces the MNE Group's compliance costs
- In order to account for certain permanent differences between accounting and the GloBE tax base, the GloBE Rules then adjust this amount to arrive at that Entity's GloBE Income or Loss

This further includes mechanisms for **allocating income between a Main Entity and a PE** and **between a tax transparent entity and its owners**.
Adjustments to compute GLoBE Income/Loss – Adjustments (viz. Inclusions/ Exclusions):

02

1. Net Taxes Expense;
2. Excluded dividends;
3. Excluded Equity Gains or Losses;
4. Asymmetric Foreign Currency Gains or Losses;
5. Included Revaluation Method Gain;
6. Policy Disallowed Expenses;
7. Prior Period Errors and Changes in Accounting Principles;
8. Accrued Pension Expense;
9. Stock based compensation;
10. Intragroup financing expenses;
11. Adjustments specific to Insurance;
12. International Shipping Income
13. Intragroup adjustments;
14. Refundable Tax Credits;
15. Realized gain/loss for assets and liabilities

Overview - Computation of Covered Taxes

Sets out the mechanics for determining the amount of Covered Taxes on the GloBE income of each Constituent Entity

Current Taxes

01

Current tax expense accrued in the constituent entity's net income/loss in **preparing consolidated financial statements** of the ultimate parent entity (before any consolidation adjustments eliminating intra-group transactions)

02

Adjust to arrive at Entity's Adjusted Covered Taxes (Adjustments include amounts of covered tax expense)

1. Accrued as an expense in the profit before taxation of the financial accounts – taxes on corporate equity
2. On items excluded from computation of GLoBE Income/Loss– as per GLoBE adjustments
3. Relating to an uncertain tax position – reduced in an earlier year but paid this year
4. Not expected to be paid within three years of the last day of the fiscal year
5. Adjustments to reduce the effects of temporary differences on volatility e.g. deferred taxes

Deferred Taxes Adjusted

Deferred tax expense accrued in constituent entity's financial accounts → Deferred tax expenses calculated using a tax rate of 15% or more **recast at 15%**

Adjustments Include → Exclusions:

03

1. Deferred tax expense on items excluded from computation of model rules tax base
2. Movements in deferred tax expenses on 'uncertain tax positions and distributions from a constituent entity
3. Impact of valuation/accounting recognition adjustment of a deferred tax asset
4. Deferred tax expense on re-measurement due to a change in domestic tax rate
5. Deferred tax expense on generation and use of tax credits

Adjustments Include → Losses:

04

1. Reduction for a deferred tax asset not recognized because recognition criteria are not met
2. Deferred tax asset on a loss (as calculated under the model rules) recast at 15% if recorded at a lower rate

Overview - Computation of Top-up Tax

Amount of top-up tax of each LTCE post aggregating its net income and adjusted covered taxes with those of other constituent entity located in the same jurisdiction to determine the ETR and Top-up Tax Percentage for each jurisdiction

Top-up Tax (for a jurisdiction) = [**Top-up Tax Percentage** × **Excess Profits**] + **Additional Current Top-up Tax** − **Domestic Top-up Tax**

- **Top-up Tax Percentage**: 15% (minimum rate) - ETR
- **Excess Profits**: Net GloBE Income – Substance-based income exclusion ✦
- **Additional Current Top-up Tax**: Additional top-up tax in respect of a prior period
- **Domestic Top-up Tax**: Amount payable domestically

✦ Substance-based income exclusion of a fixed return on	
Payroll	**Payroll: 10% (to be reduced to 5% over the years)**. Includes salaries, health insurance, pension contributions, employment taxes and employer social security contributions. Eligible employees include independent contractors.
*Net Book Value of Tangible assets	**Tangible assets: 8% (to be reduced to 5%)**. Includes property, plant and equipment, and natural resources

Jurisdictional ETR = $\dfrac{\text{Adjusted Covered Taxes for all Constituent Entities in the jurisdiction (Covered Taxes)}}{\text{Net GloBE Income for all Constituent Entities in the jurisdiction (GloBE Income)}}$

Allocation of 'Top-up taxes' – Top-down approach under IIR

- Any **tax due** is calculated and **paid by the ultimate parent company** to the **tax authority in its country**
- **Intermediate holding companies** calculate and pay top up taxes in respect of their low-taxed subsidiaries if ultimate parent company in a country that has not implemented the income inclusion rule
- Income inclusion rule only applies to **overseas entities**

Transitional Safe Harbour & GloBE Information Return

Transitional Safe Harbour

During the transition period the Top-up Tax in a jurisdiction for a Fiscal Year shall be deemed to be zero where one of the following tests are satisfied:

A. De minimis test:
If the MNE Group reports **Total Revenue of less than EUR 10 million** and **Profit (Loss) before Income Tax of less than EUR 1 million** in such jurisdiction on its Qualified CbC Report for the Fiscal Year; or

B. ETR test:
If the MNE Group has a **Simplified ETR that is equal to or greater than the Transition Rate** in such jurisdiction for the Fiscal Year; or

C. Routine profits test:
If the MNE Group's Profit (Loss) before Income Tax in such jurisdiction is equal to or less than the Substance-based Income Exclusion amount, for constituent entities resident in that jurisdiction under the CbCR, as calculated under the GloBE Rules.

- The terms set out above have the following definitions:
- Transition Period: The safe harbour is also limited to a transitional period that applies to Fiscal Years beginning on or before 31/12/2026 but not including a Fiscal Year that ends after 30/6/2028.
- Simplified ETR is calculated by dividing the jurisdiction's Simplified Covered Taxes by its Profit (Loss) before Income Tax as reported on the MNE Group's Qualified CbC Report
- Simplified Covered Taxes is a jurisdiction's income tax expense as reported on the MNE Group's Qualified Financial Statements, after eliminating any taxes that are not Covered Taxes and uncertain tax positions reported in the MNE Group's Qualified Financial Statements
- Transition Period covers all of the Fiscal Years beginning on or before 31/12/2026 but not including a Fiscal Year that ends after 30/6/2028
- Transition Rate means:
  - 15% for Fiscal Years beginning in 2023 and 2024;
  - 16% for Fiscal Years beginning in 2025; and
  - 17% for Fiscal Years beginning in 2026.

GloBE Information Return

Issuance of Public Consultation Document

A comprehensive set of the data points that an MNE Group may need to collect in order to calculate the MNE Group's GloBE tax liability.

The data points set out in Annex A of the Public Consultation Document are those that are considered sufficient to calculate the MNE Group's GloBE tax liability and are sorted into the following **four section:**

General Information

Which includes general information about the MNE Group and the Filing Constituent Entity

Corporate structure

Includes information about the corporate structure of the MNE Group, in particular each Constituent Entity's ownership structure, whether it is required to apply the IIR and whether the UTPR could apply with respect to such Constituent Entity, as well as information about changes to the ownership structure that took place during the Fiscal Year

ETR computation and Top-up Tax computation

Includes information about the Effective Tax Rate and Top-up Tax computations for those jurisdictions where Constituent Entities or members of JV Groups are located, as well as any elections made in accordance with the relevant provisions of the GloBE Rules. This section would also incorporate the simplified compliance procedures associated with any agreed safe harbours

Top-up Tax allocation and attribution

Includes information on the attribution of Top-up Tax as well as those implementing jurisdictions where such Top-up Tax is payable in accordance with the agreed rule order. It further provides more details on the computation of each Parent Entity's Allocable Share of Top-up Tax to apply the IIR and on the computation of the UTPR Top-up Tax Amount, if any, as well as of the UTPR Percentage for each UTPR Jurisdiction, where applicable.

Polling question 2

Which of the following test is mandatory to qualify for Transitional Safe Harbour?

- De minimis test
- ETR test
- Routine profits test
- Any one of the above

Country-by-Country Report

In 2015, the OEDC released the final report on Action Plan 13 enabling tax authorities to have access to data on global activities of MNE group, better allocation of scare resources and payment of fair share of taxes by the MNEs

Country-by-Country Report ("CbCR") was introduced as a directional risk assessment tool to enable the tax administration with information for assessing high-level transfer pricing, and BPS risks by providing data on MNEs global allocation of income, profits, taxes paid and economic activity among tax jurisdictions in which it operates.

Captures global financial snapshot and economic activity of the MNE

Applicable to MNE group having consolidated revenue exceeding € 750 million ($850 million / INR 6,400 crores) in the immediately preceding fiscal year

To be filed by the ultimate parent entity or the alternate reporting entity in its tax jurisdiction, shared with other jurisdictions through automatic exchange

Constituent entities to notify the details of ultimate parent entity or alternate reporting entity to their local tax jurisdiction

CbCR – India Requirements

Applicability	• Requirement to file CbCR was introduced in the 2016 Financial Budget and was effective from AY 2017-18 (FY 2016-17) • Indian head-quartered International Group ("IG") meeting the prescribed threshold to file CbC Report in India as per section 286 of the Income Tax Act, 1961 • Indian constituent entity of IG head-quartered overseas ("foreign IG") also required to file CbC Report ("Secondary filing") in India under specified circumstances or if appointed as the alternate reporting entity
Threshold	• The memorandum to Finance Bill 2016, indicated the threshold as INR equivalent of Euro 750 million, prescribed under Action 13 • Rule 10DB of Income Tax Rules, 1962 required applicability of CbC report provisions if consolidated group revenue exceeds INR 6,400 crores (INR 5,500 crores upto 31 March 2021) in the preceding accounting year
Contents	• The format of the CbC report aligned with BEPS Action 13 model template • Definitions of the data points are identical to the original definitions provided under the Action 13 guidance (released in October 2015) • Additional implementation guidance on various aspects (aggregation, data definitions, applicability for investment funds, etc.) provided by OECD are not considered in the final rules
Manner of submission	• CbC Report required to be filed in **Form No. 3CEAD** • CbCR notification required to be filed in **Form No. 3CEAC** • Form No. 3CEAD to be filed electronically with the PDGIT / DGIT (Systems)
Due date	• CbC Report - within a period of 12 months from the end of the reporting accounting year • CbCR notification - on or before two months prior to the date of filing the CbC Report by the parent entity / alternate reporting entity.

Contents of CbCR

Table 1: Information included in CbC

- Revenues (related, unrelated, total)
- Profit/loss before income tax
- Income tax paid (cash)
- Income tax accrued
- Stated capital
- Accumulated earnings
- Number of employees
- Tangible assets other than cash and cash equivalents

Table 2: Information included in CbC – for each tax jurisdiction

- Tax Jurisdiction of organization or incorporation if different
- Main business activity of each of the entity

Main business activity(ies)

- Research and developQment
- Holding or managing intellectual property
- Purchasing or procurement, Manufacturing or production
- Sales, marketing or distribution
- Administrative, Management or Support Services
- Provision of services to unrelated parties
- Internal Group Finance, Regulated financial services, Insurance,
- Holding shares or equity instruments, Dormant, Others

Table 3:

To include any further brief information or explanation that taxpayer may consider necessary or that would facilitate the understanding of the compulsory information provided in the CbC Report.

CbCR and its relevance for Pillar 2

Relevance of CbCR for Pillar 2

- Pillar 2 blueprint places significant reliance on CbCR mechanism and borrows concepts and thresholds from CbCR mechanism.
- Certain concepts adopted under the Pillar 2 such as group, MNE Group, constituent entity, line-by-line consolidation, equity method, permanent establishment, financial threshold are in line with concepts and mechanisms of CbCR.
- The revenue threshold of €750 million for Pillar 2 is also based on the CbCR rules, thereby making it easier for tax administrations to monitor compliance based on existing information.
- Top-up taxes requires comparison between Effective Tax Rate (“ETR”) and Minimum Taxes. ETR is calculated as adjusted covered taxes divided by net GloBE Income.
  - Covered taxes – Starting point is current tax expenses accrued, which is part of CbCR
  - GloBE income – Starting point is profit/ (loss) before income tax (“PBT”), which is part of CbCR
- Undertaxed Payment Rule % allocation within the jurisdiction is determined basis payroll cost and tangible asset base. Tangible asset base is akin to the disclosures in the CbCR.
- The Transitional Safe Harbour test under the Model Pillar 2 GloBE rules relies on certain data points from the CbCR filing.
  - De minimis test - Total Revenue less than EUR 10 million and PBT less than EUR 1 million, both revenue and PBT data points form part of CbCR.
  - ETR test - Simplified ETR is equal to or greater than the Transition Rate.
  - Routine profits test: PBT is equal to or less than the Substance-based Income Exclusion amount (10% of payroll cost and 8% of tangible asset). PBT and tangible asset form part of CbCR.

- .

Polling question 3

Should the CBC reports filed by the group be made public?

- Yes – only for listed entities
- Yes – for all entities
- No – as group’s confidential data

Key consideration and interventions

For Pillar Two regulations, organisations will need to factor in the following considerations and put in place the necessary interventions to ensure compliance.

Key considerations

Complexity of data requirement guidelines for new OECD regulations
- Around 110 core data points to be identified and mapped with existing data sources (system or manual)
- Mapping various master data points such as in-scope entities, jurisdictions, ownership structure etc.

Need to establish a structured process for identification and collection of data
- Required data points exists in multiple system such as Enterprise Resource Planning (ERP), consolidation tool, tax reporting tools, reconciliation tools, excel and working files etc.
- Data points may be available in structured or unstructured form

Plethora of unstructured data existing outside of ERP and consolidation platforms
- ~60 -70% data points are outside ERP systems as part of manual workings
- Complex logic for GloBE rules and requirements vary based on entity type

Filing template, methods for submission etc.
- The rules are still evolving and to be determined basis OECD implementation framework

Key interventions

Data identification
- Mapping current entity structure, tech landscape, accounting policies and identify **relevant data points and their sources** as per OECD rules and guidelines

Data extraction and ERP remediation
- **Data extraction** from ERP or other systems
- Define **formats and templates** to initiate data collation activities for the remaining datasets
- Explore **remediation opportunities** in existing ERPs or adjacent tools

Data collation, wrangling and computation
- Work towards the **automation opportunities** for obtaining relevant data
- Perform **complex calculations and logics** to arrive at the top up tax via **calculation engine**

Filing
- Create standard **input forms** and **file** tax returns in accordance with **GloBE guidelines**

Overview of our cloud solution

Challenges and pain areas	Solution offerings
Most organisations do not have readymade solution available to cater OECD Pillar Two compliance	Complete end-to-end solution for OECD Pillar Two with automated business logics and rules act as a **one-stop-shop**
Manual effort to collect, reconcile, and validate voluminous data spread across multiple excel spreadsheets	Automated and standardised procedure for data collection, storage, and management using **data hub and warehousing capabilities**
Risk of unauthorised access to a single file that can lead to potential loss and misuse of information	**Enhanced security** using Self-Service Security Assertion Markup Language (SS SAML) and Central Identity Management (CIM)
GloBe rules include complex calculations or logics involves substantial manual intervention, thereby leading to errors	Hyperblock technology allows users to perform complex calculations with complete **traceability and auditability**
Multi-layered inputs from various structured and unstructured data sources leading to uncertainty in data sharing	Solutions capability to **seamlessly integrate** with various multi enterprise vendors to avoid uncertainty and provide **risk mitigation**
Limited analysis capability owing to data residing in spreadsheets	Powerful and flexible **scenario modelling and what-if capabilities** based on user defined parameters

OECD Pillar Two Cloud Solution

Benefits of Enterprise Performance Management (EPM) grade cloud solution

- **Data warehousing capabilities**
- **Traceability and auditability**
- **Tax risk mitigation**
- **Security, system and organisation controls (SOC) compliant**
- **Seamless integration**
- **What-if modelling**

OECD Pillar Two data life cycle

OECD computations require close to 110 Plus data points residing in various source systems

01 Identification	• Deloitte has toolkit ready which maps the data requirements from structured sources (e.g., ERP) or unstructured sources (e.g., excel, csv or pdfs) to the solution specific templates. • Deloitte's tax advisory team will mutually collaborate with client's financial controllers, IT team, and tax advisory team to carry out this process.
02 Extraction	• Raw data from sources identified can be extracted using either via (a) manual mapping, (b) use of API integration, or (c) extract, transform, and load (ETL) tools. • Extraction from sources will be handled in conjunction with client source systems teams, while ingestion and processing and loading will be handled by Deloitte experts.
03 Storage	• It has data hub as its data warehousing layer that will act as intermediate staging area once the raw data is extracted from client source systems. • Data can be stored for multiple periods and duration based on client specific requirement, such that the data hub becomes the single source of truth for data handling.
04 Processing	• Transformation of raw data (both from structured and unstructured sources) can be performed in the tool or client data warehousing layer. • Current source excel workings and adjustments can be automated in the tool.
05 Access management	• Centralised access management model to solve the complexity of their growing ecosystems, as well as meet their security and audit requirements
06 Archival and backup	• Technically EPM grade solution provides the capability of storing multiyear data and capture year-on-year snapshots, however processes can be defined to archive the historical data (as per custom requirements) and perform refresh. • The model instances are backed up regularly to ensure that there is no data loss. Retrieving the history of changes made and restoring options are also an added advantages.

OECD Pillar Two chapter-wise dataset summary

Chapter 8 administration rules are not applicable

	Chapter Name	**Chapter 1**	**Chapter 2**	**Chapter 3**	**Chapter 4**	**Chapter 5**	**Chapter 6**	**Chapter 7**	**Chapter 9**	**Total**
		Scope of GloBE Rules	Charging Provision	Computation of GloBE Income or Loss	Computation of adjusted covered taxes for each CE	Computation of Top-Up Tax and effective tax rate (ETR)	Corp restructuring and holding structures	Tax Neutrality and Distribution regimes	Transition Rules	
	Data Sets*	CE of an MNE Group that meets the consolidated revenue threshold of €750m or more in CFS in at least 2 of 4 previous fiscal years	Mechanism of IIR and UTPR—determine which entity of MNE Group is liable for top-up tax	Base—CE's accounting income or loss which is adjusted to dividends; equity gains/loss; prior period errors etc.	Base—Current & deferred tax expense accrued which is adjusted to covered tax accrued etc.	Amount payable under a Qualified Domestic Minimum Top-Up Tax of the jurisdiction for the fiscal year	Apply consolidated revenue threshold in case of merger and demerger transactions that took place in prior 4-year period	Certain tax regimes that subject an entity to tax on its earnings which is deemed to be distributed	Percentage to be applied in substance-based income exclusion calculation	
Number of Data Points	Financial Statements	10	0	15	6	11	7	0	5	**54**
	Financial Statements with adjustment	2	2	21	5	1	8	6	1	**46**
	Manual Workings	2	4	30	42	1	13	10	1	**103**
	Total	**14**	**6**	**66**	**53**	**13**	**28**	**16**	**7**	**203**

Polling question 4

Would MNE require a software solution to capture data and analyse and prepare calculations for pillar two implementation?

- Yes – since calculations are complex with various data points from traditional and non-traditional sources
- No – data points can be manually collated, and calculations can be managed with excel
- Maybe – as the enactment of the pillar two laws under the domestic legislation is awaited