

## OECD Pillar One and Pillar Two tax advisory service

An integrated approach to help you evaluate potential impact

# What is Pillar One and Pillar Two?

On 10 July 2021, the G20 members endorsed the key components of the two-pillar approach to international tax reform that was recently endorsed by 134 countries and jurisdictions, constituting the vast majority of the OECD/G20 Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS). Each of the two pillars addresses a separate concern.

Pillar One targets the largest multinational groups focusing initially on those with at least EUR 20 billion of consolidated revenue and net profits in excess of 10% (i.e., profits before tax to revenue) and will require them to pay tax in the locations where their customers and users are located. A formulaic approach will be used to allocate a percentage of profits between each jurisdiction. Pillar One should effectively require in scope multinationals to pay at least some tax in the markets they interact with.

Pillar Two, the key components of which are commonly referred to as the “global minimum tax” or “GloBE,” introduces a minimum effective tax rate of at least 15%, calculated based on a specific ruleset. Groups with an effective tax rate below the minimum in any particular jurisdiction would be required to pay top-up tax to their head office location. The tax would be applied to groups with revenue of at least EUR 750 million, making it far more widely applicable than Pillar One.



The global minimum tax attempts to limit tax competition by introducing a globally uniform floor, below which the effect of low tax rates or fiscal policy measures would be largely obviated.

# Understanding the challenges

- Some key items remain undecided and implementation details are yet to be issued.
- There is uncertainty about how the US Congress can impact future developments.
- There is uncertainty about the interaction of the US GILTI regime with the proposed Pillar Two.



# Service Highlights

## Covers Pillar One and Pillar Two

Calculates Amounts A and B of Pillar One and the minimum taxes imposed by the Income Inclusion Rule and the Undertaxed Payment Rule of Pillar Two.

## Excel-based

The ability to upload data through Excel files allows for a nimble, flexible and customizable solution.

## Simple inputs

Supports flexibility in the inputs, starting with country-by-country reporting (CbCR) and other easily-accessible data, and having an option to further refine the modeling with additional data.

## Built-in flexibility

Due to uncertainties in the OECD proposals, our approach builds in alternative interpretations of the guidelines.

## Develop scenarios

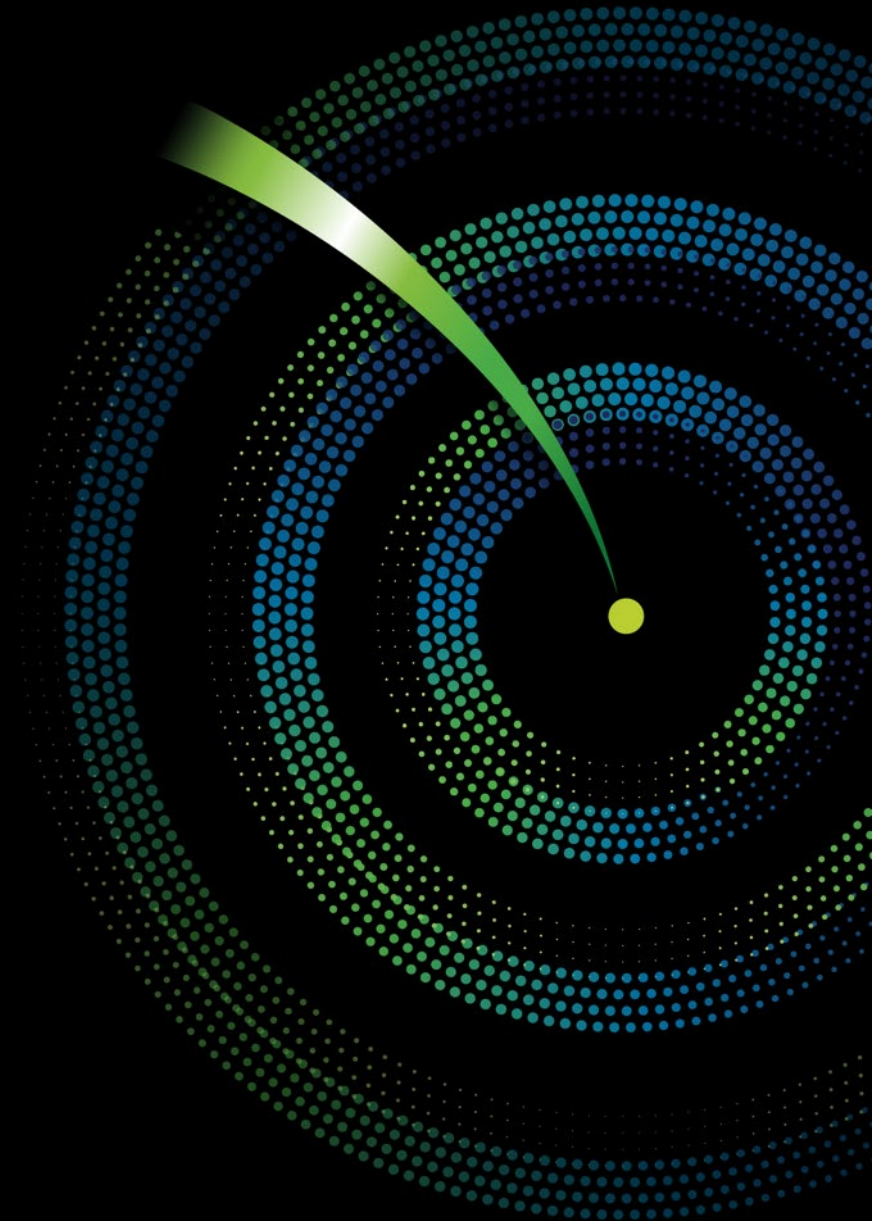
Used to identify impacts and insight into the different ways Pillar One and Pillar Two may unfold.

## Intuitive visuals

Visualized dashboards tell the story of how the proposals may affect your tax position.

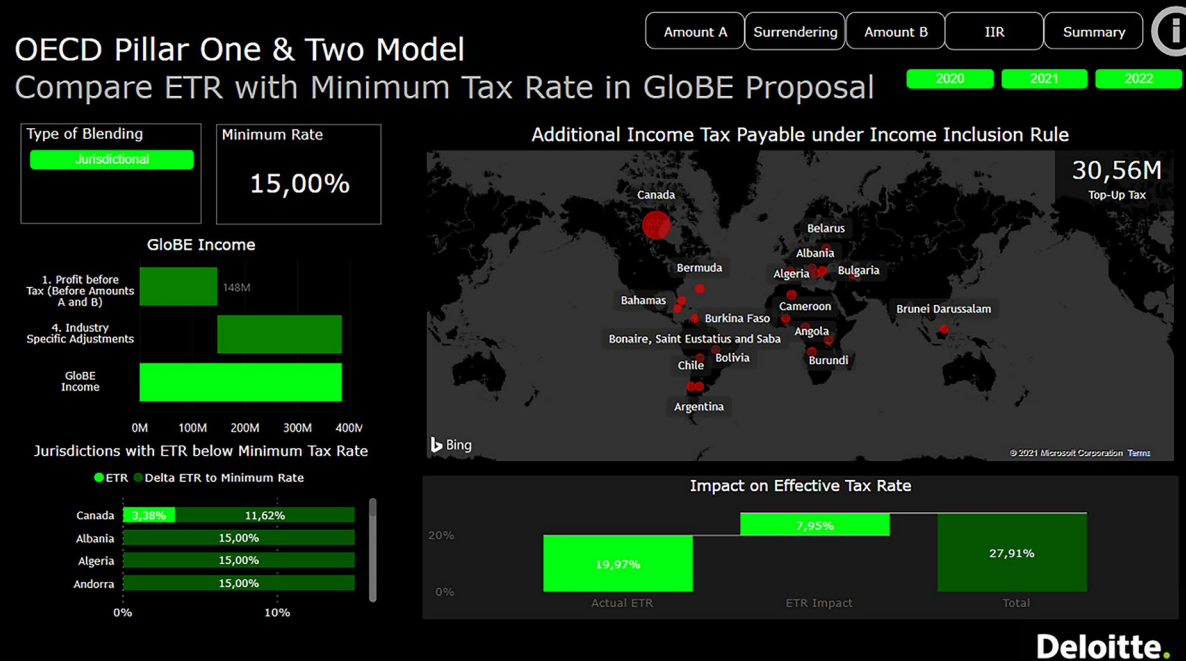
## Default selections

Default selections included for most of the Pillar One and Pillar Two assumptions based on certain public comments made by governmental agencies in various countries and other by stakeholders. Inputs may be tailored based on specific facts and circumstances.



# The solution: An integrated modeling approach

The Deloitte OECD Pillar One and Pillar Two modeling service offering combines the deep expertise of our leading Deloitte tax specialists with the analytical power of our technology solution to help companies assess and evaluate the potential implications of Pillar One and Pillar Two on their tax profile.



## Assess the impact of Pillar One and Pillar Two

Use the inbuilt calculator to calculate Amount A and relocate a share of residential profit to your market jurisdictions.

## Customize your data set

Evaluate the impact of different scenarios by customizing your data set.

## Easy scenario planning

Save and compare various scenarios and datasets.

## Calculate GloBE income

Quickly compare effective tax rate (ETR) with Minimum Tax Rate in GloBE Proposal.

# Why Deloitte?

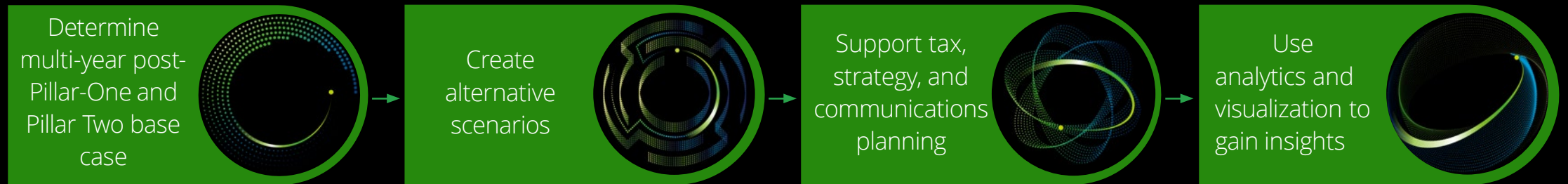
## **Technical experience**

Deloitte dedicated global tax policy teams closely monitor both the OECD and local - country developments. They support client service teams to provide meaningful and insightful scenario planning, while bringing the strategic perspective from their broad combined experience.

## **Understanding your business and industry**

The impact of Pillar One & Pillar Two on multinationals can vary by industry. Similarly, the impact is affected by different transfer pricing footprints. Deloitte's tax professionals have a robust understanding of industry-specific issues, and the implications for on your business and your global transfer pricing footprint. By teaming with you, we can help you to make informed assumptions about Pillar One and Pillar Two and explore future mitigations and opportunities.

# Global Strategies Group – Transfer Pricing





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