Overview
## Background – BEPS Actions

<table>
<thead>
<tr>
<th>“Gaps”</th>
<th>“Frictions”</th>
<th>“Transparency”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action 1: Tax challenges arising from digitalisation</td>
<td>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>Action 7: Prevent the artificial avoidance of PE status</td>
<td>Action 12: Require taxpayers and advisors to disclose their tax planning arrangements</td>
</tr>
<tr>
<td>Action 3: Controlled foreign company (CFC) rules</td>
<td>Action 8: Intangibles</td>
<td>Action 13: Country by Country Reporting</td>
</tr>
<tr>
<td>Action 4: Limitation on interest deductions linked to economic activity within the jurisdiction</td>
<td>Action 9: Risk and capital</td>
<td>Action 14: Mutual Agreement procedures - Make dispute resolution mechanisms more timely and effective</td>
</tr>
<tr>
<td>Action 5: Counter harmful tax practices with a focus on improving transparency</td>
<td>Action 10: Other high-risk transactions</td>
<td>Action 15: Develop a multilateral instrument</td>
</tr>
</tbody>
</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
OECD Pillar Two – Roadmap to Implementation

- **October 2020**: Pillar 1 and Pillar 2 Blueprints
  - G7 Finance Ministers meeting
  - Inclusive Framework meeting
  - G20 Finance Ministers meeting

- **June / July 2021**: Inclusive Framework meeting G20 Finance Ministers meeting
  - Implementation plan
  - Remaining political issues

- **December 2021**: Pillar 1 Amount A public consultation documents pertaining to several of the building blocks

- **February to June 2022**: Public consultation document titled “Pillar One – Amount B”, Pilar Two – Tax certainty and GloBE Information Return

- **Dec 2022**: Implementation of IIR and QDMTT law in 27+ countries for fiscal years beginning on or after 1 January 2024

- **March 2022**: Pillar 2 Model GloBE Rules commentary

- **2023**: Agreed Administrative guidance on GloBE Rules

- **2024**: Undertaxed Payment Rule to be implemented for fiscal years beginning on or after 1 January 2025

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OECD Pillar Two - Overview
OECD Pillar Two Model Law – Overview

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

- **Backstop rule**
  - Undertaxed profits rule

- **Domestic Top-Up Tax**
  - Qualified Domestic Minimum Top-up Tax

- **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)

Group revenues of €750 million + 15% rate

Domestic law

Minimum tax rate 9%

All rules operate as a ‘top up’ to a minimum rate
OECD Pillar Two Model Law – Articles

**Article 1: Scope**
Defines the applicability of Pillar Two Law on multinational enterprises (MNE) having annual revenues exceeding Euro 750 MN

**Article 2: Charging Provisions**
Provides the top-up taxes collection mechanism, i.e., Income Inclusion Rule (IIR) and Under-tax payment rule (UTPR)

**Article 3: Computation of GloBE Income or Loss**
Provides for the adjustments required to the income base of each entity of a MNE group

**Article 4: Computation of Adjusted Covered Taxes**
Provides for the adjustments required to the tax base of each entity of a MNE group

**Article 5: Computation of ETR & Top-up taxes**
Provides the computation of effective tax rate (ETR) & top-up taxes

**Article 6: Corporate Restructurings & Holding structures**
Prescribes certain specific adjustments to income and tax base of an entity in case of corporate restructurings

**Article 7: Tax Neutrality & Distribution Regimes**
Prescribes certain specific adjustments to income and tax base of an entity in tax neutrality regimes implemented in MNE jurisdictions

**Article 8: Administration**
It provides for the filing obligations of an MNE group under the Pillar Two law and provides for the powers of OECD to release further administrative guidance on the Pillar Two Law

**Article 9: Transition Rules**
Transition rules clarify on the applicability of certain adjustments in the first year of application of Pillar Two law for an MNE

**Article 10: Definitions**
It provides for the definitions and means of the various terms used in the Pillar Two Law
High-Level Calculation Mechanism

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

<table>
<thead>
<tr>
<th>Entities In scope</th>
<th>Entities/Income Not In Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>MNE’s with consolidated revenue of EUR 750m and more</td>
<td>Taxpayers with no foreign presence or having less than EUR 750m in consolidated revenue</td>
</tr>
<tr>
<td>Government entities</td>
<td></td>
</tr>
<tr>
<td>International organizations</td>
<td></td>
</tr>
<tr>
<td>Non-profit organizations</td>
<td></td>
</tr>
<tr>
<td>Entities that are Excluded Entities are not subject to GLoBE rules</td>
<td></td>
</tr>
<tr>
<td>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</td>
<td></td>
</tr>
<tr>
<td>Qualifying shipping income</td>
<td></td>
</tr>
</tbody>
</table>

**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: Adjusted 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: IIR and UTPR mechanism**
Impose Top-up tax under IIR or UTPR in accordance with agreed rule order

**Step 6: Additional rules (mergers/acquisition, transition rules etc.)**
Additional rules to be applied if its applicable
High-Level Calculation Mechanism

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):

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.
High-Level Calculation Mechanism

Covered Taxes means

- Taxes on a constituent entity’s income or profits recorded in financial accounts of the constituent entity – Current taxes & Deferred taxes, Pillar One Tax, gross taxes without deductions unless it is taxes in lieu of income taxes
- Taxes under an eligible distribution system – taxes payable on distribution of profits
- Taxes in lieu of corporate income tax – WHT on interest, royalty, STTR
- Taxes levied by reference to retained earnings and corporate equity – Saudi Arabia Zakat
- Includes domestic and foreign taxes
- Does not include Excise taxes, payroll taxes, Unilateral taxes, stamp duties, property taxes, sales taxes, VAT

A. Adjustments to 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. 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 – taxes related to uncertain tax position to be excluded from the current taxes
   4. Adjustments to reduce the effects of temporary differences on volatility e.g. deferred taxes
High-Level Calculation Mechanism

B. Adjustments to deferred taxes

Deferred tax expense accrued in constituent entity’s financial accounts → Deferred tax expenses calculated using a tax rate of 15% or more is 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

Simplified approach – In case of Net ‘GloBE loss’ in a country – by election:

• 15% of value of the loss (as calculated under the model rules) available for offset against future profits in that country
High-Level Calculation Mechanism

**Effective Tax Rate (ETR)**
(for a jurisdiction) = Adjusted Covered Taxes for all Constituent Entities in the jurisdiction (Covered Taxes)
Net GloBE Income for all Constituent Entities in the jurisdiction (GloBE Income)

Top-up taxes would be computed for jurisdictions which have a ETR or less than 15% (i.e., Low Tax Jurisdiction)

Top-up Tax (for a low tax jurisdiction) = Top-up Tax Percentage × Excess Profits + Additional Current Top-up Tax
= Domestic Top-up Tax

15% (minimum rate) - ETR = Net GloBE Income – Substance-based income exclusion + Additional top-up tax in respect of a prior period

Substance-based income exclusion of a fixed return on

<table>
<thead>
<tr>
<th>Substance-based income exclusion of a fixed return on</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Payroll</strong></td>
</tr>
<tr>
<td>Payroll: 10% (to be reduced to 5% over 10 years). Includes salaries, health insurance, pension contributions, employment taxes and employer social security contributions. Eligible employees include independent contractors.</td>
</tr>
<tr>
<td><em>Net Book Value of Tangible assets</em></td>
</tr>
<tr>
<td>Tangible assets: 8% (to be reduced to 5% over 10 years). Includes property, plant and equipment, and natural resources</td>
</tr>
</tbody>
</table>

*Net Book Value of Tangible Assets* means the average of the beginning and end values of Tangible Assets after considering accumulated depreciation, depletion, and impairment, as recorded in the financial statements.
Case Study
High-Level Calculation Mechanism

Illustration - 1

- Minimum rate agreed is 15%. Country A is the UPE jurisdiction, and it has not implemented Pillar Two Law.
- Country D is a low tax jurisdiction because the ETR on the income of Constituent Entities located therein (700/5,000 = 14%) is below the minimum rate of 15%. Accordingly, B Co and C Co are Parents because they own equity interests in Constituent Entities located in a low-tax jurisdiction and they are not controlled by another Constituent Entity that is subject to an income inclusion rule.
- The top-up tax percentage is 1% (15% minimum ETR – 14% ETR). Therefore, the top-up tax allocated in respect of each Constituent Entity located in Country D is 10 (1,000 adjusted income x 1%), for a total of 50.
- B Co and C Co are required to pay 20 each. In both cases, the Parent determines its share of the top-up tax by multiplying the top-up tax computed for each Constituent Entity by its ownership percentage of the entity (100% x 10).
- D Co 5 is not controlled by a Parent. Therefore, the 10 of top-up tax computed in respect of D Co 5 is allocated to other Constituent Entities pursuant to the UTPR.

| Aggregate profit before taxes | 5000 |
| Aggregate Covered Tax (350 + 350) | 700 |
| Jurisdictional ETR | 14% |
| Top up tax @ 1% (i.e., 15% - 14%) (5000 * 1%) | 50 |
| Top-up tax of each entity (in PBT ratio) | 10 |
High-Level Calculation Mechanism

Illustration - 2

- Minimum rate agreed is 15%. Country A is the UPE jurisdiction, and it has not implemented Pillar Two Law.
- B Co’s top-up tax liability is determined based on its ownership percentage. Therefore, B Co is required to pay 14.10 with respect to the income of D Co 1 (100% x 10) and 4 with respect to the income of D Co 2 (40% x 10). B Co is required to apply the IIR to the income of D Co 2 because both entities are controlled by the UPE and are Constituent Entities of the MNE Group. The fact that B Co does not control D Co 2 is irrelevant for purposes of applying the IIR based on its ownership share.
- D Co 5 is not controlled by a Parent. Therefore, the 10 of top-up tax computed in respect of D Co 5 is allocated to other Constituent Entities pursuant to the undertaxed payments rule. In addition, the 10 top-up tax computed in respect of D Co 2 with a 4 credit for top-up tax allocated under the income inclusion rule is allocable to other Constituent Entities pursuant to the UTPR.
- Taxation under UTPR = 16 (10 for ‘D Co 5’ + 6 for ‘D Co 2’)

| Aggregate profit before taxes | 5000 |
| Aggregate Covered Tax (350 + 350) | 700 |
| Jurisdictional ETR | 14% |
| Top up tax @ 1% (i.e., 15% - 14%) (5000 * 1%) | 50 |
| Top-up tax of each entity (in PBT ratio) | 10 |
High-Level Calculation Mechanism

**Illustration - 3**
- The facts are same as Illustration 2. Further, Country B and Country C have implemented UTPR rule as well.
- The allocation of remaining top-up taxes under UTPR would be as follows:
  Taxation under UTPR = 16 (10 for ‘D Co 5’ + 6 for ‘D Co 2’)

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>Country B</th>
<th>Country C</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>No. of Employees in the jurisdiction</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>II</td>
<td>Total Net Book Value of Tangible Assets</td>
<td>8000</td>
<td>10000</td>
</tr>
<tr>
<td>III</td>
<td>Total No. of Employees in Country A and B</td>
<td></td>
<td>45</td>
</tr>
<tr>
<td>IV</td>
<td>Total Net Book Value of Tangible Assets in Country A and B</td>
<td>18000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>UTPR Percentage 50% of I/III + 50% of II/IV</td>
<td>50% *30/45 + 50% *8000/18000 =0.33+0.22 =0.55</td>
<td>50% *15/45 + 50% *10000/18000 = 0.17+0.28 =0.45</td>
</tr>
<tr>
<td></td>
<td><strong>Top-up tax allocated</strong> = Total top-up tax * UTPR Percentage</td>
<td><strong>16 * 0.55</strong> = <strong>8.8</strong></td>
<td><strong>16 * 0.45</strong> = <strong>7.2</strong></td>
</tr>
</tbody>
</table>
Safe Harbours
Safe Harbours
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.

• Transition Rate means:
  a. 15% for Fiscal Years beginning in 2023 and 2024;
  b. 16% for Fiscal Years beginning in 2025; and
  c. 17% for Fiscal Years beginning in 2026.
Safe Harbours
Additional Safe Harbour – OECD guidance in July 2023

**Transitional UTPR Safe Harbour:**
No top-up tax will be payable under the UTPR in respect of any undertaxed profits of a business in its ultimate parent entity jurisdiction if that jurisdiction applies a nominal statutory corporate income tax rate of at least 20% during the Transition Period

**Transition period:** Until the year 2026 (i.e., fiscal years ending on or before 31 December 2026)

Transitional UTPR Safe Harbour will be available in addition to the Transitional Safe harbor
Qualified Domestic Minimum Top-up Tax (QDMTT)

A. QDMTT Law:
The Pillar Two Model Law has provided an option to each jurisdiction to implement a qualified domestic top-up tax law which should be in line with the Pillar Two Model Law. The QDMTT law would enable the jurisdictions to compute the effective tax rate of the entities located in its jurisdiction and collect the top-up taxes itself, instead of ceased its taxing rights to a parent jurisdiction under the IIR mechanism.

The Pillar Two Model law provides a credit for Qualified Domestic Minimum Top-up tax which is paid in a low tax jurisdiction.

B. QDMTT Safe Harbour (OECD guidance in July 2023)
Top-up Tax for a jurisdiction considered zero, when an MNE Group qualifies for the safe harbour in that jurisdiction.

No further calculation under the GLoBE Rules after completing the QDMTT calculation.

For a jurisdiction’s QDMTT to qualify for the QDMTT Safe Harbour it must meet three standards in addition to the existing QDMTT rules and guidance: (1) the QDMTT Accounting Standard; (2) the Consistency Standard; and (3) the Administration Standard.
Subject To Tax Rule (STTR)

STTR applies only to **cross border payments between connected parties** i.e., defined based on:
- Common control or
- Common direct or indirect participation of more than 50%

Rule applies only to **defined categories of covered income**:
1. **Interest**
   - Payments for distribution rights
   - Rent for use of equipment

2. **Royalties**
   - Insurance / reinsurance premiums
   - Payments for services

3. **Other payments**:
   - Financing fees
   - Rent for use of equipment

**Applicability Threshold**:
- The threshold for payments of covered income for a contracting state that has a GDP ≥ EUR 40 Billion would be EUR 1 Million
- The threshold for payments of covered income for a contracting state that has a GDP < EUR 40 Billion would be EUR 2,50,000

Tax will be assessed annually following the end of each fiscal year (an “ex-post annualized charge”)

**Recent Update**:
On 3 October 2023, OCED inclusive framework members adopted multilateral instrument (MLI) to facilitate the implementation of STTR. It is now open for signature and ratification.
India and Pillar Two Impact
India and Pillar Two Impact

Key areas of consideration

Application of GloBE Rules for overseas jurisdictions

• Given that the IIR and QDMTT are effective from 1 January 2024 in various implementing jurisdictions, an Indian MNE group may be subject to a top-up tax, if present in those jurisdictions
• Indian MNE groups will have to provide for top-up tax in the books of account, if applicable, in their financial statements for the year ended 31 March 2024

Mandatory accounting disclosures

• The International Accounting Standards Board (IASB) issued amendments to International Accounting Standard (IAS) 12, Income Taxes, arising from Pillar Two. The amendments:
  ✓ introduce a mandatory temporary exception from accounting for deferred income taxes arising from Pillar Two income taxes; and
  ✓ require an entity to disclose that it has applied the temporary exception. In addition, effective for annual periods beginning on or after 1 January 2023, in periods in which Pillar Two legislation is enacted or substantively enacted, but not yet in effect, an entity is required to disclose known or reasonably estimable information that helps users of financial statements understand the entity’s exposure to Pillar Two income taxes
• In line with the above, on 25 July 2023, the Accounting Standards Board of the Institute of Chartered Accountants of India (ICAI), issued an Exposure Draft of International Tax Reform—Pillar Two Model Rules—Amendments to Ind AS 12 corresponding to Amendments to IAS 12 issued by the IASB

As the rules are now in effect in many jurisdictions as of 1 January 2024, the above disclosure requirements have kicked in for 2024 financial reporting, including the requirement to disclose the amount of current tax expense for any top-up tax
India and Pillar Two Impact

Key areas of consideration

- The Gujarat International Finance Tec-City (The Gift City) was established in 2015, with the intent of attracting MNE groups in India
- Conglomerates from the financial services industry who have set-up base in the GIFT City are inter-alia incentivized with tax holiday benefits for a period of 10 out of 15 years and a lower rate of alternate minimum taxes to be paid for units set-up therein at 9% (plus applicable surcharge and cess)
- While the domestic corporate tax rates in India are higher than 15%, having units in the GIFT City may bring down the ETR
- Pillar Two Law aims to discourage tax incentives-based investments. However, considerations have been given to cases where there is substance in the form of payroll and tangible assets.
- The SBIE reduces the top-up tax liability by a certain percentage of eligible payroll costs and eligible tangible assets, and hence labour and capital-intensive industries could benefit from it
- The units in IFSC may not have enough employees and assets to benefit from SBIE and hence, could end up having a top-up tax liability due to ETR less than 15%

Given the above, in-scope MNE groups having operations in the GIFT City, will need to evaluate the overall tax impact in India, pursuant to the Pillar Two Globe Rules. A group having non IFSC presence along with a unit in IFSC, may be able to benefit from the jurisdictional blending at India level
India and Pillar Two Impact

Key areas of consideration

Other tax/ non-tax incentives

- Governments may grant incentives to the businesses, in the form of a tax credit, which could be adjusted against its covered tax liability, with the excess being refundable in cash or cash equivalent.
- These incentives are given to encourage certain activities, such as research and development, whereby the government allows the company to offset its taxes or refunds the amount of the unused credit in absence of any tax liability.
- Tax credit if refundable within 4 years from when the conditions under the laws of the jurisdiction granting the credit are met, is known as Qualified Refundable Tax Credit (QRTC) under the GloBE Rules. This is treated as income in the computation of GloBE Income or Loss of a CE.
- Non-Qualified Refundable Tax Credit (NQRTC) is a tax credit that is not a Qualified Refundable Tax Credit, but that is refundable in whole or in part. This shall not be treated as income in the computation of GloBE Income or Loss of a CE but shall be reduced from the amount of covered taxes.
- The treatment of these tax credits under the GloBE Rules is mandatory, irrespective of how the tax credits are accounted for by the MNE Group. Government grants are also accorded similar treatment as QRTC.
- At times the governments may also grant non-tax incentives, for e.g. PLI scheme in India. The treatment of this for GloBE purposes would depend on whether it qualifies as QRTC or NQRTC.

Any kind of incentive provided to business may have an impact in the computation of its ETR under the GloBE Rules. Thus, it is imperative to analyse its impact while evaluating the Pillar Two impact of the MNE group.
Practical challenges, complexities and solution
For Pillar Two regulations, organizations will need to factor in the following considerations and put in place the necessary interventions to ensure compliance.

### Key considerations

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

<table>
<thead>
<tr>
<th>Need to establish a structured process for identification and collection of data</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 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.</td>
</tr>
<tr>
<td>• Data points may be available in structured or unstructured form</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Plethora of unstructured data existing outside of ERP and consolidation platforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>• ~60-70% data points are outside ERP systems as part of manual workings</td>
</tr>
<tr>
<td>• Complex logic for GloBE rules and requirements vary based on entity type</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Filing template, methods for submission etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The rules are still evolving and to be determined basis OECD implementation framework</td>
</tr>
</tbody>
</table>

### Key interventions

<table>
<thead>
<tr>
<th>Data identification</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Mapping current entity structure, tech landscape, accounting policies and identify relevant data points and their sources as per OECD rules and guidelines</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Data extraction and ERP remediation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Data extraction from ERP or other systems</td>
</tr>
<tr>
<td>• Define formats and templates to initiate data collation activities for the remaining datasets</td>
</tr>
<tr>
<td>• Explore remediation opportunities in existing ERPs or adjacent tools</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Data collation, wrangling and computation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Work towards the automation opportunities for obtaining relevant data</td>
</tr>
<tr>
<td>• Perform complex calculations and logics to arrive at the top up tax via calculation engine</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Filing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Create standard input forms and file tax returns in accordance with GloBE guidelines</td>
</tr>
</tbody>
</table>
Thank you!

Kindly spare a minute to help us with your valuable feedback for today’s session...

For any queries, please feel free to write to us at intax@deloitte.com