



US Inbound Corner | Navigating complexity

Pillar Two and US inbound companies: Why it matters

Companies headquartered outside the United States with operations in the US (“US inbound companies”) should monitor closely OECD Pillar Two activities to make sure that they anticipate as much as possible the potential impact on their organization. This is not an easy exercise as the rules are complex and not finalized yet. After a quick reminder of the current environment and where we are today, it might be interesting to identify, directionally and without entering into details at this stage, the potential impact on two subgroups within US inbound companies: (1) companies headquartered outside the United States that have US subsidiaries, which in turn have non-US subsidiaries, typically referred to as “sandwich” structures, and (2) companies headquartered outside the United States that have US subsidiaries that do not have non-US holdings under them.

In December 2021, the OECD Inclusive Framework released Model Rules (the “Globe Rules”) with respect to “Pillar Two,” followed by detailed commentaries in March 2022. The Globe Rules impose a minimum 15% tax on the operations of multinational enterprises (MNEs) with global revenues in excess of €750 million. The European Union (EU) lost no time in proposing a directive to implement Pillar Two, which, in its current form, would be effective with respect to the Income Inclusion Rule (IIR) in 2024 and the Undertaxed Profits Rule (UTPR) in 2025. At a high level, the Globe Rules will require MNEs to determine the effective rates of tax (ETR) they pay in every jurisdiction in which they operate, under special globe tax accounting rules. In the event that the ETR in a jurisdiction falls below 15%, then the MNE will owe a “top-up tax” to other jurisdictions under either the IIR or the UTPR. Special

In this edition

- Pillar Two and US inbound companies: Why it matters
- Tax News & Views podcasts
- Calendars to watch

rules may apply with respect to MNEs with US operations. For the moment, all eyes are on the EU and whether it can achieve the unanimity of EU Member States necessary for implementation in the EU. Other countries are also gearing up to implement the Globe Rules.

In the case of sandwich structures, companies will need to understand the interaction of the Globe Rules with the US GILTI regime, which, in itself, is a form of minimum tax under current law that does not conform to the Globe Rules. Companies in these structures may be liable to both the GILTI regime and the Globe Rules, and it will be important to understand how the two interact.

Calendars to watch

Each edition, be sure to mark your calendars for some of the more important events (recent and upcoming) as well as tax developments making an impact on businesses investing in the United States.

Deloitte Tax Accounting Conference – 2022 Virtual

Join us at the Deloitte Tax Accounting Conference – 2022 Virtual from May 16 to May 26, 2022. Our 2022 program, in its 17th year, will deliver content by live presenters with advanced technology and enhanced online engagement through a virtual platform for tax, accounting, and finance professionals. The conference is designed to focus on tax accounting challenges, current developments, and issues related to financial reporting for taxes.

- It offers four different courses over a two-week period;
- It utilizes Zoom technology; and
- Participants can earn up to 34 hours of CPE from the safety of their office or home.

Click [here](#) to register.

View recent Dbriefs on demand:

April 7 **Dbriefs webcast:** The value of legal entity management and impact on M&A
[View on demand](#)

Upcoming Dbriefs:

April 21 **Dbriefs webcast:** Tax Transformation trends survey: Technology in focus
1:00 p.m. ET [Click to register](#)

April 28 **Dbriefs webcast:** Tax year 2021 international tax compliance: How are you tracking?
1:00 p.m. ET [Click to register](#)

For non-US-headquartered companies that do not own further non-US subsidiaries in the United States it will be necessary to apply the Globe Rules to their US operations in order to determine their obligations under IIRs and UTPRs enacted by other jurisdictions. The ETR of US operations may differ substantially from the US “headline” rate because ETRs under the Globe Rules are determined with respect to special tax accounting rules.

Bob Stack

Managing Director
Deloitte Tax LLP
bstack@deloitte.com



Tax News & Views podcasts

Need to keep up with tax policy updates? Tax News & Views, our current events–focused tax podcast, can help provide clarity on the latest tax news and developments that could affect your business.

Deloitte Tax podcasts are available on several streaming services: *Apple*, *SoundCloud*, *Stitcher*, *Google Play*, and *Spotify*.

[Tax News & Views Podcast Series | Deloitte US](#)



This document contains general information only and Deloitte is not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this document.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.