

OECD releases Administrative Guidance on the Pillar Two Global Minimum Tax Rules

7 February 2023

In brief

The OECD released [Administrative Guidance](#) ('guidance') on the Pillar Two Global Anti-Base Erosion Rules ([GloBE Rules](#)) on 2 February. The guidance was approved by the OECD/G20 Inclusive Framework on BEPS (IF) and is therefore not subject to public consultation. The guidance primarily focuses on (some but not all) previously unaddressed areas under the GloBE Rules.

This guidance addresses a wide range of issues identified by IF members as most in need of immediate clarification and simplification. The guidance will be incorporated into a revised version of the GloBE Commentary and Examples that will be released later this year, replacing the original version issued in March 2022 (see our [PwC Alert](#)). While the OECD [indicated](#) that this guidance represents the 'final piece of work' on the GloBE Rules that IF members committed to deliver as part of the GloBE implementation framework, it also stated that the IF will continue to release further guidance on an ongoing basis (i.e., in smaller packages) to ensure that the GloBE Rules continue to be implemented and applied in a coordinated manner. For reference, the OECD previously released guidance related to Safe Harbours and Penalty Relief in December 2022 (see our [PwC Alert](#)).

Significantly, the guidance confirms the status of the United States' minimum tax (known as the Global Intangible Low-Taxed Income, or 'GILTI') as a CFC Tax Regime under the GloBE Rules. It also sets out a mechanical allocation formula for GILTI and other 'Blended CFC Tax Regimes,' and provides guidance on Qualified Domestic Minimum Top-up Taxes (QDMTT) and the treatment of (some) credits and incentives; all important issues for the business community.

In detail

This Alert provides an overview and initial observations on key issues addressed in the guidance as follows:

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I. Accounting Developments (FASB & IASB)

The issuance of the OECD guidance coincides with a recent development on the accounting front. On 1 February 2023 the staff of the Financial Accounting Standards Board (FASB) shared that they believe the GloBE Top-up Tax is an alternative minimum tax as provided for under US GAAP (see [PwC Insight](#)). As an alternative minimum tax, no deferred taxes would be recorded for the future estimated impact of Pillar Two. Instead, any Top-up Taxes would be accounted for in the period in which they are incurred.

Observation: This conclusion is helpful to reporting entities that will need to account for Pillar Two taxes as various jurisdictions begin to enact related legislation.

Prior to the view from the FASB staff, the international standard setter also took action with regard to the accounting for Pillar Two. On 9 January 2023, the International Accounting Standards Board (IASB) issued an Exposure Draft proposing amendments to IAS 12. The proposed amendments would introduce a temporary, but mandatory, exception to the accounting for deferred taxes arising from the implementation of the Pillar Two rules along with extensive disclosure requirements (see our [in brief](#) for more details).

Observation: Companies should continue to monitor the IASB's standard-setting process for completion.

II. QDMTT (Article 10.1)

The QDMTT was not covered at length by the December 2021 GloBE Rules. The guidance sets out the hallmarks of a QDMTT for countries that decide to adopt one. Under the guidance, a minimum tax can qualify as a QDMTT only if it is implemented and administered in a way that is consistent with the outcomes provided under the GloBE Rules and Commentary.

A. Generally

Article 10.1 of the GloBE Rules defines QDMTT as a tax that is included in the domestic law of a jurisdiction and that:

- Determines the Excess Profits of the constituent entities located in the jurisdiction (domestic Excess Profits) in a manner that is equivalent to the GloBE Rules;
- Operates to increase the domestic tax liability with respect to domestic Excess Profits to the Minimum Rate for the jurisdiction and constituent entities for the Fiscal year; and
- Is implemented and administered in a way that is consistent with the outcomes provided for under the GloBE Rules and Commentary, provided that such jurisdiction does not provide any benefits that are related to such rules.

The guidance provides two additional 'guiding principles' in determining whether a minimum tax is functionally equivalent to the GloBE Rules and therefore qualifies as a QDMTT. The minimum tax must (1) be consistent with the design of the GloBE Rules; and (2) provide for outcomes that are consistent with the GloBE Rules.

Generally, QDMTT computations will require the same data points as the GloBE Rules. However, the guidance allows for variation in design, stating “[s]ome degree of customisation of a QDMTT in each jurisdiction is to be expected” and “[v]ariations in outcomes between the minimum tax and GloBE Rules will not prevent that tax from being treated as a QDMTT if those variations systemically produce a greater incremental tax liability.” The guidance notes that a QDMTT is not required to have a substance-based carveout or de minimis income exception; if it does, it cannot be more expansive than those exceptions permitted under the GloBE Rules.

The guidance notes that the IF will consider providing further guidance on the information collection and reporting requirements under a QDMTT. The guidance also states that the IF will work on a 'QDMTT safe harbour' measure and a multilateral review process for assessing countries' QDMTTs.

B. CFC taxes

To be a *Qualified Domestic Minimum Top-up Tax*, the regime must exclude tax paid or accrued by domestic constituent entities (CEs) with respect to the income of foreign CEs under its own CFC regime. A jurisdiction under a QDMTT regime can go even further and exclude all taxes that it imposes on a foreign CFC or hybrid entity. QDMTTs must also generally exclude cross-border taxes paid by a CE owner under a CFC regime that are allocable to a domestic CE, as well as taxes paid by a main entity that are allocable to a permanent establishment located in the QDMTT jurisdiction.

Observation: In practice, this means that a QDMTT will apply first (i.e., before CFC allocations and application of the IIR or UTPR). For countries that adopt a QDMTT, any allocation of taxes paid under GILTI will not be taken into account when determining the local QDMTT liability. The guidance notes that this approach would remove the need for “the complex calculations required in some cases to allocate CFC taxes... to be reported to a jurisdiction that implements a QDMTT.” It will be important to clarify whether a QDMTT will be creditable for US foreign tax credit (FTC) purposes. Further, for US taxpayers that are 'excess GILTI credit,' this ordering rule is expected to result in double taxation as none of the additional QDMTT is expected to be creditable in the United States against the GILTI tax liability (normally arising from expense apportionment).

Observation: While there could be a tendency to view the GloBE Rules as impacting only large MNE Groups (e.g., those with revenue over the EUR 750 million threshold), a QDMTT can be applied to small MNE Groups and to purely domestic groups. The QDMTT guidance explicitly provides that “the application of a QDMTT could be extended to groups whose UPE is located in the jurisdiction but that are not within the scope of the GloBE Rules because their revenues are below the EUR 750 million threshold ... [f]urthermore, a QDMTT could also apply to purely domestic groups, i.e. groups with no foreign subsidiaries or branches.”

III. Allocation of taxes arising under a Blended CFC Tax Regime (e.g., GILTI)

Article 4.3.2(c) of the GloBE Rules require the allocation of some CFC taxes from the CE-Owner that is subject to a CFC regime to the CFC that gave rise to the CFC charge. However, a specific methodology is not prescribed and the Commentary states that CFC taxes should be allocated based upon a CE's share of the underlying income.

The guidance clarifies how CFC taxes should be allocated when such taxes are generated under a 'Blended CFC Tax Regime.' This is a CFC tax that is “computed based on a blend of income, losses and / or creditable taxes of multiple CFCs whose ownership interests are held by a constituent entity-owner (or multiple constituent entity-owners that file a single tax return)”. The guidance specifically confirms that GILTI, in its current form, meets the definition of a CFC Tax Regime under the GloBE Rules. The guidance also states that GILTI is an example of a

Blended CFC Tax Regime and outlines an agreed “simplified allocation that can be applied to Blended CFC Tax Regimes, including GILTI, for a limited time period.”

The guidance sets out a mechanical allocation formula (page 68) that calculates how much of the Blended CFC Tax a company paid is attributable to individual jurisdictions for the GloBE computations. The formula allocates Blended CFC Taxes by taking into account a ratio of income as computed under the principles of the Blended CFC Tax Regime and the difference between the GloBE ETR for the jurisdiction and the threshold for low taxation under the Blended CFC Tax Regime.

Importantly, this guidance is only applicable “for Fiscal Years that begin on or before 31 December 2025 but not including a Fiscal Year that ends after 30 June 2027.”

Observation: While CFC tax allocated under this rule is taken into account for purposes of computing the ETR for the jurisdiction when applying the GloBE Rules (the IIR and the UTPR), such taxes will *not* be taken into account when computing the jurisdictional ETR for purposes of applying a QDMTT (see additional discussion in the QDMTT section above), notwithstanding the statement in the guidance that a QDMTT “must be consistent with the design of the GloBE rules.” For US MNEs, it will be important for the US Treasury to clarify whether a QDMTT will be creditable for US FTC purposes.

IV. Guidance on Scope (Article 1.1)

The guidance clarifies various matters concerning the scope of the GloBE Rules.

A. Rebasing monetary thresholds

The guidance provides that thresholds contained in the GloBE Rules in Euros are to be rebased annually where they have been enacted in local law in another currency. The rate to be used is the average for the December prior to the relevant calendar year (i.e., in which each referenced Fiscal Year starts). Generally, the European Central Bank rate should be applied.

Observation: The guidance does not address foreign currency translation of amounts other than for the purposes of rebasing the relevant thresholds on a yearly basis in the domestic law of an implementing jurisdiction. Foreign currency translation for the purposes of undertaking ETR calculations will be dealt with in subsequent guidance.

B. Deemed consolidation test

The deemed consolidation test (found in paragraph (d) of the definition of Consolidated Financial Statements and in paragraph (b) of the definition of Controlling Interests) is applied where the relevant Group or Entity does not prepare Consolidated Financial Statements using an Authorised Financial Accounting Standard. The guidance clarifies the application of this test and includes several illustrative examples involving privately held businesses and investment entities that are not required and do not prepare financial statements. In these situations, the guidance states that the MNE can choose which of any applicable Authorised Financial Accounting Standards to use where more than one is eligible in the jurisdiction (e.g., IFRS or local GAAP). Consequently, the guidance also states that an Entity excluded from Consolidated Financial Statements, on the basis that it is not material or is held for sale, is still a member of the Group.

C. Consolidated deferred tax amounts

The financial accounts of the CE are used to prepare the UPE’s Consolidated Financial Accounting Statements, which are normally used to determine the Total Deferred Tax Adjustment Amount for that CE. However, if the CE’s individual financial accounts do not contain its deferred tax expense, the guidance notes that whether this is due to an internal accounting practice of the MNE Group or pursuant to the Accepted Financial Accounting Standard used

to prepare its financial accounts, the deferred tax expense with respect to the CE recorded in the MNE Group's Consolidated Financial Accounting Statements is included instead.

D. Clarifying the definition of 'Excluded Entity'

Entities that meet the definition of 'Excluded Entities' are excluded from the GloBE Rules. Where an entity is at least 95% owned, either directly or indirectly, by an Excluded Entity or Entities, they also will be considered an Excluded Entity if the entity: 1) operates exclusively or almost exclusively to hold assets or invest funds for the benefit of the Excluded Entity or Entities; or 2) carries out activities that are ancillary to those carried out by the Excluded Entity or Entities (the 'activities test').

The GloBE Rules and Commentary did not address situations where both of these conditions could be met. The guidance clarifies this by stating that where all of the activities undertaken by the entity fall within the scope of the definition of Excluded Entity, it should be considered an Excluded Entity. The guidance also makes clear that borrowing funds and making direct acquisitions of assets falls within the meaning of 'holding of assets or investment of funds' and is not considered 'ancillary' for the purpose of the activities test.

Observation: The matters covered in the guidance under scope appear to be clarifications relating to an eclectic mixture of issues. Some of the clarifications may be widely considered as meeting the guidance criterion of "issues most in need of immediate clarification and simplification for stakeholders" but others may even fall into the category of 'quick and easy,' likely raised by a small number of stakeholders. All are useful in one context or another on the premise of 'the more guidance the better.' We hope that further scope issues will be clarified in due course.

V. Income & Taxes

The most technical detail in the guidance is in Article 2, Income and Taxes. The following section provides a high-level summary of each of the areas it addresses (the section on allocation of taxes arising under a Blended CFC Tax Regime is covered above).

A. Intra-group transactions accounted at cost and arm's length pricing (Article 6.3.1)

Where intra-group transactions are accounted for at cost, the GloBE Rules generally require MNE Groups to apply the arm's length principle (ALP) to cross-border intra-group transactions. The rationale for this rule is to protect the integrity of jurisdictional blending. The guidance confirms that the same treatment applies under the QDMTT regime and that the IF will undertake further work to address double tax issues without increasing compliance burdens.

Observation: The GloBE Rules are premised on the assumption that intra-group transactions are accounted for at fair market value. Nevertheless, under some accounting standards, treatment at cost can occur between companies in the same group, notwithstanding whether the legal transfer is at fair market value. Companies, therefore, should consider the treatment of intra-group transfers under the applicable accounting principles and evaluate that for purposes of the QDMTT and GloBE Rules.

B. Excluded equity gains or losses and hedges of investments (Article 3.2.1)

The guidance provides principles that will be incorporated into the Commentary for the GloBE Rules regarding the treatment of gains or losses on certain hedging transactions. It incorporates several examples on how to allocate excluded equity gains or losses on hedging instruments.

C. Excluded dividends (Article 3.2.1)

The guidance addresses concerns raised by stakeholders that MNE groups may rely on the accounting treatment of financial instruments and the broad definition of Excluded Dividends to increase their ETR. It provides for certain modifications to the Commentary to ensure consistent accounting treatment of equity portions of instruments.

D. Treatment of debt releases (Article 3.2.1)

The guidance limits the scope of adjustments for certain debt releases. It recognizes that in some cases, debt releases could significantly increase Top-up Tax liability, and provides a mechanism for relief. It also notes that certain tax planning opportunities could exist using related-party financing structures, and therefore limits the scope of the relief to limited circumstances.

E. Accrued pension expenses (Article 3.2.1)

The guidance provides for a definition of Accrued Pension Expenses and how the earnings and expenses should be adjusted for under the GloBE Rules.

F. Excess negative tax carry-forward guidance (Article 4.1.5 & 5.2.1)

The GloBE Rules provide for the imposition of Top-up Tax with respect to a jurisdiction in a loss year when a permanent difference causes the domestic tax loss in that jurisdiction to be greater than the GloBE Loss for the jurisdiction. The guidance provides MNE Groups the ability to elect an administrative procedure to carry-forward Excess Negative Tax Expense (i.e., the Top-up Tax that would have otherwise arisen under this provision). When the election is made, the Excess Negative Tax Expense is carried-forward and reduces Adjusted Covered Taxes in each subsequent Fiscal Year in which there is GloBE Income and positive Adjusted Covered Taxes for the jurisdiction, until it is exhausted.

Similarly, the GloBE Rules could impose Top-up Tax with respect to a jurisdiction in excess of the Minimum Rate when Adjusted Covered Taxes are negative in a Fiscal Year in which there is GloBE Income. The guidance provides that in such cases a MNE Group must apply the Excess Negative Tax Expense administrative procedure and carry-forward the Excess Negative Tax Expense in the same manner as described above.

G. Loss-making parent entities of CFCs (Article 4.4.1(e))

The guidance provides for a special rule with respect to losses incurred in a parent jurisdiction of a CFC that has a tax regime which includes foreign source income and requires that such income offset domestic losses prior to applying FTCs against the foreign source income. In such cases, under certain regimes, unused foreign tax credits may be carried forward and applied against domestic source income in a subsequent year (the US rules in Section 904 with respect to overall domestic losses (ODLs) are a prominent example of such a regime). The guidance notes that the GloBE Rules should not disadvantage jurisdictions that include CFC or other foreign income against domestic losses and those that do not. Accordingly, the rule set out in the guidance permits the creation of a Substitute Loss Carry-forward deferred tax asset in such instances.

The guidance further provides that some CFC tax regimes do not allow FTC carry-forwards but rather allow for the use of a loss recapture mechanism that increases the FTC limitation in subsequent years. In such cases, the guidance notes that equivalent adjustments to those described above may be made, providing that the adjustment is not more generous than had a loss carry-forward been established at the Minimum Rate.

H. Equity gain or loss inclusion and election and qualified flow-through tax benefits (Article 3.2.1(c))

1. Equity Investment Inclusion Election

The GloBE Rules generally exclude certain gains and losses from GloBE Income or Loss that may be exempt from taxation under some domestic tax rules. However, when such items are within the scope of domestic taxation, an understated GloBE jurisdictional ETR may occur in the case of an excluded loss and may produce a Top-up Tax liability in an otherwise high-tax jurisdiction. This is because while the loss is excluded from the computation of GloBE Income or Loss, it serves to reduce the domestic tax liability in the relevant jurisdiction, thereby reducing the GloBE ETR for such jurisdiction.

The guidance provides for an ‘Equity Investment Inclusion Election,’ which allows a MNE Group to take certain excluded gains or losses and the associated tax attributes into account for purposes of computing GloBE Income or Loss and Adjusted Covered Taxes. The election is a five-year election, however, it cannot be revoked with respect to an Ownership Interest if a loss on that interest has previously been taken into account for GloBE purposes when the election was in effect.

2. *Treatment of Qualified Flow-through Tax Benefits of Qualified Ownership Interests*

The guidance sets out a special rule for certain tax credits in the context of equity method investments, by introducing the new concept of Qualified Flow-through Tax Benefits. When an owner is subject to an Equity Method Inclusion Election it must apply the Qualified Flow-through Tax Benefits guidance with respect to such benefits when they flow through a Qualified Ownership Interest. This special rule is “designed to ensure the neutrality of certain tax equity structures where such non-refundable tax credits are an essential element of the investment return.” The rule only applies when (i) “at the time of the investment, the investor’s expected return on the Ownership Interest would not be positive in the absence of the expected non-refundable credits and other tax benefits; and” (ii) “to the extent the Qualified Flow-through Tax Benefits constitute a return of all or part of the investor’s investment.”

Observation: This special rule appears targeted at tax equity structures whereby a tax credit is an essential component of the expected return on investment. Without this rule, credits earned through equity method investments would understate the GloBE ETR of the MNE Group receiving such credits as compared to a MNE Group that earned a similar cash return. Relief is limited to structures where the expected return would not be positive but for the tax credits and limited to the “extent the Qualified Flow-through Tax Benefits constitute a return of all or part of the investor’s investment.” While this aspect of the guidance provides some welcome certainty with respect to select tax equity structures, it falls short of providing an outright exclusion for tax credits derived through investments accounted for under the equity method of accounting. Taxpayers with existing or future investments in tax equity structures will need to consider the extent to which these investments may still give rise to adverse tax consequences under the GloBE rules. Further, the guidance does not provide any analysis with respect to nonrefundable tax credits that may be transferred from one taxpayer to another, including many of the green energy credits enacted by the US Congress in the Inflation Reduction Act.

VI. **Insurance companies**

A number of updates have been made to Chapter 7 of the GloBE Rules in relation to insurance companies, primarily to reflect the fact that some elements of the rules as initially published did not appear to operate as intended for the industry as a whole.

A. **Insurance Investment Entities - Taxable distribution method**

- Articles 7.5 and 7.6 of the GloBE Rules are aimed at bringing the GloBE tax treatment of Investment Entities and Insurance Investment Entities in line with the fact that income from these entities is often taxable in the parent entity, rather than the investment entity itself. Article 7.6 is being updated to apply to Insurance Investment Entities in the same way it applies to Investment Entities, i.e., an election can be made to apply the Taxable Distribution Method. This guidance reflects the fact that not all Insurance

Investment Entities would qualify for the Transparency Election as set out in Article 7.5, due to the specifics of local domestic tax regimes. The guidance clarifies several issues, including:

- *Mutual insurance companies*: The tax transparency election in Article 7.5 is also being extended to explicitly include Insurance Investment Entities held by mutual insurance companies.
- *Restricted Tier One Capital*: The Additional Tier One Capital rules, which allow banks to treat distributions on such instruments as expenses, are being extended to insurers with Restricted Tier One Capital.
- *Unit linked business*: Where an insurance company receives excluded dividends or records excluded equity gains/ losses, a deduction will not be available for movements in insurance reserves which economically match the excluded income, for example with unit linked business of life insurance companies.
- *Dividend income*: Where an insurance company receives dividend income from short-term portfolio shareholdings, it will be possible to make an election to extend the exception from the excluded dividends rules to all dividend income from portfolio shareholdings, i.e., not just that from holdings of less than twelve months. The purpose of this change, which could give rise to additional taxable income, is simplification, as it would mean it is not necessary to identify the holding period at the date the dividend income is received.
- *Intermediate Parent Entities/ Partially-Owned Parent Entities*: The definition of both of these entities is being updated to explicitly exclude Insurance Investment Entities.

Observation: The majority of these amendments appear to have been made in response to comments from the insurance industry that certain elements of the rules did not operate as intended for the industry as a whole, or were difficult to apply in practice. Note that given the complex nature of insurance investment structures and the related accounting requirements, there may still be areas where the Article 7.5 and 7.6 elections are not available and the practical application for some companies does not align with the intended treatment set out in this guidance, with further work being undertaken to address these issues.

VII. Transition Period Issues

The GloBE Transition period began on 30 November 2021 and will run until the commencement of the Transition Year (i.e., the first accounting period for which the group falls within the scope of the GloBE rules, expected to be 2024). During this period, certain transactions and attributes are subject to special rules known as transition rules. The transition rules provide the basis for taxpayers to use carried forward deferred tax assets (DTAs) and liabilities (DTLs) as part of their jurisdictional Top-up Tax calculations. Some of the issues that are dealt with in this transition guidance are set out below.

A. Tax credit attributes (Article 9.1.1)

The guidance sets out additional details with respect to the treatment of tax credit attributes created prior to the Transition Year under the GloBE Rules. Importantly, the guidance clarifies that deferred tax attributes related to tax credits, including FTC carry-forwards, may be carried-forward into the GloBE Rules and taken into account when computing Adjusted Covered Taxes. These tax credit carry-forwards must be recast at the lower of the Minimum Rate or the rate at which the credit was recorded. A simplified formula for recasting FTC carry-forwards is set out in the guidance. DTAs accounted for at a rate lower than 15% remain unchanged for GloBE purposes.

The guidance also confirms that the settlement of any refundable tax credit arising prior to the Transition Year shall not reduce Adjusted Covered Taxes, regardless of whether the credit relates to a qualified refundable tax credit (QRTC) or a non-qualified refundable tax credit (Non-QRTC).

Observation: The guidance states that “under Article 9.1.1, a Constituent Entity’s tax attributes at the beginning of the Transition Year shall include any deferred tax asset that was not recognised because the recognition criteria was not met.” This is welcome guidance for taxpayers who have attributes that they record for local tax purposes, but which are not recognised in the financial statements. This guidance follows the existing guidance for loss DTAs that are unrecognised in the financial statements but can be used in computing the Adjusted Covered Taxes, and extends this position to other classes of DTAs.

B. Intra-group asset transfers (Article 9.1.3)

One of the main concerns of stakeholders responding to the GloBE Rules was in respect of the position outlined for intra-group transfers of assets that take place in the Transition Period. Article 9.1.3 of the GloBE Rules provides that the acquiring entity must use the disposing entity’s carrying value at the time of the transfer for the purposes of GloBE computations. This is despite the fact that the acquiring entity may have taken a cost or fair value basis in the asset for local tax purposes and regardless of whether the transfer was taxable. This rule aims to prevent a step up in value of the asset for the acquirer where the asset transferred tax-free or subject to low tax prior to the GloBE rules, but the rule was worded such that it applied to all commercial asset transfers.

The guidance aims to clarify the application of Article 9.1.3 to intra-group transactions booked at cost or fair value at the level of the acquiring CE. Generally, the guidance provides that for transactions booked at cost where the disposing CE is taxed, a DTA based on the lower of the 15% rate or the rate of tax applicable in the selling jurisdiction may be taken into account. For transactions booked at fair value, a CE may use the booked value (i.e., fair value) only if it would have been entitled to a DTA for the difference between fair value and historic carrying value multiplied by the Minimum Rate. However, Example 7 illustrates that a DTA may be taken into account in fair value transactions, following the principles discussed above, when the booked value is not stepped up to fair value under the guidance. Further, a similar outcome can arise where tax is not paid but the disposing entity utilises an attribute that would have otherwise been available under Article 9.1.1 of the GloBE Rules if not for the fact the income was taxed locally upon the disposition.

Observation: This guidance will still result in harsh outcomes for some commercial transactions in applying the transitional intra-group transfer rules. The DTAs that can be created where the asset transfer has been taxed have limited usage.

The takeaway

The administrative guidance is helpful for some issues, such as equity method accounting and CFC tax allocations, although many uncertainties remain with respect to the interpretation of the GloBE Rules, and the guidance will undoubtedly give rise to additional questions. The QDMTT provisions appear to allow divergence between countries, and business will hope that more work will be done to ensure alignment of countries’ implementation of these rules. While the guidance notes that the IF will undertake further work on the development of a QDMTT safe harbour, lack of progress on this critical element may suggest that IF members are far apart on some of the underlying principles. Issues linked to general business credits and the interaction with the UTPR in a parent jurisdiction like the United States are also open questions. It will take time to analyse the full implications of the guidance to specific fact patterns and business models. Taxpayers should model the outcomes of the guidance as soon as possible given the rapid influx of individual jurisdictions moving forward with implementing these rules.

Let's talk

For a deeper discussion of how the Pillar Two administrative guidance might affect your business, please contact:

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