



Pillar 2 Compliance – 10 Things You Need to Know

June 11, 2024

**Ahead
of the Wave**

2024 U.S. Cross-Border Tax Conference



Notices

The following information is not intended to be “written advice concerning one or more Federal tax matters” subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.



With you today

Marcus Heyland

Principal, Washington National Tax
KPMG

Johanna Jimenez

Vice President of Tax
Norwegian Cruise Line

Donald McGraw

Associate Tax Counsel
Global Taxation
Johnson & Johnson

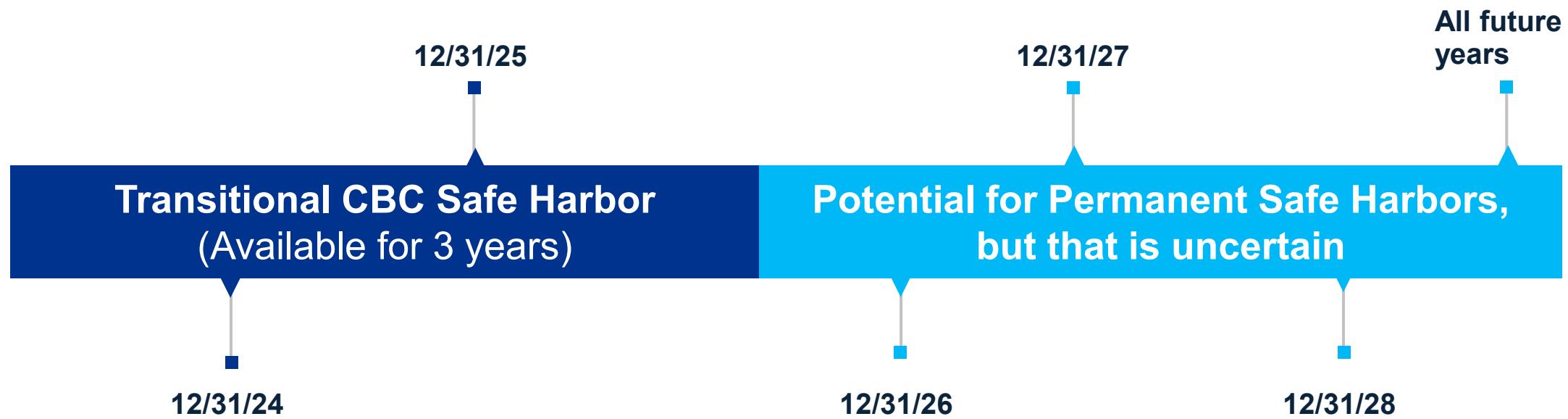
Ayrin Santoso

Data Operations, Technology Innovation &
Reporting
Google

#1 | Pillar 2 compliance is much more than the GIR

| | Frequency | Number of forms | Due date | Complexity |
|---------------------------------------|-----------|---|---|---|
| Registration Form | One time | 1x per implementing jurisdiction <u>(although not every jurisdiction may require it)</u> | 12 months after close of first fiscal year <u>(although may vary by jurisdiction e.g., only 6 months in the UK and 45/30 days for Belgium (!!))</u> | Low/Mid |
| GloBE Information Return (GIR) | Annual | 1x per in-scope jurisdiction (filled locally or centrally and exchanged with other jurisdictions) | 15/18 months after close of fiscal year (should be uniform for all jurisdictions) | High , but simplified if eligible for Transitional Safe Harbor |
| Local Pillar 2 Tax Form | Annual | 1x per implementing jurisdiction (filed locally and visible only to local jurisdiction) | 15/18 months after close of fiscal year <u>(although may vary by jurisdiction)</u> | High , but likely can be leveraged from GIR |
| Notification Form | Annual | 1x per implementing jurisdiction (filed locally and visible only to local jurisdiction) | 15/18 months after close of fiscal year <u>(although may vary by jurisdiction)</u> | Low |

#2 | Safe Harbors are helpful but do NOT eliminate the compliance requirements



How does eligibility for the CBC Safe Harbor simplify the four requirements mentioned on the prior slide?

- **Registration Form:** No impact i.e., registration form needs to completed regardless of safe harbor status
- **GIR:** Eliminates Part 3 for eligible jurisdictions
- **Local Pillar 2 Tax Return:** Expected to be similar/same as GIR i.e., eliminate presentation of full ETR calc
- **Notification form:** No impact i.e., notification form needs to completed regardless of safe harbor status

#3 | Timing is now

TaxNewsFlash Transfer Pricing

29 May 2024

Belgium: Due date for first GloBE registration is July 13, 2024

[Read TaxNewsFlash – Transfer Pricing](#)

#4 | While the GIR is “standardized,” the other forms are trending towards “localized”

| | |
|---|--|
| <p>Federal Public Service FINANCE General Administration of TAXES Income taxes</p> <p>Belgium</p> <p>Notification Group Number Minimum Taxation Pillar 2 Multinational Enterprise (MNE) Groups Large-scale Domestic Groups</p> | <p>Proposed Approach:</p> <p>Ireland</p> <p>(i) All Constituent Entities located in Ireland must register within 12 months from the end of the first Fiscal Year that the group, of which it is a member, is within scope of the GloBE rules.</p> <p>(ii) The registration would be a “once off” registration (i.e. it would not be required annually). However, if certain information needs to be updated, this can be done by editing the existing registration. The deadline to update a registration (or create a new one) will be 12 months after the end of the Fiscal Year in which the change (or requirement to register) occurred.</p> <p>(iii) There will also be a requirement to de-register when a Constituent Entity falls out of scope of the GloBE rules. The deadline for this will be 12 months after the end of the first Fiscal Year in which the entity is no longer in scope.</p> <p>(iv) The information to be provided at registration would be as follows:</p> <ul style="list-style-type: none"> • Name of the Constituent Entity. • Tax reference number of the Constituent Entity. • The name of the MNE group. • The Ultimate Parent Entity of the group and its location as per the GloBE rules. • If appropriate, the Designated Filing Entity and its location. • A local contact person. • The first Fiscal Year for which the group is in scope. • The date on which the accounting period of the group normally ends. • If appropriate, the name and tax reference number of the Designated Local Entity, including confirmation that it has been nominated by the other Constituent Entities to act as such. • If a Designated Local Entity, the names and tax reference numbers of the Constituent Entities for which it has been appointed the Designated Local Entity and confirmation that it has been nominated by the Constituent Entities to act as such. • Such other information as Revenue considers necessary. |
| <p>Statutory guidance</p> <p>UK</p> <p>Pillar 2 top-up taxes registration (notice 1)</p> <p>This notice explains how to register for Pillar 2 top-up taxes in the UK, what you'll need to provide, and how to notify HMRC of any reporting related changes.</p> | |

While there is some overlap in terms of “data,” the format and even filing deadline varies. The Belgium form is due 45/30 days, UK is due 6 months from last day of fiscal year, Ireland is due 12 months from last day of fiscal year

#5 | Part 1 of the GIR will be visible to every country that has implemented Pillar 2

Shared with every implementing jurisdiction

| 1 MNE Group Information | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|---|--|--|--|---|---------------------------------------|---|--|--|---|--|--|--|---|---------------------------------------|---|--------|--|--|--|-----------------|----------|-----------------|----------|--------|--|--|--|--|-----------------|----------|-----------------|----------|-----------------|
| 1.1 Identification of the Filing Constituent Entity <table border="1"> <tr> <td>1. UPE is the Filing Constituent Entity</td> <td>2. Name of the Filing Constituent Entity</td> <td>3. Tax identification number</td> <td>4. Role</td> <td>5. Jurisdiction where the Filing CE is located</td> <td colspan="4">6. Recipient Jurisdictions for Exchange of Information (if relevant)</td> </tr> <tr> <td>Yes/No</td> <td></td> <td></td> <td></td> <td></td> <td colspan="4"></td> </tr> </table> | | | | | | | | | 1. UPE is the Filing Constituent Entity | 2. Name of the Filing Constituent Entity | 3. Tax identification number | 4. Role | 5. Jurisdiction where the Filing CE is located | 6. Recipient Jurisdictions for Exchange of Information (if relevant) | | | | Yes/No | | | | | | | | | | | | | | | | | |
| 1. UPE is the Filing Constituent Entity | 2. Name of the Filing Constituent Entity | 3. Tax identification number | 4. Role | 5. Jurisdiction where the Filing CE is located | 6. Recipient Jurisdictions for Exchange of Information (if relevant) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Yes/No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.2 MNE Group General Information <table border="1"> <tr> <td>1. Name of the MNE Group</td> <td>2. Start date of the Reporting Fiscal Year</td> <td>3. End date of the Reporting Fiscal Year</td> <td>4. Amended Return</td> <td>Yes/No</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | | | | | | 1. Name of the MNE Group | 2. Start date of the Reporting Fiscal Year | 3. End date of the Reporting Fiscal Year | 4. Amended Return | Yes/No | | | | | | | | | | | | | | | | | | | | | | |
| 1. Name of the MNE Group | 2. Start date of the Reporting Fiscal Year | 3. End date of the Reporting Fiscal Year | 4. Amended Return | Yes/No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.2.1 MNE Group and Reporting Fiscal Year <table border="1"> <tr> <td>1. Name of the MNE Group</td> <td>2. Start date of the Reporting Fiscal Year</td> <td>3. End date of the Reporting Fiscal Year</td> <td>4. Amended Return</td> <td>Yes/No</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | | | | | | 1. Name of the MNE Group | 2. Start date of the Reporting Fiscal Year | 3. End date of the Reporting Fiscal Year | 4. Amended Return | Yes/No | | | | | | | | | | | | | | | | | | | | | | |
| 1. Name of the MNE Group | 2. Start date of the Reporting Fiscal Year | 3. End date of the Reporting Fiscal Year | 4. Amended Return | Yes/No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.2.2 MNE General accounting information <table border="1"> <tr> <td>1. Consolidated Financial Statements of the UPE (type)</td> <td>2. Financial Accounting standard used for the CFS of the UPE</td> <td>3. Presentation currency used for the CFS of the UPE (ISO code)</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </table> | | | | | | | | | 1. Consolidated Financial Statements of the UPE (type) | 2. Financial Accounting standard used for the CFS of the UPE | 3. Presentation currency used for the CFS of the UPE (ISO code) | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. Consolidated Financial Statements of the UPE (type) | 2. Financial Accounting standard used for the CFS of the UPE | 3. Presentation currency used for the CFS of the UPE (ISO code) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.4 High-level summary of GloBE Information <table border="1"> <tr> <th>1. Name of the jurisdiction</th> <th>2. Type of subgroup (if any)</th> <th>3. Identification of subgroup (if any)</th> <th>4. Name(s) of jurisdiction(s) with taxing rights</th> <th>5. Safe harbour or exclusion applied?</th> <th>6. ETR range</th> <th>7. Has application of Substance-based Income Exclusion resulted in no Top-up Tax arising?</th> <th>8. Top-up Tax payable (QDMTT) – range</th> <th>9. Top-up Tax payable (GloBE Rules) – range</th> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>[Insert option]</td> <td>relevant</td> <td>[Insert option]</td> <td>relevant</td> <td>Yes/No</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>[Insert option]</td> <td>relevant</td> <td>[Insert option]</td> <td>relevant</td> <td>[Insert option]</td> </tr> </table> | | | | | | | | | 1. Name of the jurisdiction | 2. Type of subgroup (if any) | 3. Identification of subgroup (if any) | 4. Name(s) of jurisdiction(s) with taxing rights | 5. Safe harbour or exclusion applied? | 6. ETR range | 7. Has application of Substance-based Income Exclusion resulted in no Top-up Tax arising? | 8. Top-up Tax payable (QDMTT) – range | 9. Top-up Tax payable (GloBE Rules) – range | | | | | [Insert option] | relevant | [Insert option] | relevant | Yes/No | | | | | [Insert option] | relevant | [Insert option] | relevant | [Insert option] |
| 1. Name of the jurisdiction | 2. Type of subgroup (if any) | 3. Identification of subgroup (if any) | 4. Name(s) of jurisdiction(s) with taxing rights | 5. Safe harbour or exclusion applied? | 6. ETR range | 7. Has application of Substance-based Income Exclusion resulted in no Top-up Tax arising? | 8. Top-up Tax payable (QDMTT) – range | 9. Top-up Tax payable (GloBE Rules) – range | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | [Insert option] | relevant | [Insert option] | relevant | Yes/No | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | [Insert option] | relevant | [Insert option] | relevant | [Insert option] | | | | | | | | | | | | | | | | | | | | | | | | | | | |

#6 | Parts 2 and 3 of the GIR will be visible only to countries with taxing rights

Shared with implementing jurisdictions that have “taxing rights.”

3 GloBE Computations

GloBE Computations – Jurisdictional schedules

The Filing Constituent Entity shall complete Section 3 on a jurisdictional basis, for each jurisdiction (or subgroup, where relevant) where exceptions to the GloBE computation do not apply.

3.1 Characteristics of the jurisdiction

| | |
|---|--|
| 1. Name of the jurisdiction | |
| 2. Type of subgroup (if any) | |
| 3. Identification of subgroup (if any) for the ETR and Top-up Tax computation | |

3.2 ETR computation

3.2.1 ETR

| a. Financial Accounting Net Income or Loss | b. Net GloBE Income or Loss | c. Income tax expense | d. Adjusted Covered Taxes | e. ETR |
|--|-----------------------------|-----------------------|---------------------------|-------------|
| | [A] | | [B] | [C]÷[B]×[A] |

2 Jurisdictional Safe Harbours and Exclusions

Jurisdictional safe harbours and exclusions – Jurisdictional schedules

The Filing Constituent Entity shall complete Section 2 on a jurisdictional basis, for each jurisdiction where exceptions to the GloBE computation apply.

2.1 Characteristics of the jurisdiction

| | |
|--|--|
| 1. Name of the jurisdiction | |
| 2. Type of subgroup (if any) | |
| 3. Identification of subgroup (if any) | |

Does QDMTT shut off “taxing rights” of other jurisdictions?

#7 | Part 3 of GIR may have to be filled out twice: first using local GAAP (QDMTT) and again using UPE GAAP (IIR/UTPR)

1. QDMTT can be based on Local GAAP

- A Qualified Domestic Minimum Top-up Tax may compute domestic Excess Profits based on an Acceptable Financial Accounting Standard permitted by the Authorised Accounting Body or an Authorised Financial Accounting Standard adjusted to prevent any Material Competitive Distortions, rather than the financial accounting standard used in the Consolidated Financial Statements.

2. QDMTT is a “credit” not an “exclusion”

- Jurisdictional Top up Tax = (Top up Tax Percentage x Excess Profit) + Additional Current Top up Tax – Domestic Top up Tax

1 + 2 = Part 3 of the GIR may need to filled out twice once using Local GAAP (QDMTT) and again using UPE GAAP (IIR/UTPR)

- QDMTT Safe Harbor is designed to address this concern

#8 | The U.S. is unlikely to accept and exchange GIRs requiring US MNEs to pick a foreign jurisdiction to serve that role

Article 8.1. Filing obligation

8.1.1. Subject to Article 8.1.2, each Constituent Entity located in [insert name of implementing-Jurisdiction] shall file a GloBE Information Return conforming to the requirements of Articles 8.1.4 to 8.1.6 with the tax administration of [insert name of implementing-Jurisdiction]. The return may be filed by either the Constituent Entity itself or by a Designated Local Entity on its behalf.

8.1.2. A Constituent Entity is not obligated to file a GloBE Information Return with the tax administration of [insert name of implementing-Jurisdiction] if a GloBE Information Return conforming to the requirements of Articles 8.1.4 to 8.1.6 has been filed by either:

- a) the Ultimate Parent Entity located in a jurisdiction that has a Qualifying Competent Authority Agreement in effect with [insert name of implementing-Jurisdiction] for the Reporting Fiscal Year; or
- b) the Designated Filing Entity located in a jurisdiction that has a Qualifying Competent Authority Agreement in effect with [insert name of implementing-Jurisdiction] for the Reporting Fiscal Year.

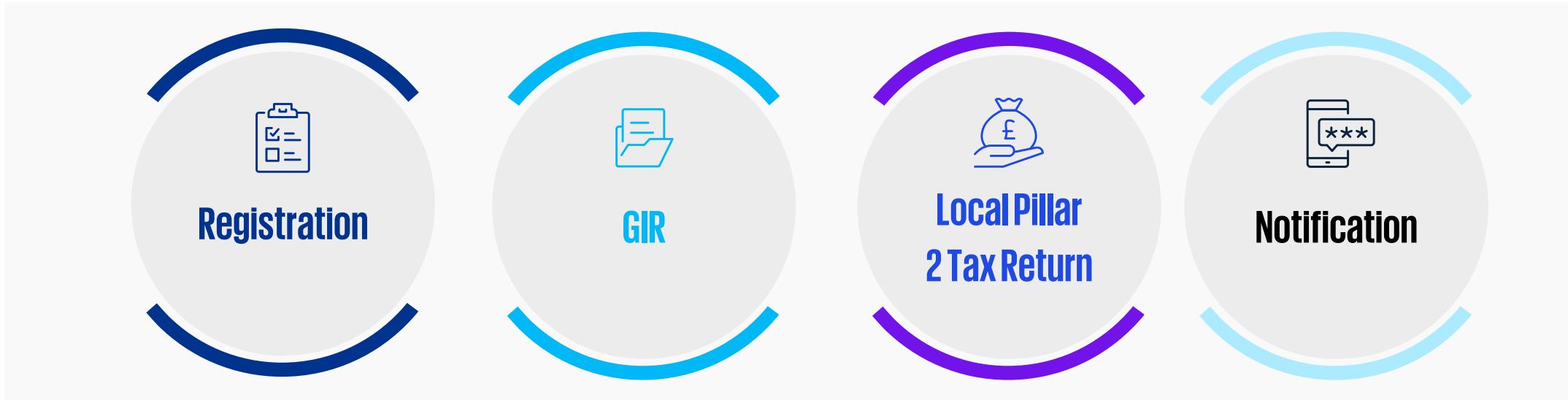
#9 | All the foregoing presents significant operational challenge for tax departments



Common considerations:

- How to manage (in-house, outsource, co-source)?
- Who within the organization is responsible for preparing these forms and ensuring these requirements are met (central team, regional team, local team)?
 - Does it vary by requirement? For example, the GIR seems to lend itself towards a centralized approach.
 - Does it vary by year? In the initial years (i.e., when the CBC Safe Harbor is available) a centralized approach may be preferred

#10 | Leveraging technology is key



Leveraging technology to the greatest extent possible is essential to accelerate/manage Pillar 2 compliance

Q&A



Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Learn about us:



kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS009502-3AF

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.