

State of Tax, Legal & People

Pillar 2

Update and lessons learned

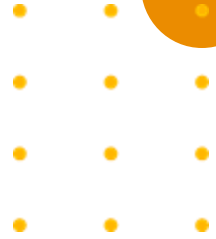
Dinsdag 8 April



Welkom



- Wordt dit webinar live bekeken, dan komt u in aanmerking voor 1 PE-punt
- Met de chat functie kunt u direct uw vragen stellen
- Voor overige vragen kunt u terecht bij uw PwC-adviseur of vul het formulier in op [pwc.nl](https://www.pwc.nl)
- Webcast en presentatie worden achteraf beschikbaar gesteld
- Evaluatieformulier achteraf



Agenda

1. Welcome
2. Status of Pillar Two
3. What do we see in practice?
4. Pillar Two in the financial statements
5. New guidance & DAC 9
6. How to deal with the reporting and compliance requirements?
7. Wrap-up and closing



02

Status of Pillar Two



Status of Pillar Two – what will 2025 bring?

Trump effectively pulls out of Pillar Two!!

- The tax deal has no force or effect in the US
- Designing protective measures against countries that implement(ed) rules that negatively affect US companies.

UN vs. OECD?

Important events:

- Meeting IF members
- Meeting Digital Economy working group G20

German Business association urged the suspension of the EU Pillar Two Directive

Concerns about the competitiveness of EU companies. Request for:

- Suspension of Directive
- Extension of UTPR Safe Harbour
- Simplifications

Further Administrative Guidance expected

Poll



Wat gaat er volgens u gebeuren met Pillar 2?

1. Pillar 2 wordt op korte termijn afgeschaft (mogelijk met terugwerkende kracht)
2. Pillar 2 blijft bestaan, maar de UTPR zal niet ingevoerd worden en verdere permanente safe harbours zullen van toepassing worden
3. Niks, Pillar 2 blijft bestaan, maar wordt in een beperkt aantal landen ingevoerd

03

What do we see in practice?



Top-side adjustments (1/2)

What: Treatment of Top-side adjustments for CbCR and CbCR SH purposes

CbCR SH Rules: Making adjustments to the data drawn from Qualified Financial Statements in a CbC Report for a jurisdiction would disqualify a Tested Jurisdiction from the Transitional CbCR Safe Harbour, regardless of whether such adjustments were intended to make CbCR data more consistent with the GloBE Rules. Similarly, making such adjustment to any other data in the Qualified Financial Statements used in the simplified computations would disqualify those computations under the Transitional CbCR Safe Harbour.

The only exceptions to the prohibition on making adjustments to the data in the Qualified Financial Statements are where adjustments are explicitly required in the Commentary or under Agreed Administrative Guidance.

Top-side adjustments (2/2)

How to deal with top-side adjustments?

GloBE rules: Stated differently, the starting point for calculating GloBE income or loss, is the bottom-line net income or loss of the Group Entity before making any consolidation adjustments that would eliminate income or expense attributable to intra-group transactions. [...] Items of income and expense, other than those attributable to purchase accounting, that are reflected in the consolidated accounts, rather than a Constituent Entity's separate accounts, **may** be taken into account in computing the Constituent Entity's Financial Accounting Net Income or Loss and GloBE Income or Loss only to the extent they can be reliably and consistently traced to the relevant Entity (e.g. stock-based compensation).

May or should?

Treatment results from participations – CbCR SH

What: Potential double-counting of results impacting the CbCR SH calculations

- When applying the net asset value, the result for the year is derived based on the reported result of the investment aligned with the accounting policies of the reporting entity. Dividends received are deducted from the carrying amount of the investment
- In case there are multiple intermediate holdings, results are accounted for at multiple levels in stand-alone results
- By aggregating these results, PBT may increase, whereas these results are generally not taxed due to the applicability of the participation exemption.

Can these results be excluded for CbCR purposes?

Treatment results from participations – CbCR SH

Can these results be excluded for CbCR purposes?

- Notably, dividends should be excluded based on OCED guidance and may (preferred to) be excluded based on NL guidance
- however, capital gains are generally seen as to be included (no specific exclusion in the guidance)
- The Dutch tax authorities have expanded the exclusion of dividend to all result from participations (including capital gains).

Treatment results from participations – CbCR SH

Can these results be excluded for CbCR purposes?

- In the OECD guidance it is been mentioned that: "[w]here applicable accounting rules require or permit a Constituent Entity to include in profit before tax for financial reporting purposes an amount **representing all or part of the profit of another Constituent Entity**, this amount should be treated in the same way as dividends from other Constituent Entities and **excluded** from Revenue and Profit (Loss) before Income Tax"
- FOOTNOTE: "[t]his paragraph does not apply where a Constituent Entity includes in profit before tax for financial reporting purposes an amount representing all or part of the profit of another Constituent Entity that is transparent for tax purposes"

Unclarity in practice – what is the impact on the qualifying CbCR status in the Netherlands?

Poll



In hoeverre biedt de CbCR SH uitkomst?

1. Voor alle landen
2. Voor enkele landen moeten we een detailberekening doen
3. Voor meerdere landen moeten we een detailberekening doen

Participation exemption – options & earn-outs

What: Mismatch between the general participation exemption rules and the Pillar Two participation exemption rules

Dutch participation exemption also applicable on options and earn-outs.
For Pillar Two purposes the participation exemption is applicable in case:

Excluded Equity Gains or Losses

- Gains and losses arising from changes in the fair value of an ownership interest, except for a portfolio shareholding (i.e., shareholding <10%)
- Profits or losses in respect of an ownership interest that is included under the equity method of accounting; and
- Gains and losses from the disposal of an ownership interest, except for the disposal of a portfolio shareholding (i.e., shareholding <10%).

Participation exemption – options & earn-outs

Gains and losses arising from the disposition of	Portfolio Shareholding (i.e. carrying rights to less than 10% of the profits, capital, reserves or voting rights of the distributing entity)	Non-Portfolio Shareholding (i.e. carrying rights to at least 10% of the profits, capital, reserves and voting rights of the distributing entity)
Short-term shareholding (i.e. economically held for less than one year)	Included gain/loss	Excluded gain/loss
Non- Short-term shareholding (i.e. economically held for at least one year)	Included gain/loss	Excluded gain/loss

Post-Filing Tax Adjustments – Pillar Two

Post filing adjustments (article 4.6.1 P2 Model Rules)

What:

Adjustments related to the amount of Covered Taxes after the filing of the GIR (i.e., GloBE post-filing adjustments).

How:

- If positive post-filing adjustment (i.e., **tax expense**): take the post-filing tax expense in the **current year's Pillar Two ETR computation**
- If negative post-filing adjustment (i.e., **tax benefit**) and >1M; exclude the post-filing tax benefit from the current year's ETR computation and **recompute the prior year's Pillar Two ETR** by taking into account the tax benefit in that year. Any TuT due under this recalculation is considered as a Additional TuT of the current year (i.e., no need to amend and re-file the GIR of the prior year)
- If negative post-filing adjustment (i.e., **tax benefit**) and <1M; in principle the same rule as for the >1M adjustments. However, upon election, such “immaterial” tax benefits are taken into account in **the current year's Pillar Two ETR computation**.

Post-Filing Tax Adjustments – Pillar Two

Post filing adjustments (article 4.6.1 P2 Model Rules)

Observation:

- This rule does not apply if the adjustment relates to a fiscal year prior to the application of the GloBE Rules to the CE
- But how to treat accounting Prior Year Tax Adjustments booked in 2024 that relate to 2023?

Post-Filing Tax Adjustments – Pillar Two

Questions:

Q1: In the FY 2024 financial statements a prior year adjustment of EUR 15M has been reported in relation to FY 2023. Does the post-filing adjustment provision apply in this case?

A1: one would say no, because the prior year tax adjustment relates to a Pre Pillar 2 year, so it did not affect the computation of the Adj. Covered Taxes.

But is the 15 prior year tax benefit then taken into account in 2024? If so, then basically all (material) prior year tax benefits could potentially result in TuT in the first Pillar Two year / 2024 (scenario 2). Tax provisioning implications?

Q2: same question, but the prior year tax adjustment of 15 relates to FY2024 and is recorded in FY2025. The GIR over FY2024 is filed in FY2026.

A2.1: If it applies, then PY adjustment of 15 will be allocated to previous year (i.e., FY2024) and a re-computation for that year is required. No P2 TuT due in 2025 (scenario 1);

A2.2: If it does not apply, then PY adjustment of 15 is taken into account in current Year (i.e., 2025), potentially resulting in TuT for that year (scenario 2).

-> No clear guidance on both questions (yet).

Local CIT rate: 20% in EUR Millions	Scenario 1	Scenario 2
	Article 4.6.1 applicable	Article 4.6.1 not applicable
IFRS Profit before tax	100	100
Current tax – current year	-20	-20
Current tax – prior year	15	15
Deferred tax	0	0
IFRS Profit after tax	95	95
IFRS ETR	5%	5%
GloBE Income (a)	100	100
IFRS Current tax expense	-5	-5
IFRS Deferred tax expense	0	0
Post-filing adjustment re article 4.6.1 P2 MR	-15	N/A
Adjusted covered taxes (b)	-20	-5
Pillar 2 ETR (c=-b/a)	20%	5%
Top-up Tax % (d=15%-c)	0	15% - 5% = 10%
Top-up Tax (a*d)	0	100 * 10% = 10

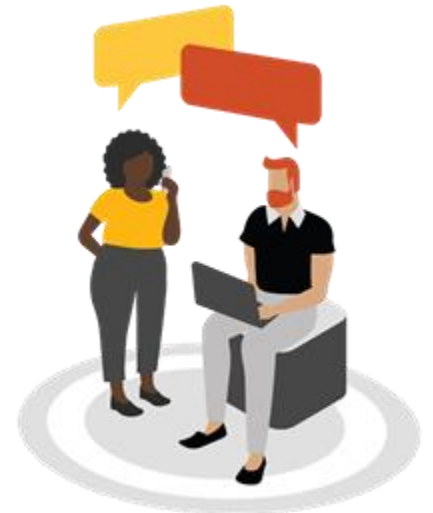
PY Tax Adjustments – example (1/4)

Pillar 2 treatment of accounting Prior Year Tax Adjustments is unclear, see also the question raised by the Dutch Association of Tax Advisors in June 2023:

Maakt het voor de beantwoording van de vraag nog uit of de bijheffing-informatieaangifte ('BIA') al is ingediend? (VRAAG 46) Artikel 7.6 Wet minimumbelasting 2024 lijkt te suggereren (titel: 'aanpassingen na indiening van de bijheffing-informatieaangifte', BIA) dat het alleen van toepassing is op het moment dat de BIA al is ingediend.

Als dat klopt, wat betekent dat dan voor een correctie van de acute belastinglast uit voorgaande jaren die is gemaakt voordat de BIA voor het voorgaande jaar is ingediend? (VRAAG 47) Een belastingplichtige met een jaareinde in december stelt een acute belastingberekening op eind 2024. Eind 2025, na het indienen van lokale Vpb-aangifte, boekt het de correctie in de financiële verslaggeving om de werkelijk verschuldigde

belastingen weer te geven. Stel dat de belastingplichtige zijn BIA voor 2024 pas in juni 2026 indient. Wat moet de belastingplichtige doen met de 2025 correctie die is gemaakt voordat de BIA over verslagjaar 2024 is ingediend? Dient de belastingplichtige de correctie dan te verwerken als onderdeel van de betrokken belasting over het verslagjaar 2024 of 2025? (VRAAG 48) Indien die keuze wordt geboden, dan zou de belastingplichtige er voor kunnen kiezen om de betrokken belasting toe te rekenen aan het jaar waarin ook het inkomen is verwerkt voor accountingdoeleinden, in dit geval verslagjaar 2025, zodat het geen verstoring effect op de berekening van het effectieve belastingtarief heeft.



PY Tax Adjustments – example (2/4)

- **Potential argument based on UK Pillar Two law amendment:** in the 2025 Finance Act, a new subsection is proposed to be added to the UK Pillar Two legislation section relating to the treatment of post-filing adjustments of covered taxes, to clarify the UK's interpretation of article 4.6:

“(1A) In the case of a prior accounting period for which there is no information return, overseas information return or self-assessment return, the reference to covered taxes being reflected in such a return is to the covered taxes as would have been reflected in such a return had there been one.”

Link: <https://www.legislation.gov.uk/ukpga/2025/8/enacted>

- Informal views in the Netherlands, Finland and Sweden.

PY Tax Adjustments – example (3/4)

- **Potential argument based on Pillar Two literature:** F. van Horzen and E. Gerrits are of the view that Pre-Pillar Two prior year tax adjustments should not be part of the Adjusted Covered Taxes. Refer to page 9 of their article (NLFW-2024-0014):

"Overigens speelt ditzelfde probleem bij andere aanpassingen van over voorafgaande jaren in aanmerking genomen winstbelasting waar geen sprake was van een onzekere belastingpositie. Vanuit systematisch oogpunt zouden ons inziens ook die aanpassingen geen invloed horen te hebben op de omvang van de gecorrigeerde betrokken belastingen, omdat het gaat om aanpassingen ter zake van winstbelasting over inkomen dat buiten het bereik van de Wet MB 2024 valt. Ons inziens is het overigens wel zaak dat hierover duidelijkheid wordt verschaft, hetzij door de OESO hetzij door het ministerie van Financiën."

PY Tax Adjustments – example (4/4)

- **Potential argument based on other Pillar Two technical provisions:** in several Pillar Two Model Rules provision, the OECD clearly mentions that if the relevant item pertains to a Pre-Pillar Two period, then the relevant provision would not apply. For example:

Page 76 Consolidated Commentary to article 3.2.1.h Pillar Two Model Rules:

“81. To the extent that the error is attributable to a Fiscal Years prior to the application of the GloBE Rules to the Constituent Entity, the adjustment to opening equity does not result in an adjustment under Article 3.2.1(h) because it did not affect the computation of GloBE Income or Loss.”

Page 84 February 2023 Administrative Guidance:

“6.3. Further, except as provided in Article 9.1.2, attributes imported into the GloBE attributes pursuant to Article 9.1.1 are not subject to any adjustments to deferred tax expense under Article 4.4.1(a), (b), (c) or (d), or Article 4.4.4.”

PY Tax Adjustments – CbCR Safe Harbour

Prior Year Tax Adjustments under the Transitional CbCR Safe Harbor

- December 2023 Administrative Guidance (“AG”) implicitly confirms that Prior Year Tax Adjustments are considered in the calculation of the total income tax expense amount for the purpose of calculating the Simplified Effective Tax Rate:

Page 17 paragraph 24 December 2023 AG:

*“22. Uncertain tax positions can be material and can overstate a jurisdiction’s ETR in comparison to GloBE. Removing uncertain tax positions from the income tax expense does not increase the compliance burden of the MNE Group since the income tax expense and uncertain tax positions are recorded in distinct line items in an MNE Group’s trial balances that are used to prepare its Qualified Financial Statement and accompanying notes. **Where the income tax expense includes an adjustment to bring the amount reported for a prior year’s income tax expense in line with the final amount of the expense (sometimes referred to as a return to provision), the effect of any uncertain tax position reflected in that adjustment must be removed.**”*

- Only the effect of any UTPs reflected in the Prior Year Tax Adjustment must be removed.

PY Tax Adjustments - conclusion

Prior Year Tax Adjustments – concluding remarks

- Common pitfall for Transitional CbCR Safe Harbour (i.e., not meeting the Simplified ETR Test)
- Treatment under the detailed Pillar 2 calculations is still unclear
- Tax provisioning process will become even more important.



Top-up Tax in case of loss situations?

Article 4.1.5.

In a Fiscal Year in which there is no Net GloBE Income for a jurisdiction, if the Adjusted Covered Taxes for a jurisdiction are less than zero and less than the Expected Adjusted Covered Taxes Amount, the Constituent Entities in that jurisdiction shall be treated as having Additional Current Top-up Tax for the jurisdiction under Article 5.4 arising in the current Fiscal Year equal to the difference between these amounts. The Expected Adjusted Covered Taxes Amount is equal to the GloBE Income or Loss for a jurisdiction multiplied by the Minimum Rate.

Year 1 Local CIT rate: 20% in EUR Millions	IFRS	Pillar Two
Profit before tax	-100	-100
Permanent differences	-50	-50
Taxable Income / GloBE income	-150	-150
Current tax (expense)/benefit	0	0
Deferred tax (expense)/benefit	30	22,5 (recast to 15%)
Total tax (expense)/benefit	30	22,5
Expected tax (expense)/benefit	15	15
Top-up Tax (before admin guidance)	0	7,5

Top-up Tax in case of loss situations?

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Top-up Tax in case of loss situations?

February 2023 administrative guidance:

Background

When the TuT% exceeds the Minimum Rate of 15% due to a negative amount of Adjusted Covered Taxes, the Inclusive Framework has agreed that an MNE Group shall apply the **Excess Negative Tax Expense** administrative procedure with respect to article 5.2.1 P2 MR (mandatory application).

Excess Negative Tax Expense Carry Forward:
7,5

This carry forward will reduce the Adj. Covered Tax of a subsequent year.

Year 1 Local CIT rate: 20% in EUR Millions	IFRS	Pillar Two
Profit before tax	-100	-100
Permanent differences	-50	-50
Taxable Income / GloBE income	-150	-150
Current tax (expense)/benefit	0	0
Deferred tax (expense)/benefit	30	22,5 (recast to 15%)
Total tax (expense)/benefit	30	22,5
Expected tax (expense)/benefit	15	15
Adjustment re article 4.1.5	0	(7,5)
Tax benefit to be carried forward		7,5
Pillar 2 ETR	30%	15%
Top-up Tax	0	0

Top-up Tax in case of loss situations?

Year 2 Local CIT rate: 20% Assume no loss-settlement in EUR Millions		
	IFRS	Pillar Two
Profit before tax	100	100
Permanent differences	0	0
Taxable Income / GloBE income	100	100
Current tax (expense)/benefit	(20)	(20)
Deferred tax (expense)/benefit	0	0
Total tax (expense)/benefit	(20)	(20)
Expected tax (expense)/benefit	(20)	(20)
Adjustment re article 4.1.5	0	7,5
Total Adjusted Covered Taxes		(12,5)
Pillar 2 ETR	20%	12,5%
Top-up Tax	0	(2,5)

04

Pillar Two in the financial statements



Poll

Heeft u ten tijde van de audit van de FS FY24 veel vragen gekregen van de auditors inzake Pillar 2?

1. Veel en complex
2. Een paar hoogover vragen
3. Helemaal niets

FS requirements

- Consolidated Financial Statements vs Local Statutory Financial Statements
- Materiality
- Requirements auditors
- Presentation IC settlement.



IC settlement – introduction

Where is the Pillar Two top-up tax paid?

Local level

Qualified domestic minimum top-up tax

The low-taxed jurisdiction can levy a domestic minimum tax that is “functionally equivalent” to the GloBE rules.

- Payment of Pillar Two top-up tax **at local level**

UPE/IPE level

Income inclusion rule

The (ultimate/intermediate) parent entity shall pay a tax in an amount equal to its allocable share of the top-up tax of the low taxed constituent entity.

- Payment of Pillar Two top-up tax **at (ultimate/intermediate) parent level**

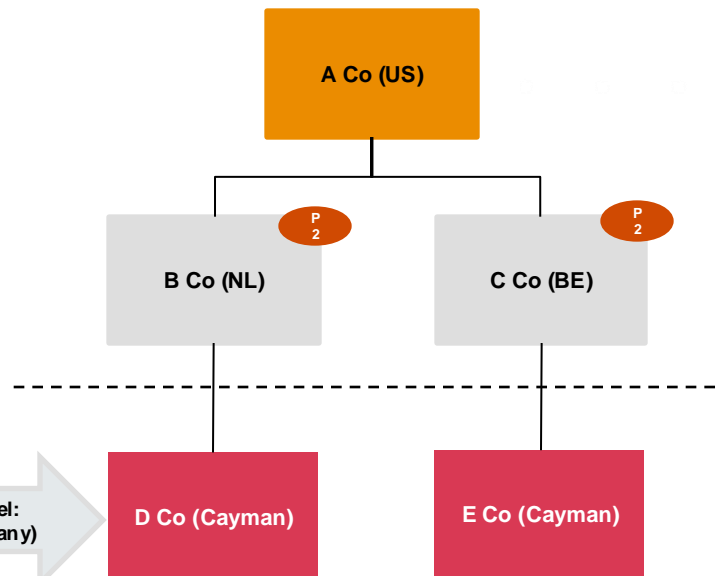
Anywhere

Undertaxed payment rule (as of 2025)

Denial of deduction (or equivalent adjustment) resulting in an additional cash tax expense equal to the UTPR top-up tax amount.

- Payment of Pillar Two top-up tax **could occur anywhere** within the group structure depending on amount of FTEs and Tangible Assets allocated in each jurisdiction

Local level:
QDMTT (if any)



Assume that Cayman is a low-taxed jurisdiction in FY2024

Jurisdictional ETR = 0%
Jurisdictional GloBE Income = 100
P2 top-up tax = 15

IC settlement – introduction

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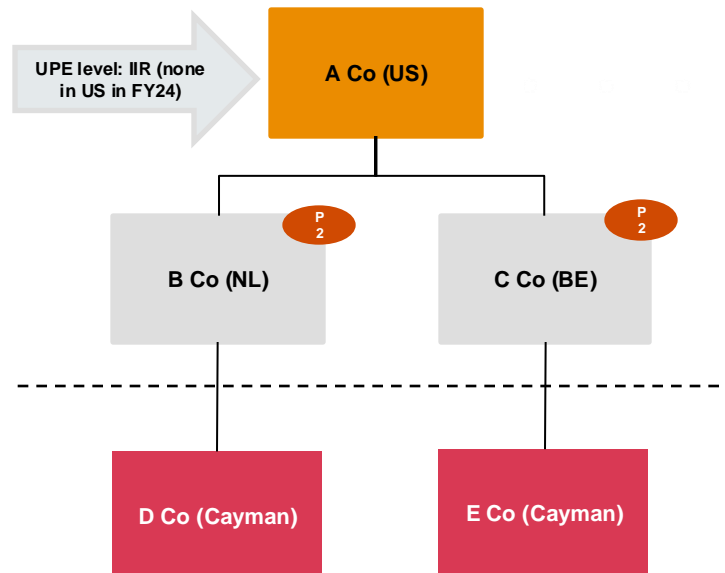
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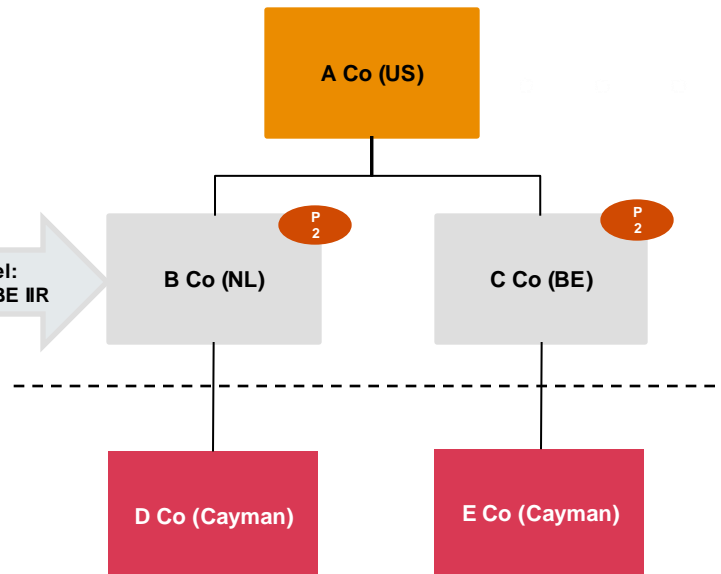
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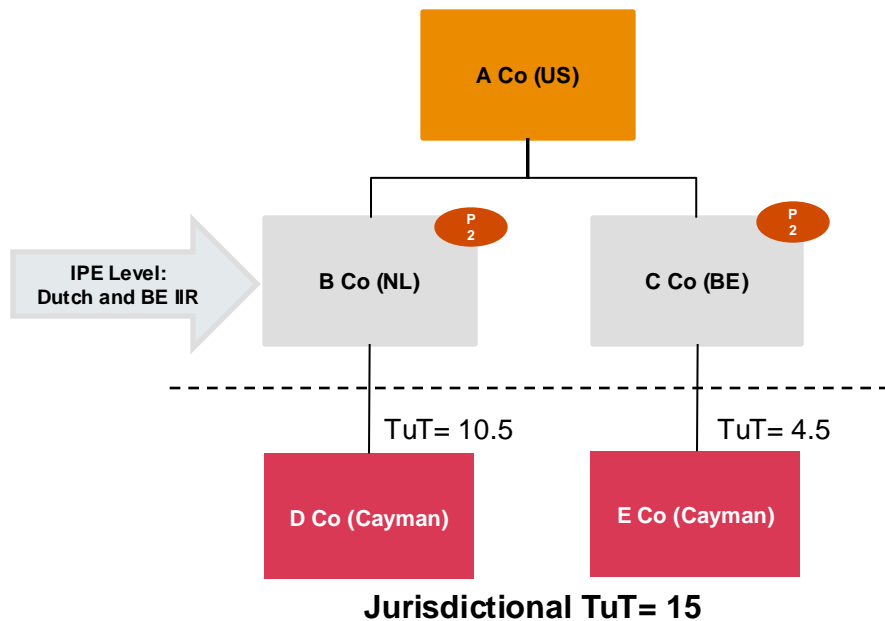
IPE Level:
Dutch and BE IIR



Assume that Cayman is a low-taxed jurisdiction in **FY2024**

Jurisdictional ETR = 0%
Jurisdictional GloBE Income = 100
P2 top-up tax = 15

Top-up Tax of a Constituent Entity



Assume that Cayman is a low-taxed jurisdiction in FY2024

Jurisdictional ETR = 0%

Jurisdictional GloBE Income = 100

P2 top-up tax = 15

Further assume that D Co and E Co has a GloBE Income of 70 and 30, respectively.

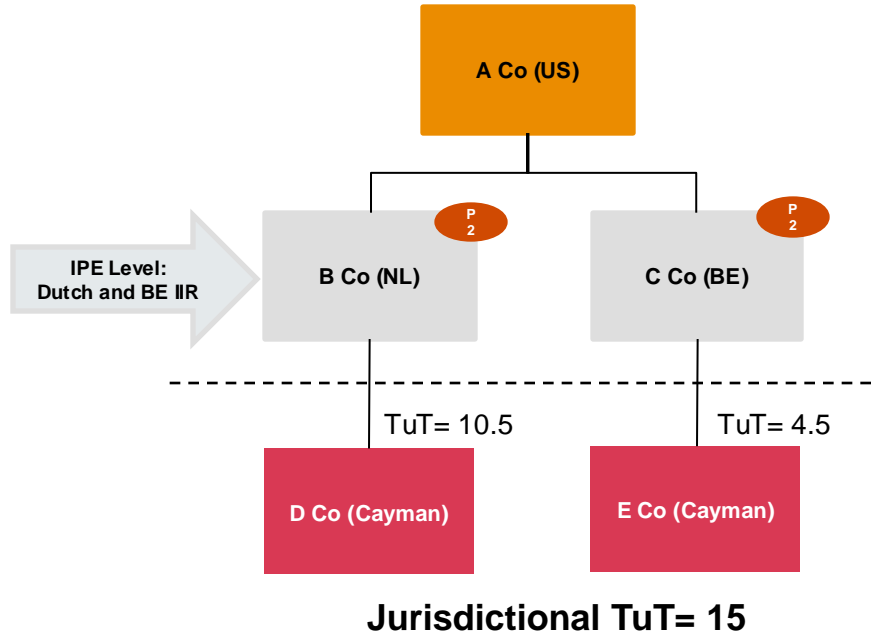
The Top-up Tax of D Co would be: $15 * (70/100) = 10.5$

The Top-up Tax of E Co would be: $15 * (30/100) = 4.5$

Article 5.2.4 P2 Model Rules:

$$\text{Top up Tax of a CE} = \text{Jurisdictional Top up Tax} \times \frac{\text{GloBE Income of the CE}}{\text{Aggregate GloBE Income of all CEs}}$$

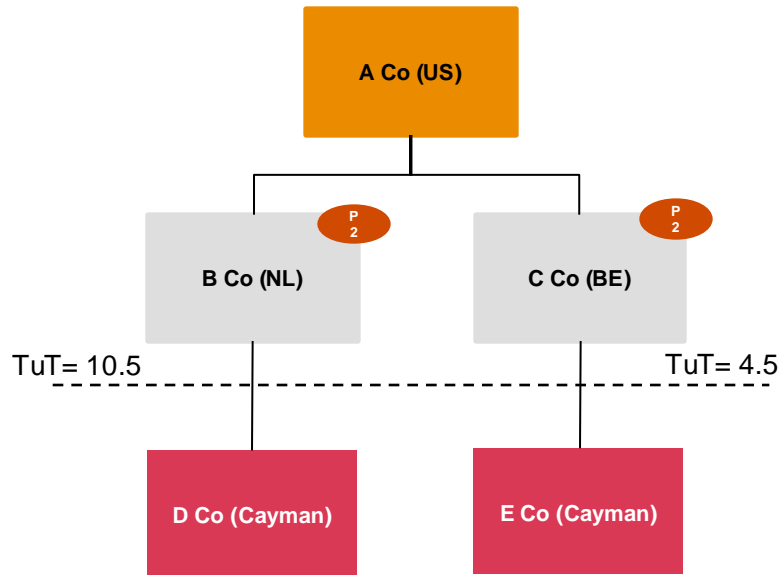
Allocation of Top-up Tax under the IIR



Allocation of Top-up Tax under the IIR

- **Article 2.2.1 P2 Model Rules:** a Parent Entity's Allocable Share of the Top-up Tax of a Low-Taxed Constituent Entity “(CE)” is an amount equal to the Top-up Tax of the Low-Taxed Constituent Entity as calculated under Chapter 5 multiplied by the **Parent Entity's Inclusion Ratio** for the Low-Taxed Constituent Entity for the Year
- **Article 2.2.2 P2 Model Rules:** a Parent Entity's Inclusion Ratio for a Low-Taxed Constituent Entity is the ratio of (a) the GloBE Income of the Low-Taxed Constituent Entity for the fiscal year, reduced by the amount of such income attributable to Ownership Interests held by other owners, to (b) the GloBE Income of the Low-Taxed Constituent Entity for the Fiscal Year.

Tax Accounting Implications IIR (1/6)



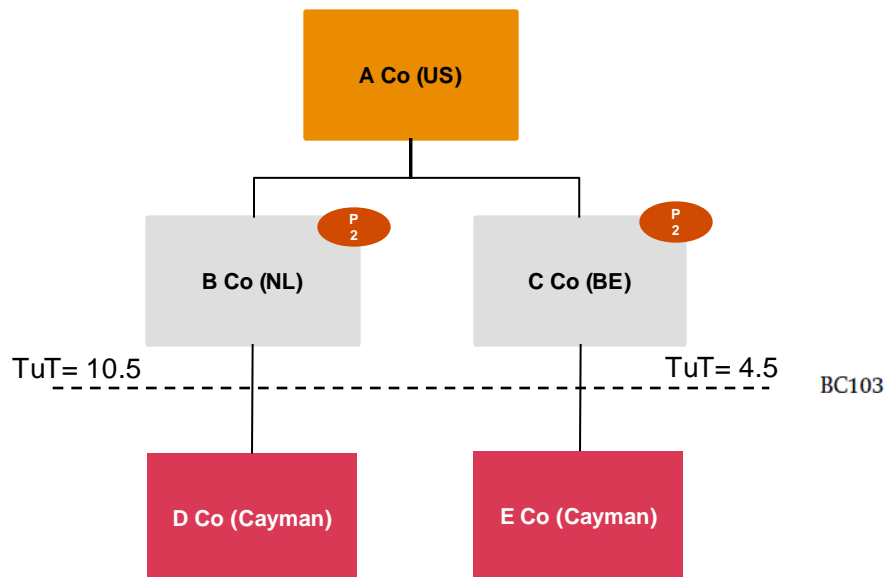
Question 1: what is the tax accounting treatment of the IIR TuT?

- The TuT allocated to B Co and C Co needs to be paid at that level
- The first relevant question is whether that TuT is in scope of IAS 12.

AMENDMENTS TO IAS 12—MAY 2023

- (a) *the scope of IAS 12* – stakeholders were generally of the view that top-up tax is an income tax – and therefore within the scope of IAS 12 – in the consolidated financial statements of the ultimate parent entity of a group subject to the rules. However, stakeholders said it was unclear whether top-up tax is an income tax in the financial statements of a group’s subsidiaries – for example, if an entity is liable to pay such tax with respect to profits of entities that are not part of its reporting group (such as with respect to a fellow subsidiary’s profits).

Tax Accounting Implications IIR (2/6)



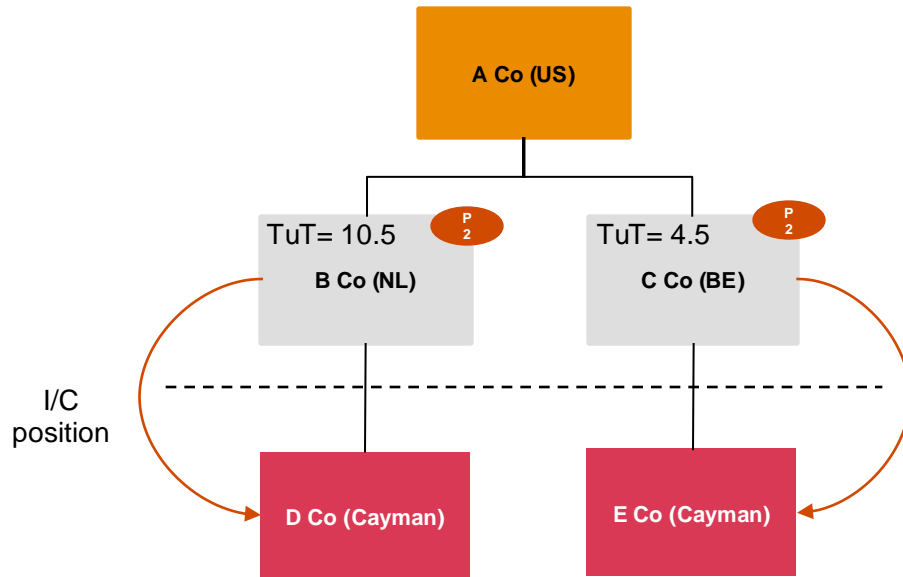
Question 1: what is the tax accounting treatment of the IIR TuT (cont'd)?

- Note that the IASB did not provide any further confirmation on whether Pillar Two TuT is an income tax/in scope of IAS 12

Scope

The IASB decided not to provide further clarifications or guidance on the circumstances in which top-up tax is an income tax (see paragraph BC99(a)). The IASB concluded that it would not be possible to do so without delaying the finalisation of amendments that were urgently needed. The IASB also decided not to require entities to deem top-up tax to be an income tax in all circumstances because that could have resulted in unintended consequences. Therefore, an entity determines whether, in its circumstances, top-up tax is an income tax before applying the requirements in IAS 12.

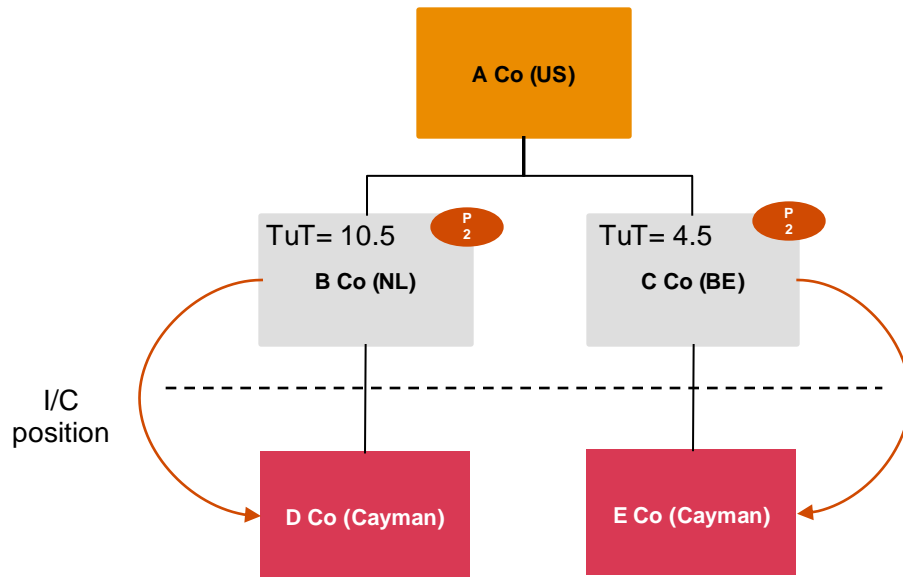
Tax Accounting Implications IIR (3/6)



Question 2: how to deal with intercompany settlements of Pillar Two TuTs (assuming an income tax)? (1/3)

- Since the Pillar Two TuTs are caused by the low-taxed Cayman group companies, it could be questioned whether B Co and C Co wants to be compensated for it
- IFRS does not require a reporting entity to enter into a recharge agreement
- Recharge agreements may be considered for allocating economic impact
- So, an intercompany position may arise between B Co and D Co and C Co and E Co.

Tax Accounting Implications IIR (4/6)



Question 2: how to deal with intercompany settlements of Pillar Two TuTs? (2/3)

- Relevant (tax accounting) question #1: How should B and C (I) account for the Pillar Two taxes and (II) the recharge arrangement in their separate financial statements
- No specific guidance under IFRS

Tax Accounting Implications IIR (5/6)

Journal entry for the TuT @B Co and C Co

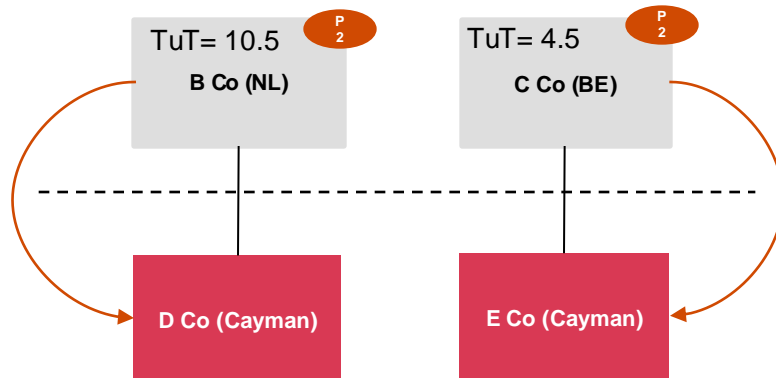
Debit income tax expense (P&L)
Credit current tax liability (BS)

Approach 1 @ B Co and C Co:

Debit I/C receivable (BS)
Credit Other Income (P&L)

Approach 1 @ D Co and E Co:

Debit Other Expenses (P&L)
Credit I/C payable (BS)



Journal entry for the TuT @ D Co and E Co

None

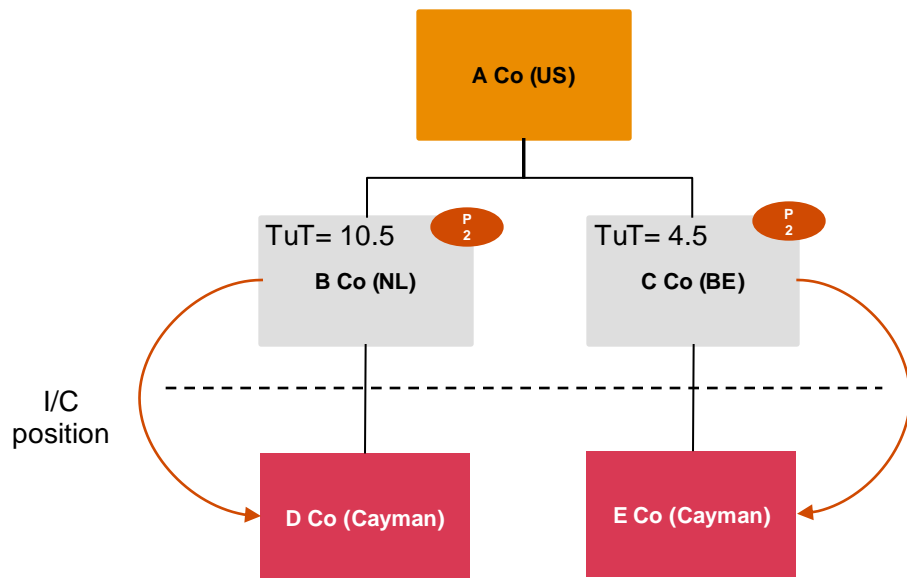
Approach 2 @ B Co and C Co:

Debit I/C receivable (BS)
Credit income tax expense (P&L)

Approach 2 @ D Co and E Co:

Debit income tax expense (P&L)
Credit I/C payable (BS)

Tax Accounting Implications IIR (6/6)



Question 2: how to deal with intercompany settlements of Pillar Two TuTs? (3/3)

If accounted for above the income tax line (i.e., approach 1):

- Relevant question #2: **what is the tax treatment of the I/C payment?**
- Relevant question #3: **does the Tax Sharing Agreement could have transfer pricing implications?**
- Relevant question #4: **what is the Pillar Two treatment of the I/C payment? Included in GloBE Income?**

05

New guidance & DAC 9



Admin Guidance January 2025

- Treatment DTA's pre-Pillar Two (Article 9.1 MR)
- Central Record of Pillar Two legislation with transitional qualified status
- Updated Globe Information Return and Guidance
- Model Competent Authority Agreement

Treatment DTA's pre Pillar Two

- Deferred tax assets (DTA's) arising from government arrangements with taxpayers, elections or amendments to prior year tax impacts, and attributes relating to the introduction of new corporate income taxes.

How to deal with these DTA's?



Transitional qualified status

Qualifying IIRs		
Australia	France	Luxembourg
Austria	Germany	Netherlands
Belgium	Greece	Norway
Bulgaria	Hungary	Romania
Canada	Ireland	Slovenia
Croatia	Italy	Sweden
Czechia	Japan	Turkey
Denmark	Korea	UK
Finland	Liechtenstein	Vietnam

QDMTTs		
Australia	France	Romania
Austria	Germany	Slovak Republic
Barbados	Greece	Slovenia
Belgium	Hungary	Sweden
Bulgaria	Ireland	Switzerland
Canada	Italy	Turkey
Croatia	Liechtenstein	UK
Czechia	Luxembourg	Vietnam
Denmark	Netherlands	
Finland	Norway	

Updated GIR and guidance

- Clarifications on how to complete the GIR
- Includes the Admin Guidance released in Dec 2023 and June 2024
- **NOTE:** GIR needs to be completed based on the GloBE Model Rules (not the relevant country legislation)

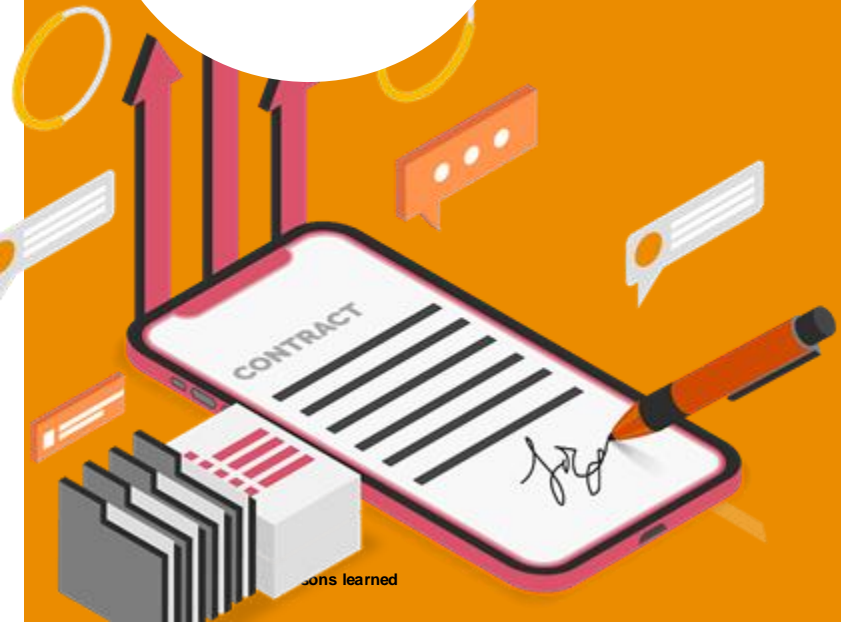
DAC 9

A Directive on Administrative Cooperation (DAC) in order to facilitate any filing and the exchange of information required under pillar Two within the EU.

- Framework for the exchange of Top-up-Tax information Returns.

06

Reframing tax survey



Reframing tax

1,205

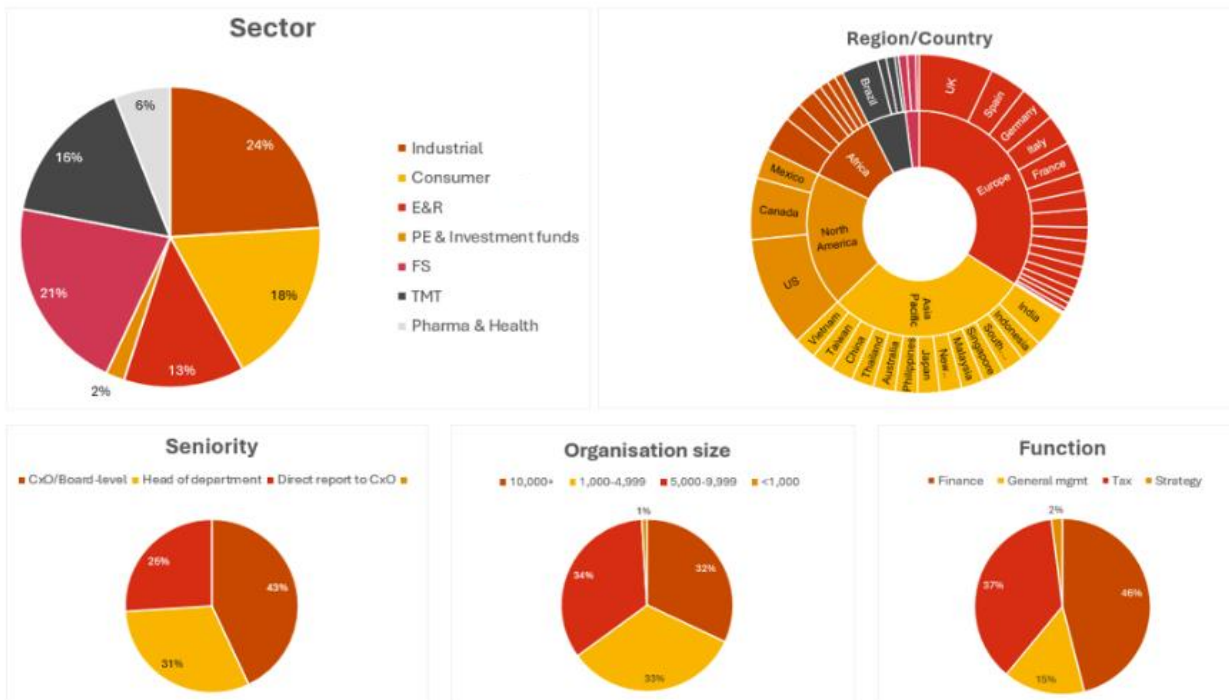
Senior tax advisory buyers interviewed

80%

of which work in tax or finance functions

51

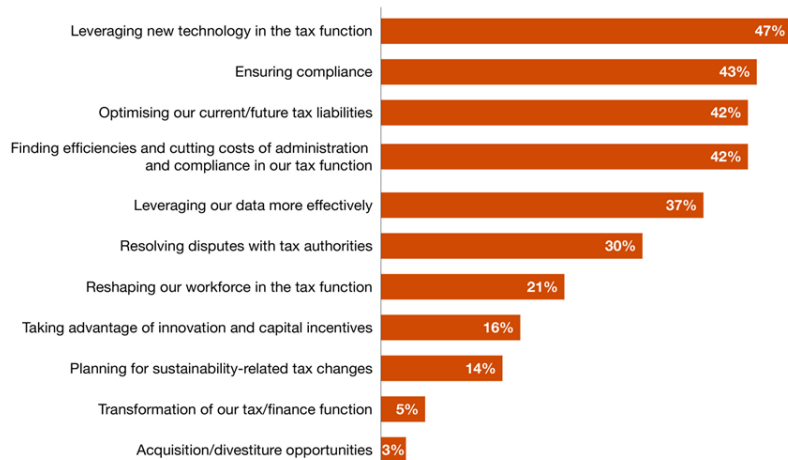
Questions asked (excluding qualifying questions)



Reframing tax

The tax function needs to transform by investing in tech and other areas

What will be the three most important priorities of your tax function in the next three years?



Data source: PwC's Inaugural Global Reframing Tax Survey, March 2025



Tax under pressure

Leaders are caught between two competing priorities as they seek function efficiency to create capacity to play a strategic role in broader business decisions.

- Tax is a must-have to reinvention.
- New legislation and compliance obligations are a major challenge.



Get serious about skills

A changing world has created an immense skill gap in the tax function and the tax skills of tomorrow will move from traditional to technical.



Harness AI and automation

Emerging tools have the capacity to revolutionize the tax function, but there is no one-size-fits-all solution or standout use case.



Revisit the tax operating model

Tax executives are increasingly relying on external providers to enhance their tax operating model by closing capability gaps and building capacity

Reframing tax

Tax Organisation & Governance



- **34%** have a centralised tax function
- **24%** have regional tax support
- **8%** local tax support
- **33%** use a combination of the above

Centralised tax functions higher in organisations which operate in **2-19 countries**.

Combination approach more prevalent where the organisation has revenue **>\$5bn** and operating in **100 or more countries**.

Tax authority requirements demand a **more formal approach to tax governance and the tax control framework**. This includes a more centralised approach to evidence and tax disputes management.

Business partnering



66% say their tax function plays a role in strategic business decisions

Tax is a **must have contributor** to strategic decisions

- **Virtually every respondent** said their organisation is undertaking or planning a **strategic business transformation**
- **27%** of those in the tax function think they are playing a leading role
- **C-suite is more confident than Head of Tax** that tax is part of the leadership team in these business decisions

Addressing the skills gaps



95% say they have a skills gap in their tax function

Knowledge of AI, tax expertise, and data analysis are the most critical skills to fill the gap:

- The **talent pool of the future** won't be traditional finance or accounting people
- The modern tax function requires professionals who are **tech-savvy**, skilled in **data analysis**, and capable of **leading change**
- Few respondents are addressing the problem - only **32%** of respondents are **upskilling talent** and **29%** **hiring new talent**

Embracing AI



56% say they've seen concrete benefits of GenAI

80% expect GenAI to transform tax planning and strategy in the next three years

Tracking down, verifying, and deploying **data** is **one of the largest burdens of legislation**.

A **technology ecosystem** is essential for tax functions to improve data quality, become more proactive, and improve analytics.

Advanced technologies like AI can provide tax executives with **leverage** to act as **business partner** in the organisation.

Tax sourcing models



80% say they are comfortable with the idea of **outsourcing at least some tax activities** in the next three years

- Reasons for outsourcing include: **access to new skills, staying ahead of regulatory change, and leveraging new technology**
- The model for outsourcing is no longer binary but a **wide and flexible spectrum**
- Companies **using managed service partnerships** to **close capability gaps** outperform those who use them to cut costs

07

How to deal with the reporting and compliance Requirements?



Upcoming compliance requirements

Update for upcoming compliance requirements (till 31 December 2025 – assuming calendar year):

30 June 2025

Denmark Registration
Liechtenstein Registration
Romania Top-up tax filing entity appointment
UK First registration

30 September 2025

Kuwait Registration
Vietnam List of CEs subject to the QDMTT

31 October 2025

Czech Republic QDMTT

20 November 2025

Hungary QDMTT (payment)

30 November 2025

Belgium QDMTT
Italy QDMTT (90% payment)
Italy Top-up tax (90% payment)

31 December 2025

Barbados First-year notification
Ireland First registration
Liechtenstein QDMTT
Liechtenstein Top-up tax (IIR)
Portugal Registration
South Africa Notification
Turkey QDMTT
Vietnam QDMTT

Common 'compliance' related questions

Technology and architecture

- What systems and tools are available to support Pillar Two compliance & reporting?
- Can existing compliance & reporting tools be leveraged to support additional requirements?
- What change requests (if any) might be required to non-Tax owned technology?

Processes

- How do processes need to be adapted for the additional reporting and compliance requirements? Does this look different across different territories?
- Where might non-tax processes need to be adapted or updated, e.g. finance processes, stock-based compensation, legal entity management?
- Do you have processes that will give you oversight and provide workflow tracking?

Outsourced providers

- If you use an outsourced provider, do they have a global team of international tax experts to support additional Pillar Two reporting requirements (including providing the necessary specialist technology)?
- If not, how will they stay up-to date with law changes and manage additional in house/3rd party input to ensure that Pillar Two requirements are met?
- Are their technologies configured to perform Pillar Two calculations, included expected GloBE rules divergences as each implementing country adopts domestic legislation?
- What process is established to ensure their technology tools get updated swiftly and timely for local rules changes and developments?

Common 'compliance' related questions

Data

- How will you gather all of required data points not just for general compliance, but also the additional data points needed for Pillar Two?
- How are they mapped to Chart of Accounts, master data elements?
- Do your data processes provide the necessary digital audit trails?

People and organisation

- How will members of tax and other key stakeholder groups be upskilled and engaged with Pillar Two compliance?
- What resources are required to operate the revised processes? Do you have the right resources across all territories e.g. Can your teams scale to meet all of the additional Pillar Two filing requirements?

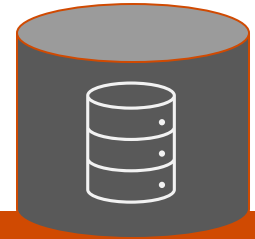
Tech-powered



Point solutions

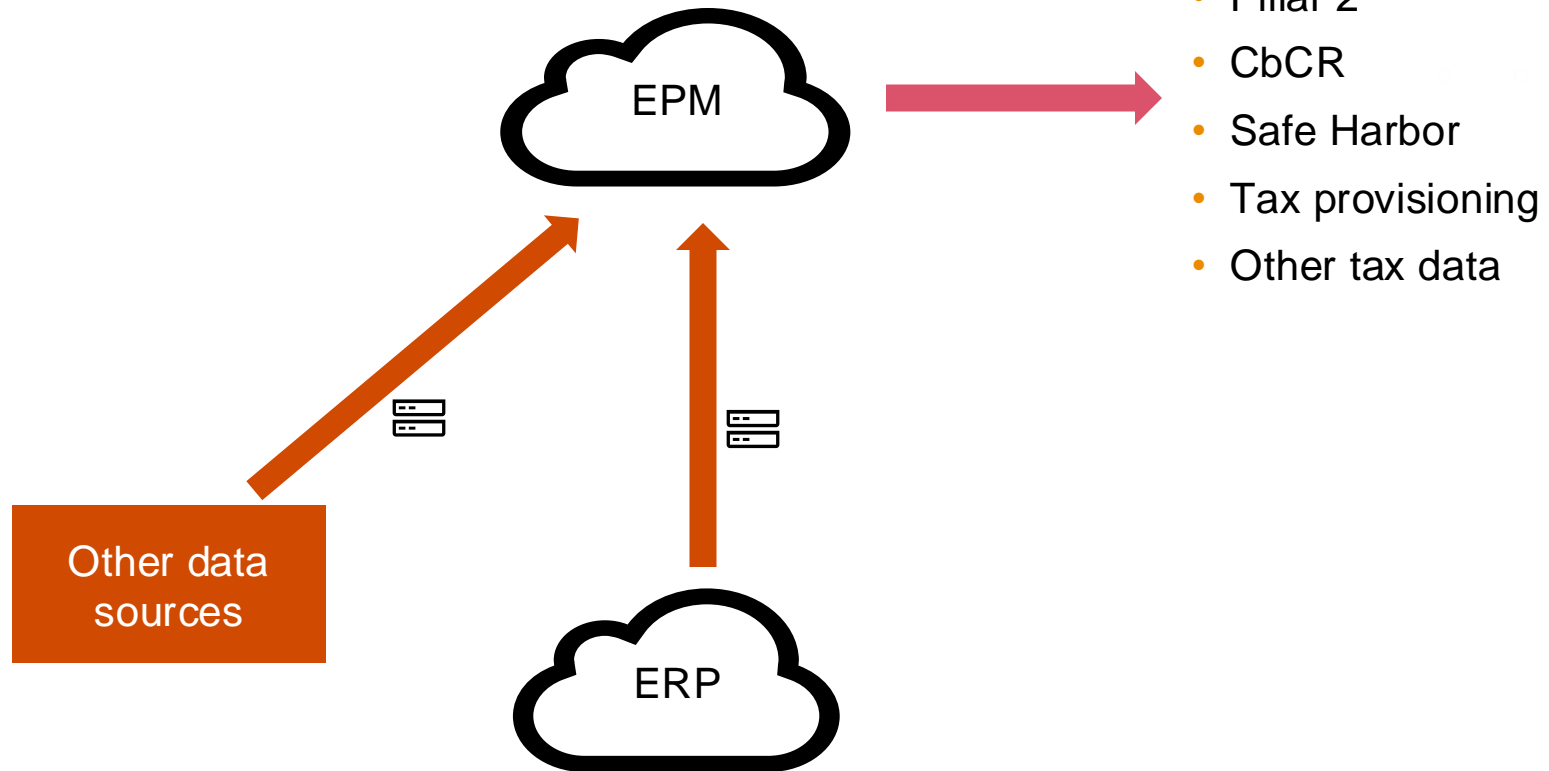


Platform solutions

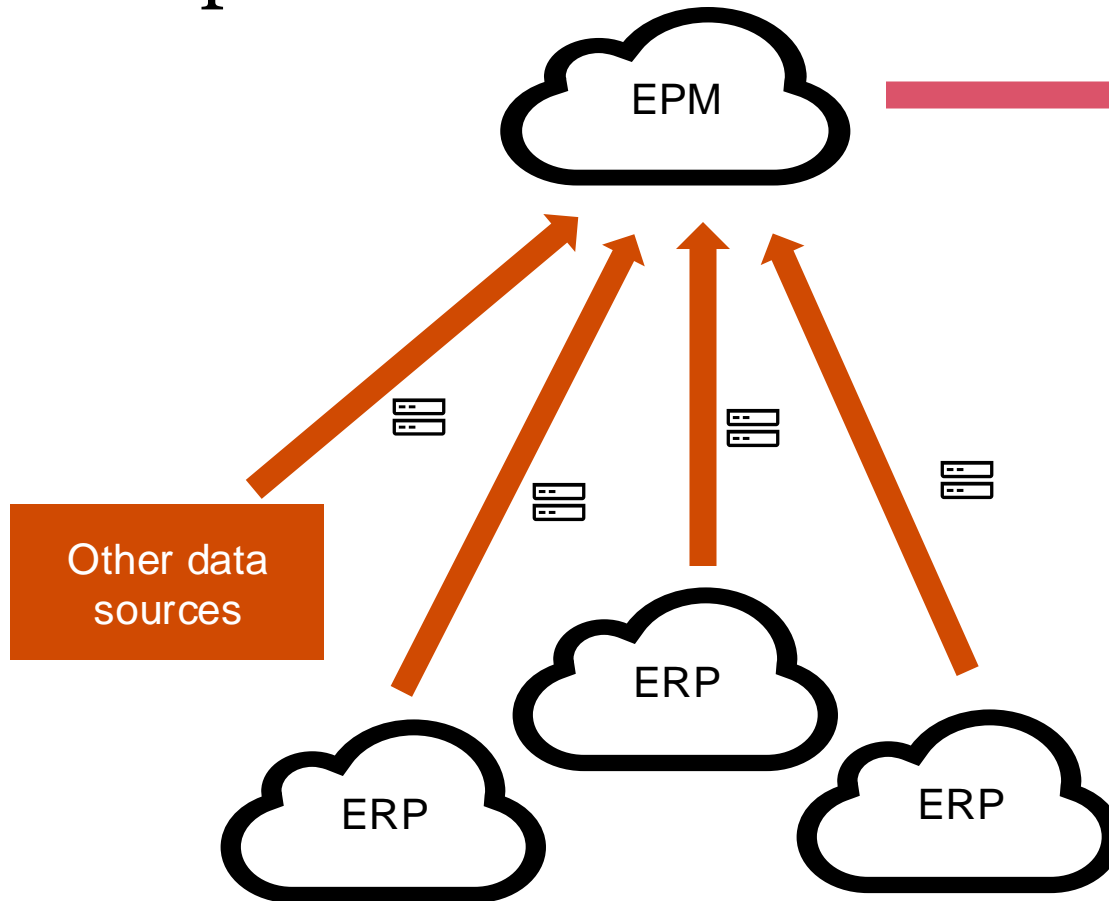


Integrated financial solutions

Tech-powered

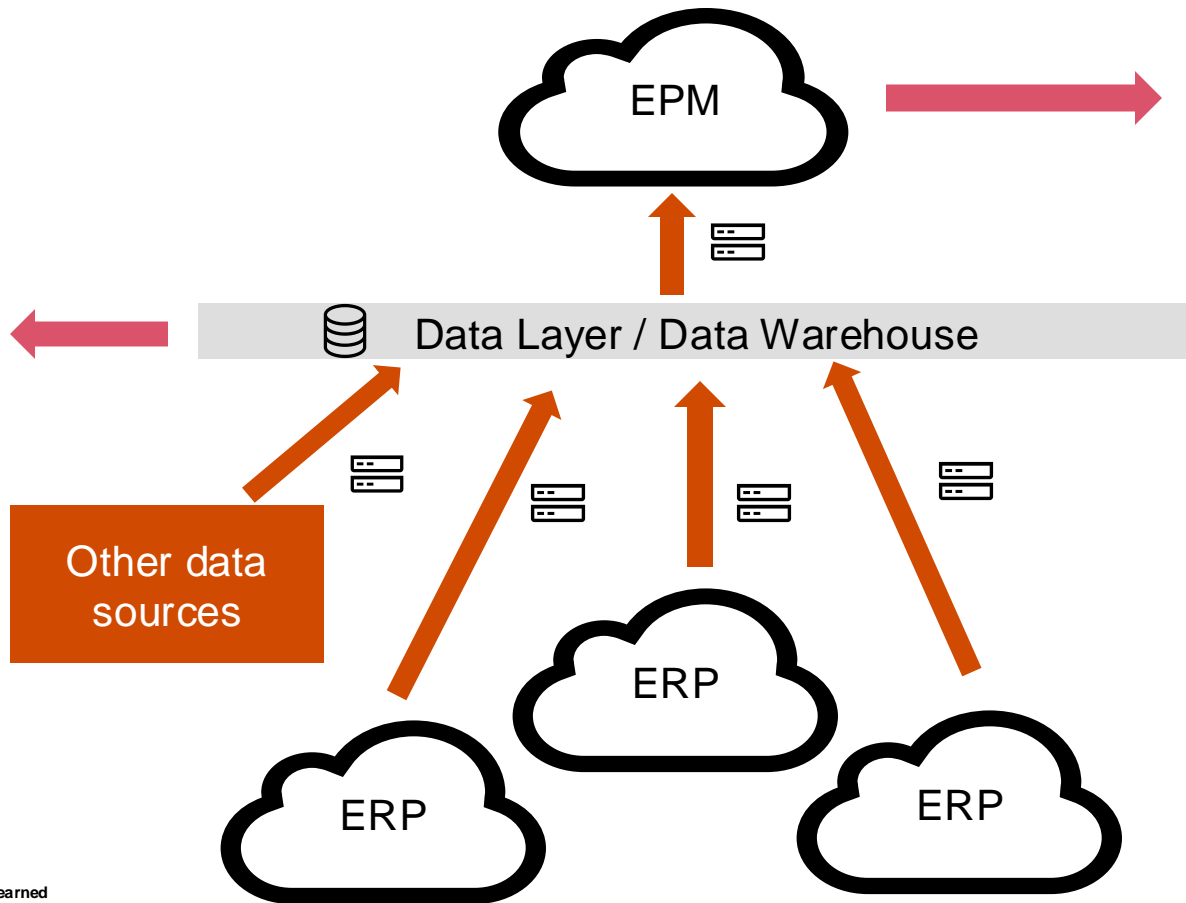


Tech-powered



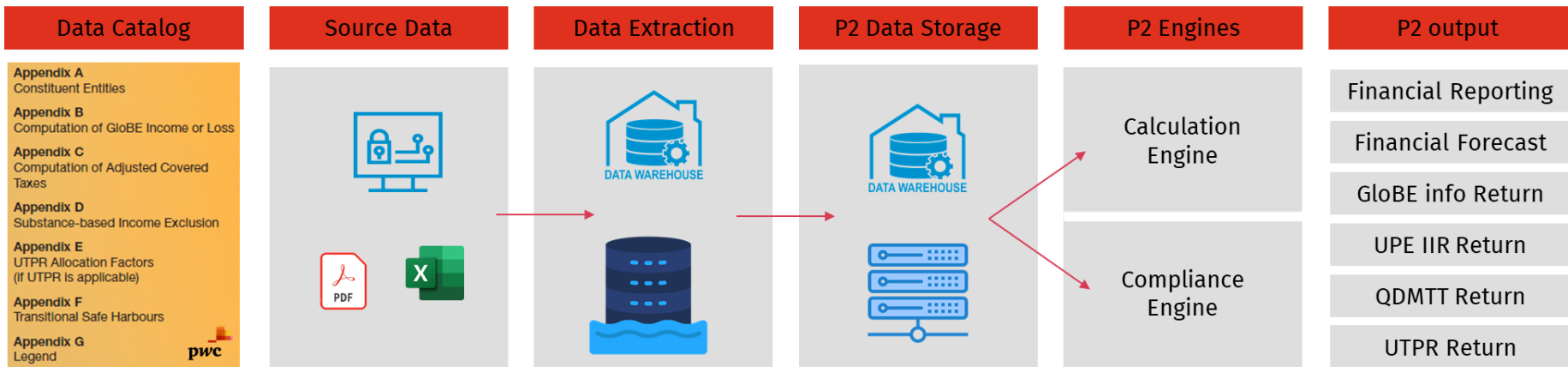
- Pillar 2
- CbCR
- Safe Harbor
- Tax provisioning
- Other tax data

Tech-powered



- Pillar 2
- CbCR
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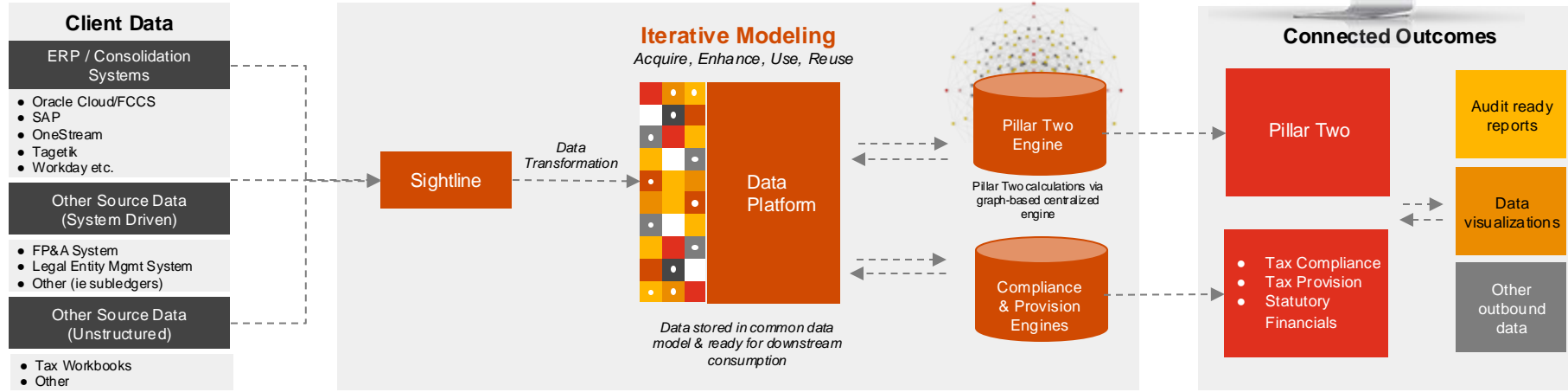


Pillar Two and Connected Compliance

Our flexible and technology-enabled Connected Compliance approach ensures that we can support companies with preparing and filing the tax returns required today, while leveraging the same data to plan for the impact of Pillar Two and meet the filing requirements in the future. All as part of one 'Connected approach', using our 'Connected technology Platform' and supported by one 'Connected team', we achieve 'Connected Outcomes' to meet the requirements of today and tomorrow.



One Connected Technology Platform: Sighthline tax ecosystem



Gather

One-time, flexible data capture for Pillar Two and wider compliance filings (e.g tax provisions, corporate income tax, statutory financial statement preparation). Providing 'connected data' to be used across filings

Transform

Standardizing and enriching data through our common data model and making data available throughout the process for all compliance requirements including Pillar Two

Activate

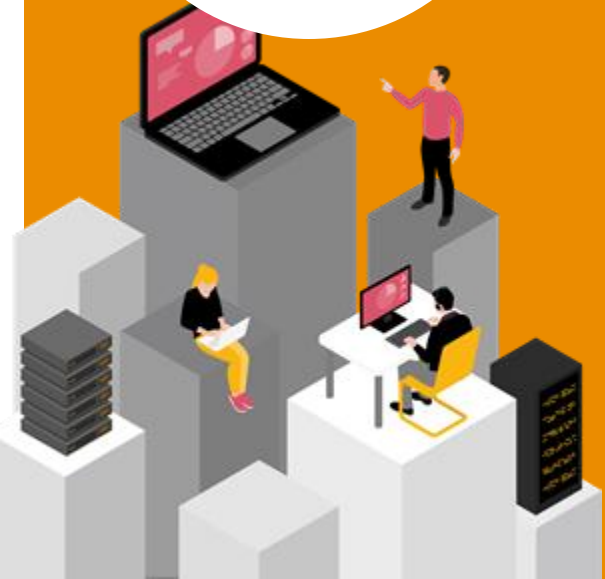
Complex analysis and computations automate the reporting and planning experience across compliance obligations

Experience

Results, insights, and analytics customized to our clients' needs, achieving connected outcomes

08

Wrap up and closing



Key takeaways



Be careful - there could be top-up tax due in unexpected situations (e.g. in case of losses)



Carefully consider the impact of Pillar 2 in the statutory financial statements

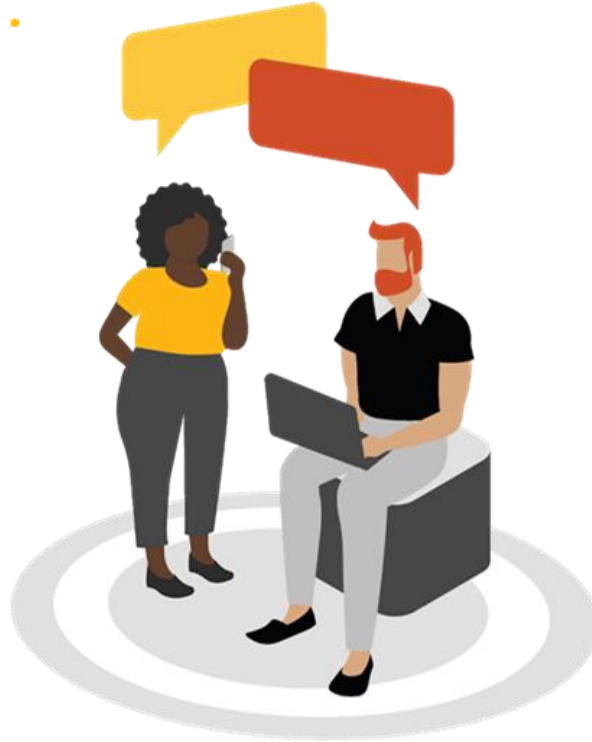


Now also the first compliance obligations are around the corner, please ensure you are prepared



Having a data gathering process and group calculations doesn't mean you are ready for QDMTT's and further compliance obligations

Vragen?



- **Vragen?** Neem dan contact op met uw PwC-adviseur of laat het weten bij de evaluatie.
- Bekijk deze webcast of presentatie in een later stadium
- Blijf op de hoogte: meld u aan voor onze PwC Belasting nieuwsbrief op [pwc.nl](https://www.pwc.nl)
- Kijk op [pwc.nl/evenementen](https://www.pwc.nl/evenementen) voor de overige onderwerpen van 'State of Tax, Legal People'
- Wilt u het evaluatieformulier invullen?

Evaluatie



- Hoe waardeert u dit webinar op een schaal van 1 tot 10?
- De inhoud was relevant (Geheel mee eens / Mee eens / Neutraal / Mee oneens / Geheel mee oneens)
- Heeft u nog opmerkingen of suggesties voor ons?
- Heeft u nog specifieke vragen waarvoor u wilt dat wij contact met u opnemen?

Contact



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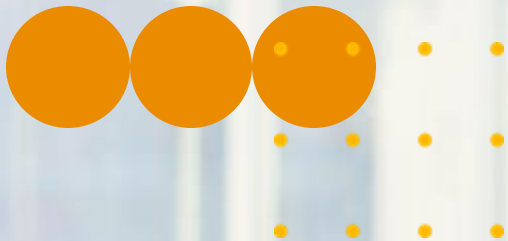


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Bedankt!



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