



## **Global Minimum Tax (Pillar II)**

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# Agenda

1. **Pillar II: Timeline**
2. **Pillar II: Core Mechanisms**
  - Qualified Domestic Top-up Tax (QDMTT)**
  - Income Inclusion Rule (IIR)**
  - Undertaxed Payment Rule (UTPR)**
3. **Transitional CbCR-Safe Harbour**
4. **Reporting requirements**
5. **Getting compliant: Client experience**

# Pillar II: Timeline

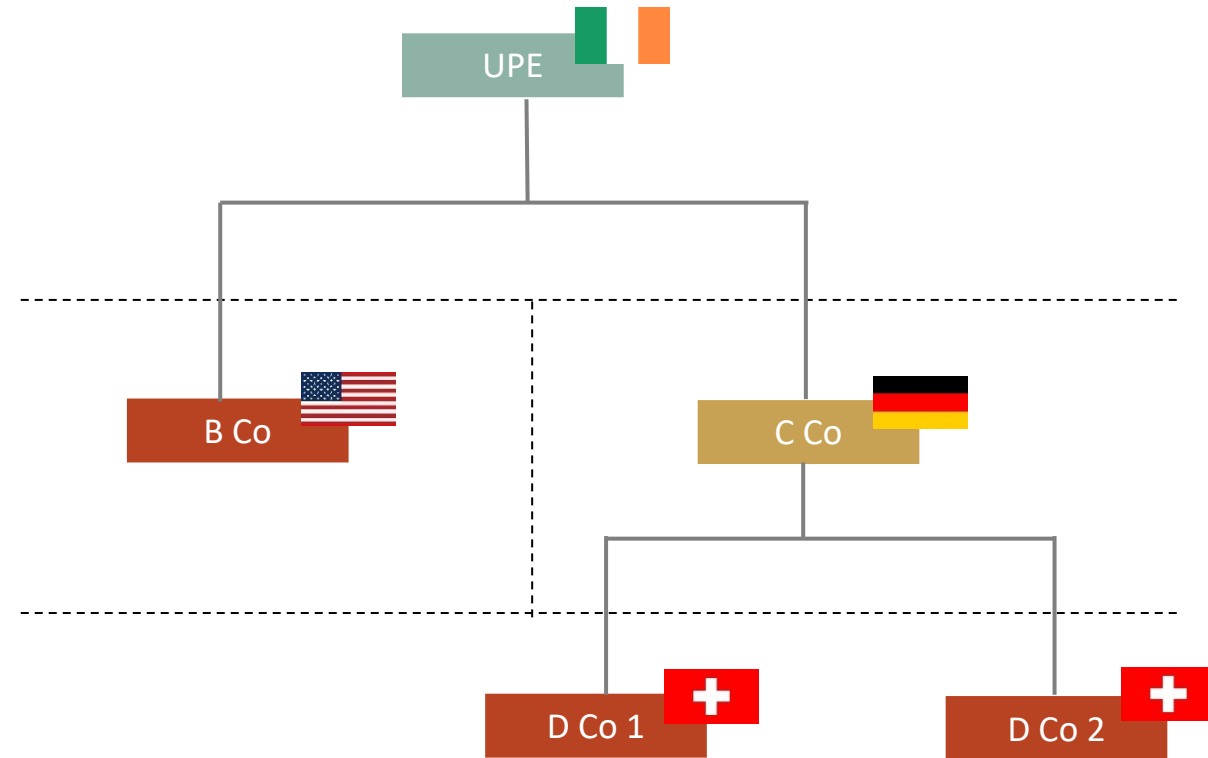


## Pillar II: Core mechanisms

- Effective minimum tax rate of 15%
- Scope of application: MNE groups with annual revenues  $\geq$  EUR 750 million (different thresholds possible i. e. in local currency)
- Several interacting core mechanisms:
  - *Subject to tax rule (STTR) on certain types of incomes*
  - Qualified Domestic Top-up Tax (QDMTT)
  - Income Inclusion Rule (IIR)
  - Undertaxed Payment Rule (UTPR)
- Determination of the effective tax rate (ETR) based on separate and unique profit and tax calculation
- Additional reporting requirements

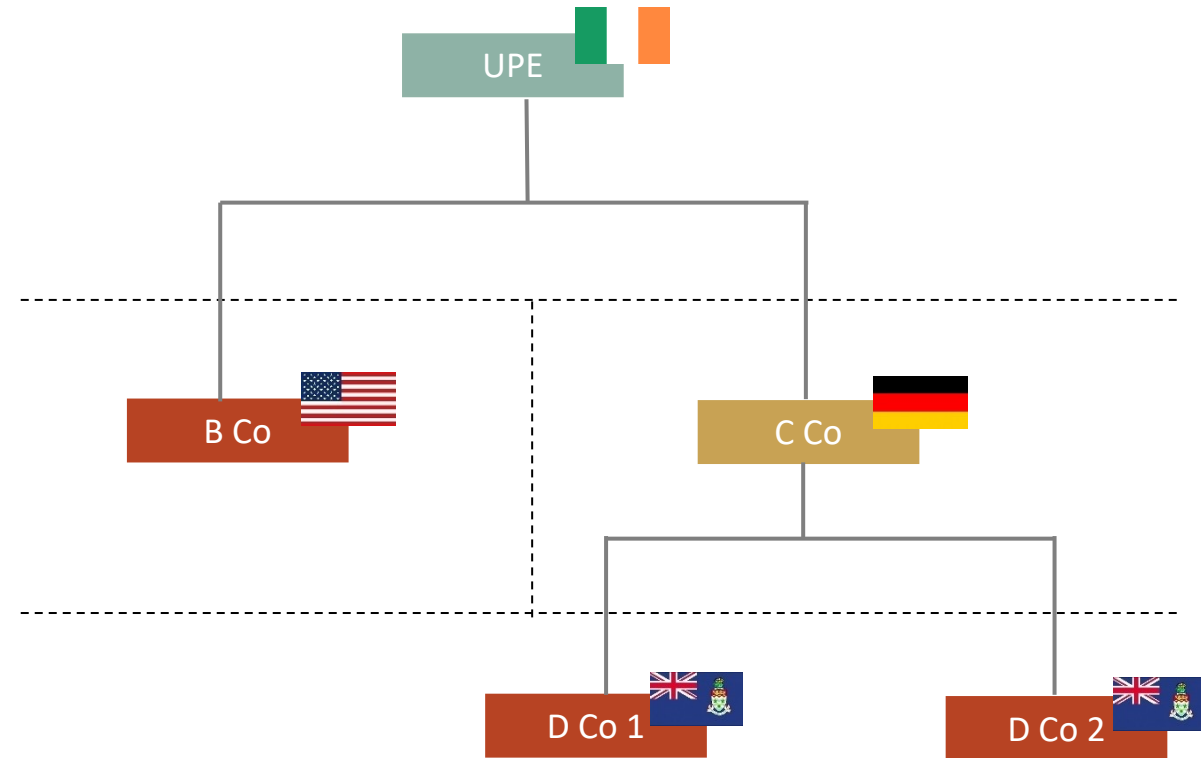
# Qualified Domestic Minimum Top-up Tax (QDMTT)

- QDMMT = supplementary, national tax on income of group entity that is subject to effective taxation below 15%
- QDMTT is levied by jurisdiction of the low-taxed entity raising effective tax level for jurisdiction
- QDMTT included for IIR calculation



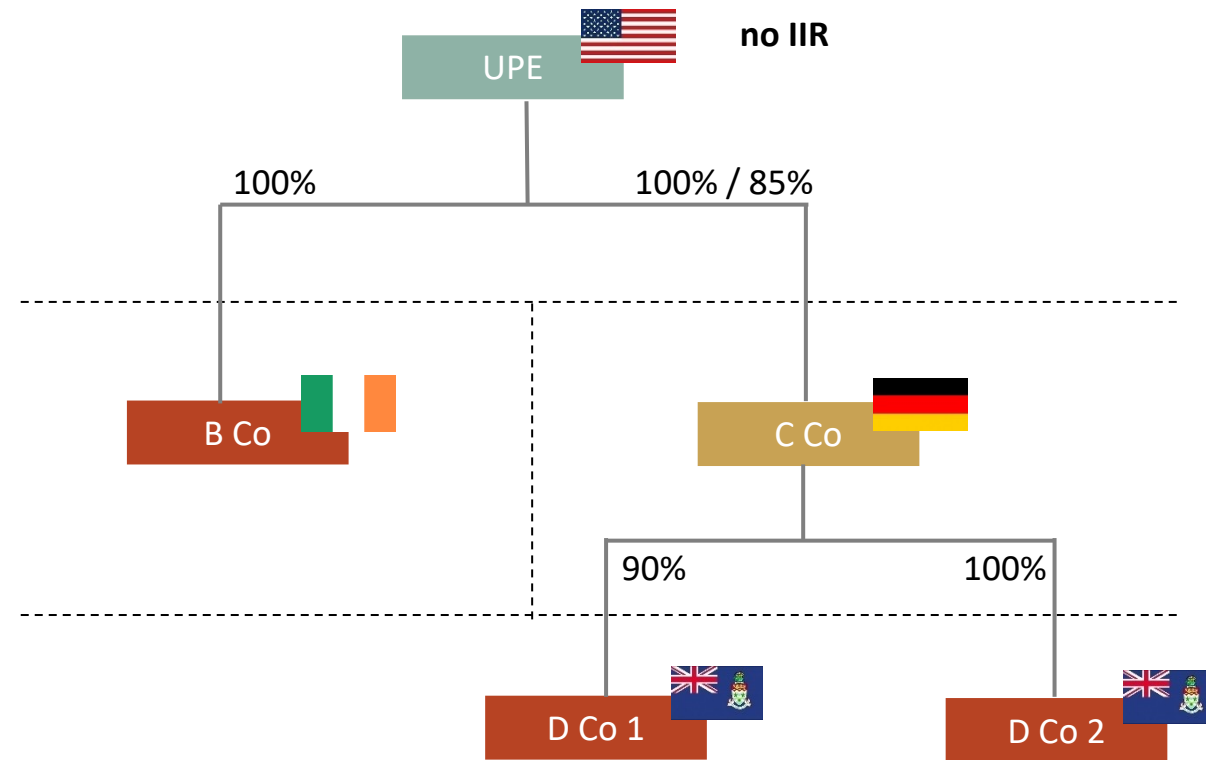
# Income Inclusion Rule (IIR)

- IIR = top-up tax levied at level of ultimate parent entity (UPE) and in some cases intermediate parent entity
- Top-up tax amounting to difference between 15%
- Tax rate is determined jointly for all entities in the group that are resident in the same jurisdiction („jurisdictional blending“)
- Basically, the IIR results in subsequent taxation of the low-taxed income of the subsidiary at the level of the UPE
- Application of IIR at the top-level eliminates the application of IIR at the level of intermediate parent entities



# Income Inclusion Rule (IIR) / Undertaxed Payment Rule (UTPR)

- Residence state of UPE does not apply IIR
- IIR can be exceptionally applied at intermediate level
- Intermediate parent applies IIR for its (in)direct shareholdings
- If no IIR applies: Subsidiaries need to pay UTPR for parent entities
- Share of UTPR is apportioned per relative share of assets and employees between subsidiaries



# Transitional CbCR-Safe Harbor

- Tax amount = 0, if:
  - Materiality test: Reported in CbCR for tax jurisdictions < EUR 10 million turnover and < EUR 1 million profit
  - Simplified ETR test: Using CbCR simplified calculated effective tax rate corresponds at least the so-called transition tax rate (15% bis 17%)
  - Substance test: Profit before taxes reported in CbCR is equal to or less than the substance-based allowance
- Requirements:
  - “Once out, always out”
  - Requirements for shareholders of transparent entities; requirements for entities
  - Qualified CbCR



# Reporting requirements (i. e. Germany)

OECD tax report (Federal Central Tax Office)	Minimum tax - tax assessment (Income tax-/corporate tax-authorities)
<b>Notification</b> from the designated national group leader to the Federal Central Tax Office within <b>2 months</b> after financial year end	
Preparation and transmission of <b>OECD tax report</b> by UPE to the Federal Central Tax Office. Basically, every unit is obliged to submit the minimum tax report. The obligation does not apply, if UPE (or another reporting entity) submits the report to the responsible authorities in the residence country and data is exchanged with the German authorities	Preparation and transmission of <b>tax self-assessment</b> to the tax office of the national group pleader Filing obligation even if there is a zero return
Transmission according to an officially prescribed data set via an officially designated interface	Transmission according to an officially prescribed data set via an officially designated interface
<b>Deadline:</b> <b>15 months</b> after financial year end. <b>18 months</b> month in the first year of GloBE application	<b>Deadline:</b> Same to minimum tax report

# Getting Compliant: Client projects

- 1. Step: Identification of scope and status of MNE group for Pillar II purposes
  - 2. Step: Developing Pillar II- Strategy for MNE group:
  - 3. Step: Reporting packages, minimum tax process and software
- 
- Client perspective and organisation: Local UPE | subsidiary; public | private company
  - Timeline depending on MNE group characteristics and to Dos
  - Dynamic legislative environment

Thank you  
for your attention



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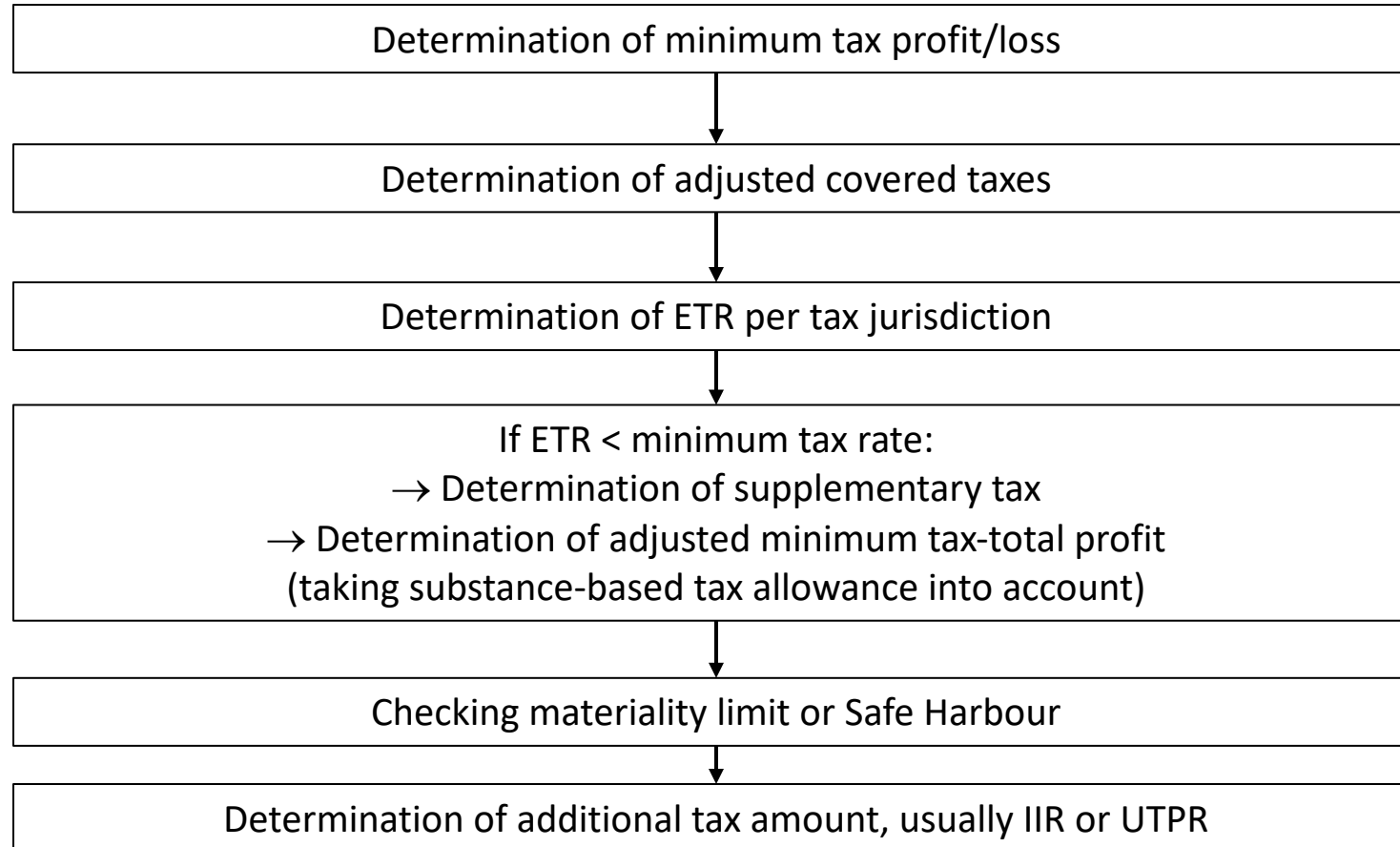


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**Backup**

# Calculation steps for determining supplementary taxes (overview)



# Calculation steps for determining minimum tax profit

<b>= Annual surplus / annual deficit (Entity's Financial Accounting Net Income or Loss)</b>
+ /- Net Tax Expense
- Excluded Dividends
+ /- Excluded Equity Gain or Loss
+ /- Included Revaluation Method Gain or Loss
+ /- Gain or Loss from Disposition of Assets and Liabilities excluded under Art. 6.3
+ /- Asymmetric Foreign Currency Gain or Loss
+ Policy Disallowed Expenses
+ /- Prior Period Errors and Policy Disallowed Expenses in Accounting Principles
+ /- Accrued Pension Expense
<b>= Minimum tax profit (GloBE Income)</b>

# Calculation steps for determining the adjusted covered taxes

= Annual surplus / annual deficit (Entity's Financial Accounting Net Income or Loss)
+ /- Net Tax Expense
- Excluded Dividends
+ /- Excluded Equity Gain or Loss
+ /- Included Revaluation Method Gain or Loss
+ /- Gain or Loss from Disposition of Assets and Liabilities excluded under Art. 6.3
+ /- Asymmetric Foreign Currency Gain or Loss
+ Policy Disallowed Expenses
+ /- Prior Period Errors and Policy Disallowed Expenses in Accounting Principles
+ /- Accrued Pension Expense
= Minimum tax profit (GloBE Income)

= Current Tax Expense
+ Additions
- Reductions
+ /- Total Deferred Tax Adjustment Amount
+ /- Other tax positions
= Total amount of Adjusted Covered Tax

