



5x5 series: Insights and actions

Pillar Two Considerations for the C-Suite

The OECD has introduced Pillar Two – an unprecedented approach to addressing perceived base erosion and profit shifting, representing one of the biggest shifts in international taxation in decades. Groups with revenue of €750m+ must calculate top-up tax in every jurisdiction where <15% tax paid and rules ensure Multi-National Entity (“MNE”) groups pay at least 15% tax in every jurisdiction. The anticipated effective date is 1 January 2024 in varying jurisdictions, and even if top-up taxes are not expected to be material, compliance will add significant time and effort.

5 insights you should know

Rules are constantly evolving with the OECD issuing administrative guidance where clarity is needed and individual jurisdictions drafting and enacting different laws based on the Pillar Two framework.

There is potential for increase in cash taxes paid, in ETR and changes to tax compliance.

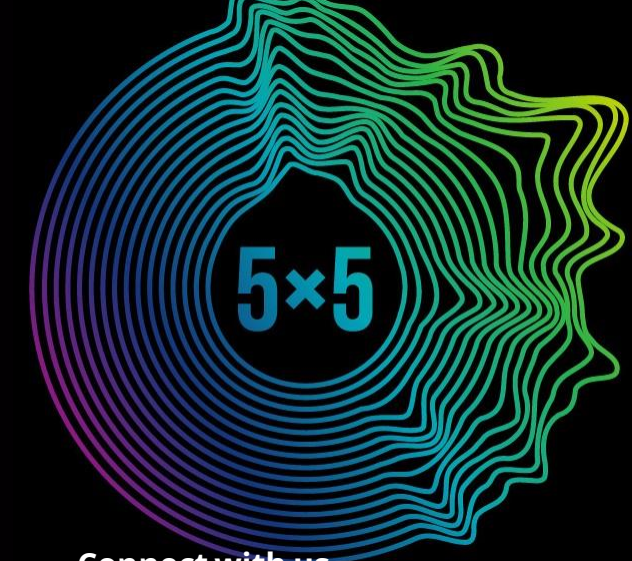
Pillar Two is relevant for multiple stakeholders within organizations (Finance, Tax & Regulatory, Accounting & Reporting, Data & Technology) Readiness of tax department and financial reporting for Q1 2024 is critical.

Appropriate people, processes, and control environment are needed to understand underlying accounting conclusions, calculate taxes, and provide support for external auditors.

Potentially pervasive and evolving impact on internal and external stakeholders.

5 actions to take now

- 1 **Understand scope of Pillar Two** – Understand whether your entity will be in the scope based on your current footprint and planned transactions
- 2 **People and Processes** – Cross-functional involvement of Finance/Accounting, Tax, IT, and others will be critical to ensure readiness and compliance
- 3 **Technology and Data** – Businesses must compile voluminous new data for Pillar Two compliance - ensure availability, reliability, and integration of key data
- 4 **Be thoughtful about tax planning and accounting implications** – Accounting policies and processes drive tax outcomes and a need to address Pillar Two compliance requirements and align tax planning with the accounting framework
- 5 **Stakeholder Communication** – Companies need to manage internal and external stakeholder communication regarding future Pillar Two impact.



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