

Pillar Two in a nutshell

On 20 December 2021 the OECD / G20 Inclusive Framework on BEPS released Model GloBE Rules under Pillar 2. On 22 December 2021 the European Commission published a proposed EU directive to incorporate Pillar 2 into EU law. The GloBE Rules aim to impose a global minimum tax of 15% on MNEs with a revenue in excess of EUR 750 million or more. The rules are due to be brought into law in 2022, to be effective in 2023 for the Income Inclusion Rule (IIR), and 2024 for the Undertaxed Payment Rule (UTPR).

Three shots at achieving global minimum tax rate



Qualified domestic tax

- Possibility for jurisdictions to introduce a domestic minimum taxation, which if qualified, reduces the jurisdictional Top-up Tax
- If a positive Top-up Tax remains, IIR to apply

Income Inclusion Rule (IIR)

- Imposes Top-up Tax on a parent entity in respect of low-taxed jurisdictions within an MNE group
- Considered the “main rule” within the overall Pillar 2 rule set

Undertaxed Payments Rule (UTPR)

- “Back-stop” or “secondary rule” to the IIR
- Denies tax deductions, or requires an equivalent adjustment, to the extent low tax income is not already subject to an IIR

KPMG Meijburg & Co can help you assess the possible impact of the GloBE Rules using the following step plan:

- Step 1 Identify Constituent Entities in scope**
- Step 2 Determine GloBE Income**
- Step 3 Identify and Allocate Covered Taxes**
- Step 4 Calculate Effective Tax Rate and Top-up Tax**
- Step 5 Impose Top-up Tax under IIR or UTPR**