

Pillar 2 compliance roadmap – Who is collecting?

Transcript

00:00:07:00 - 00:00:18:09

MONIQUE PISTERS:

Welcome to part six of our seven step approach for the Pillar 2 compliance process. In this video I will discuss the who taxes question of step six.

00:00:18:14 - 00:00:41:18

MONIQUE PISTERS:

In our previous video of step five, I mentioned that once it is clear that the effective tax rate in a certain jurisdiction is below 15%, it should be determined who will file the relevant top-up tax return. There are three ways of allocating the taxing rights between the countries in which the group is active.

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MONIQUE PISTERS:

Rule one is the Qualified Domestic Minimum Top-up Tax. And this rule creates a taxation obligation for a country on companies of a multinational group that are situated in that country, if they fall under the 15% effective tax rates. This rule has priority over the following other options, namely, the Income Inclusion Rule and the Undertaxed Profit Rule.

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Rule two is the Income Inclusion Rule, and this rule applies if there are foreign subsidiaries within the group that, at a

jurisdictional level, do not meet the 15% tax rates and it has priority over option three, the Undertaxed Profit Rule. The IIR obligation lies with the top entity of the group, but it will shift downwards if the top entity is not situated in a country that has implemented Pillar 2. Furthermore, the top-up tax obligation may also shift down, in case there are partially-held sub holding companies within the group.

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MONIQUE PISTERS:

Rule number three is the Undertaxed Profit Rule, and this rule will apply if there are companies within the group that at a jurisdictional level, do not meet the 15% tax rates. It only applies if option one and two do not apply to that situation. The top-up tax liability is divided between group companies that are situated in jurisdictions that have implemented Pillar 2. The UTPR is based on substance in the relevant countries by means of employees and tangible fixed assets.

00:02:36:19 - 00:03:08:17

MONIQUE PISTERS:

Hopefully this video helps you to understand the various taxation methods of Pillar 2. In the next, and already the last video of our Pillar 2 roadmap, we will talk about the filing obligation of Pillar 2. Thank you for watching. And as always, if you have any questions, please contact me or my team.