



Key Facts

Base Erosion and Profit Shifting (BEPS) - Pillar Two

How to navigate the OECD's evolving regulations

What is Pillar Two?

[The Organisation for Economic Co-operation and Development's \(OECD\)](#) inclusive Framework on Base Erosion and Profit Shifting (BEPS) is a two-pillar solution to address the tax challenges arising from the digitisation of the economy.

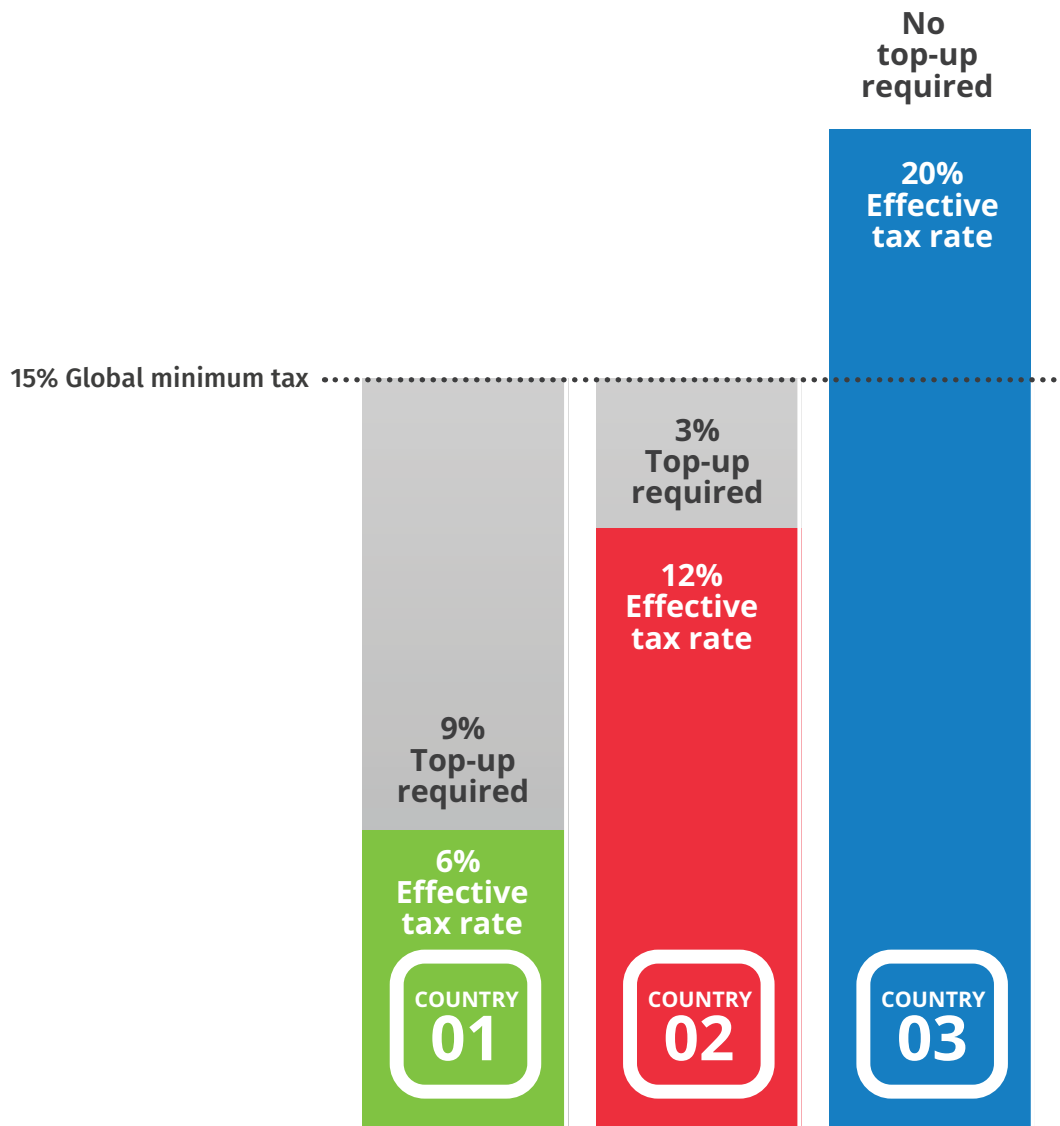
In addition to several high-stakes material, process, and technology impacts, BEPS Pillar Two introduces **a global minimum tax of 15% for**

each country a large Multinational Enterprise (MNE) operates in, if that country has agreed to the framework. Therefore, the parent of any company or group with effective tax rates below the minimum in any jurisdiction will be required to pay a top-up tax.

Large Multinational Enterprises are defined as organisations that have a consolidated group revenue over

€750m or \$868m. Approximately 8,000 MNEs stand to be impacted by BEPS Pillar Two and, as such, the OECD expects an annual global tax collection of over \$220 billion.

BEPS Pillar Two came into effect in some jurisdictions for accounting periods starting on or after January 1st, 2024.



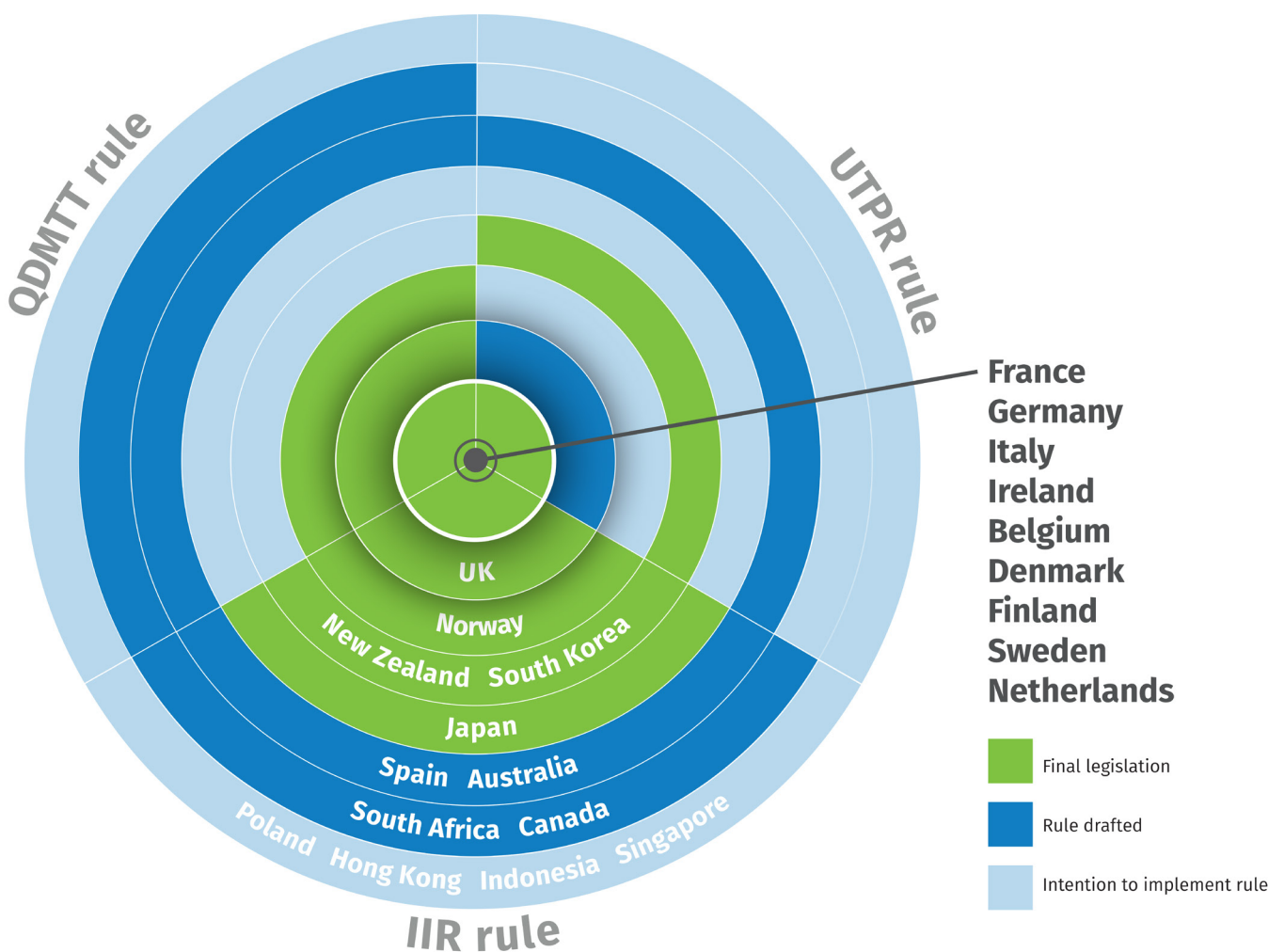
Note: The Transition Rate of 15% will increase in 2025 and again in 2026.

The current status of adoption

While 142 countries have agreed to the framework, BEPS Pillar Two will come into effect on a country-by-country basis. Not all countries are at the same stage, but they soon will be.

For MNEs in countries that have yet to announce BEPS Pillar Two enforcement, we suggest carefully watching how companies from early adopting regions handle the requirements, the challenges they

face, what enforcement looks like, and how countries react. It will be helpful in developing your tax reporting program when your time comes.



Source: EY



The problem: Harmonising disparate data sets from tax and finance

To meet the new obligations, companies need to quickly gain visibility into, connect, and analyse massive amounts of enterprise-wide data.

They must also process complex tax calculations to understand the impact Pillar Two will have on corporate profitability and operations.

With many large companies currently using disparate, disconnected technology to manage tax and financial data, addressing the new requirements efficiently may prove difficult:

- **Complex data management**
Standalone tax solutions and spreadsheets are not equipped to handle the data management requirements of Pillar Two or able to connect tax management into financial close and consolidation processes.
- **Lack of visibility into material impacts**
Multinational Enterprises won't just feel the impacts of Pillar Two on their processes, they'll feel it on their balance sheets and P&L statements too.
- **Short compliance timeline**
Tax teams and CFOs are scrambling to make necessary changes to their tech, processes, accounting, and business landscape.

3 ways BEPS Pillar Two data management impacts existing processes

1. New data requirements

BEPS Pillar Two filings could draw on up to 250 data points per entity. Going forward, tax will have a presence in your financial close, quarterly statements, and on your annual report. Companies are performing a data gap analysis to determine where source data lives, and how they can best collect it for reporting.

2. Effective Tax Rate (ETR) + constituent entities

Unique to BEPS Pillar Two is the need to understand constituent entities, which differ from legal filing entities, and the need to calculate your effective tax rate. Corporations must add the effective tax rate formula, which requires the data points mentioned previously when creating financial statements.

3. Global calculations and impacts on consolidation

Pillar Two's global calculations are complex because local or in-country organisations must collect information and send it up stream to be consolidated at the top.

As a result, global consolidation processes will have to change to accommodate tax.

Here are just some of the data points MNEs will be responsible for managing:

FINANCE & TAX



- Consolidated revenues
- Financial net income or loss
- Foreign currency exchange rates
- Net tangible assets
- Excluded dividends

CORPORATE & HR



- Corporate structure
- Ownership and control relationships
- Mergers and demergers
- Entity classification and attributes
- Joint ventures and joint venture subsidiaries

TAX



- Accrued current expense
- Above-the-line tax expenses
- Deferred tax
- Distribution taxes
- Recapture exception accruals

MISC.













- Pillar Two elections
- Location and purpose of intangible assets
- Pillar Two carryforwards
- Countries GloBE adoptions
- Intragroup finance arrangements

Where to begin?

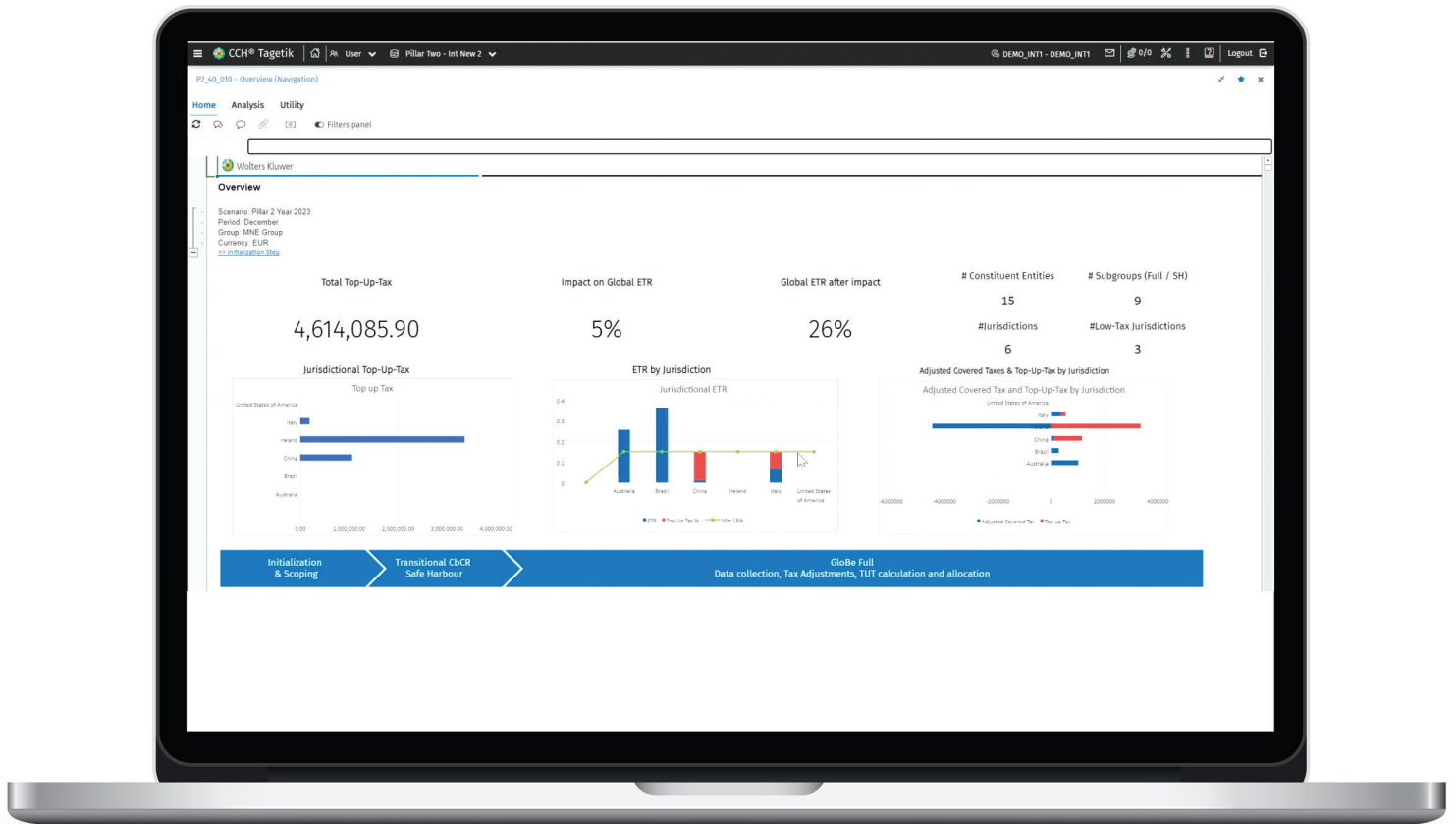
Collecting and normalising the data required to calculate BEPS Pillar Two liabilities will require a data management overhaul. And transforming your tax and consolidation processes will take time.

The first step to BEPS Pillar Two preparedness should be to run an impact assessment.

Consider the following questions:

- What entities in your business are subject to BEPS Pillar Two? 
- Are any jurisdictions eligible for [safe harbour](#) status? 
- How will you pull data in from multiple new sources? 
- Can your current systems accommodate new calculations on large data sets? 
- What governance measures will you need to implement to ensure data accuracy? 
- What are your “at-risk” jurisdictions for top-up tax? 
- What does your process and resourcing look like? 
- Will your process meet the standards of your auditors? 
- Can you easily adjust your processes to accommodate future BEPS Pillar Two updates? 
- Can your current technology support BEPS Pillar Two’s complex requirements? 





The solution: Trusted technology that allows you to meet the new requirements confidently

CCH® Tagetik’s Global Minimum Tax solution equips CFOs to navigate Pillar Two’s complex data challenges, new workflows, and tight deadlines.

Alongside collecting, aligning, calculating and reporting integrated finance and tax data, the solution also helps CFOs better understand how Pillar Two regulations will impact their business model and operations.

By directly connecting BEPS Pillar Two data with consolidation, our

solution harmonises the new tax process across local closing and group consolidation. With these processes fully aligned, you’ll meet BEPS Pillar Two reporting needs while being able to assess its material impacts.

[Ralf Gärtner, Senior Vice President and General Manager of Corporate Performance Solutions, Wolters Kluwer, said:](#)

“CFOs need to gain visibility into, connect and analyse enterprise-wide data in a way that helps them better manage complex global requirements related to OECD Pillar Two. Our CCH Tagetik Global Minimum Tax solution delivers on that need – and it’s the latest example of our commitment to creating user-friendly, advanced technologies that address the constantly evolving challenges faced by the Office of Finance.



The user-friendly [CCH Tagetik Global Minimum Tax](#) expert solution empowers multinational companies to:



Rapidly meet Pillar Two regulation requirements by collecting, aggregating, harmonising, and securely storing the new data sets required to perform complex calculations across local, group, finance, and tax consolidation. The solution also empowers users to map, efficiently manage, and align data in a way that supports Pillar Two requirements.



Manage the tax process end-to-end, reducing the burden that tax and finance teams face when reporting in accordance with the Pillar Two framework. The solution takes a top-down approach by connecting tax to consolidation, centralising enterprise data, and automating processes and calculations to facilitate the compliance process.



Guide their tax strategy, and understand the impact that Pillar Two will have on their business. Users can perform what-if analysis of how various business decisions will be impacted by the new tax model. CFOs can create more informed 3-to-5-year strategic plans that guide and optimise their corporate tax strategy to drive profitable growth.

The screenshot displays the CCH Tagetik software interface. The top navigation bar includes the CCH Tagetik logo, user information, and the current session name 'Pillar Two - Int New 2'. Below the navigation bar, there are tabs for 'Home', 'Analysis', and 'Utility'. The main content area shows a table titled 'C46 Transitional Safe Harbour' with columns for 'Transitional Safe Harbour', 'Net Globe Income', 'De Minimis Exclusion', 'Adjusted Covered Tax', 'Effective Tax Rate', and 'Top-Up Tax'. The table lists data for various countries and their subsidiaries, including MNE Group, Australia, Brazil, China, Ireland, and Italy.

	Transitional Safe Harbour	Net Globe Income	De Minimis Exclusion	Adjusted Covered Tax	Effective Tax Rate	Top-Up Tax
MNE Group	<input type="radio"/>	11,299,800.00	<input type="radio"/>	-2,690,000.00		>>
Australia	<input type="radio"/>	4,000,000.00	<input type="radio"/>	1,020,000.00	●	>>
Australia 001	<input checked="" type="radio"/>	3,000,000.00	<input checked="" type="radio"/>	900,000.00		>>
Australia 002	<input checked="" type="radio"/>	1,000,000.00	<input checked="" type="radio"/>	120,000.00		>>
Brazil	<input type="radio"/>	800,000.00	<input type="radio"/>	290,000.00	●	>>
Brazil 001	<input checked="" type="radio"/>	200,000.00	<input checked="" type="radio"/>	250,000.00		>>
Brazil 002	<input checked="" type="radio"/>	600,000.00	<input checked="" type="radio"/>	40,000.00		>>
China	<input type="radio"/>	10,000,000.00	<input type="radio"/>	100,000.00	●	>>
China 001	<input checked="" type="radio"/>	10,000,000.00	<input checked="" type="radio"/>	100,000.00		>>
China 002	<input checked="" type="radio"/>	0.00	<input checked="" type="radio"/>	0.00		>>
China 003	<input checked="" type="radio"/>	0.00	<input checked="" type="radio"/>	0.00		>>
China 004	<input checked="" type="radio"/>	0.00	<input checked="" type="radio"/>	0.00		>>
Ireland	<input type="radio"/>	-9,000,000.00	<input type="radio"/>	-4,450,000.00		>>
Ireland 001	<input checked="" type="radio"/>	-3,000,000.00	<input checked="" type="radio"/>	-2,000,000.00		>>
Ireland 002	<input checked="" type="radio"/>	-7,500,000.00	<input checked="" type="radio"/>	-3,000,000.00		>>
Ireland 003	<input checked="" type="radio"/>	1,500,000.00	<input checked="" type="radio"/>	550,000.00		>>
Italy	<input type="radio"/>	5,499,800.00	<input type="radio"/>	350,000.00	●	>>
Italia 001	<input checked="" type="radio"/>	999,800.00	<input checked="" type="radio"/>	50,000.00		>>
Italia 002	<input checked="" type="radio"/>	3,000,000.00	<input checked="" type="radio"/>	150,000.00		>>
Italia 003	<input checked="" type="radio"/>	1,500,000.00	<input checked="" type="radio"/>	150,000.00		>>

If you would like to chat to us about Pillar Two or view a demonstration of our **Global Minimum Tax** solution, get in touch today.



Get in Touch

About Wolters Kluwer

Wolters Kluwer (EURONEXT: WKL) is a global leader in professional information, software solutions, and services for the healthcare, tax and accounting, financial and corporate compliance, legal and regulatory, and corporate performance and ESG sectors. We help our customers make critical decisions every day by providing expert solutions that combine deep domain knowledge with specialized technology and services. Wolters Kluwer reported 2022 annual revenues of €5.5 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 20,000 people worldwide. The company is headquartered in Alphen aan den Rijn, the Netherlands.

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