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**Via email**

**RE: Simplifying Pillar Two Reporting & Compliance Obligations**

Dear Ms. Bonnet and Mr. Mitchell:

This letter presents opportunities to simplify the reporting and compliance obligations of the OECD's global anti-base erosion ("GloBE") minimum tax regime. Even taxpayers expecting to pay little or no top-up tax will bear significant costs to meet Pillar Two's reporting and compliance obligations due to the number of countries that have adopted Pillar Two. Many more countries are expected to do so before the first GloBE Information Return ("GIR") is due on 30 June 2026. With that due date fast approaching, Tax Executives Institute, Inc. ("TEI") welcomes the OECD's consideration of the simplifications discussed below.

**About TEI**

TEI was founded in 1944 to serve the needs of business tax professionals. Today, the organization has 56 chapters in North and South America, EMEA, and Asia. TEI, as the preeminent association of in-house tax professionals worldwide, has a significant interest in promoting sound tax policy, as well as the fair and efficient administration of the tax laws, at all levels of government. Our over 6,000 individual members represent over 2,800 of the leading companies in the world.<sup>1</sup>

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<sup>1</sup> TEI is organized under the Not-For-Profit Corporation Law of the State of New York. TEI is exempt from U.S. Federal Income Tax under section 501(c)(6) of the U.S. Internal Revenue Code of 1986.

## TEI Comments

TEI appreciates the OECD and Inclusive Framework's efforts to simplify the reporting and compliance burden associated with Pillar Two through the GIR, GIR XML Schema, and consideration of permanent safe harbors under Pillar Two.

Our prior letters highlighted the need for coordination on Pillar Two tax administration between and among tax authorities, including the need for coordination on information requests, tax return filings, payments of top-up taxes, refunds, and audits. While these may be local implementation matters, the OECD is uniquely positioned to facilitate conversations amongst Inclusive Framework members to produce template implementation frameworks on these topics. The OECD is also positioned to provide guidelines emphasizing standardization of registration and compliance requirements, including the timing thereof, across all countries. Even if the OECD's guidance on these topics is not binding, providing examples would help countries work through these complex issues, lead to more consistency between countries, and enable taxpayers to meet these new extraterritorial reporting obligations.

### Timing, Payments, Adjustments, and Refunds

It will be a significant challenge for governments and taxpayers to have their Pillar Two systems and processes ready by June 2026. The OECD should work with Inclusive Framework members to coordinate timelines for Pillar Two reporting and payments on or near the 30 June 2026 GIR due date. Adherence by countries to the GIR due date is extremely important. However, one jurisdiction has already proposed a qualified domestic minimum top-up tax ("QDMTT") return filing date in 2025. An earlier filing date in one jurisdiction accelerates taxpayers' implementation of their global Pillar Two reporting and compliance framework in all jurisdictions. Estimated payments and local country filings that take place before the GIR due date shortens the timeline for taxpayers with operations in such countries because Pillar Two calculations for one jurisdiction impact calculations for another jurisdiction.

A framework of suggested payment terms for the IIR/UTPR, and ideally for QDMTTs, will greatly reduce the administrative burden of complying with Pillar Two when adopted by multiple Inclusive Framework members. Most in-scope taxpayers have a significant number of Constituent Entities with complex financial relationships and will need to implement new processes to fund and remit top-up tax payments. To align payment of Pillar Two taxes with the computation of GloBE Income or Loss, we recommend a consistent deadline for all Pillar Two payments, including QDMTTs. Such a deadline should not be earlier than 60 days after the GIR filing date. We also recommend taxpayers be given the option to designate one entity to pay top-up tax on behalf of all a taxpayer's relevant entities, as is permitted for the QDMTT and UTPR. For all Pillar Two taxes, it would be even more helpful if any MNE group entity, regardless of jurisdiction, could pay the tax on

behalf of another group entity. This would reduce complications where local entities do not have sufficient cash on hand to pay top-up tax.

Since several jurisdictions may collect top-up tax for jurisdictions without a QDMTT under the IIR and UTPR, estimated Pillar Two tax payments should not be required until the GIR due date. Pillar Two is very formulaic, so whether top-up tax applies, its amount, and which jurisdiction(s) should receive the top-up tax may remain uncertain until a taxpayer closes its annual financial books and records.

Retrospective tax settlements or adjustments in one jurisdiction may impact the top-up tax computation for several other jurisdictions given IIR and UTPR mechanics. Where the MNE complied with all reporting obligations for the GIR in a specific year, it should not need to recompute its top-up tax for the prior year unless its top-up tax obligation for a specific jurisdiction changes significantly (e.g., top-up tax due for a jurisdiction increases by more than XX% or \$YMM, whichever is greater). An MNE should only need to recalculate a prior year's top-up tax once and should be able to utilize the GIR exchange processes with the relevant competent authorities to avoid multiple filings. For administrative simplicity, we recommend that top-up tax adjustments for open prior years should not become due until the due date of the GIR for the year in which an adjustment was finalized or a dispute is settled (e.g., if there are multiple settlements in 2026 for the 2024 period, any recalculation of 2024 top-up tax would be due at the same time as the 2026 GIR).

A refund mechanism for top-up tax overpayment is necessary to prevent double or multiple taxation under Pillar Two. The Pillar Two Model Rules provide that for adjustments decreasing a tax liability the taxpayer must redo Pillar Two computations for prior years. However, if the adjustment increases tax liability, the Model Rules provide that a taxpayer should include the adjustment in the same year as the financial accounts. Since the jurisdiction whose Pillar Two rules apply to local entities may change over time, either due to when laws are enacted or businesses restructure, double or multiple taxation is likely to occur without a strong refund mechanism in the jurisdiction where the taxpayer initially paid top-up tax.

#### Exchange of Information

Robust Pillar Two exchange of information agreements should be in place by the end of 2025, so taxpayers do not face compliance obligations in a significant number of jurisdictions given how many jurisdictions have enacted the Pillar Two rules. Ideally, the Inclusive Framework members, including jurisdictions who have implemented Pillar Two and those where a significant number of ultimate parent entities ("UPE") are located, should ratify a Qualifying Competent Authority Agreement before the end of 2025. This would streamline taxpayers' Pillar Two compliance obligations.

If tax authorities implemented automatic GIR data exchange it would significantly decrease taxpayer Pillar Two filings. Under automatic GIR data exchange, taxpayers would not need to inform local tax administrators of Designated Filing Entity's filing jurisdiction. This would in turn greatly reduce the burden on taxpayers as the preparation and review of each incremental filing can take more than one hundred work hours. The business community would welcome such an approach because it would foster interoperability and help to prevent disputes between tax authorities and taxpayers as well as among tax authorities. Such an approach could be modeled on the Country-by-Country XML system.

Finally, Pillar Two rules should be expanded to enable taxpayers to designate a secondary jurisdiction for information exchange. The secondary jurisdiction would be for those jurisdictions without an exchange of information agreement with the UPE or the Designated Filing Entity's jurisdiction. The recent work by the EU Commission to adopt a new proposal (DAC9) to assist companies with their filing obligations under the EU Pillar Two Directive is helpful for intra-EU reporting obligations. However, it does not address the need for exchange of information with countries outside the EU, which would be addressed by a secondary jurisdiction designation.

#### Template Pillar Two Registration Forms and QDMTT Return

Pillar Two template information reporting forms would increase information consistency among tax authorities and decrease Pillar Two reporting complexity for taxpayers. Inconsistency across reporting forms increases taxpayer Pillar Two development costs because more form iterations need to be programmed and reviewed. Slight deviations in registration requirements can add more than one hundred additional taxpayer work hours in each country. Factoring in the number of in-scope taxpayers and how many countries have enacted Pillar Two, the incremental cost savings of a coordinated reporting system would be substantial.

Taxpayers do not currently have a central reporting system to track the varied Pillar Two reporting requirements across jurisdictions. This leads to additional complexity and increases the risk that some requirements may be missed. The OECD can promote Pillar Two reporting consistency across jurisdictions by introducing a template registration form. The template form would be signed by the UPE or other Designated Filing Entity and exchanged between relevant jurisdictions (see Exchange of Information above). A template registration would ease the administrative burden for tax authorities who have not yet set up Pillar Two reporting. This would help ensure local implementation of Pillar Two reporting and the associated systems receiving the information are in place well in advance of the GIR's due date (ideally six months, but at least 90 days, in advance of the GIR deadline). This will also give tax authorities the time to test initial submissions and resolve issues prior to the GIR due date.

Having local country Pillar Two reporting and the GIR regime match without variances will benefit both tax authorities and taxpayers, even though QDMTTs are implemented as a domestic tax.

An optional template QDMTT return for jurisdictions implementing a QDMTT return separate from the GIR would greatly increase coordination of the global Pillar Two reporting infrastructure. The QDMTT's interactions with and implications for taxpayers' filings and payments in other jurisdictions mean that slight variations in QDMTT returns result in disproportionately more complexity for taxpayers filing Pillar Two information returns in multiple jurisdictions. Further, because QDMTTs should closely align with the Pillar Two Model Rules, there should not be any meaningful deviation from the GIR other than differing QDMTT accounting standards. A template QDMTT return in the same order and with consistent formatting as the GIR would provide an opportunity for greater consistency in the top-up tax computation, generating significant efficiencies for taxpayer reporting under Pillar Two.

TEI looks forward to the final GIR XML schema guidance. Having XML templates and schemas at least six months prior to the due date of the first associated Pillar Two filing is crucial for taxpayers to have sufficient time to appropriately map data, prepare internal systems, update applications, and further familiarize themselves with reporting requirements.

We believe the measures discussed above will facilitate smoother transitions to Pillar Two reporting, improve compliance, and reduce errors in initial filings.

#### Implementation of Pillar Two Administrative Guidance

The timely and consistent implementation of Pillar Two administrative guidance by Inclusive Framework members is essential to ensure the Pillar Two rules do not become fragmented. We greatly appreciate the multiple sets of guidance issued by the Inclusive Framework over the past several months to stabilize Pillar Two as well as the work by many countries to modify their Pillar Two enactments as quickly as possible to reflect the new guidance. We also recognize that some countries have constitutional restrictions on the implementation of rules with retroactive effect.

However, without consistent implementation of the most recent administrative guidance, different interpretations and administration of the Pillar Two rules, and therefore top-up tax calculations, will exist between jurisdictions. These deviations may be so significant that taxpayers may need to maintain multiple versions of financial statements for Pillar Two purposes and run several different GloBE Income or Loss computations. Additional versions of financial statements are extremely costly, requiring the development and maintenance of additional data warehouses, as well as incremental controls and review by tax and accounting. One way to mitigate such fragmentation is for the OECD to work with the Inclusive Framework to specify in future administrative guidelines when a provision should be considered a clarification of existing rules and not result in different GloBE Income or Loss computations between jurisdictions. We recommend the OECD publish an administrative guidance status tracker for each jurisdiction that has enacted Pillar Two. This would ensure a consistent source of what version of the rules have taken effect in each jurisdiction.

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TEI appreciates the opportunity to provide input on potential simplifications to Pillar Two's reporting and compliance obligations. Should you have any questions regarding TEI's comments, please do not hesitate to contact Benjamin Shreck of TEI's legal staff at [bshreck@tei.org](mailto:bshreck@tei.org) or +1 202 464 8353.

Respectfully submitted,

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