

Global Minimum Tax: Pillarious but not Funny

3 November 2025



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Introduction I What has been agreed by the G7?

- On 26 June 2025, U.S. Treasury announced an agreement with the other G7 countries regarding the application of the OECD Pillar Two rules to U.S.-parented multinational enterprises (**U.S. MNEs**).
- The G7 published a statement on 28 June 2025 that outlines the guiding principles of that agreement.
- According to the G7 statement, the G7 has agreed on a “side-by-side system” (i.e., Pillar Two and the U.S. tax system operating in parallel), which would result in a full exclusion of U.S. MNEs from both the Income Inclusion Rule (**IIR**) and Undertaxed Profits Rule (**UTPR**).
- This announcement marks a significant step forward in the U.S. push against the Pillar Two rules. In response to this agreement, the U.S. Senate has removed the proposed Section 899 – a retaliatory measure – from the “*One Big Beautiful Bill Act*”.



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Recent developments | G7 agreement on Pillar Two and Section 899

- Key elements of the G7 statement:

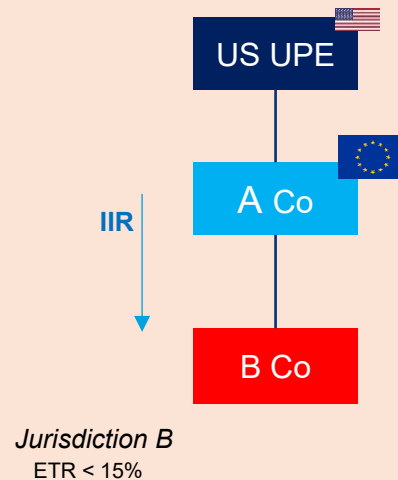
1. A “side-by-side system” (i.e., Pillar Two and the U.S. tax system operating in parallel) that provides for a full exclusion from IIR and UTPR for U.S. MNEs, covering both domestic and foreign profits.
2. A commitment to address substantial risks of the level playing field being distorted and of base-erosion and profit-shifting, to preserve the common policy intention of the “side-by-side system” (**SbS**).
3. Work to materially simplify the Pillar Two administration and compliance.
4. Upcoming changes to the treatment of substance-based non-refundable tax credits under Pillar Two.



Before G7 agreement | Quick recap of the Pillar Two impact on US MNEs

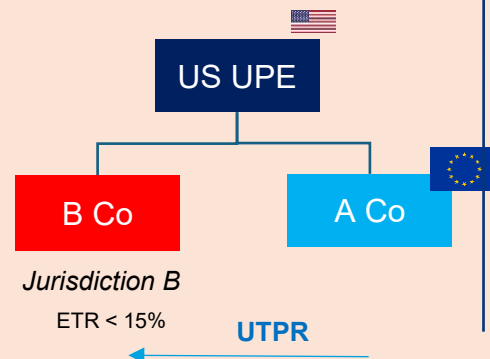
Scenario 1 – Income inclusion rule (IIR)

- Top-down taxation
- Applies as from **2024**



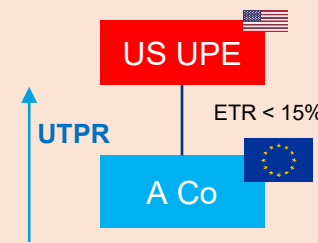
Scenario 2 – Undertaxed Profits Rule (UTPR): taxing profits of sister companies

- Taxation sideways
- UTPR allocation key (total employees + tangible assets)
- Applies as from **2025**



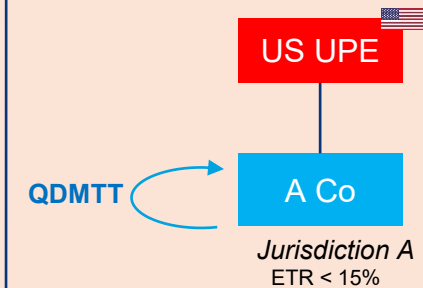
Scenario 3 – UTPR taxing profits of US parent company

- Bottom-up taxation
- Compatible under tax treaty?
- Applies as from **2026** (once temporary UTPR Safe Harbor expires)



Scenario 4 – QDMTT taxing profits of company in Pillar Two jurisdiction

- Taxation in country of residence
- Applies as from **2024**





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Before G7 agreement | Quick recap of the Pillar Two impact on US MNEs

- US corporate alternative minimum tax (CAMT) is no QDMTT.
- US GILTI is no IIR.

U.S. is therefore a country without eligible rules under OECD standards and other countries can levy Top-up Tax on low-taxed profits of U.S. MNEs.



Background I Recap of situation before G7 agreement

Initial steps taken after OECD deal on Two Pillar solution

- U.S. supported OECD deal on Two Pillar solution in 2021 - the Biden administration tried to align-GILTI with Pillar Two in the Build Back Better Act.
- However, this proposal stranded in the Senate and no measures were passed to implement the Pillar Two rules.
- As the U.S. does not have Pillar Two rules, two temporary measures were taken by the OECD to reduce the impact on U.S. MNEs:

What?	How?	Permanent relief?
Blended CFC Regime Rules	Allocation of GILTI to low-taxed jurisdictions, reducing IIR and UTPR exposure for U.S. subsidiaries	No – only for FYs starting on or before 31 December 2025
UTPR Safe Harbour	Exempts UPE jurisdiction from UTPR if the UPE is subject to nominal rate of at least 20%	No – only for FYs starting on or before 31 December 2025



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After G7 agreement | Internal OECD/IF discussion paper

- The agreement has been made at G7 level, but the Pillar Two project was negotiated and agreed upon within the G20/Inclusive Framework – the OECD/Inclusive Framework will first need to translate the agreement into new guidance before it has effect on the Pillar Two rules.
- OECD/IF discussions are still taking place, focusing on a potential SbS system. Leaked OECD/IF discussion paper.

Operation of the SbS System

- MNE groups would not be subject to IIR/UTPR if the UPE is located in a jurisdiction with an “Eligible SbS Regime”
- QDMTTs would remain unaffected and continue to apply, even to U.S.-headquartered MNEs.
- It is also being considered whether the exclusion from IIR/UTPR should apply only when the UPE is subject to an Eligible SbS Regime, or also when other group entities (e.g., Intermediate Parent Entities) are subject to such a regime.



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After G7 agreement | Internal OECD/IF discussion paper

Eligibility criteria

- The OECD/IF appears to be considering general criteria for determining whether a jurisdiction qualifies as an Eligible SbS Regime, rather than limiting the exclusion solely to the U.S. Based on the G7 statement, the U.S. would likely meet these criteria, which include:
 - Taxation of Constituent Entities on a comprehensive income base, regardless of source;
 - Taxation of UPEs on their share of CFC income at an agreed rate;
 - Provision of foreign tax credits or equivalent relief for QDMTTs.

Implementation Mechanism

- Three potential implementation routes are being considered for the SbS.
 - Introducing the SbS Regime via a Safe Harbour looks currently the most likely path forward.
 - What about the EU Pillar Two Directive?



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EU Pillar Two Directive

Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union

An EU Directive is:

- one of three forms of binding European legislation, along with Regulations and Decisions
- binding on EU Member States “as to the result achieved” (Article 288 Treaty on the Functioning of the European Union (TFEU))
- must be implemented by EU Member States into domestic legislation

How will the G7 agreement be adopted within the EU?

- Expiry of US safe harbour fast approaching on 1 January 2026
- Article 32 of the EU Pillar Two Directive – “dynamic link with the OECD-agreed safe harbours”
- In the meantime, use of the principle of “direct effect” to “park” the implementation?



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After G7 agreement | Our views

- While the G7 statement is a major step toward easing GloBE's impact on U.S. MNEs, key technical and policy issues remain unresolved, requiring further negotiations before any legislative change. So legal certainty is still missing.
- At least 28 countries have voiced concerns that a U.S. exclusion could create a competitive disadvantage for their own MNEs. This suggests that turning the G7 statement into law will be more complex than expected.
- US mid-term elections on 4 November 2025
- As the current GloBE framework remains in force, U.S.-parented MNEs should continue preparing for compliance and expect auditors to require proper disclosure of the expected GloBE impact.
- MNEs would still be required to file the GloBE Information Return, albeit with simplified disclosures to demonstrate that IIR and UTPR no longer apply.



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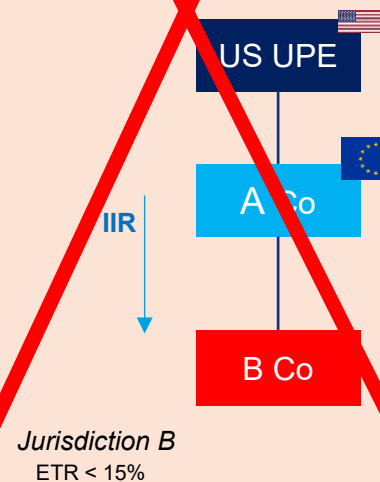


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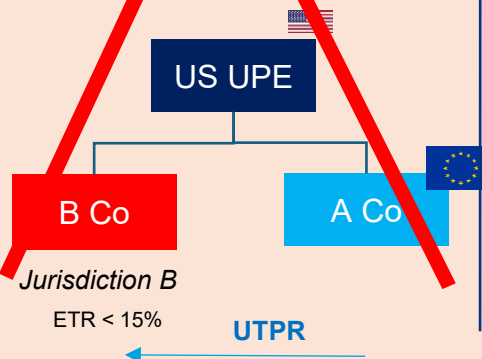
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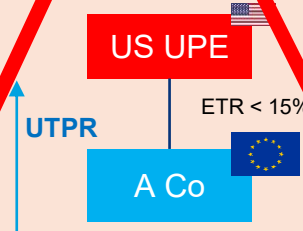
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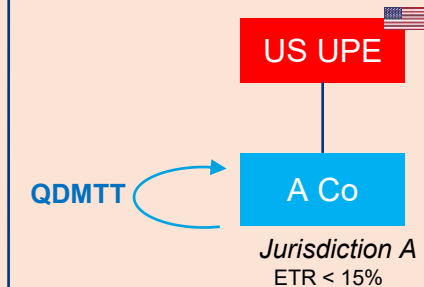
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Scenario 4 – QDMTT taxing profits of company in Pillar Two jurisdiction

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Based on G7 statement, it appears only Scenario 4 remains applicable for U.S.-parented MNEs.



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Timeline: Ireland and the EU

Date	Development
January 2016	OECD/G20 establish Inclusive Framework on BEPS
July 2021	Agreement by 130 countries (not Ireland) on “Two-Pillar Solution”
October 2021	Ireland joins agreement on “Two-Pillar Solution”
December 2021	OECD publishes Global Anti-Base Erosion (“ GloBE ”) Model Rules
December 2022	Agreement on EU Minimum Tax Directive
July 2023	Inclusive Framework approves UTPR transitional safe harbour
December 2023	IIR and QDMTT in effect in EU (including Ireland)
May 2024	Irish Revenue publishes guidance on Pillar Two
December 2024	UTPR in effect in EU (including Ireland)
June 2025	G7 agreement on “side by side” system with US



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Ireland's Evolving Position on Pillar Two

The context: agreement in 1997 to introduce a uniform rate of 12.5% for all companies – "the 12.5% corporation rate is a cornerstone of Irish industrial policy"

- *"I have consistently spoken of my desire for a comprehensive, sustainable and equitable agreement on the international tax rules at the OECD that meet the needs of all countries, large and small, developed and developing. **I was not in a position to join the consensus on the agreement and specifically a global minimum effective tax rate of 'at least 15%' today.** I have expressed Ireland's reservation, but remain committed to the process and aim to find an outcome that Ireland can yet support. Ireland will continue to play our part in reaching a comprehensive and, indeed, historic agreement."* (Minister for Finance Paschal Donohoe, July 2021)
- *"The decision to join this global agreement was not taken lightly. Ultimately, it is our assessment that the positive effects will be greater than the challenges, as the agreement has the potential to bring much-needed stability to the international tax framework after the turbulence and uncertainty of recent years, safeguarding our future competitiveness by providing a sound and stable basis for inward investment into Ireland in the long-term."* (Minister for Finance Michael McGrath, December 2023)
- *"In recent months, we have seen volatility in our corporate tax receipts. We know overreliance is a risk. In addition, international tax negotiations to design a system that achieves a fair and balanced approach to Global Minimum Taxation, and that accommodates the US tax system, while maintaining a level playing field for all, are still ongoing. There is still considerable uncertainty."* (Minister for Finance Paschal Donohoe, Budget Speech, October 2025)

LATAM and Implementation of the Pillar 2

- The number of multinational groups headquartered in LATAM countries is quite small in comparison to the US, Canada, Europe, China and Japan
- Use of IIR would probably not generate significant income to LATAM governments
 - On the contrary – replacing rules to tax foreign profits – CFC or not – by IIR with a top-up of 15%, and not the current Corporate Income Tax (CIT) rates, could reduce tax revenues

Some of CIT rates in LATAM



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LATAM and Implementation of the Pillar 2

None of the LATAM countries has implemented Pillar 2 in full yet



- Brazil has implemented QDMTT
 - Implementation through additional charge of Social Contribution on Net Profits (**CSLL**), recognized by the OECD as meeting QDMTT safe harbor criteria in August 2025
- Brazil has also announced that there may be the implementation of IIR with review of General CFC rules, which has not happened until now
- No interest in implementing UTPR



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LATAM and Implementation of the Pillar 2

- Uruguay has presented to the Congress a law project to implement QDMTT
 - No plans for the time being to implement IIR or UTPR
- Colombia has implemented 15% minimum ETR that serves as a kind of QDMTT, but without exactly following the OECD model rules
 - *The Colombian Executive Branch enacted Law 2277 on 13 December 2022, which becomes effective 1 January 2023. The law includes a tax reform and, among other measures, a 15% minimum ETR that applies to Colombian resident corporations (with a few industry-specific exceptions) was introduced. This new requirement reflects the rate proposed by the OECD's Pillar Two initiative, but when viewed in conjunction with other Tax Reform Law changes appears to have different and, sometimes, broader goals.*



<https://www.pwc.com/gx/en/services/tax/pillar-two-readiness/country-tracker.html>



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LATAM and Implementation of the Pillar 2

- For the future, it is unlikely that LATAM countries will implement Pillar 2 in full
- Adoption of defensive measures
 - It is likely that other LATAM countries implement QDMTT to avoid losing tax revenues to EU and other countries that may have implemented IIR/UTPR
- With QDMTT, the objective of Pillar 2 of assuring a minimum taxation of 15% would have been fulfilled anyway, even without implementation of IIR/UTPR



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Canada Timeline

Date	Development
June 20, 2024	Global Minimum Tax Act (“GMTA”) received Royal Assent • Only the IIR and QDMTT are enacted • Applies to taxation years beginning on or after December 31, 2023 • Generally follows the GloBE model rules and AGs issued before 2024
August 12, 2024	Draft legislation released to implement the UTPR, the transitional UTPR safe harbour and certain elements of the fourth AG. • August 12, 2024 proposals not yet enacted • Unclear whether Canada intends to proceed with the UTPR



Canada Timeline (cont.)

Date	Development
June 28, 2025	G7, comprising Canada, France, Germany, Italy, Japan, the U.K and the U.S, released a statement which outlines a shared understanding of a “side-by-side” solution to US concerns on Pillar 2 Expressed understanding that US parented groups would be exempted from IIR and UTPR in foreign jurisdictions in connection with US and foreign profits, but implementation details remain unknown
June 29, 2025	Canada rescinds digital services tax to advance broader trade negotiations with the United States
August 15, 2025	Draft legislation released to amend the GMTA and the Income Tax Act (Canada) (“ITA”) - Technical updates to the GMTA to align with AGs released since introduction of GMTA - Proposed amendments to the GMTA apply retroactively to taxation years beginning on or after December 31, 2023 - Proposed amendments to ITA to coordinate with the GMTA effective as of August 15, 2025



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August 15, 2025 Draft Legislation - Proposed Amendments to the GMTA

- **New “private investment entity” and de-consolidation rules**
 - Explanatory notes indicated new rules intended to “address potentially negative compliance and tax outcomes under the [GMTA]” where a private investment entity controls a publicly listed Canadian corporation but prepares only unconsolidated financial statements under accounting standards for private enterprises (ASPE)
- **Clarifications to Articles 9.1.1. and 9.1.2. of the GloBE Model Rules outlined in the January 2025 AG**
 - Amended rules for the treatment of deferred tax assets and liabilities for purposes of transitioning to Pillar Two, including exclusions for certain deferred tax assets arising from post-November 30, 2021, transactions, governmental arrangements or retroactive elections
- **Various other amendments to reflect AGs**
- **Retroactive application of amendments to taxation years beginning on or after December 31, 2023**



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August 15, 2025 Draft Legislation – Proposed Amendments to the ITA

- Recognition of DMTT relating to Foreign Accrual Property Income as “foreign accrual tax”
- Inclusion of DMTT as business income tax or non-business income tax for purposes of claiming foreign tax credit
- Amendments to surplus account calculation rules to take into account DMTT
- Effective as of August 15, 2025 - No retroactive application to earlier date when DMTT could apply



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Swiss Corporate Income Tax landscape		Impact of OECD P2
CIT rates	Between 11.8% and 20.5% depending on the canton; average about 15%	DTT 15%; Swiss statutory accounting rules no acceptable financial accounting standard (only Swiss GAAP FER is)
CFC rules	Not applicable	IIR
Foreign PE	Unilateral exemption irrespective of DTT	IIR
Abolishment of the mixed company tax privileges	5-10-year step-up (DTA) or reduced CIT rate (no DTA)	Jan. 15, 2025 Admin. Guidance: Limitation of use of tax credits and DTAs attributable to governmental arrangements or retroactive elections after Nov. 30, 2021 (extension of Art. 9.1.2 GloBE MR)
Tax holidays	Several cantons for creating jobs	
Patent box and R&D deductions	R&D in Switzerland	DTT 15%
Immigration step-up	IP and goodwill (up to the FMV)	Section 9.1.3 GloBE MR (retroactive as of Nov. 30, 2021) for asset transfers and Feb. 2023 Admin. Guidance for relocation
Anti-hybrid rules	Not applicable (i.e. interest deductions do not need to lead to a taxable income in other jurisdiction)	Dec. 18, 2023 Admin. Guidance, Chapter 2.6., hybrid arbitrage arrangements within the transitional CbCR safe harbour entered into after Dec. 15, 2022 (or Dec. 18, 2023?)



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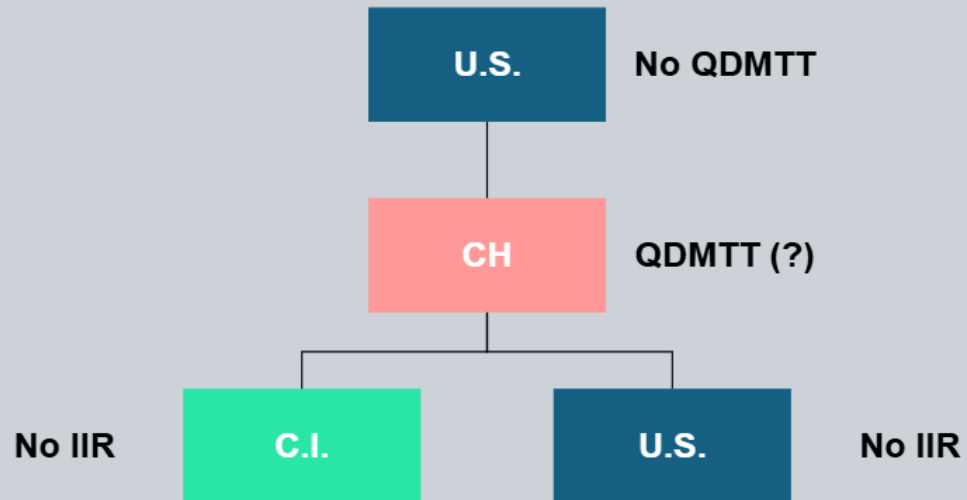
Implementation of P2 in Switzerland => tax policy goal: Q status		Reaction OECD
DTT	As of 2024	Q
IIR	As of 2025	Q
UTPR	Not applicable (yet?).	tbd
Cantons		Reaction OECD
CIT	Schaffhausen increased CIT rate to 15% (possibly also Basel)	No reaction
Incentives	- Several cantons in legislation (Basel, Grisons, Lucerne, Zug) - Basel: Incentives for personnel expenses in R&D, depreciation of IP created in Basel and expenses for clinical studies (tbd governmental grant or QRTC)	tbd
Tax rulings	Tax credits (NRTCs) and DTAs for abolishment of tax holidays and reduced CIT ➤ <i>Federal Gov. forbids the cantons to grant any further tax rulings on P2</i>	Jan. 15, 2025 Admin. Guidance (Limitation of use of DTAs built as of Nov. 30, 2021)
Reaction to OECD Administrative Guidances		Reaction OECD
Retroactivity	- Federal Finance Department official statement: No retroactive application of December 18, 2023 Admin. Guidance (hybrid arbitrage agreements) - Motion in Federal Parliament not to retroactively apply the January 15, 2025 Admin. Guidance (Limitation of use of DTAs)	? Switch-over rule Art. 9.1 GloBE MR or loss of Q status?



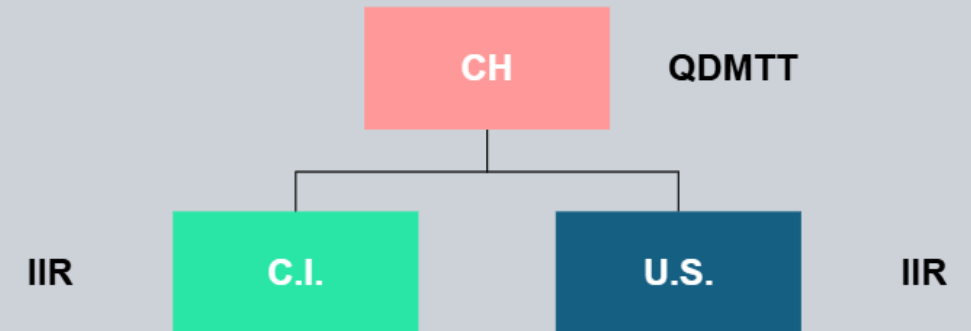
Political and legal questions in Switzerland

- Swiss position on the “**side-by-side**”: No official statement, yet. Presumably supportive

U.S. Parented Group



Swiss Parented Group



- Debate on P2 and “side-by-side”:
 - Constitutionality? E.g. legal basis, equal treatment of taxpayers, retroactivity
 - ETR of multinationals based in the U.S., the EU and Switzerland...



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The UK's position on the “side-by-side”

- UK is supportive of the “side-by-side” system; particular focus on maintaining relationship with US.
- Proposal pitched as providing “certainty and stability”, allowing talks with US to continue without the backdrop of retaliatory measures (HMRC press release, 28 June 2025).
- Tim Power (Deputy Director for Business and International Tax, HM Treasury) co-chairs the IF; UK heavily involved in negotiating the deal. Power reportedly “optimistic” that an IF agreement on a side-by-side system and a permanent simplified ETR safe harbour can be reached “in the coming months”.
- UK has continuously engaged with the Pillar Two rules, having implemented both the IIR (Dec 31, 2023) and the UTPR (Dec 31, 2024) by way of a “multinational top-up tax” (“**MTT**”), also introduced a domestic top-up tax (i.e., the UK’s “**QDMTT**”).
- HMRC guidance (August 2025) on MTT and QDMTT following more than two years of consultations.
- UK recently adopted the OECD’s Central Record of Legislation with Transitional Qualified Status, also signatory to the Multilateral Competent Authority Agreement on the Exchange of GloBE information (GIR MCAA) under Pillar Two.



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Some issues from a UK perspective

- Balancing US relationship **vs** protecting Pillar 2 architecture **vs** preventing UK base erosion by US groups
- Ongoing ETR safe harbour and “Amsterdam Dialogue” discussions
- Monitoring/mirroring EU approach
- Legislative amendments – switch off IIR/UTPR but preserve QDMTT
- Treatment of non-refundable, expenditure-linked tax credits
- Treatment of UK/US JVs
- Objective eligibility criteria/safeguards for “side-by-side”
- Interaction with DPT, DST, and Pillar I?



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An Offshore Perspective on Pillar Two

- The offshore countries that are in Pillar Two versus those that are not
- Jersey:
 - Has implemented IIR
 - Has implemented a multinational corporate income tax (“MCIT”)
 - MCIT is modelled on the QDMTT but allows a partial credit for US GILTI and CFC tax
- Bermuda has enacted a 15% corporate income tax
- The Cayman Islands has not implemented Pillar Two



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The Belgian UTPR case

- Case initiated by the American Free Enterprise Chamber of Commerce
- The plaintiff claims that the UTPR violates the Belgian Constitution, the European Convention of Human Rights and the Charter of Fundamental Rights of the European Union.
- Case argues that the Belgian UTPR rules place a disproportionate burden on Belgian entities of an MNE and should be annulled
 - Central concern: Can a company be taxed under the UTPR on foreign profits, regardless of its own financial capacity?
- On 17 July 2025, the Belgian Constitutional Court referred a preliminary question to the Court of Justice of the European Union (CJEU)
- Arguments based on several fundamental rights in the Treaty on the Functioning of the European Union and the Charter of Fundamental Rights of the European Union. The Court referred four questions to the Court of Justice of the European Union (CJEU), asking whether the UTPR violates:
 - The right to property;
 - The freedom to conduct a business;
 - The principle of equal treatment;
 - The principle of fiscal territoriality.
- Next steps and timing



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OECD Administrative Guidance and retroactive effect?

- OECD would like its OECD Administrative Guidance on Pillar 2 to apply with retroactive effect as per January 1, 2024
- How do countries deal with this?

Netherlands

- OECD Commentary or further regulations in the form of administrative guidance on the GloBE Model Rules, do **not** have direct effect in the Dutch legal order insofar such further guidance does not just provide clarifications but in fact provides new guidance focused on certain abusive situations.
- Parliamentary history states that retroactive effect is only justified to the extent that no negative consequences occur for taxpayers. This is relevant for among others:
 - OECD 2023 December Administrative Guidance related to Hybrid Arbitrage Arrangements for Dutch Transitional CbCR Safe Harbour purposes
 - OECD 2025 January Administrative Guidance related to step-up transactions
 - How does this interact with other countries?



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Examples of P2-related provisions and issues we are seeing in transactions

- M&A. Indemnities for ongoing P2 liabilities of seller group (including secondary liabilities which could be attributed to buyer group post-completion), specific filing and compliance obligations, impact on due diligence (e.g., ETR), settlement of IC loans (i.e., debt release issues when tax and accounting diverge), ETR-based purchase price/escrow mechanics.
- SHAs and JVAs. Identification of UPE, reimbursement for top-up tax out of group, anti-consolidation protections for minority investors.
- Funds and trusts. Identification of UPE under the fund, consolidation issues in trust/partnership structures, P2 tax disclosures or provisions in PPM/Offering Memorandum/Subscription Agreement, explicit protections in LPA/side letter against allocation of P2 taxes down the fund structure.
- Securitisation. Orphan vehicles and consolidation risk, availability of exemption (e.g., to allow tax-neutrality), interest rate and cross-currency swaps (volatile year-by-year accounting profit), etc.
- Insurance. Specific tax risk insurance for P2 exposure still rare/expensive.



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- **Concluding remarks**
- **Crystal ball**
- **Questions?**