



BEPS Pillar Two and the Global Minimum Tax for Asia Pacific Businesses

WEBINAR – May 25, 2022

wts global

WTS Global at a glance



Founded in 2003 by WTS Germany



Locally rooted - Globally connected:

Present in more than 100 countries with more than 3,500 tax professionals



Tax-focused:

Coverage of the entire range of tax advisory services



Independent & free of conflict:

No audit



Quality assurance:

Stringent quality reviews



Diverse customer base:

From multinationals to private clients



Central management & coordination:

Centrally managed global tax practice

Strong local presence on all continents

Our network firms include (amongst others)



Panelists



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Agenda

1 Introduction

2 Pillar Two – Overview of the new regulations

3 Asia Pacific

4 Pillar Two – Digital Solutions – AMANA GTC/SAP PaPM

5 Wrap-up and Q&A



Welcome & Introduction – Wim Wuyts

***The international tax world will be fair,
sustainable and digital or not***

Pillar Two driving it!

Pillar Two & WTS Global: ahead of the curve





Pillar Two – Overview of the new regulations
Lars Behrendt and Koen Morbée

Pillar Two: Mechanisms to achieve global minimum taxation

Four rules as a mechanism

Undertaxed payments rule (UTPR):

- » Subordinate to IIR,
- » Intended to cover cases where there is no IIR or insufficient IIR.

Income inclusion rule (IIR):

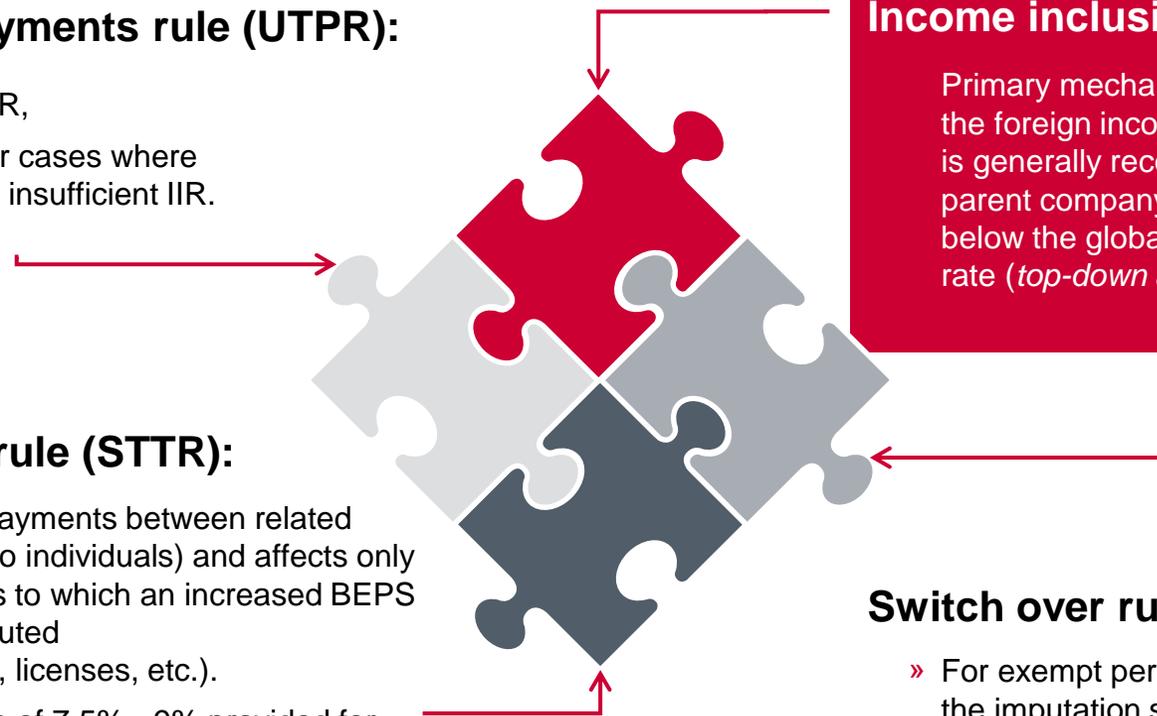
Primary mechanism, similar to CFC taxation, the foreign income of a subsidiary corporation is generally recognized in the state of the parent company if the effective tax rate is below the globally determined minimum tax rate (*top-down approach*).

Subject to tax rule (STTR):

- » Applies only to payments between related companies (not to individuals) and affects only certain payments to which an increased BEPS risk can be attributed (such as interest, licenses, etc.).
- » Minimum tax rate of 7.5% - 9% provided for.
- » Double Tax Regulation regulation foreseen.

Switch over rule (SOR):

- » For exempt permanent establishment profits, the imputation system should apply, but only to the extent of ensuring minimum taxation.
- » Not mentioned in current draft rules.



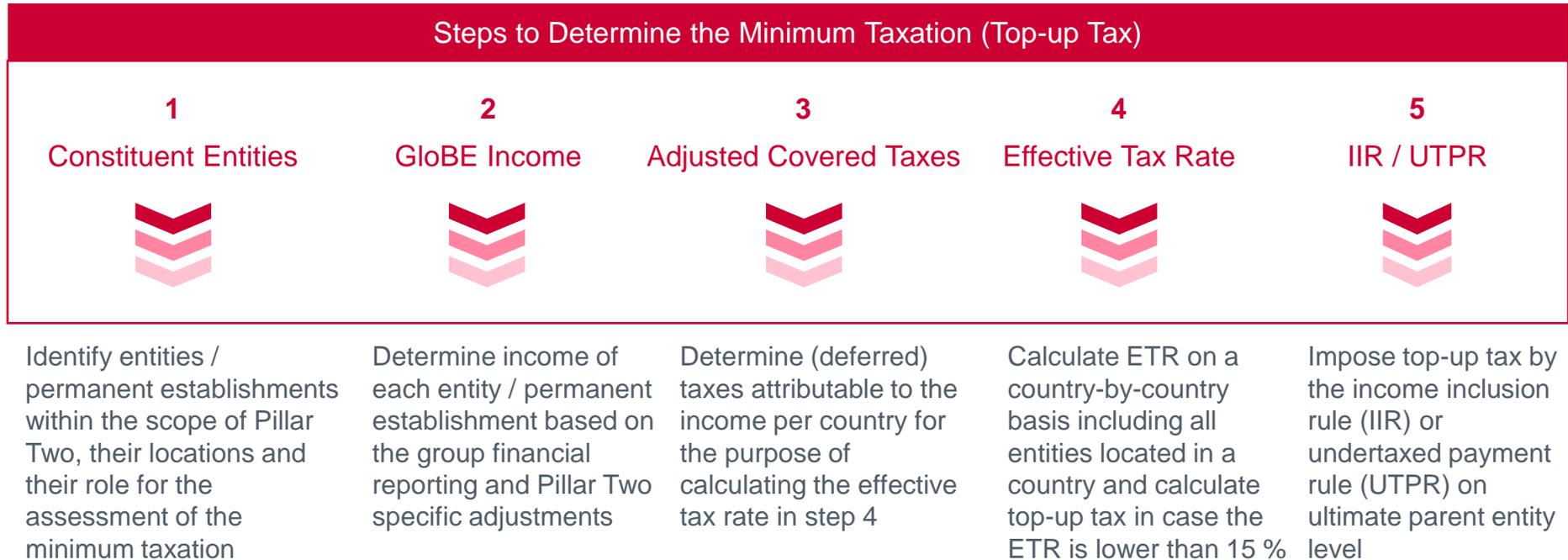
Introduction of a global minimum tax (“Pillar Two”) of 15%

What is Pillar Two?

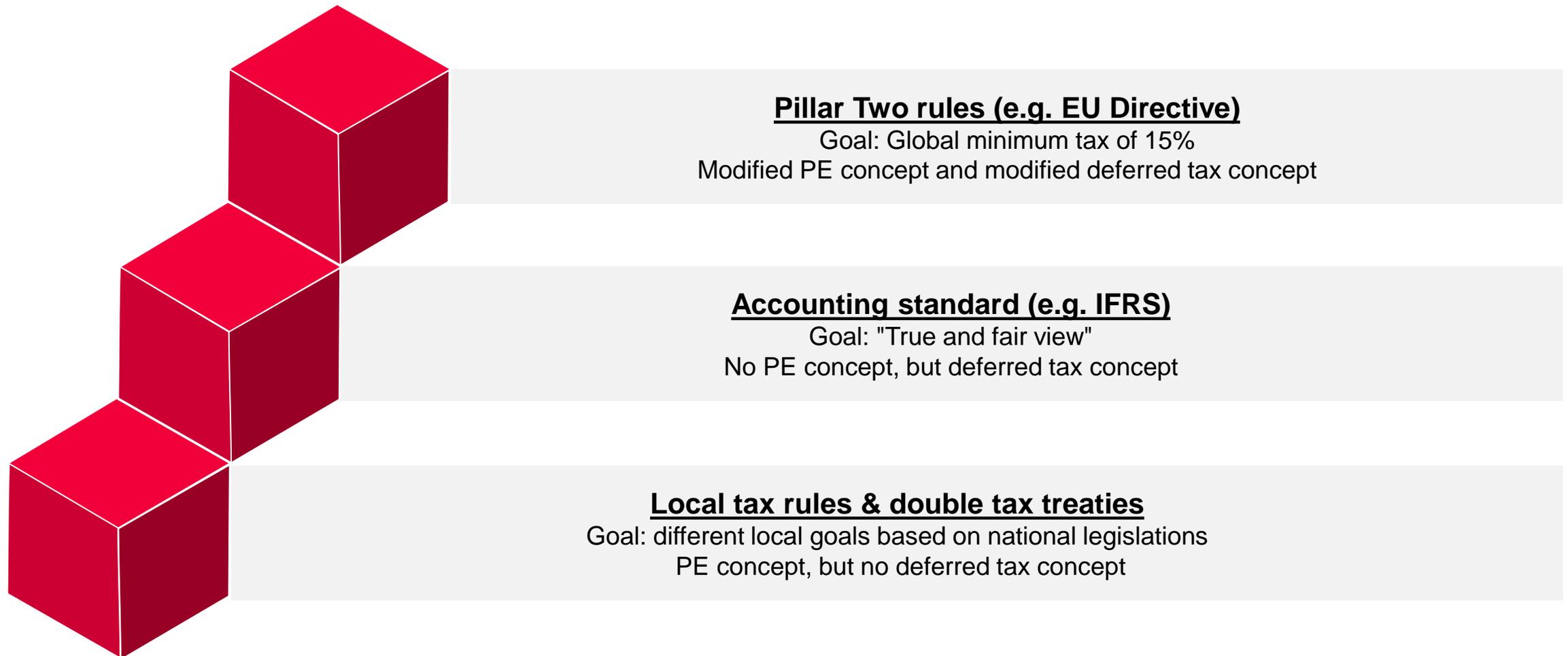
An international coordinated system of taxation intended to ensure large multi-national enterprise (MNE) groups to pay a minimum level of tax on the income arising in each of the jurisdictions where they operate

15%
minimum
tax rate

Steps to Determine the Minimum Taxation (Top-up Tax)



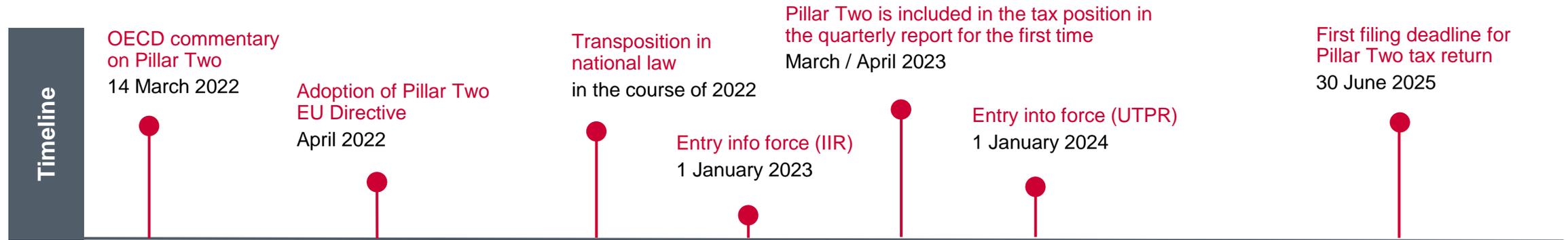
Pillar Two – The best of three worlds?



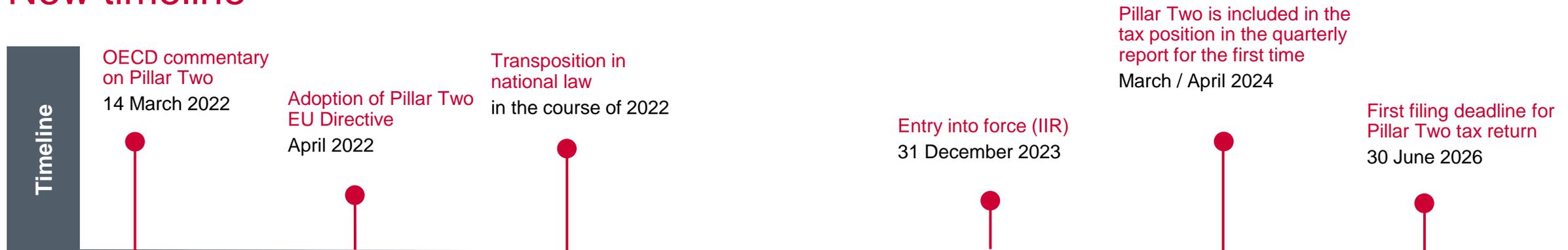
The three-tier system of Pillar Two causes considerable problems of interpretation and challenges for the actual implementation.

Introduction of a global minimum tax (“Pillar Two”) of 15%

Old timeline



New timeline



Pillar Two - Step 1 of GloBE Tax Calculation – Scope of MNE Group

» Step 1 - Constituent Entities

» Summary

MNE Groups are in scope of the GloBE rules if their consolidated revenue exceeds EUR 750m.

The Constituent Entities of an MNE Group include all the entities within the Group with any permanent establishment of a group entity being treated as a separate Constituent Entity. Excluded entities are, however, not within scope and excluded from the operation of the GloBE rules.

The location of each Constituent Entity is determined based on its local tax treatment.



Step 1

- » Identify MNE Groups within scope



Step 2

- » Identify Constituent Entities



Step 3

- » Remove any Excluded Entities



Step 4

- » Identify location of each Constituent Entity

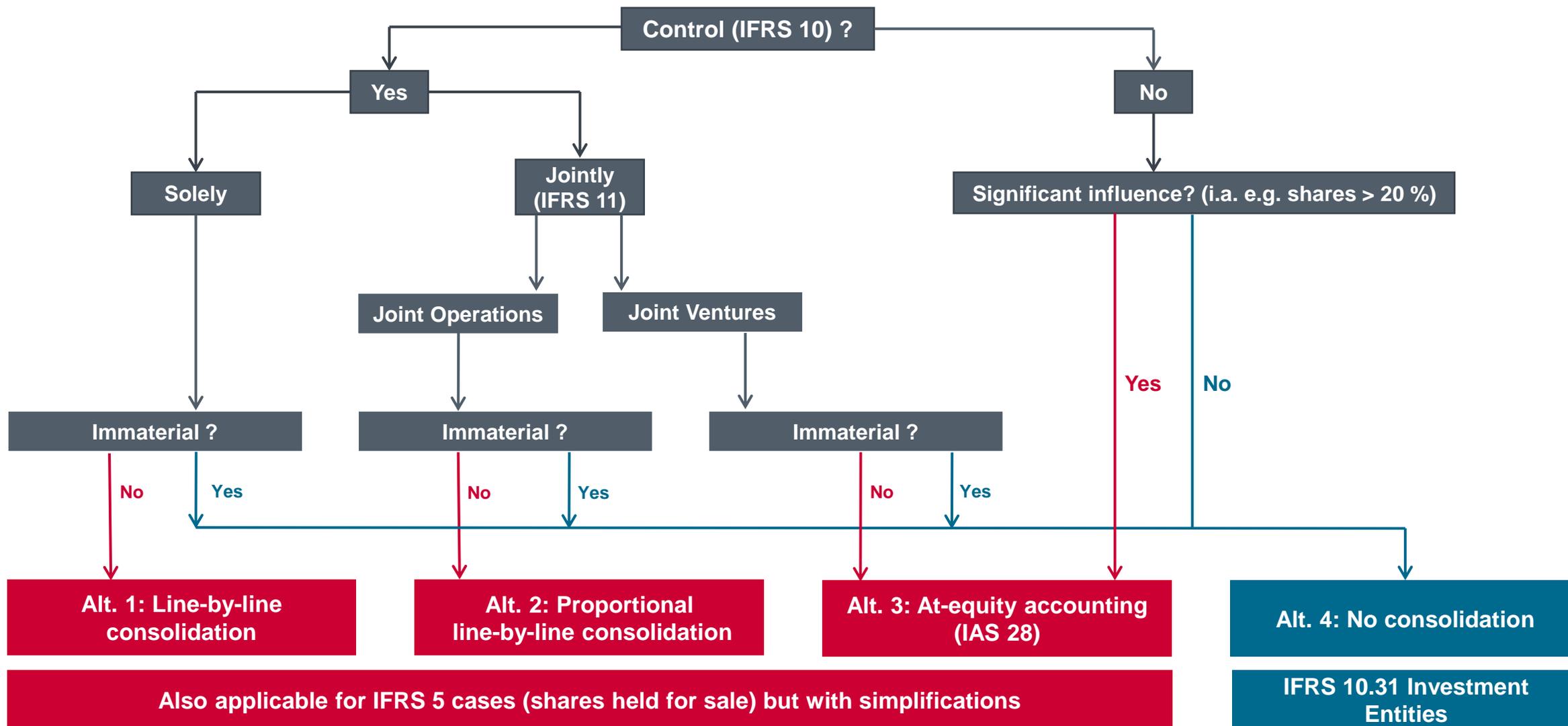


Selected highlights

- » Threshold of EUR 750 million (potentially lower thresholds in certain countries)
- » Extension to Large Scale Domestic Groups
- » Permanent establishments treated as separate entities
- » Relief based on simplification options / safe havens?

Source: "Fact Sheets" of the OECD/G20 BEPS Project "Addressing the tax challenges arising from the digitalisation of the economy" dated December 2021

IFRS Consolidation Principles (simplified illustration)



Pillar Two Consolidation / Jurisdictional Blending Principles (simplified illustration)

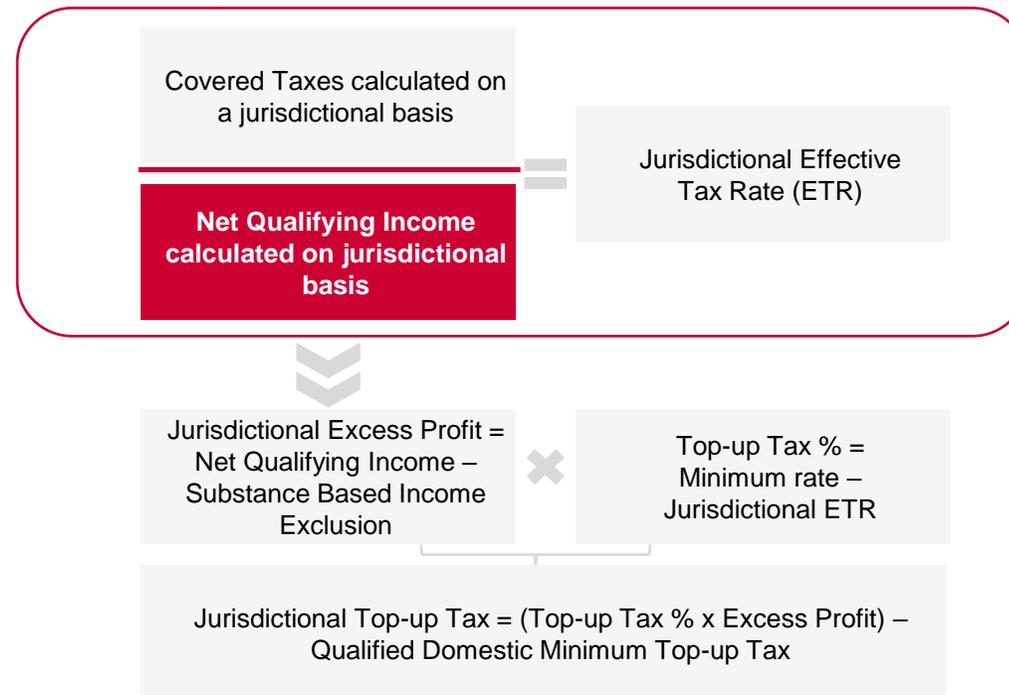
	Alt. 1: Line-by-line consolidation	Alt. 2: Proportional line-by-line consolidation	Alt. 3: At-equity accounting	Alt. 4: No consolidation
Pillar Two – Basic principles (for treatment as constituent entity of a MNE Group and jurisdictional blending)	Controlled Entities (according to IFRS) » Constituent Entities?: Yes » Jurisdictional Blending?: Yes <i>(with 100% of income and taxes)</i>	Jointly Controlled Entities (according to IFRS) » Constituent Entities?: Yes » Jurisdictional Blending?: Yes <i>(but only with proportional income and taxes)</i>	Non-controlled entities (according to IFRS): » Constituent Entities?: No » Jurisdictional Blending?: No	
Pillar Two – Exceptions (for treatment as constituent entity of a MNE Group and jurisdictional blending)	Minority-Owned Constituent Entity: » Constituent Entity?: Yes » Jurisdictional Blending?: Separately for Minority-Owned Entities Opaque investment entities for which no election in the sense of Article 40 or 41 is made: » Constituent Entity?: Yes » Jurisdictional Blending?: Separately for investment entities Stateless entities: » Constituent Entity?: Yes » Jurisdictional Blending?: Separately for stateless entity		Joint Ventures: » Constituent Entities?: Yes <i>(deemed)</i> » Jurisdictional Blending?: Separately for Joint Venture	Entities which are not consolidated solely based on their small size, materiality grounds (or on the grounds that they are held for sale): » Constituent Entities?: Yes » Jurisdictional Blending?: Yes

Question of scoping (Step 1) ≠ Question of income allocation to entities (Step 2) ≠ Question of Top-Up Tax Liability (Step 5)

Pillar Two – Step 2 – Qualified income

Step 2 – Qualified income as part of the Top-up Tax determination

Computation of the Jurisdictional Top-up Tax



Pillar Two – Step 2 – GloBE Income or Loss

Step 2 – Qualifying Income or Loss

Summary

Under Chapter 3, the amount of the qualifying income or loss of a Constituent Entity is determined by taking the Financial Accounting Net Income or Loss for the Constituent Entity for the Fiscal Year under Art. 3.1.1 and then adjusting the amount under Art. 3.2 and 3.3.

In general, the qualifying income or loss is to be allocated between a Permanent Establishment and Main Entity (Art. 3.4) or to owners of a Flow-through Entity (Art. 3.5) in accordance with (local) tax treatment.



Step 1

- » Determination of Financial Accounting Net Income or Loss before consolidation adjustments



Step 2

- » Adjust Financial Accounting Net Income or Loss to arrive at the qualifying income or loss of the Constituent Entity



Step 3

- » Allocate qualifying income or loss to Permanent Establishments or Flow-through Entities, if necessary



Selected highlights

- » Financial accounting standard as starting point
- » Consolidation effects
- » Several adjustments to arrive at relevant Pillar Two income or loss
- » Special rules for flow-through entities and permanent establishments

Source: "Fact Sheets" of the OECD/G20 BEPS Project "Addressing the tax challenges arising from the digitalisation of the economy" dated December 2021

Pillar Two – Step 2 – GloBE Income or Loss

Step 2.2 - Adjust Financial Accounting Net Income or Loss to GloBE Base

Financial accounting income of local constituent entity

1. +/- Loss / profit related to a permanent establishment (which is treated as a separate constituent entity)
2. +/- Profit / loss allocated from a flow-through entity (unless allocated to a permanent establishment which is treated as a separate constituent entity)
3. + Net tax expenses (as defined in the EU Directive)
4. - Excluded dividends (except portfolio dividends and dividends of an investment entity that is subject to an election)
5. -/+ Excluded equity gain or losses (except for portfolio shareholdings)
6. -/+ Included revaluation method gains or losses (recorded in other comprehensive income)
7. -/+ Asymmetric F/X gain or loss (income effects if accounting currency deviates from tax currency)
8. + Policy Disallowed Expense (illegal payments, fines & penalties)
9. +/- Prior period errors and changes in accounting principles (except if there is a material decrease to a liability for covered taxes)

Pillar Two – Step 2 – GloBE Income or Loss

Step 2.2 - Adjust Financial Accounting Net Income or Loss to GloBE Base

Financial accounting income of local constituent entity

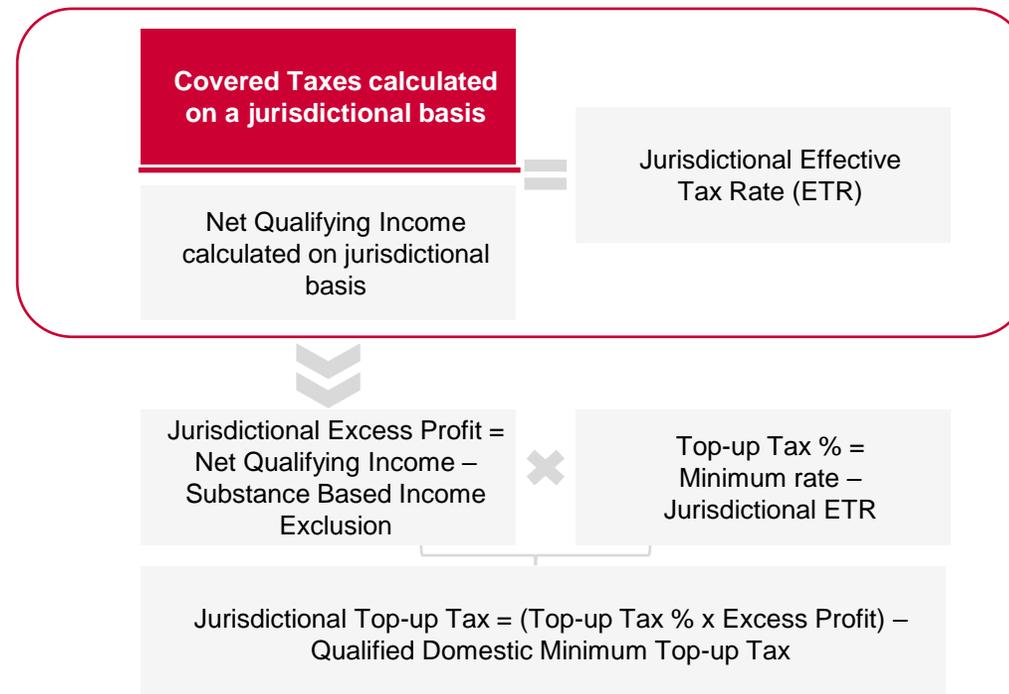
10. + Accrued pension expenses (difference between the amount of expense in financial statements and the amount contributed to a pension fund for the FY)
11. - Amount of stock-based compensation expense (at the election of the tax payer)
12. - Refundable Tax Credits that do not meet the definition of a qualified refundable tax credit
13. -/+ Gains and losses in respect of assets and liabilities that are subject to fair value or impairment accounting (at the election of the constituent entity instead valued based on realisation principle)
14. - Net gain from the disposal of immovable property (may be spread over 5 years at the election of the filing constituent entity)
15. -/+ Returns to policyholders that are not reflected in its financial accounting net income or loss to the extent that the corresponding increase or decrease in liability to the policyholders is reflected in its financial accounting net income or loss
16. -/+ Income or loss of an insurance company charged to policyholders for taxes paid by the insurance company in respect of returns to the policyholders
17. -/+ Decrease or increase in the equity of a constituent entity in connection with additional tier one capital pursuant to regulatory requirements
18. - International shipping income (Article 16 of the draft of the EU Directive)

Qualified income or loss = GloBE Tax Base (Article 15 of the EU Directive)

Pillar Two – Step 3 – Covered taxes

Step 3 – Covered taxes as part of the Top-up Tax determination

Computation of the Jurisdictional Top-up Tax



Pillar Two – Step 3 – Adjusted Covered Taxes

Step 3 – Adjusted Covered Taxes

Summary

The amount of a Constituent Entity's Covered Taxes is determined by taking the Constituent Entity's taxes accrued in the financial accounts (Art. 4.2.1) for the Fiscal Year, adjusted to reflect certain timing differences (Art. 4.4). Covered Taxes are allocated from one Constituent Entity to another in certain cases (Art. 4.3).

To the extent there are changes in tax liability after filing, additions or reductions to taxes are identified and allocated to a particular jurisdiction and time period.



Step 1

- » Identification of Covered Taxes



Step 2

- » Adjust Covered Taxes for temporary differences and prior year losses



Step 3

- » Allocate Covered Taxes as necessary



Step 4

- » Take post-filing adjustments into account

Selected highlights

- » Definition of covered taxes
- » Several adjustments to arrive at relevant tax amount
- » Consideration of deferred taxes
- » Qualifying loss election (DTA) (Art. 4.5)
- » Deferred tax attributes upon transition (e.g. for pre-regime losses)

Source: "Fact Sheets" of the OECD/G20 BEPS Project "Addressing the tax challenges arising from the digitalisation of the economy" dated December 2021

Pillar Two – Step 3 – Adjusted Covered Taxes

Computation of Adjusted Covered Taxes per FY and per constituent entity (Article 4.1 OECD model rules)

Sum of the covered tax expense accrued in financial statements

+ Additions

- Covered taxes accrued as an expense in profits before tax
- Used qualifying loss deferred tax asset
- Covered taxes related to uncertain tax positions which were previously excluded
- Qualified refundable tax credit (accrued as a reduction of tax expense)

- Deductions

- Covered tax expense with respect to excluded income
- Refundable tax credit (that was not accrued as a reduction of tax expense)
- Covered tax related to uncertain tax positions
- Covered tax that is not expected to be paid within 3 years

-/+ Increase of decrease in covered taxes accrued in equity or other comprehensive income relating to amounts included in the computation that will be subject to tax

+ Total deferred tax adjustment (unless qualifying deferred tax asset election is made)

+/- Deferred tax attributes upon transition (Article 45 of the draft of the EU Directive)

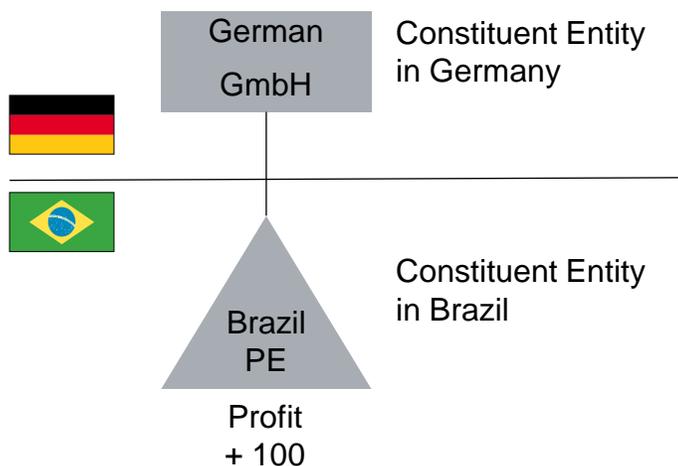
+ Deemed distribution tax for eligible distribution tax systems (election of the taxpayer)

= Adjusted covered taxes

Pillar Two – Step 3 – Adjusted Covered Taxes

Allocation of Covered Taxes between Group Entities

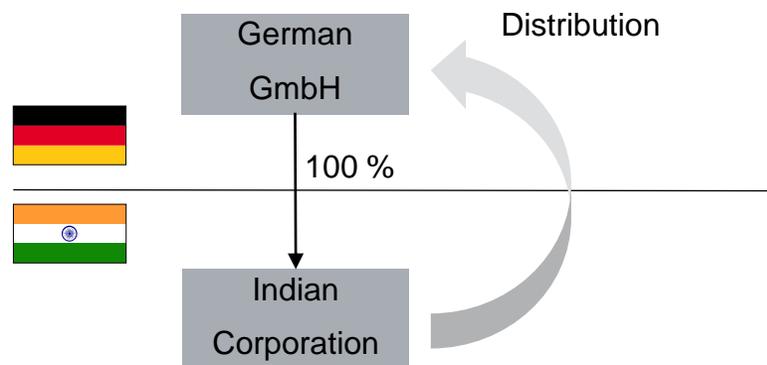
Permanent establishment



Article 4.3.2 (a) OECD model rules: Allocation of Covered Tax to a Permanent Establishment:

“A permanent establishment shall be allocated the amount of any covered taxes that are included in the financial accounts of a constituent entity and that relate to qualifying income or loss of the permanent establishment.”

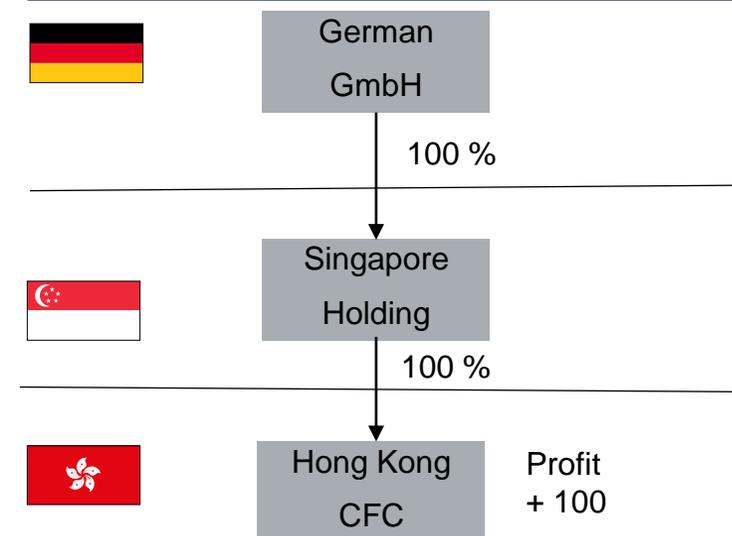
Profit distribution



Article 4.3.2 (e) OECD model rules: Allocation of Covered Taxes on Distributions:

“A constituent entity that made a distribution during the fiscal year shall be allocated the amount of any covered taxes in the financial accounts of its direct constituent entity-owners on such distributions.”

CFC taxation



Article 4.3.2 (c) OECD model rules: Allocation of CFC-Taxes as Covered Taxes:

“A constituent entity shall be allocated the amount of any covered taxes included in the financial accounts of its direct or indirect constituent-entity owners under a controlled foreign company tax regime to the extent that those covered taxes relate to qualifying income or loss of the constituent entity.”

Pillar Two – Step 3 – Adjusted Covered Taxes

Computation of Adjusted Covered Taxes per FY and per constituent entity (Article 4.1 OECD model rules)

Sum of the covered tax expense accrued in financial statements

+ Additions

- Covered taxes accrued as an expense in profits before tax
- Used qualifying loss deferred tax asset
- Covered taxes related to uncertain tax positions which were previously excluded
- Qualified refundable tax credit (accrued as a reduction of tax expense)

- Deductions

- Covered tax expense with respect to excluded income
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+ Total deferred tax adjustment (unless qualifying deferred tax asset election is made)

+/- Deferred tax attributes upon transition (Article 45 of the draft of the EU Directive)

+ Deemed distribution tax for eligible distribution tax systems (election of the taxpayer)

= Adjusted covered taxes

Pillar Two – Step 3 – Adjusted Covered Taxes Tax Losses & Deferred Tax Adjustment Amount

Example

- » Constituent Entity A has a Tax Loss Carryforward of 200.000 at the end of 2023. In 2024, an additional tax loss of 300.000 was generated. The total Tax Loss Carryforward of Constituent Entity A at the end of 2024 amounts, therefore, to 500.000 €.
- » According to the tax planning forecast for the next 5 years, Constituent Entity A expected profits of 300.000 € at the end of 2023. In 2024, the economic situation worsens and based on the forecast, it can be expected that Constituent Entity A is likely to realize losses of 250.000 € in the next five years.
- » Based on a Tax Loss Carryforward of 200.000 € and a tax rate of 30%, Constituent Entity A has calculated a deferred tax asset of 60.000 € at the end of 2023 because the entity expect future taxable profits of 300.000 €. However, at the end of 2024 a valuation allowance should be recognized with the amount of 60.000 caused by the expected losses of 250.000 €.
- » Due to this reason, no deferred tax asset is recognized for the additional tax loss of 300.000 € at the end of 2024.

	2023 (€)	2024 (€)
Taxable income	-200.000	-300.000
TLCF	-200.000	-500.000
Forecast for the next 5 years	300.000	-250.000
DTA before VA and NR	60.000	150.000
Valuation allowance (VA)	0	-60.000
Non recognition (NR)	0	-90.000
DTA to be recognised	60.000	0

The deferred tax expense due to the valuation allowance increases the deferred tax adjustment amount. However, it must be considered at a rate of only 15% and, therefore only 50% (30.000€) is considered in the Pillar Two ETR calculation. This effect increases the ETR.

There is no deferred tax income or expense in the financial accounts of Constituent Entity A for the non recognized DTA. However, for Pillar Two purposes, 50% of the non-recognized amount (45.000€) reduces the deferred tax adjustment amount. This effects reduces the ETR.

Pillar Two – Step 4 – ETR and Top-up Tax

Step 4 – Effective Tax Rate and Top-up Tax

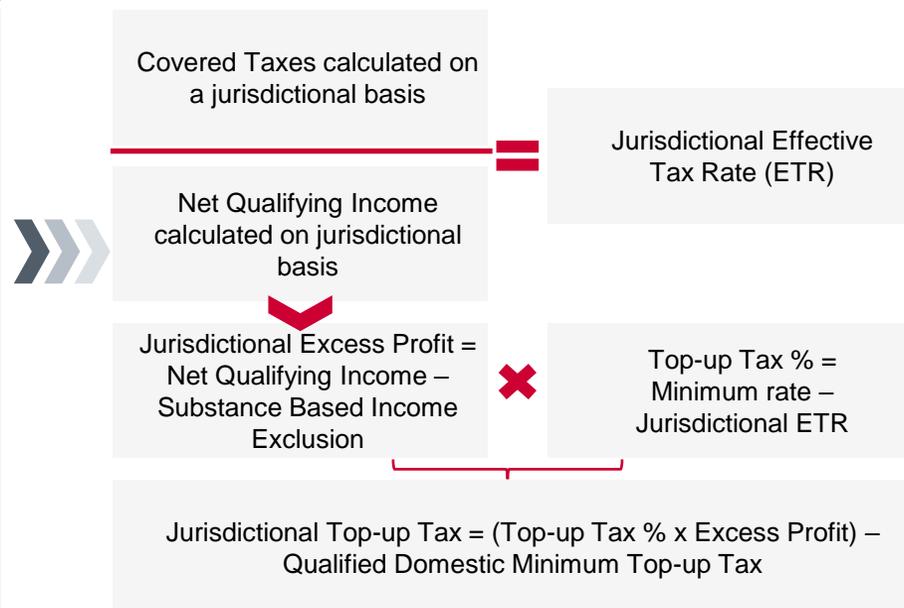
Summary

Under Chapter 5, the ETR is computed by dividing the adjusted covered taxes of the CEs per jurisdiction with the net qualifying income of the CEs per jurisdiction (Art. 5.1.1).

The Top-up Tax (Art. 5.2) of each Low-Taxed Constituent Entity is computed by:

- (i) calculating the Top-up Tax Percentage for each Low-tax Jurisdiction;
- (ii) applying the Top-up Tax Percentage to the Excess Profits of the Jurisdiction;
- (iii) deducting the amount of Top-up tax imposed under a qualified domestic minimum tax; and
- (iv) allocating the Jurisdictional Top-up Tax to the Constituent Entities in the Jurisdiction in proportion to their qualifying income.

Computation of the Jurisdictional Top-up Tax



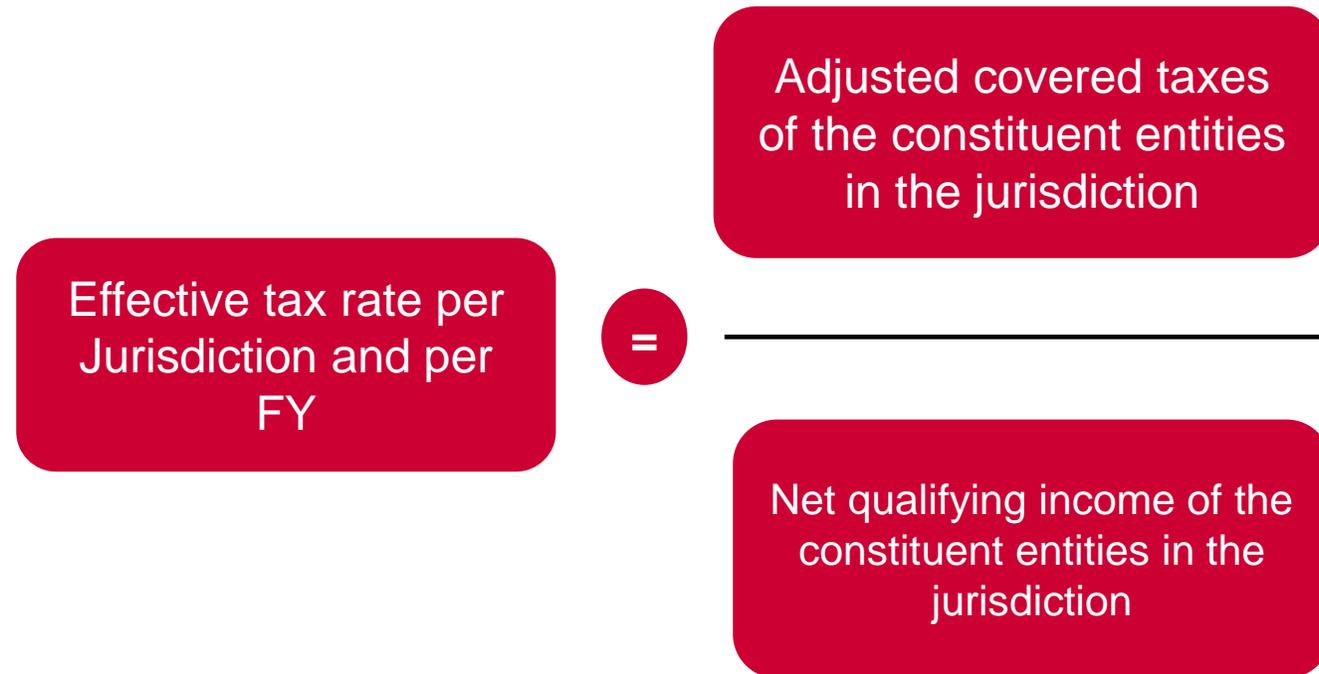
Selected highlights

- » Jurisdictional blending
- » (Qualified) Domestic Top-up Tax
- » Substance based income exclusion
- » Additional Top-up Tax in exceptional cases (e.g. certain post-filing adjustments)
- » De-minimis exclusion (Art. 5.5)

Source: "Fact Sheets" of the OECD/G20 BEPS Project "Addressing the tax challenges arising from the digitalisation of the economy" dated December 2021

Pillar Two – Step 4 – ETR and Top-up Tax

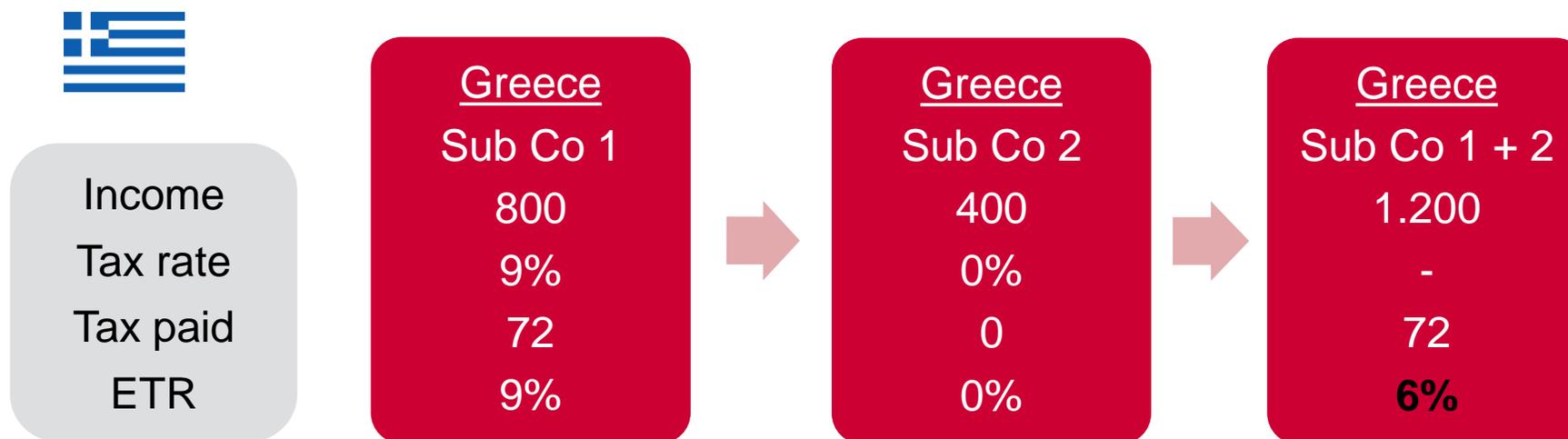
ETR calculation (Article 5.1.1 OECD model rules)



- » As explained in step 1 there might be separate Jurisdictional Blending for certain Constituent Entities (e.g. Minority-Owned Constituent Entities, Joint-Ventures, Stateless CE)

Pillar Two – Step 4 – ETR and Top-up Tax

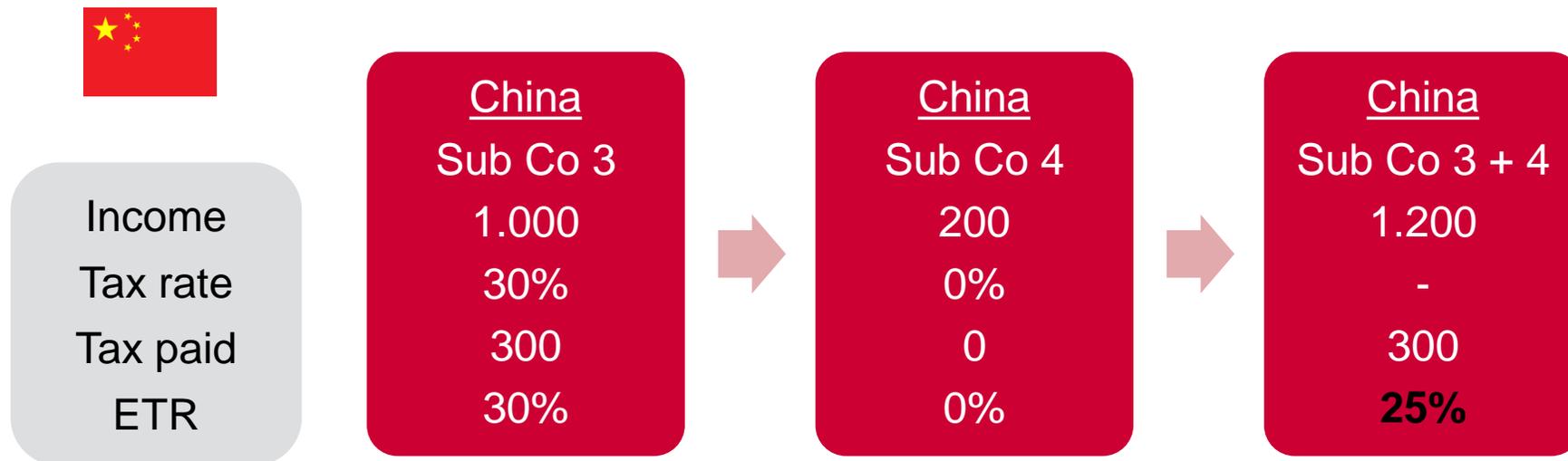
ETR calculation (Article 5.1.1 OECD model rules)



- » Given that the minimum tax rate agreed internationally is 15%, the ETR of the MNE group in Greece of 6% is under the minimum required. Therefore, the income inclusion rule acts as a Top-up to achieve the minimum rate in Greece.

Pillar Two – Step 4 – ETR and Top-up Tax

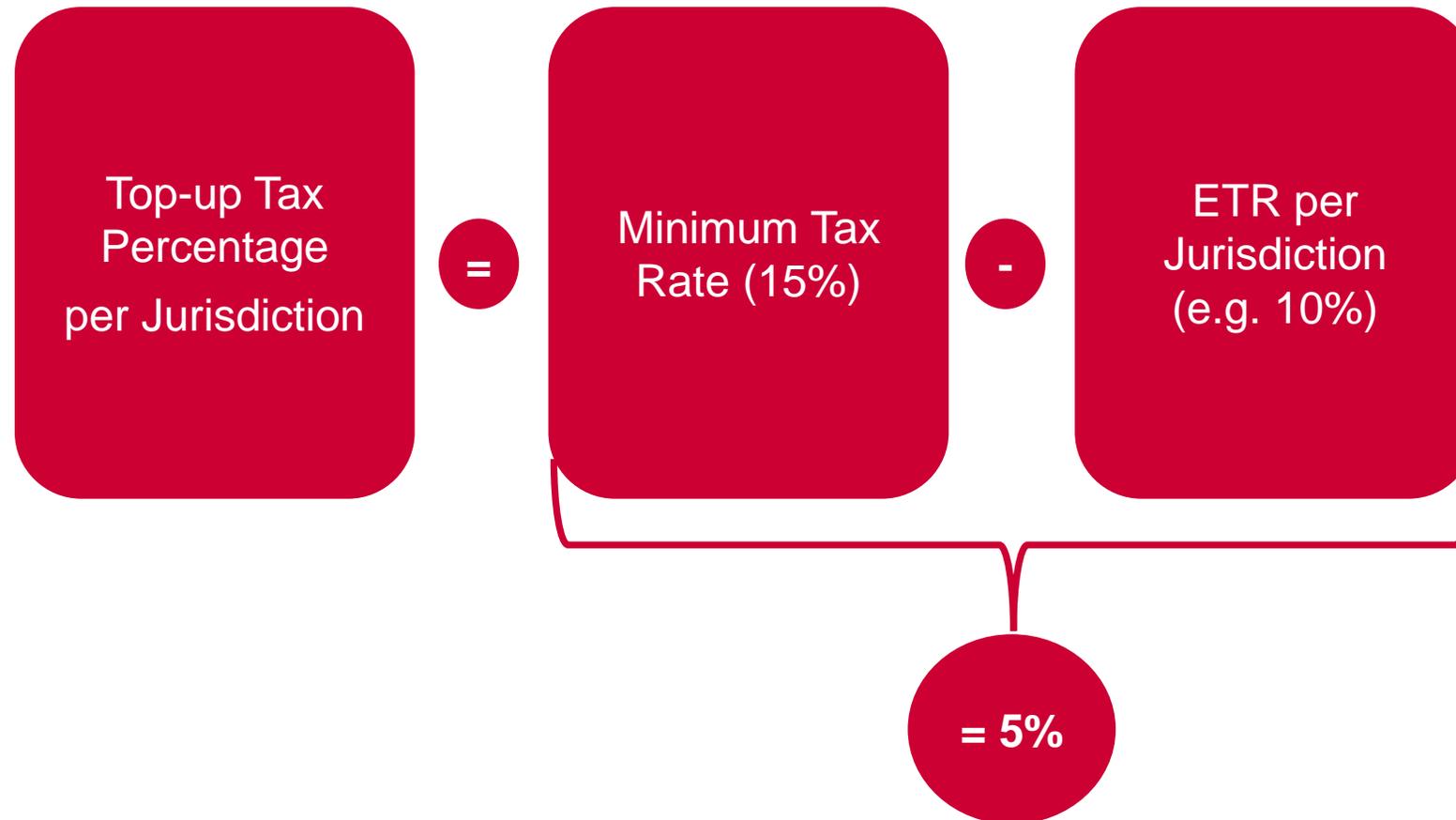
ETR calculation (Article 5.1.1 OECD model rules)



- » Given that minimum tax rate agreed internationally is 15%, the foreign ETR of the MNE group in China of 25% is higher than the minimum required. Therefore, the income inclusion rule does not act as a Top-up to achieve the minimum rate in China.

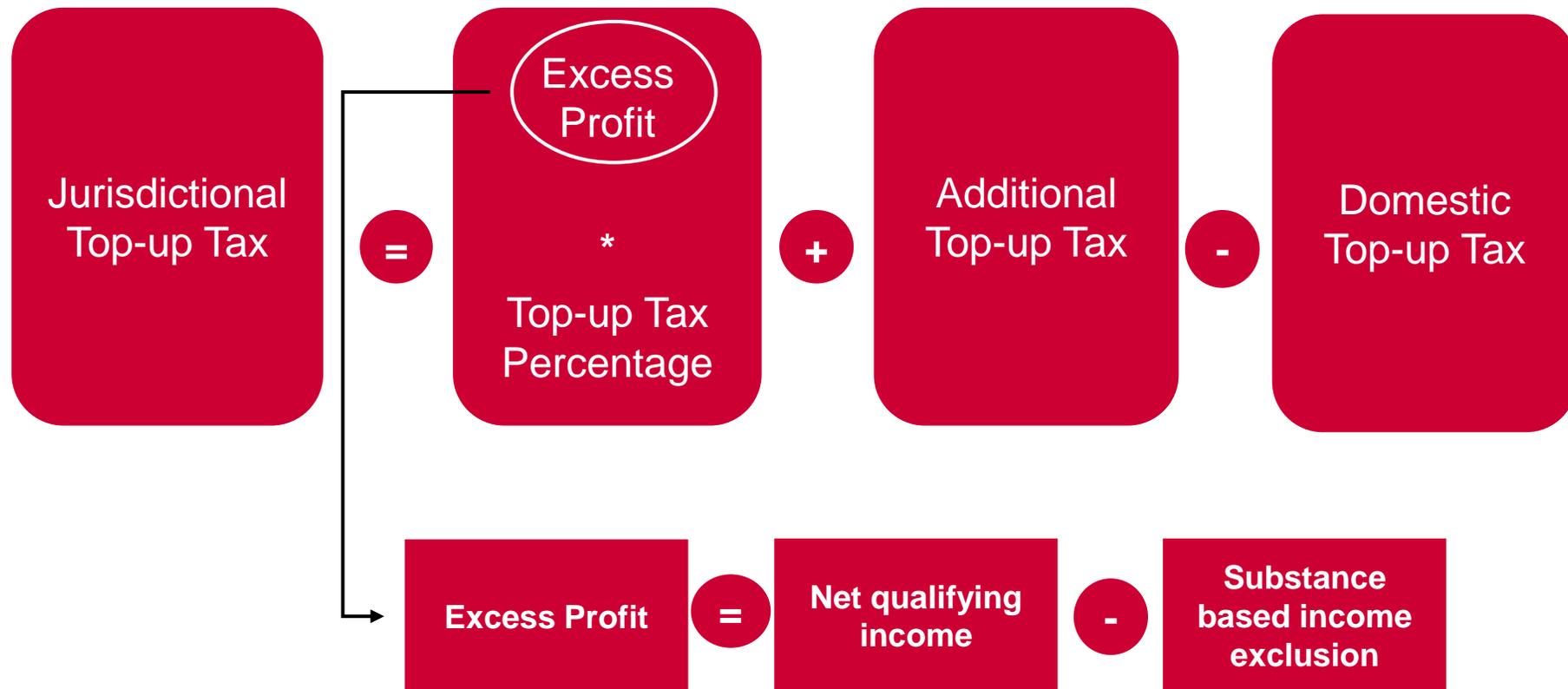
Pillar Two – Step 4 – ETR and Top-up Tax

Top-up Tax Percentage (Article 5.2.1 OECD model rules)



Pillar Two – Step 4 – ETR and Top-up Tax

Jurisdictional Top-up Tax (Article 5.2.3 OECD model rules)



Pillar Two – Step 4 – ETR and Top-up Tax

Top-up Tax of a Constituent Entity (Article 5.2.4 OECD model rules)



Pillar Two – Step 4 – ETR and Top-up Tax

Top-up Tax of a Parent Entity (Article 2.1.1 / 2.1.2 / 2.1.4 OECD model rules)



Pillar Two – Step 5 – IIR

Step 5 – IIR and UTPR

Summary

The Top-up Tax is first imposed under the IIR on a parent entity with an ownership interest in the low-taxed constituent entity.

If there is any residual amount of Top-up Tax that remains unallocated after the IIR applies, the UTPR allocation mechanism results in a liability to Top-up Tax in the jurisdictions that introduced the UTPR.



Step 1

- » Identification of the Parent Entity liable for the Top-up Tax under the IIR



Step 2

- » Determination of amount of Top-up Tax paid by the Parent Entity under the IIR



Step 3

- » Identification of the remaining amount, if any, that is allocable under the UTPR



Step 4

- » Liability for residual Top-up Tax in the UTPR Jurisdictions through a UTPR adjustment

Selected highlights

- » Basic principle: Top-up Tax at the level of UPE
- » Split-ownership rules for POPE
- » Own Top-up Tax for IPE (if UPE is not subject to Qualified IIR)
- » Filing obligations
- » Penalties

Source: "Fact Sheets" of the OECD/G20 BEPS Project "Addressing the tax challenges arising from the digitalisation of the economy" dated December 2021

Pillar Two – Top-Up Taxpayer Entities

Definition of different parent entities

Art. 3.11 - Ultimate Parent Entity (UPE)

- » The term “Ultimate Parent Entity” or “UPE” means (a) an entity that owns, directly or indirectly, a controlling interest in any other entity and that is not owned, directly or indirectly, by another entity with a controlling interest in it; or (b) a main entity.

Art. 3.19 - Partially Owned Parent Entity (POPE)

- » The term “partially-owned parent entity’ means a constituent entity that owns, directly or indirectly, an ownership interest in another constituent entity of the same MNE group, more than 20 % of its ownership interest in its profits is held, directly or indirectly, by persons that are not constituent entities of the MNE group and that does not qualify as an ultimate parent entity, a permanent establishment or an investment entity.

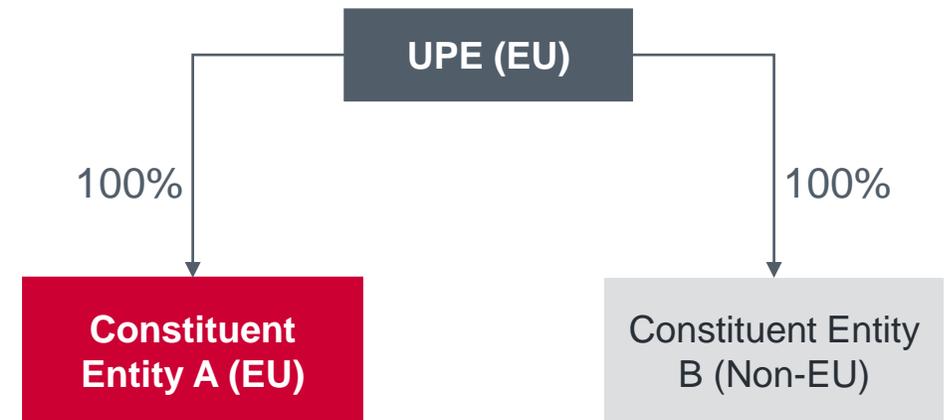
Art. 3.17 - Intermediate Parent Entity (IPE)

- » The term ‘intermediate parent entity’ means a constituent entity that owns, directly or indirectly, an ownership interest in another constituent entity in the same MNE group and that does not qualify as an ultimate parent entity, a partially-owned parent entity, a permanent establishment or an investment entity.

Pillar Two – Top-Up Taxpayer Entities

UPE in the European Union (article 5 of the draft of the EU Directive)

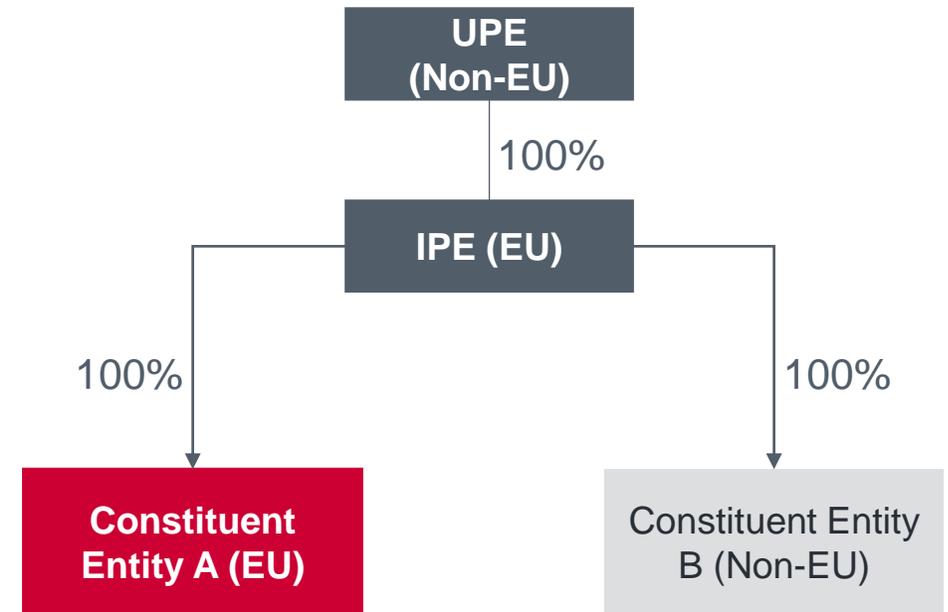
1. Member States shall ensure that an ultimate parent entity located in a Member State is subject to the top-up tax (the "IIR top-up tax") in respect of its low-taxed constituent entities located either in another Member State or in a third country jurisdiction for the fiscal year.
2. Member States shall ensure that, where an ultimate parent entity located in a Member State is a low-taxed constituent entity, it is subject to the IIT top-up tax together with its low-taxed constituent entities located in the same Member State for the fiscal year.



Pillar Two – Top-Up Taxpayer Entities

IPE in the European Union (article 6 of the draft of the EU Directive)

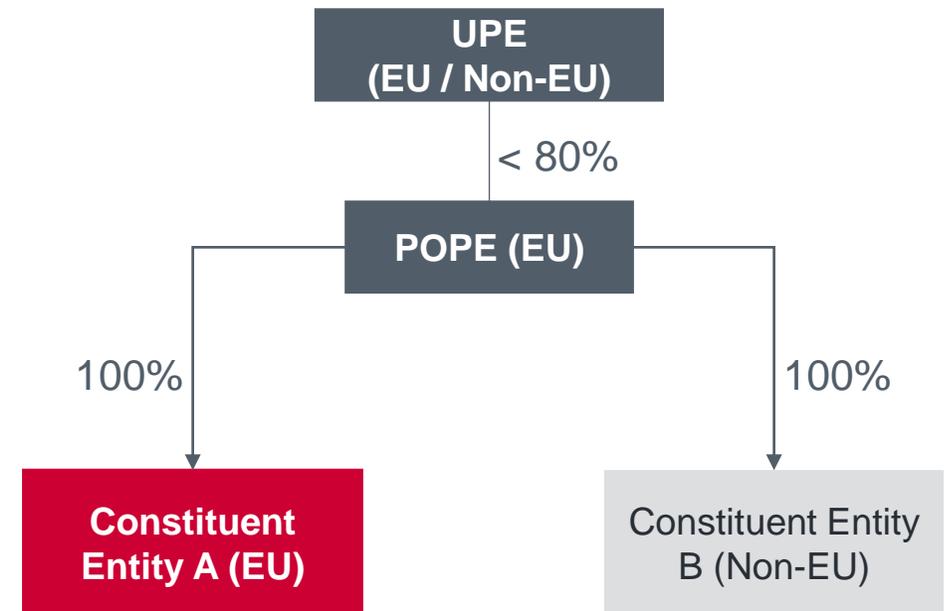
1. Member States shall ensure that an intermediate parent entity located in a Member State and held by an ultimate parent entity that is located in a third country jurisdiction is subject to the IIR top-up tax in respect of its low-taxed constituent entities located in another Member State or a third country jurisdiction for the fiscal year.
2. Member States shall ensure that, where an intermediate parent entity located in a Member State and held by an ultimate parent entity that is located in a third country jurisdiction is a low-taxed constituent entity, it is subject to the IIR top-up tax together with its low-taxed constituent entities located in the same Member State for the fiscal year.
3. Paragraphs 1 and 2 shall not apply where:
 - a) the ultimate parent entity is subject to a qualified income inclusion rule for the fiscal year in the jurisdiction where it is located; or
 - b) another intermediate parent entity located in a Member State or a third country jurisdiction where it is subject to a qualified income inclusion rule for the fiscal year owns, directly or indirectly, a controlling interest in the intermediate parent entity.



Pillar Two – Top-Up Taxpayer Entities

POPE in the European Union (article 7 of the draft of EU Directive)

1. Member States shall ensure that a partially-owned parent entity located in a Member State is subject to the IIR top-up tax in respect of its low-taxed constituent entities for the fiscal year.
2. Member States shall ensure that, where a partially owned parent entity located in a Member State is a low-taxed constituent entity, it is subject to the IIR top-up tax together with its low-taxed constituent entities located in the same Member State for the fiscal year.
3. Paragraphs 1 and 2 shall not apply where the ownership interests of the partially-owned parent entity are wholly held, directly or indirectly, by another partially-owned parent entity that is located either in a Member State or in a third-country jurisdiction and is subject to a qualified income inclusion rule for the fiscal year.



Challenges and overview of our approach

» Potential Challenges

- » Determination of Constituent Entities in scope (as most of the subsidiaries are already included in the consolidated financial accounts of less significance)
- » Group accounting with Pillar Two-specific adjustments for determining the Qualifying Income or loss
- » Particularities in the calculation of deferred taxes and other tax provisions to determine the relevant Adjusted Covered Taxes per country
- » Determination of ETR for purposes of Pillar Two per country - horizontal across all companies of the respective jurisdiction
- » Different implementation of the Pillar Two rules in different countries or introduction of a domestic minimum tax (so-called "domestic top-up tax")
- » Filing of additional tax returns for each Constituent Entity (so-called "top-up tax information return")
- » Availability of relevant data (missing data will be determined by Fit Gap Analysis) and data quality
- » Determination how missing information will be generated in the future
- » Determination of project responsibilities – at headquarter level and per local country organization in the project
- » Determination of data sourcing responsibilities – at headquarter and local country organization
- » Determination and implementation of new processes and automation to be able to fulfill compliance requirements with limited resources
- » Parallel integration of further (heterogeneous) IT infrastructure for tax accounting purposes into existing tax reporting tool platform

Our Approach



Our overall project approach



Tasks

- » Determination of a project team (esp. tax, tax accounting, IFRS/ HGB accounting, IT, processes, investment controlling) and work streams
- » Planning of human resources and budget (in-house / external)
- » Determination of a timeline
- » Definition of sub-projects (e.g. scope, data basis, etc.) and milestones
- » Coordination with parallel projects such as Public CbCR

- » Identification of in-scope companies based on company lists and company codes (also considering Tchibo/maxingvest shareholder structure)
- » Determination of required data and comparison with existing data
- » Impact analysis of the global minimum tax and tax planning
- » Involvement of local experts for the local implementation of Pillar Two
- » Set up of tax technical guidance

- » Comparison of data requirements with data sources
- » Identification of data gaps
- » First definition of data flow for Pillar Two calculation and reporting
- » Design of high level reporting & compliance processes
- » Detail data sources and data flows including system adaptations
- » Advice on implementation / adjustment on processes for reporting & compliance

Pillar Two

- » Assessment of different IT scenarios
- » Identify required steps to automate data provision and calculation process
- » Implementation of the IT Pillar Two Module
- » Testing and documentation

- » Conduct trainings for different time zones
- » Dry-run including deep analytical review of the results, alternatively to a risk-oriented impact analysis
- » Support in (Post-)Go-live
- » Conduct trainings

Tax Accounting

- » Testing and documentation

- » Conduct trainings for different time zones
- » Dry-run including deep analytical review of the results, alternatively to a risk-oriented impact analysis
- » Support in (Post-)Go-live

Results

- » Project plan
- » Definition of responsibilities

- » Operational guidance for data gathering and the future compliance process
- » Material and cash-tax implications of Pillar Two for main low tax jurisdictions
- » Pillar Two-Playbook

- » Overview of data sources
- » High level process documentation

- » Implemented and tested IT Pillar Two module
- » Completion of IT tax accounting module

- » Successful support in dry-run and go-live



Asia Pacific – Irving Aw

Majority of key APAC Jurisdictions are members of the Inclusive Framework

IF Member Jurisdictions

- » Australia
- » Brunei
- » China
- » Hong Kong
- » India
- » Indonesia
- » Japan
- » South Korea
- » Malaysia
- » New Zealand
- » Singapore
- » Sri Lanka
- » Thailand
- » Vietnam

Non-IF Member Jurisdictions

- » Bangladesh
- » Cambodia
- » Laos
- » Myanmar
- » Philippines
- » Taiwan

“Common approach” status of Pillar Two

- » IF jurisdictions are not required to adopt the Model Rules
- » However, should they choose to adopt them, they must implement and administer in a manner consistent with outcomes provided under Model Rules and Commentary



Public positions of APAC jurisdictions

New Zealand

- » Consultation on Officials' issues paper from 5 May to 1 July 2022
- » “[H]as not decided whether to adopt GloBE rules”, but recommended to do so if a critical mass of countries adopt or is highly likely to adopt
- » If adopted, Bill would likely be enacted in 2023

Singapore

- » Exploring a top-up tax to increase an affected MNE group's effective tax rate in Singapore to 15% - Minimum Effective Tax Rate (METR)
- » “Need more time to study these issues thoroughly” and will announce changes “when we are ready”
- » “Whatever additional corporate tax revenue that can be generated from BEPS 2.0 will need to be reinvested to maintain and enhance our competitiveness”

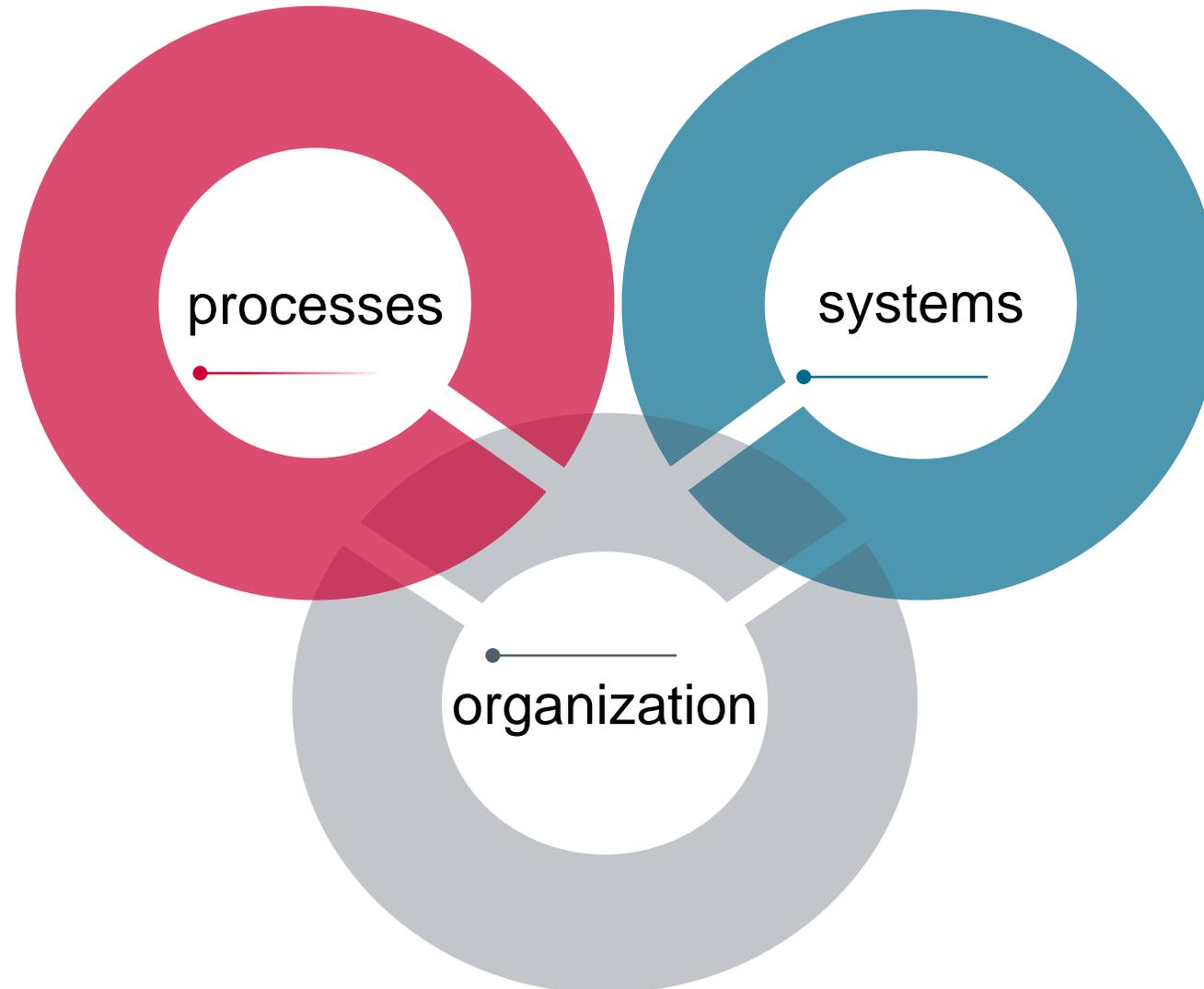
Hong Kong

- » Announced plan in Budget 2022-2023 to submit legislative proposal in H2 2022 “to implement global minimum tax rate and other relevant requirements in accordance with the international consensus”
- » Also to consider introducing a domestic minimum top-up tax from YA 2024-2025



Pillar Two – Digital Solutions – AMANA GTC/SAP PaPM- Richard Roos

Pillar Two – Challenges for processes, systems and organization



IT Development @ AMANA

WTS is AMANA's development partner for the implementation of Pillar 2 - requirements:

- » The GlobalTaxCenter (GTC) is a web-application, that uses one central database
- » The GTC process flow integrates tax calculation, tax filing and quarterly/annual reporting
- » Technical connection to existing interfaces as well as master and reporting data.
- » Registered and authorized users can access the tool from a web-browser (i.e. using Single-Sign-On) within the company network. This access is limited to the sections of the tool, that the individual user is authorised for.
- » Flexibility due to interfaces to pre- and post-systems, like SAP and other ERP- and reporting solutions.
- » Flexible data analysis via the internal reporting engine and interfaces to different BI-systems

The screenshot shows the GlobalTaxCenter interface. The top navigation bar includes a search field, 'Applies to period: Pillar II 2023', and 'Company: MoCO_BS - Bahamas Holding'. The left sidebar lists navigation options: Master data, Company, (Sub-) Group, Reporting, BEPS, Pillar 2, and Country-by-Country-Reporting. The main content area displays '1.1. Pillar 2 - GloBE Tax Base' with a sub-section '1. GloBE Tax Base'. It lists three items: '1. Financial accounting net income or loss of local constituent entity' (500,000.00 EUR), '2. Loss/profit related to a permanent establishment' (0,00 EUR), and '3. Profit/loss allocated from a flow-through entity (other than a hybrid entity)' (0,00 EUR). Below this is a table titled 'WTS Pillar 2: ETR Calculation' with columns for Position, PosName, Bahamas Summen, Bahamas Bahamas Holding, and Bahama Bahama. The table shows 'Adjusted covered taxes' at 550,000.00 and 500,000.00. It also includes 'Computation of the Jurisdictional Top-up Tax' with rows for ETR %, Jurisdictional Excess Profit, Top-Up Tax %, and Jurisdictional Top-up Tax. A 'Nachrichtlich:' section at the bottom shows 'Additional Top-Up Tax: 0,00', 'Domestic Top-Up Tax: 0,00', and 'Domestic Top-Up Tax-Rate: n/a'.

Position	PosName	Bahamas Summen	Bahamas Bahamas Holding	Bahama Bahama
37	= Adjusted covered taxes	550.000,00	500.000,00	
Computation of the Jurisdictional Top-up Tax				
	Jurisdictional Effective Tax Rate (ETR) %		0,049019608	
	ETR < 15%		Niedrige Besteuerung!	
	Jurisdictional Excess Profit		10.170.000,00	
	Top-Up Tax %		0,10	
	Jurisdictional Top-up Tax	1.126.970,59	1.026.970,59	
	Top-Up Tax of a constituent entity	1.126.970,59	1.026.348,21	
Nachrichtlich:				
38	Additional Top-Up Tax:			0,00
39	Domestic Top-Up Tax:			0,00
	Domestic Top-Up Tax-Rate:			n/a

Pillar Two @ SAP Profitability and Performance Management

- » On-premise / Cloud
- » High usability through addition of Fiori input masks
- » Use of the comprehensive calculation, aggregation, and simulation functionalities of SAP PaPM
- » Efficient connection of a wide variety of source and target systems (e.g. tax reporting and compliance solutions) thanks to comprehensive integration functionalities in high speed and without data replication
- » Integration with WTS Tax Reporting Accelerator and tax planning cases is both possible and beneficial (Current and deferred taxes according to IAS12/IAS34)
- » Integration with SAP consolidation solution (SAP Group Reporting) and other consolidation solutions (OneStream, Tagetik, ...)
- » Flexible processing of large volumes of data (transactional data models) by means of a multitude of available functions while simultaneously ensuring complete traceability
- » Integrated BI functionalities (embedded analytics) for providing user-defined reports, simulating what-if scenarios, and generating forecasts based on real-time data

The screenshot displays the 'Pillar Two Data Entry' Fiori application. At the top, the 'Company Code' is set to 'DE00' and the 'Fiscal Year' is '2021'. Below this, there are 'Review and Update' buttons and a search bar. The main content is a table with the following columns: Tax Position, Description, Sign, Global Currency, Global Currency Amount, and Comment. The table lists eight tax positions (PII000 to PII008) with their respective descriptions and amounts in EUR.

Tax Position	Description	Sign	Global Currency	Global Currency Amount	Comment
PII000	01 FINANCIAL ACCOUNTING NET INCOME OR LOSS OF LOCAL CONSTITUENT ENTITY	(+)	EUR	1440000.00	
PII001	02 LOSS/PROFIT RELATED TO A PERMANENT ESTABLISHMENT	(+)	EUR	437857.25	
PII002	03 PROFIT/LOSS ALLOCATED FROM A FLOW-THROUGH ENTITY (OTHER THAN A HYBRID ENTITY)	(+)	EUR	42293.23	
PII003	04 NET TAX EXPENSES	(+)	EUR	6922.01	
PII004	05 EXCLUDED DIVIDENDS (EXCEPT OF "PORTFOLIO SHAREHOLDING")	(-)	EUR	-18943.63	
PII005	06 EXCLUDED EQUITY GAIN OR LOSSES	(+)	EUR	25469.01	
PII006	07 INCLUDED REVALUATION METHOD GAINS OR LOSSES	(+)	EUR	-35021.67	
PII007	08 GAINS OR LOSSES FROM THE DISPOSAL OF ASSETS AND LIABILITIES EXCLUDED PURSUANT TO ART. 33	(+)	EUR	27179.75	
PII008	09 ASYMMETRIC FOREIGN CURRENCY GAINS OR LOSSES	(+)	EUR	68506.43	

Pillar Two @ SAP Analytics Cloud

- » Cloud only
- » Self service logic / intuitive user interface
- » Use of the Business Intelligence (BI) & Planning capabilities of SAP Analytics Cloud (SAC)
- » Calculations
- » Aggregations
- » Visualizations
- » Simulations
- » Connection of a wide variety of source systems (SAP & Non-SAP) or data input directly in the SAC
- » Integration with WTS Tax Transparency and Country-by-Country Reporting (CbCR) possible and beneficial
- » Preparation of results for transfer to tax reporting tools via mapping functionalities
- » Export of results in various formats possible (e.g. Excel, PDF, PowerPoint)
- » Integrated comprehensive and intuitive visualizations to analyze data and gather further insights





Appendix

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- » Permanent establishments
- » Sustainability
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Pillar Two –
Global Minimum
Tax



Through Resilience to
Recovery in Asia Pacific

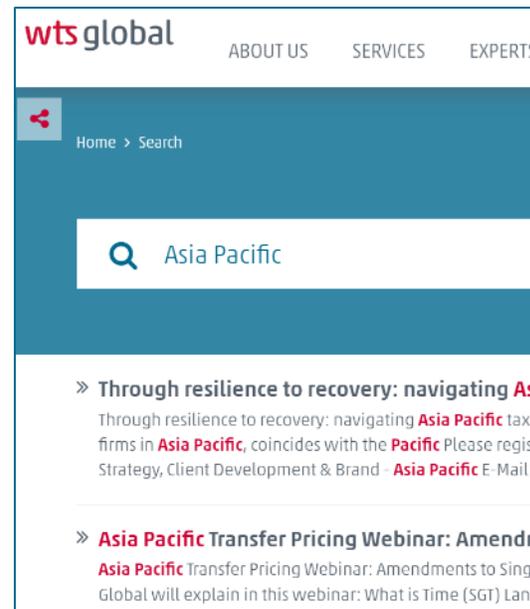
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Upcoming Webinar Topics

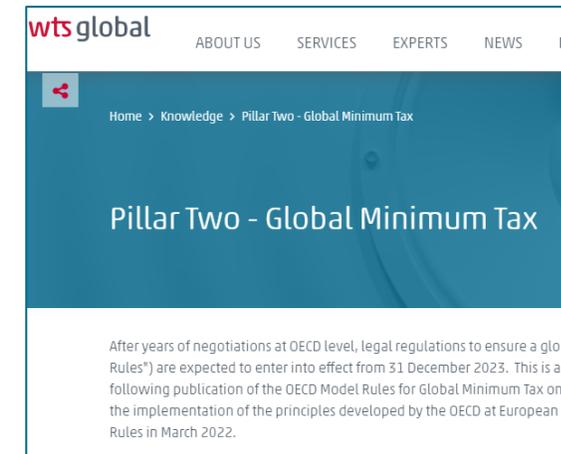
- International tax
- Global value chains
- Permanent establishments
- Sustainability
- Tax technology
- Transfer Pricing

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