

**inlumi**

Discover our  
Pillar Two and Tax solution



## ■ WHY IS PILLAR TWO IMPORTANT?

MNEs may be subject to a minimum ETR of 15% in the jurisdictions in which they operate. The Pillar Two rules assess the tax liability on a jurisdiction-by-jurisdiction basis and do not provide relief or credit to low-taxed profits for excess tax incurred in higher-tax (more than 15%) jurisdictions. Even if an MNE is not liable for top-up tax, it will need to demonstrate to tax authorities that all jurisdictional ETRs calculated under Pillar Two rules are above 15%.

The OECD Pillar TWO framework is intended to ensure multinational enterprises ('MNEs') with global revenues above EUR 750 million pay a minimum tax rate on income from each jurisdiction in which they operate. Commonly referred to as BEPS 2.0, the framework imposes a top-up tax on profits arising in jurisdictions where the effective tax rate ('ETR') is below 15%.

## ■ WHO DO THE RULES IMPACT?

Pillar Two model rules will impact MNEs with global revenues of EUR 750 million and above. Government, non-profit and international organisations are excluded, along with pension funds, investment funds and real estate investment vehicles that are the ultimate parent entity of a group.

Common structures likely to be affected include those that involve:

- Tax havens, low-tax jurisdictions, and jurisdictions with territorial regimes.
- Jurisdictions with notional interest deduction regimes.
- IP boxes and other incentive regimes.
- Low-taxed financing, IP and global centralisation arrangements

## ■ WHEN WILL PILLAR TWO MODEL RULES ENTER INTO EFFECT?

The OECD framework proposes implementation of the income inclusion rule ('IIR') and undertaxed payments rule ('UTPR') in 2024. Work on the implementation into domestic law is well underway in many jurisdictions, including all EU member states, with most adhering to a planned entry into force in 2024.

## KEY PILLAR TWO IMPLICATIONS

- **Compliance burden** – The rules require a calculation of low-taxed income based on the accounting income by constituent entity on a jurisdictional basis and reporting this to tax authorities.
- **ETR impact** – MNEs may experience an increase in their global ETR as low-taxed income is subject to a top-up tax either through the IIR and the UTPR.
- **Collaboration** – A wide range of functions will be required to gather relevant data points, including Finance, Tax, HR, and IT.
- **Data** – New data sources, and 200 new data points will require data extraction from a wide range of sources including ERPs, forecast systems, asset registers, Human Resource, and entity management systems.
- **Business process change and education** – Financial Close, Consolidate and Report processes will need to adapt to accommodate new data requirements, and Tax departments will need to be more closely integrated with their Finance counterparts.
- **Technology** – The key challenge with this new requirement is data. Existing systems and applications may be unable to cope with the increased calculation complexity and vast number of data points required for reporting.

While the regulations identify 200 data points, every business will capture and hold its data in a specific way relevant to that business. In many instances, we are seeing that the available data points do not easily map to those required by the rules. Then there is the challenge of collecting and filtering that data efficiently and effectively.

At BDO, we work with our clients to focus on the more material numbers and reduce those 200 data points by up to half. There are also synergies to be found in the link between the initial OECD requirements for Country-by-Country Reporting (CbCR) and the new Pillar Two requirements.

## ■ INLUMI & BDO ONESTREAM PILLAR TWO SOLUTION

inlumi and BDO's Pillar Two solution developed natively in OneStream helps MNEs automate their Pillar Two requirements. Our solution brings best-practice methodology to ensure that groups can meet their reporting requirements, as well as providing functionality allowing for modelling and analysis to better understand the impact of Pillar Two across all entities and jurisdictions in the group.

## ■ INTEGRATE WITH ONESTREAM AND ADDITIONAL 3RD PARTY SYSTEM DATA

To meet the data challenge posed by Pillar Two, we see real value in utilising the power of an Intelligent Finance Platform. Our Pillar Two solution has been built into OneStream, harnessing the power of data to complement and integrate bi-directionally with the rest of our suite of tax reporting solutions, assisting companies with their ever-growing reporting requirements, including:

- Tax provision
- Country-by-country reporting.

Any data points not already captured within OneStream can be sourced, aggregated and securely stored within OneStream directly from your ERP as part of your wider OneStream consolidation. Other ancillary systems, including HR and sales systems, can be brought into the tax cube directly using OneStream's powerful data management tools to enable accurate reporting.



## CONTACT US

■ **Scott Mills**

BDO - Tax Automation and Innovation  
[scott.mills@bdo.co.uk](mailto:scott.mills@bdo.co.uk)

■ **Richard Stringer**

inlumi solutions  
[richard.stringer@inlumi.com](mailto:richard.stringer@inlumi.com)

## ■ AUTOMATE DATA COLLECTION, CALCULATIONS AND DATA FOR REPORTING TO TAX AUTHORITIES

The inlumi and BDO OneStream Pillar Two solution allows you to collate all data points required for your Pillar Two reporting, and introduce automation across the Pillar Two calculations including:

- Transitional and Permanent Safe Harbour analysis
- GloBE Income or Loss calculation
- Adjusted Covered Tax calculation
- ETR and Top-up Tax calculation and allocation
- IIR Allocation
- UTPR allocation
- Reporting outputs
- Country-by-Country Reporting – A significant feature of this integrated solution is the ability to deliver your CbCR requirements from the same solution, solving both the Pillar Two and CbCR requirements in one place.

## ■ EASE OF USE

Our solution ensures that users can easily input and analyse data in a clear and efficient manner to meet the significant tax technical and tax data challenges that Pillar Two poses for Tax and Finance teams. Explicit workflow steps allow the users to understand the end-to-end process, and input and view data in a consistent and sequential manner. For additional ease of use, the solution has been designed to cross-reference the OECD guidance so that users can ensure that the correct information is being captured in the relevant schedules.

All this is natively developed within OneStream, inheriting your existing data and security. Our partnership-developed solutions, powered by BDO's global tax knowledge and developed by inlumi, OneStream Implementation Partner of the Year, ensure you can meet your global obligations.

