

BEPS 2.0 implementation in Hong Kong (SAR): Practical insights for M&A activity



Pre-acquisition Stage

Common Pillar 2 issues to be considered

In-scope MNE Group & constituent entities ("CE")

- Joint ventures / minority-owned CE
- Excluded entities

Transitional rules

Safe harbours

Key permanent adjustments leading to lower ETR

Tax due diligence Recognition of deferred tax

- Any adjustments for Pillar 2 purposes? e.g. tax loss forecasted to be unusable in the future
- DTL recapture rules

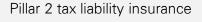
Five-year elections made

Pillar 2 advice / planning done by management

Status of Pillar 2 compliance

- Access to pre-carve out information
- Obstacles in data gathering
- Time gap between upcoming Pillar 2 filings and year of acquisition

Legal documentation



Cooperation clauses for Pillar 2 matters

Indemnities / warranties for Pillar 2 issues



- Arising from the buyer's / seller's tax profile (under a split-ownership scenario)
- Arising from pre-carve out structure
- Arising from re-assessment of historical Pillar 2 tax exposure, e.g. DTL recapture rules

Conventional cashflow modelling may not cover Pillar 2

Impact to group revenue

Jurisdictional blending under post-deal structure

Exit planning

- Excluded gain under share deal?
- Pillar 2 benefits > other benefits under asset deal?







Modelling

kpmq.com/cn





BEPS 2.0 implementation in Hong Kong (SAR): Practical insights for M&A activity



Pre-acquisition Stage

Common Pillar 2 issues to be considered



Special rules applicable to acquisition and disposal of entity

In case of split ownership with investment fund – any trigger of Pillar 2 exposure?

Post-acquisition Stage

Potential planning opportunities

Are the existing claims /

election still efficient?

Possibility to replace permanent differences with temporary differences

Standardization of financials

- · Financial year-end date
- Presentation currency
- Accounting standard
- Accounting system

Investments with significant Pillar 2 exposure

- Cost and benefit analysis
- Possibility to deconsolidate

Location of GloBE Income Return filings

Possibility to restructure an investment to meet concessions, e.g. excluded dividends

How KPMG can help?

- Scenario analysis
- Impact assessment and jurisdictional ETR calculation
- Pillar 2 compliance
- And more



Ivor Morris Partner, Hong Kong +852 2847 5092 ivor.morris@kpmq.com





kpmg.com/cn

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation

© 2025 KPMG Tax Services Limited, a Hong Kong (SAR) limited liability company and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. Printed in Hong Kong (SAR) The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation