KPMG

# Navigating BEPS 2.0 Pillar Two

Key considerations for General Counsel

## Pillar Two — Key take aways

BEPS 2.0 Pillar Two measures are far reaching and change the way in which multinational companies comply with their tax obligations around the world, posing a complex data compilation challenge. The below table provides an overview of the Pillar Two initiatives and their potential impact for legal teams.

| | |
|---|---|
| **What is it?** | Pillar Two rules subject thousands of multinational groups around the world to a global minimum tax of 15 percent. |
| **Why does it matter?** | Those large multinational groups will now be subject to a minimum effective tax rate of 15 percent in the jurisdictions in which they operate. This means tax incentives claimed/low tax income in offshore locations and certain exempt income may no longer be of benefit to the group from 2024. These changes may make current business models and structures obsolete and organizations have to be ready to respond if the group structure and value chain are no longer appropriate. |
| **Who does it affect?** | Multinational groups with revenue of EUR 750M or more in two of the last four years, but jurisdictions may choose to apply a lower threshold. |
| **When does it take effect?** | The status of the implementation of Pillar Two varies by jurisdiction. However, a number of jurisdictions, particularly in the EU, have already passed domestic legislation to implement Pillar Two. |

## What should you know as a General Counsel?

While predominantly affecting Heads of Tax, the OECD's BEPS 2.0 Pillar Two developments, will likely have significant impact on your legal department now or in the future.

1. Pillar Two includes a host of additional reporting requirements. Legal teams may need to assist the tax function with gathering data required for reporting and new systems may need to be implemented to facilitate the ease of future reporting and compliance.

2. Corporate and business structures may need to be revised to continue qualifying for tax benefits in various jurisdictions. Collapsing complex structures may simplify reporting, helping to provide cost savings and reduce the tax risk for the group. In some cases, the upfront cost of unwinding or modifying a group structure will be less than the tax at risk under these proposals.

3. In certain circumstances the Pillar Two rules require one to apply arm's length principles to intragroup transactions even though the arrangement is in the same jurisdiction. This may require legal teams to assist with redrafting current arrangements.

4. Pillar Two may result in changes to your tax risk profile in M&A — both on the sell-side and buy-side. This may require additional due diligence to determine whether the rules of Pillar Two apply to your deal and changes to tax indemnity clauses and liability clauses to clarify who bears the Pillar Two tax liability.



© 2024 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

# How KPMG Law can help

### Legal entity simplification and group reorganization

KPMG firm tax and legal professionals can help organizations with restructuring to potentially simplify reporting, provide cost savings and help reduce tax risk for the corporate group, if the group structure and value chain are no longer appropriate.

### Communication with stakeholders

KPMG firms can support organizations with adapting to the compliance obligations and the impact on your intercompany structure. Other tax and legal support including international and transfer pricing issues, DST taxes as well as IP and R&D considerations can all be provided.

**KPMG Platform for International Business Reorganizations ("IBR")**

The KPMG platform has been designed to specifically support efficient planning and implementation of group reorganization and rationalization projects. It adopts a data driven approach, combining client data and information with a global know how repository designed to automate key aspects of project processes.

**Click here to watch a short demo video**

# Contact us

**Stuart Bedford**

Global Head of Legal Services
KPMG International
**E**: stuart.bedford@kpmg.co.uk

**Nick Roome**

Head of Global Solutions
KPMG International
**E**: nick.roome@kpmg.co.uk

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

**Global Legal Services — KPMG Global**
**kpmglaw.com**

© 2024 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit kpmg.com/governance.

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 endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will 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.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

Legal services may not be offered to SEC registrant audit clients or where otherwise prohibited by law.

Designed by Evalueserve.

Publication name: Navigating BEPS 2.0 Pillar Two
Publication number: 139503-G
Publication date: November 2024