



Your trusted partner for BEPS Pillar 2 compliance



What is BEPS Pillar 2?

The OECD's Base Erosion and Profit Shifting (BEPS) Pillar 2 framework represents a seismic shift in international taxation, aiming to impose a global minimum tax rate of 15% on large multinational enterprises (MNEs). For UK-parented groups, the implications are far-reaching. As the Ultimate Parent Entity (UPE), UK groups will bear responsibility for filing the GloBE Information Return (GIR) and Domestic Top-Up Tax (DTT) returns in the UK. They must also ensure all group companies comply with other implementing jurisdictions' Pillar 2 requirements, including registering for the regime, filing Qualified Domestic Minimum Top-Up Tax (QDMTT) returns, paying any associated taxes, and submitting annual notifications.

Compliance is non-negotiable. With the first relevant accounting periods (e.g., year ending 31 December 2024) nearing conclusion, businesses face increasing scrutiny from auditors, tax authorities, and stakeholders. Delays in preparation could lead to missed opportunities to fully assess the impact of the new rules, consider relevant elections, and ultimately lead to exposure to penalties and reputational damage.

Key considerations for getting ready for BEPS Pillar 2



Safe harbour assessment:

Businesses must evaluate their eligibility for the transitional safe harbours available during the initial three years. Safe harbours simplify compliance by providing a temporary pathway to reduced reporting requirements and the first step for establishing whether a top up tax might be due in relation to a particular jurisdiction. However, this is conditional on having a qualifying Country-by-Country Report (CbCR). Many organisations' existing CbCR processes do not meet the GloBE requirements, requiring immediate attention. Where safe harbours are unlikely to apply or are marginal, proactive action is essential to manage risks.



CbCR data validation and enhancement:

The foundation of a robust Pillar 2 strategy is qualifying CbCR data. Many businesses face challenges in adapting their existing systems to meet the specific requirements of GloBE rules. Accurate and complete data will be essential not only for safe harbour assessments but also for trial Pillar 2 calculations and compliance readiness.



Trial calculations for top-up tax:

For jurisdictions where transitional safe harbours are not able to be accessed, businesses must perform trial calculations to estimate potential top-up tax liabilities. These calculations can help identify data gaps, process inefficiencies, and areas requiring remediation before formal compliance deadlines.



Audit-ready documentation:

As the first relevant accounting period concludes, statutory audits will impose a higher bar for the accuracy of Pillar 2 calculations. Businesses must prepare robust, audit-ready documentation to support the material correctness of their methodologies, assumptions, and tax positions under the GloBE framework. This is relevant not just for the group consolidated accounts, but where rules are implemented in other implementing jurisdictions, local statutory accounts as well.




Global compliance and notifications:

Notifications and QDMTT filings must be submitted in many of the jurisdiction where group entities are located. These filings, require seamless coordination across the group to ensure accurate reporting and timely payment of any taxes owed. Businesses need to understand the requirements and assess to what extent they will manage in-house or utilize the help of a third party, like KPMG.




Outline roadmap and key actions

Immediate (if not already undertaken)

1. Safe harbour assessment: Determine transitional safe harbour eligibility. 
2. CbCR review: Ensure qualifying CbCR data is in place.
3. Preliminary risk assessment: Identify high risk jurisdictions and begin trial calculations for top up tax.
4. Audit preparation: Develop documentation to support statutory audits and material accuracy of Pillar 2 calculations.

Up to completion of first filing cycle

1. Data remediation: Address any gaps in qualifying CbCR data.
2. Trial compliance run: Perform mock filings for GloBE and QDMTT to validate processes.
3. File notifications: Submit GloBE notifications in all relevant jurisdictions.
4. Filing and payment compliance: Finalise and file GloBE and QDMTT returns, ensuring accurate tax payments. 
5. Ongoing monitoring: Establish processes for continuous compliance in future years.

Why KPMG is the right partner for BEPS Pillar 2 compliance

01 Global expertise and scalable solutions

KPMG offers a robust and scalable compliance model designed to handle the complexities of Pillar 2. Whether your organisation is large and multifaceted or smaller and less complex, our approach can flex to meet your needs.

02 Advanced technology and data solutions

Our KPMG BEPS2.0 Automation Technology (KBAT), integrated into the Digital Gateway platform, streamlines every aspect of Pillar 2 compliance. From handling complex data to calculating and allocated top-up taxes, KBAT ensures accuracy and efficiency.

03 Comprehensive global delivery model

With worldwide delivery centres, we handle data collection, validation, and reporting across jurisdictions. Our onshore technical and compliance specialists ensure that tax returns are accurate, elections are optimised, and opportunities for relief are fully explored.

04 Tailored support for your needs

Whether you need end-to-end compliance management, local jurisdictional support, or specific technical expertise, KPMG provides bespoke solutions to match your organisation's requirements.

Next Steps

BEPS Pillar 2 is one of the most significant international tax reforms of our time. For UK parented groups, the responsibility is clear: ensure compliance across your global group or face potential financial and reputational risks.

KPMG is here to help. With our unique combination of expertise, advanced technology, and global delivery capabilities, we ensure your business is ready for every aspect of Pillar 2. Contact us today to discuss your specific requirements and begin your compliance journey.

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



kpmg.com/uk

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 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.

© 2024 KPMG LLP, a UK limited liability partnership 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.

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

Document Classification: KPMG Public

Create | CRT159022A | November 2024