

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.

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”)

KPMG Platform for International Business Reorganizations (“IBR”) 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 view IBR delivery platform video](#)

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