



Tax Newsflash

Pillar Two latest development – G7 statement

China | Tax & Business Advisory | 7 July 2025

On 28 June 2025, the G7¹ issued a [statement](#) outlining a proposed "side-by-side" solution for global minimum tax arrangements that would allow the US minimum tax system to operate alongside the Pillar 2 rules. This solution proposes to exempt US parented groups from Pillar Two's income inclusion rule (IIR) and undertaxed profits rule (UTPR), acknowledging the existing US minimum tax rules (e.g., the global intangible low-taxed income (GILTI) levy).

The G7 statement explicitly mentions the following principles:

- A side-by-side system would fully exclude US parented groups from the UTPR and the IIR in respect of both their domestic and foreign profits.
- A side-by-side system would include a commitment to ensure any substantial risks that may be identified with respect to the level playing field, or risks of base erosion and profit shifting, are addressed to preserve the common policy objectives of the side-by-side system.
- Work to deliver a side-by-side system would be undertaken alongside material simplifications being delivered to the overall Pillar 2 administration and compliance framework.
- Work to deliver a side-by-side system would be undertaken alongside considering changes to the Pillar 2 treatment of substance-based non-refundable tax credits that would ensure greater alignment with the treatment of refundable tax credits.

At the same time, the proposed section 899, which aimed to empower the US president to counter "unfair foreign taxes", has been removed from the One Big Beautiful Bill Act. This removal aligns with the US Treasury Department's agreement with G7 countries, ensuring that the OECD's Pillar Two global minimum tax rules do not apply to US parented groups.

¹ The G7 is made up of Canada (president), UK, USA, France, Italy, Germany and Japan.

On the same day, the OECD Secretary-General released a [statement](#) welcoming the G7's proposed framework for global minimum tax arrangements. The Secretary-General emphasized the importance of engaging with the broader OECD/G20 Inclusive Framework² on BEPS regarding the proposed arrangement. This engagement is consistent with the principles outlined in the [statement](#) from the plenary meeting of the inclusive framework in April 2025. At that meeting, members acknowledged the critical importance of securing certainty and stability in the international tax system, particularly concerning the implementation of Pillar Two. They also recognized the ongoing value of the Inclusive Framework as a platform for collaboration.

Our observations

The principles outlined in the G7 statement raise various unanswered questions, including:

- How the side-by-side system will function technically, e.g., whether US GILTI will be considered a qualifying IIR, whether the UTPR safe harbour will be extended, how IIR applies to "sandwich" US structures etc.
- The impact on Pillar Two compliance requirements
- The need for legislative changes
- When the changes will take effect, including whether they will apply retroactively from 2024
- The willingness of other OECD/G20 Inclusive Framework members to adopt the proposed system
- The approach to countries that still impose digital service taxes, which are not covered by Pillar Two
- The interaction with the EU Pillar Two directive

The governments of China and Hong Kong SAR have not yet commented on the recent developments affecting Pillar Two. According to the current Hong Kong SAR law, the IIR and QDMTT are applicable for fiscal years beginning on or after 1 January 2025, while the implementation date for the UTPR will be determined at a later time.

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² The OECD/G20 Inclusive Framework is a group of over 140 jurisdictions.

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Hong Kong Tax Analysis / Tax Newsflash

28 May 2025	Global Minimum Tax and Hong Kong Minimum Top-up Tax Legislation Passed	[English] [Simplified Chinese]
17 April 2025	Proposed amendments to the draft legislation on the Global Minimum Tax and Hong Kong Minimum Top-up Tax	[English] [Simplified Chinese]
27 December 2024	Draft legislation on the Global Minimum Tax and Hong Kong Minimum Top-up Tax published in Gazette	[English] [Simplified Chinese]
31 October 2024	Updates on implementation of Global Minimum Tax and Hong Kong Minimum Top-up Tax	[English]
21 December 2023	Hong Kong Pillar 2 QDMTT / HKMTT and GloBE Rules consultation	[English & Simplified Chinese]
H113/2023 – 8 March 2023	How Global Minimum Tax implementation timelines could affect top-up tax liabilities	[English]
3 February 2023	OECD released administrative guidance on global minimum tax	[English]
18 August 2022	Hong Kong defers the implementation of Pillar Two	[English & Simplified Chinese]
H107/2022 – 31 May 2022	The Impact of Pillar 2 on Hong Kong's Real Estate Sector	[English]
H99/2020 – 27 November 2020	Pillar Two – Impact on Hong Kong	[English] [Simplified Chinese]

Tax Analysis / Tax Newsflash

27 January 2025	OECD Pillar Two: Qualified jurisdictions and further guidance	[English]
P397/2025 - 20 January 2025	OECD 发布《支柱一金额 B》补充文件	[Simplified Chinese]
20 January 2025	OECD Pillar Two: Information return updates released	[English]
24 June 2024	OECD Pillar Two: Further guidance published	[English]
26 April 2024	Pillar Two: Consolidated commentary published	[English] [Simplified Chinese]
P386/2024 – 26 February 2024	OECD 发布《支柱一金额 B》报告	[Simplified Chinese]
21 December 2023	Pillar Two: OECD’s further guidance	[English]
18 July 2023	Pillar 2 – QDMTT, UTPR & GIR developments relevant to Hong Kong, Singapore and Mainland China	[English] [Simplified Chinese]
P374/2023 - 16 March 2023	支柱一金额 A 下撤销数字服务税和相关类似措施的多边公约条款草案	[Simplified Chinese] [Japanese]
P373/2023 - 6 March 2023	全球税制重塑 2.0 系列：OECD 发布支柱二征管指南	[Simplified Chinese] [Japanese]
P372/2023 - 2 March 2023	全球税制重塑 2.0 系列：支柱二下的信息报告表和安全港规则	[Simplified Chinese] [Japanese]
P368/2022 - 30 December 2022	OECD 发布《支柱一金额 B 公众意见征询文件》	[Simplified Chinese]
21 December 2022	OECD Pillar Two: Information return and safe harbors published	[English]
P356/2022 - 16 June 2022	OECD 发布支柱一金额 A 立法模板系列之《支柱一金额 A 下的受监管金融服务业排除》	[Simplified Chinese] [Japanese]
P354/2022 - 24 May 2022	OECD 发布支柱一金额 A 立法模板系列之《金额 A 的适用范围立法模板草案》以及《支柱一金额 A 下的采掘业排除》	[Simplified Chinese] [Japanese]
P352/2022 - 13 April 2022	OECD 发布支柱一金额 A 立法模板系列之《税基确定立法模板草案》	[Simplified Chinese] [Japanese]
15 March 2022	OECD announces release of commentary on Pillar Two model rules for global minimum tax	[English & Simplified Chinese]
P350/2022 – 9 March 2022	OECD 发布支柱一金额 A 立法模板系列之《联结度与收入来源规则立法模板草案》	[Simplified Chinese]
P347/2021 – 22 December 2021	支柱二 – G20/OECD 包容性框架发布全球最低税法模板	[Simplified Chinese] [Japanese]
21 December 2021	Pillar Two – OECD Inclusive Framework global minimum tax model rules	[English]
11 October 2021	OECD inclusive framework updates political agreement on Pillar One and Pillar Two	[English & Simplified Chinese]
P343/2021 – 12 July 2021	Global Minimum Tax Frequently Asked Questions (FAQ)	[English] [Simplified Chinese] [Japanese]
7 July 2021	OECD Inclusive Framework reaches political agreement on taxing the digitalised economy and a global minimum rate	[English]
3 July 2021	Global Endorsement on Pillar One and Pillar Two	[English & Simplified Chinese]
P338/2021 - 20 May 2021	在不断变化的国际环境中管理和规划知识产权的注意要点	[Simplified Chinese] [Japanese]
P332/2021 – 22 January 2021	在不确定性中寻找机会 – 有关 OECD/G20 税基侵蚀和利润转移(BEPS) 计划以及全球税制重塑 2.0 的第七次年度全球调查	[Simplified Chinese] [Japanese]
P330/2021 – 11 January 2021	European Union – Mandatory Tax Reporting (DAC6) implemented	[English] [Simplified Chinese]
P327/2020 – 19 November 2020	OECD 就应对数字经济带来的税收挑战发布蓝图报告：支柱二之详细解读	[Simplified Chinese] [Japanese]
P325/2020 – 4 November 2020	OECD 就应对数字经济带来的税收挑战发布蓝图报告：支柱一之详细解读	[Simplified Chinese] [Japanese]
P323/2020 – 22 October 2020	变革与经济复苏下的全球税收政策导向	[Simplified Chinese]
13 October 2020	2020 年美国大选对美国企业所得税政策的影响	[Simplified Chinese]
P322/2020 – 7 October 2020	澳大利亚发布 2020-21 年预算：政策利好复苏	[Simplified Chinese]
P317/2020 – 27 July 2020	European Union - Mandatory Tax Reporting for certain cross-border arrangements	[English] [Simplified Chinese]
P311/2020 – 14 February 2020	包容性框架成员国再次承诺将致力于解决数字化经济带来的税收挑战	[Simplified Chinese]
P309/2019 – 20 December 2019	数字经济征税方案下“统一方法”与现行转让定价规则碰撞之初探	[Simplified Chinese]
P304/2019 – 15 November 2019	OECD 发布最新意见征询文件：全球防止税基侵蚀提案（支柱二）	[Simplified Chinese] [Japanese]
P302/2019 – 5 November 2019	OECD's public consultation document: Secretariat Proposal for a "Unified Approach" under Pillar One	[English] [Simplified Chinese] [Japanese]



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