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# Munich International Tax Forum

**Dr. Hendrik Breimann / James Timperley**

**Munich International Tax Forum | September 26/27 2024**

MAKING AN IMPACT THAT MATTERS since 1845

# Agenda

01 **Pillar 2 Background and Importance of Data for Compliance**

02 **Pillar 2 Agent as technical solution for complexity**

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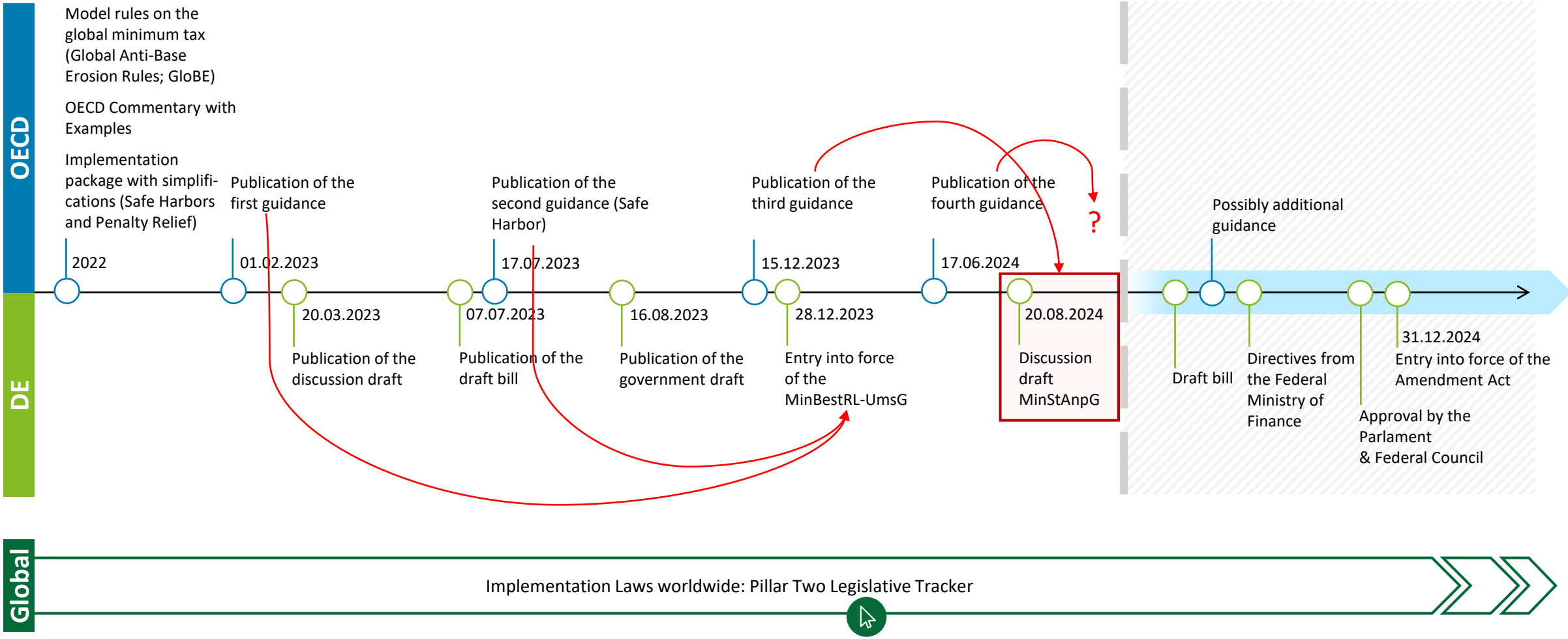
# MITF | Minimum Tax Amendment Act: Development and Outlook

The Implementation Law of the EU Directive 2022/2523 (MinBestRL-UmsG) was passed by the Bundestag on November 10, 2023, with minor amendments, and came into force on December 28, 2023. The Federal Ministry of Finance has announced that further simplifications of the MinStG will be implemented through an Amendment Act by the end of 2024. A first draft for discussion of the MinStAnpG was published on August 20, 2024.







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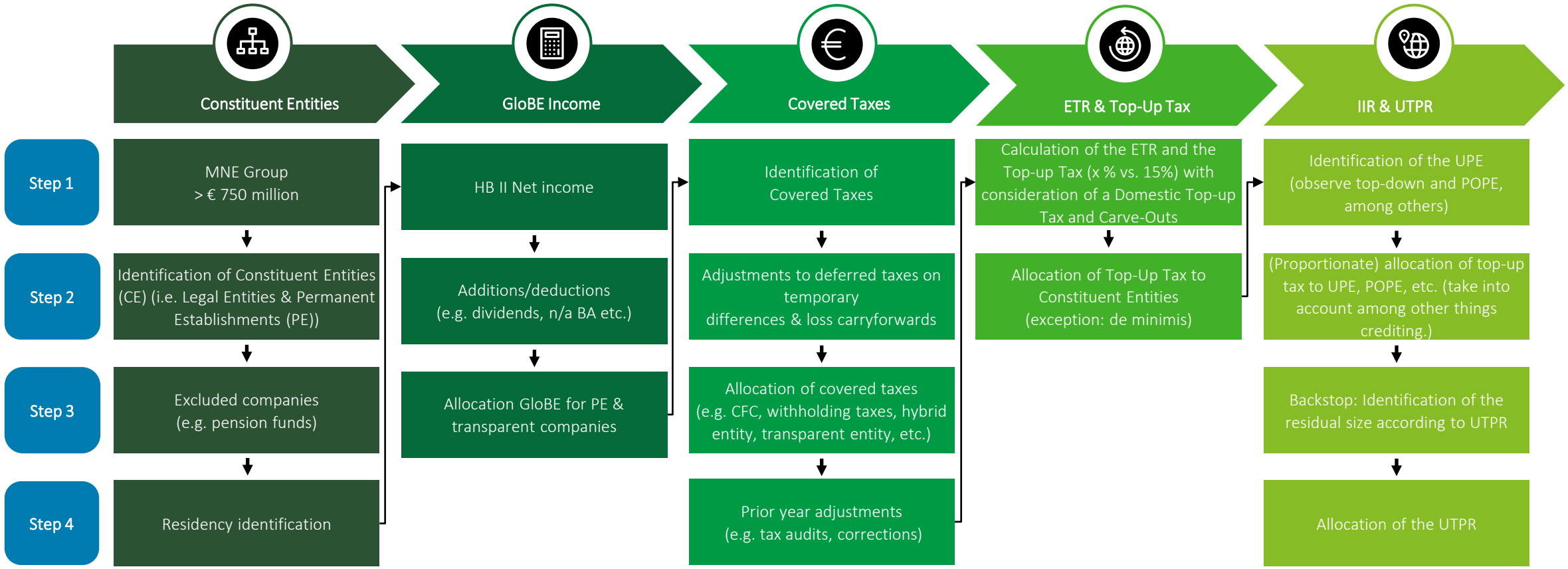
# MITF | Backgrounds Pillar Two

The Model Rules and the German law specify the systematic procedure for the analysis and calculation systematics.

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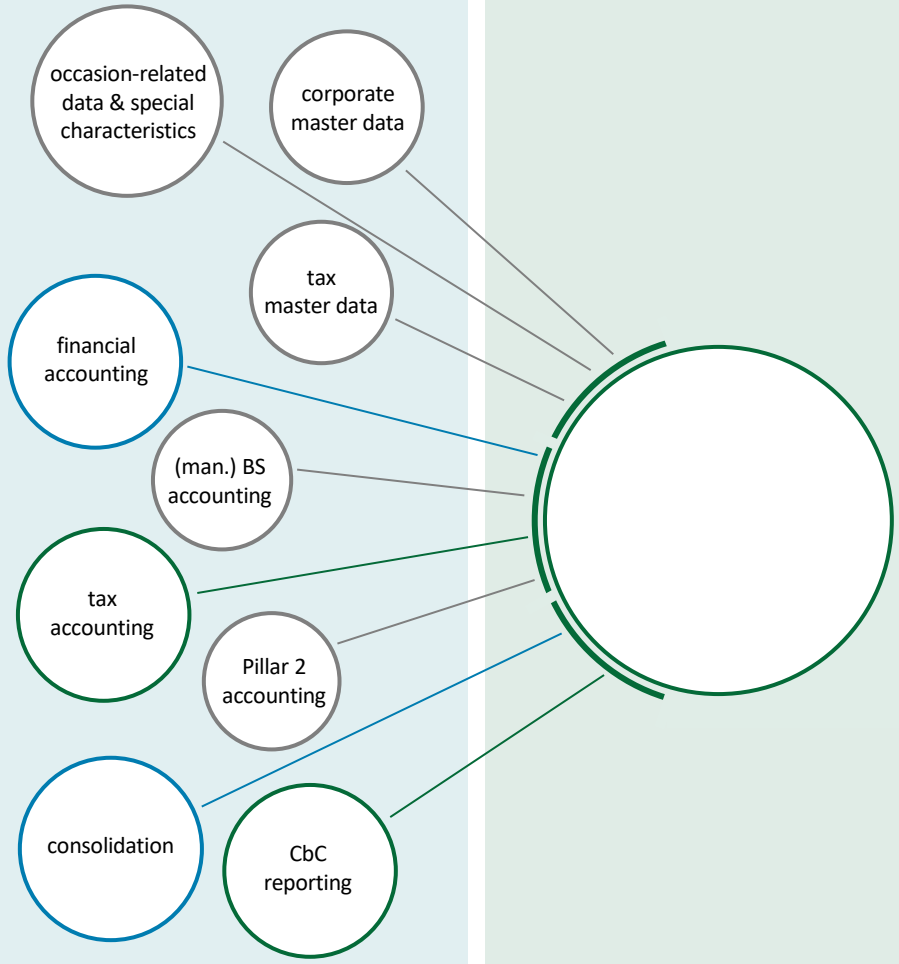
# MITF | Focused Data Analysis: Data Points

The analysis of the tax issues resulting from Pillar 2 is connected with that of the data requirements and sources and ultimately leads to the design of the complex processes required.

## Tax issues

- **applicability of the safe harbour regulation**
- **affected entities (constituent entities, CE)**
- permanent establishment classification
- **group structure and entity relationships**
- UPE/POPE identification
- transfer pricing adjustments, differing transaction volumes and arm's length adjustments
- **joint venture**
- **domestic top-up tax**
- flow-through companies
- …

## Data requirements and sources




## Data collection and IT solutions

## Complexity in process design

- **documentation requirements**
- process controls
- **data quality requirements**
- automation
- treatment and integration of permanent establishments
- treatment and integration of non-consolidated companies
- **dealing with restructurings**
- storing de minimis and safe harbour regulations
- **exercising elective rights (e.g. valuation adjustments) for the long term (> 5 years)**
- **systematically allocate CFC taxes to the jurisdictions**
- training of local users
- **implementation in an IT solution**

## Mapping in the reporting & compliance process

Information return

Tax return

QDMTT

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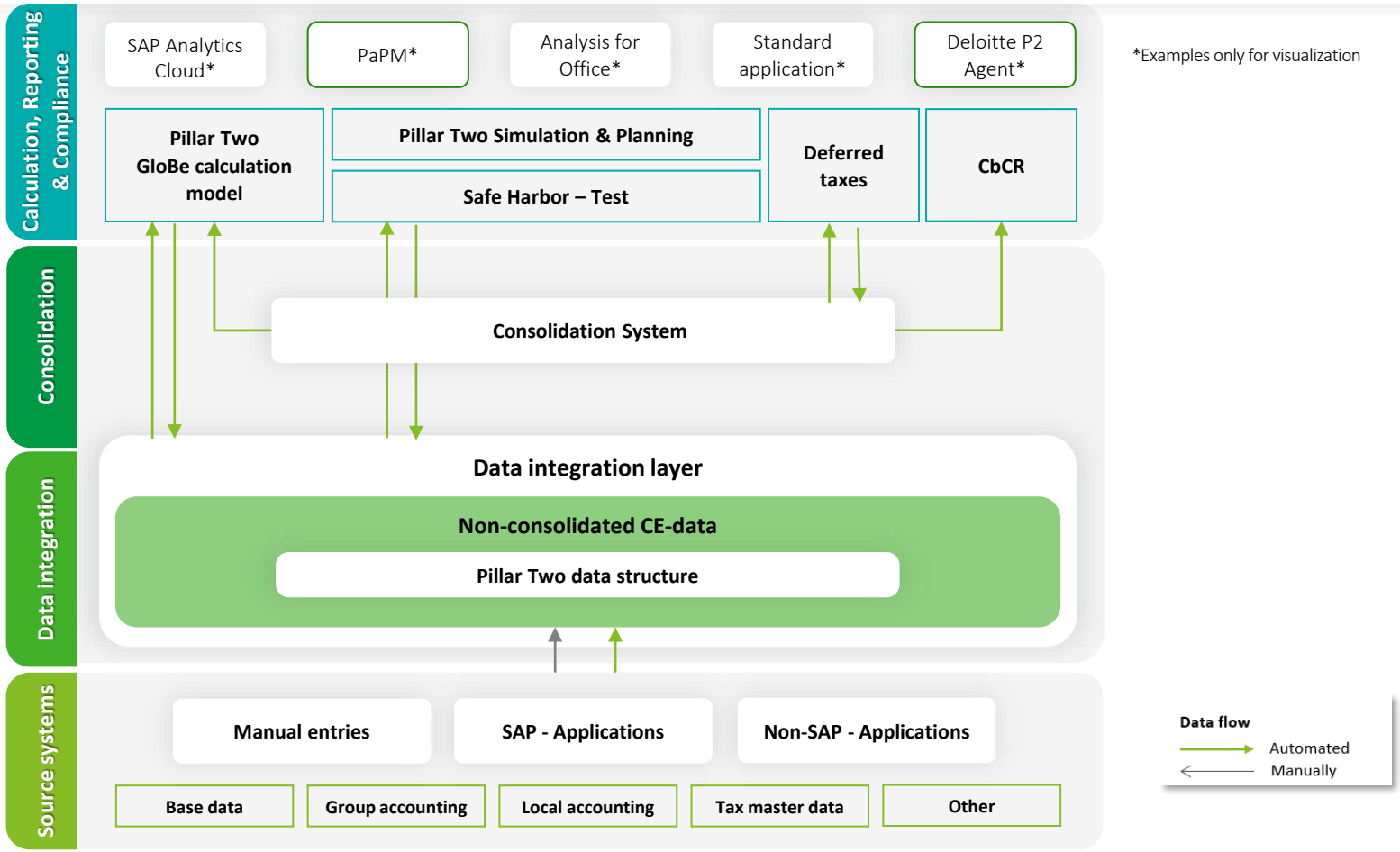
# MITF | Data Sources and Data Flow

Identification of the Data Sources and Design of the Data Flow is essential to provide for an efficient process in reporting and compliance.

The goal is to automate the delivery of relevant data from the source systems as far as possible. For the additional necessary data, forms/reporting packages need to be designed. The quality and granularity of the automated data delivery from the upstream system determines the extent of manual data entry.




*Examples only for visualization

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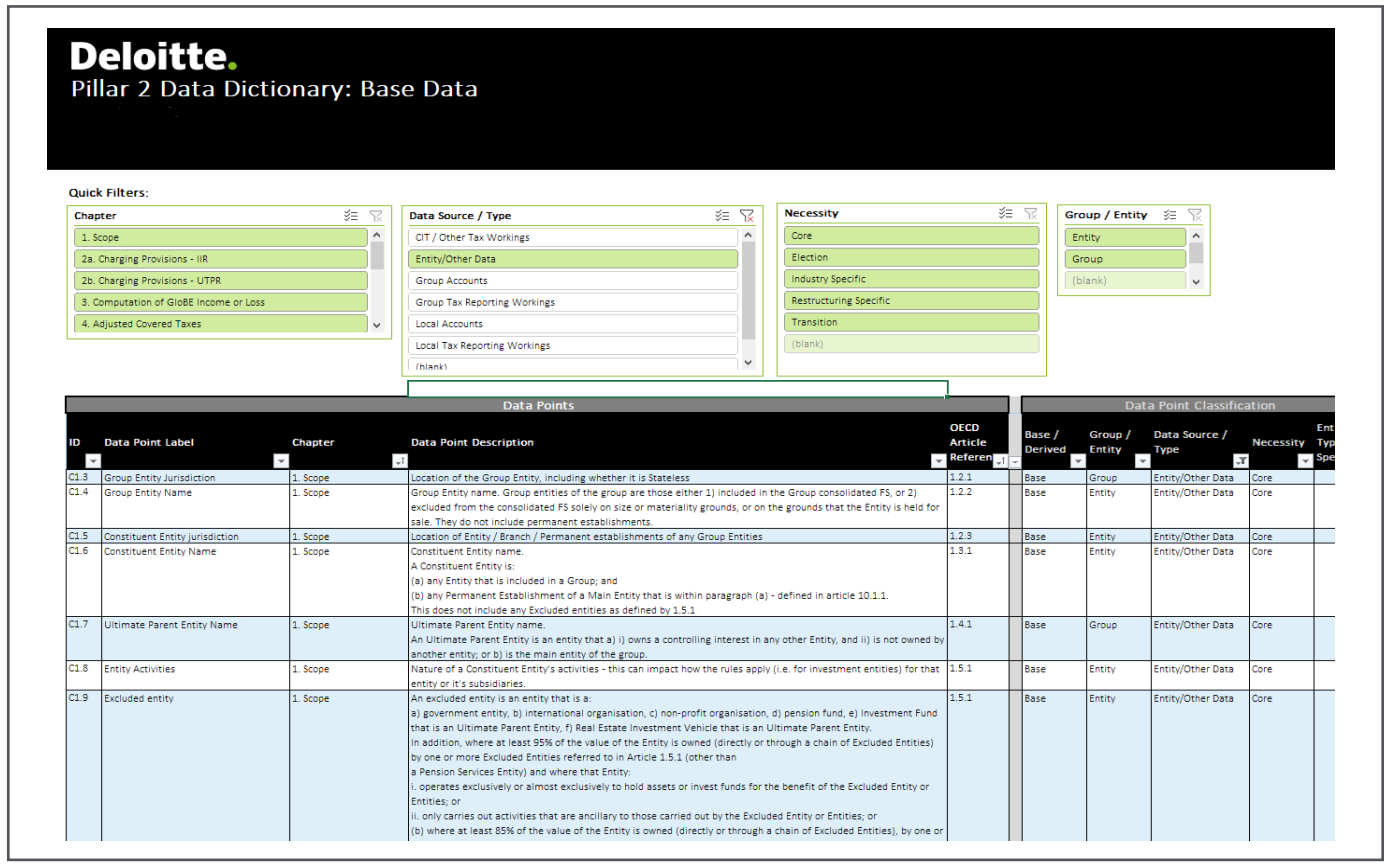
# MITF | Focused Data Analysis: Deloitte Solution

For data analysis it is essential to have a strucutred approach in order to identify and document all required datafields. The documentation tool should be agnostic in order to allow use of the output independent from supplier.



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Pillar 2 Data Dictionary: Base Data

Quick Filters:

Chapter: 1. Scope; 2a. Charging Provisions - IIR; 2b. Charging Provisions - UTPR; 3. Computation of GloBE Income or Loss; 4. Adjusted Covered Taxes

Data Source / Type: CIT / Other Tax Workings; Entity/Other Data; Group Accounts; Group Tax Reporting Workings; Local Accounts; Local Tax Reporting Workings; (blank)

Necessity: Core; Election; Industry Specific; Restructuring Specific; Transition; (blank)

Group / Entity: Entity; Group; (blank)

Data Points | Data Point Classification

| ID | Data Point Label | Chapter | Data Point Description | OECD Article Referen | Base / Derived | Group / Entity | Data Source / Type | Necessity | Ent Typ Spe |
|---|---|---|---|---|---|---|---|---|---|
| C1.3 | Group Entity Jurisdiction | 1. Scope | Location of the Group Entity, including whether it is Stateless | 1.2.1 | Base | Group | Entity/Other Data | Core | |
| C1.4 | Group Entity Name | 1. Scope | Group Entity name. Group entities of the group are those either 1) included in the Group consolidated FS, or 2) excluded from the consolidated FS solely on size or materiality grounds, or on the grounds that the Entity is held for sale. They do not include permanent establishments. | 1.2.2 | Base | Entity | Entity/Other Data | Core | |
| C1.5 | Constituent Entity jurisdiction | 1. Scope | Location of Entity / Branch / Permanent establishments of any Group Entities | 1.2.3 | Base | Entity | Entity/Other Data | Core | |
| C1.6 | Constituent Entity Name | 1. Scope | Constituent Entity name.<br>A Constituent Entity is:<br>(a) any Entity that is included in a Group; and<br>(b) any Permanent Establishment of a Main Entity that is within paragraph (a) - defined in article 10.1.1.<br>This does not include any Excluded entities as defined by 1.5.1 | 1.3.1 | Base | Entity | Entity/Other Data | Core | |
| C1.7 | Ultimate Parent Entity Name | 1. Scope | Ultimate Parent Entity name.<br>An Ultimate Parent Entity is an entity that a) i) owns a controlling interest in any other Entity, and ii) is not owned by another entity; or b) is the main entity of the group. | 1.4.1 | Base | Group | Entity/Other Data | Core | |
| C1.8 | Entity Activities | 1. Scope | Nature of a Constituent Entity's activities - this can impact how the rules apply (i.e. for investment entities) for that entity or it's subsidiaries. | 1.5.1 | Base | Entity | Entity/Other Data | Core | |
| C1.9 | Excluded entity | 1. Scope | An excluded entity is an entity that is a:<br>a) government entity, b) international organisation, c) non-profit organisation, d) pension fund, e) Investment Fund that is an Ultimate Parent Entity, f) Real Estate Investment Vehicle that is an Ultimate Parent Entity.<br>In addition, where at least 95% of the value of the Entity is owned (directly or through a chain of Excluded Entities) by one or more Excluded Entities referred to in Article 1.5.1 (other than<br>a Pension Services Entity) and where that Entity:<br>i. operates exclusively or almost exclusively to hold assets or invest funds for the benefit of the Excluded Entity or Entities; or<br>ii. only carries out activities that are ancillary to those carried out by the Excluded Entity or Entities; or<br>(b) where at least 85% of the value of the Entity is owned (directly or through a chain of Excluded Entities), by one or | 1.5.1 | Base | Entity | Entity/Other Data | Core | |

**The Deloitte GloBE Pillar Two-Data Diagnostics Tool**

- The determination of the new tax bases, the covered taxes, the mapping of special rules as well as the fulfillment of the new declaration requirements from the Top-Up Tax requires extensive Pillar Two information and Pillar Two data points, which are usually not fully available in tax reporting or in country-by-country reporting.
- Deloitte has developed the GloBE Pillar Two-Data Diagnostics Tool for this purpose, which can be used to identify all information and data points relevant in the gap analysis workshops in a structured manner.
- The tool is constantly updated, especially with regard to regulatory changes and findings from ongoing projects.
- The tool can serve as a basis for either the Deloitte Pillar 2 Agent or alternative tools.

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# MITF | Implementation of the Defined Processes: Tax Compliance Obligations

In principle, a minimum tax report (GIR) must be filed with the competent tax authority for each taxable business entity (CE). This obligation can also be assumed by other group companies and in particular by the ultimate parent company (UPE). Based on this, the group parent must file a tax return. In addition, there are local processes (e.g. QDMTs).

## Minimum Tax Report

**Submission of Minimum Tax Report**

Submission of minimum tax report by taxable business entity (CE)?

No

Submission of minimum tax report by appointed business entity (CE)?

No

Submission of minimum tax report by ultimate parent company (UPE)

## Tax Return

**Obligation to file a tax return**

§ 91 Abs. 1 MinBestRL-UmsG-E

## QDMTT

**Qualified Domestic Minimum Top Up Tax**

§§ 77 ff. MinBestRL-UmsG-E

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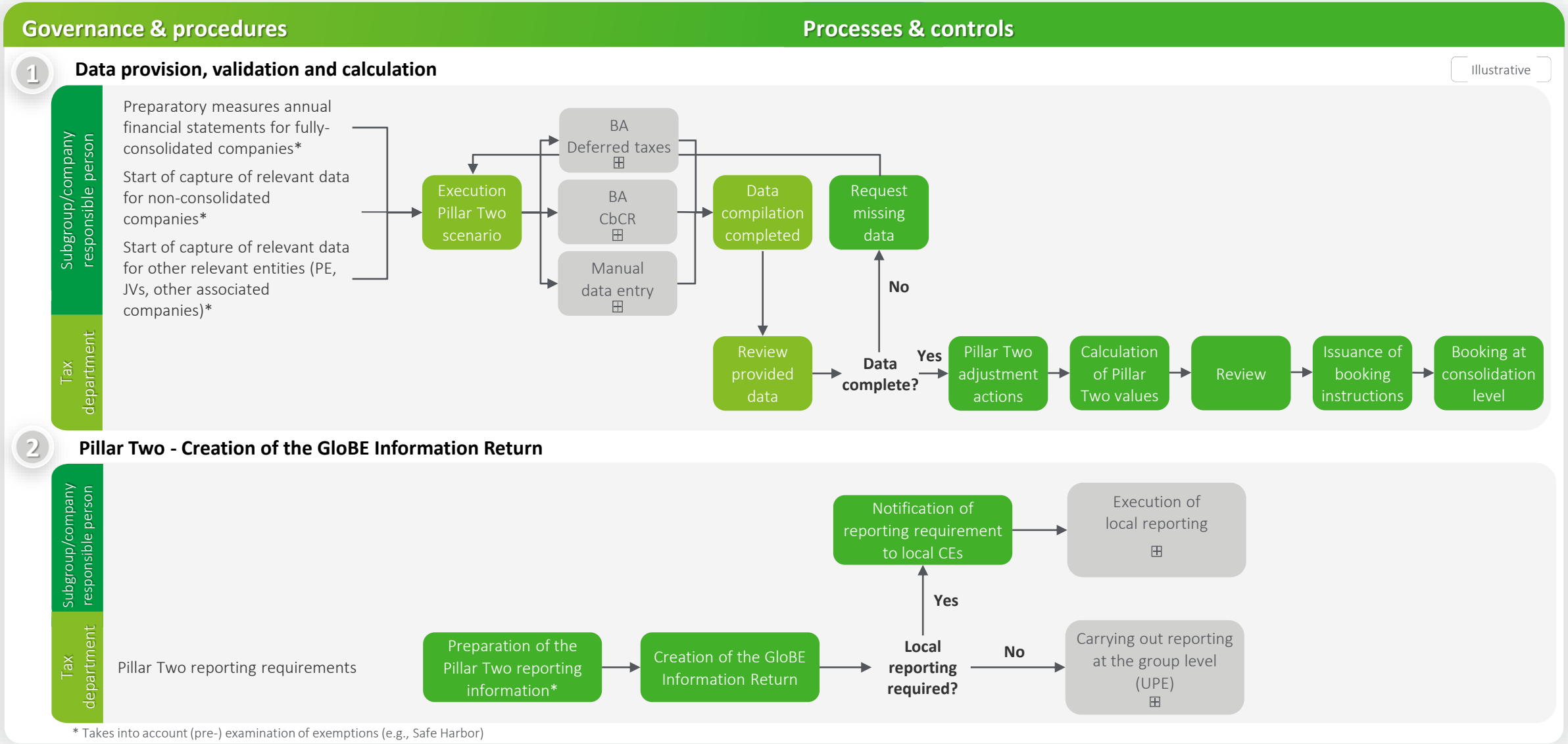
# MITF | Pillar Two Governance & Compliance

The Pillar Two reporting process requires a detailed process design incl. sufficient checks to secure completeness and correctness of the data used.




* Takes into account (pre-) examination of exemptions (e.g., Safe Harbor)

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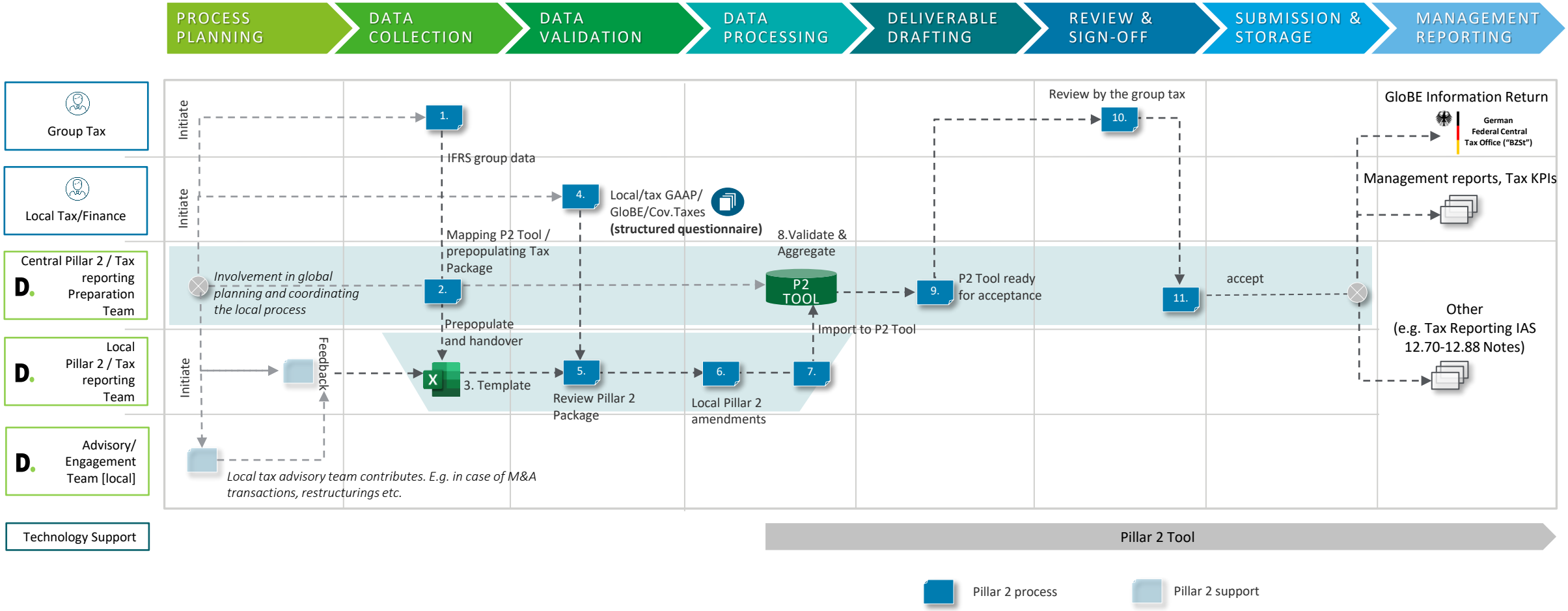
# MITF | Pillar 2 as a Managed Service in Ongoing Operation: Example

Deloitte has developed a tool supported managed service offering to fulfill the reporting and compliance obligations in all jurisdictions. Since local QDMTT compliance is one of the critical issues in the task, the local reviews and fillings are integrated into one global tool.

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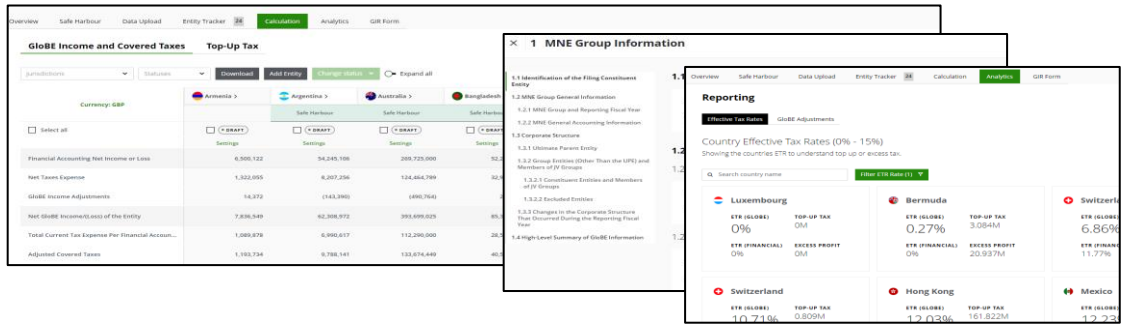
# Pillar Two Agent overview

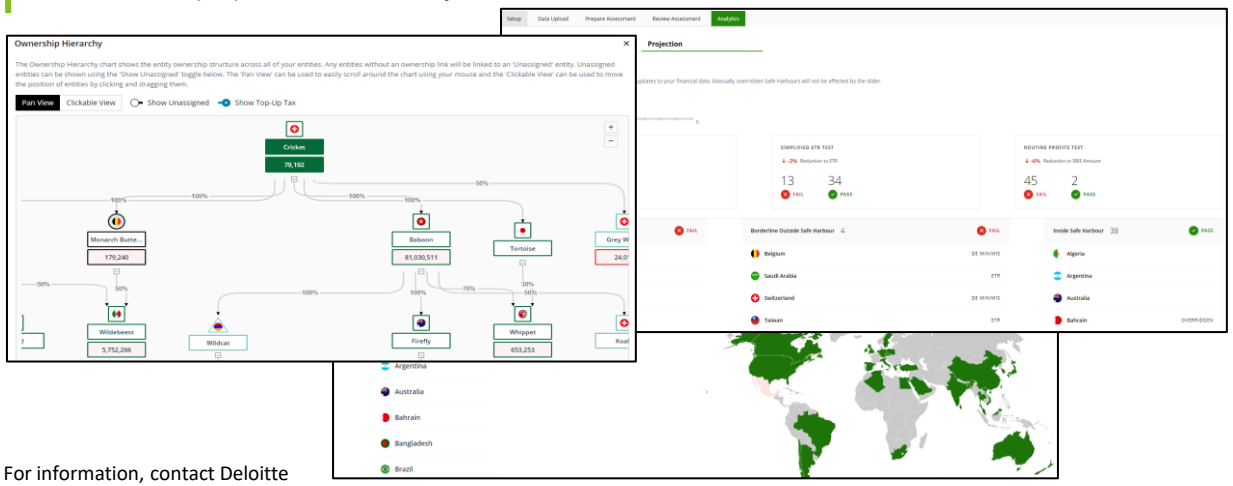
## Everything Pillar Two

Designed to help you really understand the numbers, rather than worry about whether the rules are up to date.

**Comprehensive scenarios** – modelling, provisioning, and up-to-date central and local calculations, proven and used by the market for more than 2 years; calculations updated in *real-time* as data is inputted; Globe Information Return (GIR); central management of all returns.



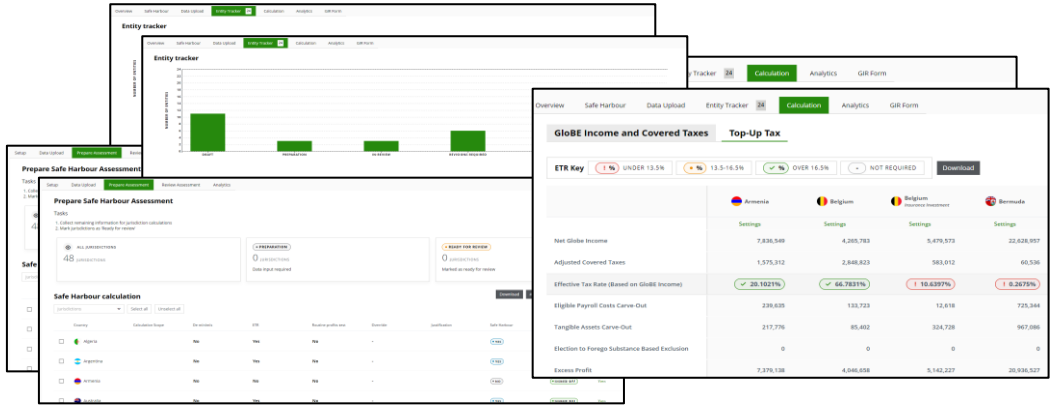

**Striking insights** – a holistic user interface which includes sensitivity analysis for safe harbours and top-up tax allocation analysis.



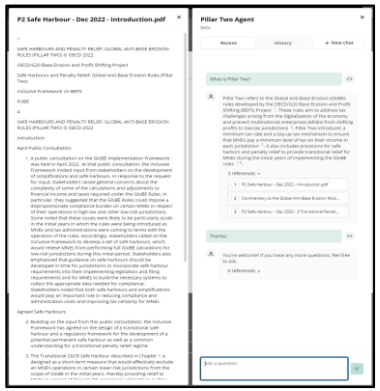

## A seamless user experience

Everything in the same beautiful cloud interface.

**End-to-end collaboration workflow** – designed to assist the user through each Pillar Two scenario; user toggles to streamline review; scenarios can directly integrate with each other.




**Genuinely easy to use** - audit trail & a help system to provide further information for users on data points. The ability to update with comments and documents to support the manual submissions. We are also working on a GenAI chatbot to better support our end users.



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# Pillar Two Agent with Intela

***Bold items are scheduled for future releases**

Core features

Digital collaboration with Deloitte

Obligations | Workflow | Documents | Dashboards

## Data Management

- Information requests to track/manage data collection
- Distributed data collection supported by on-boarding workflow
- Import all data required for calculation via Excel/CSV or direct API/SFTP
- Integrated data transformation pipeline capability, allowing transformation on import
- Row based import for Trial Balance data collection

## Pillar Two Calculation

- Country by Country compliant data collect including additional Pillar Two data points
- Full Safe Harbour, Forecast, Provision, Compliance calculations
- Independent calculations for each period, country and calculation type (SH/QDMTT/IIR)
- Entity Management, including entity type and ownership
- Elections at entity and jurisdiction levels
- Support for Deferred Tax analysis
- Top-up Tax allocation **and payment tracking**
- Top-up payment visualisation
- Calculation data point support notes, sources and **supporting documents**
- **GILTI/ Blended CFC module**

## Pillar Two Usability

- Multi-year modelling and reporting, **including comparison between calculations**
- Support for input in local and reporting currency
- Data Point Information assistance - detailed information on every datapoint in calculation
- Queries/Comments to manage process
- Calculation workflow including entity by entity status tracking
- Full compatibility with our Pillar Two Excel Model
- User notifications
- Display applicable Rules (IIR/QDMTT) at scenario level
- Dynamic adjustment Management
- **Undo last changes/undo import**

## Pillar Two Future

- **Incorporating changes in regulation, including UTPR and new IIR/QDMTT regimes**
- **GIR and QDMTT Compliance filing i.e. tax return management and filing**
- **Managing Pillar Two compliance & reporting post-transitional safe harbours**
- **Automated links to finance and tax systems**
- **Enhanced localisation including multi currency conversion.**
- **GenAI chatbot to better support users**

## Data Management

- Legal Entity Management
- Integration with all your tax processes (CIT/Provision/…)
- Knowledge/News

## Non-functional

- High performance, flexible and versioned calculation engine built for Pillar Two
- Audit trail with visibility of automated and manual amendments
- User Activity Log Reporting

## Security/Reliability

- Multi-factor authentication, SSO, Multi-tenant ready
- Entity level role-based process and access control
- Cloud hosted in multiple regions, Deloitte owned and managed platform
- **Enhanced data management for Provision/Forecast**

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# Team

## Page subtitle

**Role**
- Dr. Hendrik Breimann
- Partner Tax
- Düsseldorf

- Dr. Hendrik Breimann serves as Pillar 2 Country Lead in Germany and is member of the EMEA Steerco and the global Pillar 2 Technical Committee, which should ensure a consistent legal interpretation.

- He focuses in advising clients regarding their current Pillar 2 challenges, in particular regarding impact analysis and the development of suitable processes for the consideration of resulting obligations.

**Role**
- James Timperley
- Associate Director
- Birmingham, UK

- James is a Pillar Two and tax accounting specialist. He is the Pillar Two office lead for Birmingham as well as being part of the UK Pillar Two competency group.

- James works closely with the team developing the Pillar Two Agent tool presenting at the demo schools and being involved in user acceptance testing.

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