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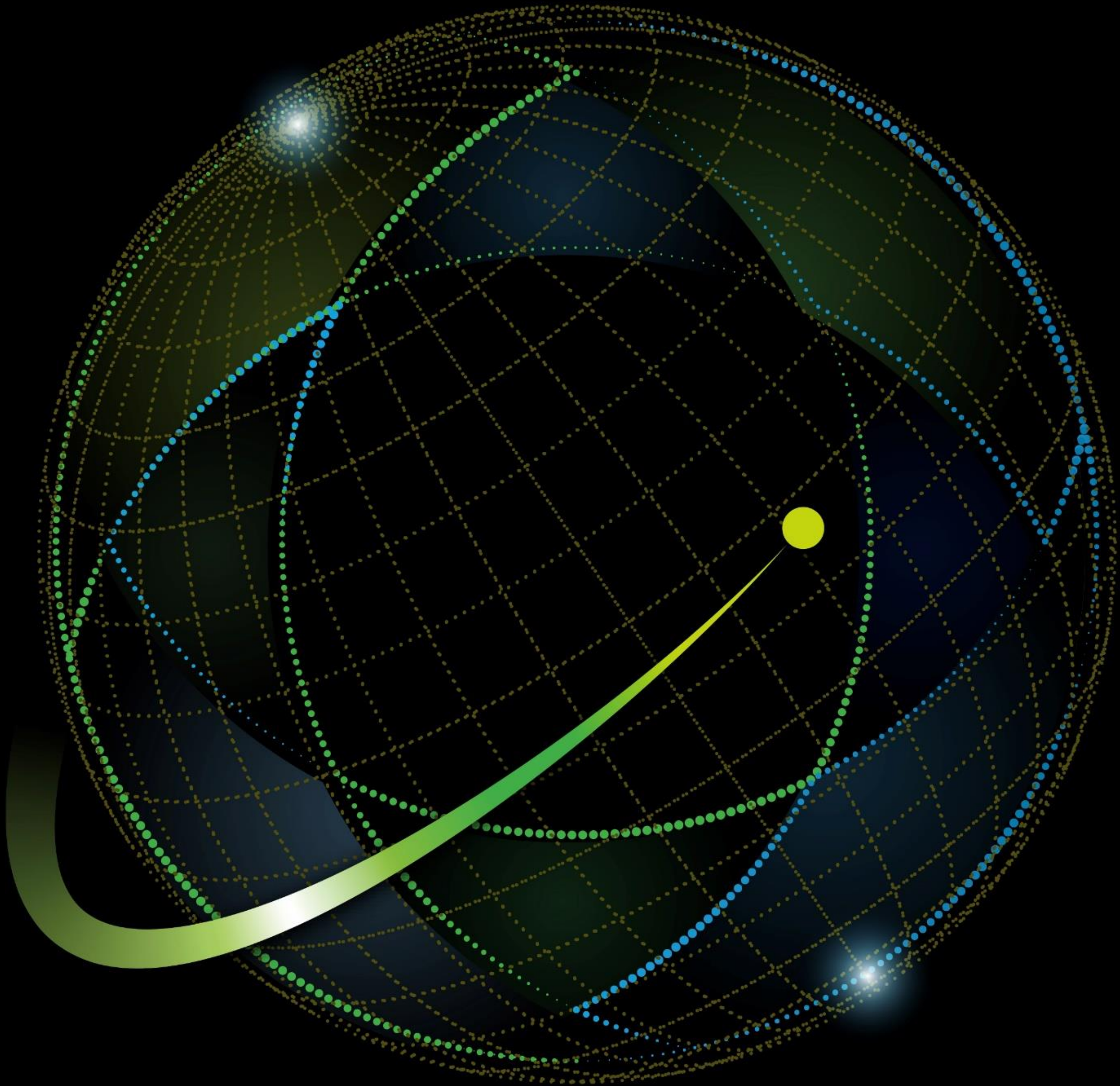

Implementation of Pillar Two across the Central European region

November 2024

Navigating Pillar Two: Understanding the Global Minimum Tax in Central Europe

Pillar Two, also known as the Global Anti-Base Erosion (GloBE) proposal, is a significant development in international tax reform. The new framework aims to level the tax playing field by discouraging countries from reducing their corporate income tax to attract foreign business investment. Essentially, it introduces a global minimum tax rate (15%) to encourage multinational enterprises to pay their fair share of taxes. Pillar Two aims to drive these tax outcomes by impacting the financial accounting policies and processes in place at these companies.

Naturally, Pillar Two introduces significant complexity and uncertainty into the economic environment. This is poised to disrupt business operations extensively. The new rules are expected to materially influence corporate strategies, especially in areas such as restructuring, M&A, site selection, and other key operational and investment decisions. As countries around the world work toward implementing Pillar Two, it is crucial that businesses understand its implications and adapt their strategies accordingly.

How Is Pillar Two Being Implemented Across Central Europe?

In this publication, we specifically look at the **implementation of Pillar Two across Central European jurisdictions.** We examine whether GloBE rules (IIR, UTPR) and the Domestic Minimum Top-up Tax (DMTT) have been implemented or are expected to be, along with their effective dates. Additionally, we discuss the applicable accounting standards, potential qualification for the OECD's QDMTT safe harbor, and any material deviations from the OECD Model Rules. Finally, we highlight local tax benefits that may impact the jurisdiction's Pillar Two Effective Tax Rate (ETR).

We hope you find this overview insightful and valuable to your work going forward.

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Status of Implementation of the Pillar Two GloBE rules (IIR and UTPR) across Central Europe

NOT STARTED	POSTPONED	IMPLEMENTED
• ALBANIA • BOSNIA AND HERZEGOVINA • KOSOVO • SERBIA • UKRAINE	• ESTONIA • LATVIA • LITHUANIA* • SLOVAKIA **	• BULGARIA • CROATIA • CZECH REPUBLIC • HUNGARY • POLAND *** • ROMANIA • SLOVENIA

* Postponed, but draft law for implementation as of 1st January 2025.

** Postponed, but the DMTT has been in effect since 2024.

*** Applied as of 1st January 2025. Additionally, there is an option to apply the IIR retrospectively, effective from 1 January 2024.

Implementation of Pillar Two within the CE region

BULGARIA

Have the Pillar Two GloBE rules (IIR and UTPR) been implemented or are they expected to be implemented in the jurisdiction?	Yes, the IIR and the UTPR have been fully implemented in Bulgaria in line with the related EU directive.
If so, when is the (expected) effective date of these rules?	The effective date is 1 January 2024 for the IIR and 1 January 2025 for the UTPR. However, the UTPR can be applied from 1 January 2024 in certain cases where the UPE is located in an EU Member State which has elected for a delayed application of the Pillar Two rules (Art. 50 of the Directive). The UTPR safe harbour is not implemented yet. Note that on 18 Sep 2024 the Ministry of Finance published proposal for amendment of the Pillar Two rules in Bulgaria. One of the proposed amendments relates to the application of the UTPR safe harbour and it is expected to be implemented.
Has a Domestic Minimum Top-up Tax ("DMTT") been implemented or is it expected to be implemented in the jurisdiction?	Yes, the DMTT has been implemented in Bulgaria, with some local specifics.
If so, when is the (expected) effective date of the DMTT?	The effective date of the DMTT is 1 January 2024.
What is the applicable accounting standard for the purposes of the jurisdiction's DMTT?	At present, the applicable accounting standards for the purposes of calculating the DMTT are: • IFRS if the consolidated financial statements are prepared in accordance with IFRS; • IFRS or Bulgarian GAAP, in all other cases. Any other accounting standards (e.g. if the UPE's consolidated financial statements are prepared in accordance with US, German or any other jurisdiction's local GAAP) cannot be applied to calculate Bulgarian DMTT.

What is the applicable accounting standard for the purposes of the jurisdiction's DMTT?	Note that on 18 Sep 2024 the Ministry of Finance published proposal for amendment of the Pillar Two rules in Bulgaria. One of the proposed amendments relates to revocation of the above requirements meaning that for DMTT purposes the accounting standards would be the ones of the consolidated financial statements of the UPE, if the amendment will be adopted by the parliament. It is envisaged in the draft bill that the latter amendment would enter into force as of 1 Jan 2024.
If the local standard is applicable, does it include IFRS-like deferred tax accounting rules?	Bulgarian GAAP includes IFRS-like deferred tax accounting rules.
Is the DMTT in the jurisdiction expected to get the qualified status?	Yes, qualified status is generally expected.
Is the DMTT in the jurisdiction expected to qualify for the OECD's permanent QDMTT safe harbour?	Yes, the Bulgarian DMTT is generally expected to be eligible for the permanent QDMTT safe harbour.
Are there any material deviations in the Pillar Two (including DMTT) rules in the jurisdiction from the OECD Model Rules and / or the related EU Directive?	Yes, the Bulgarian DMTT was introduced with certain local deviations: • the substance-based income exclusion (SBIE) is applied partially, only with respect to the carrying value of eligible tangible assets. No relief is envisaged for payroll costs; • De minimis exclusion as well as the exclusion for the initial phase of international activity do not apply with respect to the DMTT; • Covered taxes of parent entities would not be allocable to Bulgarian constituent entities with respect to the DMTT (e.g. CFC taxes). Only WHT paid in Bulgaria on dividends/liquidation proceeds towards parent entities would increase the ETR in Bulgaria; • The Bulgarian DMTT is levied in full on Bulgarian constituent entities, irrespective of the ownership percentage of the UPE.

Are the Transitional CbCR Safe Harbour rules (expected to be) implemented in the jurisdiction?	Yes, the Transitional CbCR Safe Harbor rules apply.
What local tax benefits can potentially drive down the Pillar Two ETR?	Bulgaria applies a 10% flat CIT rate on a wide tax basis with very few tax incentives (e.g. CIT exemption for production in municipalities with high unemployment). The latter are rarely applied in practice and if applied they drive down the ETR.

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CROATIA

Have the Pillar Two GloBE rules (IIR and UTPR) been implemented or are they expected to be implemented in the jurisdiction?	Yes, the IIR and the UTPR have been fully implemented in Croatia in line with the related EU directive.
If so, when is the (expected) effective date of these rules?	The effective date is 31 December 2023 for the IIR and 31 December 2024 for the UTPR.
Has a Domestic Minimum Top-up Tax ("DMTT") been implemented or is it expected to be implemented in the jurisdiction?	Yes, the DMTT has been implemented in Croatia
If so, when is the (expected) effective date of the DMTT?	The effective date of the DMTT is 31 December 2023.
What is the applicable accounting standard for the purposes of the jurisdiction's DMTT?	With regards to the application of the DMTT, the legislation states specifically that: "Where the constituent entity is not obliged to apply the International Financial Reporting Standards (IFRS), the calculation of the excess profit of a constituent entity subject to a low tax rate in Croatia could be based on the corresponding financial statement prepared in accordance with the Croatian Financial Reporting Standards (CFRS), with an obligation to make adjustments for competitive material distortions." Based on the above, it remains unclear whether group GAAP (other than IFRS) could be used, and the Croatian provisions may potentially be unaligned with the OECD rules. Do note that Croatian bylawconcerning Pillar 2 rules are yet to be published and we expect this question to be resolved once complete guidance is made available.

If the local standard is applicable, does it include IFRS-like deferred tax accounting rules?	Croatian GAAP (CFRS) does not have a specific standard for deferred tax and only limited guidance on tax provisions is made available for local GAAP purposes. However, entities may analyse IFRS for more guidance (where local GAAP does not prescribe the methodology).
Is the DMTT in the jurisdiction expected to get the qualified status?	Regarding the above-mentioned accounting standard uncertainty, we would expect this to be clarified once the bylaws are published, but cannot confirm at this point whether the Croatian legislation would be fully aligned with the OECD Model Rules. However, no additional deviations are expected, so there is high likelihood that the DMTT will get the qualified status.
Is the DMTT in the jurisdiction expected to qualify for the OECD's permanent QDMTT safe harbour?	As above, please note that Croatian bylaws concerning Pillar 2 rules are yet to be published and we expect this question to be resolved once complete local guidance and OECD guidelines are made available. We would, however, expect Croatia to qualify for the OECD's permanent QDMTT safe harbour as there are no deviations currently prescribed for the substance-based income or de minimis exclusions, nor does the tax rate differ from the GloBE Model Rules. The administrative procedure is still not prescribed (it should be made available once the bylaws are published), so we cannot yet comment on whether the Croatian QDMTT would meet the administration standard requirement.
Are there any material deviations in the Pillar Two (including DMTT) rules in the jurisdiction from the OECD Model Rules and / or the related EU Directive?	Other than the above observation on accounting standard uncertainty, we do not expect any other deviations (as no specific provisions pointing to this were implemented) from the OECD Model Rules and the related EU Directive.
Are the Transitional CbCR Safe Harbour rules (expected to be) implemented in the jurisdiction?	Yes, transitional CbCR Safe Harbour rules have been implemented in Croatia, which we expect to be fully in accordance with the related OECD guidelines (as no specific deviations have been implemented in the local legislation).

What local tax benefits can potentially drive down the Pillar Two ETR?

Croatia prescribes a 10% CIT rate for smaller entities (with revenue up to EUR 1 million). So if the local company applies this CIT rate, its ETR is expected to be lower than 15% (unless it passes the de minimis test).

Croatia provides R&D incentives (non-qualified refundable tax credits) that may reduce ETR.

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CZECH REPUBLIC

Have the Pillar Two GloBE rules (IIR and UTPR) been implemented or are they expected to be implemented in the jurisdiction?	Yes, the IIR and the UTPR have been fully implemented in the Czech Republic in line with the related EU directive.
If so, when is the (expected) effective date of these rules?	The effective date is 1 January 2024 for the IIR and, generally, 1 January 2025 for the UTPR.
Has a Domestic Minimum Top-up Tax ("DMTT") been implemented or is it expected to be implemented in the jurisdiction?	Yes, the DMTT has been implemented in the Czech Republic.
If so, when is the (expected) effective date of the DMTT?	The effective date of the DMTT is 1 January 2024.
What is the applicable accounting standard for the purposes of the jurisdiction's DMTT?	Preferably, the GAAP of the consolidated accounts of the ultimate parent entity. Where that is not possible, local or other acceptable GAAP is allowed under certain conditions.
If the local standard is applicable, does it include IFRS-like deferred tax accounting rules?	N/A
Is the DMTT in the jurisdiction expected to get the qualified status?	The goal of the Czech legislator is to align with the OECD's Model GloBE Rules. Given that the Czech legislation was prepared and finalised before additional OECD guidance was published, there are some discrepancies in its wording. To align the Czech law to the OECD concept and for the DMTT to get the qualified status, amendments to the current law are needed. The relevant amendments to the Czech Pillar Two Act have already been discussed within the Czech Ministry of Finance and have been moved along the legislation process. The amended Czech Pillar Two Act should be finalised by the end of 2024 (effective from 31 December 2023).

Is the DMTT in the jurisdiction expected to qualify for the OECD’s permanent QDMTT safe harbour?	Yes, generally the Czech DMTT is expected to be eligible for the permanent QDMTT safe harbour, but this should be confirmed once the final (amended) Czech Pillar Two Act is available.
Are there any material deviations in the Pillar Two (including DMTT) rules in the jurisdiction from the OECD Model Rules and / or the related EU Directive?	The Czech Republic generally implemented the relevant EU Directive, which itself contains certain deviations from the OECD Model GloBE Rules, but no other major deviations can be seen. The Czech Pillar Two Act will be generally interpreted with the Model OECD Rules.
Are the Transitional CbCR Safe Harbour rules (expected to be) implemented in the jurisdiction?	Transitional CbCR Safe Harbour tests (de minimis test, simplified ETR test and routine profits test) are applicable in the Czech Republic.
What local tax benefits can potentially drive down the Pillar Two ETR?	The investment incentives tax relief and R&D deductions are the most common tax attributes that can potentially reduce the Pillar Two ETR.

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ESTONIA

Have the Pillar Two GloBE rules (IIR and UTPR) been implemented or are they expected to be implemented in the jurisdiction?	Countries that have fewer than 12 ultimate parent companies of large groups can benefit from an exemption, according to which the minimum tax does not have to be applied for the first 6 years. Estonia has also decided to use this opportunity to postpone the creation of a complex and expensive system for as long as possible. At the moment, it is planned to postpone it until 2030. The Estonian Income Tax Act contains a new chapter for the global minimum tax, which partially adopts the EU's minimum income tax directive and requires the Estonian headquarters of large groups to designate a specific subsidiary located in another country which will submit the minimum tax declaration on behalf of the group. All other entities of the group must also provide this subsidiary with the information necessary for filling out the declaration. There are no guidelines available in Estonia with regard to the rest of the directive.
If so, when is the (expected) effective date of these rules?	N/A
Has a Domestic Minimum Top-up Tax ("DMTT") been implemented or is it expected to be implemented in the jurisdiction?	N/A
If so, when is the (expected) effective date of the DMTT?	N/A
What is the applicable accounting standard for the purposes of the jurisdiction's DMTT?	N/A
If the local standard is applicable, does it include IFRS-like deferred tax accounting rules?	N/A

Is the DMTT in the jurisdiction expected to get the qualified status?	N/A
Is the DMTT in the jurisdiction expected to qualify for the OECD's permanent QDMTT safe harbour?	N/A
Are there any material deviations in the Pillar Two (including DMTT) rules in the jurisdiction from the OECD Model Rules and / or the related EU Directive?	N/A
Are the Transitional CbCR Safe Harbour rules (expected to be) implemented in the jurisdiction?	N/A
What local tax benefits can potentially drive down the Pillar Two ETR?	N/A

HUNGARY

Have the Pillar Two GloBE rules (IIR and UTPR) been implemented or are they expected to be implemented in the jurisdiction?	Yes, IIR and UTPR have been fully implemented in Hungary in line with the related EU directive.
If so, when is the (expected) effective date of these rules?	The effective date is 1 January 2024 for the IIR and 1 January 2025 for the UTPR.
Has a Domestic Minimum Top-up Tax ("DMTT") been implemented or is it expected to be implemented in the jurisdiction?	Yes, DMTT has been implemented in Hungary generally in line with the related OECD guidelines.
If so, when is the (expected) effective date of the DMTT?	The effective date for DMTT is 1 January 2024.
What is the applicable accounting standard for the purposes of the jurisdiction's DMTT?	The local financial accounting standard (i.e. Hungarian GAAP or IFRS) should apply if: i. all Hungarian constituent entities assess their corporate income tax liabilities (i.e. prepare their standalone statutory financial statements) according to the local financial accounting standard; and ii. all local constituent entities apply the fiscal year of the UPE's consolidated financial statements. In all other cases, the accounting standard used in the UPE's consolidated financial statements should apply.
If the local standard is applicable, does it include IFRS-like deferred tax accounting rules?	Deferred tax accounting has been included in the Hungarian GAAP for 2024 (this concept has not historically been used in Hungarian GAAP) as an option for companies. The deferred tax accounting option can be applied from the 2023 fiscal year onwards.
Is the DMTT in the jurisdiction expected to get the qualified status?	Yes, the Hungarian DMTT is generally expected to get the qualified status.

Is the DMTT in the jurisdiction expected to qualify for the OECD's permanent QDMTT safe harbour?	Yes, the Hungarian DMTT is generally expected to be eligible for the permanent QDMTT safe harbour.
Are there any material deviations in the Pillar Two (including DMTT) rules in the jurisdiction from the OECD Model Rules and / or the related EU Directive?	Hungary has generally implemented the relevant EU directive, which itself contains certain deviations from the OECD Model Rules, but no other major deviations can be seen. The Hungarian DMTT has been implemented in line with the related OECD guidelines without major deviations.
Are the Transitional CbCR Safe Harbour rules (expected to be) implemented in the jurisdiction?	Yes, transitional CbCR Safe Harbour rules have been implemented in Hungary in accordance with the related OECD guidelines. However, the detailed rules have not yet been implemented.
What local tax benefits can potentially drive down the Pillar Two ETR?	The development tax allowance and the super-deduction of R&D expenses are the most common tax attributes that can potentially drive down the Pillar Two ETR. However, there are Pillar Two-compliant alternatives available to mitigate the Pillar Two impact.

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LATVIA

Have the Pillar Two GloBE rules (IIR and UTPR) been implemented or are they expected to be implemented in the jurisdiction?	Latvia has chosen to postpone the application of the IIR and the UTPR for six fiscal years. This indicates that while the rules have not been fully implemented, but they are expected to be implemented in the future.
If so, when is the (expected) effective date of these rules?	The effective date of the IIR and the UTPR in Latvia has been delayed for six fiscal years from the date the directive takes effect. Therefore, assuming that the directive applies from 2024, the application of these rules in Latvia could begin in 2030.
Has a Domestic Minimum Top-up Tax ("DMTT") been implemented or is it expected to be implemented in the jurisdiction?	Latvia has not yet implemented a DMTT. This might be expected as part of future implementation plans.
If so, when is the (expected) effective date of the DMTT?	Since Latvia has postponed the implementation of the IIR and the UTPR, the DMTT could potentially be postponed as well. However, there is no specific information indicating an immediate timeline for DMTT adoption.
What is the applicable accounting standard for the purposes of the jurisdiction's DMTT?	N/A
If the local standard is applicable, does it include IFRS-like deferred tax accounting rules?	No, there are no IFRS-like deferred tax accounting rules applicable under the local standard.
Is the DMTT in the jurisdiction expected to get the qualified status?	N/A

Is the DMTT in the jurisdiction expected to qualify for the OECD's permanent QDMTT safe harbour?	N/A
Are there any material deviations in the Pillar Two (including DMTT) rules in the jurisdiction from the OECD Model Rules and / or the related EU Directive?	Based on the information provided, the primary deviation is the six-year postponement of the IIR and the UTPR, which is permitted under Article 50 of the directive. Other than this postponement, Latvia is expected to follow the directive closely.
Are the Transitional CbCR Safe Harbour rules (expected to be) implemented in the jurisdiction?	This information is not available.
What local tax benefits can potentially drive down the Pillar Two ETR?	Local tax benefits in Latvia, such as incentives for specific investments and donations, could reduce the Pillar Two ETR. Additionally, Latvia's corporate income tax (CIT) deferral system, where CIT is only paid upon the distribution of profits, could also be a factor that impacts on the ETR.

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LITHUANIA

Have the Pillar Two GloBE rules (IIR and UTPR) been implemented or are they expected to be implemented in the jurisdiction?	Lithuania has opted to postpone the implementation of Pillar Two GloBE rules (IIR and UTPR) until 31 December 2029, however recently draft legislation on full implementation of Pillar Two GloBE rules has been published. If adopted by the Parliament, Pillar Two GloBE rules will become effective 1 January 2025.
If so, when is the (expected) effective date of these rules?	If adopted by the Parliament, Pillar Two GloBE rules will become effective 1 January 2025.
Has a Domestic Minimum Top-up Tax ("DMTT") been implemented or is it expected to be implemented in the jurisdiction?	Yes, DMTT is expected to be implemented in Lithuania and will generally be in line with the related OECD guidelines
If so, when is the (expected) effective date of the DMTT?	If adopted by the Parliament, DMTT rules will become effective 1 January 2025.
What is the applicable accounting standard for the purposes of the jurisdiction's DMTT?	The accounting standard of the Ultimate Parent Entity's consolidated financial statements should be applied– If this is not practical due to objective reasons, local GAAP or IFRS could be applied (with certain conditions).
If the local standard is applicable, does it include IFRS-like deferred tax accounting rules?	Yes
Is the DMTT in the jurisdiction expected to get the qualified status?	Yes, generally the qualified status is expected.
Is the DMTT in the jurisdiction expected to qualify for the OECD's permanent QDMTT safe harbour?	Yes, generally the Lithuanian DMTT is expected to be eligible for the permanent QDMTT safe harbour.

Are there any material deviations in the Pillar Two (including DMTT) rules in the jurisdiction from the OECD Model Rules and / or the related EU Directive?	N/A
Are the Transitional CbCR Safe Harbour rules (expected to be) implemented in the jurisdiction?	Yes, transitional CbCR Safe Harbour rules have been implemented in Lithuania in accordance with the related OECD guidelines. However, the detailed rules have not been implemented yet.
What local tax benefits can potentially drive down the Pillar Two ETR?	The investment project incentive, R&D expenses and free economic zone regime are the most common tax attributes that can potentially drive down the Pillar Two ETR. However, it is expected that Pillar Two-compliant alternatives will be available to mitigate the impact of Pillar Two.

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POLAND

Have the Pillar Two GloBE rules (IIR and UTPR) been implemented or are they expected to be implemented in the jurisdiction?	The IIR and the UTPR have been implemented from 1 January 2025, with an option to apply the IIR retrospectively from 1 January 2024.
If so, when is the (expected) effective date of these rules?	N/A
Has a Domestic Minimum Top-up Tax ("DMTT") been implemented or is it expected to be implemented in the jurisdiction?	The DMTT has been implemented from 1 January 2025, with an option for its retrospective application from 1 January 2024.
If so, when is the (expected) effective date of the DMTT?	N/A
What is the applicable accounting standard for the purposes of the jurisdiction's DMTT?	The local accounting standard should apply if (i.e. Polish GAAP or IFRS) if: i. (all constituent entities (unclear whether Polish or whole group) assess their corporate income tax liabilities (i.e. prepare their standalone statutory financial statements) according to the local financial accounting standard, and ii. all local constituent entities apply the fiscal year of the UPE's consolidated financial statements. Otherwise, the accounting standard of the Ultimate Parent Entity's consolidated financial statements should be applied. There are currently discussions whether there is an obligation to switch to local GAAP.
If the local standard is applicable, does it include IFRS-like deferred tax accounting rules?	Polish GAAP includes deferred tax accounting rules, although these differ from IFRS.

Is the DMTT in the jurisdiction expected to get the qualified status?	Yes, the qualified status is generally expected.
Is the DMTT in the jurisdiction expected to qualify for the OECD's permanent QDMTT safe harbour?	Yes, the Polish DMTT is generally expected to be eligible for the permanent QDMTT safe harbour.
Are there any material deviations in the Pillar Two (including DMTT) rules in the jurisdiction from the OECD Model Rules and / or the related EU Directive?	Poland has implemented the EU directive, which itself contains certain deviations from the OECD Model Rules, but no other major deviations can be seen. The Polish DMTT has been implemented in line with the related OECD guidelines without major deviations.
Are the Transitional CbCR Safe Harbour rules (expected to be) implemented in the jurisdiction?	Yes, transitional CbCR Safe Harbour rules have been implemented in accordance with the related OECD guidelines.
What local tax benefits can potentially drive down the Pillar Two ETR?	All Polish tax reliefs (mainly R&D tax relief) and investment tax exemptions can potentially drive down Pillar Two ETR.

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ROMANIA

Have the Pillar Two GloBE rules (IIR and UTPR) been implemented or are they expected to be implemented in the jurisdiction?	Yes, IIR and UTPR have been fully implemented in Romania in line with the related EU directive.
If so, when is the (expected) effective date of these rules?	The IIR is effective from January 1, 2024, while the UTPR is set to take effect from January 1, 2025.
Has a Domestic Minimum Top-up Tax ("DMTT") been implemented or is it expected to be implemented in the jurisdiction?	Yes, DMTT has been implemented in Romania generally in line with the related OECD guidelines.
If so, when is the (expected) effective date of the DMTT?	The effective date for DMTT is 1 January 2024.
What is the applicable accounting standard for the purposes of the jurisdiction's DMTT?	The qualifying income or loss used to determine the DMTT is that resulting from the individual accounting of the constituent entity under the applicable Romanian accounting regulations if the following conditions apply: i. all Romanian constituent entities of the group apply the same national accounting regulations and ii. the fiscal year of the Romanian constituent entities is the same as that applied in the group consolidated financial statements. In all other cases, the accounting standard used in the UPE's consolidated financial statements should apply. Only specific entities (e.g. financial institutions and listed entities may apply IFRS in Romania).
If the local standard is applicable, does it include IFRS-like deferred tax accounting rules?	In Romania, deferred tax accounting rules have not been included in the local accounting standards. As regards Pillar Two rules, it should be further analysed whether deferred tax should be computed and considered for DMTT purposes.

Is the DMTT in the jurisdiction expected to get the qualified status?	Yes, the qualified status is generally expected.
Is the DMTT in the jurisdiction expected to qualify for the OECD's permanent QDMTT safe harbour?	Yes, the Romanian DMTT is generally expected to be eligible for the permanent QDMTT safe harbour, if certain conditions are met.
Are there any material deviations in the Pillar Two (including DMTT) rules in the jurisdiction from the OECD Model Rules and / or the related EU Directive?	Romania's implementation of Pillar Two closely follows the OECD and EU Model Rules, with no significant deviations.
Are the Transitional CbCR Safe Harbour rules (expected to be) implemented in the jurisdiction?	Yes, transitional CbCR Safe Harbour rules have been implemented in Romania in accordance with the related OECD guidelines.
What local tax benefits can potentially drive down the Pillar Two ETR?	Local tax benefits that could reduce the Effective Tax Rate (ETR) under Pillar Two in Romania can include: sponsorship tax credit, R&D incentives (additional deduction of 50% of eligible expenses for R&D activities), tax exemption for reinvested profits and the bonification for increasing the equity.

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SLOVAKIA

Have the Pillar Two GloBE rules (IIR and UTPR) been implemented or are they expected to be implemented in the jurisdiction?	No, the Pillar Two GloBE rules do not apply in Slovakia.
If so, when is the (expected) effective date of these rules?	N/A
Has a Domestic Minimum Top-up Tax ("DMTT") been implemented or is it expected to be implemented in the jurisdiction?	Yes, a DMTT has been implemented in Slovakia.
If so, when is the (expected) effective date of the DMTT?	The effective date for the DMTT is 31 December 2023. Currently, an amendment to the DMTT is being prepared. Please note that the draft amendment is not final and might be changed in later stages of the legislative process. The proposed effective date of the amendment is 31 December 2024.
What is the applicable accounting standard for the purposes of the jurisdiction's DMTT?	According to the Slovak QDMTT legislation currently in effect, the taxpayer (local constituent entities under the same MNE group) can choose between: i. the accounting standard used when compiling the consolidated financial statements of the parent entity (acceptable financial accounting standard; i.e. IFRS or US GAAP); and ii. the accounting standard used when compiling the individual financial statements of the constituent entity (authorised financial accounting standard; i.e. Slovak accounting standards). All constituent entities under the same MNE group are required to use the same accounting standard (either consolidation standard or local GAAP) for QDMTT computation purposes – i.e. a unified approach is obligatory. However, in its current wording, the QDMTT draft amendment would remove the possibility to make this choice.
If the local standard is applicable, does it include IFRS-like deferred tax accounting rules?	Not relevant from the point of view of the QDMTT draft amendment.

Is the DMTT in the jurisdiction expected to get the qualified status?	This is not known yet. Slovakia has been working to align its tax policies with the OECD's guidelines, but specific details regarding the status and qualification of Slovakia's DMTT are subject to ongoing legislative and regulatory developments.
Is the DMTT in the jurisdiction expected to qualify for the OECD's permanent QDMTT safe harbour?	Yes, the DMTT in Slovakia is expected to qualify for the OECD's permanent QDMTT safe harbour. The Slovak Ministry of Finance has confirmed this expectation, indicating that they are working towards aligning their regulations with the OECD guidelines to ensure this qualification is obtained.
Are there any material deviations in the Pillar Two (including DMTT) rules in the jurisdiction from the OECD Model Rules and / or the related EU Directive?	We are not aware of any material deviations. The wording of the EU directive has been implemented in Slovak legislation. The Slovak government is currently trying to incorporate the guidelines issued by the OECD/G20 into Slovak legislation by way of statutory amendments.
Are the Transitional CbCR Safe Harbour rules (expected to be) implemented in the jurisdiction?	Yes, these rules have been implemented.
What local tax benefits can potentially drive down the Pillar Two ETR?	The tax relief and the super-deduction of R&D expenses are the most common local tax benefits that could potentially lower the ETR.

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SLOVENIA

Have the Pillar Two GloBE rules (IIR and UTPR) been implemented or are they expected to be implemented in the jurisdiction?	Yes, the Pillar Two GloBE rules have been fully implemented in Slovenia.
If so, when is the (expected) effective date of these rules?	The IIR is applicable for tax years beginning after 31 December 2023 and the UTPR for tax years beginning on or after 31 December 2024.
Has a Domestic Minimum Top-up Tax ("DMTT") been implemented or is it expected to be implemented in the jurisdiction?	Yes, a DMTT has been implemented in Slovenia.
If so, when is the (expected) effective date of the DMTT?	The DMTT is applicable for tax years beginning on or after 31 December 2023.
What is the applicable accounting standard for the purposes of the jurisdiction's DMTT?	The applicable accounting standard for the purposes of the DMTT in Slovenia is the GAAP of the consolidated accounts of the UPE. An acceptable accounting standard or an authorised accounting standard (such as local GAAP) may be used instead, provided that relevant adjustments are made to prevent any material competitive distortions.
If the local standard is applicable, does it include IFRS-like deferred tax accounting rules?	Yes, the Slovenian Accounting Standards ("Slovenski računovodski standardi 2024") include the deferred tax accounting rules, which are comparable to the IFRS IAS 12 deferred tax accounting rules.
Is the DMTT in the jurisdiction expected to get the qualified status?	Yes, the Slovenian DMTT is expected to obtain the qualified status.

Is the DMTT in the jurisdiction expected to qualify for the OECD's permanent QDMTT safe harbour?	Yes, the Slovenian DMTT is generally expected to be eligible for the OECD's permanent QDMTT safe harbour.
Are there any material deviations in the Pillar Two (including DMTT) rules in the jurisdiction from the OECD Model Rules and / or the related EU Directive?	The OECD Model Rules are used directly by reference within the Slovenian local law. Pillar Two GloBE rules, which include the DMTT, have been implemented in Slovenia without any material deviations from the relevant EU Directive.
Are the Transitional CbCR Safe Harbour rules (expected to be) implemented in the jurisdiction?	Yes, the Transitional CbCR Safe Harbour rules have been fully implemented in Slovenia.
What local tax benefits can potentially drive down the Pillar Two ETR?	The investment allowance for purchases of qualified tangible and intangible assets and the R&D allowance for qualified R&D expenses can significantly reduce the local tax rate in Slovenia. These tax allowances are not "qualified refundable tax credits" under the Pillar Two rules.

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UKRAINE

Have the Pillar Two GloBE rules (IIR and UTPR) been implemented or are they expected to be implemented in the jurisdiction?	No, initial discussions and official information from the Ministry of Finance are expected in FY 2025. Additionally, the Ministry of Finance of Ukraine expressed its intention to complete all necessary domestic procedures and join the Subject-to-Tax Rule (STTR MLI) as one of the steps of Pillar 2 implementation.
If so, when is the (expected) effective date of these rules?	N/A
Has a Domestic Minimum Top-up Tax ("DMTT") been implemented or is it expected to be implemented in the jurisdiction?	No, initial discussions are expected in FY 2025.
If so, when is the (expected) effective date of the DMTT?	N/A
What local tax benefits can potentially drive down the Pillar Two ETR?	The most common tax benefits are the Diia City regime (allows taxpayers to pay a lower-rate "distributed profits tax") and the simplified (unified) tax system (ordinary taxpayers are taxed low effective rates of up to 5% of revenue, with beneficial taxation for agricultural producers). Both regimes are widely applied by Ukrainian businesses. Their compatibility with Pillar Two is up for further discussion.

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