Deloitte.

Navigating the Pillar 2 Landscape:
Key impact on Tax Functions in the Middle East

February 2025

MAKING AN IMPACT THAT MATTERS since 1845

Introduction

The evolving global tax landscape is steering large groups and businesses in the Middle East into uncharted waters. One of the critical developments is the introduction of the OECD's Pillar 2 framework, designed to ensure multinational enterprises pay a minimum level of tax on the income arising in each jurisdiction where they operate.

This article explores the key impacts and considerations that the introduction of Pillar 2 will have on a Group's tax function.

Key impacts on Tax Functions

Shift in the strategic role and structure of the Tax Function due to the introduction of Pillar 2 Regulations. These regulations may affect where businesses choose to operate and invest. Tax departments need to collaborate with business units to assess and mitigate the impact on global supply chains and operational structures. Tax considerations will now significantly inform broader business strategies, including mergers, acquisitions, and market expansions.

Increased complexity of the Pillar 2 Regulations leading to more Compliance Requirements such as the GLoBE Information Return (GIR) and local filings (IIR, QDMTT, UTPR). Compliance with Pillar 2 involves intricate calculations and understanding of the diverse tax regimes across countries, necessitating specialized knowledge and strategic planning.

Due to the substantial changes in global tax compliance requirements, Groups need to strengthen their tax governance framework to embed robust control mechanisms that support strategic business objectives, manage risks effectively, and maintain stakeholder confidence. By enhancing tax governance frameworks, companies can navigate the complexities of the new regulations while optimizing their tax positions and sustaining business growth.

Key considerations for CFO's and Tax Teams

Organization

- Implementing a **robust tax risk and control management framework** is imperative as the introduction of Pillar 2 could increase the tax risks for groups. **Adequate internal controls** are required to reduce tax risks and to maintain the reliability and accuracy of tax-related data and compliance processes.
- It is imperative to have **effective and transparent communication channels** to keep key stakeholders informed on the implications of Pillar 2 across the business.

People

- **Building the expertise and enhancing skills of resources** to effectively manage the complexities of the Pillar 2 Regulations is critical. There should be a **continuous investment** in the learning and development programs to ensure Tax teams are well-versed in the nuances of the new legislation.
- Ensuring adherence with Pillar 2 regulations may require the **re-allocation of existing resources or on-boarding of new talent** including **assessing the capacity and capabilities** of current tax teams.

Technology

- **Leveraging automated tools** can help to **streamline** the Pillar 2 calculation, reporting and filing processes. This includes exploring how existing systems can be utilized for Pillar 2, assessing the need for additional tools and ensuring **seamless integration** of various data sources to support compliance.
- Assessing technology for Pillar 2 can serve as a **catalyst for broader tax automation**, including tax provisioning, highlighting the need for a strategic, **long-term approach** to tool selection.

Processes

- Developing **robust Pillar 2 tax processes** is imperative for groups. This includes establishing **standardized Pillar 2 compliance procedures Manuals and Process Flows** , establishing clear roles and responsibilities such as for escalation of Pillar 2 related risks and ensuring that Tax is considered as part of wider business decisions.
- Implementing Pillar 2 tax governance documentation is beneficial to provide clear guidance on the Pillar 2 process and ensuring business continuity.

The introduction of Pillar 2 will significantly impact a Group's tax function, necessitating strategic alignment and enhancement across people, process, organization, and technology, ensuring cohesive compliance and optimized tax management amid evolving international tax regulations.

How Deloitte can help

The introduction of Pillar 2 by the OECD signifies a pivotal shift in global tax regulations, presenting both challenges and opportunities for Middle East headquartered groups.

To successfully navigate Pillar 2, companies should rethink their tax operating model, ensuring alignment between global oversight and local execution. This involves defining tax governance structures, integrating the right technology to support compliance and equipping teams with necessary expertise. Additionally, businesses should assess how their existing frameworks need to evolve and establish effective coordination among stakeholders to manage these new obligations efficiently.

Below we have highlighted some ways in which Deloitte's Tax Technology Consulting team can help Groups to navigate the complexities of the Pillar 2 regulations.

1. Review and/or design the tax operating model focusing on the Pillar 2 complexities including whether these additional activities should be resourced internally or be outsourced.
2. Develop new and/or update existing tax governance documentation ensuring that Pillar 2 activities are effectively managed and governed.
3. Establish and document the Pillar 2 tax roles and responsibilities ensuring that there are clear demarcation of roles and segregation of duties.
4. Assess the impact of Pillar 2 on the technology and data strategy whilst identifying existing system enhancements and/or assist with vendor selections of potential technology solutions.

Meet the Team

Deloitte has an experienced team based across the Middle East who work as part of our extensive global network of 2,200 tax professionals worldwide. Our Deloitte tax professionals can help you meet your needs and collaborate to create a better-performing tax function.

For further information, please refer to our website.

Marjolein van Delft
Leader | Tax Technology Consulting
marvandelft@deloitte.com

Doukje de Haan
Partner | Tax Technology Consulting
dodehaan@deloitte.com

Narinder Bhambra
Senior Manager | Tax Technology Consulting
nabhambra@deloitte.com

Samantha van Wetten
Manager | Tax Technology Consulting
svanwetten@deloitte.com