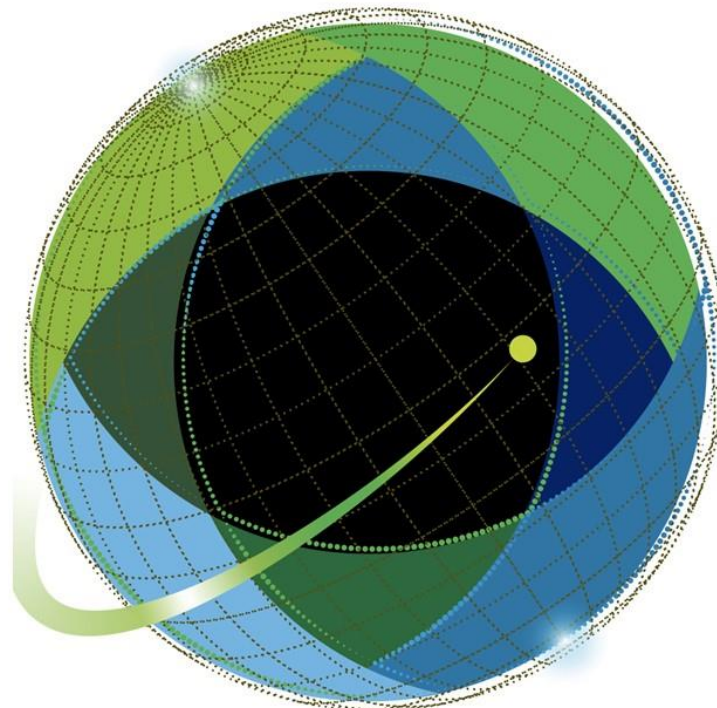


Audit readiness

Navigate Pillar Two with confidence



Pillar Two – Getting ready for the disclosure requirements

Pillar Two signifies one of the biggest shifts in the international tax landscape in decades, creating a huge compliance and reporting challenge for all large MNE groups in addressing this.

Pillar Two impact

We are soon facing the Pillar Two legislation as many countries expecting to (substantively) enact Pillar Two legislation before the end of 2023. This legislation is a national implementation of the OECD base erosion and profit shifting project and is aimed at implementing a global minimum tax of 15%.

Under most major accounting standards, a disclosure is required in relation to the expected Pillar Two impact in the year-end 2023 financial statements in countries that have enacted Pillar Two legislation. For example, under IFRS, a specific disclosure requirement is introduced that requires a qualitative and quantitative disclosure on the expected Pillar Two impact. Under US GAAP, no specific disclosure requirement is introduced in relation to Pillar Two, however, US GAAP requires a disclosure

based on the existing standard insofar new legislation has significant impact.

Audit Readiness

We are aware that this disclosure is a key part of many auditor conversations currently happening. Your auditor will expect you to substantiate the disclosure in relation to Pillar Two. Besides that, please note that the auditor will also want to be able to audit a conclusion that no (significant) Pillar Two impact is expected.

Auditors will be looking to conduct a risk assessment in relation to the impact of Pillar Two on your group. Hence, you may for example be required to share a calculation of the expected Pillar Two impact based on the (temporary) safe harbour rules, supplemented with a further analysis for those countries that do not meet these safe harbour rules. Furthermore, auditors may ask more holistic questions in relation to your Pillar Two approach, for example questions in relation to data availability and the set-up of the Pillar Two process in your accounting system.

2023 year-end: Auditors may ask questions on your company’s Pillar Two approach

How Deloitte can help

As we look forward to next year – the calendar year 2024 will be the first full year in which Pillar Two will apply. For most listed filers, this means that the 2024 interim reporting is the first time the Pillar Two tax expense should be included in the tax position as a separate tax line item. At year-end 2024, a full year position should be included in the financial statements, subject to audit. Consequently, before the end of your first interim period in 2024, a process should be in place to calculate a Pillar Two tax position that is audit ready.

Our Global Tax Accounting Group is more than happy to discuss these additional Pillar Two related reporting requirements with you. They can provide additional insights in what we have been doing with Deloitte audit clients and provide more details about our tax audit readiness offering(s) for our advisory clients.

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We can help you get ready for the tax provision process and the tax audit and are happy to support the full process.

Pillar Two – Tax accounting offerings

Where we support with tax accounting offerings

■ Assess ■ Prepare ■ Comply

