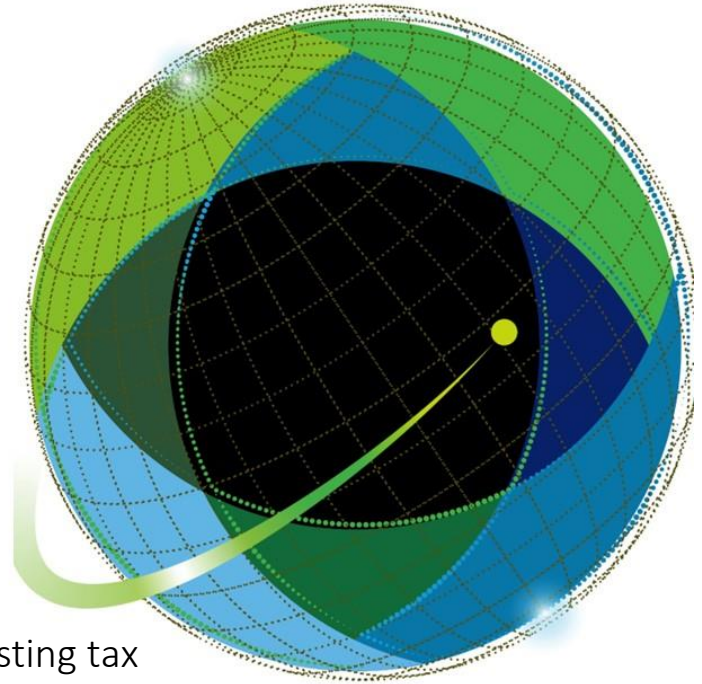


Pillar Two

Delivering accurate and complete data



Pillar Two brings new complexity to existing tax processes and with more than 200 core data points to collect and an elaborate calculation model, a pressing need for tax technology and data automation arises

Operationalizing Pillar Two

Throughout FY23 large MNEs were focused on navigating the complex legislative framework of Pillar Two by performing data assessments and safe harbour calculations to identify countries at risk, piloting full GloBE ETR calculations and preparing the basis for Pillar Two disclosures in the FY23 financial statements.

Now, as the Pillar Two legislation is implemented in multiple jurisdictions, the previously conducted data and process assessments can become a good starting point to operationalize Pillar Two within the organization. Although transitional CbCR safe harbours provide a relief to most MNEs in the next couple of years, the “once out, always out” nature of safe harbours means that this relief will be short-lived. Considering the amount of data that needs to be collected and processed for full GloBE calculations, it becomes a significant administrative burden in addition to already existing tax provisioning and compliance obligations.

At the same time there has been already a significant shift towards greater tax

transparency globally. Governments and international regulatory bodies are striving to combat tax evasion, base erosion, and profit shifting. Companies therefore continuously face increased scrutiny from both regulators and the public, pushing them towards more transparent tax practices.

Pillar 2 also provides companies an opportunity to consider business models and improve compliance strategies. This is a great opportunity for an organization to meet the new standards and stay competitive in a quickly changing business environment. Now is the time to move forward with implementing tax technology, data automation and robust processes to deliver accurate and complete tax data.

Focus on data quality

Pillar Two calculations require at least 200 core data points per Constituent Entity, some of those in the level of granularity that was not maintained before by tax and accounting departments. In addition, these core data points have to be collected from various data sources within the broader organization. A focus

on data quality is imperative to drive the collection of reliable, accurate and complete data, starting with clear data requirements and improving data quality.

A first step to tackle this is for tax, legal, finance and data teams to partner, assess data requirements and build Pillar Two considerations into existing information systems and processes. Based on these requirements, robust data controls can be implemented to safeguard high quality data and identify exceptions as soon as possible. The last key ingredient is to automate processes and implement technology, or enhance existing tax technology to improve quality, reduce errors and minimize administrative efforts.

Focus on processes and technology

Pillar Two compliance will require the sharing of jurisdictional and legal entity data across departments, processes and systems. One way to approach this is with lots of manual effort and spreadsheets, requiring MNEs to add a significant amount of pressure on already strained

processes, and increases the risk of inaccurate figures.

Given that large overlap that Pillar Two, CBCR and Tax provisioning data has, one answer to that is for MNEs to consider streamlining their tax accounting, Country by Country Reporting and Pillar Two process using one scalable technology solution. That approach not only allows to address immediate Pillar Two compliance needs, but also to start building a base for future tax transparency obligations. Though initial setup costs for tax automation systems can be high, they typically offer long-term savings by streamlining tax operations and reducing the need for extensive manual labour.

Selecting the right technology should take into consideration the current IT landscape of the organization, the IT roadmap, preference between co-sourcing and in-house processing and the appetite for automation.

Phased approach to technology implementation

Automation is first prize, however, given the global trend towards increased tax transparency, now is the time to initiate the implementation of tax technology. In our experience, the journey towards fully

automated calculations with accurate and complete data can take considerable time and organizations can already benefit from short-term actions.

A phased approach towards implementation of tax technology is beneficial to make sure the end-solution is ready on time and simultaneously provide finance and tax teams the time to manage the change:

- Start by determining the desired end state for the Pillar Two solution and level of automation desired;
- Consider when building a business case benefits of the solution for broader tax transparency obligations;
- Move on to build the core functionality to enable data collection and calculation of IRR;
- Focus on improving data quality and granularity and addressing any data gaps;
- Plan future enhancement of core functionality with QDMTTs, Top-up tax allocations and compliance functionality.

Our Tax Technology and Data experts are more than happy to discuss how your organization can leverage tax technology to deliver accurate and complete data for Pillar Two.

How Deloitte can help

Our multidisciplinary team driven by the Tax technology consulting practice can help you make the next step in your Pillar Two technology journey: from facilitating the system selection from variety of vendor solutions and implementing them to designing and implementing ERP updates that will facilitate the collection of data required.

Deloitte has real Pillar Two implementation experience in major vendor solutions on the market as well as Deloitte co-sourcing solution Pillar Two Agent.

📞 For more information visit our Solutions page [here](#)

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Pillar Two compliance is just the tip of the iceberg – deeper look into alignment with tax and accounting data and systems is required

