



American Industrial Partners  
Portfolio Companies

BEPS 2.0 Pillar Two session

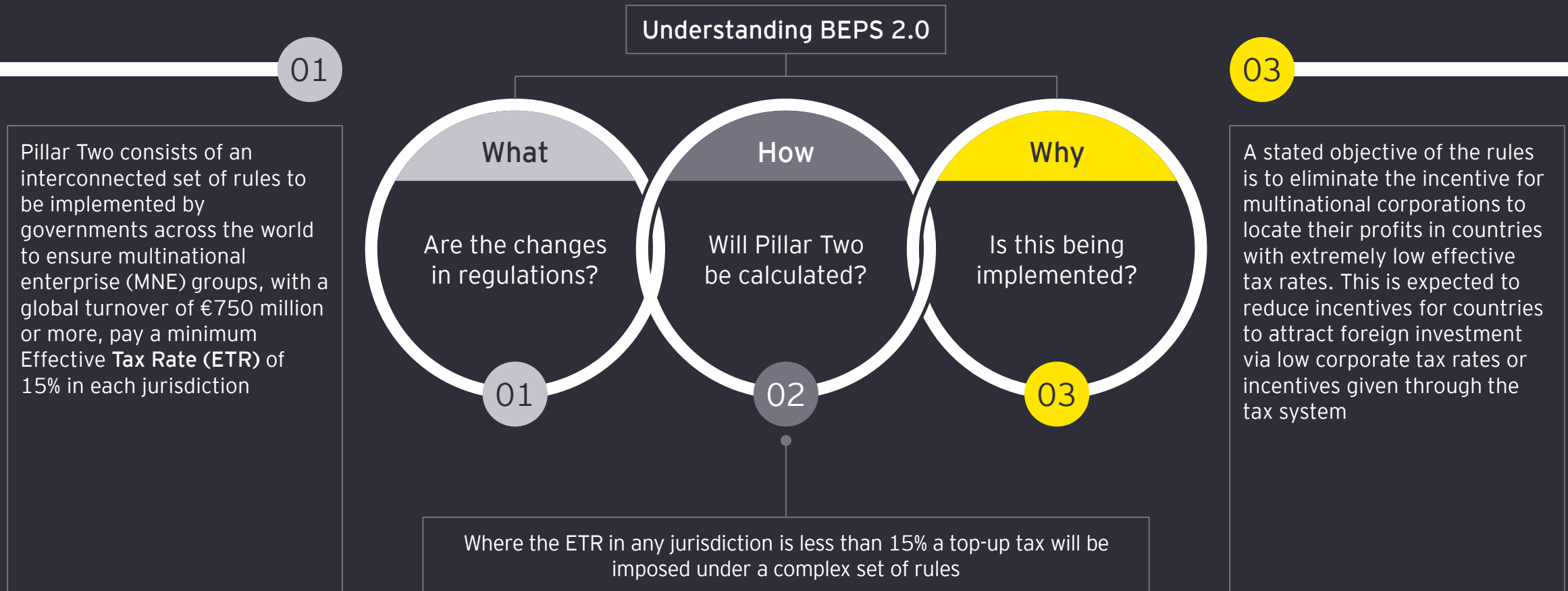
January 2025

**EY**

Building a better  
working world

# BEPS 2.0 – What is Pillar Two?

BEPS 2.0 Pillar Two Model Rules, also known as Global Minimum Tax rules, are set to dramatically change the international tax landscape and create significant new tax reporting and compliance requirements for affected organizations. These rules will require multinational groups to (a) identify undertaxed income (income taxed at a rate below 15%) and (b) pay additional tax to bring the taxation of undertaxed income to 15%



# OECD GloBE Model Rules

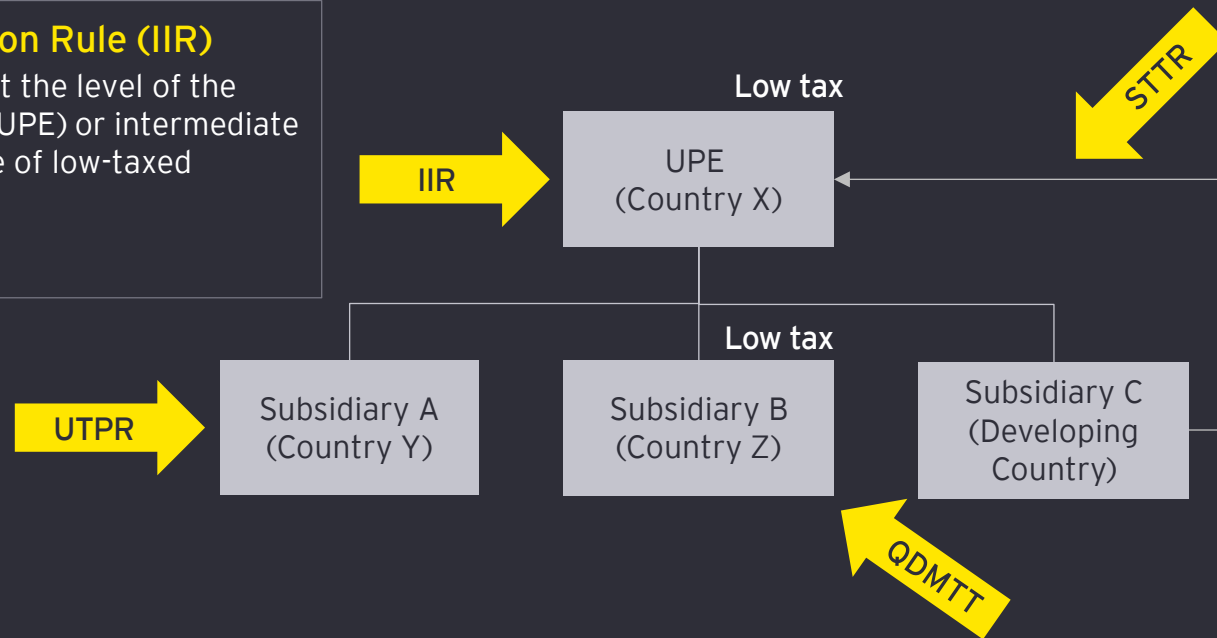
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- ▶ The GloBE Model Rules apply to Constituent Entities that are members of a multinational group (MNE Group) that has annual revenue of EUR 750 million or more in the Consolidated Financial statements in at least two of the four preceding Fiscal Years.
- ▶ MNE groups will determine a combined effective tax rate for all entities located in a jurisdiction and if that rate is less than 15%, a top-up tax will generally be due
  - ▶ The effective tax rate (ETR) is generally based on book tax expense and pre-tax book income (before elimination entries) of entities in the jurisdiction, with certain adjustments
- ▶ The GloBE Model Rules themselves are not law; each jurisdiction must enact into law their own legislation consistent with the framework
- ▶ The US operations of an MNE Group will be subject to the GloBE Model Rules if the MNE Group operates in a jurisdiction that has enacted them

# Pillar Two mechanisms: illustration

## GloBE: Income Inclusion Rule (IIR)

- ▶ Top-up tax is imposed at the level of the ultimate parent entity (UPE) or intermediate parent entity on income of low-taxed constituent entities
- ▶ **Minimum ETR: 15%**



## Subject to Tax Rule (STTR)

- ▶ **Applies before GloBE Rules**
- ▶ A treaty-based rule that allows countries to impose limited source taxation on covered related-party payments that are subject to tax below agreed minimum nominal rate
- ▶ Applies to interest, royalties and a defined set of other payments
- ▶ **Minimum nominal tax rate: 9%**

## GloBE: Undertaxed Profits Rule (UTPR)

- ▶ **Backstop – applies if no QDMTT or IIR is imposed**
- ▶ Right to impose Top-Up Tax is allocated among countries with constituent entities based on relative amounts of tangible assets and employees
- ▶ Imposed by limiting or denying deductions or requiring an equivalent adjustment
- ▶ **Minimum ETR: 15%**

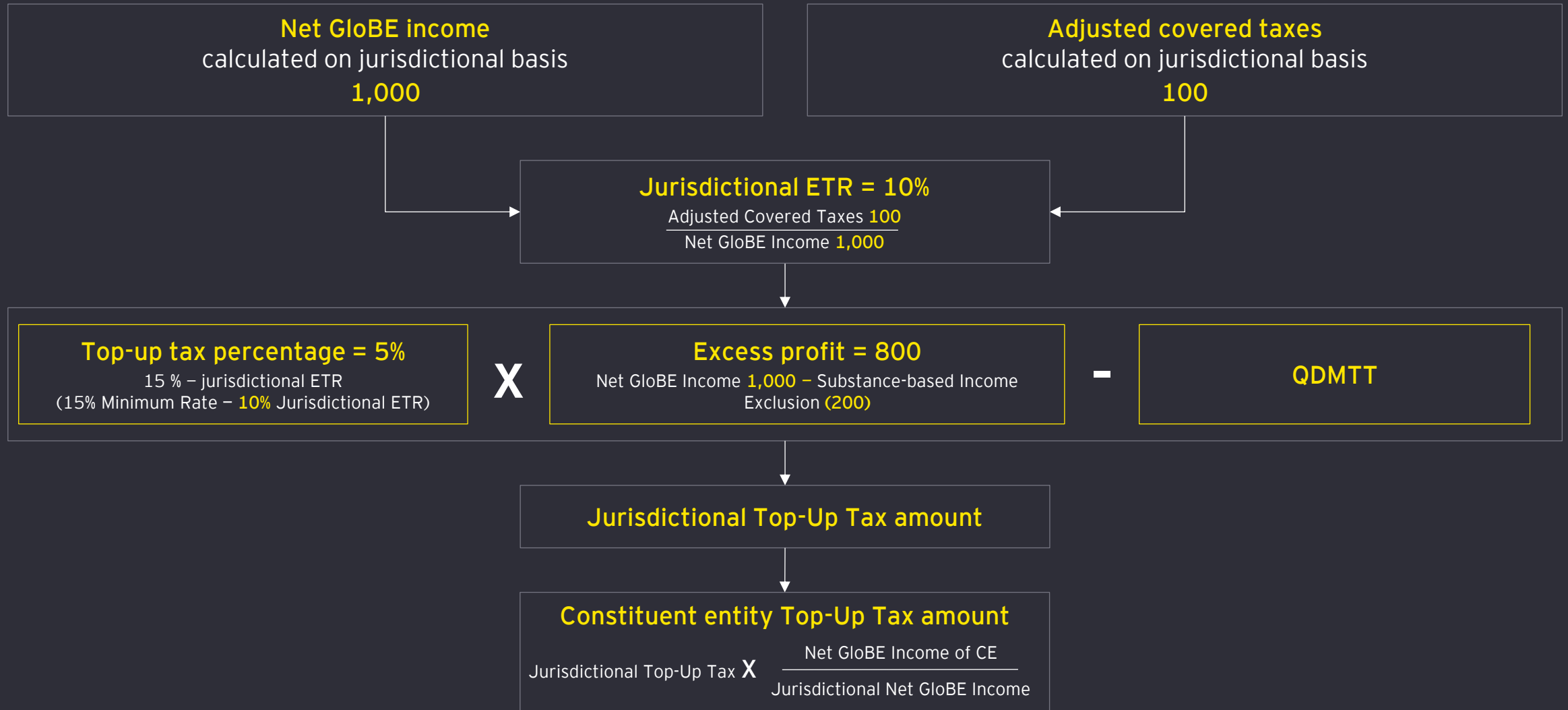
## GloBE: Qualified Domestic Minimum Top-up Tax (QDMTT)

- ▶ **Applies before IIR and UTPR**
- ▶ Top-up tax is assessed by the low-tax jurisdiction itself under a computation similar to the IIR computation
- ▶ **Minimum ETR: 15%**

# Key steps to determine the tax liability under the GloBE Rules

<b>Step 1</b>	Constituent Entities within scope	Identify Groups within Scope and the location of each Constituent Entity within the Group	
<b>Step 2</b>	GloBE Income	Determine Income of each Constituent Entity	<b>Simplifications:</b> Temporary CBCR safe harbour rules (2024-2026) & Permanent safe harbour (TBD)
<b>Step 3</b>	Covered taxes	Determine taxes attributable to Income of a Constituent Entity	
<b>Step 4</b>	Effective Tax Rate and Top-up Tax	Calculate the Combined Effective Tax Rate of all Constituent Entities located in the same jurisdiction and determine resulting Top-up Tax	
<b>Step 5</b>	IIR and UTPR	Impose Top-up Tax under IIR or UTPR in accordance with agreed rule order	

# Simplified Top-Up Tax calculation: illustration



# Transitional CbCR Safe Harbour: what is it?

The Transitional CbCR Safe Harbour (TCSH) may help address reporting obligations under GloBE for qualifying jurisdictions

Based on CbC Report	No Top-Up Tax in qualifying jurisdictions	Transitional measure
<ul style="list-style-type: none"><li>▶ Needs to comply with TCSH requirements on sources of data</li><li>▶ Needs to be prepared in line with the statutory requirements and OECD recommendations</li><li>▶ Subject to certain adjustments to comply with the TCSH</li></ul>	<ul style="list-style-type: none"><li>▶ For qualified jurisdictions, TCSH can help manage the need for separate jurisdictional GloBE calculations/reporting and the application of Top-Up Taxes against income</li><li>▶ The tests for the TCSH are applied on a jurisdictional basis and any one of the three tests can be applied for each jurisdiction</li></ul>	<ul style="list-style-type: none"><li>▶ Applies to the first three years of the application of GloBE (calendar years 2024, 2025, and 2026)</li><li>▶ Access to TCSH will no longer be available in a jurisdiction for all subsequent years if not utilized in a year where GloBE rules apply for that jurisdiction</li></ul>

- ▶ Robust internal processes for preparing the CbCR and the use of appropriate data in line with applicable rules and regulations are essential for the application of the TCSH
- ▶ Consider modeling the outcome of the TCSH now based on historical and forecast data

# Transitional CbCR Safe Harbour: overview

Must meet at least one of three tests for a jurisdiction to qualify as excludable

## De minimis test

- ▶ Total revenue of less than EUR10m and
- ▶ Profit (loss) before income tax of less than EUR1m

## Simplified ETR test

MNE group's simplified ETR in a jurisdiction must be equal to, or greater than the transition rate:

- ▶ 15% (2023-24)
- ▶ 16% (2025)
- ▶ 17% (2026)

## Routine profits test

MNE group's profit (loss) before income tax in a jurisdiction is equal to, or less than, the substance-based income exclusion amount

# GloBE Information Return

## Who files?

- ▶ Each Constituent Entity (CE) located in a GloBE implementing jurisdiction is required to file a GloBE Information Return (GIR)
- ▶ CEs could be discharged from the requirement if a return is filed by:
  - ▶ The UPE located in a jurisdiction that exchanges information with the CE's jurisdiction, or
  - ▶ By a Designated Filing Entity appointed by the MNE Group that exchanges information with the CE's jurisdiction
- ▶ This mechanism would allow filing of a single GIR covering all CEs in the MNE Group, through a reporting information process similar to that built for the CbCR exchange of information

## When to file?

- ▶ The GIR and related notifications should be filed with the tax administration of the GloBE implementing jurisdiction no later than 15 months after the last day of the reporting fiscal year
- ▶ For the first year that GloBE is in effect (the Transition Year), the return is due no later than 18 months after the last day of the reporting fiscal year

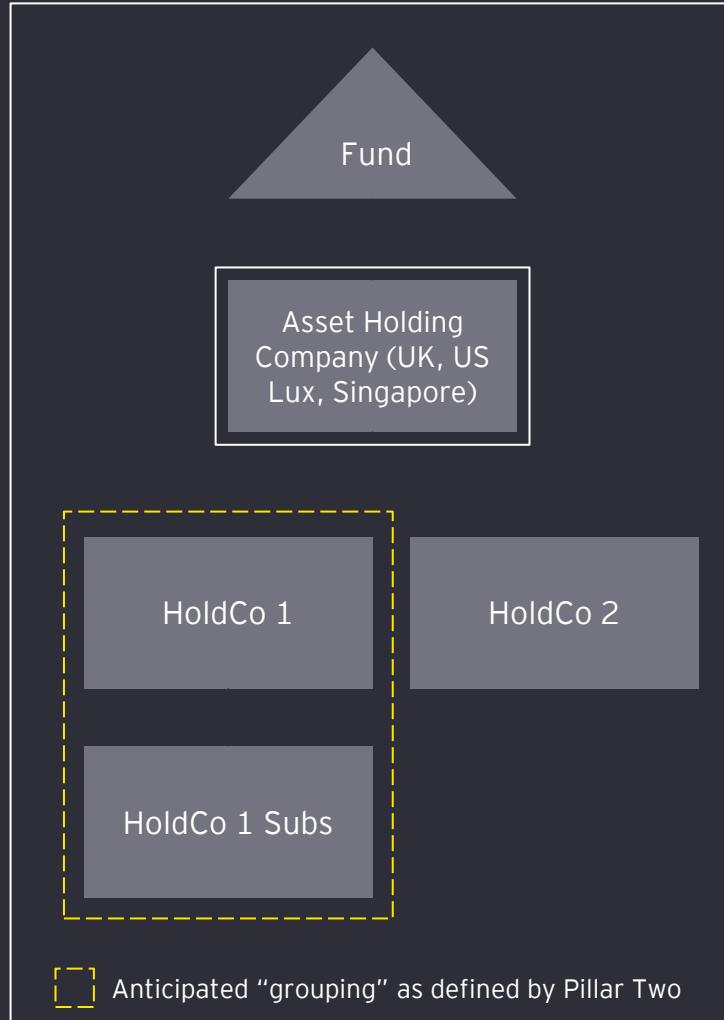
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The obligation to prepare a GIR is **separate from the tax return requirements**. The operation of tax filing and payment obligation rules is left to the **determination of each implementing jurisdiction** based on the design of that jurisdiction's existing tax filing and payment procedures

Source: "[Public Consultation Document – Pillar Two – GloBE Information Return](#)," *OECD.org*, 2022.

# Fund and holding structure level considerations – illustration

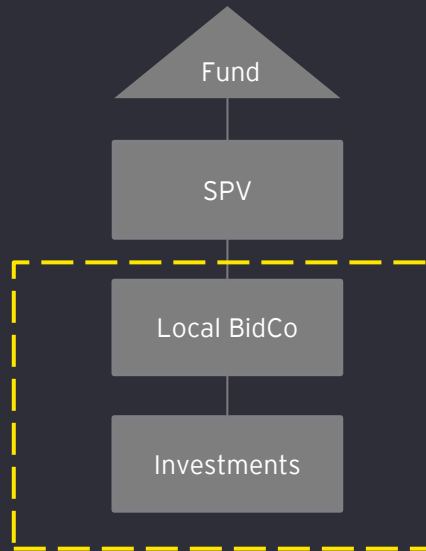
## Private Equity - Fund and holding structure level considerations



- ▶ **Accounting consolidation:** Starting point is whether the financial statements of an entity, and particularly whether the assets, liabilities, income, expenses and cash flow of that entity and other entities are consolidated on a line-by-line basis. Generally, investment funds are not required to consolidate their portfolio investments under most financial reporting standards (e.g., local GAAP and IFRS) as a result of local corporate law exemptions that apply to an “investment entity” or “investment portfolio”
- ▶ **Grouping:** Where the Fund Vehicles, Master Holding Companies, and the Special Purpose Holding Vehicles consolidate is important to determine whether they fall within the €750m revenue threshold. Most common groupings appear at the Special Purpose Holding Vehicles level, however the consolidation can appear at any level such as at the Fund Vehicles and Master Holding Companies level or further down at the Portfolio Company level
- ▶ **Data gathering:** Collation of data is crucial in order to ensure that all fund and holding vehicles within the potential scope of the Pillar 2 provisions are covered as part of any compliance diligence exercise.

# Funds and illustrative holding structures

## Portfolio investments



Anticipated "group"  
as defined by Pillar 2

### Portfolio investments

- ▶ Where portfolio groups have consolidated revenue of greater than EUR 750m, they are expected to fall into the Pillar 2 rules.
- ▶ EUR 750m threshold is subject to a four year look back, under which consolidated revenues needs to have been > EUR 750m in at least two of the four fiscal years preceding the year being tested.
- ▶ Meaning that if you "grow" into Pillar 2, then you may have a grace period of two years after the first year in which revenue > EUR 750m before being impacted.
- ▶ However rules governing mergers/bolt-ons are less generous, and could bring groups into Pillar 2 immediately in certain circumstances.
- ▶ Transitional safe harbours could reduce compliance and risk of TUTs in first three years of Pillar 2 rules.

### Temporary safe-harbours

- ▶ Apply to financial years that start before 1 January 2027 - broadly reducing burden for first 3 years of the Pillar 2 rules.
- ▶ Three alternate ways for a jurisdiction to get into a safe-harbour:
  - ▶ **De minimis test** - applies where annual revenue < €10m and profit/loss < €1m.
  - ▶ **ETR test** - applies where 'simplified' ETR > 15% (rising to 16% in 2025 and 17% in 2026).
  - ▶ **Routine profits test** - applies where jurisdiction is not in profit once adjusted for the substance based carve out (adjustment based on local employment costs and tangible assets).
- ▶ Safe-harbours are 'once out, always out'.

# Impact of Pillar 2 on M&A Processes



## Deal economics & Valuation modelling

- ▶ Model impact of acquisition / disposal on existing Pillar 2 profile, including P2 sensitivity analysis
- ▶ Consideration of potential M&A structuring impacts to P2 position e.g. complexity for carved out businesses / future bolt ons)

Increase in detailed tax modelling as a standalone M&A workstream expected



## Due diligence process

- ▶ Increased due diligence focus on deferred taxes, uncertain tax positions and tax losses - even where not priced into deal
- ▶ Does the Target meet the safe harbour test under Pillar two rules?
- ▶ Additional scrutiny on cash tax benefits where they are factored into a valuation
- ▶ Review of cash repatriation mechanisms where Target will become a P2 group.
- ▶ Differentiation between non-Pillar 2 buyers vs. Pillar 2 buyers
- ▶ Increasing dd requests for CbCR reports and consolidation schedules



## Transaction documents

- ▶ Increased compliance burden and data requirements may lead to increased information rights requirements in deal documentation
- ▶ Additional considerations for JV agreements



## Post-deal integration

- ▶ Consider the impact of Pillar 2 on any post-deal integration steps, such as financing, reorganisations etc. This is particularly relevant for bolt-on transactions.
- ▶ Pillar 2 rules will increase compliance costs, need to ensure these are factored into modelling.

# Practical Pillar Two Compliance

Chris Dupuis



RSM



# Key Considerations For Multinational Enterprises

## 01 Significant Reporting Challenge

Implementation and compliance with GloBE rules will be a significant administrative burden to MNE groups even if no additional tax liability is incurred.

## 02 Group Ownership Structure

Scope of GloBE rules is dependent on revenue reported in consolidated financial statements. Investor structures above the portfolio company need to be analyzed to determine ultimate parent.

## 03 Data Sources

Organizations will need to identify resources and develop workplans to assist in information gathering from multiple data sources to assess the impact and remain compliant. Substantial systems and process changes may be needed.



## 04 Governance and Internal Controls

Managing Pillar Two tax risks will require establishing governance and internal controls to ensure the accuracy, reliability and efficiency of compliance and financial reporting processes.

## 05 Stakeholder Readiness


Pillar Two will require coordination with functions outside of tax. Board members, external financial analysts and other key stakeholders will need to understand broad impacts to the organization.

## 06 Rules Are A Work in Progress

GloBE compliance will require active monitoring of GloBE developments across jurisdictions to stay up to date on proposed and enacted legislation.


# New Demand To Create A Robust Reporting Process

Groups that meet the Pillar Two Transitional Safe Harbor tests using their qualified Country-by-Country Report (“CbCR”) reports have up to 18 months after the end of the first reporting period in which to file their first GloBE Information Return. However, since the first qualifying CbCR might be filed 6 – 9 months earlier, many companies will need to have a global tax compliance process in place by Summer 2025 to ensure alignment between CbCR and GloBE Pillar Two reporting requirements.




### Data Sources

- Financial, HR, and fixed asset systems
- Tax provision, return, and planning software
- Tax Workbooks / Spreadsheets



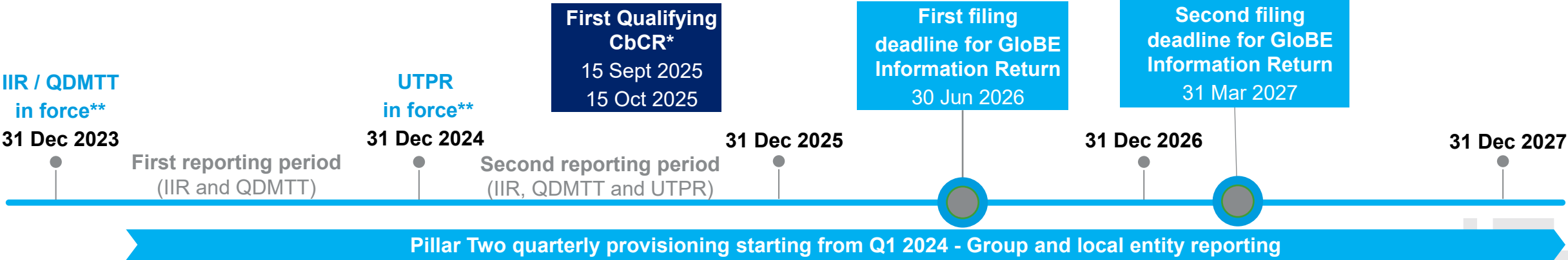
### Calculations

- Safe harbor tests, QDMTT
- GloBE Income and Covered Tax Adjustments, currency translation
- Top-up Tax under IIR or UTPR
- Jurisdiction-specific rules and logic



### Reporting & Filing

- GloBE Information Return
- Country-specific forms and filings
- Reconciliations and audit trail
- Disclosures, monitoring & tracking



\*Timeline representative for a U.S.-based business with an accounting period ending 31 December  
 \*\*Effective date of Income Inclusion Rule (“IIR”), Qualified Domestic Minimum Top-up Tax (“QDMTT”), and Undertaxed Profits Rule (“UTPR”) varies among implementing jurisdictions.

# Practical Phased Approach to Pillar Two Compliance



## Phase I – Impact Assessment

Using CbCR and other data sources, perform the following rapid assessment activities:

- Analyze group entities within the context of Pillar Two rules
- Identify entity/structure focus points requiring deeper analysis
- Conduct safe harbor analysis and develop working model
- Identify high-risk countries for possible top-up taxation



## Phase II - Discovery/Recommendations

Utilize a collaborative workshop approach to:

- Identify detailed data requirements for the full GloBE return calculation for the specific jurisdictions we identified which are not meeting the Transitional Safe Harbor provisions.
- Map data back to source systems for full GloBE return calculation jurisdictions.
- Recommend steps to close identified system and data gaps.



## Phase III - Readiness

Ensure compliance readiness by:

- Accelerating the data gathering required for the full GloBE calculations & Safe Harbor transitional rules for 12/31/2024. This data will be used as part of the workpaper and software set up.
- Set up RSM Transitional Safe Harbor and full GloBE calculation working papers for the GloBE Information Return in RSM environment for tax compliance.
- Set up the RSM data transfer process between working papers and Orbitax Global Minimum Tax software.
- Set up Orbitax Global Minimum Tax software for 12/31/2024.
- Facilitate user acceptance testing (UAT).



## Annual Compliance

Provide compliance assistance by;

- Preparing, reviewing, and filing your accounting year 2024 GloBE Information Return.

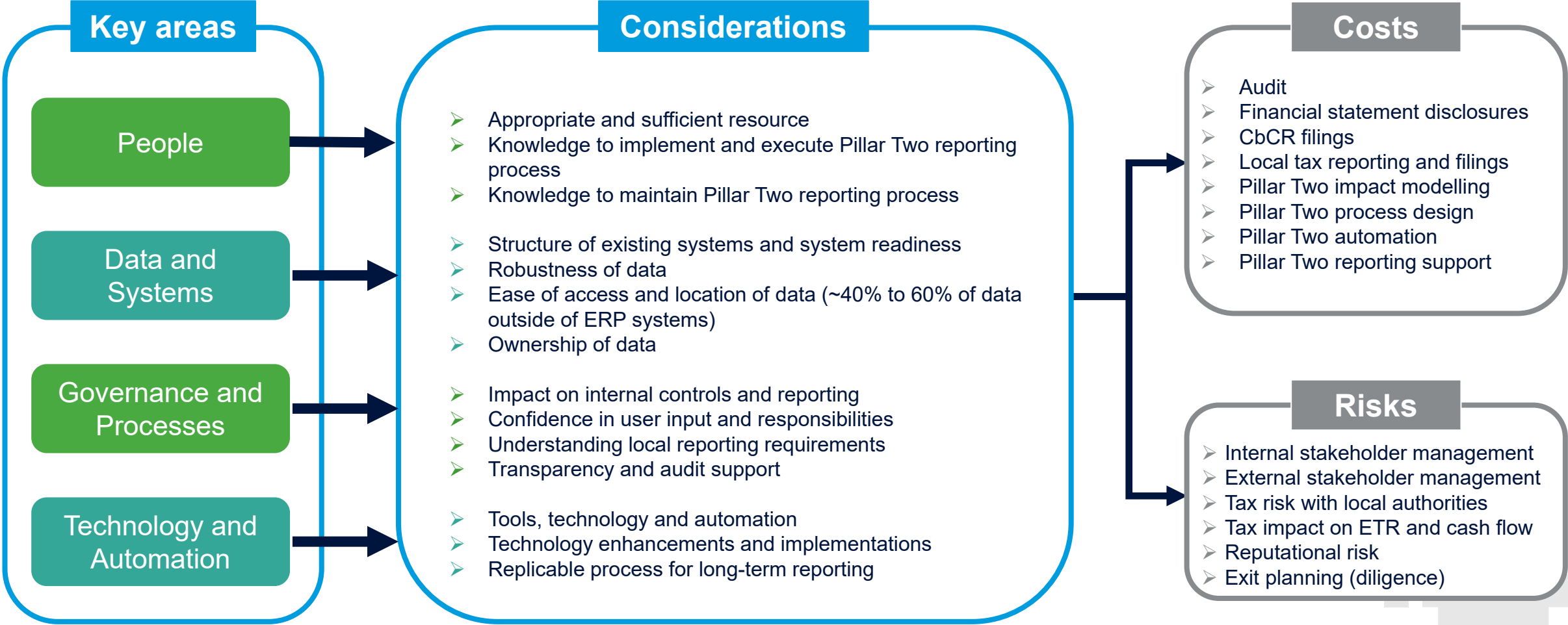
# Draft Timeline



KEY ACTIVITIES		Month 1	Month 2	Month 3	Month 4
<b>Phase I – Impact Assessment</b>					
RSM preparation & review of safe harbor calculations	2-3 weeks				
<b>Phase II – Discovery / Recommendations</b>					
<b>Discovery workshop</b> - Walk through Pillar Two data point inventory & confirm applicability to AIP Portco - Identify additional required supporting calculations and confirm audit trail requirements - Recommend steps to close identified system and data gaps					
<b>Framework design &amp; data model</b> - Map AIP Portco’s data points against RSM’s Pillar Two data model - Identify and confirm data sources, primary systems and data owners					
<b>Phase III – Readiness</b>					
<b>Workpaper and data transfer automation set up</b> - Gather data - Set up RSM GloBE calculation workpapers - Set up RSM data transfer between workpapers and Orbitax Global Minimum Tax software					
<b>Orbitax Software setup</b> - Set up Orbitax Global Minimum Tax software to calculate top-up tax and annual reporting for the GloBE return					
<b>User acceptance testing</b> - Facilitate user acceptance testing (UAT)					
<b>Accounting Year 2024 Compliance</b>					
- Prepare, review, and file GloBE Information Return					
<b>Compliance engagement management</b>					
- Day-to-day project management, status updates, risks & issue resolution					
<b>Client Timeline and Commitment</b>					
AIP portco Team		Provide info, attend sessions, review and approve plans	Approve setup		UAT

# Budgeting For Compliance

What do businesses need to think about from a budgeting aspect?



# Orbitax Global Minimum Tax: Final Country Report

orbitax My Project 2021 Mark Robinson Mega Inc

OECD Scenarios GMT-Standard Scenario 01

IR UTPR Drill Down

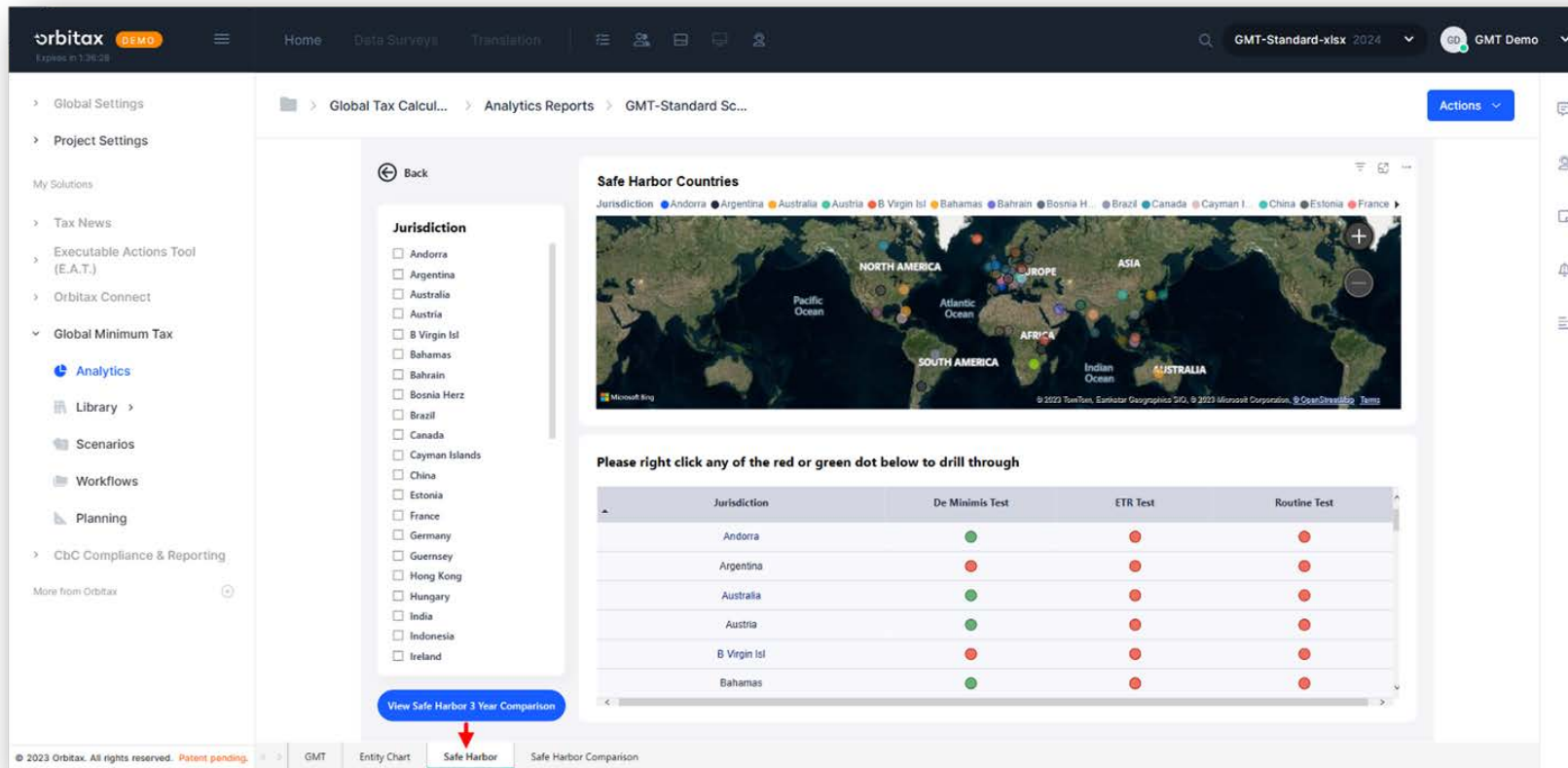
Jurisdictional Total		Germany	Ireland	Japan	Netherlands	New Zealand	Norway	South Korea	Sweden	Switzerland	United Kingdom
Jurisdiction [choose]: (All Jurisdictions)		1072	6789	1060	1065	1035	1009	1103	1012	1029	2003
Entity Code:			IPE	IPE							
POPE/UPE/IPE with GloBE Rule:											
Jurisdictional Total		USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Amount Allocated Under STTR											
Total	27			17					10		
Amount Allocated Under Globe Rules											
QDMMT	11,806,084	4,042,225	752,650		1,999,258	496,221	319,316		1,992,542	285,119	1,458,753
UTPR Top-up Tax Allocated Under IIR											
Jurisdiction	Entity Code	Total:									
B Virgin Isl	1035	1,773,026									
(S) Bahrain	(S) 1012	50,934	20,741		13,985					16,208	
(S) Bosnia Herz	(S) 1029	76,260	31,502		20,545					24,213	
Brazil	2003	6,333	3,982		1,091					1,144	
Canada	1002	759,961	402,549		100,009					249,403	
Kenya	1075										
Malaysia	1057	9,129	3,198		1,991					3,940	
Pakistan	9102	174,733	45,221		74,105					55,407	
Peru	1091										
Philippines	1104	207,491	180,432		10,341					16,718	
Poland	1062	38,445	23,409		5,932					9,104	
Puerto Rico	1096										
Sri Lanka	8892	71,221	10,348		40,249					20,024	
Tanzania	1098										
Togo	1059										
Zimbabwe	HH	378,519	331,541		20,018					26,960	
UTPR Top-up Tax Allocated Under UTPR											
Amount Allocated Under UTPR	3,711,218	868,421	309,125		561,320	98,437	120,327	363,797	353,691	203,531	832,569
Pillar 2 Taxes Payable											
Total	16,790,354	5,964,169	1,061,775	17	2,816,844	594,658	439,643	363,807	2,346,233	488,650	2,714,443

Total Pillar Two Tax Liability Calculations require each local country calculator to be run separately depending on which Pillar Two calculation is in scope.

The top up tax of any low tax jurisdiction could be different depending on how a Pillar Two compliant country has implemented the Pillar Two rules.

As a result, to allocate the Pillar Two tax liability among more than one jurisdiction (for IIR/UTPR) multiple local country calculators will have to be run concurrently.

# Orbitax Global Minimum Tax: Safe Harbor Visuals



**Safe Harbor Countries**

Jurisdiction: Andorra Argentina Australia Austria B Virgin Isl Bahamas Bahrain Bosnia H. Brazil Canada Cayman I. China Estonia France

**Please right click any of the red or green dot below to drill through**

Jurisdiction	De Minimis Test	ETR Test	Routine Test
Andorra	●	●	●
Argentina	●	●	●
Australia	●	●	●
Austria	●	●	●
B Virgin Isl	●	●	●
Bahamas	●	●	●

The Safe Harbor tab present visuals for your Safe Harbor test indicating entities which can be exempt from transitional Safe Harbor rules.

# Orbitax Global Minimum Tax: GloBE Information Return

Name of the Constituent Entity, JV or JV Subsidiary	TIN	TIN for Filing Jurisdiction (if any)	Status for GloBE purposes	Changes from previous Reporting Fiscal Year?	Jurisdiction	Applicable rules?	Parent type 1	Parent 1 TIN (for CEs or members of JV Groups)	Parent 1 ownership interest held (percentage)	Parent ty
Abex Transportation Company	627		Minority-Owned Constituent Entity (MOCE)	Yes	Andorra		Corporation	623	100.00%	Corporat
Tractelra, S.A.	555		Minority-Owned Constituent Entity (MOCE)	Yes	Argentina		Corporation	623	10.00%	Corporat
MDS Argentina SA	556		Minority-Owned Constituent Entity (MOCE)	Yes	Argentina		Corporation	559	100.00%	Corporat
Melbourne Sales	576		Minority-Owned Constituent Entity (MOCE)	Yes	Australia		Corporation	571	100.00%	Corporat
Mega Austria Branch	577		Minority-Owned Constituent Entity (MOCE)	Yes	Austria		Corporation	NOTIN	100.00%	Corporat
123567 Inc	571		Minority-Owned Parent Entity (Parent entity in MOGG)	Yes	B Virgin Isl		Corporation	630	10.00%	Corporat
Holburn Company	630		Minority-Owned Subsidiary (non parent entities in MOGG)	Yes	B Virgin Isl		Corporation	629	10.00%	Corporat
B Partnership 1	562		Flow-Through Entity - Tax Transparent (Flow-Thru)	Yes	Bahamas		Corporation	NOTIN	89.00%	Corporat
Mega Bahamas	557		Minority-Owned	Yes	Bahamas		Corporation	NOTIN	100.00%	Corporat

Automatically populates all data points listed in the Globe Information Return public consultation document released by the OECD.

Architecture in place to configure the GIR based on local country requirements all the way to filing and submission format (including e-filing) by leveraging work already done for other reporting e.g., CbCR.

# American Industrial Partners Tax Summit

Future of Tax – Austin, TX

January 27, 2025



Building a better  
working world



# About the survey

The 2024 EY Tax and Finance Operations survey measures the effectiveness of tax transformations while also examining the ability of tax and finance functions to leverage support from a range of elements including co-sourcing and GenAI.



# TFO Survey – What are companies saying?

Independent survey of 1,600 companies

## Impact of AI

**87%** Believe GenAI will increase tax function effectiveness

GenAI will impact many aspects of the tax function

Most companies are at the beginning of their GenAI journey

## Talent gap

**70%** Are impacted by fewer accountants entering profession

**62%** Pursue professionals without college/university degree

## Transformation

**54%** Changing tax and finance operating models

**2x** Companies want employees to double time spent on high-value activities

**59%** Of companies plan to co-source in the next two years

## Intense cost pressure

**#1** Priority is budget management

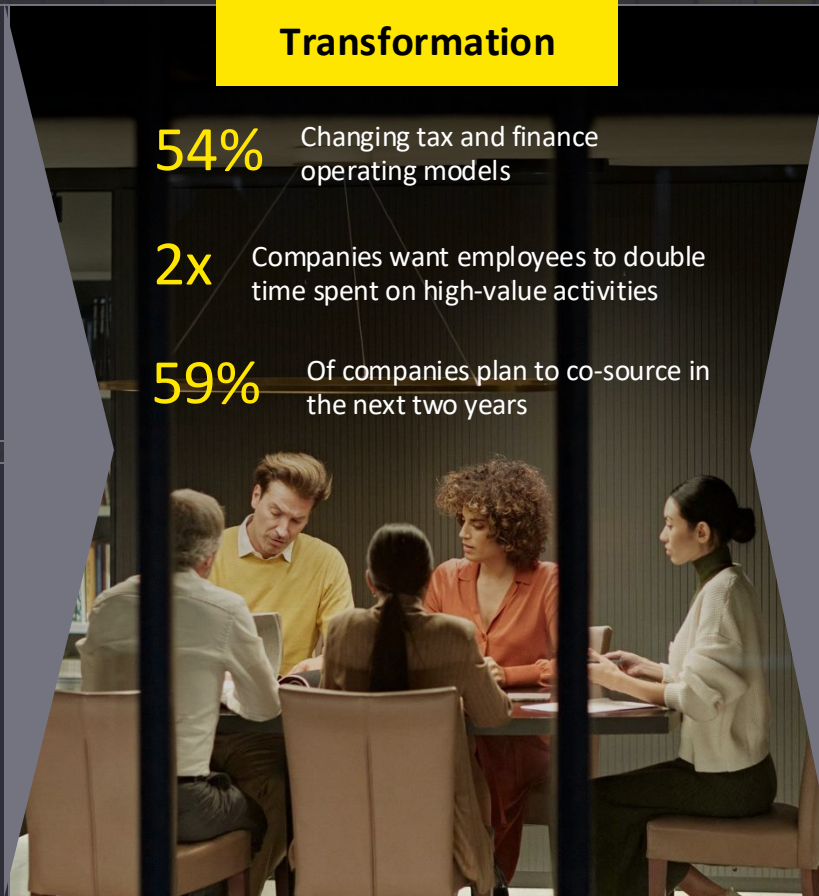
**#1** Lack of budget is the biggest barrier to delivering purpose and vision

## Transparency and reporting developments

**#1** E-invoicing is top challenge

**83%** Will make moderate to significant adjustments for BEPS reporting

**56%** Will voluntarily disclose total taxes paid



# Key themes from the new TFO survey

**1**

For the first time, cost is the biggest barrier to achieving purpose and vision

**2**

Companies believe GenAI will significantly benefit tax functions

**3**

Significant pressure resulting from fewer new tax and finance professionals entering the workforce and baby boomer retirements

**4**

Companies face significant challenges from emerging digital tax filings (e.g., e-invoicing), BEPS and voluntary disclosures

# What is the biggest barrier preventing your tax and finance functions from delivering their purpose and vision?

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# Platform Overview



Status Tracking & Dashboards



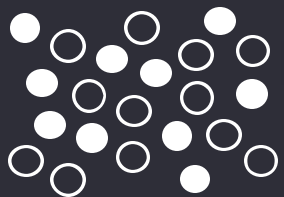
Portal



Workflow



Document Management



## Data

- Unstructured and structured data from different sources



## Gather

- Data gather and integration
- Data staging, classification and storage



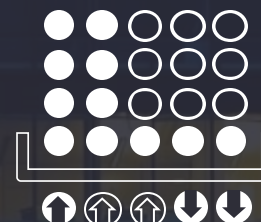
## Transform

- Transformation and validation
- Standard data model and master data management



## Analyze

- Business intelligence analytics and reporting
- Machine learning and artificial intelligence



## Calculate

- Adjustments and workpapers
- Tax software processing



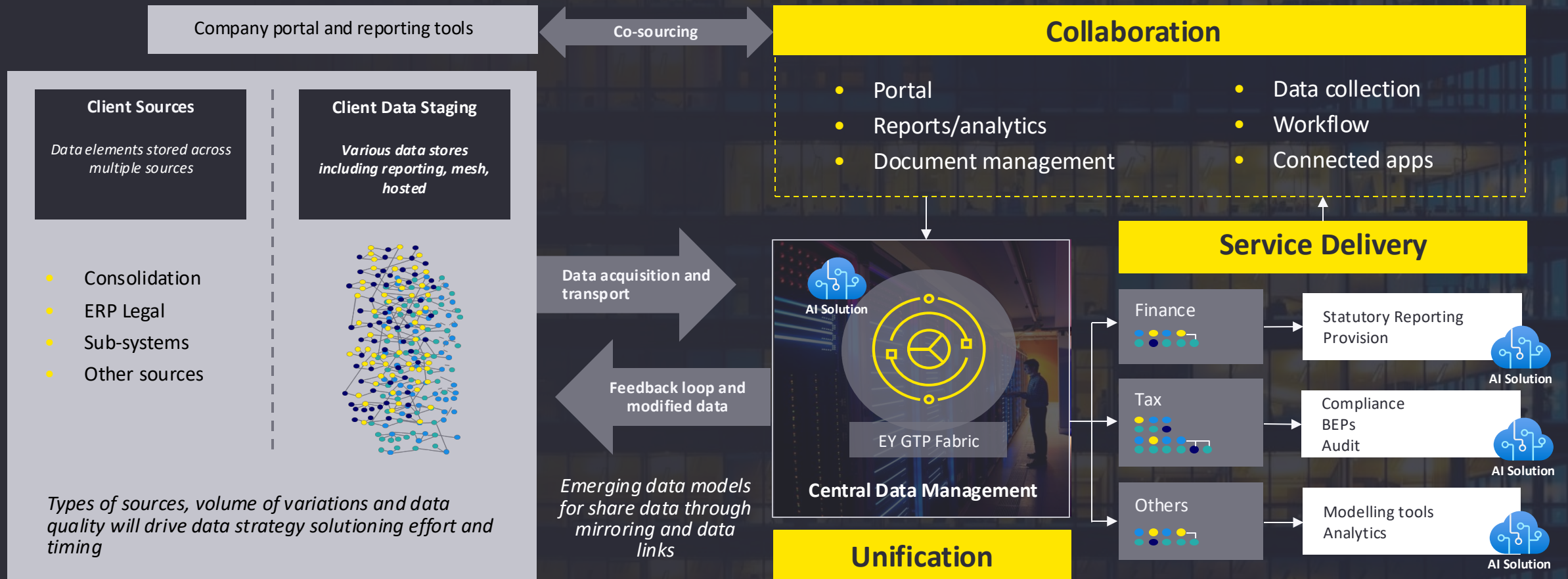
## Deliver

- Tax returns
- Analytics
- Supporting documentation
- Reports
- Deliverables

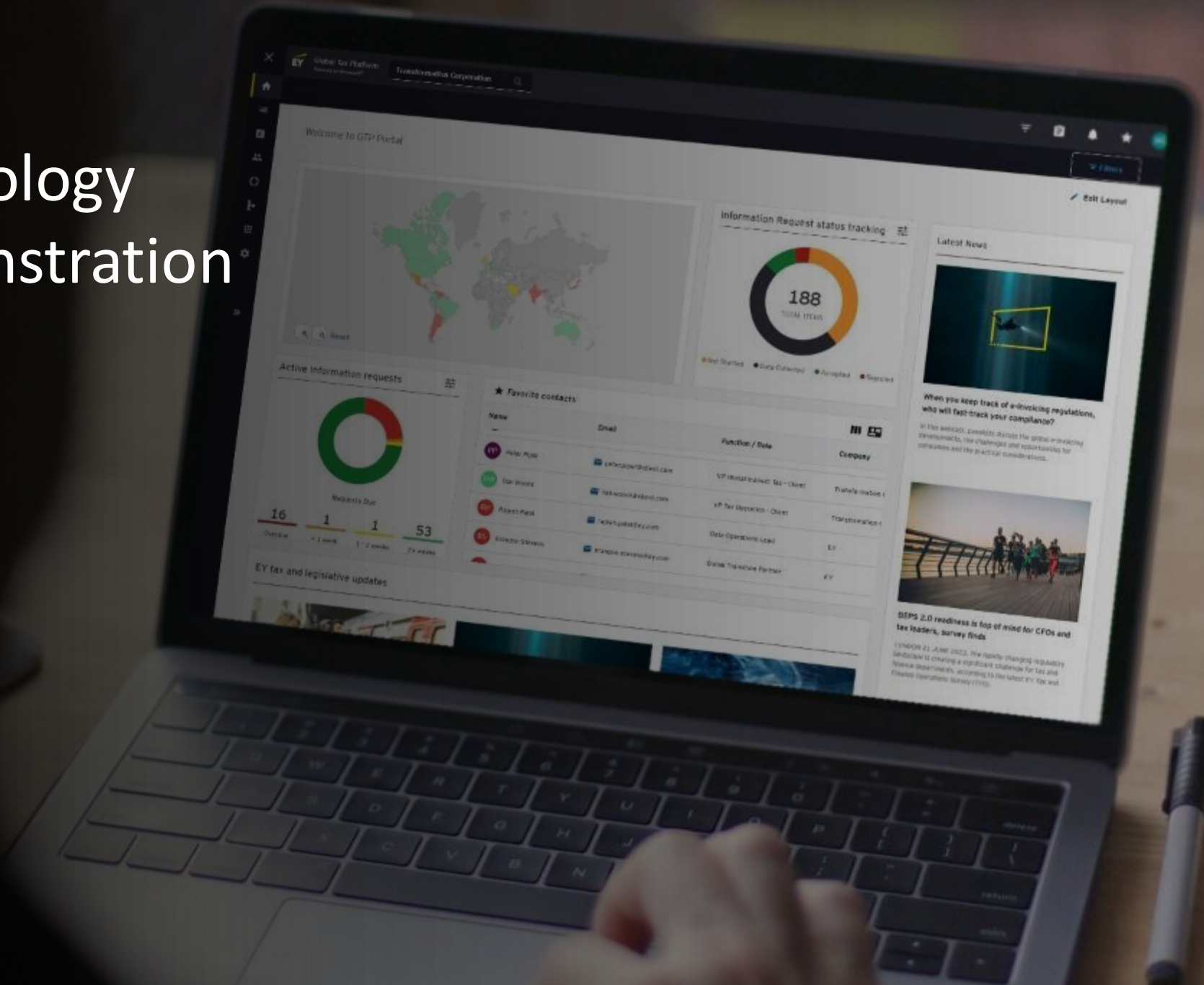
Data lake in the cloud

# Connected ecosystem:

User experience and collaboration powered by central data management and service delivery, powered by AI



# Technology demonstration



# The Global Tax Platform experience

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## EY | Building a better working world

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