



International Fiscal Association



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TRAVELLING LECTURESHIP PROGRAMME LUNCH DIALOGUE SESSION REPORT

Pillar Two and its Ramifications

Tuesday, 7 October 2025 | 12.00-13.00

Chairs

Prof. Dr. Robert Danon

Prof. Dr. Adolfo Martín Jiménez

Panel members

Prof. Dr. Daniel Gutmann (European Region Lecturer)

Prof. Dr. Joachim Englisch (North America Region Lecturer)

Dr. Giammarco Cottani (Asia Pacific Region Lecturer)

Prof. Dr. Christian Kaeser (Asia Pacific Region Lecturer)

Prof. Dr. Adolfo Martín Jiménez (Latin America Region Lecturer)

Prof. Stephen Shay (Africa Region Lecturer)

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1. Introduction

The Travelling Lectureship Programme (TLP) Lunch Dialogue was the concluding session of the 2025 edition of the TLP, which focused on the timely and complex debates surrounding Pillar Two and its ramifications. Over the past year, TLP has explored the Pillar Two dimension in depth, addressing questions such as the characterization of the top-up tax, the identification of the taxable person, including potential abuse and the application of penalties. By addressing these issues in five different regions (i.e., Europe, North America, Asia Pacific, Latin America, Africa) and twelve countries (i.e., Germany, Belgium, Canada, USA, India, Singapore, Republic of Korea, Argentina, Brazil, Peru, South Africa, Nigeria), TLP brought together tax professionals, academics, and practitioners, fostering meaningful cross-border dialogue.

During the concluding TLP Dialogue, the lecturers reflected on the key insights and outcomes of the lectures and discussions held throughout the year in the respective regions. After addressing the outcomes of the discussions, the lecturers highlighted recent developments and explained how regional perspectives intersect with broader global trends. Building on the TLP lectures across regions, the dialogue aimed to provide a comprehensive view of the challenges and ramifications of Pillar Two.

2. Regional TLP Outcomes

2.1. European Region

Prof. Dr. Daniel Gutmann reported that the discussion primarily focused on practical issues, reflecting practitioners' experiences in implementing Pillar Two compliance measures. It was observed that while the compliance workload is significant, the financial impact, when combining the Qualified Domestic Minimum Top-up Tax (QDMTT) and the Income Inclusion Rule (IIR), is relatively modest, in some cases resulting in less than €1 million in top-up tax. Prof. Gutmann noted that this issue raised a policy question during the lectures about whether the administrative effort is proportionate to the revenue collected. He referred to the discussions during the lectures and elaborated that a representative from the European Commission explained that, despite the complexity and limited revenue collection, the minimum tax is intended as a behavioral tool to incentivize countries to align policies. Nevertheless, Prof. Gutmann raised an open question regarding the effectiveness of the

minimum tax as a behavioral tool, noting that many countries continue to offer tax incentives to attract investment to their jurisdictions.

2.2. North America Region

Prof. Dr. Joachim Englisch addressed the outcomes of the lectures in Canada and the United States (US), highlighting the key challenges and perspectives on Pillar Two in both jurisdictions. For Canada, two main issues were highlighted. First, there is a need to find a compromise with the US position on Pillar Two to avoid potential retaliatory measures, given that the US is Canada's major trading partner and the two economies are closely interconnected across multiple sectors. Second, the complexity of implementing both the QDMTT and IIR was noted, with administrative requirements posing a significant challenge. In this context, the introduction of a permanent safe harbour was considered essential for simplifying the system.

For the US, over the recent years, the position regarding its co-existence with the US minimum tax regime has evolved: it is no longer primarily a question of alignment, but a matter of tax sovereignty, ensuring that the global minimum tax does not impair domestic economic policy. Prof. Englisch noted that other points highlighted include the need to clarify the "related benefit" concept, concerns from the business community regarding insufficient involvement in drafting Pillar Two rules, and questions about whether the US side-by-side compromise could have broader implications for Pillar Two design. He concluded with a personal observation that, while a compromise might provide short-term stability, it could potentially undermine Pillar Two's acceptance in the medium to long term.

2.3. Asia Pacific Region

First, Prof. Dr. Christian Kaeser addressed the discussions raised during the lectures in Singapore and Seoul. Prof. Kaeser noted that the central questions concerned were whether the top-up tax under Pillar Two operates, in itself, as a penalty. It was noted that in both jurisdictions, this perception extends not only to taxpayers but also to governments. The discussions also emphasized that, as a result of the coexistence of divergent approaches, a complex and fragmented landscape has been created. South Korea, which was among the first countries to implement the full Pillar Two package, including the Under-Taxed Payment Rule (UTPR) due to pressure from the United States, now faces frustration as the global consensus has weakened, leaving early adopters feeling disadvantaged. Reflecting these

concerns, Prof. Kaeser addressed that the Business Association of South Korea issued a position paper calling for the suspension of the rules and advocating for a “real side-by-side” approach, one that would allow Korean entities to apply the Global Intangible Low-Taxed Income (GILTI) regime for all group entities without applying the IIR.

Dr. Giammarco Cottani further elaborated that the focus of the discussions was on whether Pillar Two was achieving its goal of creating a level playing field. The overall conclusion was that the effects of the framework remain fragile, with significant implementation challenges. For example, in India, it was noted that the implementation seems to be very complicated. In Singapore, discussions emphasized that applying IIR was more relevant than the UTPR. Considering these factors, Dr. Cottani emphasized that technical shortcomings, such as differing accounting standards and operational adjustments, further complicate the implementation. Overall, from the perspective of multinational groups, the consistent and streamlined application of Pillar Two has not been achieved, and communicating these complexities internally within organizations remains a significant practical difficulty.

2.4. Latin America Region

The lectures in Latin America took place shortly after the G7 communiqué, offering an opportunity to reflect on developments through a regional lens. Discussions revealed that, for many countries in the region, Pillar Two is not among the most urgent policy priorities, as their societies face more immediate economic and social challenges. Nevertheless, Pillar Two has encouraged policymakers to reconsider how tax incentives are designed in order to eliminate inefficient ones. At the same time, Prof. Dr. Adolfo Martín Jiménez pointed out that there was a legitimate concern that implementing the minimum tax could restrict the fiscal autonomy needed to pursue national goals, particularly in sectors and regions that depend heavily on investment incentives.

Prof. Martín Jiménez noted that only Brazil has enacted a QDMTT, while Argentina and Peru have not yet introduced any measures. Consequently, there was a sense of relief in these jurisdictions following the G7 communiqué, as it indicated that no immediate adjustments would be required (contrary to what happened with early adopters). In Brazil, an active discussion emerged on whether the QDMTT should be modified into a “conditional” form, applying only to parent entities located in jurisdictions implementing Pillar Two, creating a hybrid model that could, in practice, exempt US groups. In addition, from a technical

standpoint, several challenges were raised, including Argentina’s hyperinflation adjustment rules, the treatment of hybrid taxes common in the region for Pillar Two purposes, etc. He also noted that the legal and constitutional limitations in some countries were also raised during the lectures, where domestic law cannot easily reference international instruments, and principles such as “ability to pay” may constrain the design of global minimum tax measures.

2.5. Africa Region

Prof. Stephen Shay observed that approaches to Pillar Two adoption across the region vary significantly. For instance, South Africa adopted Pillar Two partially as limited to the IIR and QDMTT without UTPR. In Lagos, it was noted that while Nigeria has not joined the Pillar Two agreement, it has introduced a domestic minimum tax applying to groups below the Pillar Two thresholds to broaden its tax base and protect revenues from potential claims by other jurisdictions. This gave rise to discussions on whether countries following such models should also be eligible for a “side-by-side” arrangement comparable to that proposed for the United States, highlighting broader questions around tax sovereignty, incentives, and the alignment of national interests with global standards.

Prof. Shay further made two observations about the lectures. First, the G7 agreement on Pillar Two appeared to be strongly influenced by US domestic political considerations, as certain responsible parties sought to avoid the implications of Section 899 and used the G7 framework as a political and policy cover to move away from it. This highlighted the continuing interplay between domestic politics and international tax policy. Second, drawing a comparison with FATCA, he noted that its implementation required substantial system changes, taking years to become fully operational. By contrast, the global scope and complexity of Pillar Two present even greater compliance challenges. If Pillar Two endures, it is likely to evolve significantly over the next decade before reaching a stable and workable form.

3. Recent Developments on the Pillar Two

For Europe, the key question centered on how to align the EU Directive on minimum taxation with the recent G7 developments. It was noted that assessing the compatibility of the “side-by-side” arrangement with the Directive will be challenging, as the Directive currently provides no explicit mechanism to accommodate such an agreement. Although Article 32 on safe

harbours could, in principle, provide some flexibility, because the concept of a “safe harbour” is undefined, it does not allow any interpretation. Therefore, while there may be room to incorporate the side-by-side approach as a safe-harbour, it raises some legal issues and revising the Directive itself would be ideal. Yet, that could be a difficult task given time constraints and the political pressure from the US to reach an agreement.

The lecturers further raised concerns about accepting the OECD agreement as a “safe harbour” under the EU Directive could undermine democratic accountability and the institutional balance within the EU, as it would bypass the Parliament and sideline member states. Such an approach would risk the rule of law by aligning binding EU tax law with external political compromises.

It was highlighted during the dialogue that the prevailing uncertainty surrounding the implementation of the side-by-side agreement undermines the consistency and simplicity sought by both taxpayers and tax authorities. Insights from the Latin American discussions indicated that, while the objectives of Pillar Two are understandable, they may not be entirely realistic. Taxes serve as instruments to achieve broader public policy goals, and countries want to maintain sufficient flexibility to design their own tax systems and fiscal expenditure policies, so it is unlikely that tax competition will truly come to an end; it will only transform into competition in fields without the scope of Pillar 2 (i.e., permitted credits, other taxes, subsidies).

4. Conclusions and Key Takeaways

The discussions across all regions confirmed that the implementation of Pillar 2 remains complex, fragmented, and highly context-dependent. The dialogue also highlighted that there are still many uncertainties regarding how Pillar Two will operate in practice, both in terms of coordination between jurisdictions (especially after the G7 communique and in the context of the side-by-side system) and its long-term impact on investment and tax policy.

The Lunch Dialogue concluded that the 2026 TLP will address the international dimension of withholding taxes and will visit 5 regions and 11 countries.