



# **77th Annual IFA Congress**

## **Lisbon, Portugal**

### **SEMINAR A SESSION REPORT**

## **Implementation of Pillar II and corporate income tax decluttering**

**Monday, 6 October 2025 | 13.15 – 15.15**

#### **Chair**

Joachim Englisch (University of Münster, Germany)

#### **Panel members**

Barbara Angus (EY Global Tax Policy Leader, USA)

Jorge Alberto Ferreras Gutiérrez (Deputy General Director for Tax Policy at the Ministry of  
Finance, Spain)

James Parent (Head of Group Tax, Nestlé, Switzerland)

John Peterson (Head of Division for Cross Border and International Taxation, OECD)

Juan Carlos Pérez Peña (Tax Advisor and Pillar Two Expert, Mexico)

Thomas Quatrevalet (Group Head of Tax, AirLiquide, France)

#### **Prepared by Secretary**

Magdalena Schwarz (Bluebird Legal & Tax, Germany)

## **1. Introduction**

In 2026, in-scope multinational enterprises (MNEs) will be required to file their first GloBE information returns and Pillar II tax declarations. At the same time, many substantive and procedural aspects of Pillar II remain in flux or still require clarification. Despite several rounds of Administrative Guidance endorsed by the Inclusive Framework, technical implementation continues to pose significant challenges.

Against this backdrop, Seminar A aimed to provide insights into the current state of Pillar II implementation and to examine key issues from the perspectives of MNEs, advisors, and tax administrations. In particular, the panellists were to analyze the emerging compromise with the United States “side-by-side approach” (SbS), which is currently being negotiated following the G7 finance ministers’ statement, and assess its potential implications for the future Pillar II landscape.

Another central theme was how to ensure overall coherence and legal certainty in applying international standards—especially in light of the anticipated proliferation of Qualified Domestic Minimum Top-up Taxes (QDMTTs). The seminar also aimed to address practical challenges in Pillar II compliance and administration, and explore the design and evaluation of the permanent safe harbour.

Finally, the panel wanted to consider the broader implications of Pillar II for corporate income tax systems and targeted anti-avoidance regimes, and based on that, discuss where and to what extent “decluttering” of existing rules could be appropriate.

## **2. Main Topics Discussed**

### **2.1. Topic 1: Legislative Implementation and Global Coherence**

The discussion began with an overview of the current legislative status of Pillar II across jurisdictions. Barbara Angus examined the progress made under the OECD/G20 Inclusive Framework and the diverse approaches taken by different countries in transposing the Model Rules into domestic law.

After that, the current status of the SbS approach was presented by John Peterson. He talked about the scope of the solution, the mechanism for the implementation of this approach and the thus resulting increased importance of the QDMTT. He also touched upon the integrity

concerns that exist in connection with the approach. While this approach offers the possibility of reaching an agreement with the US on Pillar II, it also raises significant political and technical challenges. These include ensuring eligibility for peer review, managing complex technical adjustments, and balancing administrative feasibility with adherence to the GloBE standards, which was discussed by the other panelists.

Before John Peterson presented the intended design of the Permanent Safe Harbour, he briefly talked about the possible recognition of substance-based incentives as Qualified Refundable Tax Credits. He then went on to the major part of the legislative discussion – the permanent Safe Harbour. In general, the safe harbour is intended to simplify compliance for MNEs, e.g., by not requiring the recapture of deferred tax liabilities after five years, and reduce administrative burdens, particularly for entities with low-risk profiles.

From a business perspective, represented by Thomas Quatrevalet and James Parent, the safe harbour is not merely a “nice-to-have” feature but a necessity to focus resources on the most significant top-up tax situations. Furthermore, the panelists stressed that the safe harbour must not become a diluted version of the Model Rules; adjustments should be limited to essential items, and the Ultimate Parent Entity (UPE)’s Generally Accepted Accounting Principle (GAAP) should always be accepted to leverage existing reporting systems. In addition, among others simplified rules for loss-making jurisdictions, post-closing adjustments, and purchase price allocation (PPA) reversals were identified as priorities. From a tax administration’s perspective, Jorge Ferreras added that administrative guidance must be clear, adaptable, and responsive to evolving circumstances in this regard.

A recurring concern of the panel was the fragmentation of implementation. While the GloBE Model Rules and commentary were designed to provide a unified foundation, national differences in accounting standards, legislative drafting, and effective dates have created inconsistencies. These variations can undermine legal certainty and coherence, both of which are essential for the effective operation of a global minimum tax.

Particular attention was then paid to the QDMTTas, due to the side-by-side approach, it is increasingly seen as a central component of domestic Pillar II implementation. However, it also introduces complications, especially when it becomes the primary collection mechanism, which was discussed by the panel. Examples of such complications that were

presented are divergent accounting standards—such as the use of the UPE GAAP versus local financial standards—, which add further complexity.

In the last part of this topic, the panelists underlined the importance of the peer review process as a mechanism for ensuring consistency and recognition among jurisdictions. Among others, the Inclusive Framework’s “Central Record of Legislation” and the transitional qualification mechanism were presented as one of the key tools to monitor implementation, maintain transparency, and minimize disputes.

## **2.2. Topic 2: Implementation of Pillar II by MNEs and Tax Administrations**

The second part of the seminar explored the operational aspects of Pillar II. For multinational enterprises, implementation involves navigating complex and evolving rules while ensuring compliance across multiple jurisdictions. Among the main challenges discussed were:

- Managing multiple accounting standards and reconciling data under different frameworks;
- Addressing data fragmentation and reporting complexity, including dual reporting and compliance with the GloBE Information Return;
- Dealing with deferred tax and timing mismatches that can distort effective tax rate (ETR) calculations; and
- Mitigating the impact of business restructurings and hyperinflationary environments on GloBE outcomes.

The panel highlighted how hyperinflation accounting under IFRS (IAS 29) and U.S. GAAP (ASC 830) can create artificial ETR distortions, even in high-tax jurisdictions. Similarly, internal restructurings may trigger top-up taxes under the GloBE rules, despite being driven by genuine business reasons rather than tax avoidance motives. The business representatives of the panel, therefore, called for targeted OECD guidance and mitigation mechanisms to address such unintended outcomes.

For tax administrations, challenges are equally substantial. Implementation requires managing complex domestic legislation, integrating new rules into existing tax systems, and ensuring effective data collection and information exchange. Timing discrepancies between jurisdictions, the need for specialized expertise, and the establishment of dispute resolution mechanisms were identified as critical factors. Cooperation and transparency between

jurisdictions—supported by frameworks such as the Inclusive Framework’s peer review and the “Amsterdam Dialogue” on coordinated risk assessment—were emphasized as key to preventing double taxation and minimizing disputes.

As the topic of dispute prevention and resolution in the Pillar II context is of great importance, Seminar A went on to examine it in more detail in the next step. The panellists thereby stressed the need for up-front compliance and common guidance to reduce uncertainty. Instruments such as safe harbours, coordinated risk assessments, and peer reviews were seen as essential tools for dispute prevention.

Disputes may arise not only from the interpretation and application of the rules but also from differences in transposition into domestic law. Conflicts can occur when jurisdictions diverge in their legislative drafting, tax administration practices, or interpretation of the GloBE Model Rules. The seminar identified various procedural avenues—ranging from administrative processes and domestic courts to arbitration and treaty-based mechanisms—to handle such cases.

### **2.3. Topic 3: Decluttering**

The final part of the seminar turned to the issue of “decluttering”, a topic gaining prominence, especially as jurisdictions adapt to the global minimum tax framework. The OECD and EU have recognized that the coexistence of Pillar II with existing BEPS measures may lead to unnecessary duplication and excessive administrative burden.

From an OECD perspective, the decluttering agenda aims to rationalize anti-avoidance measures—such as Controlled Foreign Company (CFC) rules, hybrid mismatch rules, interest limitation provisions, and mandatory disclosure regimes—that may now overlap with the Pillar II system. For example, under BEPS Action 4, existing interest limitation rules may need to be harmonized with Pillar II calculations to ensure consistency and reduce compliance costs.

From a business viewpoint, decluttering is crucial to improving efficiency. The current system, with overlapping reporting obligations and multiple anti-avoidance layers, is considered overly complex. Simplification would not only reduce administrative burdens for taxpayers but also enable tax administrations to allocate resources more effectively.

The discussion concluded that Pillar II provides an opportunity to recalibrate the international tax system, replacing redundant measures with a more coherent and transparent framework. However, panellists cautioned that simplification should not compromise integrity or create new loopholes. The OECD’s ongoing work in this area, supported by stakeholder engagement, will play a central role in determining how global tax governance evolves in the coming years.

### **3. Conclusions and key takeaways**

The IFA 2025 Congress Seminar A highlighted that while Pillar II implementation is progressing globally, significant challenges remain regarding legislative coherence, technical complexity, and administrative feasibility—especially in connection with the SbS approach, QDMTTs, and the Permanent Safe Harbour design. Multinational enterprises and tax administrations face major operational and compliance burdens, underscoring the need for clear OECD guidance, effective dispute prevention, and international coordination. Furthermore, the discussion emphasized the importance of “decluttering” overlapping anti-avoidance rules to create a more efficient, coherent, and transparent international tax framework under Pillar II.

Finally, the panel concluded that ensuring global coherence, maintaining legal certainty, and avoiding unnecessary duplication of tax rules will require continued coordination between governments, businesses, and the OECD.