



Day One – Pillar 2

Speakers



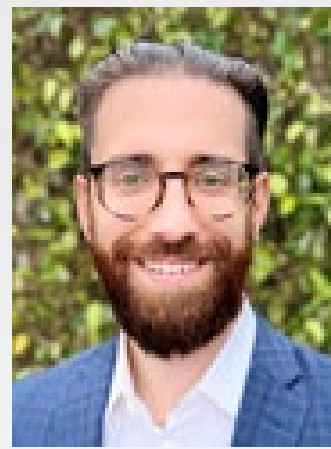
Eric Flueckiger
Partner
eric.flueckiger@forvis.com



Chet Patel
Managing Director
chet.patel@forvis.com



Justin Metcalfe
Director
justin.metcalfe@forvis.com



Rafi Hopkins
Senior Manager
rafi.hopkins@forvis.com



Mark Gasbarra, Forte International Tax
National Managing Director
mgasbarra@forteintax.com

Agenda

- Day 1
 - Pillar Two Overview
 - Transitional Safe Harbour & Qualified Country-by-Country Report
 - Application of the Charging Provisions
 - Computation of GloBE Income / (Loss)
- Day 2
 - Computation of GloBE Income / (Loss) (Continued)
 - Adjusted Covered Taxes
 - Integrated Case Study
 - GloBE Information Return



Pillar 2 – Overview

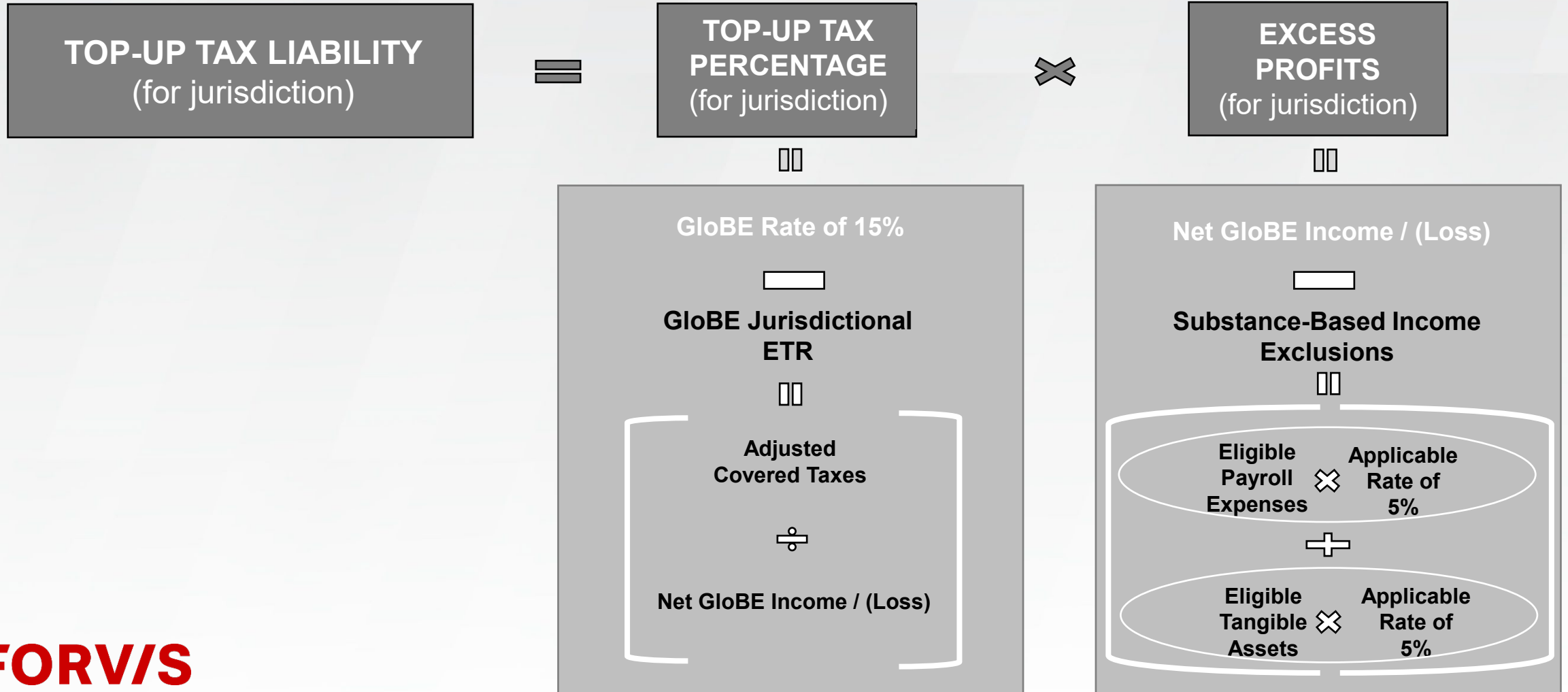
OECD Pillar 2 – Overview

- Multinational enterprise (MNE) groups with annual revenue in excess of EUR 750 million are in scope of Pillar Two rules
- Minimum rate of taxation equal to 15%
 - + Applicable & collectible with respect to any jurisdiction regardless of whether such jurisdiction has enacted Pillar Two
- Global Anti–Base Erosion (“GloBE”) interlocking charging rules:
 - + Income Inclusion Rule (“IIR”)
 - + Undertaxed Payment Rule (“UTPR”)
 - + Qualified Domestic Minimum Top–Up Tax (“QDMTT”)
- OECD contemplates global taxing jurisdictions to adopt a unified approach

OECD Pillar 2 – Timeline of Guidance

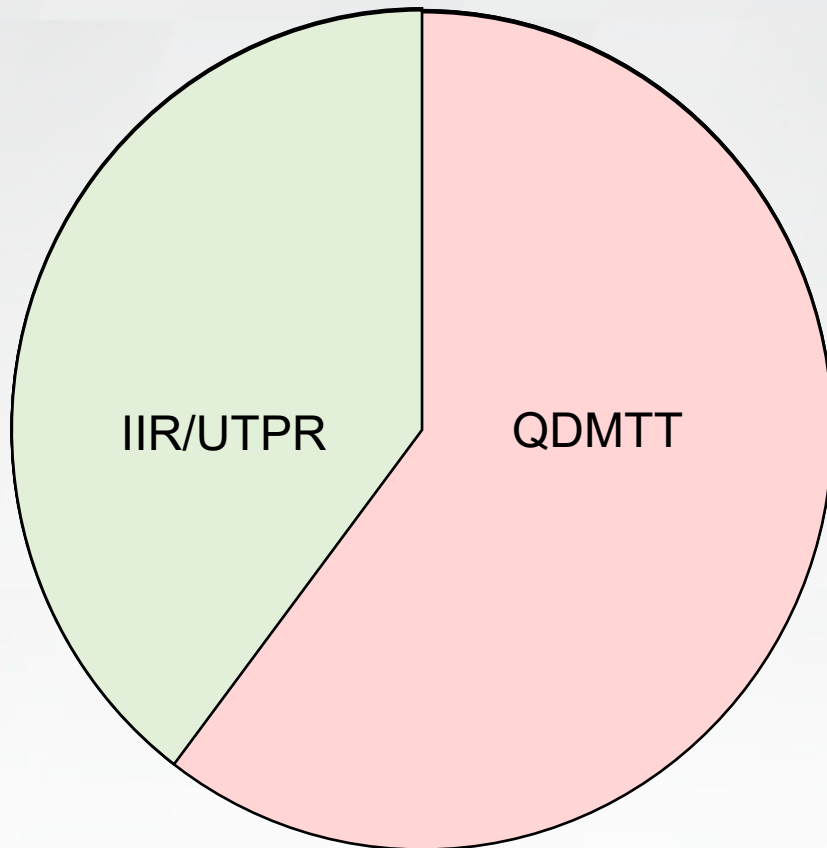
- October 2021 – over 140 member states in the G20 agree to adopt OECD Pillar Two
- December 2021 – Model rules for the GloBE tax
- December 2022 – Safe Harbour test guidance
- February 2023 – First administrative guidance – QDMTTs & Blended CFC tax regimes
- July 2023 – Second administrative guidance – additional guidance on QDMTTs, new safe harbour tests, & other clarifying information to GloBE rules
- December 2023 – Interplay of anti-hybrid rules with GloBE, new safe harbour test for NMEs, & additional guidance regarding transitional safe harbours

Computation of the Top-Up Tax – Overview



Top-Up Tax & Charging Provisions – Generally

Total Top-Up Tax



Key Terms & Definitions

- **Qualified Domestic Minimum Top-Up Tax (QDMTT)** – A minimum tax that is imposed by the domestic law of a country that computes its own top-up tax following the Pillar Two rules.
- **Income Inclusion Rule (IIR)** – Imposes a top-up tax on the Ultimate Parent Entity (UPE) of a multinational enterprise group with respect to its low taxed income of its constituent entities.
- **Undertaxed Payments Rule (UTPR)** – Operates as a backstop to the IIR, applying only in specific circumstances where the top-up tax is not brought into charge under an IIR or QDMTT

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Ordering of the Pillar Two Charging Provisions

QDMTT

IIR

UTPR

Org Chart Example of Charging Provisions

Legend

 UTPR Application

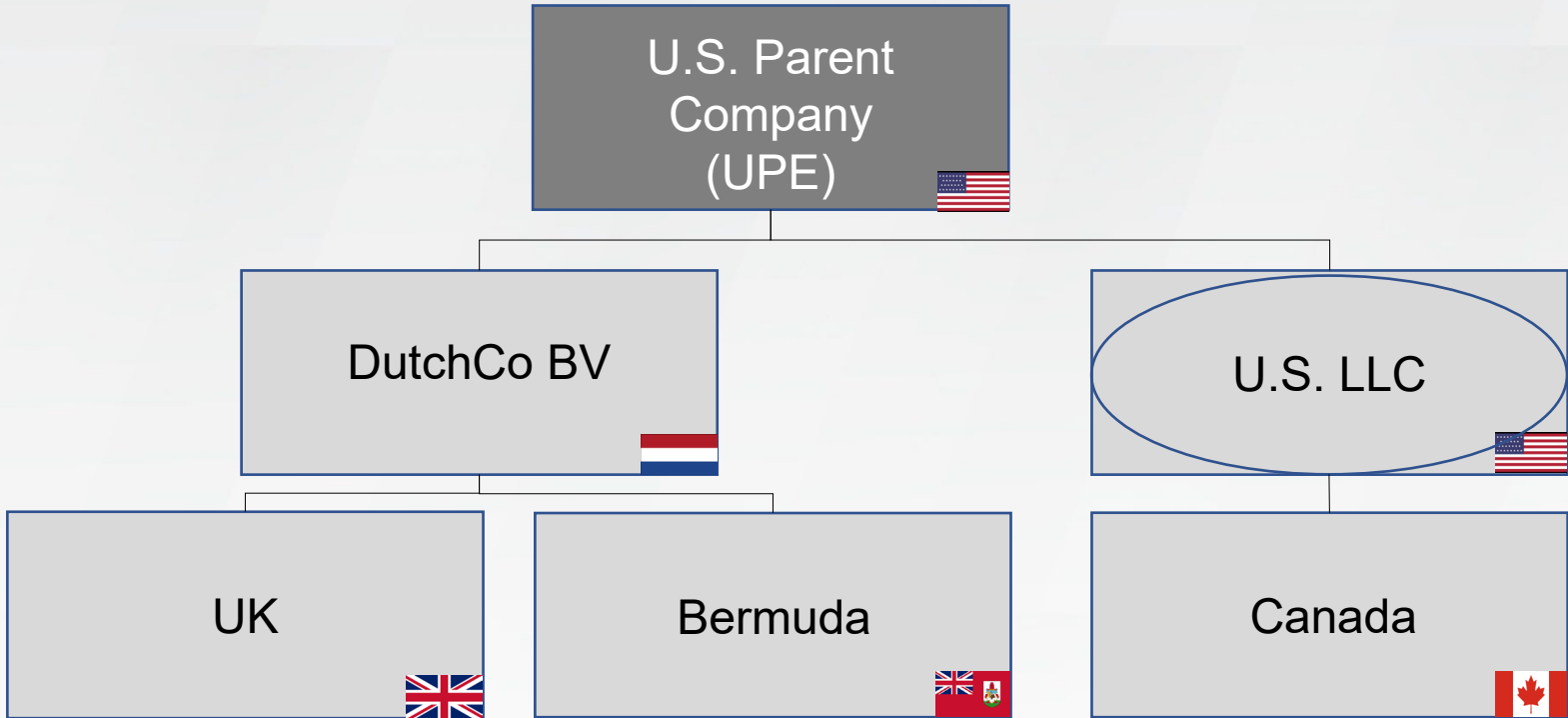
 IIR Application

 QDMTT Application

Assumptions:

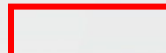
Netherlands, UK, & Canada adopts QDMTT, IIR, & UTPR

U.S. & Bermuda do not adopt an IIR, QDMTT, or UTPR



Org Chart Example – QDMTT

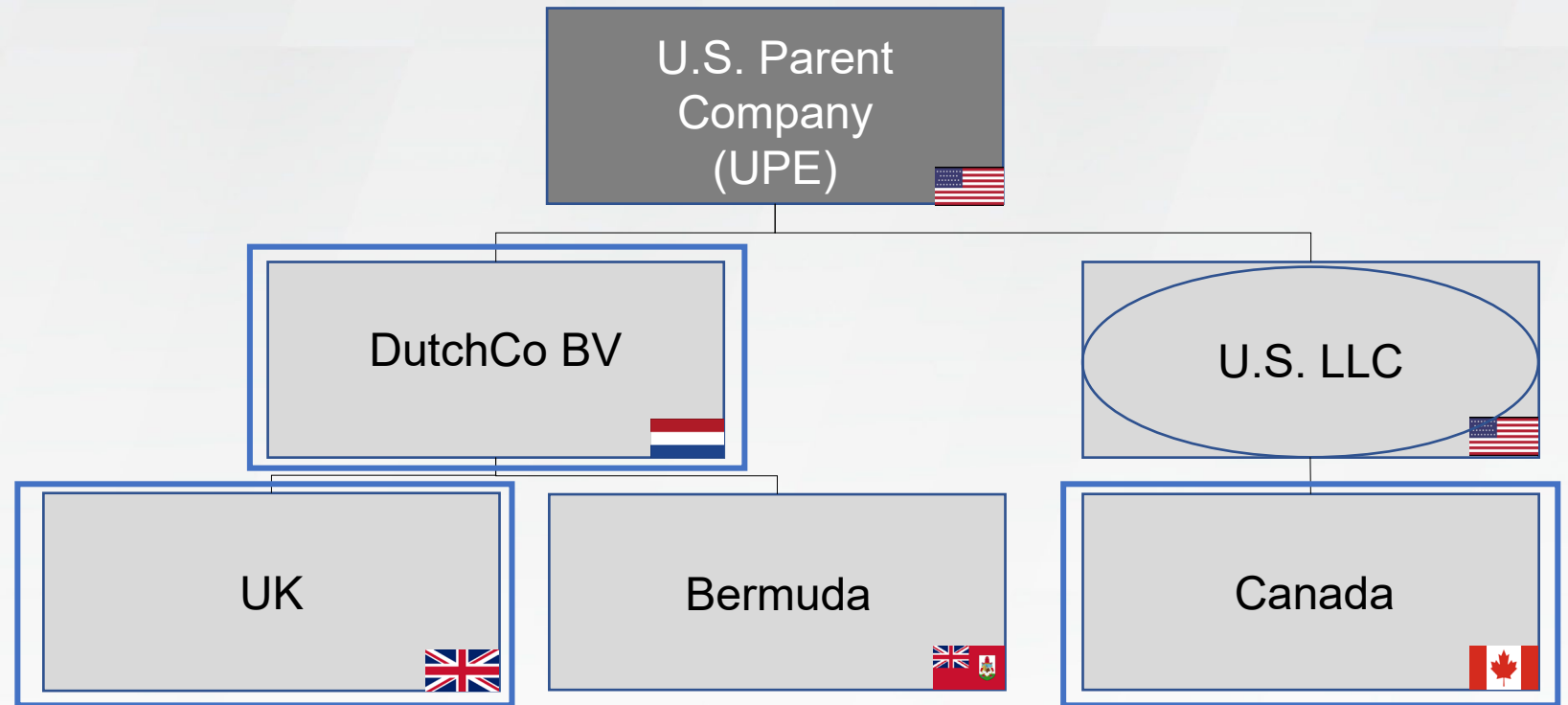
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 UTPR Application

 IIR Application

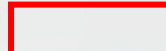
 QDMTT Application

- DutchCo BV will collect its share of Top-Up Tax through application of its QDMTT.
- UK will collect its share of Top-Up Tax through application of its QDMTT.
- Canada will collect its share of Top-Up Tax through application of its QDMTT.
- DutchCo BV will not collect UK's share of Top-Up Tax since UK's QDMTT has fulfilled UK's Top-Up Tax liability.



Org Chart Example – IIR

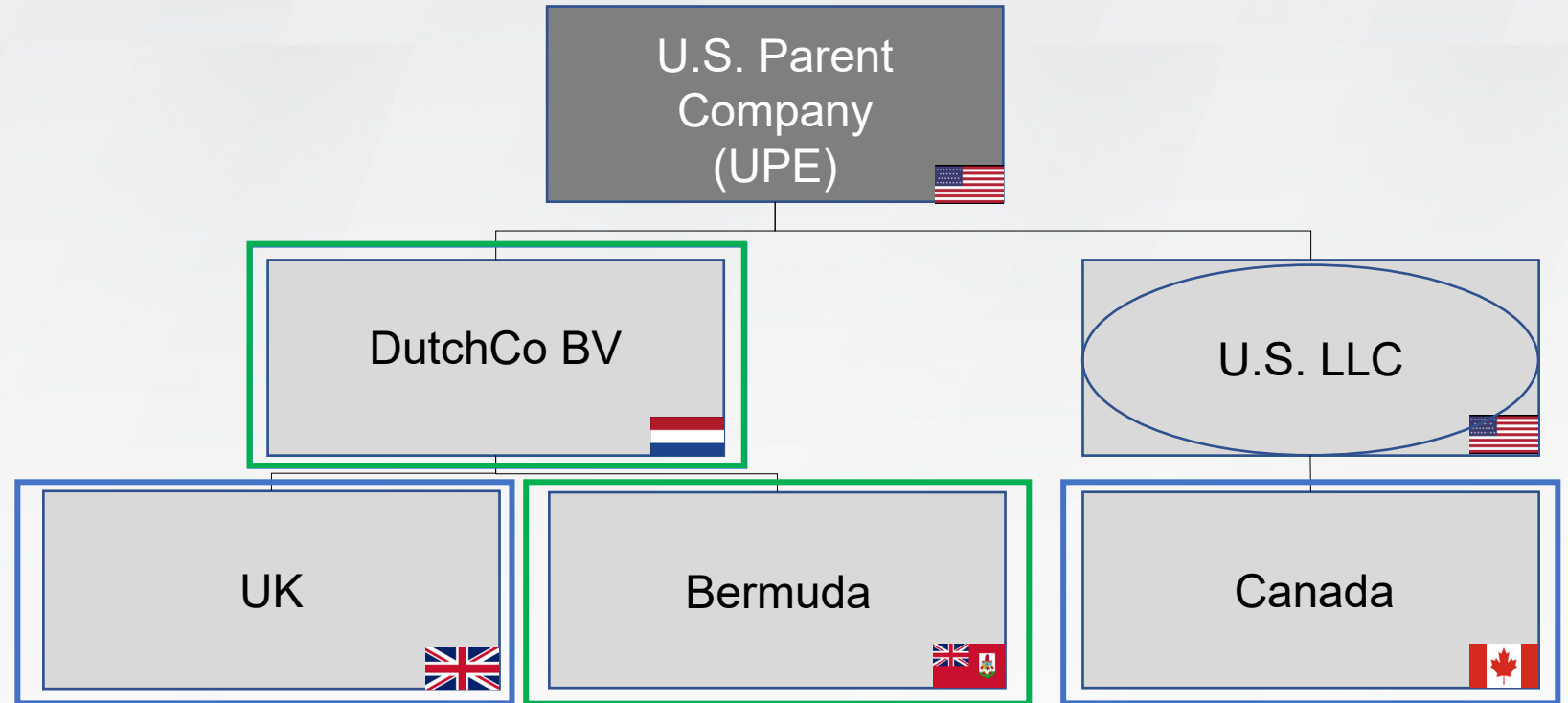
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 UTPR Application

 IIR Application

 QDMTT Application

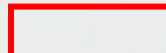
- DutchCo BV, Canada, & UK collect their share of Top-Up Tax through their QDMTTs.
- Bermuda's share of Top-Up Tax will be collected through DutchCo BV's IIR.
- UK's QDMTT will exclude its share of top-up Tax from DutchCo BV's IIR due to application of its QDMTT.
- UPE & U.S. LLC will have outstanding Top-Up Tax.



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Org Chart Example – UTPR

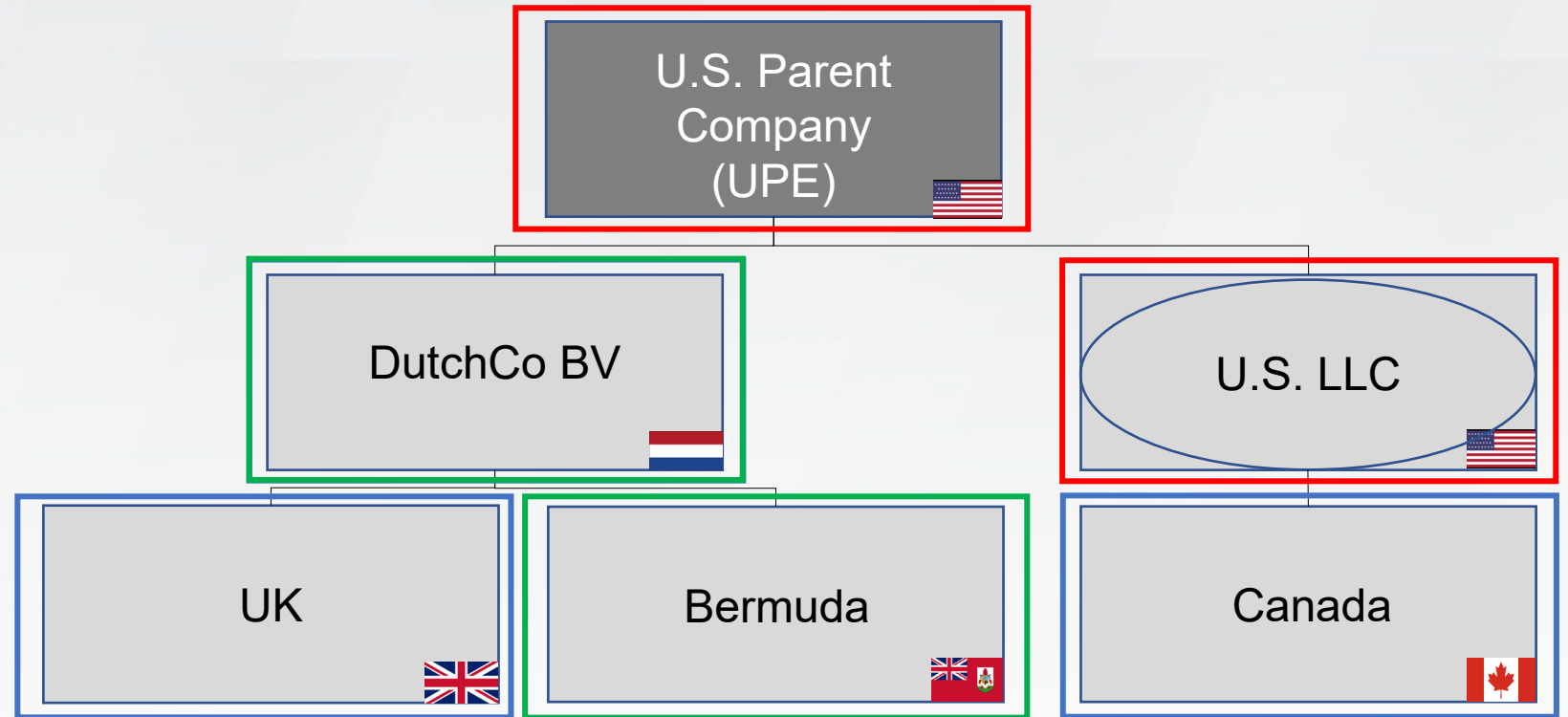
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 UTPR Application

 IIR Application

 QDMTT Application

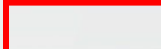
- DutchCo BV, Canada, & UK will collect their share of Top-Up Tax through application of their respective QDMTTs.
- DutchCo BV will collect Top-Up Tax on behalf of Bermuda through its IIR; UK's Top-Up Tax is excluded from DutchCo BV's IIR due to its QDMTT.
- UPE & U.S. LLC's Top-Up Tax will not be collected by either Canada or DutchCo BV's IIR.
- DutchCo BV, Canada, & UK will make adjustments to their deductions to collect the shares of Top-Up Tax at UPE & U.S. LLC by application of their UTPRs.



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Org Chart Example – Summary

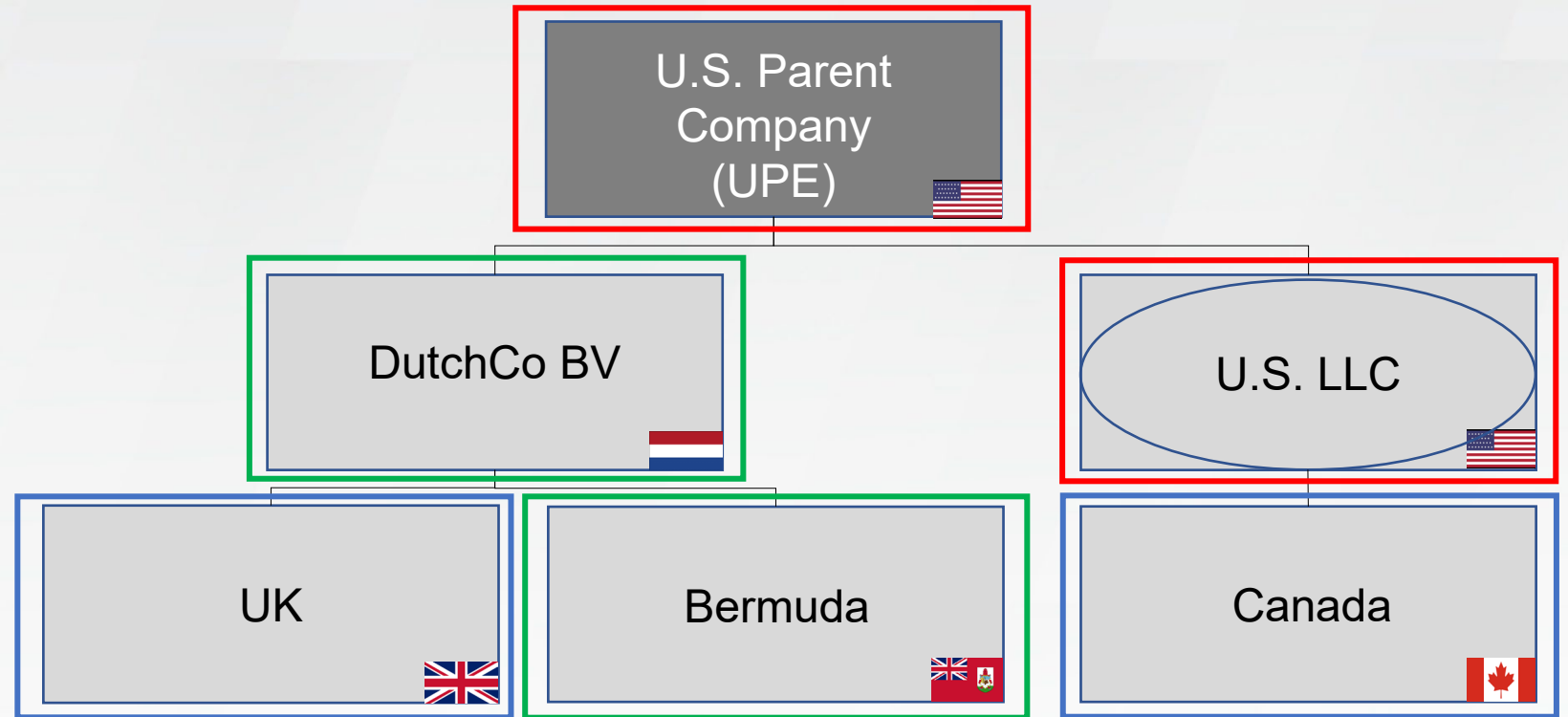
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 UTPR Application

 IIR Application

 QDMTT Application

- DutchCo BV, Canada, & UK will collect Top-Up Tax with respect to their share based on their QDMTTs.
- DutchCo BV will collect Bermuda's share of Top-Up Tax through application of its IIR.
- DutchCo BV, Canada, & UK will collect Top-Up Tax on behalf of UPE & U.S. LLC through their UTPR.



Calculation Steps

Step 1 – Constituent Entities Covered

- Identify MNE Groups within scope of the GloBE Rules.
- Identify Constituent Entities (“CEs”) & remove any Excluded Entities.
- Identify location of each CE.

Step 2 – Determine GloBE Income or Loss

- Determination of Financial Accounting Net Income / (Loss).
- Adjust Financial Accounting Net Income or Loss to GloBE Base.
- GloBE Income or Loss allocated to Permanent Establishments or through Flow-Through Entities where necessary.

Step 3 – Adjusted Covered Taxes

- Identification of Covered Taxes.
- Adjust Covered Taxes for temporary differences & losses & allocate to other CEs as necessary.
- Take post-filing adjustments into account.

Step 4 – Effective Tax Rate & Top-Up Tax Computation

- Determination of Substance-Based Income Exclusion Amounts & other exceptions.
- Computation of jurisdictional Top-Up Tax for low-taxed jurisdictions (after consideration of Safe Harbours & elections).
- Allocation of the Top-Up Tax between Low Taxed CEs.

Step 5– Applying the Charging Provisions

- Identification of UPE liable for Top-Up Tax under IIR & determination of Top-Up Tax paid by UPE under IIR.
- Identification of the remaining amount, if any, that is allocable under the UTPR.
- Liability for residual Top-Up Tax in the UTPR Jurisdictions through a UTPR adjustment.

A world map is centered on the image, rendered in a dark, textured blue-grey color. Overlaid on the map is a complex network of thin, glowing orange lines that connect various points across the globe, suggesting a global network or data flow. The background is a dark, gradient blue.

Safe Harbour Tests & Other Relief

Discussion Topics

- Transitional CbCR Safe Harbour
 - Overview
 - Applicable Tests
- UTPR Safe Harbour
- Permanent Safe Harbour
 - Simplified Calculations Safe Harbour Framework
 - Simplified Calculation for Non–Material Constituent Entities
 - QDMTT Safe Harbour
- Transitional Penalty Relief
- Qualified CbC Report

Transitional CbCR Safe Harbour Overview

Goal: to identify low–risk jurisdictions by using readily available & easily verifiable data rather than seeking to achieve the high degree of precision involved in full GloBE calculations.

During the Transition Period, the Top–up Tax in a jurisdiction for a Fiscal Year is zero where one of the following tests are satisfied:

- a) *De minimis* test
- b) *Simplified ETR* test
- c) *Routine profits* test

Must comply with the filing requirements in GloBE Information Return (“GIR”) that are specific to the Transitional CbCR Safe Harbour.

“Once Out, Always Out” Rule: To the extent a jurisdiction fails all three tests for a fiscal year during the Transition Period, the MNE Group is no longer able to apply the Transitional CbCR Safe Harbor Tests for any subsequent fiscal year in the Transition Period.

Transitional CbCR Safe Harbour Overview

- **Excluded Entities & Arrangements for Transitional CbCR Safe Harbor** – include:
 - Stateless constituent entities;
 - Certain multi-parented MNE groups;
 - Jurisdictions with constituent entities that have elected to be subject to eligible distribution tax systems under Article 7.3 of the OECD Pillar II Model Rules; &
 - Jurisdictions that have not benefited from the Transitional CbCR Safe Harbor in a previous year.
- **Transition Period** – any fiscal year beginning on or before December 31, 2026, but not including a fiscal year that ends after June 30, 2028.
- **GloBE Information Return** – for jurisdictions that do qualify, the MNE group would **still** have to complete the relevant sections in the GIR for safe harbor applications.

Transitional CbCR Safe Harbour – De Minimis Test

- The De Minimis Safe Harbour test is similar to the De Minimis Exclusion in Article 5.5 of the GloBE Rules
- **Satisfied** if Tested Jurisdiction has CbCR revenue less than 10 million Euro, & the CbCR profit (loss) before income tax is less than 1 million Euro
- Transitional Safe Harbour Rules only consider Total Revenue & Profit (Loss) before Income Tax of the current year as reflected in the CbC Report
- Exclusion applies in the case of Entities that are held for sale. Where CEs of an MNE Group in a jurisdiction include an Entity held for sale, that jurisdiction cannot rely on the De Minimis test

Transitional CbCR Safe Harbour – Simplified ETR Test

- Mirrors the mechanics of the GloBE rules
- **Satisfied** if the computed ETR is equal to or greater than the global minimum tax transition rate

$$\text{Simplified ETR} = \frac{\text{Simplified Income Tax Expense}}{\text{Simplified Profit / (Loss) Before Income Tax}}$$

- If Simplified ETR is greater than 15% (in 2023 & 2024), then the jurisdiction would qualify for the ETR Safe Harbour
 - Transition rate increases to 16% in 2025 & 17% in 2026, respectively

Transitional CbCR Safe Harbour – Routine Profits Test

- Requires determination of SBIE under the GloBE rules
 - Likely more data gathering required than De Minimis & ETR tests
- **Satisfied** if Tested Jurisdiction's profit or loss before income tax is equal to or less than the substance-based income (payroll & tangible assets carve-out)
 - A Tested Jurisdiction with a loss or zero profits will not have income that exceeds the routine profits amount
- Beneficial to MNE Groups that utilized significant labor or tangible assets

Transitional CbCR Safe Harbour – Routine Profits Test

- Payroll Carve-Out
 - Eligible Payroll Costs X Applicable Carve-Out Percentage

$$\begin{array}{ccc} \text{Eligible} & & \text{Applicable} \\ \text{Payroll} & \times & \text{Carve-Out} \\ \text{Costs} & & \text{Percentage} \end{array}$$

- Eligible Payroll Costs
 - Salaries & Wages
 - Employee Benefits (insurance, pension, other retirement contributions)
 - Bonuses
 - Allowances
 - Stock-Based Compensation
 - Payroll Taxes
 - Fringe Benefits Taxes
 - Social Security Contributions

Transitional CbCR Safe Harbour – Routine Profits Test

- Eligible Payroll Costs Cont'd
 - Excludes amounts capitalized in the carrying value of Eligible Tangible Assets
 - Excludes amounts attributable to CE's international shipping income & qualified ancillary international shipping income under Article 3.3.5 that is excluded from the computation of GloBE Income or Loss for a fiscal year
- Article 9.2 Transition Rules (modifying Article 5.3.3 Payroll)
 - 2023 10%
 - 2024 9.8%
 - 2025 9.6%
 - 2026 9.4%
 - 2027 9.2%
 - 2028 9.0%
 - 2029 8.2%
 - 2030 7.4%
 - 2031 6.6%
 - 2032 5.8%

Transitional CbCR Safe Harbour – Routine Profits Test

- Tangible Assets Carve-out
 - Tangible Assets X Applicable Carve-out Percentage

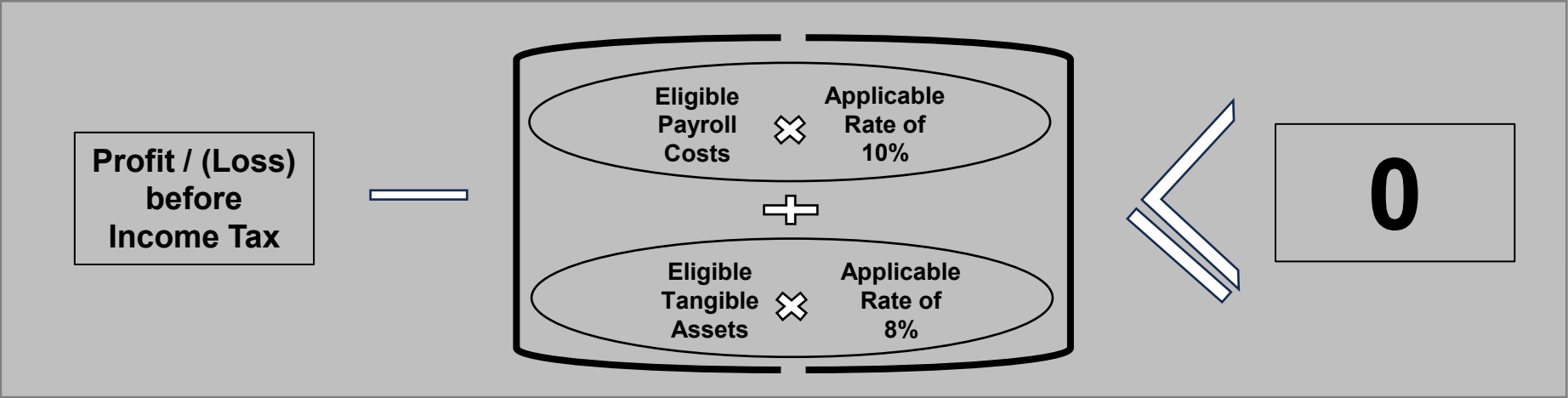
$$\text{Tangible Assets} \times \text{Applicable Carve-out Percentage}$$

- Tangible Assets
 - property, plant, & equipment located in that jurisdiction;
 - natural resources located in that jurisdiction;
 - a lessee's right of use of tangible assets located in that jurisdiction; &
 - a license or similar arrangement from the government for the use of immovable property or exploitation of natural resources that entails significant investment in tangible assets.

Transitional CbCR Safe Harbour – Routine Profits Test

- Tangible Assets Cont'd
- Carrying Value
 - The computation of carrying value of Eligible Tangible Assets shall be based on the average of the carrying value (net of accumulated depreciation, amortization, or depletion at the beginning & ending of year)
 - Include any amount attributable to capitalization of payroll costs
- Article 9.2 Transition Rules (modifying 5.3.4 Tangible Assets)
 - 2023 8.0%
 - 2024 7.8%
 - 2025 7.6%
 - 2026 7.4%
 - 2027 7.2%
 - 2028 7.0%
 - 2029 6.6%
 - 2030 6.2%
 - 2031 5.8%
 - 2032 5.4%

Transitional CbCR Safe Harbour – Routine Profits Test



Transitional Safe Harbour – UTPR Safe Harbour

- UTPR Top-Up Tax for the Ultimate Parent Entity (UPE) Jurisdiction is deemed to be zero
 - For each Fiscal Year during the Transition Period
 - If the UPE Jurisdiction has a corporate income tax rate that applies of at least 20%, including extra-jurisdictional taxes, e.g., States, are included
 - The nominal statutory rate applied to a comprehensive measure of income – so the U.S. qualifies
 - OECD maintains a listing of Jurisdictional Rates
- Transition Period means the Fiscal Years that run no longer than 12 months that begin on or before 12/31/2025 & end before 12/31/2026
 - Calendar year 2024 begins before 12/31/2025 & ends before 12/31/2026
 - Calendar year 2025 begins before 12/31/2025 & ends before 12/31/2026
 - Effectively two years of transition relief
 - Note that Transition Period coincides with IRC Section 250 GILTI/FDII rates
- Jurisdictions can pick & choose which Safe Harbour to elect if both the UTPR & CbCR apply to take advantage of the “once out, always out” rule

Transitional Safe Harbour – UTPR Transitional Rule

- Available to MNE groups that are in the “Initial Phase of Their International Activity”
- CEs in no more than six countries &;
- Net book value of tangible assets of all CEs located in jurisdiction other than reference jurisdiction less than or equal to 50 million
- Made with election
- UTPR is zero if the above requirements are satisfied

Permanent Safe Harbor – Simplified Calculations

- Simplified Calculations for Safe Harbor Framework
- Goal: to allow MNE Groups to avoid complexity of GloBE calculations in situations where the calculation could be simplified without altering the GloBE outcomes or undermining the integrity of the GloBE Rules
- “Simplified” definitions subject to further clarification
- Similar to Transitional Safe Harbor Tests, but different source data (not CbCR data):
 - Simplified Income Calculation
 - Simplified Revenue Calculation
 - Simplified Tax Calculation

Permanent Safe Harbor – Simplified Calculations for Non–Material CEs

- Non–Material Constituent Entities (“NMCEs”) – Entities that are related through ownership or control but are excluded from the MNE Group’s consolidated financial statements solely on size or materiality grounds but are Constituent Entities of an MNE Group under Article 1.2.2(b) of the GloBE Rules.
- Similar to Transitional Safe Harbor Tests
 - GloBE Revenue & Income = Total Revenue of the CE as determined in accordance with relevant Country by Country Regulations
 - Accrued income tax (current year) – deferred taxes to be excluded
- Consolidated financial statements must be externally audited
- Annual election made for each NMCE – not by jurisdiction

Permanent Safe Harbor – QDMTT Safe Harbour

Top-Up Tax is deemed to be zero if an MNE Group is in a jurisdiction with a QDMTT that meets the following standards:

- ***The QDMTT Accounting Standard*** which requires a QDMTT to be computed based on the UPE's Financial Accounting Standard or a Local Financial Accounting Standard subject to certain conditions;
- ***The Consistency Standard*** which requires the QDMTT computations to be the same as the computations required under the GloBE Rules except where the Commentary to the QDMTT definition in Article 10.1 as modified by the Administrative Guidance (hereafter the QDMTT Commentary) explicitly requires a QDMTT to depart from the GloBE Rules or where the Inclusive Framework decides that an optional variation that departs from the GloBE Rules still meets the standard; &
- ***The Administration Standard*** which requires the QDMTT jurisdiction to meet the requirements of an ongoing monitoring process similar to the one applicable to jurisdictions implementing the GloBE Rules.

Transitional Penalty Relief

- Penalty for noncompliance is 5% of revenue per jurisdiction
- **Penalty Relief** is available during the Transition Period in connection with filing of GloBE Information Return where a tax administration considers that an MNE has taken “**reasonable measures**” to ensure the correct application of the GloBE Rules.
 - Demonstration of good faith to understand & comply with relevant domestic application of the GloBE Rules & QDMTT
 - Transition Period is similar to that of the Transitional Safe Harbour – for years beginning on or before December 31, 2026 but not including a fiscal year that ends after June 30, 2028.
- Would not apply in cases of avoidance, fraud, or abuse.

Transitional Penalty Relief

- Based on facts & circumstances
- The term “**Reasonable Measures**” is not defined in Article 3 of the inclusive framework, but **examples** are provided:
 - Full disclosure of GloBE computation to tax administration;
 - Where there is a mistake of fact that is reasonable in the circumstances;
 - The errors can be reasonably attributed to unfamiliarity with the rules in the initial implementation years, *i.e.*, mathematical errors or transposition errors;
 - The requirements of the rule are unclear & the MNE’s actions are based on a reasonable interpretation of the rule; or
 - The MNE’s actions do not result in a reduction of the top–up tax liability in the current or future year

Qualified CbC Report

Data Source

- Accounts used to prepare Consolidated Financial Statements of the UPE
- Local Statutory accounts
- Not Management Accounts

All-or-nothing test

- Can a CbC report be “Qualified” in one CE, but not another?
- Or does a CBC report with one non-qualifying CE not need the “Qualified” standard?

Items held in consolidation

- Do items in consolidation need to be reflected in entity-level accounts?
- Stock-based compensation
- Pensions

Simplified Covered Taxes

- What accounts are Covered Taxes?
- Where are deferred taxes held in consolidation recognized?

Permissible adjustments

- Are adjustments that are consistent with Article 3 & 4 permissible?
- Are other adjustments permissible?

Additional Information

- Simplified Covered Taxes, *i.e.*, current & deferred tax expenses from financial statements
- Payroll expenses, covering all Eligible Employees
- Average carrying value of Eligible Tangible Assets.

Qualified CbC Report – Common Issues

[The Administrative Guidance on the Global Anti–Base Erosion Model Rules \(Pillar Two\)](#) issued by OECD on December 18, 2023 provides further clarification for the issues identified during the implementation process of transitional CbCR safe harbour rules. These issues are mainly related to the following areas:

- a. Tested Jurisdictions
- b. Qualified Financial Statements
- c. Simplified ETR Computation
- d. Routine Profits Test
- e. Treatment of Hybrid Arbitrage Arrangements Under the Transitional CbCR Safe Harbour

Qualified CbC Report – Common Issues

Areas	Main Issues	OECD Guidance
Qualified Financial Statements	<p>MNE Groups use different sources of QFS for the same Entity/Permanent Establishment (PE), for different entities within the same Tested Jurisdiction.</p>	<p>Same sources of QFS need to be used in this situation to qualify for the transitional CbCR safe harbour rules <i>Note – Certain exceptions may apply to Non-Material Constituents Entities or Permanent Establishments.</i></p>
	<p>A CbC report only includes data from QFS for certain Tested Jurisdictions, but not others.</p>	<p>This CbC report will only be considered Qualified CbC report for those Tested Jurisdictions with data from QFS</p>
	<p>MNE Groups make adjustments to the underlying QFS for the purpose of the simplified computations under the Transitional CbCR Safe Harbor</p>	<p>Generally, <u>NOT</u> allowed. Making adjustments to the data drawn from Qualified Financial Statements in a CbC Report for a jurisdiction would <u>disqualify</u> a Tested Jurisdiction from the Transitional CbCR Safe Harbour <i>Note – Certain exceptions might apply. (E.g. intra-group payment treated as a dividend in the payer's tax jurisdiction for the computation of revenue & profit before tax of the recipient)</i></p>

Qualified CbC Report – Common Issues

Areas	Main Issues	OECD Guidance
Simplified ETR Computation	Discrepancy in Definition of Simplified Covered Taxes between OECD Issued Documents	Return to provision adjustments for prior years on the QFS for the testing year will be included in the computation of Simplified Covered Taxes
	The tax paid in the PE jurisdiction on the PE's income is included in both the PE Covered Taxes & the Main Entity's Covered Taxes in the Simplified ETR test?	Not to be included in the Simplified ETR Test for the Main Entity's Jurisdiction
	Whether to include the Parent Entity or Main Entity's Covered Taxes on the income of the PE, CFC, or Hybrid Entity	Not to include in the Simplified ETR computation for the jurisdiction of the Constituent Entity–Owner or Main Entity, but to include such covered taxes in the GloBE ETR computations of a jurisdiction that includes a CFC, PE, or Hybrid Entity

Qualified CbC Report – Common Issues

Areas	Main Issues	OECD Guidance
Routine Profits Test	What percentage to use for the calculation of a Test Jurisdiction's Substance-Based Income Exclusion (SBIE) amount?	<p>MNE Groups shall use the same percentage that would be used to calculate their SBIE amount under the GloBE Rules, including based on the transitional rates stated under Article 9.2</p> <p>For example, for 2024, the Article 5.3.3 rate (payroll) to be used for the routine profits test is 9.8%, & the Article 5.3.4 (tangible assets) rate is 7.8%</p> <p>Declines to 5% in 10 years</p>



Applying the Charging Provisions

Qualified Domestic Minimum Top-Up Tax

- Introduced in the Model Rules released in 2022
- Discussed extensively in the **2023 February & July Administrative Guidance**
- Currently enacted in the United Kingdom.
- A local country minimum tax that is included in the domestic law of a jurisdiction that determines Excess Profits of Constituent Entities located in the jurisdiction in a manner functionally equivalent to the GloBE Rules.
- Must exclude taxes paid by domestic constituent entities on income attributable to a jurisdiction's CFC tax regime
- "QDMTT" Status is to be evaluated by a peer review process contemplated in the 2023 Administrative Guidance

QDMTT Status

- Peer review process for determining whether tax is functionally equivalent to the GloBE rules is subject to two guiding principles:
 1. The minimum tax in question must be consistent with the *design* of the GloBE rules.
 2. The minimum tax in question must provide for *outcomes* that are consistent with the GloBE rules.

QDMTT Status – Consistent With Design

- Modest degree of variability is expected
- Must follow the architecture of the GloBE rules using mechanisms that are substantially the same as those used to calculate the effective rate & top-up tax payable under the GloBE rules.
- Must be close enough to the GloBE rules such that an MNE Group can use the same data points for calculating its minimum tax liability that it uses for calculating the GloBE tax liability (under IIR & UTPR).
- Deviations from GloBE rules are permitted if in context of jurisdiction's local tax laws – implies assessment on a case-by-case basis.

QDMTT Status – Consistent Outcomes

- Requires the local minimum tax produce an incremental tax liability of top-up Tax equivalent to the top-up Tax Liability that would have arisen under the GloBE rules.
- Definitions for Ultimate Parent Entity, MNE Group, & Constituent Entity in local minimum tax enacted **must** correspond to GloBE rules definitions.
- Local minimum tax must compute tax liability for the jurisdiction by taking into account income & covered taxes of constituent entities located in jurisdiction as determined in the GloBE rules.
- Variations permitted – if systemically produce a greater incremental tax liability or would not produce lower tax liability than would be expected under GloBE rules or commentary.

CAMT vs. QDMTT

#	Description	Inflation Reduction Act - Corporate AMT	BEPS Pillar Two - Global Minimum Tax
1	Applicability Threshold	Average annual AFSI over a three-year tax period in excess of 1B USD	Annual global consolidated revenues over 750M EUR for at least 2 of 4 fiscal years preceding tested fiscal year
2	Income	Jurisdictional Blending	Country by Country Application (no cross-jurisdictional blending)
3	Carveouts	Tangible Asset Depreciation	Substance Based Income Carveouts for applicable rate on Tangible Assets and Qualified Payroll Expenses

Income Inclusion Rule (IIR)

- Discussed in **Article 2**
- Under the IIR, the minimum tax is paid at the level of the parent entity. Generally, the IIR is applied at the top, at the level of the UPE, & works its way down the ownership chain.
- The Allocable Share of Top-Up Tax is determined on the basis of a parent entity's inclusion ratio, *i.e.*, the share of the profits of the low-taxed entity attributable to that parent entity on the basis of accounting standards.
- Rules are also provided to allow the IIR to be applied by a parent entity in which there is a significant minority interest, to minimize leakage of low-taxed income.
- A backstop (the UTPR) is needed to ensure the minimum tax is paid where an entity with low-taxed income is held through a chain of ownership that does not result in the low-taxed income being brought into charge under an IIR.

GloBE vs. GILTI – Comparison

- Of particular importance to U.S. MNEs is the interaction of the U.S. GILTI regime & Pillar Two.
- GILTI & GloBE differ as
 - + GILTI is computed on an aggregate basis rather than country by country.
 - + U.S. tax, rather than financial statements, is used to determine the GILTI.
 - + GILTI is determined on a yearly basis, without adjusting for timing differences.
 - + The effective GILTI tax rate of 10.5% is below the agreed* GloBE minimum effective tax rate of 15%.
- Based on commentary to date, the current U.S. GILTI regime is unlikely to meet the definition of a Qualified Income Inclusion Rule & therefore it is likely that any GILTI tax incurred in the U.S. under the current GILTI regime may not be taken into account in determining whether there is low-taxed profit, or whether the low-taxed profit is subject to an IIR at the UPE level.
- This could lead to double taxation for some U.S. MNEs because of the risk that foreign taxes may not be creditable for U.S. tax purposes.

GloBE vs. GILTI – 2023 Administrative Guidance

- Provides for a temporary methodology for allocating GILTI taxes under the GloBE rules until June 30, 2027
- GILTI Taxes to be allocated based on “Blended CFC Allocation Key”

Blended CFC Tax Allocated to an Entity:

$$\frac{\textit{Blended CFC Allocation Key}}{\textit{Sum of All Blended CFC Allocation Keys}} \times \textit{Allocable Blended CFC Tax}$$

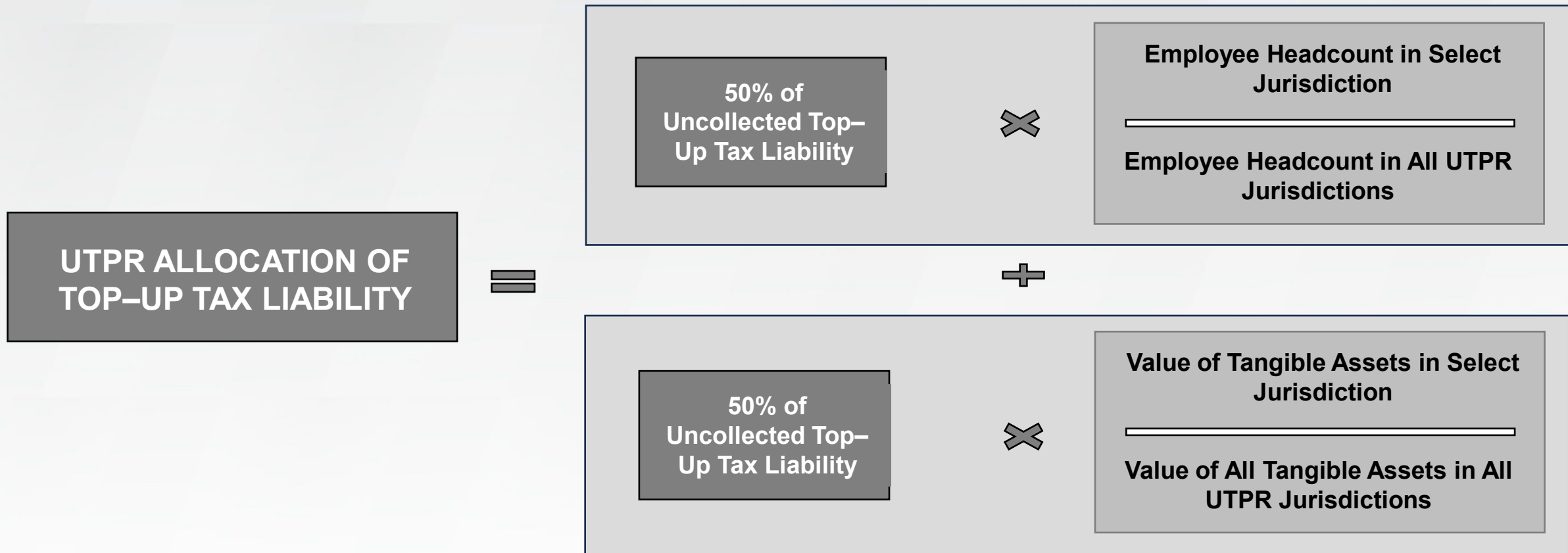
Blended CFC Allocation Key:

$$\textit{Attributable Income of Entity} \times (\textit{Applicable Rate} - \textit{GloBE Jurisdictional ETR})$$

Undertaxed Payment Rule (UTPR)

- Discussed in **Article 2**
- This rule works by requiring an adjustment (such as a denial of a deduction) that increases the tax at the level of the subsidiary. The adjustment is an amount sufficient to result in the group entities paying their share of the Top-Up Tax remaining after the IIR.
- The share of the Top-Up Tax is calculated based on a formula, in proportion to the relative share of assets & employees.
- This helps to ensure the rule is administrable, but also attaches the adjustment to entities that are most likely to have the capacity to pay the required amount of Top-Up Tax.
- Given that there will typically be subsidiaries in several different jurisdictions, the UTPR requires a higher level of administrative cooperation, which underlines the importance of the standardized information reporting requirements.
- This higher level of administration cooperation is a primary reason the UTPR is a backstop rather than the primary rule.

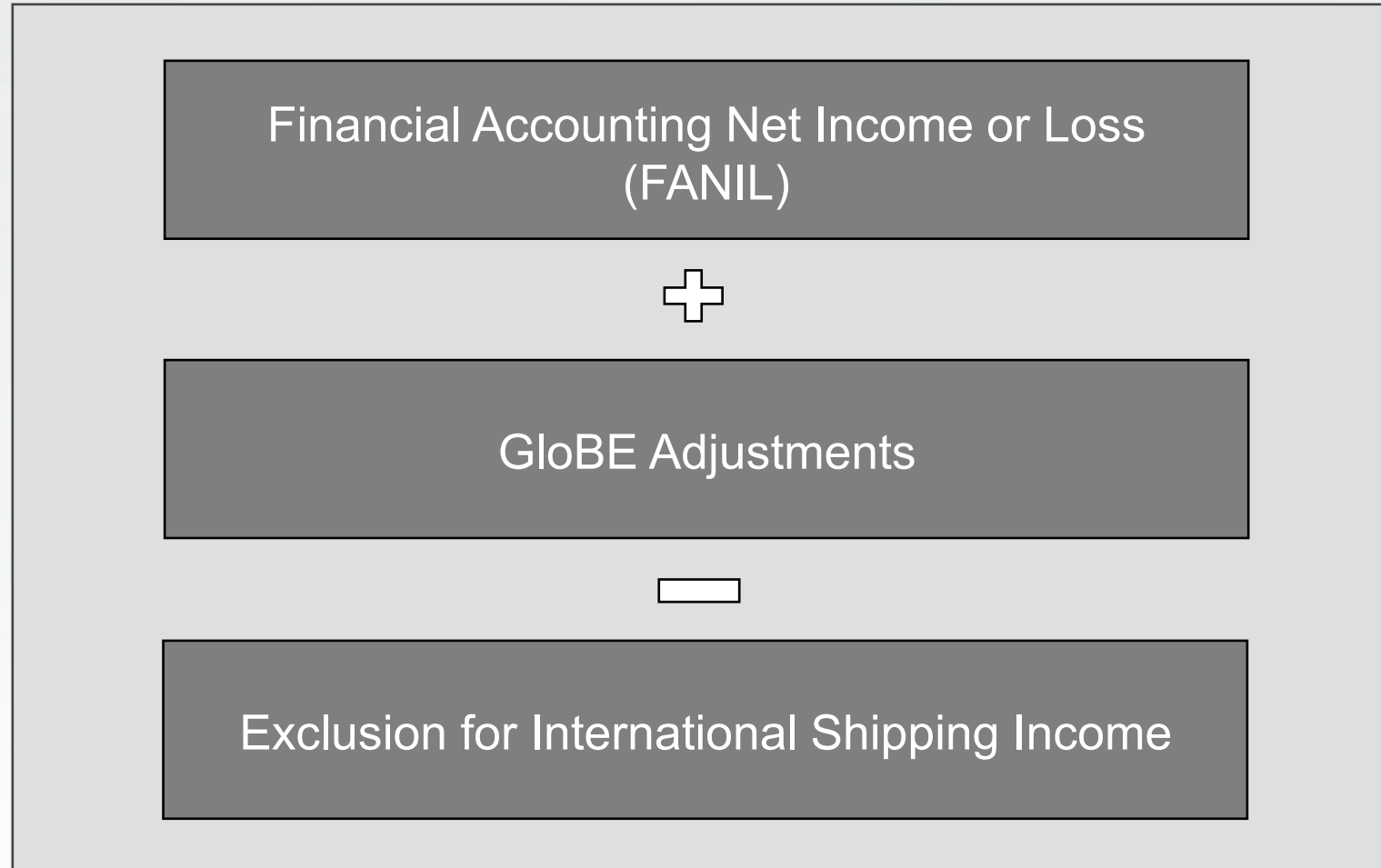
Undertaxed Payment Rule (UTPR) – Allocation Methodology





Computation of GloBE Income / (Loss)

Computation of Net GloBE Income / (Loss)



GloBE Adjustments

Listed

- Net Tax Expense
- Excluded Dividends
- Excluded Equity Gains or Losses
- Included Revaluation Method Gains or Losses
- Gains or Losses from Disposition of Excluded Assets/Liabilities
- Asymmetric Foreign Currency Gain / (Loss)
- Policy Disallowed Expenses
- Prior Period Errors
- Changes in Accounting Principles
- Accrued Pension Expense

Other

- Debt Releases
- Stock-Based Compensation Adjustment
- Arms-Length Adjustment
- Qualified Refundable Tax Credit Adjustment
- Fair Value Gain / Loss Adjustment
- Aggregate Asset Gain Election Adjustment
- Intragroup Financing Arrangement Expense
- Intragroup Transaction Election Adjustment
- Insurance Company Tax Adjustment
- Tier One Capital Equity Adjustment
- GloBE M&A Adjustments

Listed GloBE Adjustments (Article 3.2.1)

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Article 3.2.1(a): Net Tax Expense

- Addback of the net tax expense to a CE's FANIL.
- May be a negative adjustment, *e.g.*, CE incurs a net loss that results in creation of a deferred tax asset.
- Net tax expense is defined to include the net amount of:
 - Covered taxes accrued
 - Current & deferred income tax expense
 - DTAs attributable to a Fiscal Year loss
 - QDMTT & IIR/UTPR taxes
 - Disqualified Refundable Imputation Taxes, *i.e.*, refundable taxes to a beneficial owner related to distribution of a dividend generally

Article 3.2.1(b): Excluded Dividends

- Adjustment to FANIL for any dividends or other distributions paid from shares or equity interests where
 - an MNE Group holds 10% or more of the payor or
 - the recipient CE has held full economic ownership of the interest for a period of 12 months or more.
- Exceptions:
 - Short-term portfolio shareholdings
 - Ownership interest in an Investment Entity – subject to the Taxable Distribution Method election in Article 7.6

Article 3.2.1(c): Equity Gains / (Losses)

- Adjustment to FANIL for a CE's excluded equity gain or loss
- Excluded Equity Gain / (Loss) defined:
 - **Changes in Fair Value**
 - Changes in fair value recorded in P/L
 - If included in OCI, no negative adjustment needed
 - **Equity Method Accounting** – typically with non–controlled Entities owned 20% to 50%
 - Equity method net income = negative adjustment
 - Equity method net loss = positive adjustment
 - **Dispositions** – applicable where MNE Group, in aggregate, owns 10% or more of Ownership Interest other than a Portfolio Shareholding
 - Unlike Excluded Dividends, time period for holding the Ownership Interest is not relevant for determining whether to include such gain or loss

Article 3.2.1(d): Included Revaluation Method Gains / (Losses)

- Applies to Entities under the Revaluation Method with respect to accounting for property, plant, & equipment (PPE)
- Defined as net gain or loss, increased or decreased by any Covered Taxes, for the Fiscal Year in respect of all PPE that
 - periodically adjusts the carrying value of PPE to its fair value,
 - records such changes in OCI, &
 - does not subsequently report the gains or losses recorded in OCI through its P/L
- Election – permits CE to not include the gains or losses found in OCI in GloBE income as they arise & defer recording until the asset underlying the PPE is disposed.

Article 3.2.1(e): Gains or Losses From Disposition of Excluded Assets/Liabilities

- Article 6.3's GloBE Reorganisation provisions
 - typically requires inclusion of gain or loss arising from a transfer of assets & liabilities
 - To extent gain is excluded = negative adjustment
 - To extent loss is excluded = positive adjustment
- GloBE Reorganisation
 - Gain or loss to the extent there is Non-Qualifying Gain or Loss
 - The lesser of taxable or financial accounting gain or loss on the transfer (as defined in Article 10)

Article 3.2.1(f): Asymmetric FXGL

- **Asymmetric Foreign Currency Gain or Loss (FXGL):** GloBE Adjustment that arises due to differences between functional currency for accounting purposes & the one used for local tax purposes.
- Common scenarios – If included in either the computation of a CE’s taxable income or FANIL:
 - **Tax Included** – FXGL attributable to fluctuations in the exchange rate between its accounting functional currency & its tax functional currency
 - Positive adjustment to FANIL = FXGL
 - Negative adjustment to FANIL = tax FX loss
 - **FANIL Included** – FXGL attributable to fluctuations in the exchange rate between its tax functional currency & its accounting functional currency
 - Positive adjustment = accounting FX gain
 - Negative adjustment = accounting FX loss

Article 3.2.1(f): Asymmetric FXGL

- Special Scenarios – where there is a third foreign currency attributable to FXGL:
 - **FANIL Included** – FXGL attributable to fluctuations in the exchange rate between a third foreign currency & its accounting functional currency
 - Positive adjustment = accounting FX loss
 - Negative adjustment = accounting FX gain
 - **Tax Related** – FXGL attributable to fluctuations in the exchange rate between a third foreign currency & its tax functional currency, regardless whether FXGL is included in taxable income.
 - Positive adjustment = tax FX gain
 - Negative adjustment = tax FX loss

Article 3.2.1(g): Policy Disallowed Expenses

- Policy Disallowed Expenses
 - Adjusts FANIL for expenses accrued by the CE for illegal payments, bribes, kickbacks, fines, & penalties.
- De Minimis rule for fines & penalties
 - no adjustment needed if CE's fines & penalties are less than EUR 50,000 (or equivalent amount in FC of CE's FANIL) for a single year

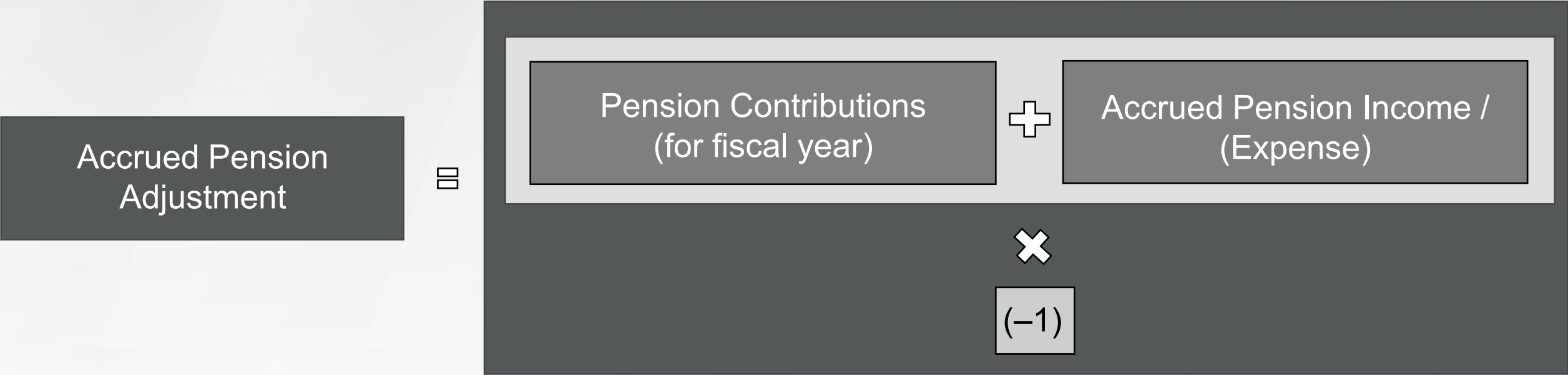
Article 3.2.1(h): Prior Period Errors & Changes In Accounting Principles

- Adjustment where there are changes made to a CE's opening equity at the beginning of a Fiscal Year attributable to either:
 - **Prior Period Error:** a correction of a prior period errors that generally affected the computation of GloBE income or loss in a prior Fiscal Year where GloBE was applicable
 - If error correction requires a corresponding decrease to Covered Taxes in a previous Fiscal Year of EUR 1M or more, no adjustment is needed.
 - **Change In Accounting Principles:** A change in accounting principle or policy that affects the income or expenses includable in the computation of GloBE income or loss.
 - Only applies to the extent the equity adjustment is attributable to items of income/expense should have been included in computation of GloBE income or loss.

Article 3.2.1(i): Accrued Pension Expense

- FANIL adjustment equal to the difference between:
 - amount of pension contributions made during the year &
 - amount accrued as an expense in the FANIL computation
- Dependent upon whether a CE's FANIL includes an accrued pension expense or income with respect to a Pension Fund.
 - Accrued Pension Expense:
 - Positive Adjustment = if amount accrued under FANIL exceeds contributions for the year
 - Negative Adjustment = if contributions for the year exceed expense accrued in FANIL
 - Accrued Pension Income
 - Negative Adjustment = sum of pension income & amount of pension contributions, if any, during the Fiscal Year

Article 3.2.1(i): Accrued Pension Expense



A world map is shown in a dark, muted color palette. Overlaid on the map is a complex network of thin, glowing orange lines that connect various points across the globe, creating a web-like pattern. The lines are most prominent in the foreground and become more sparse towards the background. The overall aesthetic is modern and technological.

Day 1 Closing Remarks

Speakers



Eric Flueckiger
Partner
Indianapolis, IN

317.383.4414
eric.flueckiger@forvis.com

A member of the International Tax service line, Eric has provided domestic & international corporate tax compliance services since 2010. He advises clients on various international tax compliance & consulting issues including global intangible income analysis, foreign tax credits, domestic international sales corporation taxation, subpart F, & income tax treaties for multinational companies.

He is a member of the American Institute of CPAs, Indiana CPA Society, & Beta Gamma Sigma.

Eric is a 2007 graduate of Ball State University, Muncie, Indiana, with a B.S. degree in accounting, & a 2009 graduate with an M.Acc. degree.

Speakers



Chet Patel
Managing Director
Houston, TX

346.485.6683
chet.patel@forvis.com

Chet is managing director in the transfer pricing practice based in Houston. Chet's experience covers transfer pricing & international tax matters involving investment structures, international tax & transfer pricing planning, intercompany loans & other financial instruments, & controversy/dispute resolution across the globe.

He focuses on assisting multinational companies in the areas of transfer pricing & related taxation issues. He has advised companies in oil & gas, financial services, telecommunications, technology, & manufacturing industries.

Chet has worked extensively with clients in the energy industry with large global footprints & complex operations. He advises clients across the supply chain covering oilfield equipment & services, contract drilling services, commodity trading, exploration & production, chemicals, refining, & seismic companies.

In the asset management/financial services field, he has managed treasury-related transfer pricing issues including structuring investments through debt, pricing intercompany loans, managing cash pooling arrangements, reinsurance, & pricing financial/performance guarantee fees.

Chet is a frequent speaker at practice & industry conferences, including events by Tax Executives Institute, American Petroleum Institute, International Association of Drilling Contractors, & Offshore Technology Conference.

Speakers



Justin Metcalfe
Director
Charlotte, NC

980.729.7446
justin.metcalfe@forvis.com

Justin is an international tax attorney at FORVIS. He is currently admitted to practice law in Florida, South Carolina, & the District of Columbia. His areas of practice include tax planning, corporate governance, estate planning, & business planning. His current areas of focus include international taxation, corporate taxation, mergers & acquisitions, & federal income taxation.

He is a 2012 graduate of Nova Southeastern University, Fort Lauderdale, Florida, with a J.D. degree, & a 2013 graduate of the graduate tax program at Boston University School of Law, Massachusetts, with an LL.M. degree in taxation.

Speakers



Rafi Hopkins
Senior Manager
FL

704.594.8169
rafi.hopkins@forvis.com

Rafi is a manager in the Federal Tax Advisory practice unit, focused on accounting methods & tax transformation. Rafi has more than seven years of tax experience in international & large public accounting firms, including five years spent focused on large partnership & corporate tax provision, compliance, & consulting.

He helps midsize to large size companies with tax accounting method consulting, tax process, data management, & technology efficiencies within the tax arena. Rafi has a deep technical knowledge in accounting methods, Subchapter C, & Subchapter K, & significant experience in enterprise data platform & tax technology implementations for various functions across tax.

Rafi is a member of the American Institute of CPAs & is a licensed CPA in Florida & North Carolina.

He is a graduate of Touro University, Chicago, Illinois, with a B.S. degree in accounting.

Speakers



Mark Gasbarra
Forte International Tax
National Managing Director

847.733.0645
mgasbarra@forteintax.com

With over 30 years of industry experience, Mark has helped many of the country's most successful enterprises implement all aspects of international taxation. A hallmark of Mark's career has been leveraging technology to improve tax department performance.

Prior to founding Forte International Tax, Mark held leadership positions at PwC, Ernst & Young, & CliftonLarsonAllen. Mark leads the firm on its mission of achieving global tax minimization through process efficiency.

A world map is shown in a dark, muted color palette. Overlaid on the map is a complex network of thin, glowing orange lines that connect various points across the globe, representing a global network or data flow. The lines are most dense in the central and eastern regions of the map.

Day Two – Pillar 2

Speakers



Eric Flueckiger
Partner
eric.flueckiger@forvis.com



Chet Patel
Managing Director
chet.patel@forvis.com



Justin Metcalfe
Director
justin.metcalfe@forvis.com



Rafi Hopkins
Senior Manager
rafi.hopkins@forvis.com



Mark Gasbarra, Forte International Tax
National Managing Director
mgasbarra@forteintax.com

Agenda

- Day 1
 - Pillar Two Overview
 - Transitional Safe Harbour & Qualified Country-by-Country Report
 - Application of the Charging Provisions
 - Computation of GloBE Income / (Loss)
- Day 2
 - Computation of GloBE Income / (Loss) (Continued)
 - Adjusted Covered Taxes
 - Integrated Case Study
 - GloBE Information Return

Other GloBE Adjustments

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Debt Release Exclusion Election

- **Debt Release:** Where an amount owed by an entity is waived or forgiven by a creditor without being repaid in full & with the debtor being freed or released from any further obligation to pay the amount & is recorded in FANIL of CE.
- Introduced in February 2023 Administrative Guidance
- Election to exclude from GloBE Income / (Loss)
- Certain procedural & other specified rules for claiming the Election must be met.

Debt Release Exclusion Election

- Applicable if debt release relates to:
 - **Bankruptcy Proceedings** – debt release undertaken in formal insolvency or bankruptcy proceedings
 - Applies to third-party & related-party debts released applicable to the debt arrangement;
 - **Foreseeable Debtor Insolvency** – Attributable to a third-party debt & debtor would have been insolvent within 12 months but for the release of the third-party debts released under the debt arrangement.
 - Applies to third-party & related-party debts released applicable to the debt arrangement;
 - **Actual Debtor Insolvency** – Debtor’s liabilities exceed fair market value of its assets determined immediately before the debt release.
 - Applies to only third-party debts
 - Amount excluded = lesser of (a) the excess Debtor’s liabilities over FMV of its assets determined immediately before the debt release, or (b) the reduction in Debtor’s attributes under tax laws of jurisdiction resulting from debt release.

Article 3.2.2 – Stock-Based Compensation Adjustment

- Election to permit CEs to substitute the amount of stock-based compensation allowed as a deduction to CE's taxable income in place of the amount expensed in the CE's financial accounts.
- Addresses disparity between tax & financial accounting treatment:
 - **Tax purposes** – value of compensation paid based on FMV of stock when option exercised
 - **Financial accounting purposes** – value of compensation paid based on present value of stock at time of issuance, amortized over exercise period
- Five-year election once made
- Certain recapture provisions & additional rules included to prevent claiming deduction for option that will never be exercised.

Article 3.2.3 – Arms Length Adjustment

- Transactions between Group Entities must be priced consistently with the Arm's Length Principle & recorded at the same price for GloBE purposes for all parties.
 - Presumption: Arm's Length Principle is default for uncertain situations or where transfer pricing by country differs.
- Not required for transactions between CEs in same jurisdiction
 - Loss Exception: Arm's Length Principle must be considered if transfer of an asset produces a loss taken into account in the GloBE income / loss computation, *i.e.*, not excluded loss.
 - If five-year consolidated accounting election in Article 3.2.8 in place for jurisdiction – no adjustment is needed.

Article 3.2.4 – Qualified Refundable Tax Credit Adjustment

- Full amount of Qualified Refundable Tax Credit (QRTC) is to be treated as GloBE income for a recipient CE in the year of accrual.
 - QRTCs or portion of a credit that is a QRTC = income (not a reduction to GloBE income)
 - Non-QRTCs or portion of a credit that is not a QRTC = deduction in full from GloBE income.
- Corresponding adjustment to Adjusted Covered Taxes are needed to reflect these adjustments.

Article 3.2.4 – Qualified Refundable Tax Credit Adjustment

- QRTC: tax credit designed where:
 - (1) it must be paid as cash or available as cash equivalents, &
 - (2) will be paid or made available within four years from when CE satisfies conditions for credit under applicable jurisdiction laws.

- Non QRTC: any tax credit that is:
 - (1) not a QRTC, &
 - (2) is refundable in whole or in part.

Article 3.2.4 – Marketable Transferable Tax Credit Adjustment

- Addressed in 2023 July Administrative Guidance
- Marketable Transferable Tax Credit (MTTC) treated as QRTCs.
- MTTC: any tax credit which meets all three requirements:
 - (1) can be used by the holder of the credit to reduce its liability for a Covered Tax in an issuing jurisdiction, &
 - (2) meets the Legal Transferability Standard in the hands of holder, &
 - (3) meets Marketability Standard in the hands of holder.

Article 3.2.4 – Marketable Transferable Tax Credit Adjustment

■ Legal Transferability Standard:

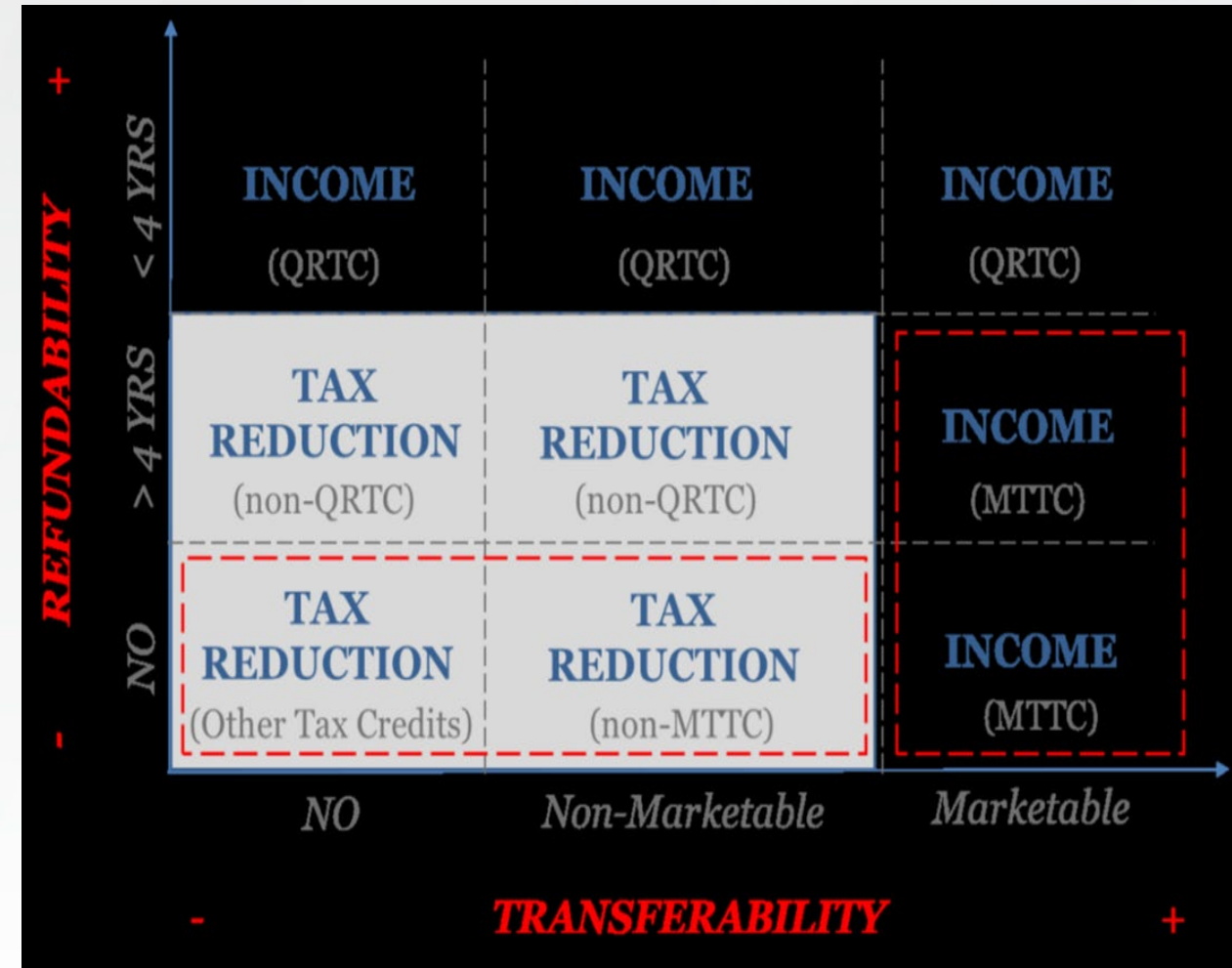
- Originator of a tax credit
 - If the tax credit regime is designed where Originator can transfer the credit to an unrelated party in the Origination Year or within 15 months of the end of the Origination Year.
 - Origination Year – Fiscal Year in which it satisfies the eligibility criteria for the credit
- Purchaser of a tax credit
 - If the tax credit regime is designed where purchaser can transfer the credit to an unrelated party in the Fiscal Year in which it purchased the tax credit.

Article 3.2.4 – Marketable Transferable Tax Credit Adjustment

- **Marketability Test:**
 - Originator of a tax credit
 - If transferred to an unrelated party within 15 months of the end of the Origination Year at a price that equals or exceeds the Marketable Price Floor.
 - May be satisfied if not transferred or transferred between related parties & similar tax credits trade between unrelated parties within 15 months of the end of the Origination Year
 - Purchaser
 - If Purchaser acquired the credit from an unrelated party at a price that equals or exceeds the Marketable Price Floor.
- **Marketable Price Floor: 80% of NPV of tax credit**
 - NPV is determined based on yield to maturity on debt instrument issued by the issuing government with equal or similar maturity (& up to five-year maturity) issued in the same Fiscal Year as the tax credit transferred (or if not transferred, the Origination Year).

Article 3.2.4 – QRTC & MTTC Testing

- Testing threshold for determining the GloBE category of a tax credit – looks to
 - (a) the *refundability* &
 - (b) if refundable, then *transferability* of tax credit.
- If tax credit meets the refundability criteria & qualifies as a QRTC, it will be defined as a QRTC regardless of whether it could be also be transferable at a marketable price.
- If tax credit does not meet the refundability criteria, *i.e.*, it is either a non-refundable or a non-QRTC, then the transferability criteria is tested to determine whether tax credit could be a MTTC.



Article 3.2.5 – Fair Value Gain / (Loss) Adjustment

- Election to include gain / (loss) under realization method in lieu of fair value or impairment gain / (loss) with respect to assets sold.
- Five-Year Election
 - Cannot be revoked after election made until after five-year period
 - Cannot be elected into after revocation until five subsequent years.
 - If revoked, recapture adjustments must be made to reflect the net fair value gain or loss that arose during the pendency of the election.
- Effect of Election:
 - If elected, gain / (loss) associated with asset or liability will arise when asset is disposed rather than as its value changes due to changes in market value or impairments.
 - Carrying value of asset or liability for purposes of determining gain/(loss) is carrying value of asset or liability at the later of time the asset acquired/liability incurred or beginning of the year in which election made.

Article 3.2.6 – Aggregate Asset Gain Election

- Permits an MNE Group to allocate Aggregate Asset Gain under a specified method allocating the Aggregate Asset Gain over a period of up to five years
 - Aggregate Asset Gain = net gain in the election year from disposition of Local Tangible Property owned by all CEs located in the jurisdiction – except gain or loss on asset transfer between Group Members.
 - If not elected – gain/loss in a single year, *i.e.*, affecting MNE Group’s jurisdictional ETR
 - Local Tangible Property – immovable property located in the same jurisdiction as the CE in question
 - Five-year period – four years before election made & the election year
- Election
 - Annual
 - made on a jurisdictional basis

Article 3.2.7 – Intragroup Financing Arrangement (IFA) Expense

- Requires group financing payments, *i.e.*, interest expense, between Low-Tax & High-Tax Entities in an MNE Group not increase GloBE income of High-Tax Entity to the extent High-Tax Entity uses the interest income to immediately set-off interest income with excess interest expense capacity.
 - Adjustment needed – increase expense in computing the GloBE income or loss of the Low-Tax Entity & not have a corresponding increase to GloBE income of High-Tax Entity party to the IFA.
- **IFA:** any arrangement between two or more members of the MNE Group whereby a High-Tax counterparty directly or indirectly provides credit or otherwise makes an investment in a Low-Tax Entity.
 - Includes all steps & transactions that give effect to the arrangement (including intermediaries involved).
 - Financing Intermediary Exception: if intermediary operates as a treasury/financing center managing group's working capital requirements, money borrowed from the High-Tax Counterparty considered separate from & independent from loan made to the Low-Tax Entity, *i.e.*, loans not in arrangement.
- **Low-/High-Tax Entity** – entity which would be a Low-Tax/High-Tax Jurisdiction if ETR determined without regard to any income/expense accrued in the IFA.

Article 3.2.8 – Intragroup Transaction Election Adjustment

- Election permits consolidated accounting treatment to be applied to transactions between CEs of the same MNE Group in the same jurisdiction.
 - Effect: income, expense, gains, & losses from transactions between CEs may be eliminated from the computation of GloBE income or loss in same manner as amounts related to transactions among members of a consolidated group are eliminated as part of the consolidation adjustments under an Acceptable Financial Accounting Standard used by the UPE in preparing its Consolidated Financial Statements.
- Must distinguish transactions between CEs in the same jurisdiction vs. CEs in a different jurisdiction.
- May be revoked
 - If revoked, appropriate adjustments are required to ensure no duplication or omission of items in computation of GloBE income or loss.

Article 3.2.9 & 3.2.10 – Insurance Company Tax & Tier One Capital Equity Adjustment

- Exclude income of an **insurance company** from computation of GloBE income – Article 3.2.9
 - To the extent amounts charged to policy holders for taxes paid by an insurance company with respect to returns to the policy holders are only excluded if the tax is not recorded as an expense within the P/L before tax in the financial accounts.
 - No adjustment needed if tax on policy holders is treated as an above-the-line expense under the accounting standard used in the Consolidated Financial Statements.
- Increases or decreases to equity of a CE attributable to distributions related to **Additional Tier One Capital** to be treated as income/expense in computation of GloBE income or loss – Article 3.2.10
 - Equity adjustments for issuance or redemption of Additional Tier One Capital not included in GloBE.
 - Additional Tier One Capital: instrument issued by a CE pursuant to regulatory requirements applicable to the banking sector convertible to equity or may be written down if a pre-specified triggering event occurs with other features designed to aid loss absorbency in the event of a financial crisis.

Article 3.2.11 – GloBE M&A Adjustments

- Adjustments must be made to CE's FANIL necessary to reflect the requirements of Article 6 (Corporate Restructuring & Holding Company rules) & 7 (Tax Neutrality & Distribution Regime rules) of the GloBE Model rules
- Special elections included in these Articles enabling dividend income in certain scenarios to be included in GloBE income or loss & Adjusted Covered Taxes – *i.e.*, Taxable Distribution Method Election under 7.6.
- Additional rules tailored to adjusting GloBE income or loss contemplated for CEs leaving or joining an MNE Group.

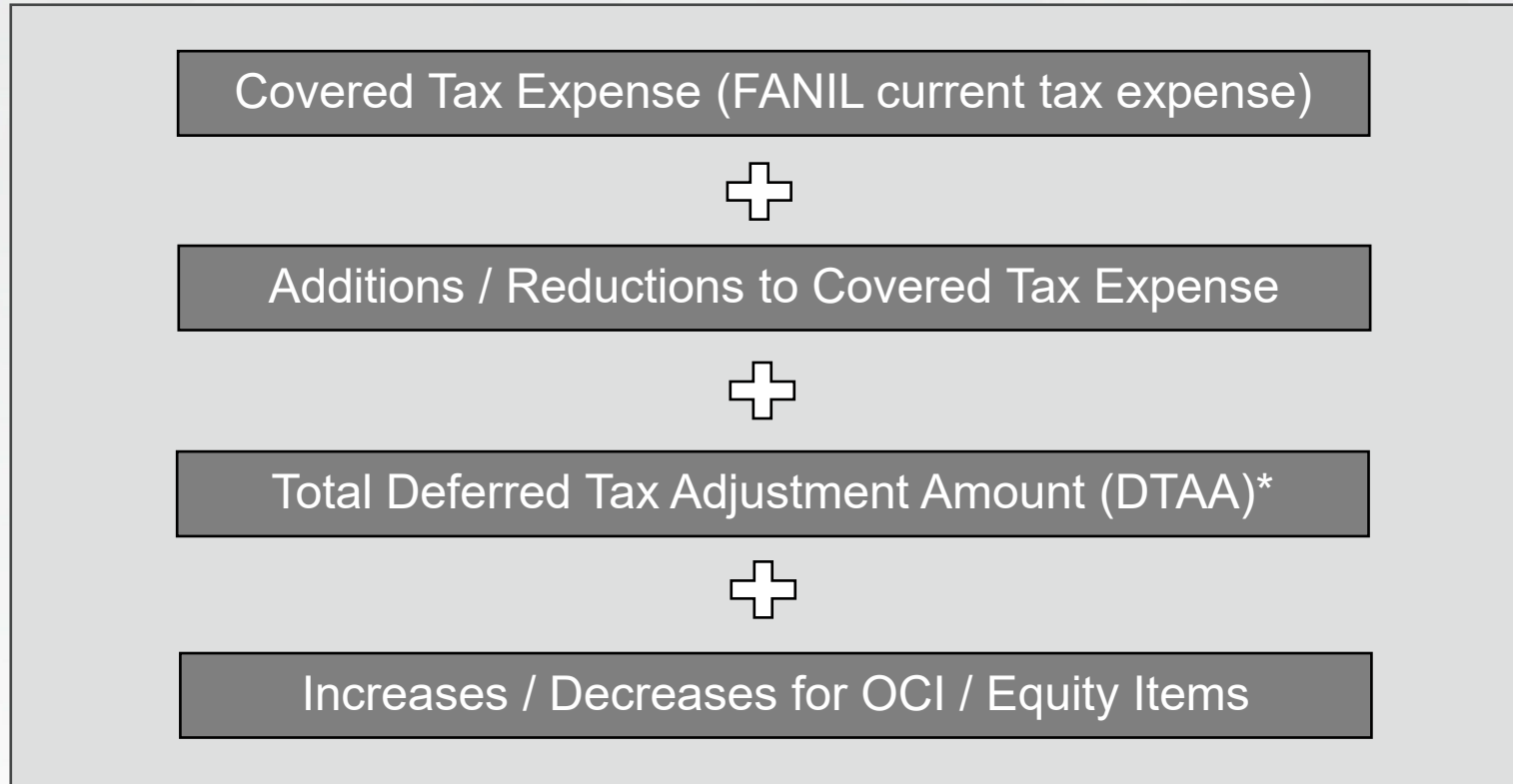
Article 3.3.3 – International Shipping Income Exclusion

- Includes net income of a CE from:
 - Transportation of passengers/cargo by ships operating in international traffic,
 - Transportation of passengers/cargo by ships operated in international traffic under slot–chartering arrangements;
 - Leasing a ship to be used for the transportation of passengers/cargo in international traffic on fully equipped charter;
 - Leasing ship on bare boat charter basis for use of transportation of passengers or cargo in international traffic to another CE;
 - Participation in a pool, a joint business or international operating agency for transportation of passengers/cargo by ships in international traffic; &
 - Sale of a ship used for transportation of passengers/cargo in international traffic provided ship held for use by the CE for a minimum of one year.
- Not applicable to extent net income obtained from operations via **inland waterways in same jurisdiction.**



Computation of Adjusted Covered Taxes

Computation of Adjusted Covered Taxes



Adjusted Covered Taxes – Article 4

- Determined based off mathematical computation that is designed to conform to the base of GloBE income & loss
 - Adjustment to GloBE income under Article 3 (denominator of the GloBE ETR) = corresponding adjustment to Covered Taxes (numerator of the GloBE ETR)
- Covered Tax cannot be taken into account more than once
- **Special Rule For Negative Tax Expense Carryforwards:**
 - In Fiscal Year where no Net GloBE Income for a jurisdiction, if Adjusted Covered Taxes for a jurisdiction less than zero & less than Expected Adjusted Covered Taxes Amount → CEs in jurisdiction are treated as having Additional Current Top-Up Tax in jurisdiction in current Fiscal Year
 - Expected Adjusted Covered Taxes Amount = GloBE Income or Loss for a jurisdiction multiplied by the Minimum Rate.

Covered Taxes – Include

- Taxes recorded in financial accounts of CE with respect to its income or profits or its share of the income or profits of CE in which it owns an Ownership Interest;
- Taxes on distributed profits, deemed profit distributions, & non–business expenses imposed under an Eligible Distribution Tax System;
- Taxes imposed in lieu of generally applicable corporate income tax; &
- Taxes levied by reference to retained earnings & corporate equity, including tax on multiple components based on income & equity.

Covered Taxes – Does Not Include

- Taxes accrued pursuant to an IIR,
- Taxes accrued pursuant to a UTPR,
- Taxes accrued pursuant to a QDMTT
- Taxes paid by an insurance company with respect to returns to policyholders
- Disqualified Refundable Imputation Tax

Disqualified Refundable Imputation Tax

- Any amount of Tax, other than a Qualified Imputation Tax, accrued or paid by a CE that is either:
 - refundable to beneficial owner of a dividend distributed by CE with respect to that dividend or creditable by beneficial owner against a tax liability other than a tax liability with respect to the dividend; or
 - refundable to distributing corporation upon distribution of a dividend.

Qualified Imputation Tax

- A Covered Tax accrued/paid by a CE refundable/creditable to the beneficial owner of a dividend distributed by the CE (or, in case of a Covered Tax accrued or paid by a PE, a dividend distributed by the Main Entity) to the extent the refund/credit provided is either:
 - By a jurisdiction that is not jurisdiction imposing Covered Taxes under a foreign tax credit regime;
 - To a beneficial owner of the dividend subject to tax at a nominal rate equaling or exceeding the Minimum Rate on the dividend on a current basis under law of jurisdiction imposing Covered Tax;
 - To an individual beneficial owner of the dividend who is tax resident in the jurisdiction imposing Covered Taxes & subject to tax on dividends as ordinary income; or
 - To a special entity enumerated under GloBE rules
 - Example: Governmental Entity, International Organization, resident Nonprofit Organization, resident Pension Fund, & others.

Addition to Covered Taxes

- Designed to ensure all Covered Taxes are properly captured & attributed to a CE relative to GloBE income/loss.
- Equal to sum of all items:
 - Any amount of Covered Taxes accrued as an **ordinary expense** in the profit before taxation in the financial accounts;
 - Any amount of **GloBE Loss Deferred Tax Asset** made available by the **GloBE Loss Election** under Article 4.5.3;

Addition to Covered Taxes

- Any amount of Covered Taxes paid in the Fiscal Year & relates to an uncertain tax position (**UTP**) where the amount has been treated for a previous Fiscal Year as a Reduction to Covered Taxes under Article 4.1.3(d);
 - Does not include penalties/interest accrued or paid with respect to UTP not included as Addition.
- Any amount of credit or refund in respect of a **QRTC** that is recorded as a reduction to the current tax expense.
 - Corresponding adjustment to the FANIL adjustment treating QRTC as income in year the entitlement to the credit accrues (see Article 3.2.4)

Reduction to Covered Taxes

- Designed to ensure ETR calculation for relevant CE reflects taxes with respect to GloBE income/loss expected to be paid within three years.
- Equal to sum of all items:
 - Amount of current tax expense with respect to **income excluded** from the computation of GloBE Income or Loss
 - Any amount of credit or refund in respect of a **Non-QRTC** not recorded as a reduction to the current tax expense;
 - Corresponding adjustment to the FANIL adjustment excluding Non-QRTC income in year the entitlement to the credit accrues (see Article 3.2.4)

Reduction to Covered Taxes

- Any amount of **Covered Taxes refunded or credited** to a CE not treated as an adjustment to current tax expense in the financial accounts;
 - Exception: No reduction for QRTCs
- Amount of current tax expense which relates to a **UTP**;
 - Unless & until paid, current tax expense related to a UTP must not be included
- Any amount of current tax expense **not expected to be paid within three years** of the last day of the Fiscal Year.
 - Article 4.6.4: If >EUR 1 million of amount accrued by a CE as current tax expense & included in Adjusted Covered Taxes for Fiscal Year is not paid within three years of the last day of such year → ETR & Top-Up Tax for Fiscal Year in which unpaid amount was claimed as a Covered Tax must be recalculated excluding such unpaid amount from Adjusted Covered Taxes.

Total DTAA

- Mechanical Computation in Article 4.4 designed to address temporary differences to tax expense for GloBE purposes.
- **Starting Point: Compare the applicable tax rate to the Minimum Rate**
 - Minimum Rate represents the rate of the global minimum tax in the Fiscal Year in question – *i.e.*, 15% today (17% eventually).
- **If applicable tax rate is less than the Minimum Rate** → DTAA = deferred tax expense accrued in CE's financial accounts
- **If applicable tax rate is greater than Minimum Rate** → DTAA = deferred tax expense accrued in CE's financial accounts recast at the Minimum Rate (revaluation of deferred tax expense)
- DTAA is subject to certain adjustments to Covered Taxes under Articles 4.4.2, 4.4.3, & certain exclusions.

Total DTAA – Exclusions

- Applicable exclusions to DTAA:
 - Amount of deferred tax expense with respect to excluded items in GloBE Income or Loss under Article 3;
 - Amount of deferred tax expense with respect to Disallowed Accruals & Unclaimed Accruals;
 - Impact of a valuation adjustment or accounting recognition adjustment with respect to a deferred tax asset;
 - Amount of deferred tax expense arising from re-measurement due to a change in the applicable domestic tax rate; &
 - Amount of deferred tax expense related to generation & use of tax credits.

Total DTAA – Article 4.4.2 Adjustments

- Increase = amount of Disallowed Accrual or Unclaimed Accrual paid during Fiscal Year
 - Disallowed Accrual → any movement in deferred tax expense accrued in the financial accounts of a CE which relates to a UTP &/or distributions from a CE.
 - Unclaimed Accrual → any increase in a DTL recorded in the financial accounts of a CE for a Fiscal Year that is not expected to be paid within the subsequent five–year time period set forth in Article 4.4.4 & an annual election not to include in Total DTAA is made for the Fiscal Year.

Total DTAA – Article 4.4.2 Adjustments

- Increase = amount of Recaptured Deferred Tax Liability computed in a preceding Fiscal Year that is paid during current Fiscal Year
- Reduce = amount that would be attributable to reduction to the DTAA due to loss DTA for a current-year loss (in event loss DTA not recognized due to criteria not met)

DTAA – Article 4.4.3 Adjustment

- Applicable only if:
 - There is a DTA attributable to a GloBE Loss, &
 - DTA attributable to GloBE Loss is recorded at a rate lower than the Minimum Rate
- If requirements met, the DTA is revalued at the Minimum Rate in the Fiscal Year in which the loss becomes a GloBE loss.
- May create Additional Top-Up Tax in certain instances
- Policy: prevent distortions attributable to loss DTA arising in future years & encourage consistent outcomes with GloBE income/loss base.

Special DTL Recapture Rule & Recapture Exception Accrual

- Article 4.4.4 → to extent a DTL is taken into account in Covered Taxes & the DTL is not paid within five subsequent Fiscal Years, the amount must be recaptured.
 - Treated as a Reduction To Covered Taxes in the fifth preceding Fiscal Year (results in a re-computation of ETR & Top-Up Tax)
 - The Recaptured DTL for current Fiscal Year = amount of deferred tax liability included in the Total DTAA in the fifth preceding Fiscal Year not reversed by end of the last day of current Fiscal Year
- Exception: **Recapture Exception Accrual** (Article 4.4.5)
 - If amount subject to the DTL Recapture Rule is a Recapture Exception Accrual = no DTL Recapture required

Special DTL Recapture Rule & Recapture Exception Accrual

- Recapture Exception Accrual = tax expense accrued attributable to changes in deferred tax liabilities with respect to:
 - Cost recovery allowances on tangible assets
 - Cost of license from a government for use of immovable property/exploitation of natural resources entailing investment in tangible assets
 - R&D expense
 - De-commissioning & remediation expenses;
 - Fair value accounting on unrealized net gains;
 - FX net gains;
 - Insurance reserves & insurance policy deferred acquisition costs;
 - Gains from the sale of tangible property located in the same jurisdiction of CE that are reinvested in tangible property in same jurisdiction;
 - Any additional amounts accrued resulting from accounting principles changes related to these items.

The GloBE Loss Election

- Introduced in Article 4.5
- Alternative to DTAA rules
- Jurisdictional election that creates a GloBE Loss DTA in each year where there is a Net GloBE Loss for the elected jurisdiction & permits the GloBE Loss DTA to be carried forward & used in subsequent Fiscal Years as an Addition to Covered Taxes (4.1.2).
 - $\text{GloBE Loss DTA} = \text{Net GloBE Loss} \times \text{Minimum Rate}$
 - Once GloBE Loss DTA is used in a subsequent Fiscal Year, the DTA must be reduced.
 - GloBE Loss DTA is a jurisdictional attribute with respect to the MNE Group that made the election – *i.e.*, not transferable with respect to a CE transferred to another MNE Group

The GloBE Loss Election

- **One-Time Election**

- Must be filed with the first GloBE Information Return (GIR) of MNE Group that has a CE located in the jurisdiction for which the election is made
- Not applicable for jurisdictions with Eligible Distribution Tax Systems in Article 7.3
- Can be revoked
 - If revoked → any remaining GloBE Loss DTA must be reduced to zero upon revocation.

- **Special Rule for Flow-Through UPEs** – can be made for Flow-Through UPEs but only with respect to the UPE & not other entities in the UPE jurisdiction.

Increase or Decrease in Covered Tax for OCI & Equity

- Increases or decreases to Covered Taxes that are not included in current or deferred tax expense but are recorded in equity or OCI are required to be adjusted to Covered Taxes when the amounts of income or loss to which such taxes relate are considered in the computation of GloBE income or loss.
- Example: CE subject to tax on gain/loss taken into account under OCI pursuant to revaluation method for PPE under Article 3.2.1(d).
 - If gain included in GloBE = increase to covered tax adjustment
 - If loss included in GloBE = reduction to covered tax adjustment



Integrated Case Study

Forte VantagePoint™ Overview

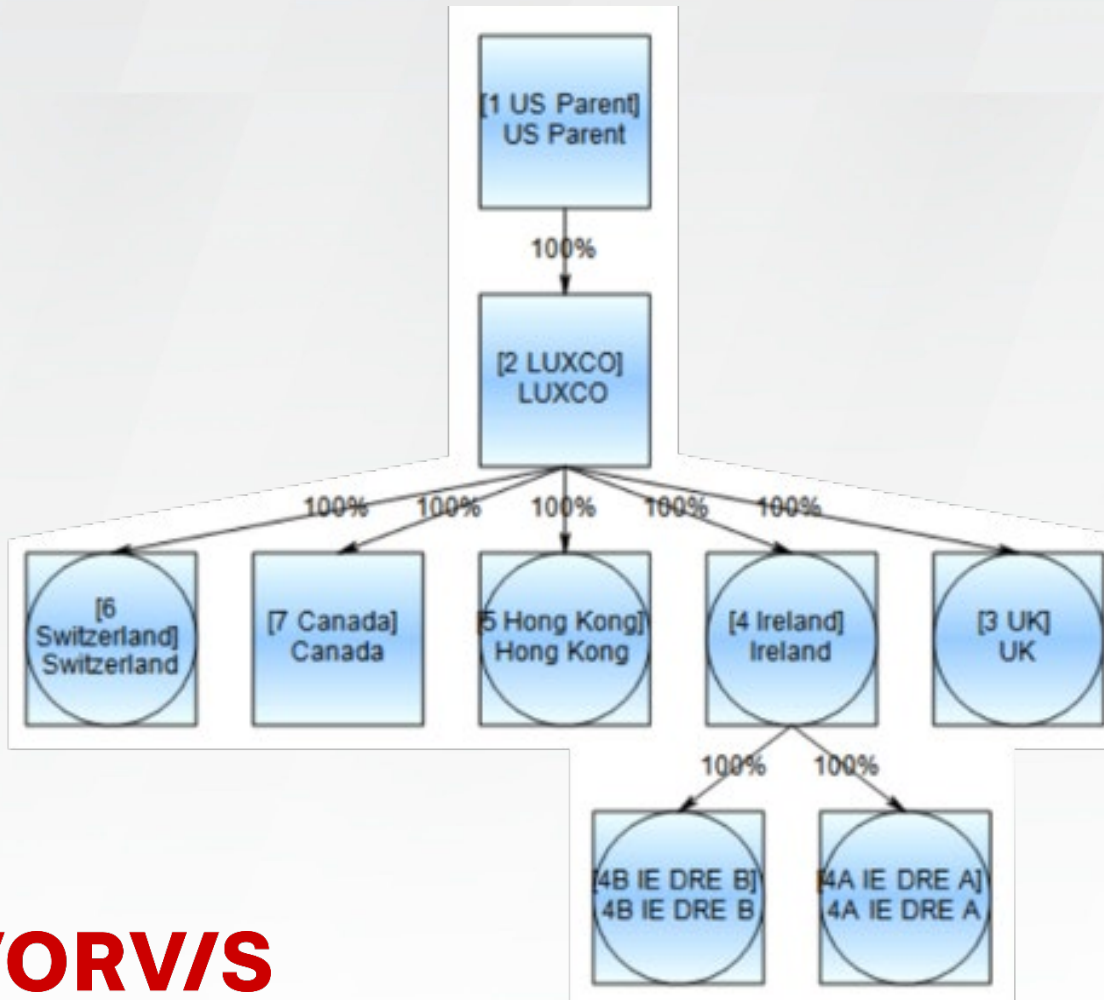
- Any Number and Combination of Tax Law Purposes
 - Local Country, Statutory, Tax
 - U.S. Tax, Tested Income, BEAT, CAMT
 - CbCR, Transitional Safe Harbour, GloBE Pillar Two
- GILTI/Subpart Integration with U.S. FDII/S250/FTC/S163(j)/BEAT
 - WW Asset Base automatically generated for Interest Expense and Stewardship
 - Treas. Reg. 1.861-13
- Pillar Two Integration with GILTI
 - Based on OECD/G20 Guidance
- Automatic International Forms Generation – U.S. e-file
 - All Calculations Flow to Forms – **No Typewriter**
- Unlimited Use Cases – Multi-Period, Dynamic Organization Structure
 - Treas. Reg. 1.861-8 Optimization
 - Tax Law Parameters based on Effective Dates

FORVIS

Pillar Two and U.S. Tax Interplay - IRS Notice 2023-80

Application of non-U.S. Law	Application of U.S. Law
Jurisdictional Regular Taxation <ul style="list-style-type: none"> U.S. FTC Analysis 	Foreign E&P, Tested Income <ul style="list-style-type: none"> Subpart F and GILTI
Pillar Two – Safe Harbours	Country-by-Country Report
Pillar Two Top-up Tax Before QDMTT	Calculate FDII and Section 250 Deduction
Qualified Domestic Minimum Top-up Tax <ul style="list-style-type: none"> Safe Harbour or Credit Allocation Keys and FTC Analysis 	QDMTT Impacts on U.S. calculations. <ul style="list-style-type: none"> Subpart F/GILTI high-tax analysis Final U.S. Section 250 and FTC
Allocation of Net U.S. GILTI Tax <ul style="list-style-type: none"> Blended CFC Allocation Keys Allocation of Net U.S. GILTI Tax 	Net U.S. GILTI Tax Cost <ul style="list-style-type: none"> $((\text{GILTI} + \text{S.78}) - \text{Section 250}) \times \text{Rate}$ Less GILTI FTC
Final Pillar Two Top-up Tax	Calculate BEAT and CAMT
Application of IIR and UTPR Charging Provisions	Final, Final U.S. Tax with Final Top-up Tax Section 78 Gross Up

Example of P2/US Tax Interplay: Legal Structure



Observations

- USA – UTPR Safe Harbour
- Luxembourg – Low Taxed
 - IIR and QDMTT
- Switzerland – Low Taxed
 - QDMTT Only
- Canada – High Taxed
 - IIR and QDMTT
- Hong Kong – Low Taxed
 - QDMTT and Delayed until 2025
- Ireland – Low Taxed
 - QDMTT 1/1/2024
- UK – High Taxed

Jurisdictional Tax Attributes

☰ Jurisdiction Tax Attributes

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Scenario: Tax Period: Purpose: Entity:

<u>Jurisdiction</u>	<u>Attribute Code</u>	<u>Effective Date</u>	<u>Status</u> [Yes/No]	<u>U.S. FTC</u> [Yes/No]
Canada	Income Inclusion Regime (IIR)	1/1/2024	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Canada	QDMTT Safe Harbour (QDMTTS)	1/1/2024	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Hong Kong	Income Inclusion Regime (IIR)	1/1/2025	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Hong Kong	QDMTT Safe Harbour (QDMTTS)	1/1/2025	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Ireland	QDMTT Safe Harbour (QDMTTS)	1/1/2024	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Luxembourg	Income Inclusion Regime (IIR)	1/1/2024	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Luxembourg	QDMTT Safe Harbour (QDMTTS)	1/1/2024	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Switzerland	QDMTT Safe Harbour (QDMTTS)	1/1/2024	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
United Kingdom	Income Inclusion Regime (IIR)	1/1/2024	<input checked="" type="checkbox"/>	<input type="checkbox"/>
United Kingdom	QDMTT Safe Harbour (QDMTTS)	1/1/2024	<input checked="" type="checkbox"/>	<input type="checkbox"/>
United States of America	UPE UTPR Safe Harbor (UTPRS)	1/1/2024	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Entity Groups

Entity Groups

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Recent Pages: QDMTT Allocation Report for FTC | Pillar Two

Scenario: 0 - TEI 2024 Example Tax Period: 2024 Purpose: Not Applicable Entity: Not Applicable Chart: Not Applicable

Active Groups Only
 Inactive Groups Only
 All

Entity Groups	Entity Group Detail		
<ul style="list-style-type: none"> 1120 Filing Group Foreign Group <li style="background-color: #f4a460;">MNE Financial Reporting 	Entity Group Name: <input type="text" value="MNE Financial Reporting"/>	Active: <input checked="" type="checkbox"/>	
	Group Type: <input type="text" value="Financial Reporting Group"/>	Effective Tax Year: <input type="text" value="2022"/>	
	Ultimate Parent Entity: <input type="text" value="1 US Parent - US Parent"/>		
Entity Group Members	In Date	Out Date	
1 US Parent - US Parent	1/1/2015 <input type="text"/>	<input type="text"/>	<input type="text"/>
2 LUXCO - LUXCO	1/1/2015 <input type="text"/>	<input type="text"/>	<input type="text"/>
3 UK - UK	1/1/2015 <input type="text"/>	<input type="text"/>	<input type="text"/>
4 Ireland - Ireland	1/1/2015 <input type="text"/>	<input type="text"/>	<input type="text"/>
4A IE DRE A - 4A IE DRE A	1/1/2022 <input type="text"/>	<input type="text"/>	<input type="text"/>
4B IE DRE B - 4B IE DRE B	1/1/2022 <input type="text"/>	<input type="text"/>	<input type="text"/>
5 Hong Kong - Hong Kong	1/1/2015 <input type="text"/>	<input type="text"/>	<input type="text"/>
6 Switzerland - Switzerland	1/1/2015 <input type="text"/>	<input type="text"/>	<input type="text"/>
7 Canada - Canada	1/1/2015 <input type="text"/>	<input type="text"/>	<input type="text"/>

Tax Years and Periods

Tax Years

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Scenario: 0 - TEI 2024 Example Tax Period: Not Applicable Purpose: Not Applicable Entity: Not Applicable

Sequence #	Year	Description	Start Date	End Date	
10	2024	2024 Full year	1/1/2024	12/31/2024	
Period Set Name		Period Set Type			
2024 Quarter		Quarters			
Sequence #	Period Name	Description	Prior Period		
1	2024 Q 1	2024 Q 1 - 2024 Quarter	2023		
2	2024 Q 2	2024 Q 2 - 2024 Quarter	2023		
3	2024 Q 3	2024 Q 3 - 2024 Quarter	2023		
4	2024 Q 4	2024 Q 4 - 2024 Quarter	2023		
9	2023	2023 Full year	1/1/2023	12/31/2023	
8	2022	2022 Full year	1/1/2022	12/31/2022	
7	2021	2021 Full year	1/1/2021	12/31/2021	
6	2020	2020 Full year	1/1/2020	12/31/2020	
5	2019	2019 Full year	1/1/2019	12/31/2019	
4	2018	2018 Full year	1/1/2018	12/31/2018	
3	2017	2017 Full year	1/1/2017	12/31/2017	
2	2016	2016 Full year	1/1/2016	12/31/2016	
1	2015	2015 Full year	1/1/2015	12/31/2015	

Financial Statement Summary

Financial Statement Summary

Account Description	Total	1 US Parent - U.S. Dollar	2 LUXCO - U.S. Dollar	3 UK - British Pound Sterling	4 Ireland - U.S. Dollar	4A IE DRE A - U.S. Dollar	4B IE DRE B - U.S. Dollar	5 Hong Kong - U.S. Dollar	6 Switzerland - U.S. Dollar	7 Canada - U.S. Dollar
Ownership Percentage		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Section: Income Statement										
Average Rate to USD		1.000000000	1.000000000	1.000000000	1.000000000	1.000000000	1.000000000	1.000000000	1.000000000	1.000000000
Sales	257,700,000	150,000,000	15,000,000	18,400,000	14,000,000	4,000,000	2,000,000	14,300,000	16,400,000	23,600,000
Returns & Allowances	0	0	0	0	0	0	0	0	0	0
Net Sales	257,700,000	150,000,000	15,000,000	18,400,000	14,000,000	4,000,000	2,000,000	14,300,000	16,400,000	23,600,000
Cost of Sales	120,000,000	77,500,000	5,000,000	8,000,000	5,000,000	2,000,000	1,000,000	6,500,000	7,000,000	8,000,000
Gross Profit	137,700,000	72,500,000	10,000,000	10,400,000	9,000,000	2,000,000	1,000,000	7,800,000	9,400,000	15,600,000
Dividends	70,000,000	50,000,000	20,000,000	0	0	0	0	0	0	0
Other Income	10,000,000	0	0	0	0	0	0	10,000,000	0	0
Total Income	217,700,000	122,500,000	30,000,000	10,400,000	9,000,000	2,000,000	1,000,000	17,800,000	9,400,000	15,600,000
Interest Expense	7,500,000	7,500,000	0	0	0	0	0	0	0	0
R&D Expense	10,000,000	10,000,000	0	0	0	0	0	0	0	0
Stewardship Expense	5,000,000	5,000,000	0	0	0	0	0	0	0	0
Other Deductions	43,750,000	5,500,000	5,000,000	7,500,000	6,750,000	0	0	6,500,000	7,000,000	5,500,000
Total Deduction	66,250,000	28,000,000	5,000,000	7,500,000	6,750,000	0	0	6,500,000	7,000,000	5,500,000
Taxable Income before ETI, DPAD, & Special Deductions	151,450,000	94,500,000	25,000,000	2,900,000	2,250,000	2,000,000	1,000,000	11,300,000	2,400,000	10,100,000
Export Incentive Deduction - System	0	0	0	0	0	0	0	0	0	0
Taxable Income	151,450,000	94,500,000	25,000,000	2,900,000	2,250,000	2,000,000	1,000,000	11,300,000	2,400,000	10,100,000
Income Taxes - Current	21,900,000	8,500,000	1,000,000	2,500,000	1,250,000	100,000	50,000	2,000,000	1,000,000	5,500,000
Income Taxes - Deferred	(8,600,000)	0	(500,000)	(1,750,000)	(1,000,000)	0	0	(1,550,000)	(800,000)	(3,000,000)
Net Income	138,150,000	86,000,000	24,500,000	2,150,000	2,000,000	1,900,000	950,000	10,850,000	2,200,000	7,600,000

Adjustment Codes

<u>Code</u>	<u>Description</u>
DEFTX ELIM	Eliminate Deferred Tax
DIV ELIM	Eliminate Dividend Income
DTAA	Adjust Deferred Tax to 15%
PENSION	Adjust Book to Tax
STK OPT	Adjust Book to Tax
USCONS ADJ	U.S. Filing Group Tax Adjustments

Adjustments By Tax Purposes

Adjustment List	Adjustment Purposes	Adjustment
<ul style="list-style-type: none"> Deferred Tax Elimination Eliminate Dividend Income Pension Adjustment Reclass Adjustment <li style="background-color: #f4a460;">Stock Compensation Adj 	<ul style="list-style-type: none"> <input type="checkbox"/> CAMT <input checked="" type="checkbox"/> CbCR Safe Harbour <input type="checkbox"/> Financial Reporting <input checked="" type="checkbox"/> GloBE <input type="checkbox"/> Local Tax <input checked="" type="checkbox"/> QDMTT <input checked="" type="checkbox"/> U.S. Tax 	<ul style="list-style-type: none"> <input type="checkbox"/> Is Permanent? <input type="checkbox"/> Is Covered Asset?

Account	Reclass	Amount	Code	Description
3510 Stock Based Compensation	<input type="checkbox"/>	(850,000)	STK OPT	STK OPT - Adjust Book to Tax*

Book to Tax Walk

GloBE Purpose

Adjustment Description	Account Number	Total	2 LUXCO - U.S. Dollar	3 UK Poun
Ownership Percentage			100.00	
Average Rate to USD			1.000000000	1.
Pre Tax Income Adjustment Reconciliation:				
Pre Tax Income per TB		46,850,000	25,000,000	
Temporary Adjustments:				
DIV ELIM - Eliminate Dividend Income	1200	(20,000,000)	(20,000,000)	
PENSION - Adjust Book to Tax	3520	500,000	500,000	
STK OPT - Adjust Book to Tax	3510	850,000	850,000	
Total Temporary Adjustments		(18,650,000)	(18,650,000)	
Reclass Items:				
Sum of Adjustments without Adj Code	3510	(1,500,000)	(1,500,000)	
Sum of Adjustments without Adj Code	3520	(1,000,000)	(1,000,000)	
Sum of Adjustments without Adj Code	3950	2,500,000	2,500,000	
Total Reclass		2,500,000	0	
GloBE Adjusted Pre Tax Income		28,200,000	6,350,000	
Tax Adjustment Reconciliation:				
Taxes per TB		(2,300,000)	(500,000)	
GloBE Adjusted Taxes		(2,300,000)	(500,000)	
GloBE Net Income		25,900,000	5,850,000	

Book to Tax Walk

US Tax Purpose

Adjustment Description	Account Number	Total	2 LUXCO - U.S. Dollar	3 UK - British Pound Sterling
Ownership Percentage			100.00	100.00
Average Rate to USD			1.000000000	1.000000000
Pre Tax Income Adjustment Reconciliation:				
Pre Tax Income per TB		46,850,000	25,000,000	2,900,000
Temporary Adjustments:				
DIV ELIM - Eliminate Dividend Income	1200	(20,000,000)	(20,000,000)	0
PENSION - Adjust Book to Tax	3520	500,000	500,000	0
STK OPT - Adjust Book to Tax	3510	850,000	850,000	0
Sum of Adjustments without Adj Code	1100	0	0	0
Total Temporary Adjustments		(18,650,000)	(18,650,000)	0
Reclass Items:				
Sum of Adjustments without Adj Code	3510	(1,500,000)	(1,500,000)	0
Sum of Adjustments without Adj Code	3520	(1,000,000)	(1,000,000)	0
Sum of Adjustments without Adj Code	3950	2,500,000	2,500,000	0
Total Reclass		2,500,000	0	0
U.S. Tax Adjusted Pre Tax Income		28,200,000	6,350,000	2,900,000
Tax Adjustment Reconciliation:				
Taxes per TB		(2,300,000)	(500,000)	(750,000)
System Generated Tax Adjustments:				
Creditable QDMTT	4250	(3,210,000)	0	0
Total System Generated Tax Adjustments		(3,210,000)	0	0
Temporary Tax Adjustments:				
DEFTX ELIM - Eliminate Deferred Tax	5150	(3,050,000)	(500,000)	0
Sum of Adjustments without Adj Code	5150	1,550,000	0	2,350,000
Total Temporary Tax Adjustments		1,550,000	(500,000)	2,350,000
U.S. Tax Adjusted Taxes		(7,010,000)	(1,000,000)	1,600,000
U.S. Tax Net Income		21,190,000	5,350,000	4,500,000

Safe Harbour Report

	Tax Jurisdiction	CbCR Total Revenue	CbCR Net before Tax	Local Country Jurisdictional Tax	Covered Taxes Effective Rate [%]	Tangible Assets
▶	Canada	23,600,000	10,100,000	2,500,000	24.7525	3,000,000
▶	Hong Kong	24,300,000	11,300,000	450,000	3.9823	2,175,000
▶	Ireland	20,000,000	5,250,000	400,000	7.6190	2,500,000
▶	Luxembourg	15,000,000	6,350,000	500,000	7.8740	1,000,000
▶	Switzerland	16,400,000	2,400,000	200,000	8.3333	3,000,000
▶	United Kingdom	18,400,000	2,900,000	750,000	25.8621	2,100,000
▶	United States of America	150,000,000	44,500,000	8,500,000	19.1011	50,000,000

	Tax Jurisdiction	Payroll	Substance Based Profit	Excess Profit	De Minimis Test	Simplified ETR Test	Routine Profit Test
▶	Canada	3,000,000	528,000	9,572,000	Fail	Pass	Fail
▶	Hong Kong	2,150,000	380,350	10,919,650	Fail	Fail	Fail
▶	Ireland	2,000,000	391,000	4,859,000	Fail	Fail	Fail
▶	Luxembourg	2,500,000	323,000	6,027,000	Fail	Fail	Fail
▶	Switzerland	3,200,000	547,600	1,852,400	Fail	Fail	Fail
▶	United Kingdom	4,200,000	575,400	2,324,600	Fail	Pass	Fail
▶	United States of America	0	3,900,000	40,600,000	Fail	Pass	Fail

Pillar Two Report

Tax Jurisdiction	Meets Safe Harbour	Total Revenue	GloBE Income (Loss) before Tax	Local Country Jurisdictional Tax	Jurisdiction ETR Before QDMTT	QDMTT	Jurisdictional ETR After QDMTT	Tested Income	CFC Allocation Key
Canada	Yes	23,600,000	10,100,000	4,000,000	39.6040%	0	39.6040%	3,600,000	0
Hong Kong	No	24,300,000	11,300,000	450,000	3.9823%	0	3.9823%	9,300,000	850,271
Ireland	No	20,000,000	5,250,000	400,000	7.6190%	387,500	15.0000%	2,057,143	0
Luxembourg	No	15,000,000	6,350,000	500,000	7.8740%	452,500	15.0000%	4,815,000	0
Switzerland	No	16,400,000	2,400,000	200,000	8.3333%	160,000	15.0000%	(44,042)	0
United Kingdom	Yes	18,400,000	2,900,000	750,000	25.8621%	0	25.8621%	4,500,000	0
USA	Yes	150,000,000	44,500,000	8,500,000	19.1011%	0	19.1011%	0	0
Total								24,228,101	850,271

Tax Jurisdiction	CFC Push-down Tax	Covered Taxes Effective Rate [%]	Top-up Tax Percent [%]	Tangible Assets	Payroll	Substance Based Profit	Excess Profit	Top-up After QDMTT
Canada	0	39.6040%	0.0000%	3,000,000	3,000,000	528,000	9,572,000	0
Hong Kong	3,927,740	38.7411%	0.0000%	2,175,000	2,150,000	380,350	10,919,650	0
Ireland	0	15.0000%	0.0000%	2,500,000	2,000,000	391,000	4,859,000	0
Luxembourg	0	15.0000%	0.0000%	1,000,000	2,500,000	323,000	6,027,000	0
Switzerland	0	15.0000%	0.0000%	3,000,000	3,200,000	547,600	1,852,400	0
United Kingdom	0	25.8621%	0.0000%	2,100,000	4,200,000	575,400	2,324,600	0
USA	0	19.1011%	0.0000%	50,000,000	0	3,900,000	40,600,000	0
Total	3,927,740							0

QDMTT Allocation

QDMTT Allocation Report for FTC

Post QDMTT FC as Adjustment to TB

	Jurisdiction	Low Taxed Constituent Entity (LTCE)	Top-up Tax	Separate Pre QDMTT Income	Separate Pre QDMTT Tax	Separate Pre QDMTT ETR	QDMTT Allocation Key	QDMTT Allocation	QDMTT in FC
Ireland		4 Ireland Ireland	0	2,250,000	250,000	11.11%	87,500	87,500	87,500
		4A IE DRE A 4A IE DRE A	0	2,000,000	100,000	5.00%	200,000	200,000	200,000
		4B IE DRE B 4B IE DRE B	0	1,000,000	50,000	5.00%	100,000	100,000	100,000
			387,500	0	0	0.00%	387,500	387,500	0
Luxembourg		2 LUXCO LUXCO	0	6,350,000	500,000	7.87%	452,500	452,500	452,500
			452,500	0	0	0.00%	452,500	452,500	0
Switzerland		6 Switzerland Switzerland	0	2,400,000	200,000	8.33%	160,000	160,000	160,000
			160,000	0	0	0.00%	160,000	160,000	0

Tax Law Parameters

R&D Apportionment Optional Method FTC Sec. 163(j) Subpart F DPAD Forms Options GILTI/FDII Tax Cuts & Jobs Act Dividend APB 23					
GloBE					
Apply CbC GILTI FTC Limit ▼		📄 Add New Tax Law Parameter			
System Parameter Description	Effective date	Parameter Value	Unit	Action	
Apply GILTI High Tax Exclusion for Tested Income [Yes/No]	1/1/2019 📅	<input type="checkbox"/>	Yes/No	🗑️	
Apply GILTI High Tax Exclusion for Tested Income [Yes/No]	1/1/2021 📅	<input checked="" type="checkbox"/>	Yes/No	🗑️	
Apply GILTI High Tax Exclusion for Tested Income [Yes/No]	1/1/2022 📅	<input type="checkbox"/>	Yes/No	🗑️	
GILTI Deduction Rate	1/1/2018 📅	50.0000	Percent	🗑️	
GILTI Deduction Rate	1/1/2026 📅	37.5000	Percent	🗑️	
FDII Deduction Rate	1/1/2018 📅	37.5000	Percent	🗑️	
FDII Deduction Rate	1/1/2026 📅	21.8750	Percent	🗑️	
GILTI QBAI DTIR Rate	1/1/2018 📅	10.0000	Percent	🗑️	
FDII QBAI DTIR Rate	1/1/2018 📅	10.0000	Percent	🗑️	
GILTI FTC Haircut Rate	1/1/2018 📅	80.0000	Percent	🗑️	
Apply CbC GILTI FTC Limit	1/1/2021 📅	<input type="checkbox"/>	Yes/No	🗑️	
Include 986(c) in Sec 250 Ded	1/1/2021 📅	<input type="checkbox"/>	Yes/No	🗑️	
Include GILTI Sec 78 in Sec 250 TI Limit	1/1/2018 📅	<input type="checkbox"/>	Yes/No	🗑️	

Calculation Summary

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Calculations Summary

Scenario: 0 - TEI 2024 Example

Tax Year: 2024

Tax Attributes	Last Run	Previous Run	Difference
Subpart F	0	0	0
DPC on Subpart F	0	0	0
GILTI Inclusion	24,011,818	24,941,579	(929,761)
DPC on GILTI	11,056,158	10,615,864	440,294
Investments In U.S. Property	0	0	0
DPC on Investments in U.S. Property	0	0	0
GILTI Deduction	16,364,452	16,433,963	(69,511)
FDII Deduction	2,960,711	2,927,018	33,693
U.S. Tax Before FTC	2,150,991	2,246,257	(95,266)
Foreign Tax Credit	299,967	286,874	13,093
Net U.S. Income Tax	1,851,024	1,959,383	(108,359)
BEAT	0	0	0

Include additional reports when exporting

Close Export

GILTI Tax Cost

GILTI:	
q) GILTI Inclusion	24,011,818
r) Section 78 on GILTI	11,056,158
s) GILTI PTEP 986(c)	0
t) Total GILTI	35,067,976
u) Section 250 Deduction on GILTI Inclusion	(16,364,452)
v) Net GILTI Inclusion	18,703,524
U.S. Tax Rate	21.00
w) GILTI Pre-FTC U.S. Tax Liability	3,927,740
x) GILTI - FTC Sec 78	11,056,158
y) GILTI - Tax Haircut	(2,211,232)
z) GILTI PTEP - Additional Taxes	4,700,034
aa) Total GILTI FTC Available	13,544,960
ab) GILTI FTC Utilized	0
ac) Net U.S. GILTI Tax Cost (w - ab)	3,927,740

Pillar Two Report

Tax Jurisdiction	Meets Safe Harbour	Total Revenue	GloBE Income (Loss) before Tax	Local Country Jurisdictional Tax	Jurisdiction ETR Before QDMTT	QDMTT	Jurisdictional ETR After QDMTT	Tested Income	CFC Allocation Key
Canada	Yes	23,600,000	10,100,000	4,000,000	39.6040%	0	39.6040%	3,600,000	0
Hong Kong	No	24,300,000	11,300,000	450,000	3.9823%	0	3.9823%	9,300,000	850,271
Ireland	No	20,000,000	5,250,000	400,000	7.6190%	387,500	15.0000%	2,057,143	0
Luxembourg	No	15,000,000	6,350,000	500,000	7.8740%	452,500	15.0000%	4,815,000	0
Switzerland	No	16,400,000	2,400,000	200,000	8.3333%	160,000	15.0000%	(44,042)	0
United Kingdom	Yes	18,400,000	2,900,000	750,000	25.8621%	0	25.8621%	4,500,000	0
USA	Yes	150,000,000	44,500,000	8,500,000	19.1011%	0	19.1011%	0	0
Total								24,228,101	850,271

Tax Jurisdiction	CFC Push-down Tax	Covered Taxes Effective Rate [%]	Top-up Tax Percent [%]	Tangible Assets	Payroll	Substance Based Profit	Excess Profit	Top-up After QDMTT
Canada	0	39.6040%	0.0000%	3,000,000	3,000,000	528,000	9,572,000	0
Hong Kong	3,927,740	38.7411%	0.0000%	2,175,000	2,150,000	380,350	10,919,650	0
Ireland	0	15.0000%	0.0000%	2,500,000	2,000,000	391,000	4,859,000	0
Luxembourg	0	15.0000%	0.0000%	1,000,000	2,500,000	323,000	6,027,000	0
Switzerland	0	15.0000%	0.0000%	3,000,000	3,200,000	547,600	1,852,400	0
United Kingdom	0	25.8621%	0.0000%	2,100,000	4,200,000	575,400	2,324,600	0
USA	0	19.1011%	0.0000%	50,000,000	0	3,900,000	40,600,000	0
Total	3,927,740							0

Final Top-up Tax – IRS Notice 2023-80

- Meets definition if its computation considers shareholders taxation, for example included in the GILTI calculation
 - IIR and UTPR are *Final Top-up Taxes*, but QDMTT is not
- Add Back to Tested Income
 - Foreign E&P Reduction?
- Not included in the CFC's effective tax rate for purposes of the Subpart F high-tax exception or GILTI high-tax exclusion
- No U.S. FTC allowed for members of the MNE Group but a Section 78 Gross-up is included in income of the Shareholder elects FTC status

US Treasury Green Book – March 11, 2024

Selected International Tax Reform Proposals

- Corporate Tax Rate – 28% (taxable years beginning after 12/31/2023!)
- CAMT Tax Rate – 21%
- Repeal Subpart F high-taxed income exception
- GILTI Proposals
 - Jurisdiction-by-Jurisdiction – both the Inclusion and the FTC Limitation
 - Eliminate QBAI – removes incentive for offshore assets
 - Reduce Section 250 Deduction – 25% vs. 50% (GILTI ETR = 75% x 28% = 21%)
 - Foreign Tax Credit Haircut - 5% vs. 20%
- Adopt an Undertaxed Profits Rule (UTPR)
- Repeal FDII

Global Tax Optimization Bootcamp

MODULE I

Pillar Two and U.S. Tax Interplay

MODULE II

Subpart F, GILTI and High-Tax Income Elections

MODULE III

Treas. Reg. 1.861-8, FDII and Foreign Tax Credit

MODULE IV

163(j), BEAT and CAMT

[forteintax.com/
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REGISTRATION & PROGRAM

A world map is shown in a dark, textured style, possibly representing a globe or a satellite view. Overlaid on the map is a dense network of thin, orange lines that connect various points across the globe, symbolizing global communication, data flow, or a network. The lines are most prominent in the foreground and become more sparse as they recede into the background.

GloBE Information Return

Overview

The main objective for the GloBE Information Return

- To ensure that the information & tax calculations that an MNE Group is required to file under the GIR are sufficiently comprehensive to allow tax administrations to perform an appropriate risk assessment & to evaluate the correctness of a CE's tax liability under the GloBE Rules.
- The agreement on a standardized information return does not preclude a tax administration from requesting necessary supporting information in follow-up requests to verify compliance with the GloBE Rules under their domestic law.

Overview

- Jurisdictions may, in some cases, require additional data points to be reported beyond the GIR for purposes of the preparation of the tax return (for instance, to convert the Top-up Tax liability into the domestic currency).
- However, jurisdictions should generally refrain from requiring the reporting of additional data points beyond the GIR as part of their routine tax return & payment requirements & any such information should relate, for instance, to liability, timing, & method of payment or identification of the taxpayer & contact details, rather than the calculation of a CE's Top-up Tax liability.

Contents of a GloBE Information Return

- The GIR consists of a general section, that applies to the MNE Group as a whole, & multiple jurisdictional sections based on a single template that need to be filled in for every jurisdiction where the MNE Group is operating.
- Under the general section, an MNE Group provides general information about the MNE Group as a whole, identifies the Filing Constituent Entity & outlines its corporate structure. The MNE Group also reports a summary table that provides a high-level overview of the application of the GloBE Rules in respect of every jurisdiction where the MNE Group is operating.
- The jurisdictional sections provide a template that shall apply for every jurisdiction where the MNE Group is operating. Firstly, a short section requires limited information disclosures in respect of jurisdictions where relevant safe harbors & exclusions apply.

Contents of a GloBE Information Return

- For jurisdictions where safe harbours & exclusions do not apply, the MNE Group would report its ETR computations, followed by Top-up Tax computations where necessary, & finally the allocation of Top-up Tax, if any. These jurisdictional sections would also be used for purposes of reporting the calculations undertaken under a Qualified Domestic Minimum Top-up Tax (“QDMTT”) that meets the requirements to be considered as a Safe Harbour.
- The organisation of the GIR in this manner will efficiently facilitate the analysis & exchange of GIR information (as provided under Article 8.1.2 of the GloBE Rules) while at the same time providing tax administrations with the necessary information needed to perform an appropriate risk assessment & evaluate the correctness of a CE’s Top-up Tax liability.

Transitional Simplified Reporting Framework

- Provides a simplified reporting framework applying for fiscal years beginning before 12/31/2028 but not including a fiscal year ending after 6/30/2030 – CY 2024-2028
- Jurisdictions where no Top-up Tax arises or no need to allocate to individual Constituent Entities
- Recognizes that MNE Groups may not have FANIL information available at the CE level thereby allowing additional time to put systems in place
- Does not limit jurisdictions from requesting additional information

Dissemination of the GloBE Information

Centralized &/or Local Filing & Reporting Groups

- The Inclusive Framework has categorized the information to be made available to each implementing jurisdiction based on the CEs located in such jurisdiction & the MNE Group structure.
- Has considered the implications of the MNE Group filing its GIR with each tax administration (“local filing”) or with a single tax administration which exchanges the GIR with other tax administrations under a Qualifying Competent Authority Agreement (“central filing”).
- In those cases where an implementing jurisdiction cannot rely on the central filing & exchange mechanism, local filing may be required.
- The following dissemination approach that applies a targeted approach for each MNE Group:
 - The jurisdiction of the UPE is provided with the GIR as a whole;
 - Jurisdictions with taxing rights under the GloBE Rules are provided with the sections of the GIR that relate to the ETR & Top-up Tax computation, allocation & attribution for those jurisdictions in respect of which they have taxing rights (including jurisdictions that have introduced a QDMTT); &
 - All implementing jurisdictions where CEs of the MNE Group are located are provided with general information & the corporate structure, which covers all the data points necessary to verify whether they have any taxing rights over any other jurisdiction under the GloBE Rules

Next Steps

- The requirement for each CE to file a GIR with each tax administration is removed when the UPE or a Designated Filing Entity files the GIR with the tax administration of the jurisdiction where it is located & there is a Qualifying Competent Authority Agreement in effect by the filing deadline to exchange GloBE information with the jurisdiction of the CE.
- Input received in the last public consultation on the GloBE Implementation Framework indicated strong support for a single point of filing followed by the exchange of GloBE information between tax administrations.
- Centralised filing requirements & the appropriate mechanisms to allow tax administrations to automatically exchange GloBE information collected will be finalized, including a framework of Qualifying (bilateral or multilateral) Competent Authority Agreements & IT-solutions to support the exchange of information, particularly a dedicated XML schema.
- The Inclusive Framework will also explore the possibility of developing other administrative mechanisms to facilitate further coordination & consistent application of the GloBE Rules.

A world map is shown in a dark, muted color palette. Overlaid on the map is a complex network of thin, glowing orange lines that connect various points across the globe, representing a global network or data flow. The lines are most dense in the central and eastern regions of the map.

Day 2 Closing Remarks

Speakers



Eric Flueckiger
Partner
Indianapolis, IN

317.383.4414
eric.flueckiger@forvis.com

A member of the International Tax service line, Eric has provided domestic & international corporate tax compliance services since 2010. He advises clients on various international tax compliance & consulting issues including global intangible income analysis, foreign tax credits, domestic international sales corporation taxation, subpart F, & income tax treaties for multinational companies.

He is a member of the American Institute of CPAs, Indiana CPA Society, & Beta Gamma Sigma.

Eric is a 2007 graduate of Ball State University, Muncie, Indiana, with a B.S. degree in accounting, & a 2009 graduate with an M.Acc. degree.

Speakers



Chet Patel
Managing Director
Houston, TX

346.485.6683
chet.patel@forvis.com

Chet is managing director in the transfer pricing practice based in Houston. Chet's experience covers transfer pricing & international tax matters involving investment structures, international tax & transfer pricing planning, intercompany loans & other financial instruments, & controversy/dispute resolution across the globe.

He focuses on assisting multinational companies in the areas of transfer pricing & related taxation issues. He has advised companies in oil & gas, financial services, telecommunications, technology, & manufacturing industries.

Chet has worked extensively with clients in the energy industry with large global footprints & complex operations. He advises clients across the supply chain covering oilfield equipment & services, contract drilling services, commodity trading, exploration & production, chemicals, refining, & seismic companies.

In the asset management/financial services field, he has managed treasury-related transfer pricing issues including structuring investments through debt, pricing intercompany loans, managing cash pooling arrangements, reinsurance, & pricing financial/performance guarantee fees.

Chet is a frequent speaker at practice & industry conferences, including events by Tax Executives Institute, American Petroleum Institute, International Association of Drilling Contractors, & Offshore Technology Conference.

Speakers



Justin Metcalfe
Director
Charlotte, NC

980.729.7446
justin.metcalfe@forvis.com

Justin is an international tax attorney at FORVIS. He is currently admitted to practice law in Florida, South Carolina, & the District of Columbia. His areas of practice include tax planning, corporate governance, estate planning, & business planning. His current areas of focus include international taxation, corporate taxation, mergers & acquisitions, & federal income taxation.

He is a 2012 graduate of Nova Southeastern University, Fort Lauderdale, Florida, with a J.D. degree, & a 2013 graduate of the graduate tax program at Boston University School of Law, Massachusetts, with an LL.M. degree in taxation.

Speakers



Rafi Hopkins
Senior Manager
FL

704.594.8169
rafi.hopkins@forvis.com

Rafi is a manager in the Federal Tax Advisory practice unit, focused on accounting methods & tax transformation. Rafi has more than seven years of tax experience in international & large public accounting firms, including five years spent focused on large partnership & corporate tax provision, compliance, & consulting.

He helps midsize to large size companies with tax accounting method consulting, tax process, data management, & technology efficiencies within the tax arena. Rafi has a deep technical knowledge in accounting methods, Subchapter C, & Subchapter K, & significant experience in enterprise data platform & tax technology implementations for various functions across tax.

Rafi is a member of the American Institute of CPAs & is a licensed CPA in Florida & North Carolina.

He is a graduate of Touro University, Chicago, Illinois, with a B.S. degree in accounting.

Speakers



Mark Gasbarra
Forte International Tax
National Managing Director

847.733.0645
mgasbarra@forteintax.com

With over 30 years of industry experience, Mark has helped many of the country's most successful enterprises implement all aspects of international taxation. A hallmark of Mark's career has been leveraging technology to improve tax department performance.

Prior to founding Forte International Tax, Mark held leadership positions at PwC, Ernst & Young, & CliftonLarsonAllen. Mark leads the firm on its mission of achieving global tax minimization through process efficiency.