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Update on the implementation of Pillar Two model rules Issues Paper

Objective

- 1 The objectives of this session are:
 - (a) to provide an overview on the status of the implementation of Pillar Two model rules in the European Economic Area (EEA) jurisdictions and seek EFRAG FR TEG-CFSS members' input that complement the information provided in this agenda paper;
 - (b) to seek EFRAG FR TEG-CFSS members' input about the implementation of the Pillar Two model rules and potential challenges to be raised in the forthcoming Accounting Standards Advisory Forum (ASAF) meeting;
 - (c) to enable CFSS members to discuss between them if they have adopted or they intend to adopt in their local GAAP an exception similar to the exception included in the IAS 12 Amendments *International Tax Reform – Pillar Two model rules*. Please be informed, the EFRAG Secretariat has not performed any preparatory work on this aspect. TEG-CFSS members are welcomed to freely present the measures adopted (or intended) in their local GAAP in order to achieve an interactive exchange of view.

Background

- 2 On 15 December 2022, the Council of the European Union (EU) unanimously adopted the Directive ensuring a global minimum level of taxation for multinational enterprise (MNE) groups and large-scale domestic groups ('the Directive').
- 3 The Directive is required to be transposed into EU Member States' national law by the end of 2023 with the rules (including the Income Inclusion Rule (IIR)) to be generally applicable to fiscal years starting on or after 31 December 2023. As an exception to this general applicability, the Undertaxed Profit Rule (UTPR) is to apply for fiscal years starting on or after 31 December 2024.
- 4 On 23 May 2023, the IASB published the Amendments to IAS 12 - International Tax Reform - Pillar Two Model Rules ("the Amendments"). The Amendments give companies temporary relief from accounting for deferred taxes arising from the OECD's international tax reform. Additional disclosures are required before and after Pillar Two Model Rules are enacted.

Update of the implementation of the Pillar Two Rules

- 5 Based on an analysis performed by PwC and EY, the status of the enactment of the Pillar Two model rules in the EEA jurisdictions is included in the below table. More detailed information is included for some jurisdictions in Appendix 1.

Country	Status of enactment
Austria	No public announcement yet
Belgium	Public consultation
Bulgaria	Pillar Two plans announced
Croatia	No public announcement yet
Cyprus	Pillar Two plans announced
Czech Republic	Draft law published
Denmark	Draft law published
Estonia	No public announcement yet
Finland	Public consultation
France	Pillar Two plans announced
Germany	Draft law published
Greece	No public announcement yet
Hungary	No public announcement yet
Iceland	No public announcement yet
Ireland	Public consultation
Italy	Pillar Two plans announced
Latvia	No public announcement yet
Liechtenstein	Draft law published
Lithuania	Draft law published
Luxembourg	Draft law published
Malta	No public announcement yet
Netherlands	Draft law published
Norway	Public consultation

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Poland	Pillar Two plans announced
Portugal	Pillar Two plans announced
Romania	Pillar Two plans announced
Slovakia	Public consultation
Slovenia	No public announcement yet
Spain	Public consultation
Sweden	Public consultation

Questions for EFRAG FR TEG-CFSS

- 6 Does EFRAG FR TEG CFSS has any comment or additional input on the above table or on the additional details provided in Appendix 1?
- 7 Does EFRAG FR TEG CFSS has any other input about the implementation of Pillar Two model rules to be raised in the forthcoming ASAF meeting?

Appendix 1: Additional details

Belgium

- 8 The Belgian Minister of Finance announced a phased tax reform, with one phase dedicated to Pillar Two enactment in Belgium. Currently, stakeholder consultations are taking place with advisors and businesses.

Cyprus

- 9 On 16 December 2022 the Ministry of Finance released an announcement confirming that it would proceed with the preparation of the relevant legislation transposing the Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union. As per the announcement, measures to mitigate any negative effects that Pillar Two may arise on the Cyprus economy would be examined in parallel.

Czech Republic

- 10 On 15 May 2023 the Czech Republic published a draft legislation to transpose the Directive.
- 11 On 16 August 2023, the Czech Government adopted a bill transposing the Directive into the country's domestic tax law. The bill has been sent to the Czech Parliament for final approval.

Denmark

- 12 On 26 June 2023 Denmark published a draft bill suggesting Danish implementation of the Directive into Danish internal law with effect as from 1 January 2024. The draft bill was sent to consultation with various Danish parties. The deadline for providing comments to the draft bill was 18 August 2023.

Finland

- 13 On 15 August 2023, Finland released draft legislation, for public consultation, to introduce Pillar Two into domestic law. The draft legislation was generally in line with the Directive. In this consultation document, Finland noted its intention to introduce a Qualified Domestic Minimum Top-up Tax (QDMTT) to be applicable for financial years starting on or after 31 December 2023, but the QDMTT was not included in the draft legislation. Finland expects to release further details on the QDMTT in the following months.

France

- 14 The French government recently communicated that Pillar 2 law would be included in the next Finance Bill (to be presented to Parliament at the end of September for adoption before the end of the year).

Germany

- 15 The Federal Ministry of Finance (MoF) published a draft law on 20 March 2023 to implement the Directive. The draft law was largely based on the Directive, the OECD Model Rules and other OECD publications (e.g., Safe Harbour Rules). The MoF requested to submit comments on the discussion draft by 21 April 2023.
- 16 On 10 July 2023 the MoF published an updated draft law. The new draft law included most of the OECD Administrative Guidance from February 2023. The MoF requested to submit comments on the draft law by 21 July 2023.
- 17 On 17 August 2023 the Federal Government of Germany published an updated draft law. The new draft law included additional aspects of the OECD Administrative Guidance from February 2023. The OECD Administrative Guidance from July 2023 was not included.

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- 18 As a next step the draft bill will undergo the legislative process for approval and should be approved by 15 December 2023, at the latest.

Ireland

- 19 On 27 July 2023, Ireland's Department of Finance released a second feedback statement (with draft legislation) seeking comments on the Irish implementation of the Pillar Two rules (GloBE rules). This follows the initial release of draft legislation in March 2023. Together, both sets of draft legislation made up the proposed manner of implementing the GloBE rules. The final rules will be published as part of the Finance Bill in October 2023.

Italy

- 20 In the context of a tax reform, it has been proposed to include the implementation of the Directive. In particular, the relevant text under discussion provides for: 1) the adoption of a QDMTT for MNE Groups and large-scale domestic groups 2) appropriate penalties (in line with penalties provided for corporate tax) and 3) review and simplification of controlled foreign company (CFC) rules (and in particular, the determination of CFC income to be taxed in Italy).

Liechtenstein

- 21 On 29 March 2023, Liechtenstein Government published draft GloBE-Tax-Law for consultation. On 11 July 2023, the government approved the report and motioned it to Parliament. The draft GloBE-Tax-Law is set to be debated in parliamentary debate in September 2023. The draft law is in line with the OECD Model Rules and Commentary. When passed into Law, it shall apply in parallel to the existing Liechtenstein Tax Act.

Netherlands

- 22 On 31 May 2023, the Netherlands legislative proposal to transpose Pillar Two into the Dutch company tax system, titled 'Minimum Tax Act 2024 (Pillar Two),' was submitted to the Dutch Parliament for discussion. The draft legislation followed the legislative proposal released in October 2022 as part of the public consultation. The legislative bill is expected to enter into force on 31 December 2023. The Pillar Two rules will apply to accounting years beginning on or after this date.

Norway

- 23 On 6 June 2023 the Norwegian Ministry of Finance released a proposal for the Pillar Two legislation in Norway. The proposal contains an implementation of the IIR as from fiscal years 2024, while the implementation of the UTPR aims to be proposed later.

Spain

- 24 A public consultation was published on 6 March 2023 about the transposition of the Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union. The consultation was open until 24 March 2023.

Sweden

- 25 On 7 February 2023, Sweden released a white paper proposal for draft legislation concerning Pillar Two. Whereas the proposal generally aligned with the Directive, it was still a work in progress, as it had not yet fully incorporated all the provisions of the Directive due to time constraints. The consultation period for the paper ended on 15 May 2023.

