

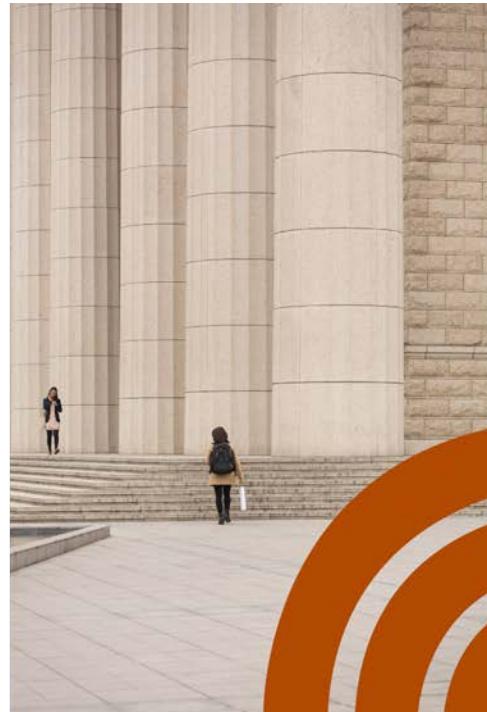
Countdown to Pillar Two

Make sure you are taking these steps

Time is ticking!

Countdown to **Pillar Two**

Make sure you are
taking these
key steps **now**



Time is ticking!

The OECD's Pillar Two is nearly upon us. Here are a few key steps that businesses need to take now.

In Brief

Many jurisdictions will have local legislation enacted and effective for January 1, 2024. While local legislation is still being finalized in many countries (including the Middle East), Pillar Two generally applies to multinational groups with revenue of at least EUR 750m, and requires companies to evaluate their tax expense through a data intensive calculation process — a significant operational challenge that may result in tax expense increases for some companies. In addition, readiness for the increased tax compliance complexity is top of mind for many companies and proper preparation can ease the burden.

Act now! You may have a disclosure requirement in respect of Pillar Two in your FY23 annual financial statements. In addition, depending on how Pillar Two applies to your group, there may be a requirement to recognise the impact in your FY24 annual and quarterly financial statements (starting in Q1 2024).

Get ahead of the game and prepare. Align with your financial statement auditor and lay the foundation for data, technology, and process.

Below are key steps we recommend companies take now:

Current State Assessment

1. Pillar Two scope

- Review your legal entity organization chart
- [Inventory of your Constituent Entities and Joint Ventures](#)
- [Determine which jurisdictions](#) in your structure are adopting an Income Inclusion Rule (“IIR”) or (“Qualified Domestic Minimum Top-Up Tax (“QDMTT”) for 2024.

2. [Safe Harbor analysis and elections](#)

- [Important dates](#) - if CbCR safe harbor is not selected in the first year, it cannot be elected into in subsequent years (“once out always out”) - consider whether CbCR safe harbor provides longevity into 2026 versus UTPR safe harbor.
- Get comfortable with the CbCR process and identify enhancements, as necessary
- Determine which jurisdictions meet one of the Transitional Safe Harbors
- Determine potential elections

3. [Scope material jurisdictions for full GloBE computation](#)

- If jurisdiction is immaterial - document process for determination
- If jurisdiction is material - perform data-mapping exercise for full computation

4. [Data sourcing assessment](#)

- Evaluate 270+ data points required for full GloBE calculations to determine relevance and materiality
- Identify source system and owners of data
- Evaluate ability to access and utilize data
- Map to and run GloBE computation

Once you have completed these checklist items, you should be in a better position to understand the Pillar Two impact on revenues and tax expense at a jurisdictional level.

Now you’re ready to start discussions with your auditor. Bring a point of view on how Pillar Two impacts your company and provide high-level direction on how you will calculate and account for the new rules in Q1 2024. Once you’ve gotten directional alignment with your auditor, you’re ready to execute and put your plan into action.

Execution

Avoid a last minute and costly rush to establish your processes and calculations for Pillar Two in the coming year. Taking the following actions on time should put you on a strong footing:

1. Develop your detailed process steps for forecasting Pillar Two Tax in Q1, Adjusted Effective Tax rate, and 2024 budgets.
2. Implement technology or workpaper strategy and develop an approach and supporting technology or data collection and mapping.
3. Develop processes and controls documentation for how you scoped and calculated your Pillar Two liability (or lack thereof) and for how you are and will continue to monitor legislative activity globally, and
4. Perform mock closes / dry runs of Pillar Two calculations for your Constituent Entities in implementing jurisdictions and document key technical positions.

Discuss these action items with your auditor before year-end to ensure alignment. Get their input on the operational, data, system, process, and computational frameworks you've established. Your plan will evolve, but starting strong in Q1 is crucial for managing the workload of Pillar Two in 2024. Stay ahead of the game and set yourself up for success!

Please reach out to us in case of any questions



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