

# Pillar Two GMT Tax Solution on OneStream

Feeling swamped by increasing levels of international tax rules?

**TLC and OneStream can help via the deployment of the OneStream Enterprise Tax Reporting solution (supported by BDO).** If you are part of a multinational group with revenue exceeding €750 million, you will likely already know that the Organization for Economic Co-operation and Development's (OECD) "Global Anti-Base Erosion" initiative has now become a reality, with over 140 jurisdictions introducing legislation in respect of a Global Minimum Tax (GMT) of 15%.

This initiative has been introduced to address perceived challenges in long-standing international tax principles, by limiting opportunities for multinational enterprises to enter into tax planning to reduce taxes payable in higher tax jurisdictions (known as "base erosion and profit shifting" activities or "BEPS"). This is the second Pillar to that initiative (hence the term Pillar Two).

Whilst countries including the United States and China are yet to sign up to the initiative, multinational groups headquartered in these countries will still be caught by it if they also operate in any of the countries that have enacted the rules.

Pillar Two is the Global Minimum Tax that looks to level any disparity between the taxes paid in the company's HQ (or "parent") country and the taxes paid in the countries of its foreign subsidiaries. Broadly, a parent company must pay a top-up tax on behalf of the group if, under the calculations in the legislation, tax is being paid at less than the 15% effective tax rate in any country in which it operates. As with any tax legislation, the rules are complicated and the devil is in the detail. At a high level, top-up tax is payable by entities in the group under the "Income Inclusion Rule" (IRR); "Undertaxed Payments Rule" (UTPR) or via a "Qualifying Domestic Minimum Tax" (QDMTT). There is also a "Subject To Tax Rule" (STTR) that countries use only when developing tax treaties.

Pillar Two is compulsory, and whilst the adoption date varies by country, many have enacted legislation with effect from 1/1/2024. Suffice to say multinational enterprises need to ensure they have competent systems as well as a strategy to ensure compliance with these rules, with many multinational enterprises considering whether their international structures are still appropriate given the changing international tax landscape.

## Companies are focusing on upskilling their teams and communicating with their executive committees and audit teams regarding the changes.

Forward-looking companies have already modelled their tax liability and the impact on their financial results (and earning per share, for public companies). This is an area where it is strongly recommended that you seek external assistance to ensure not only compliance but proactive strategies to save time and money.

Compliance with Pillar Two requires companies to implement processes to maintain two sets of books and financial records for each jurisdiction and to report on an entity-by-entity basis, with hundreds of data points to be considered from various sources. Data will be needed at a very granular level and require an accurate execution of tax rules. Pillar Two is a significant uplift on everything that has come before and will require robust technology and tax expertise to gather and maintain the tax rules for each tax jurisdiction.

**Fortunately, there is a solution. OneStream Software provides the robust technology foundation, BDO provides the tax requirements, and TLC implements the solution.**

**The Solution** – built leveraging the robust data acquisition capabilities and advanced calculation engine OneStream provides, BDO has devised a Pillar Two framework of requirements to allow multinational enterprises to capture their relevant tax data points, run calculations in line with the legislation, and prepare output reporting. All of the computational structures have been validated by the BDO global network as meeting the objectives of the given requirements.

The OneStream tax provisioning functionality has been optimised and re-engineered, and advanced tax business logic has been added to create an overarching Enterprise Tax Reporting solution. The solution handles either or both a US GAAP and IFRS approach and includes balance sheet, income statement, and cash flow analysis.

### **Enterprise Tax Reporting includes three key elements:**

- Tax Provisioning
- CbCR (country-by-country reporting)
- Pillar Two

TLC's role is to implement both the core OneStream platform (if not already in existence) and the Enterprise Tax Reporting solution. OneStream and TLC will provide any ongoing technical support required of the

software. BDO will be providing regular updates to requirements to keep the Pillar Two solution accurate for any changes in local tax law in each of the affected countries, continue to quality check the tax calculations and, if required, provide ongoing international tax support. We would be happy to dive into more detail about the solution at your convenience.

**About BDO** – BDO is one of the largest international networks of accountancy and business advisory firms in the world providing audit, advisory, tax, and business outsourcing services. BDO's tax professionals located in 162 countries have experience managing the most complex tax challenges across a wide variety of industries and international borders.

**About TLC** – TLC Technologies has been implementing innovative EPM/CPM solutions for global clients for over 25 years. TLC is known as a domain expert and leader in the implementation of OneStream Software having delivered successful projects to many clients over the years. Our clients are our best source of new business. At TLC, complexity is our friend.

**About OneStream** – OneStream Software provides an intelligent finance platform to enable confident decision-making and maximize business impact. OneStream unleashes organizational value by unifying data management, financial close and consolidation, planning, reporting, analytics, and machine learning. OneStream's mission is that every customer is a reference.

**If you would like to find out more, please contact Robert Fitzgerald or John Ambrose with TLC Technologies at [rfitzgerald@tlctechnologies.com](mailto:rfitzgerald@tlctechnologies.com) and [jambrose@tlctechnologies.com](mailto:jambrose@tlctechnologies.com), respectively.**