

Overcome Operational Challenges of Global Minimum Tax and Pillar Two

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November 2024

Ania Wojtowicz

Senior Tax Manager, Grant Thornton Advisors LLC

- Ania has more than 12 years of experience in corporate taxation. Her expertise is in tax system implementations and process improvements, including knowledge of all major tax compliance, provision, and data analytic software packages.
- In her role at the firm, Ania works with clients on all aspects of tax management services, from software evaluation and selection to implementation, training and robotics, helping ensure that each implementation meets client expectations for process improvement as well as assisting tax departments validate and test that tax requirements are met during enterprise-wide ERP implementations.
- She is a certified implementer of ONESOURCE Tax Provision.

Sarah Ngo

Vice President of Tax, Hilton Grand Vacations

- Sarah Ngo has over fifteen years of tax experience specializing in tax provision, mergers and acquisitions, and income tax compliance.
- She is passionate about leveraging tax technology to drive efficiencies and improve processes.
- Prior to working at Hilton Grand Vacations, Sarah worked for another large multi-national public company where she implemented many international tax provisions of the TCJA, including GILTI and BEAT.
- Sarah is a licensed CPA in Florida. She graduated from the University of Florida with a Bachelor and Master degree in Accounting.

Max Cogan

Manager, Grant Thornton Advisors LLC

- Max is an experienced UK tax professional with over six years of expertise in public accounting, specializing in areas such as UK corporation tax compliance, M&A tax services, and cross-border restructuring from both UK and US perspectives. More recently, Max has shifted his focus to US tax principles, providing dual knowledge insights and comprehensive advice on both UK and US tax matters.
- As one of the firm's leading experts on the OECD's Pillar 2 initiative, Max regularly writes and speaks on public and external platforms. Max advises on the full range of Pillar 2 solutions – from initial impact assessments to implementation of tax engines.
- He also serves on the AICPA's OECD Task Force, where he plays a key role in discussions on Pillar 2 implementation, particularly for US multinationals and AICPA affiliates, addressing a broad range of international tax challenges

Logistics

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SYNERGY App

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Objectives

Upon successful completion of this session participants will be able to:

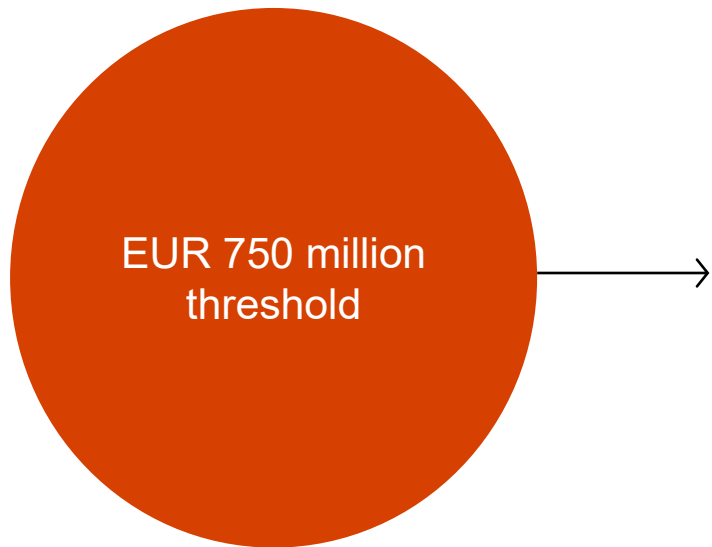
- Recognize common challenges that companies have had to face on their Pillar Two journey
- Identify solutions and tools that can be used to solve for data, technology and process challenges
- Analyze leading practices to develop and refine a roadmap to operationalize Pillar Two

Agenda

- Overview of Pillar Two and key considerations
- Operationalizing Pillar Two
- Potential solutions for technology, data and process challenges as they relate to Pillar Two
- Hilton Grand Vacation's Pillar Two Journey
- Why now and call to action

Pillar Two & the Global Minimum Tax

Who is impacted?



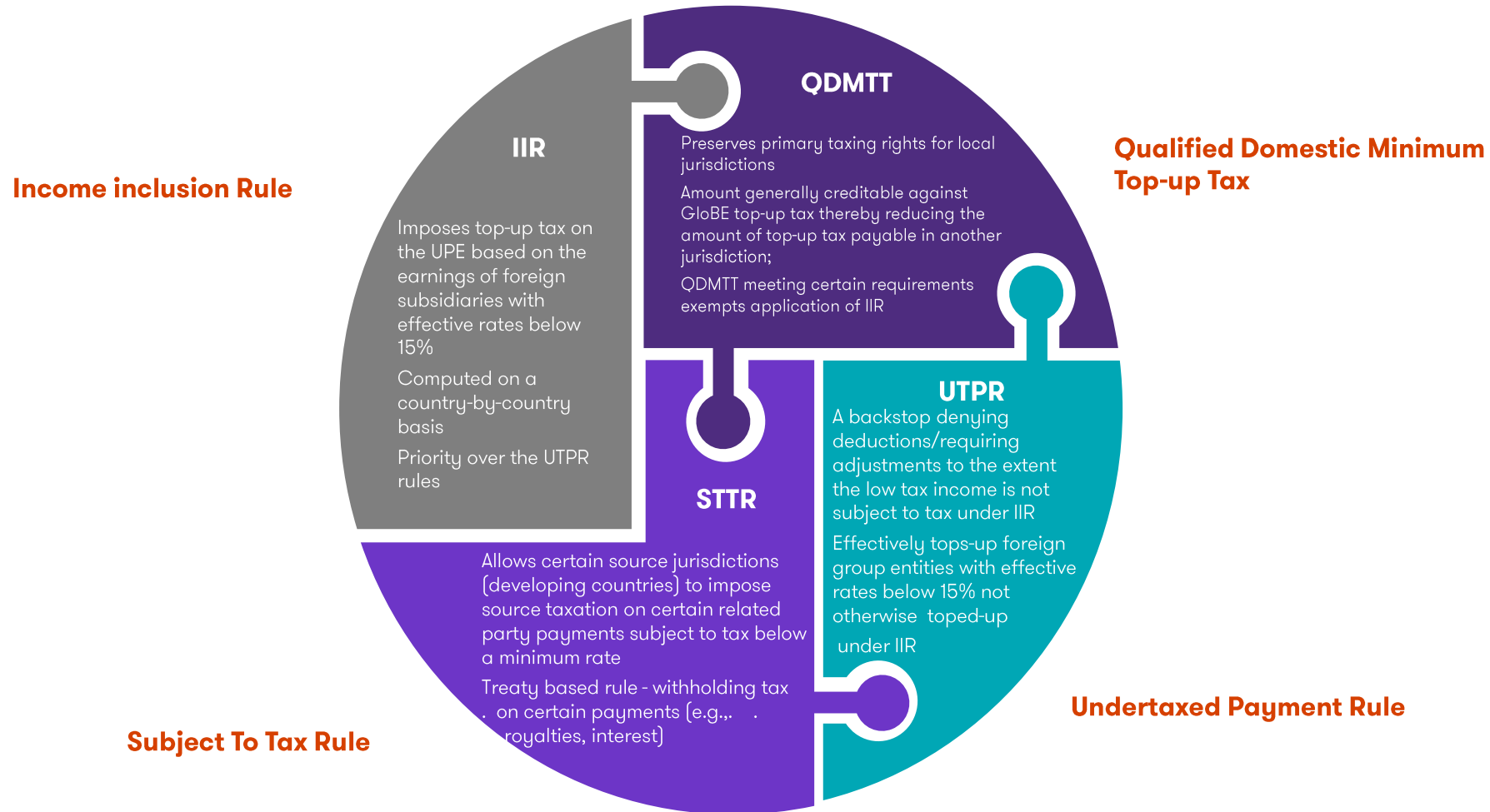
Pillar 2 rules apply to constituent entities (CEs) (i.e., entities and their permanent establishments) of a MNE group that has annual revenue of €750 million or more in the consolidated financial statements in at least two of the four fiscal years immediately preceding the tested fiscal year

A MNE group consists of entities that are related through ownership or control which are included in the consolidated financial statement of the ultimate parent entity (UPE)

If the revenue threshold is met, Pillar 2 rules generally apply broadly to all types of corporate entities or arrangements that prepare separate financial accounts (e.g., partnerships, trusts) and their permanent establishments

Excluded entities:
a governmental entity, an international organisation, a non-profit organisation, a pension fund, an investment fund that is an ultimate parent entity, or a real estate investment vehicle that is an UPE

Pillar 2 framework



Income Inclusion Rule (IIR)

Parent country adopts the IIR

IIR Impact

Parent Co:

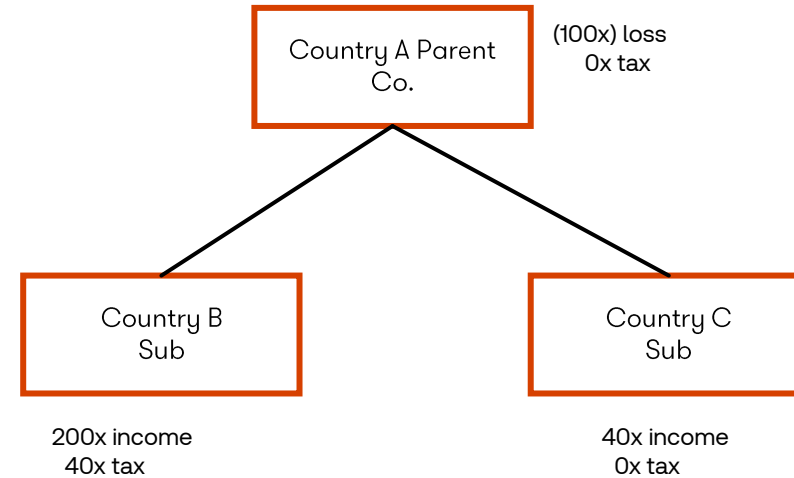
- Incurs additional Country A taxes under IIR for Cayman Sub see below

Country B Sub:

- $[(200x * 15\%) - 40x] = -10x$ no top-up tax

Country C Sub:

- $[(40x * 15\%) - 0x] = \$6$ top-up tax

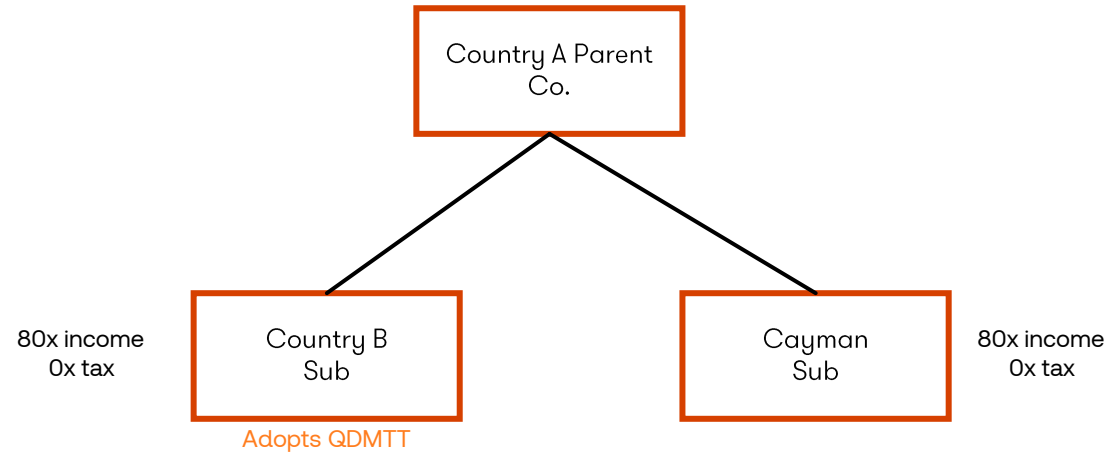


Qualified Domestic Minimum Top-up Tax (QDMTT)

Parent country does adopt the IIR and its subsidiaries are low-taxed

Country B's UTPR:

- 12x Top-up tax incurred on Country B Sub's income, imposed in Country B



Undertaxed Payments Rule (UTPR)

Parent country does not adopt the IIR and is low-taxed

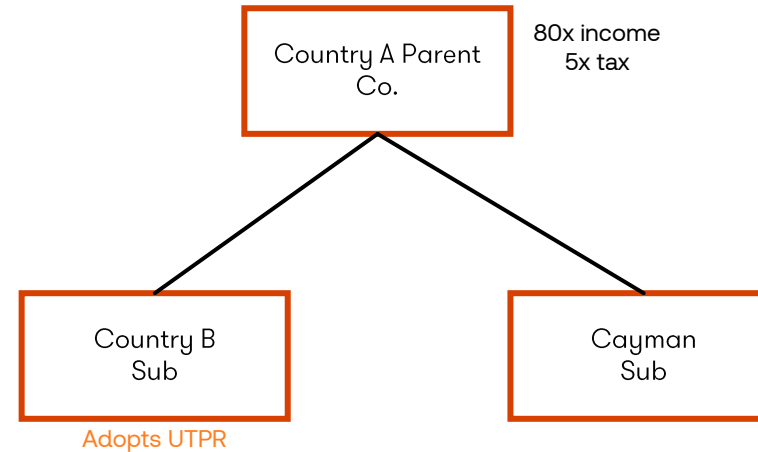
Country B's UTPR:

- 7x Top-up tax incurred on Parent Co.'s income

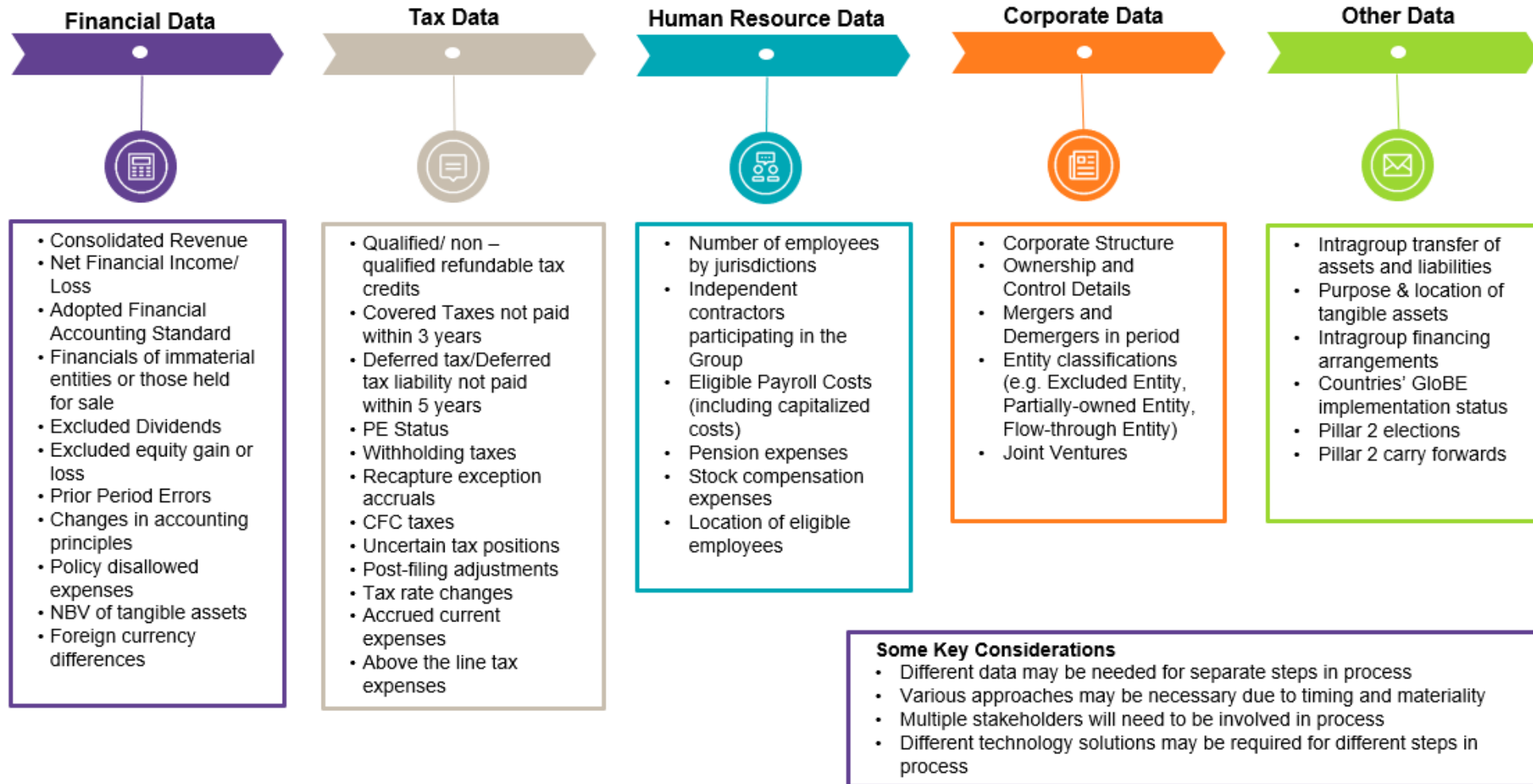
Effective tax rate computation:

$$(5x / 80x) = 6.25\%$$

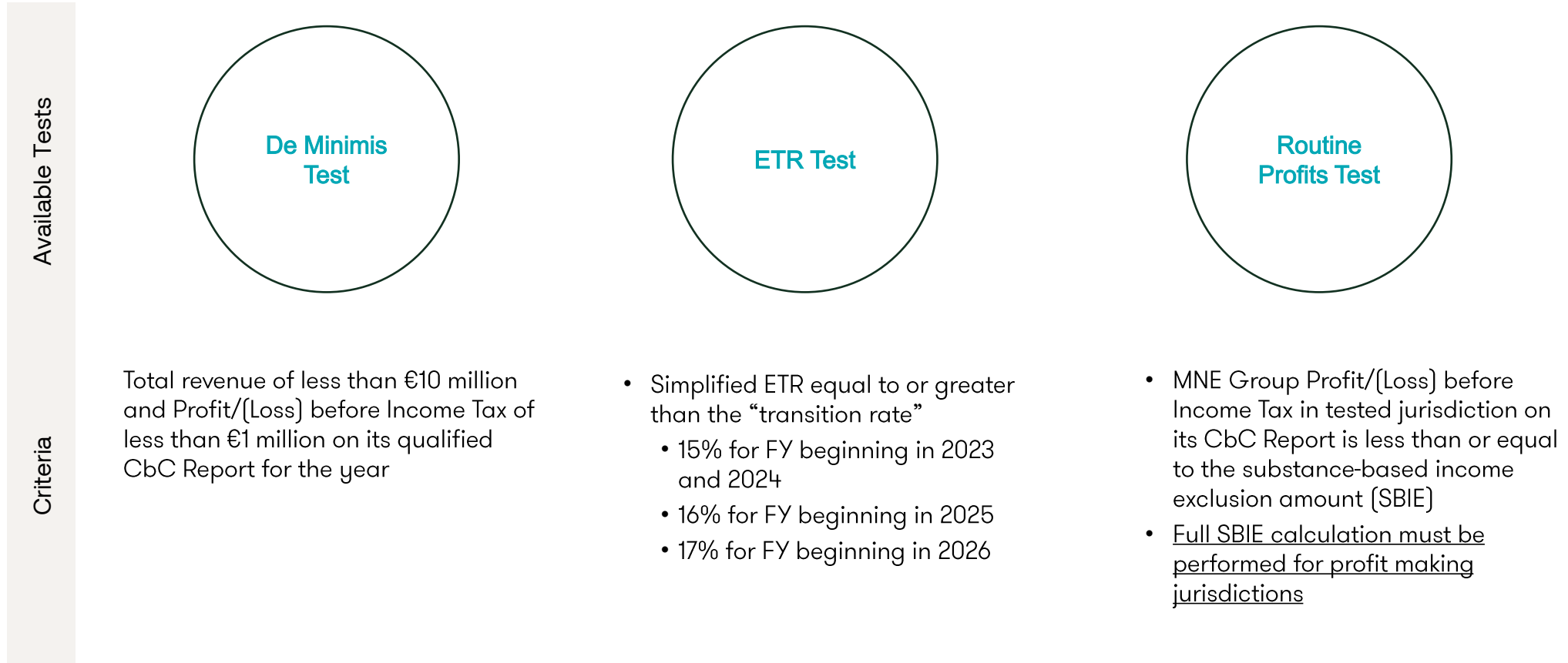
$$[(80x * 15\%) - 5x] = 7x$$



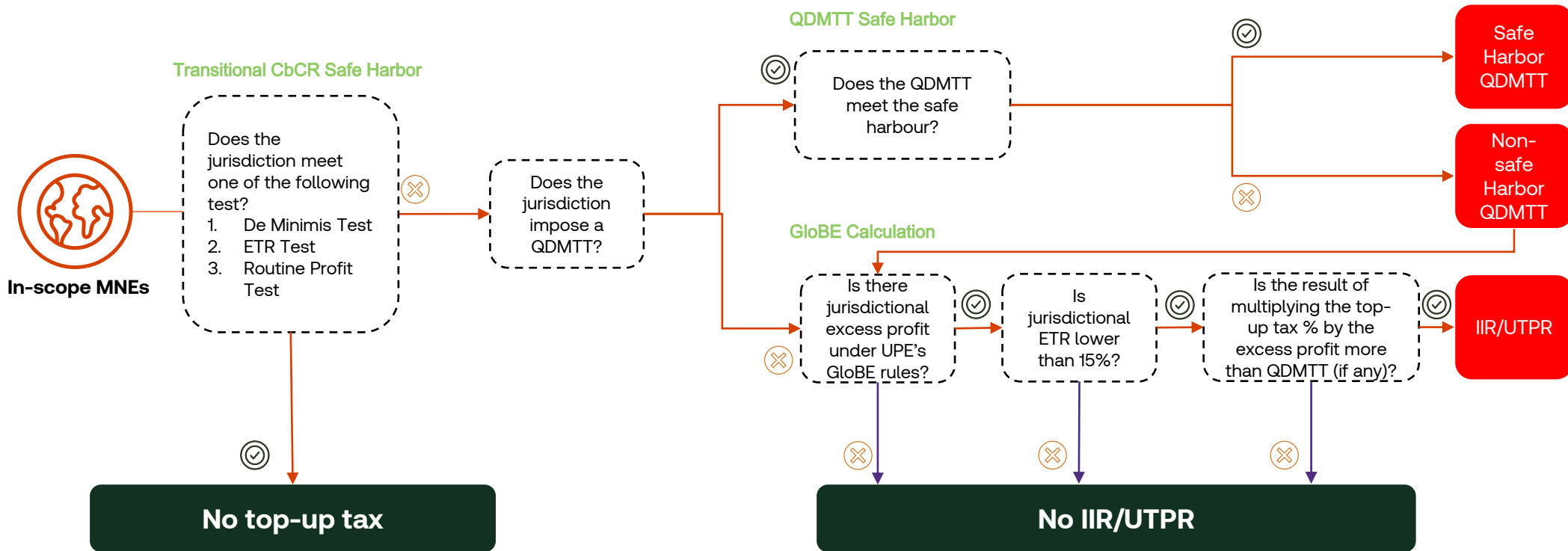
Sample of data required for Pillar Two calculations & reporting



Transitional CbCR Safe Harbor



Application of GloBE Rules



Current and upcoming deadlines

1. Disclosures in the annual accounts

The IASB as well as multiple local accounting boards have introduced certain disclosures that companies that fall within scope of Pillar 2 need to include in their 2023 annual reporting to inform stakeholders of the anticipated impact of Pillar 2 on the group and company.

Further, companies must claim a mandatory exemption from including deferred tax liability positions in relation to future Pillar 2 top-up tax.

2. 2024 Pillar 2

Multiple accounting boards have recognized the Pillar 2 top-up tax as an income tax that should be accounted for in the annual statements. **As such, starting 2024, reporting (quarterly and year-end) should include Pillar 2 provisions.**

3. Pillar 2 information tax return

Groups that fall within scope of Pillar 2 will be required to file a group-wide information return annually. This information return reports on all positions taken in relation to Pillar 2 and the calculations of the effective tax rates and top-up tax respectively and can be filed by one company on behalf of the group (comparable to a master file).

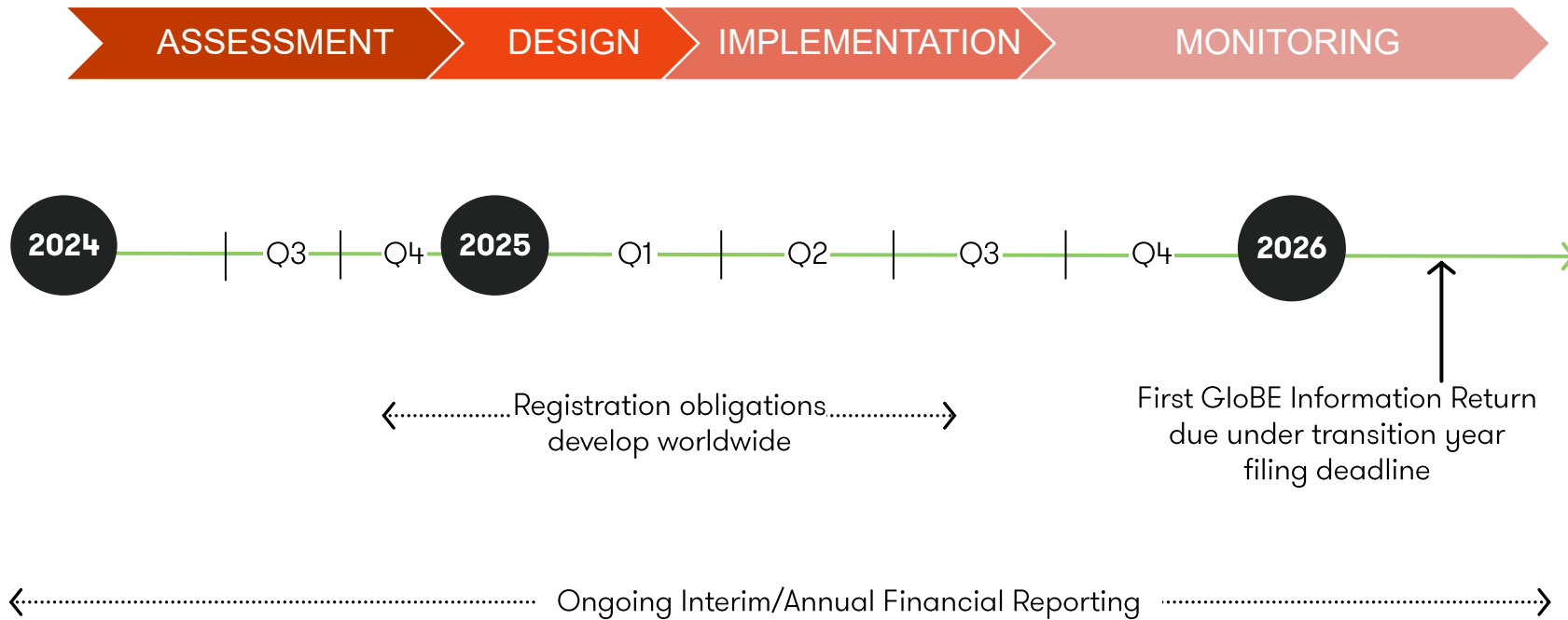
The deadline for the first information tax return is 18 months after the end of the first financial year in which Pillar 2 is applicable (2024).

4. Pillar 2 top-up tax return

Where Pillar 2 leads to top-up tax, a tax return should also be filed. Our expectation is that this will come in a simple format and include reference to the Pillar 2 information tax return.

The deadline for the top-up tax return varies by jurisdiction.

Pillar Two Operational Timeline



How prepared are you for Pillar Two?

Raise your hand if you are:

- a. Ready and actively accounting for it
- b. In the early stages of safe harbor analysis
- c. Just beginning your analysis

Operationalizing Pillar Two

Challenges in the calculation



Pillar Two Operational Readiness Questions

What questions should you be evaluating?

“Should we be licensing an engine for calculations and reporting?”

“Who are the vendors that license a Pillar two engine and which one is best for us?”

Technology

“What data do we need, do we have access to that data, and is it sensitized to our needs?”

“How will we access, transform and store the data and integrate with an engine?”

Data

“How will we integrate Pillar Two calculations into our provision, compliance and forecasting processes?”

“How do we ensure our future process is scalable and auditable?”

Process

“Do we have the skills and capacity to take on this new process, or should we co-source / outsource?”

“Who is going to execute the new processes?”

People & Sourcing

Operationalizing Pillar Two



Data Blueprint

- Data requirements blueprint & gap analysis
- ERP/Source system sensitization
- Data strategy
- Collection
- Transformation
- Storage



Process Design

- End-to-end lifecycle
- Compliance
- Provision
- Integration with source systems and engines
- Internal controls



Technology

- Software selection
- Software implementation
- Data transformation & analytics
- Data collection
- Data storage
- Workflow



People & Sourcing

- Sourcing model
- Roles & responsibilities
- Change management

What is the data I need? Do I have the data? Is the data sensitized to my needs?

Items to consider:

- Data mapping exercise
 - Understand data required based on your profile
- Data GAP analysis
 - Are there datapoints currently not available
- Data Sourcing analysis
- Aligning data sources to the ERP
- Pillar Two set of books and records

Data Collection Process

- Who are the data owners?
- How will I compile and validate the data in an automated way?
- What is the condition of the data and does it need to be transformed?
- Do we need to create, adjust or expand:
 - Tax surveys & questionnaires?
 - Controls to look for assumptions that have changed?
 - Work with data owners to develop protocols to source the information
- Accounting, finance, legal, IT, HR
- Develop a plan for gaining timely access



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- Workflow Manager
- ONESOURCE Workpapers



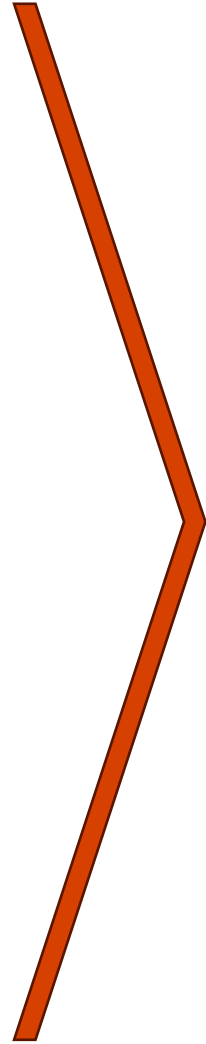
Microsoft 365

- Microsoft Power Platform
 -  Power Apps
 -  Power Automate

Data Storage Strategy

Items to consider:

- Where will I store the data once I receive it?
- One source of data truth across all jurisdictions
- Data lakes & SharePoint repositories





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- Tax Provision
- DataHub

 **Microsoft 365**

- Microsoft Power Platform
 -  Dataverse
 -  Sharepoint Site

Other Data Repositories

- ERP Data Lake
- Azzure, Snowflake, etc

Process Design

Designing an end-to-end lifecycle:

- Compliance
- Provision
- Integration with source systems and engines
- Internal controls

Roles and Sourcing

- Sourcing model
- Roles & responsibilities
- Change management

Technology

- Software selection
- Software implementation
- Pillar 2 Engines
- Data transformation & analytics
- Data collection
- Data storage
- Workflow

Which aspect of Pillar Two is most concerning for you?

- Data Mapping and Data Sourcing
- Data Collection & Storage
- Process Design
- Sourcing
- Tools and Technology
- All the Above



Hilton Grand Vacation's Pillar Two Journey

Getting Started



Educate the Business

Ensure support from leadership, IT, and other internal partners

Advocate for additional resources



Understanding Audit Expectations

Start the dialogue early so that there are no surprises

Interim vs. annual expectations and data availability



Preparing for Compliance

Focus on the transitional CbCR safe harbor

Identify data points relevant to the business

Software demos

What's Next?

Review our CbCR data and mitigate any deficiencies



IT Road Map



Implement a Tax Technology Tool






Why Now?



Where to start

1. Develop a plan with roadmap and timeline
2. Establish internal working groups and owners
3. Decide on technologies to license
4. Educate your stakeholders on Pillar II and the impacts
5. Develop business case for budget needed for the next few years
 - Tax needs additional internal resources and mechanisms to comply
 - Readiness / Future-state design consulting
 - May need IT resources involved and budget to sensitize source systems
 - May need to license and implement various technologies, or co-source / outsource that can take 12 – 14 months

Sustaining the plan

-  An agile rollout approach
-  Countries won't roll out at same time, nor with same rules
-  Be prepared for a staggered rollout
-  Don't under-estimate change management and training efforts
-  Develop thoughtfully, revisit decisions, and adjust processes accordingly

Wrap-up

Please remember to complete your session evaluation! We appreciate your feedback.

If we were not able to answer your question during the session, please visit with our onsite Support team.

Keep the momentum going by engaging with Thomson Reuters staff and your peers in the SYNERGY Square.

Thank you!

Presenter(s) Name

Presenter(s) Email Address