



To: Pillar 2 In-scope Group

Email pillar2mailbox@hmrc.gov.uk

Date June 2023
Our Ref PILLAR2/UPDATE1

Dear Sir or Madam

UK adoption of Organisation for Economic Cooperation and Development (OECD) Pillar 2 model rules

I recommend you share this letter with your group's UK Senior Accounting Officers and/or Chief Financial Officer and those people responsible for your international accounting and tax compliance.

In October 2021, the UK and over 135 other countries agreed as part of the OECD Inclusive Framework to a two-pillar solution to reform the international corporate tax framework in response to the challenges of digitalisation.

Pillar 2 of this solution, known as the Global Base Erosion (GloBE) rules, requires a group with consolidated annual revenues of over €750 million to pay a minimum 15% tax on its profits in each jurisdiction it operates in.

As part of the UK adoption of the OECD Pillar 2 rules, the government has announced two new taxes, the Multinational Top-up Tax (MTT) and Domestic Top-up Tax (DTT). These will apply to accounting periods that begin on or after 31 December 2023.

I am writing to businesses I believe may be in scope of MTT and DTT, to offer them support as the new taxes are introduced. From the information we hold, I consider that the company to which this letter is addressed may be a member of a consolidated group that had annual revenues of more than €750 million in past accounting periods, and therefore may be required to register for these taxes.

MTT and DTT

MTT will require all groups with both UK and non-UK entities and sufficient consolidated revenue to register with HMRC. A charge may arise on UK parent members within such a group, where a UK parent member has an interest in an entity in a non-UK jurisdiction, and the group's profits arising in that jurisdiction are taxed below the minimum rate of 15%.

If you need extra support, for example if you have a disability, a mental health condition, or do not speak English/Welsh, go to www.gov.uk and search for 'get help from HMRC'.
Text Relay service prefix number – 18001

DTT will require all groups with UK entities and sufficient consolidated revenue to register with HMRC. A charge may arise on UK members within a domestic or multinational enterprise group where UK profits are taxed below the minimum rate of 15%.

How to prepare for these changes

Businesses will need to prepare for complying with MTT and DTT in the UK, as well as the adoption of Pillar 2 in other jurisdictions.

Work at the OECD is ongoing to ensure that the Pillar 2 rules are implemented in a coordinated manner to achieve better tax certainty for businesses and reduce compliance costs.

To help you meet your UK obligations, I have included our first 'Pillar 2 update' with this letter. We will offer more updates and support before the new rules come in.

Please email pillar2mailbox@hmrc.gov.uk if:

- you want to receive future updates by email on Pillar 2 developments, guidance, and event information – this may help your business prepare for the changes
- you are not sure whether you'll be in scope of MTT and DTT and would like to discuss this with us
- your group has received this letter more than once - please let us know so that we can update our records.

Getting advice

If you have a tax adviser, you may want to discuss this with them. We have sent an example of this letter to advisers who might represent groups in scope of Pillar 2.

— Yours faithfully

Clare Walsh

Pillar 2 Technical Lead

To find out what you can expect from us and what we expect from you go to www.gov.uk/hmrc/your-charter and have a look at 'Your Charter'.



This update outlines the support available to help you meet your new obligations.

There are different levels of awareness and preparation among groups that the Pillar 2 rules may apply to. We strongly recommend you think about the impact of Pillar 2 as soon as possible and follow global and domestic developments.

UK Implementation of Pillar 2

On 23 March 2023 draft UK legislation was published for MTT and DTT in Parts 3 and 4 of the Finance Bill. This will apply in the UK for accounting periods beginning on or after 31 December 2023.

The UK legislation includes a proposed reporting process which includes:

- a requirement for groups with consolidated revenue above €750m to register with HMRC when they first come into scope of the Pillar 2 rules
- an annual self-assessment return to report details of the group's MTT and DTT liabilities
- the requirement to submit a GloBE Information Return (GIR) which shows the group's global Pillar 2 tax calculations, or to submit an overseas return notification (where an information return has been submitted to another qualifying authority).

Groups will have UK obligations even if they do not have MTT or DTT liabilities. These obligations will apply to both UK-headed and non-UK headed groups irrespective of whether the jurisdiction of the Ultimate Parent Entity implements Pillar 2.

Publications

You can find useful publications on the OECD website. Go to www.oecd.org and search for:

- 'GloBE Model Rules', 'Pillar Two Rules in a Nutshell' and 'Key Operating Provisions of the GloBE rules' – published 20 December 2021
- 'Commentary to the GloBE rules' – published 14 March 2022
- 'Safe Harbours and Penalty Relief: GloBE Rules' – published 20 December 2022
- 'Administrative Guidance on the GloBE rules' – published 2 February 2023

You can also find a recording of a meeting that took place on 16 March 2023 which discussed responses to the recent public consultations on the GIR and Tax Certainty for the GloBE Rules.

The UK government has previously undertaken a consultation on Pillar 2 UK implementation, a summary of the consultation responses was published on 20 July 2022 and can be found at www.gov.uk

You can find the draft UK legislation on www.parliament.uk

Draft guidance for MTT and DTT is being published shortly by HMRC on www.gov.uk

HMRC IT Digital Service

We're developing a Pillar 2 digital service to help businesses meet their UK obligations. You'll be able to register for this and access it through your Business Tax Account. We'll tell you more about this in future updates.