

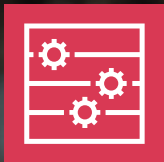


Catalyst for transformation

**Building Pillar Two into
business-as-usual**

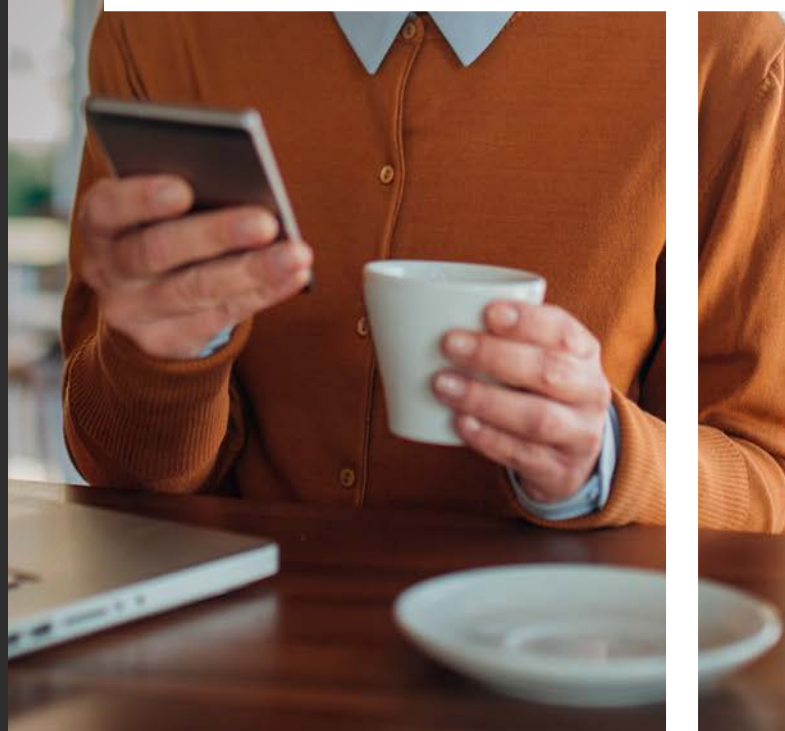
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Catalyst for transformation: Building Pillar Two into business-as-usual

With OECD Pillar Two now live and the resulting pressures on tax teams mounting up, now is the time to move from feasibility and impact assessments to implementing projects and embedding into business-as-usual (BAU). Building on the step-up in capabilities needed to deliver Pillar Two BAU, this is an opportunity to review and potentially transform existing tax reporting and compliance processes. Systems modernisation is critical, but people, processes and data are just as important in creating a sustainable foundation for tax compliance and strategic support.





Ground-breaking global tax reform

As the first global tax of its kind, Pillar Two is one of the key areas of interest, not just among tax teams but representatives from IT and finance as well. Pillar Two ushers in a 15% minimum corporate tax rate on companies with annual group revenue of more than €750 million.

If your business is within the scope of the rules, the first big challenge is the squeeze on already exacting period-end timelines. On top of your regular tax reporting, you'll now have to calculate accruals for any of the new relevant domestic minimum taxes and for the group level Income Inclusion rule. As you can't calculate and report the Pillar Two numbers until the regular tax accruals are complete, you effectively have twice the amount of work to carry out in the same amount of time. Post period end, your group is likely to need to prepare new domestic minimum tax returns in addition to the group level filings. Moreover, you'll have to prepare the Pillar Two filings (domestic or global) using consistent and reconcilable data across all the territories in which you operate, while allowing for all the local variations in how the rules are interpreted and applied worldwide.

The other big challenge is the range of data, much of which has not been included in tax provision calculations previously. [The PwC Pillar Two data input catalogue](#) lists 260+ data points that will need to be sourced for each of your branches or entities, with only a proportion of these currently recorded in accounting systems. It should be noted this list is likely to continue to grow, as more jurisdictions introduce local legislation for Qualified Domestic Minimum Top-up Tax (QDMTT) regimes.

In order to make sure that cash tax forecasts are based on expected out turns and to ensure that Country by Country Reporting (CbCR) returns meet the qualifying standards, it is likely that operational transfer pricing requirements will need to be accelerated and calculations undertaken in period, rather than post period.

With the first Q1 tax reporting now imminent, the key question is how to operationalise Pillar Two. As many businesses are already finding, spreadsheet-based processes can buckle under the weight of these demands. With tax teams stretched, there is a real risk that Pillar Two provision calculations could either be late or wrong, with all the reputational damage that could ensue as a result.



Sustainable solution

With Pillar Two impact assessments as the starting point, many businesses are therefore reviewing their technology stack to determine which combination of tools can create a reliable, sustainable and cost-efficient foundation for compliance.

The good news is that many existing platforms are being extended to embrace Pillar Two. Among the tools we're working with clients to implement is Oracle Cloud EPM Tax Reporting. Sitting within the Oracle Cloud EPM suite, Cloud EPM Tax Reporting can support the financial statement reporting and planning component of Pillar Two. Cloud EPM Tax Reporting also includes integrated and automated support for global and local top-up tax calculations, provision, CbCR and other required data from various source systems.

Complementary software includes Oracle Cloud Infrastructure GoldenGate, a data mapping and analytics tool which along with Profitability and Cost Management within the Cloud EPM suite, can be used to support cost allocation and transfer pricing under Pillar Two.

Platform functionality can be augmented by dedicated Pillar Two tools. For example, we've developed PwC's proprietary software, the [Pillar Two Engine](#), that will allow you to take data from all source systems to run calculations for GloBE Information Return (GIR) and QDMTT compliance, including 'last mile' filing.

The centralised cloud-integrated solution will allow you to run calculations for modelling, reporting and compliance based on the varied local rules worldwide.



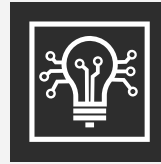


Firm foundations

A crucial part of our work with clients is helping them to assess the impact of Pillar Two on their business, what systems are most appropriate for their needs and then implement and integrate them in the most effective way. What comes through crystal clear from this work is that you can't just install the system and flick a switch. People, processes and data also need to be up to speed. Otherwise you're just building castles on sand.

However advanced, systems are only as effective as the data that feeds them – rubbish in means rubbish out. Previously, your tax team would have had the time to collect, cleanse and adjust data from the business for returns due many months after the event. Now, you need the business engagement, understanding and systems integration to guarantee a supply of reliable, comprehensive and ready-to-report data, much of which is new to tax teams.

In turn, your people need to be clear about the implications of Pillar Two for how they work, while developing the tech skills needed to operate and oversee increasingly tech-powered processes.

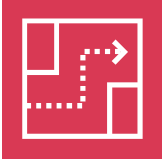


Transformational opportunity

But with the challenges come opportunities. Boards are looking to their tax teams to provide ever more [input into key strategic decisions](#) in areas ranging from supply chain restructuring to sustainability.

The increasing automation of data sourcing and reporting would allow tax professionals to devote more time to business partnering. Pillar Two systems could also be broadened out to deliver the real-time data, analytical capabilities and organisational visibility that would enable tax teams to deliver richer insights across all areas of the business and its strategy.

As such, Pillar Two offers a virtuous circle for tax. It offers a compelling business case for investment in systems and tech skills for a function that has often found itself at the back of the queue for digital transformation. The resulting capabilities will in turn help to elevate the value and influence of tax professionals within the business.



The way forward

So how can your business operationalise Pillar Two and capitalise on the transformational potential? Five priorities stand out:

Develop a clear and realisable roadmap for change

The starting point is understanding what system options are available in this fast-evolving technology landscape and what would be most suitable for your business.

For reporting processes to be deliverable and sustainable, your roadmap needs input and buy-in from a range of stakeholders including tax, finance and the business teams supplying the data. Involving business teams up front will have the added advantage of helping you to find out what kind of analysis and insight they would like on the back of your Pillar Two capabilities. It also ensures that Pillar Two systems are consistent with the wider digital transformation within your organisation and vice-versa.

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Get your data right first time

You need to be able to map the Pillar Two data points back to their source and identify any gaps. You would then need to create processes – ideally automated – for sourcing and supplying at speed, so you can bridge gaps and avoid time-consuming cleansing. In the long-term, the development of centralised Pillar Two reporting demands a ‘single source of the truth’ based on consistent data from around your organisation.

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Make your budget go further

Even though Pillar Two strengthens the case for investment in tax technology, your tax team is still likely to face funding constraints and pressure to deliver more for less.

You can make your budget go further by harnessing any functionality available within your existing cloud platforms, ERP or EPM systems and then augmenting with additional technology to fill any gaps. Pillar Two can also provide an opportunity to review and rationalise processes. Priorities include identifying and weeding out the activities that add little value to your business and refocusing resources on the ones that can make the most difference.

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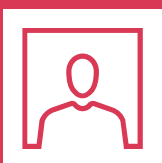
Bring your people on board

People deliver change and realise the potential. Upskilling is clearly critical in preparing your tax team for change. But rather than focusing on digital skills in isolation, it's important to make the upskilling relevant. This includes gearing training to the growing strategic role of tax and how new digital capabilities can support this.

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Take advantage of partner resources

Pillar Two and the wider tax transformation open up significant compliance and investment risks. It therefore pays to seek advice from advisors who've seen what works and what doesn't within this complex process of modernisation and change. With the first round of Pillar Two tax reporting now imminent, it may be difficult to develop all the capabilities you need. Partnering with today's increasingly sophisticated tax service providers allows you to gain access to their breadth of skills, expertise and state-of-the-art technology.



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