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14 August 2023

Sandra Knaepen
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Via Email: Sandra.KNAEPEN@oecd.org

RE: TEI Comments on Certain Aspects of Pillar Two

Dear Ms. Knaepen:

On 6 June of this year OECD personnel met with representatives of Tax Executives Institute, Inc. ("TEI") to discuss the OECD's work to implement Pillar Two of the OECD/G20 Base Erosion and Profit Shifting ("BEPS") Project. As a result of that meeting, TEI committed to provide additional input regarding certain Pillar Two issues of significance to TEI's members. This letter sets forth those issues, along with a few suggested solutions for the OECD's consideration.

TEI Background

TEI was founded in 1944 to serve the needs of business tax professionals. Today, the organization has 56 chapters in North and South America, Europe the Middle East & Africa ("EMEA"), and Asia. TEI, as the preeminent association of in-house tax professionals, worldwide, has a significant interest in promoting sound tax policy, as well as the fair and efficient administration of the tax laws, at all levels of government. Our over 6,000 individual members represent over 2,800 of the leading companies in the world.

TEI Comments

Consequences Related to Tax Disputes

The OECD/G20 proposals issued to date under Pillar Two, notably the public consultation document "Tax Certainty for the GloBE rules," discuss issues related to tax disputes and dispute resolution that may arise under the various

Pillar Two taxes and rules.[1] However, the OECD/G20 have not agreed upon the detailed implementation of any dispute resolution and prevention tools under Pillar Two. In addition to these tools, TEI recommends the OECD/G20 address other issues arising from tax disputes unrelated to dispute resolution and prevention ("Disputes").

One area of concern is how to address tax controversy challenges where the ultimate parent entity ("UPE") jurisdiction has not implemented Pillar Two rules, or where the jurisdiction has generally adopted Pillar Two rules but does not implement a Qualified IIR ("QIIR"), or a Qualified Domestic Top-up Tax ("QDMTT"). Take, for example, a multi-national enterprise ("MNE") with Entity A located in Jurisdiction X that wholly owns Entity B in Jurisdiction Y. Assume all jurisdictions apply the GloBE Model Rules. The qualification of Entity B as undertaxed or not, and, if applicable, the computation of any top-up tax ("TuT") is driven by the Pillar Two computation in the Income Inclusion Rule ("IIR") location, Jurisdiction X. But how do these rules apply if the IIR does not apply?

For example, assume the above-mentioned group has additional subsidiaries in other jurisdictions. Again, assume all jurisdictions apply the GloBE Model Rules, except that Jurisdiction X does not implement any aspect of Pillar Two into domestic law, raising the possibility that Entity A is undertaxed. In this scenario, multiple jurisdictions will have an interest in the Pillar Two calculations, leading to "more possibilities for disputes to arise under the UTPR because it relies on more information and a higher degree of co-ordination than the IIR", as expressly acknowledged by the OECD in its July 2023 administrative guidance.[2] Suppose, further, that after a dispute arises in Year 1 requiring Entity A to pay a TuT, in a following year the dispute is resolved such that the purported undertaxed Entity A was not undertaxed and, therefore, no TuT should have been paid in that year.

Under the current Pillar Two commentary, the MNE cannot obtain a refund of the TuT, but, instead, the entity – wrongfully qualified as undertaxed – may credit the excess TuT. However, if such entity is, and remains, properly taxed (i.e., it has an effective tax rate ("ETR") of 15 percent or greater), then it may never be able to credit the TuT improperly paid. In addition, there may be disputes regarding the allocation of a TuT among UTPR jurisdictions. This scenario has not been addressed in the GloBE Model Rules or other guidance.

TEI recommends the OECD/G20 address these situations by:

- Allowing the MNE to raise such Disputes before the OECD, or at least, request guidance that may help resolve these Disputes, if and insofar as the Dispute relate to differing interpretations of the GloBE Model Rules and/or the Commentary; and
- Suspending the TuT (or other) payment arising from an ongoing tax dispute between tax jurisdictions when the MNE files its GloBE Information Return ("GIR") until the dispute

[1] Public consultation document, Pillar Two – Tax Certainty for the GloBE Rules (20 December 2022 – 3 February 2023).

[2] Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), July 2023.

has been settled. Alternatively, the TuT payment associated with the ongoing tax dispute could be made to an escrow account, with the amount released to the taxpayer or tax authority depending on how the dispute is resolved.

In terms of certainty, we note the taxpayer has little ability to influence a dispute between tax authorities, such as the hypothetical one described above. It would be unjust if a taxpayer must pay a TuT without being able to effectively obtain a refund when it is determined the TuT was not properly imposed. To help prevent this scenario, and thus provide maximum tax certainty to taxpayers, TEI recommends that the OECD elaborate on the qualification requirements of a QIIR as well as a QUTPR. A straightforward example in this respect would be a peer review of Covered Taxes (e.g., publication of a jurisdictional list of taxes qualifying as a Covered Tax) and a clear instruction that a TuT payment by an MNE will be suspended until a Dispute on the allocation of a TuT under a QUTPR is resolved.

Dispute Prevention and Dispute Resolution

The GIR and the Pillar Two rules create an interconnected system for the assessment of a minimum tax. In a UTPR scenario, where the UTPR safe harbor does not apply, a dispute by one jurisdiction will impact the tax due in all other jurisdictions. It is thus essential that any such dispute be centrally managed. The OECD recognizes the importance of dispute prevention as well as the coordination between an MNE and (various) tax administration(s) in this regard and TEI welcomes further guidance in this respect[3], for example:

1. TEI understands each jurisdiction's need to audit the GloBE calculation, but once an MNE group enters the dispute resolution process all other audits related to UTPR claims of that tax year's GIR should cease pending the results of the dispute resolution process.

2. TEI believes that the competent authority agreements under the multilateral Convention on Mutual Administrative Assistance in Tax Matters ("MAAC")[4] should be re-framed and expanded to provide for effective dispute resolution. First, the competent authority process should be expanded to provide taxpayers with the right to request a competent authority procedure and to impose a mechanism that would require the notification of relevant tax authorities. Second, the OECD/Inclusive Framework should require, as a minimum standard, countries to engage in competent authority proceedings where the dispute relates to the interpretation or implementation of the GloBE rules. Such an expanded competent authority agreement procedure would prevent tax authorities from

[3] See Tax Challenges Arising from the Digitalisation of the Economy – Commentary to the Global Anti-Base Erosion Model Rules (Pillar Two), paragraph 33: "*Finally, the Inclusive Framework will also explore the possibility of developing other administrative mechanisms to facilitate further coordination and consistent application of the GloBE Rules. For instance, work could be undertaken to develop a coordinated framework for further information requests in respect of risks identified based on the information in the GIR. Equally, implementing jurisdictions could conduct coordinated risk assessment activities on the basis of the information provided in the GIR in order to determine whether further actions such as a tax audit are required.*"

[4] See Pillar Two – Tax Certainty for the GloBE Rules 20 December 2022 – 3 February 2023.

having unfettered discretion over whether to accept a competent authority submission. Under this revised framework, an MNE group or a tax authority should be able to initiate the dispute resolution process through the competent authority of the UPE or other Designated Filing Entity. Once the process is initiated, the competent authority of the UPE or Designated Filing Entity should provide documentation evidencing that the process is underway to the MNE group so that the group can notify other tax authorities currently auditing the GIR. Finally, the competent authority of the UPE or Designated Filing Entity should be responsible for notifying other tax authorities and inquiring whether they want to participate in the dispute resolution process.

3. TEI recommends that the dispute resolution process be centrally managed for an MNE group through the competent authority of the UPE, or Designated Filing Entity if there is not a mechanism to coordinate through the competent authority of the UPE. Any communication with the MNE group should come from the tax authority of the UPE or Designated Filing Entity.

4. At the conclusion of the dispute resolution process, TEI recommends that absent significant factual changes, the positions concluded upon be exempt from further audit for the next five tax years or three years before and three years after the dispute year is settled. TEI acknowledges that at the start of the Pillar Two process there will be numerous requests for dispute resolution and all MNE groups will not be able to participate. Thus, providing certainty on prior years as an option will be important to reduce the compliance burden on MNEs and their tax departments.

Substance-based Income Exclusion ("SBIE")

TEI acknowledges that the mechanics of the SBIE are helpful for many industries. That is, the approach of allowing a full inclusion of Eligible Payroll Cost and/or carrying value of Eligible Tangible Assets where the Eligible Employee and/or Eligible Tangible Assets[5] is located more than 50% of the time in the jurisdiction of the constituent entity ("CE") employer or owner, provides a practical and simplified approach for certain sectors.

However, as acknowledged by the OECD, there are certain industries with a substantial portion of their employees and assets located outside of the CE jurisdiction for a substantial portion of the Fiscal Year. TEI agrees that a simplified allocation mechanism that disregards location of the Eligible Employee and/or Eligible Asset is required for these industries. We propose that total Eligible Payroll Cost and/or total carrying value of Eligible Tangible Assets be allocated to CEs based on the percent of total revenue derived by those assets and/or employees allocated to the CE under Pillar Two rules. As an alternative, if specific industry rules are desired, these could be based on the Pillar One allocation formulas for the type of revenue derived by those assets and/or employees. For example, a passenger airline's Eligible Payroll Cost and/or total carrying value of Eligible Tangible Assets could be allocated

[5] All capitalized terms are those defined in the GloBE Model Rules.

to foreign CEs based on the percent of available seats arriving into the foreign CE country, with the remaining Eligible Payroll Cost and/or total carrying value of Eligible Tangible Assets allocated to the home jurisdiction.

Temporary Country-by-Country Reporting Safe Harbors

Recognizing the need to limit any unnecessary compliance and administrative burden for MNEs and tax administrations, the OECD agreed to develop safe harbors to alleviate the burden of MNEs performing full GloBE calculations in low-risk jurisdictions during the initial Pillar Two implementation years. The safe harbor[6] relies on some information included in the country-by-country report ("CbCR") that certain MNEs must file under BEPS Action 13. The relevant items in the CbCR for purposes of the Transitional Safe Harbor are Total Revenue and Profit (Loss) before Income Tax of the current year, "Unrelated Party Revenue," and "Profit before Tax." Thus, TEI recommends that the OECD update their guidance around having a CbCR based on qualified financial statements to clarify that only these three items need to meet this requirement as the other data in the report will not be used for the Pillar Two Transitional Safe Harbor.

The Transitional CbCR Safe Harbor, as well as any future permanent safe harbor developed by the OECD/IF, will help prevent disputes as the only issue is whether an MNE satisfies the safe harbor, rather than the relevant detailed and complex calculations under the Pillar Two. In addition, the safe harbor rules contain helpful guidance in connection with tax certainty, notably:

(i) That Under Article 8.2.2(a) of the GloBE Model Rules, only jurisdictions that could challenge the use of a GloBE Safe Harbor are those that are affected by its use, and

(ii) the specific timelines for reviewing the CbCR and the answering period.

Such guidance provides welcome certainty for taxpayers. TEI recommends the OECD consider applying the principles of Article 8.2.2. safe harbors – including the timing provisions of Article 8.2.2.(b) – of the GloBE Model Rules to the IIR, such that only the jurisdiction collecting the TuT under the IIR can challenge the GloBE calculation of the undertaxed entity and the application of the IIR.

QDMTT Safe Harbor

TEI welcomes the adoption of a QDMTT Safe Harbor, which excludes the application of the GloBE rules in jurisdictions where an MNE Group qualifies for the Safe Harbor by deeming the TuT payable under the GloBE Rules to be zero. The adoption of this safe harbor will significantly reduce compliance costs for taxpayers and the administrative burden on tax authorities as taxpayers will not be required to complete multiple calculations and submit multiple levels of reporting. The July 2023 Administrative Guidance stated that the IF will rely on the peer review process to determine whether a QDMTT meets certain standards to qualify for the safe harbor, without indicating a specific timeline for

[6] *See* Safe Harbors and Penalty Relief: Global Anti-Base Erosion Rules (Pillar Two), available at: https://www.oecd.org/tax/beps/safe-harbours-and-penalty-relief-global-anti-base-erosion-rules-pillar-two.pdf.

the peer review process. While TEI welcomes the QDMTT Safe Harbor, we believe it is important for the IF to impose an accelerated timeline for the peer review framework to ensure MNEs and tax administrations can benefit from the simplifications the safe harbor provides.

UTPR Transitional Safe Harbor

TEI also welcomes the adoption of an UTPR transitional safe harbor, which provides that a UTPR TuT will be zero for the UPE if the UPE jurisdiction has a corporate income tax rate of least 20%. We believe, however, that the current coordination rules between transitional safe harbors may significantly undercut the reporting simplifications that were an intended benefit of the safe harbors. When an MNE qualifies for both the transitional CbCR and the transitional UTPR safe harbor in a jurisdiction in a fiscal year, the MNE is required to elect which safe harbor to apply. If, for example, the MNE elects to apply the UTPR safe harbor, it will be precluded from relying on the CbCR safe harbor in the following year as a result of the "once out, always out" approach. The policy underlying the "once out, always out" rule is to allow MNEs enough time to prepare their systems and gather resources to perform a complete calculation and reporting under the Pillar Two Model Rules. If an MNE already performed a complete calculation and GIR reporting in a certain year, there is no policy reason for the MNE to be able to rely on a safe harbor in a following year. However, in the case where an MNE relied on the CbCR safe harbor in year 1 and in year 2 elects to rely on the UTPR safe harbor, we believe it is appropriate for the MNE to be able to again rely on the CbCR safe harbor in year 3 because in this fact pattern the MNE never performed a complete Pillar Two calculation with GIR reporting. For this reason, TEI strongly recommends revising the guidance to permit taxpayers to continue to qualify for the CbCR safe harbor after electing the UTPR safe harbor in the previous year. In addition, guidance is needed to clarify the coordination of the UTPR safe harbor and transition rules, especially with respect to deferred taxes and intra-group asset transfers.

Other Permanent Safe Harbors

The Pillar Two temporary safe harbors are a welcome development to ease taxpayer compliance with the GloBE Model Rules. To that end, we recommend enacting a permanent safe harbor for certain entities and MNE groups after the transitional safe harbors expire. Such entities/groups should be ones located in low-risk jurisdictions and/or have minimal activity. The safe harbors could be calculated using qualified data and be one or more of (i) a *de minimis* safe harbor of total CbCR revenue in a jurisdiction of less than €10 million and a CbCR profit (or loss) of €1 million or less (or a loss of no more than €1 million); (ii) an effective tax rate of greater than 20 percent as reported on the CbCR; (iii) a jurisdictional white listing, either done by the OECD itself or a combination of Member States; and (iv) a statutory rate of 20% or higher. Further, TEI believes the IF should also explore additional permanent safe harbors and simplifications, such as in respect of tax consolidated groups not yet covered by a reporting simplification framework.

Cash Management and the IIR

The OECD/G20 Pillar Two guidance permits an MNE to appoint an entity of the group as a "designated payor" to remit tax due under the QDMTT and/or the UTPR. However, this option is not available for payments of the IIR, which in many circumstances may be due from an entity that does not have the cash available to make the payment.

For example, assume Entity A in Jurisdiction X acts as a holding company and owns Entity C (an operating company), also in Jurisdiction X, as well as Entity B (also an operating company) in Jurisdiction Y. Assume Entity B is undertaxed and therefore Entity A is subject to the IIR. However, as a holding company, Entity A does not have the cash necessary to make the IIR payment. In addition, assume Entity B – directly owned by Entity A and as an operating entity has available cash – cannot pay a dividend to Entity A under Jurisdiction Y rules (e.g., because of regulatory constraints, monetary controls, accounting rules, or insufficient retained earnings). To ameliorate this and similar situations, TEI recommends an MNE be able to appoint a designated payor of the IIR in the same jurisdiction as the entity owing the IIR (in the example Entity A), just as the MNE is permitted to do for the QDMTT and UTPR. In this example, Entity A could designate Entity C as the payor of the IIR.

Should the OECD/IF determine designating an IIR payor is not possible under the GloBE Model Rules, TEI recommends the OECD issue guidance stating that local rules with the same effect (i.e., a free choice of designated payor or designation of the "economically most relevant unit" as per the Swiss proposal) do not jeopardize the effective levying of the TuT, or that joint liability for the TuT does not disqualify such jurisdiction's levying mechanism or IIR from compliance with the GloBE Model Rules. To simplify payments under the GloBE, the OECD/G20 should seriously consider adopting the Swiss proposal regarding such payments. The Swiss proposal would permit a taxpayer to designate its economically most important unit as the payor for any TuT due under a QDMTT, IIR and/or UTPR.

Payment of Tax

All jurisdictions have, of course, developed rules to levy and collect their regular corporate income taxes. These rules often include estimated payments that are made well in advance of the tax return due date. The GloBE rules leave open the issue of how any tax due will be remitted to local tax authorities, creating the potential for inconsistencies across jurisdictions and additional complexities for taxpayers.

For example, assume Entity A located in Jurisdiction X owns Entity B located in Jurisdiction Y and Entity C located in Jurisdiction Z. Jurisdictions Y and Z have a QDMTT, IIR and UTPR rules for tax year 2025. Jurisdiction X has not adopted the Pillar Two rules and entities operating there will have an ETR less than 15%, subjecting them to Jurisdiction Y and Z's UTPR rules. All entities file their corporate tax returns on a calendar basis. For the tax year ending 2025, the corporate tax return for Entity B in Jurisdiction Y is due in March of 2026 a year in advance of the GloBE return which will be filed in March of 2027. Jurisdiction Y requires estimated payments to be made during the 2025 calendar year. Entity

C's corporate income tax return in Jurisdiction Z is due December of 2026 three months in advance of the GloBE return.

In scenario 1, Jurisdictions Y and Z require all taxes including UTPR taxes to be paid with or before the 2025 tax return. This will require the taxpayer to accelerate all its Pillar Two related work into one month (February 2026) to be able to compute and pay the amount of UTPR taxes to Jurisdiction Y. This will put incredible pressure on tax departments to comply with the Pillar Two rules. Moreover, we understand certain tax authorities are considering having a GloBE-like return as part of the local tax return, which could cause tax departments to fall into non-compliance if they had to comply with the rules in a little less than a month.

In scenario 2, Jurisdiction Y requires taxes to be paid by the end of 2025 including taxes due under the UTPR rules. Based on the company's best estimate, prepared during October of 2025, Entity B estimates it will owe 1,000x of UTPR taxes. Entity B does not have the cash to make the payment so Entity A funds Entity B with a cash contribution. When the actual calculation is completed Entity B owes 50x of UTPR taxes. Assume this change is due to both a change in the amount of top-up tax at Entity A and the mix of assets and payroll within the group. Entity A now must request a 950x refund from jurisdiction Y which will take several months to process. When Entity A receives the cash it has no distributable reserves and a loan would attract non-creditable WHT tax trapping the cash in jurisdiction Y.

To avoid these issues, TEI recommends that the tax due to a jurisdiction under the IIR or UTPR be payable on the next income tax return due to that jurisdiction. For example, taxes for 2025 would be payable as part of the 2026 estimated payments and tax payment process. Alternatively, jurisdictions should develop a secondary mechanism for making payments for any TuT. Taxes payable under the GloBE return are due under a separate payment mechanism within 90 days of the GloBE return due date. TEI encourages the OECD to provide standard guidance on the payment of tax rules so that there is a consistent approach for all jurisdictions reducing the complexity of the payment rules. TEI also recommends that any solution eliminate the requirement for taxpayers to file amended corporate income tax returns to facilitate the payment of taxes under the GloBE rules.

TEI also observes an inconsistency in the application of Article 8.1.7 and Article 8.1.2 of the GloBE Model Rules *i.e.*, a local CE is discharged from filing the GIR when the GIR is filed by UPE / Designated Filer and a Qualifying Competent Authority Agreement is in place. In that event, the administration in the CE jurisdiction should be restricted from requiring an earlier submission of the GIR, and as consequence thereof, local tax return / payment obligations in connection with Pillar Two.

Exchange of the GIR

It is important both for tax administration and tax compliance purposes that a taxpayer be able to file a single GIR for all jurisdictions relevant to an MNE's operations. That is, the same information should be reported in the same format to all relevant jurisdictions. For that purpose, the filing process and system used for filing CbCRs under BEPS Action 13 could be mirrored. This was discussed briefly

in the consultation document "Pillar Two – GloBE Information Return" issued at the end of last year under the Exchange of Information section. The OECD rightfully highlights the importance of having a Qualified Exchange Network in place.

Under the Model Rules, a GIR needs to be filed by either the Constituent Entity in a jurisdiction or a Designated Filing Entity acting on its behalf. Alternatively, the UPE or a Designated Filing Entity can file the GIR if they are located in a jurisdiction that has a Qualifying Competent Authority Agreement in place for that Reporting Fiscal Year. The jurisdiction of the UPE or Designated Filing Entity would be responsible for securing information exchange agreements to automatically exchange the return with jurisdictions that have the proper security and systems in place. This process is modeled upon the process for CbCR under BEPS Action 13, a process that taxpayers have been executing for several years. While TEI welcomes the adoption of the alternative to file with the UPE or a Designated Filing Jurisdiction, we note that the Model Rules don't go as far as the CbCR framework as they do not contemplate the possibility of a secondary filing mechanism. We recommend the IF consider including a secondary filing mechanism which would allow a taxpayer to designate a secondary jurisdiction to exchange information with certain jurisdictions that do not have an exchange of information agreement with the UPE or the Designated Filing Entity. Such mechanism would allow taxpayers to streamline its compliance obligations by filing in fewer jurisdictions.

The benefits of the secondary filing mechanism can be shown with the following example: Assume that the UPE Country has Pillar Two exchange of information agreements in place with most countries in the world (North America, EU, Africa, Asia Pacific) except for Latin American countries. Further assume that Country Y has Pillar Two information exchange agreements with all Latin American Countries. If the Model Rules include a secondary filing mechanism, an MNE may choose to file with the UPE parent jurisdiction for all countries except those in Latin America and select Country Y as a secondary filer which would then exchange the GIR with every country in Latin America. Absent a secondary filing mechanism, the MNE would have to file in each Latin American country in addition to filing with the UPE jurisdiction.

The CbCR Exchange Network took considerable time to develop. A similarly long implementation process of the exchange network for the GIR would create tax certainty issues on its own. For example, if an MNE makes multiple filings in year 1 and a dispute arises in year 2 on one of the filings, should the MNE inform the authorities of such dispute in the other filings? Further, the rules regarding the administration of the GloBE return, dispute resolution, and the practical matters regarding the filing are currently lagging the development of the other rules creating significant uncertainty for taxpayers. Without these rules, taxpayers subject to the Pillar Two rules may have to file returns in many jurisdictions creating costs that tax departments need to be able to plan and budget for in advance of the flings. For example, for CbCR, different jurisdictions developed bespoke CbCR filing portals as a result of which the filing process of the CbCR report in multiple jurisdictions involved the hiring of local counsel and use of information technology resources to submit the CbCR to those countries. Similar unexpected expenses may arise in case of multiple GIR filings, especially because the GIR contains significantly more data than the CbCR.

GIR Filings and Reporting Considerations

TEI believes there is need for clear rules that Pillar Two tax years should be consistent with that of the UPE for all jurisdictions. The formatting of submissions, portals for reporting, and notification requirements should be consistent amongst all implementing jurisdictions. Slight differences for formatting or information required between jurisdictions requires additional work (including review to ensure compliance) which can generate significant financial costs for MNEs.

TEI recommends the OECD adopt a single GloBE filing system/technology, preferably one like the CbCR XML system. Some of the concerns related to tax certainty identified above can be resolved if the OECD provides a framework for countries to implement a centralized exchange network for the GIR, which could then be periodically upgraded as technology and the Pillar Two rule change. For this reason, TEI believes the IF should provide recommendations on common protocols and schemas to ensure interoperability among tax authorities with respect to Pillar Two filings. Lastly, a central filing system would also assist in preventing disputes between tax authorities and taxpayers as well as among tax authorities themselves.

Financial Statements for Permanent Establishments

Article 3.4.1 of the Pillar Two Model Rules provides:

> The Financial Accounting Net Income or Loss of a Constituent Entity that is a Permanent Establishment in accordance with paragraphs (a), (b) and (c) of the definition in Article 10.1 is the net income or loss reflected in the separate financial accounts of the Permanent Establishment. If the Permanent Establishment does not have separate financial accounts, then the Financial Accounting Net Income or Loss is the amount that would have been reflected in its separate financial accounts if prepared on a standalone basis and in accordance with the accounting standard used in the preparation of the Consolidated Financial Accounts of the Ultimate Parent Entity.

Thus, where a permanent establishment does not currently prepare separate financial statements, it is required to do so going forward. TEI believes this represents an unnecessary administrative burden where the income of the permanent establishment is taxed by the jurisdiction of the entity operating the permanent establishment (i.e., under a worldwide taxation system). In such a situation TEI believes that an election should be introduced that allows allocating of GloBE Income and Adjusted Covered Taxes of the Main Entity (including its permanent establishments) to each permanent establishment based on revenue derived by that permanent establishment/Worldwide income of the Main Entity and all its permanent establishments.

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TEI appreciates the opportunity to provide these additional comments on issues related to Pillar Two as a follow-up to our 6 June meeting. Should you have any questions regarding TEI's comments,

please do not hesitate to contact Benjamin R, Shreck of TEI's legal staff at bshreck@tei.org or + 1 202 464 8353.

Respectfully submitted,

Sandhya Edupuganty

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International President
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