

## Pillar 2 OECD Tax Deal

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PRACTICES Tax

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The Organization for Economic Co-operation and Development (“**OECD**”) recently released new technical guidance and supporting documents related to its proposed two-pillar global minimum tax plan aimed at restricting large multinational corporations from shifting income to low-tax havens. Pillar One is focused on changing the location where companies pay taxes to market jurisdictions, while the goal of Pillar Two is to establish a global minimum effective tax rate of 15 percent. Together, the proposals seek to effectively decrease global tax avoidance and increase tax transparency.

On July 17, 2023, the OECD released the Subject to Tax Rule (“**STTR**”), a sample GloBE Information Return, and a second tranche of administrative guidance related to the GloBE rules. The STTR would allow countries to update their tax treaties in order to impose tax upon income that is subject to little or no taxation in the residence state of the payee. The GloBE materials released include a sample information return and additional proposed safe harbors. The OECD has planned a few next steps for the rest of 2023, including finalizing and signing some aspects of Pillar One and Pillar Two, which require acceptance by a majority of jurisdictions. Pillar Two is expected to be implemented by a number of jurisdictions between 2024 and 2025.