August 19, 2024

To: Cross-Border and International Division
Organisation for Economic Cooperation and Development
Centre for Tax Policy and Administration
2 rue André-Pascal
75775, Paris, Cedex 16, France
Submitted by email: taxpublicconsultation@oecd.org

Re: *Business at OECD* (BIAC) comments to OECD's Public Consultation on the GloBE Information Return

Dear Secretariat Team,

Thank you for providing the opportunity for the *Business at OECD* (BIAC)[1] Tax Committee to comment on the public consultation document "Pillar Two – GloBE Information Return" (the "Document"). As taxpayers and tax administrations begin implementing compliance and review procedures for Pillar Two, complexity is a key concern. As such, *Business* is an ardent supporter of the Inclusive Framework's approach which favors a common and standardized GloBE Information Return (the "GIR"). We are therefore appreciative of this opportunity to highlight components of the current reporting procedures which may thwart the goals of clarity, interoperability, and administrability.

Our previous letter in March of 2023, for the last GIR public consultation, noted that the success of the GloBE rules relies on the ability of businesses to comply with and tax authorities to administer the rules. **A simplified GIR which eliminates redundancies, and provides clear, uniform instructions which are universally adopted and applied on a globally consistent basis is crucial to the success of this process.**

Consistent with our standard approach, this BIAC consultation response is a consensus document which reflects a comprehensive and coordinated response from our members. Based upon our review of the consultation documentation, **we are deeply concerned about the complexity and enormous compliance burden associated with the GIR.** The volume of data required for each constituent entity to be collected and reported by MNEs and analyzed by tax authorities is nearly insurmountable. **There is a real risk that neither MNEs nor tax audit teams will be able to cope with this complexity beyond the first three years of the transitional Safe Harbor.** Modern compliance with respect to corporate income tax is based on a balanced, risk assessment-based approach. This balance is in our view not achieved with the current design of the GIR.

[1] Established in 1962, *Business at OECD* (BIAC) stands for policies that enable businesses of all sizes to contribute to growth, economic development, and societal prosperity. Through *Business at OECD*, national businesses and employers' federations representing over 7 million companies provide and receive expertise via our participation with the OECD and governments promoting competitive economies and better business.

For these reasons, **we urge the Inclusive Framework to develop further simplifications to the GIR, with a more streamlined approach for cases where there is no top-up tax (TUT) liability.** This could be achieved by making the temporary five-year jurisdictional election permanent and by broadening the existing simplification for tax consolidated groups.

We also recommend that the work on defining and adopting Permanent Safe Harbors continue and we look forward to continuing to engage with the Secretariat on this topic. Permanent Safe Harbors can reduce or eliminate the costs and compliance burdens for tax administrations and taxpayers alike in areas where there is little to no risk of TUT. As more MNEs and jurisdictions begin to implement the GloBE Rules, this will enable all stakeholders to focus their resources on the reporting and assessment in areas where there is a TUT.

Facilitating harmony, simplicity, and administrability should be central to the goals of issuing a uniform GIR. **It is therefore critical to safeguard the principle of common content in each jurisdiction, and the ability for MNE to file GloBE returns centrally, including in all IIR / UTPR scenarios.** This common and uniform approach is also essential in all cases where there is a qualified domestic minimum top up tax (QDMTT) which is eligible for the QDMTT Safe Harbor.

Here, the Administrative Guidance released by the Inclusive Framework provides that the QDMTT must rely on the same data points as the Model Rules, even when a local GAAP is used. Thus, to ensure consistency, clarity, and parity the GIR should be used for the QDMTT computations. We note that **the GIR should support the QDMTT calculation, even when local GAAP is used and that the data points must be the same as articulated in the guidance referred to above.** Without maintaining these principles, the work carried out by the Inclusive Framework to establish a common format which can be shared digitally among countries will be severely diminished and will exacerbate the current administrative burden and risk of inconsistencies.

Business is also concerned that in light of recently publicized outages and data breaches, the request for large volumes of data creates a privacy and security risk for a significant number of MNEs across jurisdictions. **Given the challenges associated with safeguarding confidential data, we recommend that the GIR be simplified to limit the solicitation of data, and the number of jurisdictions where filing is required.** The OECD has been at the forefront of encouraging delegates to engage in robust tax information exchange agreements, which when applied in the proper context, can provide a valuable safeguard without creating data security risks.

Finally, in Appendix I, we have provided a more detailed table of comments – consistent with the approach taken for other *Business at OECD* (BIAC) consultation responses.

The *Business at OECD* (BIAC) Tax Committee wishes to express our thanks to the Secretariat and to WP11 for the opportunity to engage on these important practical issues and stands ready in any way to support the continuing work on Pillar Two. As Pillar Two implementation starts to take shape in 2024, we believe that it is now critically important that significant work continues with close consultation and input from Business to ensure that Pillar Two achieves its stated goal of implementing an administrable global minimum tax without adding double taxation burdens.

We look forward to working with you to advance this goal and would be pleased to provide additional support and assistance in further implementation efforts. Please let us know if any questions arise from our general and specific comments provided. We look forward to constructively engaging with you further.

Sincerely,

Alan McLean
Chair, *Business at OECD* (BIAC) Tax Committee

Cc: Hanni Rosenbaum, Executive Director, *Business at OECD* (BIAC)

Appendix I

Our detailed comments are as follows:

1. Addressing the Message Header with the sender, recipient, message type and Reporting Fiscal Year:

Section#	Description	Business feedback
All	General Comment - Structure of the Document	The XML Schema document has a very logical flow and follows the order of the GIR July 2023 format and content. It is appreciated that the XML Schema document is split into appropriate sections and is consistent with the content & format of the GIR. However, it would be more efficient if the XML Schema document and screen shots could include the specific data point numbering as per the GIR July 23 document. This would allow much easier reference and 'mapping' between the XML Schema coding /tagging required and the actual content of the GIR. Especially this should be added to the 'thread' diagrams in pages 104 – 136 of the XML Schema documents.
All	Set-Up of the XML Schema	The complexity of the XML Schema suggests that additional software/third-party providers will be required to transfer MNE returns or reports into the XML schema necessary to submit to a tax jurisdiction – particularly for the initial set-up. Within MNEs there tends to be limited capability in house for the initial set-up to 'execute' the XML view via 'tagging' each data point – generate the report, send it by mail or populate a jurisdiction tax portal, and acknowledge receipt. Often work is required with a third-party provider, utilizing an external software (e.g., iXBRL Corp Tax, ACR). After initial set up, the annual process can often then be managed in house. However, the high number of data points and detail of the Pillar Two GIR and hence the complexity of the XML schema, adds significantly to how much set-up work, time and cost is involved.
All	Optional Fields	There is discussion of 'Optional', 'Validation' and 'Optional Mandatory' fields – this is confusing and needs clarifying utilizing clearer words on what these definitions mean for each field.

2. The ID and TIN types, used for providing identifying and TIN information in relation to Constituent Entities, JVs, JV Subsidiaries and UPEs

Section	Topic	Issue	Recommendation
Globe Status	Duplication / Simplification of Coding Structures	Duplication of the Coding Structures for the similar data points within the GIR. Example is the 'Globe Status'. This utilizes GIR 301-GIR 315 within the 'ID & TIN Type' section of the XML Schema. Within the 'GloBE Body' section, there is GIR 401-404 'Role of the CE.' These could be combined into one range to cover status and role.	Review the Coding Structures and remove duplication e.g., wherever the same data point is required in multiple places in the GIR, utilize the same coding structure vs creating multiple structures.

3. The GloBE Body

Section	Topic	Issue	Recommendation
All	General Comment - Complexity	See comments & recommendations in Section 4 'Other' below. However, in summary, the XML Schema – running to 140 pages, with many areas of new coding / identifier requirements is very complex. This is a reflection again of how much complexity has been built into the P2 GIR. The GIR content and format (July 23 'GloBE Information Return – Pillar 2') stretches to 28 pages of format (with multiple areas where tables will need to be replicated), with ~450 separate data fields. An estimate of MNE 'A' for the data fields completed at the requested levels (MNE, Jurisdictional, or Entity) creates over 14000 data points in total. Upon expiration of the current Safe Harbors, we estimate this could be as many as 50,000 data points depending upon the number of entities in the MNE. This would appear data overload for MNEs and Jurisdictions. Based on our initial assessment, only ~50% of these data points can easily be automated given that a lot are unstructured data (e.g., Organization and Ownership data or elections). Such complexity generates significant cost in initial systems set-up of a complex XML schema, and ongoing compliance. As the GIR evolves, there will likely be additional costs to reset / change the content and format.	Given the intent of the GIR is to contain only the information which tax administrations will require to perform an appropriate risk assessment and to evaluate the correctness of the MNE GloBE top up tax liability, the GIR content should be drastically simplified to focus on what is really needed to meet this intent. Remove areas of duplication, and excessive 'audit level' detail which can be requested by tax jurisdictions as necessary.
All	Master Data	The addition of new coding structures to identify each data field is a new addition to GIR requirements and may require MNEs to set up new 'master /reference data' which will take additional time and cost for both set-up and ongoing maintenance. In the GloBE Body section alone of the XML Schema, there are over 30 new coding /tagging structures to be adopted!	Limit the number of new coding structures where possible to those that are necessary (this goes hand in hand with simplification of the GIR).

All	Duplication /Simplification of Coding Structures	There appears to be duplication of coding structures for the same values in multiple places across the GIR. Example is the 'Globe Status'. This utilizes GIR 301-GIR 315 within the 'ID & TIN Type' section of the XML Schema. Within the 'GloBE Body' section, there is GIR 401-404 'Role of the CE.' These could be combined into one range to cover status and role. Similarly, In the 'General Section' (Page 20 and Page 21) there is new coding for Globe Status of the CEs as part of the Ownership Structure (coding GIR 701 +) and codes for Type of Ownership (Coding GIR 801+). Again, these appear to similar values to the Coding GIR 301-GIR 315 and could be combined to use the same coding across multiple places in the GIR (or if possible, even reduce the repetition of data points within the GIR).	Review the Coding Structures & remove duplication e.g. wherever the same data point is required in multiple places in the GIR, utilize the same coding structure vs creating multiple.
Summary of TUT	ETR Range	The ranges are too narrow (Page 32) – it is irrelevant to have ranges of 2.5% intervals (even those with TUT below 15%). The narrow ranges create 13 options to determine where each jurisdiction is placed vs TUT.	Broaden the ranges and change the focus to be on the % of TuT above the threshold rather than absolute ETR %. This will help simplify. Suggestion to simply have 3 categories – zero TuT % / Less than 5% TuT % / More than 5% TuT %. This will reduce the options from 13 to 3 making data more digestible and less volatile.

4. Other Comments

We note that the XML Schema is an important document to allow submission and exchange, but there are fundamental to be addressed if the GIR is to be successfully implemented to meet the intent while providing tax certainty, simplicity, and consistency.

Section	Topic	Issue	Recommendation
	GIR Complexity - Content	The GIR content and format issued in July 2023 ('GloBE Information Return – Pillar 2') is extremely complex – the format stretching to 28 pages (with multiple areas where tables need to be replicated), and ~450 separate data fields. An estimate of MNE A is that when the data fields are completed at the requested level -MNE, Jurisdictional, Entity – this creates over 14,000 data points in total. Post expiration of the Safe Harbors, this could be as many as 50,000 depending on the number of entities. An initial assessment suggests only ~50% of these can be easily automated in creating the content given that a lot of the data requested is unstructured data e.g. Organization & Ownership data, Elections. Such complexity generates significant cost in initial systems set-up, and ongoing compliance.	Given the intent of the GIR is to contain the information which tax administrations will require to perform an appropriate risk assessment and to evaluate the correctness of the MNE GloBE top up tax liability, the GIR content should be drastically simplified to what is really needed to meet this intent. Remove areas of duplication, and excessive 'audit level' detail which can be requested by tax jurisdictions as necessary. Clarify which pieces of the GIR are required during the 3-year Temporary Safe Harbor regime and which are not required. Currently, the GIR appears in a format for the post Safe Harbor period.
	GIR Complexity- Segmentation	Segmentation of the GIR. The GIR will contain large quantities of confidential and sensitive data in granular detail. Therefore, segmentation of data remains a critical aspect of the exchange of information between tax authorities.	The GIR should be able to be segmented such that the full GIR information is only received by jurisdictions with a reasonable expectation of TUT of the entire MNE Group (UPE jurisdiction or UTPR jurisdiction in some circumstances).
	GIR - Simplified Jurisdictional Reporting	Simplified Jurisdictional reporting guidance remains unclear.	Additional documentation above & beyond that in the July 23 GIR Administrative Guidance is required on the Simplified Jurisdictional reporting envisioned for the early years of the GIR with the intent that the GIR can be completed on a jurisdictional level only. This should include examples of when a jurisdiction can and cannot follow the approach. It is important to allow time for MNEs to set up reporting systems appropriately.
	General Comment - Exchange	The document refers that the XML Schema should be utilized primarily for exchange of the GIR between jurisdictions, and possibly for submission from an MNE	We recommend: 1) A broad legal framework: P2 GIR MCAA needs to be established. This should allow for submission to the UPE

		to a local jurisdiction. It is difficult for MNEs to engage on the XML Schema with the significant vacuum of: 1) any legal structures in place to allow for the exchange, 2) knowledge from the OECD into how the exchange program will work, 3) the breadth of exchange available – whether an MNE will have one GIR submission only by the UPE vs multiple local submissions required. MNEs do not have visibility on a P2 GIR exchange program, and the necessary legal framework of P2 Multilateral Competent Authority Agreements (MCAA) to allow for the exchange. Clarity of the approach to exchange should come prior to the detailed mechanics of the XML Schema.	Tax Jurisdiction (like CbCR) which will be most practical and efficient. The exchange program should be broad enough to cover most jurisdictions requiring the GIR from the get-go, to avoid costly and time consuming direct/local submissions. 2) A clear agreement should be made for the 'early years' where the UPE jurisdiction may not have adopted P2 (e.g., the US) with agreement as to which jurisdiction will operate the exchange for MNEs in this position. 3) Enforcement by the OECD to local jurisdictions adopting P2 that only one version and format of the GIR exists – there should be no 'local format' versions of the GIR required. This will be beneficial where direct submissions are necessary.
	Local Compliance Requirements	In addition to the GIR, almost all jurisdictions adopting P2 to date have announced additional local compliance reporting requirements.	It should be determined by the OECD if these additional requirements are necessary above & beyond a very heavy GIR. Additional advisory to jurisdictions should be provided removing where possible the additional compliance burden. Where required, local reporting should follow the same XML Schema as proposed for the GIR.
	P2 Notification	P2 Notification requirements are evolving to require different timings and formats (as was the result of CbCR notification) e.g., the P2 Belgium Notification. Based on CbCR experience, this results in multiple local notification submissions, in multiple formats, for often essentially the same data.	Ensure that a standard template and timing and/or central repository process for all Pillar 2 Notifications is adopted to avoid multiple, by jurisdiction submissions. As jurisdictions adopt Pillar 2 into their domestic laws the OECD should take other filings into account when considering the design uniformity of documentation and consider the appropriate level of information needed versus the administrative burden and cost.
	General	An XML Schema without an XML Converter program will cause a need for taxpayers to create their own programs or pay third parties to fill the need. This will Result in manual and disparate processes which are expected to lead to (i) increased incidence of	The OECD should require implementing jurisdictions to maintain an XML Converter program that automates the data conversion process for filings within the jurisdiction. Responsibility over an XML Converter program, including updates to address changes to

		conversion errors, (ii) reduction in the accuracy and reliability of data reported, and (iii) increased costs borne by taxpayers and governments.	the local XML Schema, should rest with jurisdictional tax authorities.
	General – Validation Errors	Preparing the GIR in accordance with the XML Schema is complex and, based on previous experience with CbCR, is made even more difficult by redundant 'validation' elements.	Any consideration to reduce the number of unnecessary validation elements is welcome. Encourage tax authorities receiving the information to provide an explanation of why the file has been rejected. That is, indicate the reason for the validation error. Based on experience with CbCR lodgement validation errors, it can take days to find the validation error in the documentation since no explanation is provided.
	Characters allowed	Previously there have been issues with CbCR lodgements whereby the XML Schema will not validate the report if there are non-English characters used.	Allow non-English characters or remove validations around characters used.
	Covered Taxes – Additions & Reductions	Error in Covered Taxes additions and reductions where transitional simplification applies – no exemption stated when transitional simplification applies.	For GloBE income, additions and reductions for all adjustments are required to be disclosed separately in the XML Schema, unless transitional simplification applies (see page 54). For Covered Taxes, however, the separation of additions and reductions is required regardless of the application of the transitional simplification (see page 59 and 60). This is not in line with the transitional simplification rules in the GIR (page 6 states "**all** adjustments can be reported on a **net** basis").
	Domestic use of XML schema	The XML Schema User Guide states that jurisdictions can consider using the schema domestically for the purpose of gathering required information from their respective Filing Constituent Entities	We recommend that one single schema is used for lodgment purposes (MNE lodging the GIR **and QDMTT** with tax authorities). Preparing the GIR in accordance with the XML Schema is complex and where jurisdictions are able to implement varying requirements for data collection for QDMTTs, it is likely that there will be resulting variations in format and data submission. The additional compliance burden this will create is significant, as a separate XML Schema will need to be prepared for each jurisdiction, meaning different validations will need to be met.
		Under the Dissemination Approach of the GIR, an MNE group will need to file a GIR with each administration	Allow for a penalty relief for accuracy related errors made under good faith during the transitional period. Given the evolving

		that adopts a local filing under the GloBE rules, unless the Ultimate Parent Entity ("UPE") exchanges that information with other affected tax administrations under a Qualifying Competent Authority Agreement ("QCAA"). This creates numerous complications from the volume of filings (such as the local QDMTT filing requirement) to data privacy issues with the exchange of information.	OECD guidance and local country regulations, and uncertainty of adoption for many jurisdictions, the reporting requirements are a moving target. A taxpayer should not be penalized for ambiguity in the rules.
		Except in cases where the transitional simplified jurisdictional reporting framework applies, there is a requirement to report all of the relevant adjustments made to determine each CE's GloBE Income or Loss and Adjusted Covered Taxes as provided in the GIR and therefore to separately identify all individual additions and reductions on a gross basis for each of these adjustments in accordance with guidance to be agreed by the Inclusive Framework. There could be both additions and reductions in relation to the same adjustment line item and the default position is, we understand, to report these separately, (i.e., on a grossed-up basis), in accordance with guidance to be agreed by the Inclusive Framework. The OECD framework indicates an expectation that MNE Groups will have built IT and accounting solutions to accommodate separate reporting of additions and subtractions to each adjustment amount (GIR paragraph 9). This is cost prohibitive for many MNE Groups.	Adopt a the transitional GIR simplification as a permanent measure to remove the requirement for additions and reductions to be separately reported for each individual adjustment.