The rise of Pillar Two: new standard for tax professionals

Briefings

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The implementation of the OECD/G20 Pillar Two framework represents a once-in-a-generation shift in the architecture of international taxation.

We have moved beyond the conceptual ‘fair share’ debates of the early BEPS era into a regime of rigid, global minimum tax rules. As jurisdictions continue to incorporate these standards into domestic legislation at a rapid pace, the requirement for advanced technical expertise has become increasingly paramount. The new ADIT Pillar Two Award establishes itself as a definitive professional benchmark, equipping practitioners to adeptly interpret and apply the complex legislative provisions and definitions that now shape the global tax landscape.

The ADIT Pillar Two Award is designed for prospective Pillar Two candidates not only to provide broad awareness but also the ability to perform interpretive analysis in novel, high-complexity scenarios. The 2026 syllabus is structured to mirror the

practical five-step approach required to execute a GloBE Rules workstream:

1. Scope: Identifying the MNE group and constituent entities, while specifically vetting for excluded entities under Article 1.5 (such as pension funds or non-profit organisations).
2. GloBE income or loss: The starting point is the net income or loss used for preparing the consolidated financial statements of the ultimate parent entity before eliminating intra-group transactions, followed by specific adjustments under Article 3.2.
3. Adjusted covered taxes: Defining the numerator for the effective tax rate (ETR) calculation by identifying covered taxes (Article 4.2) and managing temporary differences.
4. ETR and top-up tax: Performing jurisdictional blending to determine the top-up tax liability under Article 5.2.
5. Imposition and charging provisions (Articles 2.1–2.6): Applying the ‘top-down’ income inclusion rule (IIR), the IIR offset mechanism (Article 2.3), and the undertaxed profits rule (UTPR) backstop.

Why Pillar Two Commands professional attention

The framework consists of two primary building blocks. The first is the GloBE Rules (IIR and UTPR), which are enacted through domestic legislation. The second is a treaty-based rule, namely the Subject to Tax Rule (STTR). A key priority for the strategist is the IIR offset mechanism (Article 2.3), which ensures the proper allocation of tax across multiple tiers of parent companies, preventing double taxation within the Pillar Two architecture.

Transitioning from theory to implementation provides three distinct value-adds for the tax professional:

1. Compliance leadership: Navigating the GloBE Information Return (GIR) and leveraging the Qualified Domestic Minimum Top-up Tax (QDMTT). A well-implemented QDMTT under Article 5.2.3 can effectively reduce the jurisdictional top-up tax amount to zero, preserving tax revenue for the local jurisdiction while simplifying the MNE’s global obligations.
2. Risk mitigation: Evaluating the interaction between the IIR and the UTPR. By understanding the ‘backstop’ nature of the UTPR, advisers can identify

jurisdictions where a lack of GloBE implementation could trigger deductible expense denials elsewhere in the group.

3. Strategic advisory: Performing ETR materiality testing and managing deferred tax adjustments to align accounting and tax timing differences, ensuring the MNE maintains the 15% minimum tax rate without unnecessary leakage.

The functionality of Pillar Two differs fundamentally from traditional international tax concepts. Formal training and certification are no longer optional for those advising large MNEs; they are prerequisites for professional competence.

The ADIT Pillar Two Award equips the modern tax leader with the analytical tools to calculate jurisdictional top-up tax accurately and lead their organisation through this transformative regulatory era. In a landscape shaped by complex and interlocking rules and definitions, technical literacy is the only viable path forward.

Find out more about the ADIT Pillar Two Award at: www.tax.org.uk/pillar-two

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