



PILLAR 2 READINESS

KEY ACTIONS FOR THE FIRST YEAR OF IMPLEMENTATION
IN UAE (FY 2025)

BACKGROUND

The implementation of Pillar 2 in UAE through introduction of DMTT Regulations marks a significant shift in UAE's corporate tax landscape. As the UAE prepares for FY 2025, businesses must adopt a strategic approach to ensure compliance and align their tax positions.

KEY FACTORS TO CONSIDER

I. Understanding the UAE DMTT Regulations

Understanding the regulations is crucial for businesses to comprehend their obligations and formulate effective strategies. Key aspects include identifying in-scope entities, evaluating safe harbour and transitional provisions, computing Pillar 2 income/loss, covered taxes and top-up tax liabilities. This knowledge will enable businesses to strategically plan their tax positions, avoid penalties and optimize outcomes.

II. Understanding the Implementation status in Parent Jurisdiction

Businesses must understand the implementation status of Pillar 2 rules in their Ultimate Parent Entity (UPE) or Intermediate Parent Entity (IPE) jurisdiction as this could have ramifications for the Group's UAE activity. There could be scenarios where UAE businesses are required to collate & provide specific data inputs for Pillar 2 to their Head Offices even when the regulations are not implemented in the UAE.

III. Understanding the Data Requirements

Understanding the data requirements for DMTT purposes is essential, as calculations rely on diverse data points from financial statements, Country-by-Country records, and internal documents. Detailed breakdowns are necessary due to differential treatment under DMTT compared to other reporting requirements. Additionally, ensuring availability of suitable data tools & skilled staff is crucial to effectively address the data assimilation challenges.

IV. Understanding the Compliance & Reporting Requirements

The regulations add compliance obligations for in-scope MNEs, including registration, filing 'Top-up Tax Returns,' and in some cases, 'Pillar 2 Information Returns.' These requirements are supplementary to the Federal Corporate Tax Framework. Businesses must also quantify the DMTT impact in their FY 2025 financial statements along with specific disclosures in FY 2024 financial statements..

V. Formulating a Comprehensive Strategy

Given the complexity of the new DMTT Regulations, businesses need a comprehensive strategy to navigate these rules and comprehend its implications. A proactive approach will ensure preparedness, risk mitigation, and alignment of tax positions, helping businesses navigate the challenges, avoid penalties and achieve desired outcomes.



DMTT Regulations apply to CEs of MNE Groups with annual revenue of EUR 750 million or more in two of the previous four fiscal years.



The UAE DMTT Regulations do not provide for any IIR or UTPR. Moreover, they do not apply to certain categories of excluded entities.



Pillar 2 filings must be submitted within 15 months following the end of the reporting fiscal year. However, for the first transitional year, the return can be filed within 18 months of the end of the reporting fiscal year.



The MoF has the authority to issue further rules/decisions to align UAE DMTT Regulations with the Global Pillar 2 requirements.



HOW CAN BDO HELP?

We can offer expert support and assistance to help our clients effectively navigate the complexities of the DMTT Regulations. Our services include:

I. Impact Assessment:

- ▶ Review of existing tax structures
- ▶ Technical impact assessment
- ▶ Evaluation of safe harbour and transitional provisions
- ▶ Computation of Pillar 2 income/loss and top-up tax liabilities
- ▶ Numerical simulations/models for key financial metrics
- ▶ Identification of potential gaps and corrective action steps
- ▶ Support in managing multi-jurisdictional assessments and compliances

II. Data Assessment & Readiness Evaluation

- ▶ Identification of specific data points for computation/compliance
- ▶ Addressing discrepancies in current data capabilities
- ▶ Identifying & Implementing technology and automation solutions

III. Assessment of compliance requirements

- ▶ Support for Pillar 2 registration
- ▶ Assistance with compliance filings
- ▶ Formulation of an internal framework for managing filings
- ▶ Addressing tax accounting considerations and disclosure requirements
- ▶ Group-level reporting and compliance support

IV. Assistance with Internal Policy Framework for Pillar 2

- ▶ Training and Development sessions for key stakeholders
- ▶ Advisory support for evolving regulatory landscape
- ▶ Monitoring impact of updates on Pillar 2 strategy and tax positions

These services are designed to help businesses navigate the complexities of the new DMTT Regulations and ensure compliance while aligning their tax positions.

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