



Customer Name
Address Line 1
Address Line 2
Town / City
POSTCODE

Web www.gov.uk

Date ** October 2023

Dear Sir or Madam

UK adoption of Organisation for Economic Cooperation and Development (OECD) Pillar 2 model rules

We wrote to you earlier this year to tell you about two new taxes: Domestic Top-up Tax (DTT) and Multinational Top-up Tax (MTT).

Our information suggests that your business may be in scope of one or both of these taxes, which will be introduced from 31 December 2023. We recommend you assess how these taxes may affect your group as soon as possible and prepare for implementation. Alongside this, impacted groups will need to continue to monitor global and domestic developments.

This is our second Pillar 2 update. It includes:

- details on the new online service that is being implemented
- an update on legislation and guidance
- frequently asked questions

We recommend you share this letter with your group's UK Senior Accounting Officers and/or Chief Financial Officer and those people responsible for your international accounting and tax compliance.

Sign up for more updates by email

Over a third of affected businesses get updates from us about Pillar 2 by email. If you sign up to receive emails from us, we can share updates directly with relevant contacts within your group, including those responsible for global Pillar 2 implementation. This can include those based in the UK and outside the UK.

If you need extra support, for example if you have a disability, a mental health condition, or do not speak English/Welsh, go to www.gov.uk and search for 'get help from HMRC'.
Text Relay service prefix number – 18001

If you have not done so already, please email pillar2mailbox@hmrc.gov.uk if:

- you want to receive updates via email on Pillar 2 developments, guidance and event information - this may help your business prepare for the changes
- you're not sure whether you'll be in scope of MTT and DTT and would like to discuss this with us
- your group has received this update more than once, so we can update our records

Getting advice

If you have a tax adviser, you may want to discuss this with them. We've shared an example of this letter with many advisers who might represent groups in scope of Pillar 2. We are also having conversations with them about how we can best support affected customers.

— Yours faithfully

Clare Walsh

Pillar 2 Technical Lead

To find out what you can expect from us and what we expect from you go to www.gov.uk/hmrc/your-charter and have a look at 'Your Charter'.



We recommend you consider as soon as possible how Pillar 2 may affect your business and keep up to date with global and domestic developments.

HMRC online service – from Spring 2024

We're developing a new online service to enable businesses to meet their Multinational Top-up Tax (MTT) and Domestic Top-up Tax (DTT) obligations. This will include the ability to register, file returns and make payments. We plan to release the service in stages.

The first stage will allow you to register for the new taxes and make a payment on account if you want to. We're aiming to complete this by Spring 2024, well in advance of your registration deadline which is six months from the end of the accounting period in which your group became a qualifying group.

We'll tell you more in our future updates about further stages as we develop them.

Legislation

The Spring Finance Bill 2023 (Finance (No.2) Act 2023), enacted earlier this year, includes the UK legislation implementing MTT and DTT.

We also published additional draft legislation on 18 July and 27 September 2023 with amendments. This reflects stakeholder observations on the existing legislation and OECD administrative guidance published earlier this year – see 'Guidance' below.

We will continue to make amendments to our legislation where necessary, in order to remain consistent with the international agreement.

For more information on the latest position and for access to the draft legislation, please search 'multinational top-up tax amendments' on gov.uk.

Guidance

We published draft guidance in July 2023 as part of a consultation exercise. The guidance provides an overview of MTT and DTT as well as covering the scope and administration of the taxes. The consultation ended in September 2023 and we're now reviewing the responses we received.

To see the draft guidance, go to gov.uk and search 'top-up tax guidance'.

The OECD has also published a further set of administrative guidance and some new guidance on the GloBE Information Return. To find these, go to www.oecd.org and search 'tax challenges arising from the digitalisation of the economy'. Follow the link to the top search hit, then scroll down to:

- 'Agreed administrative guidance' – published July 2023
- 'GloBE Information Return' – published July 2023

Frequently asked questions

To help you decide whether you're in scope, here are our answers to some of the main questions we've been asked about MTT and DTT.

Why have I received this letter?

Our information suggests your group is in scope of Pillar 2. We've sent this letter to a UK entity in the group to make the group aware of the requirements in the UK. We encourage you to share this with those implementing Pillar 2 globally.

Please bear in mind that groups in scope will have UK reporting obligations even if the group does not have a MTT or DTT liability. These obligations will apply to both UK-headed and non-UK headed groups, irrespective of whether the jurisdiction of the ultimate parent entity implements Pillar 2.

How do I know whether I'm within scope of MTT?

A group will be within scope of MTT if both of the following apply:

- it has at least one member in the UK and one member outside the UK
- it meets the revenue threshold test

The revenue threshold test is met if the group has revenue in excess of €750 million (reduced for periods of less than a year) in any two of the four previous periods. The revenue of the group members is taken from the consolidated financial statements of the ultimate parent entity for the period, and so the revenue of all group members – both UK and non-UK – is included in this test.

Special rules apply if there has been a merger or demerger in the tested period or any of the prior four periods. More information can be found in our guidance (MTT11010).

Investment entities and certain excluded entities are not within scope of MTT and DTT. For more information about the types of excluded entities, please refer to our guidance (MTT10010).

How do I know whether I am in within scope of DTT?

A group or UK entity will be within scope of DTT if both of the following apply:

- it has a UK presence
- it meets the revenue threshold test

Groups with only UK members and single UK entities can be in scope, as well as the UK operations of multinational groups. Where the entity is a member of a group, the €750 million revenue threshold test is applied to the group as a whole. As with MTT, the revenue of all group members – both UK and non-UK - is included in this test.

If I am within scope, what information do I need to provide to HMRC?

One member of the group must be solely responsible for registering and complying with both the new taxes. This will be the group's ultimate parent entity, unless you've nominated a different UK or non-UK member to be responsible for this.

The filing member must register with HMRC no later than six months from the end of the accounting period in which the group became a qualifying group. The information that will need to be provided at registration includes:

- details of the ultimate parent entity
- details of the filing member, if not the ultimate parent entity
- contact details for the individual or tax team responsible for filing the return
- the accounting period start and end dates

The filing member will later be required to submit a Self Assessment return and an information return to HMRC for each accounting period in which the group qualifies for MTT and/or DTT. If an information return has already been submitted to a qualifying authority outside of the UK, then an overseas return notification can be submitted instead.

The above is not intended to be a comprehensive summary of the rules relating to MTT and DTT. You should refer to the legislation and guidance for more detailed information. If you have any questions or suggestions on what may be helpful to cover in future updates, please contact the Pillar 2 mailbox at pillar2mailbox@hmrc.gov.uk.