



To: Pillar 2 In-scope Group

**Email** pillar2mailbox@hmrc.gov.uk

**Date** June 2023  
**Our Ref** PILLAR2/UPDATE1

Dear Sir or Madam

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

I 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.

In October 2021, the UK and over 135 other countries agreed as part of the OECD Inclusive Framework to a two-pillar solution to reform the international corporate tax framework in response to the challenges of digitalisation.

Pillar 2 of this solution, known as the Global Base Erosion (GloBE) rules, requires a group with consolidated annual revenues of over €750 million to pay a minimum 15% tax on its profits in each jurisdiction it operates in.

As part of the UK adoption of the OECD Pillar 2 rules, the government has announced two new taxes, the Multinational Top-up Tax (MTT) and Domestic Top-up Tax (DTT). These will apply to accounting periods that begin on or after 31 December 2023.

I am writing to businesses I believe may be in scope of MTT and DTT, to offer them support as the new taxes are introduced. From the information we hold, I consider that the company to which this letter is addressed may be a member of a consolidated group that had annual revenues of more than €750 million in past accounting periods, and therefore may be required to register for these taxes.

### **MTT and DTT**

MTT will require all groups with both UK and non-UK entities and sufficient consolidated revenue to register with HMRC. A charge may arise on UK parent members within such a group, where a UK parent member has an interest in an entity in a non-UK jurisdiction, and the group's profits arising in that jurisdiction are taxed below the minimum rate of 15%.

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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](http://www.gov.uk) and search for 'get help from HMRC'.  
Text Relay service prefix number – 18001

DTT will require all groups with UK entities and sufficient consolidated revenue to register with HMRC. A charge may arise on UK members within a domestic or multinational enterprise group where UK profits are taxed below the minimum rate of 15%.

## **How to prepare for these changes**

Businesses will need to prepare for complying with MTT and DTT in the UK, as well as the adoption of Pillar 2 in other jurisdictions.

Work at the OECD is ongoing to ensure that the Pillar 2 rules are implemented in a coordinated manner to achieve better tax certainty for businesses and reduce compliance costs.

To help you meet your UK obligations, I have included our first 'Pillar 2 update' with this letter. We will offer more updates and support before the new rules come in.

Please email [pillar2mailbox@hmrc.gov.uk](mailto:pillar2mailbox@hmrc.gov.uk) if:

- you want to receive future updates by email on Pillar 2 developments, guidance, and event information – this may help your business prepare for the changes
- you are 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 letter more than once - please let us know so that we can update our records.

## **Getting advice**

If you have a tax adviser, you may want to discuss this with them. We have sent an example of this letter to advisers who might represent groups in scope of Pillar 2.

— 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](http://www.gov.uk/hmrc/your-charter) and have a look at 'Your Charter'.