

21st Annual EY International Tax Quantitative and Reporting Conference

Beyond the horizon – quantitative
considerations for a changing tax world

March 23-24, 2026

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Welcome

Tax accounting and quantitative considerations



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Topics

- One Big Beautiful Bill Act (OBBBA) changes
- Final Section 987 regulations
- Corporate alternative minimum tax (CAMT)
- Latest Pillar Two updates

Objectives

- Describe impacts from the OBBBA, including Section 163(j), expense apportionment, Section 898(c)(2) and Section 960(d)(4) for net controlled foreign corporation (CFC) tested income (NCTI) withholding tax haircuts.
- Discuss Section 987 final regulations recent developments.
- Review proposed CAMT regulations.
- Describe latest Pillar Two updates.

Polling 1

Which one of the following items is most relevant in your company?

- A. Accounting updates
- B. OBBBA changes
- C. Pillar Two
- D. N/A (EY associate, faculty, etc.)

01

OBBBA

Section 163(j)

Section 163(j) changes

- Addback of depreciation, amortization and depletion in computing the 30% limitation under Section 163(j):
 - Effective for tax years beginning after December 31, 2024.
- Excludes subpart F and NCTI (and any associated Section 78 gross-up) in computing the 30% limitation under Section 163(j)
 - Effective for tax years beginning after December 31, 2025.
 - Clarifies that the Section 245A deduction allowed by reason of Section 964(e)(4), or deduction allowed under Section 250(a)(1)(B), are also excluded in computing the 30% limitation.
- New ordering rule requires Section 163(j) limitation to be calculated prior to elective interest capitalization:
 - Effective for tax years beginning after December 31, 2025, meaning taxpayers may still use elective interest capitalization options (e.g., Section 266) in 2024 and 2025.

Section 163(j) approach

- Establish current state:
 - Proper characterization of items of income or expense as interest (e.g., proper treatment of debt issuance costs and hedging gains and losses)
 - Properly capturing additions and subtractions to adjusted taxable income (ATI) (e.g., reductions to ATI for dispositions of certain property)
 - Consider alternatives:
 - Reduce interest expense
 - Shift ATI to the US
 - Capitalize costs to depreciable/amortizable assets

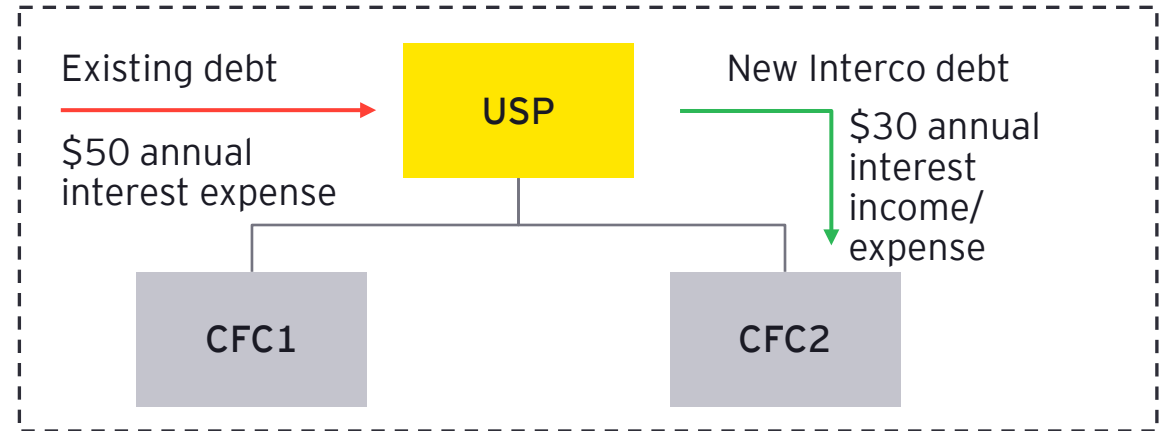
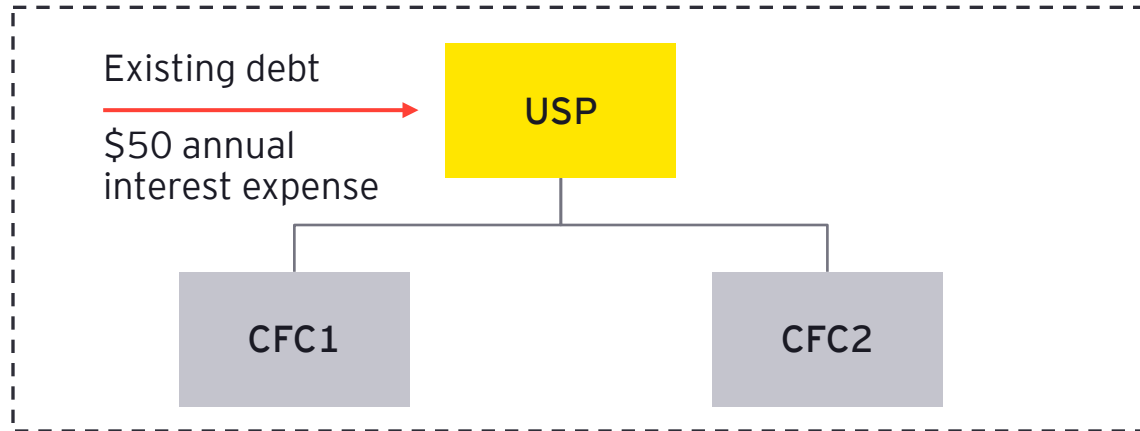
Modeling analysis to consider

The loss of the CFC excess taxable income (ETI) bump and capitalization planning in 2026 may outweigh the attribute of depreciation and amortization reinstatement.

2025 tax year considerations

Increase in deductible interest expense due to depreciation and amortization reinstatement may result in increased interest deductions subject to Section 59A, i.e., a base erosion and anti-abuse tax (BEAT), and may adversely impact CAMT computations.

Section 163(j) example



USP Section 163(j) Items	Base case	With new Interco debt
Adjusted taxable income (ATI)	\$100	\$100
Business interest expense (BIE)	\$50	\$50
Business interest income (BII)	0	\$30
Net BIE	\$50	\$20
163(j) computation	Base case	With new Interco debt
30% limitation	\$30	\$30
Deductible BIE	\$30	\$20
Non-deductible BIE	\$20	0

The diagrams on this slide are for illustrative purposes only and for ease of explanation. Please note that the facts and circumstances for any taxpayer will vary and it is essential that business purposes and taxpayer specific facts and circumstances are independently assessed

Polling 2

What types of income are excluded from adjusted taxable income for tax years beginning after December 31, 2025?

- A. Section 78 gross-up
- B. NCTI
- C. Subpart F
- D. All of the above

Expense apportionment

Changes to expense apportionment

Section 174 modeling takes center stage

- NCTI:
 - Starting in 2026, interest expense otherwise allocable to NCTI will be reallocated to US source income.
 - It's TBD on stewardship expense impact.
- Foreign-derived deduction eligible income (FDDEI):
 - Starting in 2026, research and experimental (R&E) and interest expense will no longer be allocable to FDDEI:
 - This can reduce the US ETR on FDDEI below 14%, significantly so for industries with high R&E or interest expense.
 - The reinstatement of immediate expensing for domestic R&E comes with a variety of elections for when taxpayers can deduct both pre-2025 Section 174 account balances and post-2024 annual R&E spend:
 - Accelerating Section 174 deductions in 2025 may provide a cash benefit, but potentially at the cost of allocating expenses to FDII that would not otherwise be if deferred to 2026.

Section 174 changes for US R&E

Treatment of US-Situs R&E

Options

Previously capitalized Section 174 accounts

(Cal. 2022-2024; FY23-FY25)

1. One-year acceleration (2025)
2. Two-year acceleration (2025 and 2026)
3. Continue to amortize

Future Section 174A expenses

(For 2025 or FY26 and beyond)

1. Deduct currently
2. Elect under Section 174A(c) to amortize over five years or more
3. Elect under Section 59(e) to amortize over 10 years

Illustration: Section 174 and FDDEI potential impacts

Deferring 2025 R&E to improve FDDEI attribute

Deduct 2025 R&E	2025	2026-2034	Total
Income	\$500	\$4,500	\$5,000
2025 R&E	\$(480)	–	\$(480)
Earnings before FDDEI deduction	\$20	\$4,500	\$4,520
FDDEI deduction	\$(8)	\$(1,503)	\$(1,511)
Taxable income	\$13	\$2,997	\$3,010
Cash tax	\$3	\$629	\$632
Cash tax/pre-FDDEI income	13.1%	14.0%	14.0%
FDDEI calculation			
FDDEI before R&E	\$500	\$4,500	\$5,000
R&E expense appt.	\$(480)	–	\$(480)
Net FDDEI	\$20	\$4,500	\$4,520
FDDEI rate	37.5%	33.4%	
FDDEI deduction	\$8	\$1,503	\$1,511

Capitalize under Section 59(e)	2025	2026-2034	Total
Income	\$500	\$4,500	\$5,000
2025 R&E	\$(48)	\$(432)	\$(480)
Earnings before FDDEI deduction	\$452	\$4,068	\$4,520
FDDEI deduction	\$(170)	\$(1,503)	\$(1,673)
Taxable income	\$283	\$2,565	\$2,848
Cash tax	\$59	\$539	\$598
Cash tax/pre-FDDEI income	13.1%	13.2%	13.2%
FDDEI calculation			
FDDEI before R&E	\$500	\$4,500	\$5,000
R&E expense appt.	\$(48)	–	\$(48)
Net FDDEI	\$452	\$4,500	\$4,952
FDDEI rate	37.5%	33.4%	
FDDEI deduction	\$170	\$1,503	\$1,673

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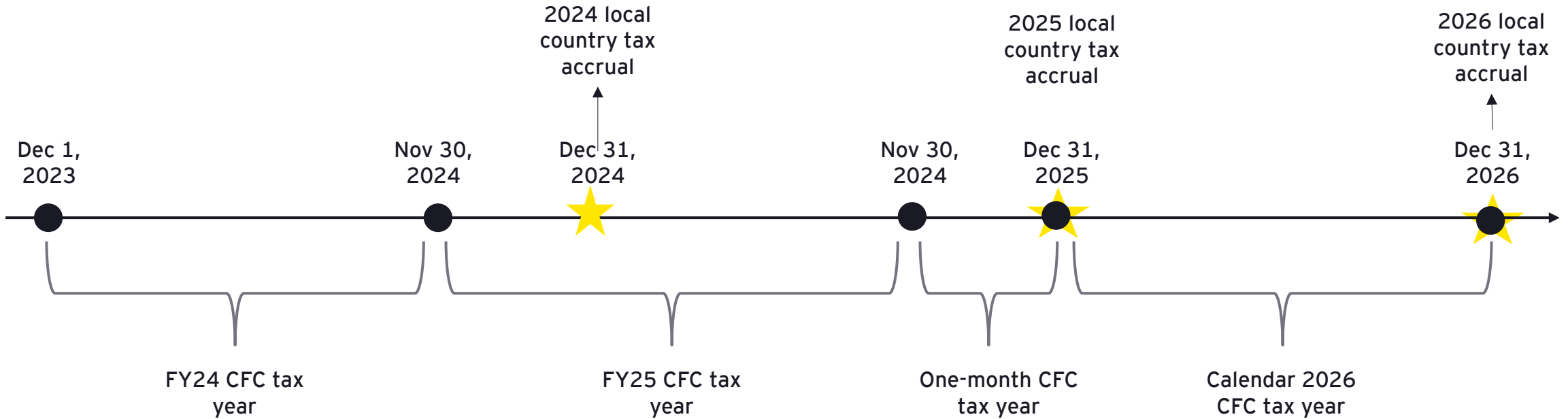
Section 898(c)(2) repeal

Section 898(c)(2) repeal

- Former Section 898(c)(2) allowed certain CFCs to adopt a US tax year that ended one month prior to their majority US shareholder's tax year.
 - OBBBA repealed the election for CFC tax years beginning after November 30, 2025:
 - Any CFC that had made a Section 898(c)(2) election has a one-month short tax year for its first year beginning after November 30, 2025, to conform to the majority US shareholder's taxable year.
 - Any foreign income taxes that would otherwise accrue in the one-month short tax year must be allocated between that short tax year and the subsequent tax year.
 - In Notice 2025-72, the IRS provided an allocation mechanism based on total foreign taxable income in the one-month short tax year vs. the entire foreign year to which the taxes relate:
 - Thus, the allocation uses the same percentage for all subpart F and tested income groups.
 - Income groups need positive post-tax net income for taxes to be deemed paid under Section 960(a) or (d).
- **Consideration:** Taxes are “over-allocated” to an income group causing an income group loss, such that no foreign tax credit (FTC) is available.
 - **Action:** Taxpayers should model the effect of Section 898(c)(2) repeal to identify any over-allocations of foreign taxes. Options to remediate an over-allocation may be available.

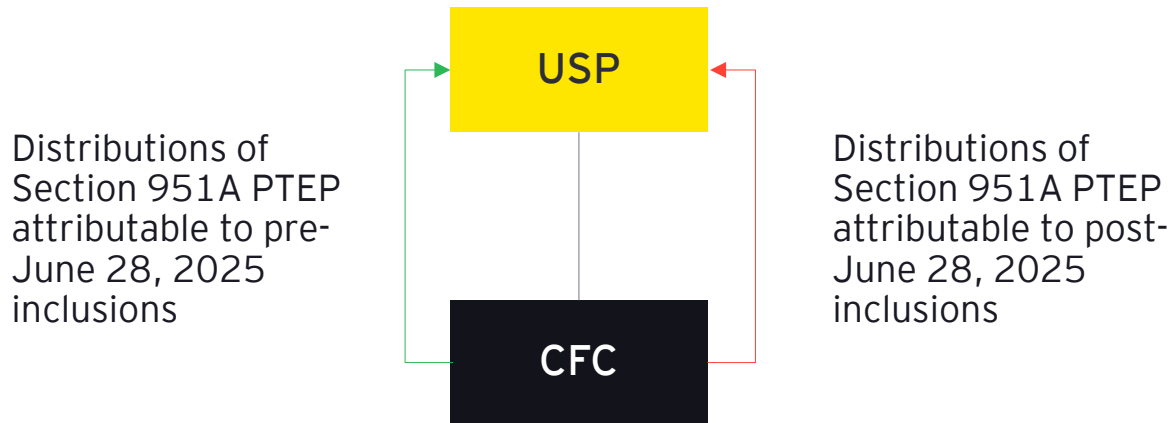
Section 898(c)(2) repeal (cont.)

Potential considerations



Section 960(d)(4)

Section 960(d)(4): 10% disallowance on Section 951A PTEP taxes example



Background

- Section 960(d)(4) disallows a FTC for 10% of foreign income taxes paid or accrued (or deemed paid or accrued) with respect to distributions of Section 951A previously taxed earnings and profits (PTEP).
- Under OBBBA Section 70312(c), the disallowance applies “to foreign income taxes paid or accrued (or deemed paid under Section 960(b)(1) of the Internal Revenue Code of 1986) with respect to any amount excluded from gross income under Section 959(a) of such Code by reason of an inclusion in gross income under Section 951A(a) of such Code after June 28, 2025.”

Highlights

- Notice 2025-77 clarifies that Section 960(d)(4) applies to the foreign income taxes paid or accrued (or deemed paid under Section 960(b)(1)) with respect to a Section 951A PTEP distribution only to the extent the PTEP results from a post-June 28, 2025 Section 951A inclusion. Thus:
 - A distribution of Section 951A PTEP relating to a 2024 inclusion is not subject to Section 960(d)(4), even if the distribution occurs after June 28, 2025.
 - A distribution of Section 951A PTEP relating to an inclusion occurring after June 28, 2025, may be subject to Section 960(d)(4), even if the distribution occurs before June 28, 2025.
- Taxpayers may rely on the rules described in Section 3 of Notice 2025-77 for tax years of US shareholders beginning before the date the proposed regulations are published, provided taxpayers follow the guidance in its entirety and consistently for all applicable tax years.

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02

Tax accounting considerations for OBBBA

Accounting and financial reporting implications of H.R. 1

Accounting considerations



Other considerations

- In the period that includes the date of enactment (i.e., July 4, 2025):
 - Determine the effects of changes in tax rates and laws on estimated taxes payable or refundable for the current year and on deferred taxes.
 - Reevaluate previous valuation allowance conclusions.
 - Recognize any effects and changes to deferred taxes discretely as a component of continuing operations as of July 4, 2025.
 - Account for any resulting updates to the estimated annual effective tax rate.
 - Evaluate the potential impacts of each provision of the Act, including when such effects may occur.
-
- Provide necessary disclosures in the footnotes and management's discussion and analysis (MD&A).
 - Evaluate the potential impacts of H.R. 1 on existing internal controls and processes.

Refer to our Technical Line, [A closer look at the accounting and financial reporting implications of H.R.1](#), for more information.

03

Final Section 987 regulations

Section 987 Final Regulations overview

In general:

- The Final Regulations were released on December 10, 2024 and are applicable for tax years beginning after December 31, 2024 (early application in the case of qualified business unit (QBU) terminations or upon election).
- The Foreign Exchange Exposure Pool (FEED) is the default methodology for computing Section 987 gain or loss.
- Simplifying elections are available, e.g., the current rate and annual recognition elections.
- Taxpayers generally are required to compute pretransition gain or loss, subject to certain limitations and elections with respect to recognition.
- Following the applicability date, the asset method of Reg. 1.861-9(g) and 1.861-9T(g) must be utilized to determine the character (e.g., as subpart F income) of Section 987 gain or loss.

Applicability:

- The Final Regulations apply to corporations that own Section 987 QBUs but generally do not apply to partnerships or Section 987 QBUs owned by partnerships; taxpayers must apply a reasonable method with respect to partnerships pending future guidance.

Notice 2026-17: Overview of Proposed Changes to Section 987

- Notice 2026-17 (the Notice) was released in February 2026 and is intended to provide taxpayers with additional flexibility in performing Section 987 gain or loss determinations.
- Election to use the equity and basis pool (EBP) method, which is substantially similar to the method provided in the 1991 proposed regulations.
 - A current rate election (CRE) must be in effect to apply the EBP method.
 - The CRE causes taxpayers to be subject to loss suspension rules.
- Other changes:
 - Narrows the scope of the loss suspension rules.
 - Simplifies the loss-to-the-extent-of-gain rule under which suspended Section 987 loss is recognized.
 - Clarifies the definition of a successor for purposes of the deferral rules.
 - Expands the definition of a Section 987 hedging transaction.

Taxpayers may rely on the Notice with respect to the rules described above currently.

Notice 2026-17: Overview of Proposed Changes to Section 987 (cont.)

- The Notice announces intent to establish an election under which CFCs would not compute or recognize foreign currency gain or loss under Section 987(3), except in connection with certain inbound transactions:
 - If the election is made, the rules of Sections 987(1) and (2) would continue to apply for purposes of computing taxable income and E&P of the CFC with respect to its Section 987 QBUs.
 - Consistency is a requirement for related parties.
 - Commissioner's consent needed to revoke the election.
- Any unrecognized Section 987 gain or loss that arose before the CFC election is made would be recognized pro rata over 120 months beginning with the first month of the tax year the CFC election is made.
- In the case of a subsequent inbound asset reorganization or liquidation of a CFC that is subject to the CFC election, rules would be provided to account for Section 987(3) gain (but not loss) that has not been recognized as a result of the CFC election.

Taxpayers may NOT rely on the Notice with respect to the rules described above currently; future guidance to be released in the "near future" and in time for 2025 tax return filings.

Section 987 Final Regulations recent developments

Section 987 Transition Information DRAFT Form 8964-TRA

- Separate form required for each applicable QBU
- Filed by owner of an applicable QBU and attached to the owner's federal income tax return (e.g., forms 1040, 1120, 5471).
- Partnerships and S corporations do not file Form 8964-TRA.
- Information to be disclosed includes pretransition gain or loss, applicable transition date, whether an eligible or ineligible pretransition method was applied, description of prior method utilized for Section 987 compliance purposes.

Section 987 Elections DRAFT Form 8964-ELE

- Election to be made or revoked for an owner of a Section 987 QBU by the authorized person.
- Elections may be made for multiple QBUs on a single form.
- First year elections can be made by attaching Form 8964-ELE to the taxpayer's original, timely filed return.
- Subsequent year elections can be made or revoked only with the Commissioner's consent.
- Consider elections consistency requirements.

Also consider Form 8858 reporting for post-transition Section 987 gain or loss determinations.

04

CAMT

Polling 3

Is your company experiencing additional compliance challenges due to CAMT?

- A. Yes
- B. No
- C. Not applicable
- D. N/A (EY associate, faculty, etc.)

The state of CAMT guidance

Timeline and applicability dates

Timeline

- **2022-2023:** Several CAMT notices issued, most of which no longer apply.
- Proposed CAMT regulations were issued on September 12, 2024 (under the Biden administration).
- Taxpayers and other stakeholders commented on the proposed CAMT regulations, focusing on the administrability of the proposed CAMT regulations and the commentors' disagreement with certain policy choices.
- Administration changed in January of 2025.
- Starting in the summer of 2025, the Treasury and IRS released five substantive notices. The notices announce an intent to revise the existing proposed CAMT regulations to consider comments received by stakeholders and provide substantive guidance that taxpayers can rely on in the interim.

Applicability dates of existing and forthcoming proposed regulations:

- The existing and forthcoming proposed regulations would apply to tax years beginning on or after the publication of the final regulations.
- No section of the existing or forthcoming proposed CAMT regulations would apply retroactively once finalized.
- Taxpayers may generally rely on any section of the existing proposed regulations on a section-by-section basis subject to certain consistency requirements.

Notice 2026-7 – AFSI adjustments

Key AFSI adjustments provided in Notice 2026-7:

- Section 197 amortization for goodwill and other intangibles that are not amortized for book purposes:
 - Applies to all eligible intangibles (including those fully amortized for regular tax but that have remaining book basis).
 - There are potential book addback provisions.
 - Disposition recapture (CAMT basis reduced by Section 197 amortization claimed in all years, including pre-CAMT years).
- Tax amortization of TCJA domestic research expenditures (i.e., 2022 through 2024 expenditures):
 - Applies to 2025 and later years.
 - AFSI subtraction for tax amortization of TCJA domestic research expenditures (including under OBBBA transition rule).
 - Book addbacks (none if TCJA domestic research expenditures already expensed, some if amortized into 2025 or later).
 - No adjustment for domestic research expenditures incurred in 2025 and later.
- Section 367(d) outbound transfers of IP:
 - Generally, follows the regular tax treatment under Section 367(d) (but with CAMT basis substitutes) for both the US shareholder transferer and CFC transferee.
 - Prior guidance was silent as to whether a CFC could reduce AFSI by deemed royalties.
- “Two-Year” anti-avoidance rule in Prop. Reg. Section 1.56A-4(f)(1)(ii) changed from a strict per se rule to a rebuttable presumption rule:
 - Anti-avoidance rule applies to basis disparity when stock of a foreign corporation is received in a Section 358 transaction and the basis in the foreign stock received for regular tax purposes (which is determined in whole or in part by reference to the basis in other property transferred for regular tax purposes) is higher than the CAMT basis of the other property.

Notice 2026-7 – AFSI adjustments (cont.)

Other AFSI adjustments provided in Notice 2026-7:

- Tax deductible repairs
- Qualified production costs under Section 181
- Certain tax-deductible materials and supplies
- Exclusion of fresh-start book gains resulting from emergence from bankruptcy

AFSI adjustment options to explore

Optionality exists under notices and proposed regs

- Optionality and flexibility: Subject to certain limitations, taxpayers can generally “mix and match” the guidance they rely on (statute, notices, proposed regs) and choose adoption timing (retroactive vs. future years).
- The following is a non-exhaustive list of adjustments that may provide CAMT relief:
 - Address dividend double counting:
 - Consider that the statutory language may result in dividend double counting, especially with regard to section 245A dividends.
 - The proposed regulations prevent double counting of dividends in AFSI, but their adoption may also require the adoption of unfavorable positions, such as the disallowance of certain foreign tax credits (FTCs) for CAMT purposes if disallowed for regular tax under Sections 901(m), 907, 909, etc.
 - Consider whether taxpayers can avoid double counting under various statutory arguments.
 - Reduce AFSI for depreciation embedded in pre-2020 regular net operating loss (NOLs):
 - AFSI is generally unaffected by the use of pre-2020 regular NOLs, meaning regular tax liability is reduced without any reduction to AFSI, increasing the likelihood of a CAMT liability.
 - Notice 2025-49 allows taxpayers utilizing regular NOLs from a pre-2020 year to reduce AFSI for the depreciation deductions “embedded” in those NOLs using any reasonable method (two safe harbors provided).

AFSI adjustment options to explore (cont.)

Optionality exists under notices and proposed regs

- Hedging and fair value item exclusion:
 - The statute contains no adjustments for hedging transactions or hedged items.
 - The proposed regulations provide AFSI adjustments for certain hedging transactions and hedged items.
 - Additionally, under Notice 2025-49, taxpayers may elect to exclude certain fair value measurement adjustments from AFSI for items not marked to market for regular tax purposes when computing AFSI.
- Choose approach for determining a partner's "distributive share" of partnership income:
 - Approaches include bottoms-up, top-down election, taxable income election and "any reasonable method."
 - Similarly, taxpayers have flexibility in the CAMT treatment of partnership contributions and distributions.
- Additional adjustments exist for cancellation of debt income (CODI), acquired target financial statement NOLs (FSNOLs), insurance transactions, tonnage tax, regulated utilities, restatements, nonrecognition transactions, etc.

05

Latest Pillar Two updates

Side-by-Side Safe Harbour example

Key criteria for determining qualified side-by-side regime:

- Has an eligible domestic tax system.
- Has an eligible worldwide tax system.
- Provides FTC for qualified domestic minimum top-up tax (QDMTT).
- Upon request, the inclusive framework will assess a jurisdiction's pre-existing tax regimes for eligibility by mid-2026 and will assess other jurisdictions initiating requests in 2027 or 2028.

Effects of elective safe harbor if ultimate parent entity (UPE) is located in such a jurisdiction:

- The income inclusion rule (IIR) and undertaxed profits rule (UTPR) are deemed to be zero for all jurisdictions.
- QDMTT remains applicable.
- Electing multinational enterprise (MNE) groups remain subject to Global Anti-base Erosion (GLoBe) Information Return (GIR) filing obligations.

Implementation:

- May apply for fiscal years commencing on or after January 1, 2026 or a later year as listed in the Central Record.
- Central Record shows that the United States has had a qualified side-by-side regime from January 1, 2026.
- Future "stocktake" including identification of "integrity risks."

The diagram on this slide is for illustrative purposes only and for ease of explanation. Please note that the facts and circumstances for any taxpayer will vary and it is essential that business purposes and taxpayer specific facts and circumstances are independently assessed.

Jurisdiction has not implemented Pillar Two but has a qualified side-by-side regime.

UPE

FTC available for foreign QDMTT.

Jurisdiction has implemented IIR, UTPR and QDMTT legislation.

Intermediate parent

Only the QDMTT top-up tax may be charged. No IIR or UTPR in respect of the constituent entity.

Jurisdiction has not implemented Pillar Two.

Constituent entity

No IIR or UTPR charged in respect of the constituent entity's profits.

Simplified ETR Safe Harbour

Conditions for eligibility:

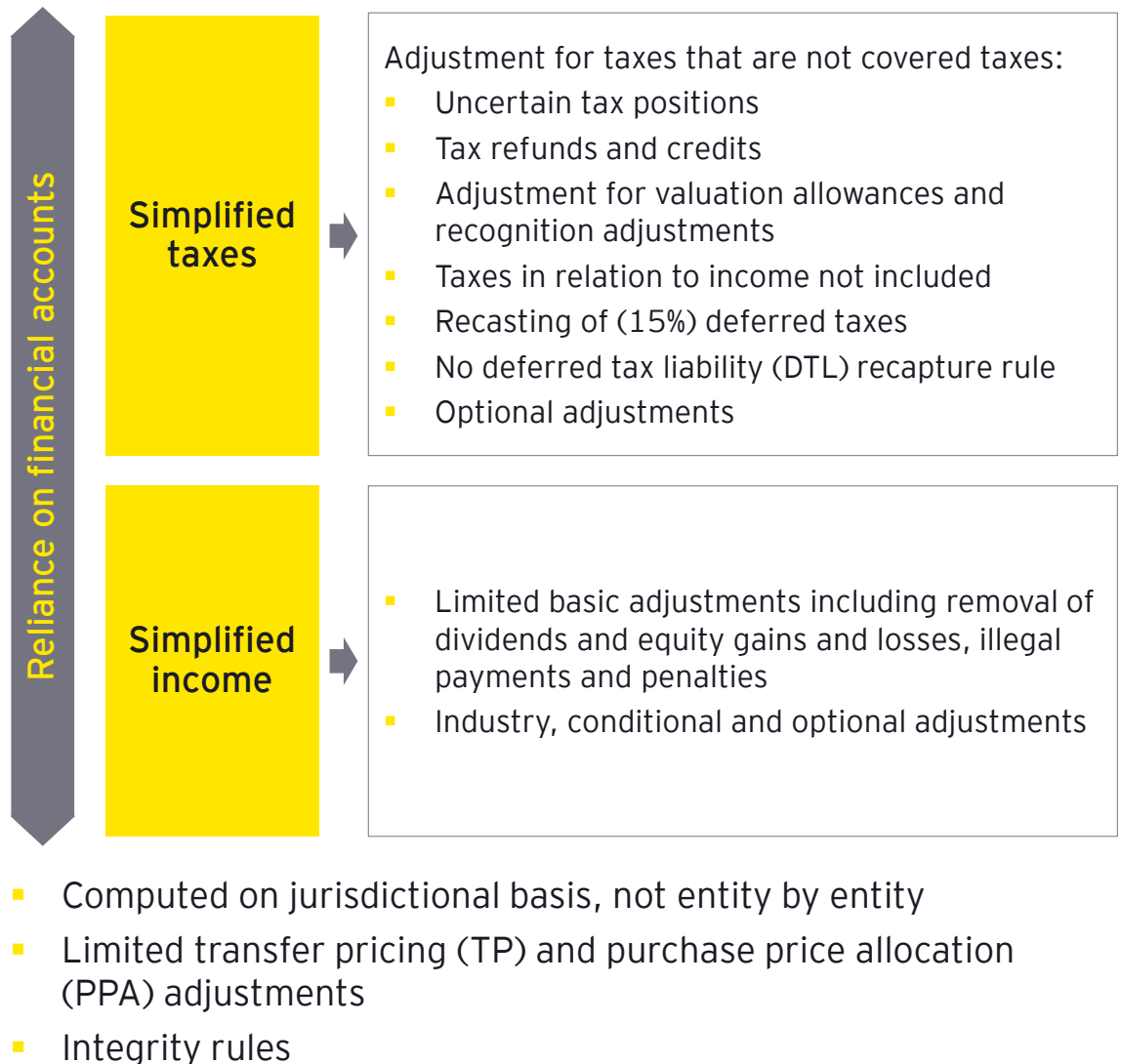
- The tested jurisdiction has simplified ETR of at least 15% or has a simplified loss for the year.
- MNE group must make necessary adjustments such that computations meet four integrity principles.
- MNE group may not elect to the safe harbor for certain entities, including most stateless constituent entities.
- MNE group did not have top-up tax liability for the tested jurisdiction in the prior two years.

Effects of elective safe harbor:

- Top-up tax deemed zero (for IIR, UTPR and QMDTT) in tested jurisdiction.
- Although compliance is simplified, extensive reporting obligations still apply. The details are to be finalized by the inclusive framework.

Implementation

- Election available for any fiscal year beginning on or after December 31, 2026, but jurisdictions may make the safe harbor available one year earlier under conditions.



Transposition into local law

All implementing jurisdictions

- Analyses of IIR/UTPR jurisdictions conducted before the release of the OECD package suggest that most jurisdictions will require legislation to implement the January 2026 package.
- Jurisdictions such as New Zealand, Gibraltar and Liechtenstein may automatically adopt the January 2026 package.
- Previous agreed administrative guidance has been implemented in stages with the result that some elements of the administrative guidance are not applicable at the same time in all jurisdictions.
- It will be important to monitor timing of jurisdictional implementation of the January 2026 package and track when it will be effective.

EU-specific considerations

- The January 2026 package is organized as “safe harbors” to prevent the EU from having to “reopen” the Minimum Tax Directive.
- Art. 32 of the Minimum Tax Directive deems the top-up tax to be zero for a jurisdiction if the effective level of taxation fulfils the conditions of international agreement on safe harbors (i.e., an “international set of rules and conditions to which all Member States have to consent ...”).
- Officials in the EU have considered whether new safe harbors could have direct effect in the EU but it’s expected that domestic steps for transposition and implementation will be required.

Accounting implications

Final legislation effective from			
Jurisdiction	Q/DMTT	IIR	UTPR
Australia	FY24	FY24	FY25
Austria	FY24	FY24	FY25
Bahamas	FY24	N/A	N/A
Bahrain	FY25	N/A	N/A
Barbados	FY24	N/A	N/A
Belgium	FY24	FY24	FY25
Brazil	FY25	N/A	N/A
Bulgaria	FY24	FY24	FY25
Canada	FY24	FY24	N/A
Croatia	FY24	FY24	FY25
Cyprus	FY25	FY24	FY25
Czech Republic	FY24	FY24	FY25
Denmark	FY24	FY24	FY25
Finland	FY24	FY24	FY25
France	FY24	FY24	FY25
Germany	FY24	FY24	FY25
Gibraltar	FY24	FY25	N/A
Greece	FY24	FY24	FY25
Guernsey	FY25	FY25	N/A
Hungary	FY24	FY24	FY25
Indonesia	FY25	FY25	FY26
Ireland	FY24	FY24	FY25

Final legislation effective from			
Jurisdiction	Q/DMTT	IIR	UTPR
Isle of Man	FY25	FY25	N/A
Israel	FY26	N/A	N/A
Italy	FY24	FY24	FY25
Japan	FY26	FY24	FY26
Jersey	N/A	FY25	N/A
Kenya	FY25	N/A	N/A
Kuwait	FY25	N/A	N/A
Liechtenstein	FY24	FY24	N/A
Luxembourg	FY24	FY24	FY25
Malaysia	FY25	FY25	N/A
Mauritius	FY25	N/A	N/A
Netherlands	FY24	FY24	FY25
New Zealand	N/A	FY25	FY25
North Macedonia	FY24	FY24	FY25
Norway	FY24	FY24	FY25
Oman	FY25	FY25	N/A
Poland	FY25	FY25	FY25
Portugal	FY24	FY24	FY25
Qatar	FY25	FY25	N/A
Romania	FY24	FY24	FY25
Singapore	FY25	FY25	N/A
Slovakia	FY24	N/A	N/A

Final legislation effective from			
Jurisdiction	Q/DMTT	IIR	UTPR
Slovenia	FY24	FY24	FY25
South Africa	FY24	FY24	N/A
South Korea	FY26	FY24	FY25
Spain	FY24	FY24	FY25
Sweden	FY24	FY24	FY25
Switzerland	FY24	FY25	N/A
Thailand	FY25	FY25	FY25
Türkiye	FY24	FY24	FY25
United Arab Emirates	FY25	N/A	N/A
United Kingdom	FY24	FY24	FY25
Uruguay	FY25	N/A	N/A
Vietnam	FY24	FY24	N/A

Summary	Number of jurisdictions			
	Q/DMTT ¹	IIR ²	UTPR ³	
Legislation effective from	FY24	34	32	0
	FY25	51	45	30
	FY26	54	45	32

¹ Qualified Domestic Minimum Top-up Tax or Domestic Minimum Top-up Tax (Q/DMTT) | ² Income Inclusion Rule (IIR) | ³ Undertaxed Profits Rule (UTPR)

Tax accounting impact is considered when legislation is “substantively enacted” (IFRS purposes) or “enacted” (US GAAP).

- Legislation is substantively enacted when any future steps in the enactment process will not change the outcome (IFRS concept).
- Legislation is considered enacted when any further procedures with respect to the particular legislation being passed at the time are unable to change the outcome (US GAAP).

Source: “EY BEPS Pillar Two Tracker, prepared January 7, 2026,” “MS Power BI, <https://app.powerbi.com/view?r=eyJrJoiZDI2MDIwM2Q0ODZjMS00ZmJkLWFjMGQ0M2VhMmU0ZTY4NjllIiwidCI6IjVlOTczZjk5LTc3ZGYtNGJlYi1iMjdkLWFhMGM3MGI4NDgyYyIsImMiOj99.>

Compliance considerations

FY24 and FY25 for all MNEs

- GIR still required – still complex even if transitional country-by-country reporting safe harbor (TCSH) applies
- IIR and QDMTT still chargeable in FY24 and FY25
- UTPR outside of transitional UTPR safe harbor still chargeable in FY25
- Significant differences in filing mechanisms, data requirements and timing for local filings

FY26 for MNEs electing Side-by-Side Safe Harbour (must be enacted into law by all relevant jurisdictions with IIR and UTPR)

- GIR still required (with reduced reporting obligations)
- Applicable QDMTT returns still required

FY26 for MNE groups that are not eligible for Side-by-Side Safe Harbour

- GIR still required
- Applicable QDMTT, IIR and UTPR returns still required

FY27

- TCSH extension
- Simplified ETR Safe Harbour (SESH) – significant data requirements and computational complexities involved

Polling 4

Is your company facing challenges around the implementation of Pillar Two guidance?

- A. Yes
- B. No
- C. Not applicable
- D. N/A (EY associate, faculty, etc.)

Key takeaways

- Describe impacts from the OBBBA, including Section 163(j), expense apportionment, Section 898(c)(2), and Section 960(d)(4) for NCTI withholding tax haircuts.
- Discuss Section 987 final regulations.
- Review proposed CAMT regulations.
- Describe latest updates under GLoBe Rules.

Thank you and questions

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