Working Papers

ISSN 2223-0920

3
MAY
2026

The OECD "Side-by-Side" Package (Pillar 2): Reconfiguring the Global Tax Architecture

Alfredo Martínez

The OECD “Side-by-Side” Package (Pillar 2): Reconfiguring the Global Tax Architecture

Alfredo Martínez

May 2026

Serie: Working Papers
ISSN: 2223-0920

© 2026, Inter-American Center of Tax Administrations

The OECD "Side-by-Side" Package (Pillar 2): Reconfiguring the Global Tax Architecture

Copyright
This CIAT publication is open access and may be consulted in PDF and EPUB formats through its official website: www.ciat.org. Its total or partial reproduction is authorized exclusively for educational or research purposes, provided that the source is properly cited. Commercial use or modification of its content is strictly prohibited without prior written authorization from CIAT.

The opinions expressed and the arguments used in this publication do not necessarily represent the official view of the Inter-American Center of Tax Administrations (CIAT), its executive board, or the countries it represents. For official information, please visit www.ciat.org

Cite as follows:
Martínez, A. (2026). *The OECD "Side-by-Side" Package (Pillar 2): Reconfiguring the Global Tax Architecture* (CIAT Working Paper No. 3, WP-03-2026). Inter-American Center of Tax Administrations.

Content

1. Introduction and Geopolitical-Tax Context

The publication of the "Side-by-Side" (SbS) package by the OECD/G20 Inclusive Framework in January 2026 marks a definitive milestone in the evolution of international taxation, representing perhaps the most complex diplomatic and technical maneuver since the inception of the BEPS (Base Erosion and Profit Shifting) project.

This document is not merely an administrative update; it constitutes a tax peace treaty designed to resolve the structural tension between the GloBE (Global Anti-Base Erosion) Model Rules system and the U.S. tax regime, thereby avoiding a fragmentation of global trade and the imposition of retaliatory tax measures.

To understand the profound scope of this document, it is imperative to analyze the context that precedes it. The lack of legislative implementation of the GloBE rules by the United States Congress created a scenario of "structural tension."

The GloBE rules, designed under the premise of global adoption, threatened to subject U.S. Multinational Enterprises (MNEs) to the Undertaxed Profits Rule (UTPR) in foreign jurisdictions, even though these groups were already subject to rigorous domestic regimes such as GILTI (Global Intangible Low-Taxed Income) and CAMT (Corporate Alternative Minimum Tax).

In response, U.S. legislative proposals, such as Section 899, threatened retaliation against countries imposing discriminatory extraterritorial taxes.

The SbS package, therefore, operationalizes a high-level political agreement reached by the G7 in June 2025. Its objective is twofold: to preserve the integrity of the Global Minimum Tax by ensuring that all large multinational groups pay their fair share, while recognizing the functional equivalence of certain pre-existing national regimes that share similar policy objectives.

This balance is achieved through a dense architecture of international standards that introduces new safe harbours, extends transitional measures, and reconfigures the treatment of tax incentives.

In this article, we intend to analyze the four pillars of this package: the Side-by-Side System (and its associated safe harbours), the Simplified ETR Safe Harbour, the Substance-based Tax Incentive (SBTI) Safe Harbour, and the extension of the Transitional CbCR Safe Harbour. Our analysis transcends the mere description of this international standard to explore the second- and third-order strategic implications for MNE tax departments, the critical interaction with Qualified Domestic Minimum Top-up Taxes (QDMTT), and the operational challenges of data management in this new environment.

2. The "Side-by-Side" (SbS) System: Coexistence Mechanics and Safe Harbours

The political core of the package is the Side-by-Side System, which introduces two fundamental relief mechanisms: the SbS Safe Harbour and the UPE Safe Harbour. These mechanisms are not automatic exemptions but strategic elections requiring strict compliance with systemic qualification criteria by the Ultimate Parent Entity (UPE) jurisdiction.

2.1. The Side-by-Side Safe Harbour (SbS Safe Harbour)

The SbS Safe Harbour operates through a "deemed zero" Top-up Tax mechanism. When the Filing Constituent Entity makes the election, the Top-up Tax is deemed to be zero for purposes of applying the Income Inclusion Rule (IIR) and the Undertaxed Profits Rule (UTPR) with respect to all the group's operations—both domestic and foreign—provided the UPE resides in a jurisdiction with a "Qualified SbS Regime."

2.1.1. Analysis of Regime Eligibility Criteria

The qualification of a regime is not based on self-declaration but on a rigorous assessment by the Inclusive Framework, which must be listed in a Central Record. For a jurisdiction (such as the United States) to obtain this status, it must meet four cumulative and strict conditions:

2.1.1.1. Eligible Domestic Tax System

2.1.1.1.1. The jurisdiction must impose a statutory nominal Corporate Income Tax (CIT) rate of at least 20%. This threshold is significantly higher than the 15% global minimum rate, acting as an entry barrier ensuring only high-tax jurisdictions qualify. The calculation of this rate allows for the consideration of preferential adjustments and the combined sub-national tax burden.

2.1.1.1.2. There must be a QDMTT or a corporate alternative minimum tax based on financial statements (such as CAMT) with a nominal rate of at least 15%. This ensures the jurisdiction has its own tax "floor" mechanism.

2.1.1.1.3. There must be no "material risk" that MNE groups are subject to an Effective Tax Rate (ETR) on their domestic operations below 15%. This qualitative criterion evaluates the general design of the system, ensuring tax incentives do not erode the base below the global standard.

2.1.1.2. Eligible Worldwide Tax System

2.1.1.2.1. The jurisdiction must possess a comprehensive tax regime taxing the foreign income of its resident corporations. This regime must be broad-based, capturing both active and passive income from branches and Controlled Foreign Companies (CFCs), regardless of dividend distribution.

2.1.1.2.2. The regime must incorporate substantial mechanisms to address BEPS risks. A critical example cited in this standard is the limitation on the use of foreign tax credits, preventing taxes generated by high-tax active income from offsetting tax liability on low-tax passive income (cross-crediting).

2.1.1.3. QDMTT Creditability

A technically essential requirement is that the SbS Regime jurisdiction must allow a foreign tax credit for taxes paid under QDMTT regimes in other jurisdictions, on terms comparable to those applicable to any other creditable covered tax. This reinforces GloBE system coordination, preserves the QDMTT's function as a source-jurisdiction top-up collection mechanism, and reduces the risk of economic double taxation.

2.1.1.4. Prior Enactment

2.1.1.4.1. Tax systems must have been enacted and in effect prior to January 1, 2026. This "grandfathering" clause is specifically designed to accommodate existing U.S. legislation without requiring new short-term Congressional approval.

In operational terms, this status is consolidated through the Inclusive Framework's Central Record. Furthermore, the OECD document provides that, upon request by a member jurisdiction, the eligibility assessment of pre-existing tax regimes against the criteria for a Qualified SbS/UPE Regime will be conducted no later than the end of the first half of 2026, introducing a relevant calendar milestone for 2026.

2.1.2. Operational Scope: Joint Ventures and Limitations

The protection of the SbS Safe Harbour is expansive but precise. It extends to interests in Joint Ventures (JVs) and JV subsidiaries, provided they are owned by a Constituent Entity of the eligible group. However, the proposal introduces a critical distinction: protection is specific to the eligible investing group. If a JV has two owners—one based in an SbS jurisdiction (U.S.) and another in a non-qualified jurisdiction—only the former benefits from the safe harbour; the latter remains subject to full GloBE rules regarding its interest in the JV.

2.2. The UPE Safe Harbour

Complementing the SbS, the UPE Safe Harbour is designed for jurisdictions possessing a robust domestic system but lacking a sufficiently strict or aligned worldwide CFC regime. This safe harbour functionally replaces the Transitional UTPR Safe Harbour expiring at the end of 2025.

Under this mechanism, if the UPE is located in a jurisdiction with a "Qualified UPE Regime" (meeting the domestic requirements of the SbS but not necessarily the worldwide ones), the Top-up Tax is deemed zero solely for UTPR purposes regarding Constituent Entities located in the UPE jurisdiction.

Strategic Implication: This safe harbour protects profits generated at the headquarters from being taxed extraterritorially by other jurisdictions via the UTPR, but offers no protection for the group's foreign subsidiaries. These subsidiaries remain exposed to the application of the IIR by the parent (if it exists) or the UTPR by other jurisdictions where the group operates.

2.3. Critical Interaction with QDMTTs: Not a Full Exemption

It is imperative to dispel a common misinterpretation: The SbS System does not exempt multinational groups from complying with Qualified Domestic Minimum Top-up Taxes (QDMTT). QDMTTs operate independently and take priority over the IIR and UTPR.

The OECD proposal explicitly states that the SbS Safe Harbour does not affect the application of QDMTTs. In fact, it establishes a restrictive calculation rule: QDMTTs must be calculated without the "push-down" of CFC taxes.

This means that for a U.S. group operating in Germany (which has a QDMTT), taxes paid in the U.S. under the GILTI regime regarding German profits will not be allocated to the German entity to calculate its local ETR under the QDMTT. The German entity must reach the 15% ETR based solely on taxes paid in Germany.

This architecture consolidates the source jurisdiction's primary taxing right and compels MNEs to perform QDMTT calculations in every jurisdiction where they operate, regardless of whether their parent is in an SbS regime. The compliance burden, therefore, does not disappear; it is localized.

2.4. "Stocktake" Review Mechanism (2029)

The agreement includes a future review clause known as the "Stocktake," scheduled to conclude in 2029. This process will empirically evaluate whether system coexistence is generating material competitive imbalances or incentivizing tax avoidance behaviors, such as corporate inversions or profit shifting to low-tax jurisdictions without QDMTTs.

The existence of this mechanism introduces medium-term regulatory risk: if the analysis shows the SbS system erodes the global base, the Inclusive Framework could tighten criteria or revoke the status of certain regimes, reintroducing uncertainty for taxpayers.

3. Material Simplifications: The Simplified ETR Safe Harbour

Recognizing the unsustainable administrative burden of applying full GloBE rules in low-risk jurisdictions, the OECD has developed the Simplified ETR Safe Harbour. Unlike transitional solutions based on CbCR, this is a permanent mechanism allowing MNEs to demonstrate compliance using consolidated financial data with limited adjustments.

3.1. Simplified Calculation Architecture

The safe harbour is based on a simple fraction: Simplified Taxes divided by Simplified Income. If the result is equal to or greater than 15% (Minimum Rate), the Top-up Tax is deemed zero for that jurisdiction. Alternatively, if the jurisdiction presents a Simplified Loss, the tax is also deemed zero.

The primary data source is the financial reporting packages used to prepare the UPE's Consolidated Financial Statements (CFS). This represents a massive simplification compared to the standard GloBE calculation, which often requires reconstructing financial statements entity-by-entity under specific rules.

Integrity Note: Although the calculation relies on consolidated data, eligibility requires adherence to the "Matching Principle," ensuring intragroup income is not recognized in a tax year later than the corresponding expense (and for the same amount). The goal is to avoid timing arbitrage distorting the simplified ETR.

3.2. Determination of Simplified Income

The starting point is the Jurisdictional Profit (or Loss) Before Tax (JPBT), derived from aggregating the Financial Accounting Net Income or Loss (FANIL) of all entities in the jurisdiction. Mandatory "Basic Adjustments" and certain elective adjustments are applied to this amount:

3.2.1. Mandatory and Integrity Adjustments

- **Dividends and Equity:** Dividends and equity gains/losses are excluded to avoid double taxation of income that has already been taxed at the subsidiary level or is exempt via participation exemption.
- **Public Policy Expenses:** Expenses for bribes, illegal payments, and fines/penalties equal to or exceeding EUR 250,000 must be added back to income. This materiality threshold simplifies the tracking of minor fines.
- **Industry Adjustments:** Specific exclusions apply for international shipping income (if elected) and certain insurance company and financial entity income (Tier One Capital), aligning the safe harbour with sectoral exclusions in the main rules.

3.2.2. M&A Simplification (Purchase Price Allocation):

One of the most technical and welcomed innovations is the simplified treatment of Purchase Price Allocation (PPA). Under full GloBE rules, PPA adjustments (such as amortization of asset value step-ups or goodwill arising from an acquisition) must be eliminated, requiring "mirror books" for assets.

Under the Simplified ETR Safe Harbour, the group may choose not to eliminate PPA effects from its income and expenses if:

- The financial statements include both the income/expense related to the PPA and the corresponding deferred taxes; and
- There are no changes to the tax basis of the assets.

However, to protect system integrity, the package introduces a mandatory add-back in certain cases: any goodwill impairment or amortization that does not have a corresponding Deferred Tax Liability (DTL)—or whose DTL is recorded at a rate lower than the Minimum Rate—must be added back to the result (JPBT), and correlatively, the reversal of the related DTL (if any) is excluded from Simplified Taxes. This design corrects a common accounting asymmetry under IFRS/U.S. GAAP, where an accounting expense without a tax effect could artificially reduce the ETR.

3.3. Determination of Simplified Taxes

The numerator of the equation, Simplified Taxes, starts with the Jurisdictional Income Tax Expense (JITE) in the financial statements, including current and deferred taxes. However, strict adjustments are imposed to prevent ETR manipulation via tax accounting:

- **Recalculation of Deferred Taxes at 15%:** This is the most complex adjustment. If a jurisdiction has a high statutory rate (e.g., 25%), deferred taxes (DTLs) are recorded at that rate, inflating future tax expense. The safe harbour requires recalculating these deferred tax movements at the minimum 15% rate. The formula is: Deferred Tax Expense in Accounts × (15% / Statutory Rate).
- **Exclusion of Non-Recapturable DTLs:** DTLs not subject to recapture exceptions are excluded from the calculation, eliminating the need to track whether they reverse within 5 years. This reduces administrative burden but is conservative, as it reduces the numerator.
- **Uncertain Tax Positions (UTP):** Expenses for uncertain taxes are completely excluded until the tax is effectively paid, aligning with the cash basis for high-risk items.

3.4. Implementation Challenges: The Accounting Standards Conflict (LFAS vs. CFS)

A major operational challenge arises in the interaction with QDMTTs. Many jurisdictions design their QDMTT requiring the use of Local Financial Accounting Standards (LFAS) to ensure consistency with the domestic tax base.

The Safe Harbour standard establishes a consistency rule: if a QDMTT jurisdiction requires the use of LFAS for the QDMTT calculation, the MNE Group must also use LFAS for the Simplified ETR Safe Harbour calculation in that jurisdiction.

Strategic Exception: The only way to avoid this is if the QDMTT jurisdiction explicitly allows the use of the consolidated accounting standard (CFS, such as IFRS or U.S. GAAP) for the safe harbour. The OECD “encourages” jurisdictions to allow this but does not mandate it, creating a risk of fragmentation where companies must maintain calculations based on multiple accounting rules for different countries.

4. The Substance-based Tax Incentive (SBTI) Safe Harbour: A New Treatment for Credits

The treatment of tax incentives has been one of the most complex points of Pillar 2. The original rules penalized non-refundable tax credits (which reduce tax expense and thus ETR), while favoring Qualified Refundable Tax Credits (QRTC), which are treated as income. The SBTI Safe Harbour introduces an intermediate solution to protect legitimate industrial incentives.

4.1. Definition and Mechanics of the Qualified Tax Incentive (QTI)

A Qualified Tax Incentive (QTI) is defined as a "generally available" tax incentive calculated based on:

1. **Expenditure Incurred:** Incentives linked to investment (Capex) or operating expenses (Opex) such as R&D. The tax benefit cannot exceed the expenditure amount.
2. **Tangible Property Produced:** Incentives based on physical production within the jurisdiction (e.g., renewable energy production credits or advanced manufacturing).

Income-based incentives are excluded, leaving out regimes such as traditional "Patent Boxes" that reduce the rate on IP profits. The relief mechanism works by allowing the QTI amount to be added to Adjusted Covered Taxes (the numerator), neutralizing its negative impact on the ETR. Essentially, the credit is treated as if it were tax paid.

4.2. The Substance Cap

To prevent abuse, the benefit of this safe harbour is limited by the company's real economic presence in the jurisdiction.

The QTI amount that can be added to taxes is limited to the lower of: (a) the QTI amount used, or (b) the Substance Cap. The Substance Cap is calculated using two alternative methods, between which the taxpayer can choose (subject to 5-year consistency rules):

Method A (Flow and Payroll Based):

- Calculated by the greater of (i) Eligible Payroll Costs and (ii) depreciation and depletion amounts of Eligible Tangible Assets.
- This method is favorable for mature companies with large workforces or assets already depreciating significantly.

Method B (Carrying Value Based):

- Calculated as 1% of the carrying value of Eligible Tangible Assets (excluding land).
- This method is strategically superior for new capital-intensive projects (Gigafactories, power plants) where asset value is high but depreciation is still low in early years. It requires a binding 5-year election.

4.3. Strategic Interaction with QRTCs and MTTCs

This OECD standard introduces additional flexibility: the ability to elect to treat certain Qualified Refundable Tax Credits (QRTC) or Marketable Transferable Tax Credits (MTTC) as QTIs.

Why would a company do this? In the standard design, a QRTC tends to reduce tax paid (lowers the numerator) and thus can worsen the ETR. The election allows treating certain QRTC/MTTC as QTI instead: the benefit is no longer reflected as a tax reduction but as a tax adjustment (subject to the substance cap), neutralizing its negative impact on the ETR.

In practical terms, this can be mathematically efficient when increasing the numerator (Covered Taxes) to reach 15% is more effective than reducing the denominator (GloBE Income), or when seeking to prevent the incentive from generating a specific Top-up Tax attributable to the jurisdiction.

5. Extension of the Transitional CbCR Safe Harbour: The Temporary Bridge

Recognizing that implementing permanent systems will take time, the package extends the Transitional CbCR Safe Harbour.

- **New Validity**: Covers Tax Years beginning before December 31, 2027, and ending before June 30, 2029. This effectively grants an additional year of relief (FY2027 for calendar-year groups).
- **Test Rates:** For fiscal years beginning in 2026 and 2027, the simplified ETR test rate remains at 17%.
- **"Once Out, Always Out" Rule:** It is crucial to remember the extension does not eliminate this restriction. If a company fails the transitional safe harbour in 2025 or 2026, it cannot use the extension in 2027 and must switch to the full calculation or the new Simplified ETR Safe Harbour.

6. Operational Implications and Compliance Roadmap

The publication of this package demands an immediate and multifaceted response from MNE tax departments.

6.1. Ecosystem Mapping (Three-Bucket Strategy)

MNEs must classify their operating jurisdictions into three distinct categories, each with a different compliance strategy:

1. **SbS/UPE Jurisdictions (The Protected "Bucket"):** Primarily the parent jurisdiction (e.g., U.S.). Priority here is documenting regime eligibility and ensuring the election in the GloBE Information Return (GIR). Top-up Tax risk is eliminated, but basic reporting remains.

2. **QDMTT Jurisdictions (The Local Payment "Bucket"):** Jurisdictions like Germany, UK, or Vietnam. Here, the SbS safe harbour is irrelevant for tax payment. Strategy focuses on:
   - determining if the local QDMTT allows using consolidated accounting rules (CFS) or requires local ones (LFAS), and
   - calculating the impact of the CFC tax "push-down" prohibition.

3. **Full Risk Jurisdictions (The Residual "Bucket"):** Jurisdictions without QDMTT and outside safe harbours. Full IIR/UTPR applies here, requiring maximum data granularity.

6.2. Data Management and ERP Systems

The Simplified ETR Safe Harbour, while reducing tax adjustment complexity, requires accounting data segregation not always present in standard ERPs.

- **Identifying Non-Deductible Expenses:** Systems must be able to specifically tag fines > EUR 250,000 and bribes for automatic re-inclusion.

- **Asset Tracking for Substance Cap:** To apply the SBTI, fixed asset systems must report not only accounting depreciation but also classify assets as "eligible" (tangible, in-jurisdiction) and exclude land for the alternative method calculation.

- **PPA Traceability:** If the M&A simplification is chosen, traceability of PPA-associated deferred taxes must be maintained to justify their non-elimination.

6.3. ETR Planning and Incentive Management

Companies must proactively model their ETR under new SBTI rules.

- **Incentive Audit:** Review all global tax credits to determine if they qualify as QTI (expenditure/production-based) or are disqualified (income-based).
- **Cap Optimization:** Evaluate whether choosing the "Carrying Value" method (1%) for massive new investments is worthwhile, despite the 5-year commitment, versus the depreciation/payroll method.

6.4. The Risk of 2024 and 2025

It is fundamental to highlight that the SbS package enters into force starting in 2026. This leaves a risk assessment for fiscal years 2024 and 2025.

During this period, U.S. MNEs do not have SbS protection and must rely on the Transitional CbCR Safe Harbour or face full GloBE application. Planning for these immediate years must not relax due to the publication of future rules.

7. Conclusions and Strategic Perspectives

The “Side-by-Side” package transforms the nature of Pillar 2 compliance. It transitions from a system of confrontation (global rules vs. U.S. rules) to a system of regulated coexistence. For us tax practitioners, this means operating in a hybrid environment where simplification rules coexist with detailed reporting obligations and local QDMTT calculations.

Tax strategy can no longer focus solely on minimizing the global effective rate, but on managing tax localization.

The goal is to ensure that, if a 15% minimum tax must be paid, it is preferably paid through efficient QDMTTs or covered by qualified incentives (SBTI) that preserve investment value.

The immediate future will demand constant vigilance over the legislative implementation of these safe harbours in each jurisdiction and preparation for the 2029 review process, which will judge if this diplomatic balance is sustainable in the long term.

Appendix: Tables

Table 1. Structural comparison of relief mechanisms

Feature	Side-by-Side (SbS) Safe Harbour	UPE Safe Harbour	Simplified ETR Safe Harbour	Incentive Safe Harbour (SBTI)
Primary Mechanism	Deactivation of IIR and UTPR for the entire group.	Deactivation of UTPR only for the UPE jurisdiction.	Simplified ETR calculation using consolidated financial data.	Treatment of tax credits as "taxes paid" (add-back).
Geographic Scope	Global (UPE + Foreign Subsidiaries).	Local (Only entities in UPE jurisdiction).	Jurisdiction by Jurisdiction (Tested Jurisdiction).	Jurisdiction by Jurisdiction.
Key Requirement	UPE in jurisdiction with qualified regime (20% rate, CFC, QDMTT credit).	UPE in jurisdiction with qualified domestic regime.	Simplified ETR ≥ 15% or Loss.	Incentive based on Expenditure/Production + Substance Cap.
Impact on QDMTT	None. QDMTT applies without CFC push-down.	None.	Applies if local QDMTT adopts the simplification.	Reduces potential Top-up Tax.
Effective Date	Fiscal years starting ≥ Jan 1, 2026.	Fiscal years starting ≥ Jan 1, 2026.	Fiscal years starting ≥ Dec 31, 2026 (2025 option).	Fiscal years starting ≥ Jan 1, 2026.

Table 2. Technical adjustments: Simplified ETR vs full GloBE

Concept	Full GloBE Rules	Simplified ETR Safe Harbour	Strategic Implication
Data Source	Entity-by-entity data, complex adjustments to financial rules.	Consolidation package data (CFS) or LFAS if QDMTT requires it.	Reduces need for parallel ledgers, but creates LFAS/CFS conflict.
PPA (Purchase Price Allocation)	Mandatory to eliminate PPA adjustments (requires historical tracking).	M&A Simplification: Not eliminated if there is corresponding DTL (except goodwill impairment).	Greatly facilitates compliance for groups with acquisition history.
Deferred Taxes	Complex recalculation with recapture exceptions (5 years).	Recalculation at 15% + Total exclusion of non-recapturable DTLs.	Eliminates 5-year tracking burden, but may result in lower ETR (conservative).
Fines and Penalties	Exclude if > 50k EUR.	Exclude only if ≥ 250,000 Euros.	Lower granularity required in expense account analysis.

Table 3. Substance Cap: strategic method selection (SBTI)

Decision Variable	Method A: Payroll and Depreciation	Method B: Carrying Value	Optimal Scenario
Calculation Base	5.5% × max (Eligible Payroll, Depreciation/depletion of eligible tangible assets).	1% Carrying Value of Tangible Assets.	
Temporal Dynamic	The cap may fluctuate annually with depreciation.	The cap is high at the start of investment and lowers slowly.	
Restriction	Annual election.	Binding election for 5 years.	
Use Case	Services industries, mature manufacturing, depreciated assets.	Massive "Greenfield" projects (e.g., Battery factories) with high initial Capex.	If initial Capex is massive, 1% of the total may exceed 5.5% of initial annual depreciation.

Table 4. Transition timeline (CbCR / Simplified ETR / SbS-UPE)

Tax Period	Transitional CbCR Safe Harbour Status	Simplified ETR Safe Harbour Status	SbS/UPE Safe Harbour Status	Priority Action
2024	Active (15% Rate).	Not available.	Not available.	Apply CbCR SH or Full GloBE.
2025	Active (16% Rate).	Available optionally (if jurisdiction allows).	Not available.	Evaluate early transition if CbCR SH fails.
2026	Active (Extension – 17% Rate).	Available optionally.	Active.	First SbS application for US groups; monitor confirmation in Central Record and OECD assessment of pre-existing regimes (milestone: end of H1 2026).
2027	Active (Extension – 17% Rate).	Active (General).	Active.	End of road for CbCR SH. Full migration to Simplified ETR.
2028+	Expired.	Active.	Active.	Permanent regime. Preparation for Stocktake 2029.

Table 5. Acronyms and abbreviations (Pillar 2 / GloBE / SbS)

Acronym	English Term	Explanation / Context
AFXGL	Asymmetric Foreign Exchange Currency Gain or Loss	Optional adjustment in Simplified ETR calculation.
BEPS	Base Erosion and Profit Shifting	OECD/G20 framework project.
CAMT	Corporate Alternative Minimum Tax	US regime based on financial statements.
Capex	Capital Expenditure	Capital investment.
CbCR	Country-by-Country Reporting	Basis for the Transitional Safe Harbour.
CE	Constituent Entity	MNE group constituent entity for GloBE purposes.
CFC	Controlled Foreign Company	Anti-deferral regimes.
CFS	Consolidated Financial Statements	Primary data source for Simplified ETR Safe Harbour.
CIT	Corporate Income Tax	
Covered Taxes	Covered Taxes	Taxes in the GloBE ETR numerator (per rules).
DTA	Deferred Tax Asset	
DTL	Deferred Tax Liability	Key in simplified tax adjustments.
ETR	Effective Tax Rate	
FANIL	Financial Accounting Net Income or Loss	Starting point for calculating GloBE or Simplified Income.
G20	Group of Twenty	Political forum.
G7	Group of Seven	Political forum.
GILTI	Global Intangible Low-Taxed Income	US regime for low-taxed intangibles (considered a CFC regime).
GIR	GloBE Information Return	Where safe harbour elections are made.
GloBE	Global Anti-Base Erosion	Pillar 2 Rules.
GMT	Global Minimum Tax	15% global minimum tax (Pillar 2).
IF	Inclusive Framework	OECD/G20 coordinating body.
IFRS	International Financial Reporting Standards	
IIR	Income Inclusion Rule	Main collection mechanism at the parent level.
JITE	Jurisdictional Income Tax Expense	Starting point for Simplified Taxes.
JPBT	Jurisdictional Profit (or Loss) Before Tax	Starting point for Simplified Income.
Acronym	**English Term**	**Explanation / Context**
LFAS	Local Financial Accounting Standard	Standard used for QDMTT that may conflict with CFS.
M&A	Mergers and Acquisitions	
Minimum Rate	Minimum Rate	Global minimum rate (15% under Pillar 2, unless changed).
MNE	Multinational Enterprise (Group)	
MTTC	Marketable Transferable Tax Credits	
NMCE	Non-Material Constituent Entities	
OECD	Organisation for Economic Co-operation and Development	
Opex	Operating Expenditure	
Pillar 2	Pillar Two	GloBE/GMT rules.
PPA	Purchase Price Allocation	Accounting adjustment in M&A.
QDMTT	Qualified Domestic Minimum Top-up Tax	Takes priority over IIR and UTPR.
QRTC	Qualified Refundable Tax Credits	Generally treated as income, not tax reduction.

Acronym	English Term	Explanation / Context
QTI	Qualified Tax Incentive	New SBTI safe harbour category (based on expenditure/ production).
REA	Recapture Exception Accrual	DTLs that do not need to be reversed in 5 years (e.g., depreciation).
SBIE	Substance-based Income Exclusion	General GloBE rules exclusion.
SbS	Side-by-Side	Coexistence mechanism between GloBE and regimes like the US one.
SBTI	Substance-based Tax Incentive	New safe harbour to protect credits like R&D or green credits.
Top-up Tax	Top-up Tax	Complementary tax to reach the minimum rate.
UPE	Ultimate Parent Entity	
US GAAP	US Generally Accepted Accounting Principles	
UTPR	Undertaxed Profits Rule	GloBE backstop mechanism.

Working Paper Series

ciat@ciat.org

ciat.org