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TWO PILLAR APPROACH ON THE TAX CHALLENGES ARISING FROM THE DIGITALISATION OF THE ECONOMY

LUNCH WEBINAR

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INTRODUCTION AND THE TECHNIQUE OF THE GLoBE RULES

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Agenda

A. Introduction – Technique of the GloBE Rules
B. Determination of the UPE
C. Transition Period
D. Treatment of Losses
E. Asymmetric exemptions
F. Impact of tax credits on the ETR
G. Substance carve out and structuring thoughts
H. Key Takeaways

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Introduction – Technique of the GloBE Rules

COMPUTATION OF ETR (aggregation of social data under consolidated accounts)

Effective Tax Rate ("ETR") = $\dfrac{\sum_{\text{entities}} \text{Covered Taxes}}{\sum_{\text{entities}} \text{GloBE Income}}$

Computation at jurisdiction level

Current taxes in financial account adjusted for DTA / DTL

Financial account net income (before consolidation adjustments)

Adjusted for dividends, capital gains, etc.

COMPUTATION OF TOP-UP TAX

15% - ETR x **($\sum_{\text{entities}}$ GloBE Income – Substance Based Exclusion)**

Computation at jurisdiction level

Excluded routine return on tangible assets and payroll (5% markup on tangible assets and payroll costs)

ALLOCATION

Income Inclusion Rule (priority rule)

Top-up Tax is imposed under the IIR on a parent entity with an ownership interest in the low taxed constituent entity.

Undertaxed Profit Rules

Low-taxed income not covered by the IIR will be subject to the back-up mechanism of the UTPR.

The UTPR will created a top-up tax liability in the jurisdictions that introduced this rule by refusing tax deductibility.

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Introduction – Technique of the GloBE Rules

Determination of Covered Taxes

		Position (simplified presentation)
IAS 27 / HBII		**taxes accrued in the financial accounts**
		~ IIR/UTPR Top-up Tax
		~ disqualified refundable imputation tax
		~ taxes from net gain / loss from disposal of immovable prop
Additions	+	**additions** according to Art. 20 (2)
		~ covered taxes accrued as an expense
		~ qualifying loss deferred tax asset according to Art. 22 (3)
		~ covered taxes relating to an uncertain tax position
		~ credit / refund of a qualified refundable tax credit
Reductions	-	**deductions** according to Art. 20 (3)
		~ taxes on excluded income
		~ non qualified refundable tax credits
		~ tax expenses relating to uncertain tax expenses
		~ tax expenses not expected to be paid within 3 years
Deferred Taxes	+ / -	**total deferred tax adjustment according to Art. 21**
	+ / -	increase / decrease in covered taxes accrued in equity / OCI
	=	**adjusted covered taxes**

Determination of GloBE Income

		Positions (simplified presentation)	Obligatory (P) / Choice (W)
IAS 27 / HBII		**financial accounting net income/loss**	
		Alternative: Partially consolidated results of a tax group	
	+ / -	net taxes expenses	P
	+ / -	excluded dividends	P
	+ / -	excluded equity gains / losses	P
	+ / -	included revaluation method gains / losses	P
e.g. reorganisation	+ / -	gains / losses from the disposal of assets and liabilities excluded pursuant to a "reorganisation" (Art. 33)	P
DRS 25	+ / -	asymmetric foreign currency gains / losses	P
	+ / -	policy disallowed expenses	P
e.g. audit	+ / -	prior period errors and changes in acc. principles	P
adjustment no deduction for pension cost	+ / -	accrued pension expenses	P
	+ / -	stock-based compensation	W
cl. §1 AStG	+ / -	arm's length adjustment for IC transactions	P
	+ / -	qualified refundable tax credits	P
	+ / -	Valuation option for assets and liabilities at fair value / impairment accounting or realization principle	W
„loss computation“	+ / -	adjustment for the disposal of immovable property	W
e.g. FinCo	+ / -	any expense related to "intra-group financing arrangement"	P
	+ / -	adjustment for insurance companies	P
	+ / -	adjustments for "additional tier one capital"	P
	=	Qualifying income or loss **"GloBE" income**	

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DETERMINATION OF THE UPE

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Ultimate Parent Entity (“UPE”)

- Top-up tax to be paid – important to decide which entity is the UPE of the group
- The UPE should pay the Top-up tax related to its allocable share of the Top-up tax to the Tax Agency in its country

Article 1.4 OECD Mode rules:

a) An entity that:

*i. Owns directly or indirectly a **Controlling Interest** in any other Entity; and*

*ii. Is **not owned**, with a Controlling Interest, directly or indirectly by another Entity*

*A **controlling interest*** means:

- An Ownership Interest in an Entity meaning that the shareholder is required/should have been required to consolidate on a line-by-line basis the assets, debts, revenue, costs and cash flow, in accordance with an Acceptable Financial Accounting Standard

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Ultimate Parent Entity ("UPE")

- If the Entity is required to consolidate on a line-by-line basis <u>and</u>
- Is not in itself held by an entity that is required to consolidate on a line-by-line basis

-> Then we have identified the UPE.

- So, for instance, what does IFRS say when an entity is required to consolidate another entity on a line-by-line basis?
    - It is decisive whether the entity has the Controlling influence in the other entity
    - The form of it may look different and the analysis may be complex, but in the obvious cases the parent entity holds more than 50% of the votes

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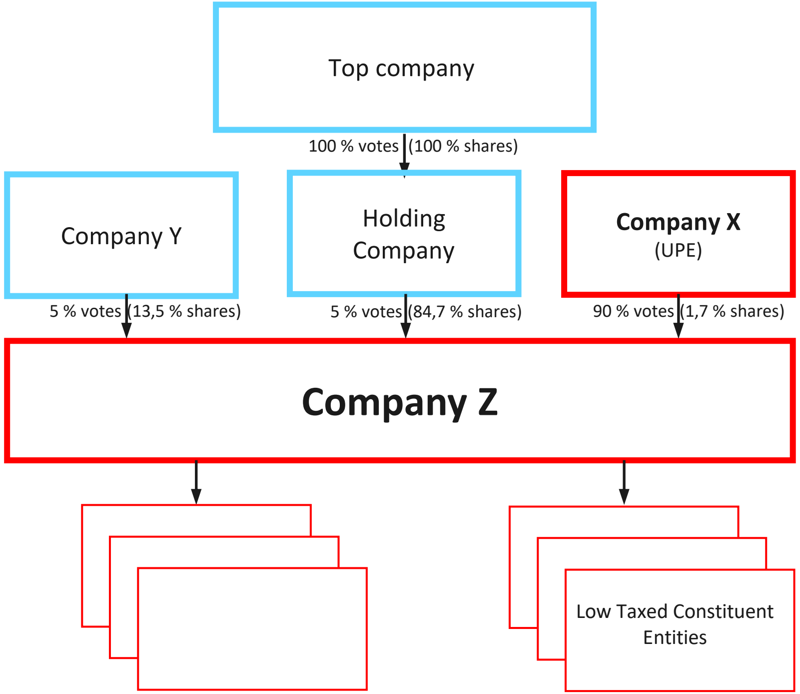
Ultimate Parent Entity - Reflections



- Company X is considered to be the UPE since it is required to consolidate accounts for its subsidiaries in the annual report.
- Company X is required to consolidate for the companies underneath (marked in red), i.e. Company X is not required to consolidate for the companies at same level (Company Y, Holding Company, Top company).
- The Holding Company, Company Y and Top company are not considered as Constituent Entities within the group, as they are not part of the same Group.

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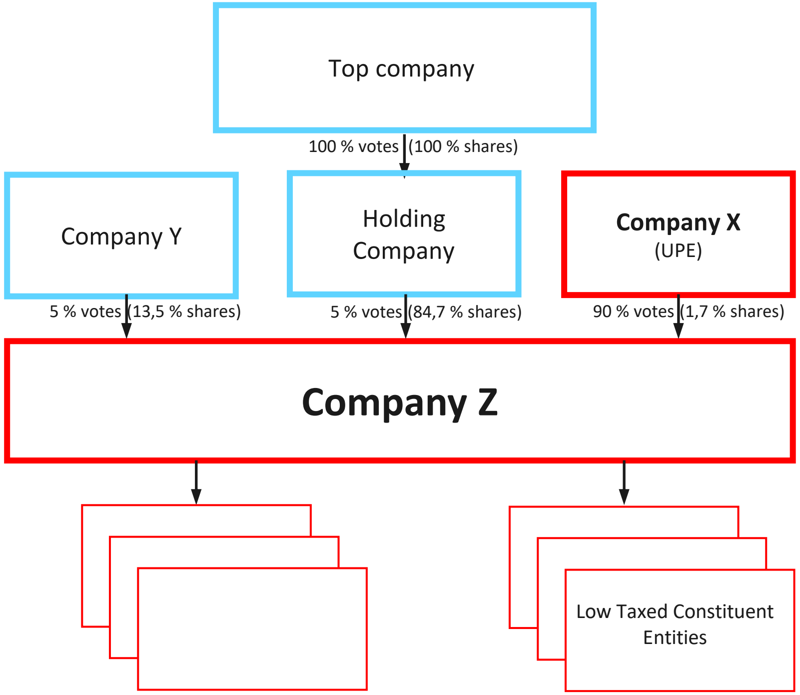
Ultimate Parent Entity - Reflections



- Which party is responsible for paying potential Top-up tax?
- Company X is the UPE, liable to pay Top-up Tax in relation to its shares.
- However, Company Z is considered to be a partially-owned parent entity ("POPE") and therefore the primary entity to pay the Top-up tax in relation to Low Taxed Constituent Entities underneath.

- *Definition of POPE:*

means a CE that owns an Ownership Interest in another CE of the same MNE Group; and (b) has more than 20% of the Ownership Interests in its profits held directly or indirectly by persons that are not CE of the MNE Group

- Company X could credit Top-up tax paid by Company Z, in relation to its shares.

Ultimate Parent Entity (“UPE”) – Take Aways

- Thoroughly assess which Constituent Entity is the UPE
  - Also assess whether there are companies not considered Constituent Entities within the group.
- Is there a Partially-Owned-Parent-Entity further down in the ownership chain? If yes the responsibility to pay Top-up tax is moved down
- If there are any unwanted potential implications given the set-up of the group structure, this should be adressed in 2023.

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THE TRANSITION PERIOD

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The Transition Period

Transition of Tax attributes

Transition of Tax attributes (Article 45 (3) P2-Directive / Article 9.1.1 OECD Framework)

"*deferred tax assets and deferred tax liabilities reflected or disclosed in the financial accounts of the constituent entities in a jurisdiction for the transition year*"

- Under IFRS is the netting of DTA and DTL in general forbidden, however, under local GAAPs DTAs might only be shown upon election (German GAAP) or not recognized at all (Lux GAAP)
- **"reflected or disclosed**": While for losses the GloBE Rules foresee a *deemed* Loss DTA, the question arises whether steps have to be undertaken to activate DTAs or whether the mere disclosure in the notes sufficient?
- **Total deferred tax adjustment amount** (Article 4.4 of the OECD Framework): "deferred tax expense accrued in its financial accounts" – the issue remain after GloBE comes into force.
- Potentially **different interpretation** / implementation of Pillar Framework between jurisdictions (e.g., EU vs. non-EU countries)

- **Financial accounts** (Article 3.1.2 OECD Framework)**:** No formal definition in the P2 Directive, merely a reference in the preamble "The starting point are the financial accounts used for consolidation purposes".

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The Transition Period

Transfer of Assets in the transition period

Transfer of Assets in the transition period (Article 45 (4) P2-Directive / Article 9.1.3 OECD MR)

> “*In the case of a transfer of assets between constituent entities **after 30 November 2021** and **before the commencement of a transition year**, the basis in the acquired assets, other than inventory, shall be based upon the **transferring entity’s carrying value** of the transferred assets upon disposal with a deferred tax assets and liabilities determined on that basis*”

- <u>Transition Year</u> (Art. 10.1 OECD MR): “*for a jurisdiction, means the **first Fiscal Year** that the **MNE Group comes within the scope** of the GloBE Rules **in respect of that jurisdiction**.*”
  - Determination of transition period for MNEs that are below EUR 750 Mio. in 2021 and exceed the threshold only in a couple of years?
- Treatment of **IC asset transfers at FMV**
  - **No differentiation** between transfers at
    - **0%**
    - **15% or**
    - **above 15%**
  - The recipient is not allowed to calculate its depreciation/armotization based on the FMV and has to calculate a gain on a later sale based on book value of disposing entity
  - **Further guidance** expected for high tax countries

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THE TREATMENT OF LOSSES

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1. Pillar Two: Tax loss recognition asymmetry

Tax attributes upon transition – Discrepancy between Luxembourg tax and Pillar Two rules

	In EUR
Luxembourg tax losses brought forward	45.000.000
Deferred tax assets recognized in Luxembourg (based on the domestic tax rate of c. 25%)	11.223.000
Deferred tax assets recognized for Pillar Two (based on the minimum tax rate of 15%)	6.750.000

Key issue: Taxpayers are effectively not able to fully use their Luxembourg tax attributes, such as tax losses, due to asymmetry between domestic and Pillar Two loss relief rates i.e. Pillar two recasts deferred tax expense at the minimum 15% rate

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2. Application to symmetrically taxable income

This is an intended function of Pillar Two, only giving 15% value to loss utilization / deferred tax restricts the value ascribed to such losses under Pillar Two vs domestic regimes which may have a more favorable outcome for the taxpayer

Transaction: LuxCo realizes interest income of EUR 20,000,000 and has EUR 45,000,000 of tax losses carried forward under Luxembourg tax rules.

Luxembourg tax treatment: The interest income of EUR 20,000,000 is fully offset by the tax losses carried forward. Accordingly, LuxCo will not be subject to Luxembourg corporate income tax ("**CIT**") and municipal business tax ("**MBT**"). Afterwards, LuxCo will still have EUR 25,000,000 of tax losses carried forward to offset future income.

Pillar Two: $Effective\ tax\ rate =$

$$\frac{adjusted\ covered\ taxes\ of\ the\ constituent\ entities\ in\ the\ jurisdiction\ \text{20,000,000*15\% (i.e. EUR 3,000,000)}}{net\ qualifying\ \text{GLoBE}\ income\ of\ the\ constituent\ entities\ in\ the\ jurisdiction\ \text{(i.e. EUR 20,000,000)}}$$

The effective tax rate in the case at hand amounts to 15%, this is due to the utilization of brought forward losses (due to a valuation adjustment on a deferred tax asset at the minimum 15% rate). No top-up tax is due given that the effective tax rate amounts to at least 15%. LuxCo will still have EUR 3,750,000 of deferred tax assets recognised under Pillar Two.

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2. Application to symmetrically taxable income

Tax attributes upon transition - Numerical comparison

Transactions		Comment
Interest Income	20.000.000	
Luxembourg tax (in EUR)		
Lux taxable income **[a]**	20.000.000	
Tax rate **[b]**	24,94%	
Lux CIT charge **[c] (a * b)**	4.988.000	
Tax losses brought forward **[d]**	45.000.000	
Use of losses **[e]**	(20.000.000)	
IFRS Deferred tax (use of tax losses) **[f] (e * b)**	(4.988.000)	
Luxembourg CIT / MBT Cash Tax **[g] (c + f)**	0	
Remaining Deferred tax asset **((d * b) + f)**	6.235.000	
Pillar Two (in EUR)		
GLoBE income	20.000.000	
Min tax requirement	3.000.000	15% of GLoBE income
Covered Taxes		
- Luxembourg CIT / MBT Cash Tax **[h]**	0	
- Deferred Tax Adjustment (use of tax losses)(@15%) **(e * 15%)**	(3.000.000)	Deferred Tax recast at 15%
- Top-up tax **[i]**	0	
Aggregate cash tax liability (g + i)	**0**	
Remaining Deferred tax asset **((d * 15%) + (e * 15%)**	3.750.000	

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ASYMMETRIC EXEMPTIONS

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1. Application to asymmetric exemptions (e.g. Lux dividend participation exemption)

Overview Pillar II vs Luxembourg participation exemption regime

Participations	Lux Tax		GLoBE		Capital gain	Dividend
	Capital Gains Exemption	Dividend Exemption	Excluded Equity Gain or Loss	Excluded Dividends		
€1.2m > 12m	✖	✔	✖	✔	GLoBE tax base = Lux Tax base	GLoBE tax base = Lux Tax base
€6m > 12m	✔	✔	✖	✔	GLoBE tax base > Lux tax base -> top up tax	GLoBE tax base = Lux Tax base
€1.2m Committed to hold > 12m (actually held < 12m)	✖	✔	✖	✖	GLoBE tax base = Lux Tax base	GLoBE tax base > Lux tax base -> top up tax
€6m Committed to hold > 12m (actually held < 12m)	✔	✔	✖	✖	GLoBE tax base > Lux tax base -> top up tax	GLoBE tax base > Lux tax base -> top up tax
<€1.2m OR < 12m	✖	**50%**	✖	✖	GLoBE tax base = Lux Tax base	GLoBE tax base > Lux tax base -> top up tax
> 10%	✔	✔	✔	✔	GLoBE tax base = Lux Tax base	GLoBE tax base = Lux Tax base

[1] GLoBE requires shares to be "Economically held" for >12m. This could introduce situations where Lux 12m holding is achieved but Globe Equity gains will not be excluded

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1. Application to asymmetric exemptions (e.g. Lux dividend participation exemption)

- **Portfolio dividends** likely to be looked at on a share-by-share basis
- Unlike the **10% threshold test**, the **ownership period requirement** applies on a CE-by-CE basis (intra-group transfers of shares would be considered as an interruption of the holding period, except in case of GloBE Reorganisations between CEs).
- **Partial exemptions** of dividends also critical (e.g., article 115 of the Luxembourg income tax law)

Numerical comparison - Example

- Acquisition of 1,000 shares in SubCo for EUR 300,000,000 on 1st March 2021 ("**First Tranche**").
- Acquisition of 8,000 additional shares in SubCo for EUR 2,300,000,000 on 1st February 2022 ("**Second Tranche**").
- Total holding of less than 10% in SubCo.
- Dividend distribution of EUR 5,000 per share by SubCo on 1st April 2022 (i.e. EUR 45,000,000 in total).

Lux Tax

- **The total amount of dividends** (i.e. EUR 45,000,000) should **be tax-exempt in Luxembourg based on the Lux PEX**.

Pillar Two

- Treatment of First Tranche vs Second Tranche -> **Top-up tax risk**

2. Case study: Numerical comparison

Transactions	First Tranche	Second Tranche	Comment
Dividends received	5.000.000	40.000.000	
Luxembourg tax (in EUR)			
Lux taxable income **[a]**	0		Participation exemption applicable to tranche 1 and 2 (> EUR 1.2m > 12m)
Tax rate **[b]**	24,94%		
Lux CIT charge **[c] (a * b)**	0		
Tax losses brought forward **[d]**	45.000.000		
Use of losses **[e]**	0		
IFRS Deferred tax (use of tax losses) **[f] (e * b)**	0		
Luxembourg CIT / MBT Cash Tax **[g] (c + f)**			
Pillar Two (in EUR)			
GLoBE income	0	40.000.000	First tranche is excluded Dividends (<12m)
Min tax requirement	n/a	6.000.000	15% of GLoBE income
Covered Taxes			
- Luxembourg CIT / MBT Cash Tax **[h]**	n/a	0	
- Deferred Tax Adjustment (use of tax losses)(@15%)	n/a	0	
- Top-up tax **[i]**	n/a	6.000.000	
Aggregate cash tax liability (g + i)		**6.000.000**	

The top-up tax may be due abroad or in Luxembourg depending on whether Luxembourg decides to implement the domestic top-up tax or not.

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IMPACT OF TAX CREDITS ON THE ETR

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ARSENE

How do tax credits impact the ETR?

$$\text{Effective Tax Rate ("ETR")} = \frac{\sum_{entities} \text{Covered Taxes}}{\sum_{entities} \text{GloBE Income*}}$$

- Covered Taxes ? → ETR

+ GloBE Income ? → ETR

Do tax credits impact Covered Taxes or GloBE Income ?

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The Impact of Tax Credits on the ETR computation will depend on their qualification

1 Qualified Refundable Tax Credits

"The tax credit regime must be designed in a way so that :

- *a credit becomes **refundable within 4 years** from when the condition under the laws of the jurisdiction are met ; and*
- *The refund mechanism has **practical significance** for taxpayers that will be entitled to the credit"*

Examples : Research & Development tax credit in France and Italy

+ Global Income

2 Other Tax Credits

A tax credit that does not meet the conditions for being a Qualified Refundable Tax Credit.

Examples : Research & Development tax credit in the US, Canada and China

- Covered Taxes

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Impact of the Accounting Treatment

1 Qualified Refundable Tax Credits

If recorded as an income:

No adjustment

➔ French R&D tax credit

If recorded as a reduction in current income tax expense:

Addition to Covered Taxes to fully reverse the accounting entry that treated it as a tax reduction instead of income

2 Other Tax Credits

If recorded as an income:

Deduction from the net income

+

Reduction of Adjusted Covered Taxes

If recorded as a reduction in current income tax expense:

No adjustment

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The Substance Based Exclusion Rule to mitigate the effects

The OECD expresses the view that expenditure-based tax incentives linked to payroll and/or tangible assets have proven to be most effective, while these would also be least affected by the GloBE rules due to the Substance Based Income Exclusion Rule.

Firms with a greater amount of substance in a given jurisdiction will be less affected than others.

$$\text{15\% - ETR} \times \left(\sum^{\text{entities}} \text{GloBE Income} - \underbrace{\text{Substance Based Exclusion}} \right)$$

$$\text{GloBE income} - 5\% \times (\text{Payroll} + \text{Depreciation of tangible assets})$$

SUBSTANCE CARVE OUT AND THOUGHTS ON STRUCTURING

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Substance-Based Income Exclusion: 10-year Transition

Payroll carve-out

Fiscal Year Beginning In	Article 5.3.3 Rate
2023	10%
2024	9.8%
2025	9.6%
2026	9.4%
2027	9.2%
2028	9.0%
2029	8.2%
2030	7.4%
2031	6.6%
2032	5.8%

Tangible Asset carve-out

Fiscal Year Beginning In	Article 5.3.4 Rate
2023	8.0%
2024	7.8%
2025	7.6%
2026	7.4%
2027	7.2%
2028	7.0%
2029	6.6%
2030	6.2%
2031	5.8%
2032	5.4%

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Computation of the Jurisdictional Top-up Tax

1. Computation of GloBE Income or Loss (on a jurisdictional basis)

2. Computation of Adjusted Covered Taxes (on a jurisdictional basis)

3. Jurisdictional ETR = Adjusted Covered Taxes ÷ GloBE Income

4. Top-up Tax %= 15% − Jurisdictional ETR

5. Jurisdictional Excess Profit = GloBE Income − Substance-based Income Exclusion

- Tangible Assets; and
- Employees.

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Case Study 1: Asset & Employee Intensive (1)

- In-scope Constituent Entity 1 resident in Jurisdiction A has:
  - Covered Taxes of €11 million; and
  - GloBE income of €100 million.

Effective Tax Rate **ETR=11%**

- **Payroll costs** for activities performed in Jurisdiction A is **€30 million**

- **Tangible assets** located in Jurisdiction A have an average accounting carrying value for the current Fiscal Year of **€170 million**

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Case Study 1: Asset & Employee Intensive (2)

Constituent Entity 1 resident in Jurisdiction A		
Effective Tax Rate	€11 million / €100 million	11%
Top-up tax percentage	15% - 11%	4%
SBIE: First year = 10%	(€30 million + €170 million)@10%	€20 million
Excess Income	€100 million - €20 million	€80 million
Top-up tax amount	€80 million @ 4%	€3,200,000
Saving from SBIE	€20 million @ 4%	€800,000

SBIE: Substance-Based Income Exclusion

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Case Study 2: Employee Intensive (1)

- Constituent Entity 2 resident in Jurisdiction B has:
  - Covered Taxes of €20 million; and
  - GloBE income of €100 million.

Effective Tax Rate **ETR=20%**

- Decides to redomicile to Jurisdiction A

- **Payroll costs** for activities performed in Jurisdiction A is **€40 million**

- **Tangible assets** located in Jurisdiction A have an average accounting carrying value for the current Fiscal Year of **€5 million**

Case Study 1: Employee Intensive (2)

Constituent Entity 2 redomicile in Jurisdiction A		
ETR	€11 million / €100 million	11%
Top-up tax percentage	15% less 11%	4%
SBIE: First year = 10%	(€35 million + €5 million) @ 10%	€4 million
Excess Income	€100 million - €4 million	€96 million
Top-up tax	€96 million@4%	€3,840,000
Saving from SBIE	€4 million@4%	€160,000
Savings from relocation	€20 million less €11 million	€9 million
Savings from relocation: tax incentives for Inward Expatriates		1-2 million

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Payroll Carve-Out: Includes 3 Components

Eligible Payroll Costs	Eligible Employees	Perform activities in such jurisdiction
• Part-time • Independent contractors in the ordinary activities and control of the MNE Group	• Salary, wages, health insurance, pension contributions • Payroll taxes, social insurance	• Agreed Administrative Guidance for employees working in multiple jurisdictions

Based on the total amount of the payroll expenditures accrued in the **financial accounts** for the Fiscal Year.

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Tangible Assets Carve-Out

- Eligible Tangible Assets means:
  - Property, Plant, and Equipment located in that jurisdiction;
  - Natural Resources located in that jurisdiction;
  - a lessee's right-of-use of tangible assets located in that jurisdiction; and
  - a licence or similar arrangement from the government for the use of immovable property or exploitation of natural resources that entails significant investment in tangible assets.

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Tangible Assets: Computation of Carrying Value

- Based on the **average** of the carrying value (net of accumulated depreciation, amortisation, or depletion and including any amount attributable to capitalisation of payroll expense) at the **beginning and ending** of the Reporting Fiscal Year 1 as recorded for the purposes **of preparing the Consolidated Financial Statements** of the Ultimate Parent Entity.

- **4 issues:**
  - Use of averages
  - Purchase accounting and consolidation elimination adjustments
  - Depreciation and impairment: cost model
  - Increases in carrying value under revaluation model neutralised

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KEY TAKEAWAYS
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Summary : Key Takeaways

- Identify UPE and analyse whether further structuring is sensible to exclude top layer entities
- Analyse current treatment of DTAs in financial accounts when preparing consolidated accounts
- Monitor IC asset transfer during transition period and verify whether in line with local constitutional requirements
- Monitor losses and use of loss carry forwards together with other effects
- Verify whether loss carry-fowards stem from taxable income and whether elections can be made
- Analyse whether substance requirements of IP box regimes are sufficient to lift up ETR
- Overall substance analysis to address group wide ETR

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PRESENTER BIOS

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Nadia is an associated partner for international tax with Flick Gocke Schaumburg in Hamburg und Düsseldorf. She is a trained lawyer and tax advisor and advises clients in all aspects of national and international tax law with a focus of cross-border restructuring, pre- and post-merger integration and provides support in domestic and international tax audits.

During her secondment to the tax department of the OECD Nadia led the Joint Audit project 2018/2019 and was involved in the work on BEPS Pillar two.

Nadia lectures classes at the Master's program at the University of Cologne on procedural law. She is a member of the International Fiscal Association and the Steuerrechtswissenschaftlichen Vereinigung Heidelberg e.V.

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Maria has extensive experience as an advisor to both Swedish and foreign clients, active in various industries.

Maria has a particular focus on international taxation and on corporate tax issues, such as tax reporting and declarations, tax consolidation, withholding tax issues and settlement of foreign tax, restructuring within Sweden and cross-border, new establishments, financing issues and tax audits.

Maria is also part of the team behind Sustainable Tax, our business area in sustainability, tax and financial reporting.

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Andreas is a Principal in the International & Corporate Tax department at ATOZ.

A tax professional since 2010, Andreas has experience in Luxembourg transfer pricing and international tax advisory for a wide range of institutional investors. He provides advice on the tax and transfer pricing structuring of alternative investments through Luxembourg (private equity, real estate, sovereign wealth funds) as well as the tax structuring of multinational groups.

He advises clients on all direct tax matters, including deal structuring, corporate reorganisations, mergers & acquisitions and exit planning, as well as on transfer pricing aspects in relation to the pricing of financial instruments and intra-group services.

Andreas is a certified German tax adviser ("Steuerberater") and is also a chartered accountant in Luxembourg. He holds a degree in Business Administration with a major in Tax from the University of Trier in Germany and a post-graduate degree in Luxembourg Tax.
He speaks English, German, and French.

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Romain joined Arsene in 2013.

He advises national and international companies, especially in the pharmaceutical industry, on a wide range of daily tax law issues as well as on investment and restructuring operations.

Romain acquired extensive experience in the field of tax inspection and litigation, especially regarding specific procedures and alternative regulations (Tax, Customs and Exchange Advisory Panel, annulment on grounds of ultra vires, etc.).

He is a regular contributor to professional books and journals.

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Christos specialises in private clients and corporate tax issues (including transfer pricing) with an international dimension, such as private equity structuring, cross-border investments, structured finance, IP structuring and international trade.

Christos received his Master of Laws (MSc) in Tax Law from Oxford University. He was trained from a Big4 company and holds a Bachelor's degree in Economics, the Advanced Diploma in International Taxation (ADIT) of the UK Chartered Institute of Taxation, as well as being a qualified Chartered Accountant in England & Wales. He is currently an LLB candidate (final year) at Frederick University Cyprus.

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APPENDIX

Your global tax partner

Summary - Comparison of EU domestic PEX

Overview

- A number of EU Member States should have discrepancies between their domestic PEX and Pillar Two. Some selected jurisdictions already now seem to consider their **domestic PEX as optional** for taxpayers, thereby limiting the impact of the Pillar Two Directive on their PEX.
- The **optionality** of the domestic PEX may be a **key element to limit adverse consequences at MNE level due to subsidiary holding companies** as a result of the implementation of the Pillar Two Directive.

Country	Deviation between Pillar Two and domestic PEX	Actions by local governments	Optionality of domestic PEX
Malta	Potentially	No announcement	Yes, PEX at the option of the taxpayer
Netherlands	Yes – 5% for the participation exemption regime	Yes	Yes, PEX at the option of the taxpayer
Spain	Yes – 5% for the participation exemption regime	No announcement from the government but they are aware of the potential discrepancies	The optionality is not clearly set-out in the law
Ireland	No	No	Yes (subject to the refund request from the taxpayer)
France	Yes (but limited impacts)	No	No

Summary - Comparison of EU domestic PEX

Overview (cont'd)

Country	Deviation between Pillar Two and domestic PEX	Actions by local governments	Optionality of domestic PEX
Poland	No (except for certain specific vehicles)	No	No
Cyprus	Yes – domestic PEX is wider in-scope	Lots of discussions since October 2020	No
Belgium	Yes – 10% or acquisition value of at least EUR 2.5m	No announcement	The optionality is not clearly set-out in the law
Sweden	Yes – No holding requirements	No	No
Italian	Yes – No holding requirements	No	The optionality is not clearly set-out in the law
Croatia	Yes	No announcement	No

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