

Record of Meeting

Meeting	TALC BEPS Sub-Committee		
Location	Revenue Offices, Dublin Castle	Meeting Date	22 October 2025
ITI	Anne Gunnell; David Fennell; Gareth Bryan; Emma Arlow; Paul McKenna; Fiona Carney^		
CCAB_I	Enda Faughnan^; Gearóid O’Sullivan^; Paschal Comerford^		
Law Society	Fintan Clancy; Niamh Caffrey^; Amelia O’Beirne^; Philip Tully^		
Dept. of Finance (‘DFIN’)	Deirdre Donaghy^		
Revenue	Jeanette Doonan (Chairperson); John Quigley; Keith Noonan; Alan Carey; David Macauley; Deirdre Ní Alluráin Shane Daly; Máirín Barron^; Michael Cantwell^; Irene Clancy^; Sarah Murphy^; Rory Noone (Secretary)		
^Attended remotely via Dial-in			

Minutes
<p>The Chairperson welcomed attendees.</p> <p>1. <u>International Tax Updates</u></p> <p>EU Commission Simplification Initiative</p> <p>The EU Commission in its 2025 work programme set out as one of its key objectives the simplification of EU legislative measures and reducing the administrative burden for EU citizens and businesses. This follows Mario Draghi’s report on “The future of European competitiveness” which emphasised the need to improve European competitiveness and promote the operation of the single market. In a direct tax context, the Commission has commenced its scoping work to identify key areas for work to update outdated provisions, clarify areas of ambiguity, and simplifying the framework of direct tax measures by eliminating overlaps and reducing compliance burden. The Commission has so far held several meetings to discuss potential areas for simplification of the existing direct tax framework including: the Interest and Royalties Directive, the Parent Subsidiary Directive, the Tax Mergers Directive, the DACs and ATAD.</p> <p>2. <u>Finance Bill</u></p> <p>2.1. Participation exemption (section 831B TCA 1997)</p> <p>A number of amendments were made to the participation exemption as part of Finance Bill 2025. A discussion was had on two policy change requests from stakeholders in relation to these amendments.</p> <p>Firstly, the exemption has been extended to distributions from non-tax treaty countries, in circumstances where foreign withholding tax has been paid on the full amount of the distribution and no amount of that tax is fully or partially refunded. Stakeholders requested that the legislation be amended to allow for a scenario where a partial or nominal refund issues due to an incorrect higher tax rate being withheld at source. Stakeholders noted that a specific example or jurisdiction where this is likely to occur had not yet been identified.</p>

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The Department of Finance acknowledged the policy change request and advised that there is no intention to amend this provision at present, but that the matter could be kept under review should it become an issue in practice in the future.

Secondly, an amendment has been made to provide an exception to the general rule that the foreign distribution cannot be deductible for tax purposes in any jurisdiction. A distribution will not be excluded where it is deductible in computing a tax that is similar or equivalent to the close company surcharge in section 440, where the tax is imposed on a company where the greater part of the issued share capital or voting power of the company is held by five or fewer individuals. Stakeholders requested that the legislation be amended to remove the requirement for a majority of the company's capital or voting power to be held by five or fewer individuals.

Revenue noted that stakeholders had previously made submissions regarding a surcharge regime in one jurisdiction, and that the legislative amendment had been drafted broadly in order to cover similar surcharge regimes in other jurisdictions. The Department of Finance advised that there is no intention to amend this provision at present.

2.2. Pillar Two

ITI Submission

I. *Section 92(2) – Effective Date*

ITI Comment: Section 92(2) states that, subject to subsection (3), the changes proposed to Part 4A shall apply in respect of a fiscal year or an accounting period, as the case may be, commencing on or after 31 December 2025. Section 92(3) then provides a list of the legislative amendments that should apply in respect of fiscal years commencing on or after 31 December 2023. The legislative amendments relating to the treatment of deferred tax assets (i.e. section 111X(c) TCA 1997) in Section 92(1)(f) and Section 92(1)(k)(iii) and (iv) enter into effect in respect of fiscal years commencing on or after 31 December 2025.

[ITI] believe that the treatment applied by Revenue in respect of the legislative amendments made in Finance Act 2024 should equally be applied in respect of the legislative amendments proposed in Finance Act 2025. Under this approach, Revenue provides taxpayers with an option to apply the legislative amendments in respect of previous fiscal years.

The ITI proposed an amendment could be made to the TDM (TDM 04A-01-02).

Revenue: Agreed. Finance Bill 2025 provides that certain of the amendments to Part 4A TCA 1997 shall apply in respect of a fiscal year or an accounting period, as the case may be, commencing on or after 31 December 2025. Revenue is prepared to accept the application of those provisions, at the discretion of the taxpayer, to a fiscal year or an accounting period, as the case may be, which commences prior to 31 December 2025.

Action Point: Revenue to update the TDM following enactment of the Finance Bill.

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II. Section 92(1)(I) – Securitisation Entities that are MOCEs

ITI Comments:

- ***This section confirms that where an entity is both a securitisation entity and a Minority Owned Constituent Entity (MOCE), its QDTT liability is computed separately under the MOCE rules and part is allocated to other non-securitisation entities in the relevant MNE group. While not clear how frequently it might occur in practice, in theory an MOSG might exist comprising only securitisation entities. As drafted the new provision would not appear to apply to this situation. Is this intentional? If so, is the expectation that in such a scenario the relevant MOSG constituent entities would pay and file QDTT?***

Revenue: The domestic top-up tax of a MOCE sub-group is calculated as if the MOCE sub-group was a separate MNE group or LSDG in accordance with section 111AH. Once the amount of domestic top-up tax for the MOCE sub group is calculated, it is allocated amongst the sub-group members in accordance with section 111AD(5) (on the basis that the sub-group is its own 'MNE group'). If all members of the sub-group, being its own MNE group, meet the definition of a securitisation entity, then section 111AAC(4)(a) cannot apply and as such every member of the MOSG will be required to pay their allocation of top-up tax and file a QDTT return.

- ***[ITI's] reading of the legislation is that because section 111AAC TCA 1997 provides that a securitisation entity is not chargeable to QDTT (where there is at least one other local constituent entity), this means that such an entity should not be obliged to register for QDTT or file any returns. Assuming this is correct then presumably the same treatment would apply to an MOCE which also qualifies as a securitisation entity. [ITI] would welcome confirmation in this regard.***

Revenue: Section 111AAN places the obligation to file a QDTT return on a qualifying entity. Section 111AAH places an obligation to register on a qualifying entity. A securitisation entity that is not chargeable to QDTT still meets the definition of a qualifying entity in section 111AAB and therefore has a filing and registration obligation.

CCABI: Can consideration be given to providing additional guidance in relation to the application of the arm's length requirement in section 111P(4)(ii) in relation to section 110 companies?

Revenue: As discussed previously, it is not intended to include guidance in TDM 04A-01-02 with regard to the application of the arm's length principle.

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III. *Section 92(1)(m) – Section 111AAI TCA 1997*

ITI Comments:

- *Section 111AAI outlines the template that should be used when preparing the top-up tax information return. There are two templates: the EU template and the OECD GIR template. These templates differ, mainly with respect to the terminology used. However, the underlying XML for the EU template aligns to the OECD GIR template. What is the rationale for utilising the same XML when the templates differ?*

Revenue: Input from the Pillar Two implementation team in LCD is required.

Action Point: Matter to be referred on to Pillar Two implementation team.

- *Section 111AAI(2)(d) provides that where the Ultimate Parent Entity (UPE) or Designated Filing Entity (DFE) files the return in a Member State, the EU template should be used. Where the UPE or DFE files the return in a jurisdiction that is not a Member State, the OECD GIR template should be used. What is the rationale for requiring that different templates be used depending on location of filer when, as noted above, the underlying XMLs are the same?*

Revenue: As above.

Action Point: Matter to be referred on to Pillar Two implementation team.

- *How should the consent required under Section 111N(1)(c) TCA 1997 be evidenced? Are constituent entities expected to follow any specific methodology to perform the allocation under Section 111N(1)(c) TCA 1997?*

Revenue: An agreement signed by an authorised officer of each CE should be maintained and kept on file if requested by Revenue.

Constituent entities are not expected to follow any specific methodology to perform the allocation under Section 111N(1)(c) TCA 1997. The policy rationale for the provision is that the constituent entities can decide and agree amongst themselves how the allocation is done.

IV. *Practical application Section 111AY(4) to large-scale domestic groups*

ITI Comments: Section 111AY(1) TCA 1997 provides an exclusion from IIR and UTPR for constituent entities of a large-scale domestic group. Section 111AAD(4) TCA 1997 provides a further exclusion from Irish QDIT for Irish constituent entities of a large-scale domestic group. Under Sections 111AY and 111AAD, the entities are not considered to be exempt from IIR/QDIT/UTPR but rather the top-up tax due under each top-up tax is deemed to be zero for the period in which the exclusion applies.

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This raises certain administrative questions:

- *Are constituent entities within a large-scale domestic group required to register for Irish QDTT by 31 December 2025?*

Revenue: Yes, under section 111AH(c) as they meet the definition of a qualifying entity.

- *Will nil QDTT returns need to be prepared for each constituent entity of the large-scale domestic group (or a single QDTT return where a QDTT group is formed) for each year that the exclusion applies?*

Revenue: Yes, under section 111AAN as they meet the definition of a qualifying entity.

- *Is the large-scale domestic group required to complete a Top-up Tax Information Return and appoint a Designated Local Entity to complete this filing? This would appear to be required under Section 111AAI TCA 1997.*

Revenue: Yes.

- *Would the large-scale domestic group only need to complete the panels listed below of the template GloBE Information Return?*
 - *Section 1: information on corporate structure*
 - *Section 2: panel 2.3 (MNE Group in initial phase of international activity) or will a separate panel relevant to large-scale domestic groups be provided for completion?*

Revenue: Further time is required to consider this.

Action Point: Matter to be referred on to Pillar Two implementation team

Other Finance Bill Comments:

The Chairperson enquired as to whether there were any further questions on other Finance Bill items included on the agenda, for example, Country-by-Country Reporting. No further comments provided.

3. Pillar Two – Non-Finance Bill Items

ITI Submission

- I. **Section 111AY(5) – Initial phase of exclusion from IIR and UTPR of MNE groups and large-scale domestic groups**

Section 111AY(5) TCA 1997 provides that where Section 111AY(1) or (2) applies for a fiscal year and the filing constituent entity is located in Ireland, the filing constituent entity shall inform Revenue of the start date of the initial phase of the international activity of the MNE Group. The EU template top-up tax information return and the OECD GIR template both require that this information is included in these returns.

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Can Revenue confirm that where this information is included in the relevant top-up tax information return, that this satisfies the requirements of Section 111AY(5) TCA 1997.

Revenue: Agreed.

- II. *Can Revenue advise if an IIR return will be filed via an online system similar to QD TT or if Irish Revenue will issue an IIR return?***

Revenue: Yes, the IIR return can be filed online similar to the QD TT.

- III. *Section 111AAI(2)(c) TCA 1997 provides that a “notification of filer” must be delivered to the Revenue Commissioners where Section 111AAI(2)(b) applies. We note that the information required to be returned in the “notification of filer” under Section 111AAI(7) appears to be requested via the online registration process. Can Revenue confirm that completing the information as part of the registration process satisfies the notification of filer obligations under Section 111AAI?***

Revenue: The information provided at the registration stage is to enable the filing of the ‘notification of filer’ (NoF) or ‘top-up tax information return’ (TIR). Therefore, no the information provided at registration stage will not satisfy the requirements of the NoF or TIR. Either a NoF or TIR will be required by 30 June 2026 and every fiscal year thereafter.

If the group have not identified the filer at the time of registration they can select “entity will file its own TIR” which can be amended at point where you certain as to the filer. It was clarified that taxpayers would not have to register again.

ITI asked whether there would be a separate notification of filer notification/return to be filed or would it be included with the QD TT?

Action Point: Revenue to check with the Pillar Two implementation team whether the notification of filer is filed separately to the QD TT return.

- IV. *ITI note that discussions continue among the Inclusive Framework in respect of the G7 side-by-side agreement. Where agreement is reached and official OECD guidance is released on the matter, we would welcome clarification from Revenue/Department of Finance on how such guidance will be implemented. Some taxpayers have expressed concern as to how they will approach group provisioning in Q1, 2026 where agreement has been reached but the local law has potentially not been enacted?***

Revenue: Not in a position to comment on this as negotiations are ongoing and it is too early to say when measures which may be agreed will be applied.

- V. Local Accounting Standard**

ITI Comment: As previously discussed, the Dutch tax authorities have issued guidance in respect of QD TT and the local accounting. Do Revenue intend to amend the Pillar Two TDM to clarify if QD TT calculations based on the local accounting standard rule will be accepted where misalignment in fiscal years arises as a result of the specific situations outlined in our submission of 26 August 2025? This continues to be an area of practical challenge for many taxpayers.

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DFIN: There has been engagement with the Secretariat on the issue however progress has stalled. We are aware of the position taken by other jurisdictions and a proposal has been made to the Minister on potential options pending OECD guidance.

The Law Society enquired as to whether there was a timeline?

DFIN: We need to wait on the Minister's decision.

[Update: this issue has subsequently been addressed in Finance Bill 2025]

VI. Tax Consolidated Groups (follow up to matter raised at the meeting of the Sub-Committee on 24 July)

ITI: We would suggest that Ireland could adopt a similar approach which aligns with that of the UK i.e., that where there is an intra-group transaction done on a tax-free basis and/or there is a transaction where loss relief is used to neutralise the tax impact, then a taxpayer could follow the consolidated accounting position in respect of those transactions.

Revenue:

Article 3.2.8 of the Model rules provides as follows:

"An Ultimate Parent Entity may elect to apply its consolidated accounting treatment to eliminate income, expense, gains, and losses from transactions between Constituent Entities that are located, and included in a tax consolidation group, in the same jurisdiction for purposes of computing each such Constituent Entity's Net GloBE Income or Loss. The election under this Article is a Five-Year Election. Upon making or revoking such election, appropriate adjustments shall be made for GloBE purposes such that there shall not be duplications or omissions of items of GloBE Income or Loss as a result of having made or revoked the election."

Article 16(9) of the Minimum Tax Directive states:

An ultimate parent entity may elect to apply its consolidated accounting treatment to eliminate income, expense, gains and losses from transactions between constituent entities that are located in the same jurisdiction and included in a tax consolidation group for the purpose of computing the net qualifying income or loss of those constituent entities. The election shall be made in accordance with Article 45(1). In the fiscal year in which the election is made or revoked, appropriate adjustments shall be made so that items of qualifying income or loss are not taken into consideration more than once or omitted as a result of such election or revocation.

OECD Commentary to Article 3.2.8 provides:

para 133: Article 3.2.8 provides an election that permits consolidated accounting treatment to be applied to transactions between Constituent Entities of the same MNE Group located in the same jurisdiction. If this election is made, income, expenses, gains and losses resulting from transactions between the Constituent Entities may be eliminated from the computation of GloBE Income or Loss in the same manner as amounts relating to transactions among members of a consolidated group are eliminated as part of the consolidation adjustments under the Acceptable Financial Accounting Standard used by the UPE in preparing its Consolidated Financial Statements. This is intended to prevent unintended consequences where income, expense, gains and losses from domestic intra-group transactions are treated as tax neutral intra-group transactions under local law. ...The requirement that the Constituent Entities are included in a tax consolidated group includes any rules of the local jurisdiction which enable the Constituent Entities to share current income or losses by virtue of the fact that they are related through ownership or common control.

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Revenue's understanding of the intention of Article 3.2.8 is that consolidated accounting treatment is permitted to be applied where income, expense, gains and losses from domestic intra-group transactions between Constituent Entities of the same MNE Group located in the same jurisdiction are treated as tax neutral intra-group transactions under local law.

The election in Article 3.2.8 is a simplification measure where all domestic-intra group transactions are neutralised for tax purposes. Where it would only apply to a small subset of all transactions, as noted in the ITI's submission, it does not appear necessary to interpret the guidance in this manner and there would be a requirement to amend Irish legislation if it were to be interpreted that way.

What is the benefit of the approach outlined in the ITI submission?

Action Point: Stakeholders to consider and provide observations/examples.

VII. Mergers / Other Computational Issues for Guidance (follow up to matter raised at the meeting of the Sub-Committee on 24 July)

ITI Submission on 26 August 2025:

In addition to our request for guidance on taxing rights for mergers and crossborder mergers, Revenue asked practitioners to consider any other computation issues which may arise in relation to the dissolution of entities.

We understand that Revenue proposes to deal with the administration of a Pillar Two charge where a company has been the subject of a cross-border merger is that the foreign company to which it has been merged should register for QDTT in Ireland and pay the relevant taxes.

Our understanding is that the logic underpinning this approach is not to suggest that the foreign company is itself an Irish constituent entity in respect of those profits, but rather the QDTT liability is one which it inherits as a consequence of the cross-border merger. Therefore, we believe it would be reasonable to confirm that in applying the Pillar Two legislation generally, the computation should be based on the attributes and profits of the company which has been merged and done without regard to the attributes of the company into which it has been merged.

Revenue: An update to the TDM will be considered in this regard.

If this were not the case, there could be confusion, for example, when applying the UTPR allocation key as this would look at the employees and tangible assets of the company and it would not make sense if these calculations referenced the attributes of the surviving company rather than the merged company.

In relation to the UTPR allocation key, we note that the legislation does not specifically provide at what point in time a group should measure the number of employees or tangible assets it has in Ireland (either at a jurisdictional computation level or for the purposes of allocating a charge to an individual Irish constituent entity).

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The following guidance is provided on page 282 (para. 78) of the OECD Consolidated Commentary:

“The Number of Employees is computed as the total number of employees on a full-time equivalent basis and may be reported as of the year-end, on the basis of average employment levels for the year, or on any other basis consistently applied across tax jurisdictions and from year to year, provided that such basis allows to assess the total number of employees on a full-time equivalent basis for the relevant Fiscal Year

Using a full time equivalent basis addresses the fact that employees may be employed by several Constituent Entities or may be shared between a Main Entity and its PE. It also addresses potential significant changes in the scope of employees at the jurisdictional level, e.g. because of the transfer of a Constituent Entity.

In addition, reasonable rounding or approximation of the number of employees is permissible, providing that such rounding or approximation does not materially distort the relative distribution of employees across the various tax jurisdictions. Consistent approaches should be applied from year to year and across entities. More details will be provided in connection with the guidance on filing obligations developed as part of the GloBE Implementation Framework.”

We consider that this calculation should generally be done based on the above guidance with discretion as to the method afforded to the taxpayer (but subject to a consistent standard applying across the group). However, in the case where one of the entities in the group has been merged, it would not have any assets or employees for a full year or at the end of the year (a similar point arises for newly formed entities and liquidated entities).

If the group uses the year end numbers, one practical solution could be to take the position for both of these two allocation keys for the merged entity based on the date of its merger and to include those both for the purposes of computing the jurisdictional position and also for the allocation to the individual entity. This would ensure consistency across the jurisdictional computation and the allocation to the individual entity.

Where averages are used, a decision would need to be made as to whether this influences any further adjustment. For example, if a company has 10 full time employees but is merged or liquidated half-way through the year, should it count 10 or 5 (10 x 6/12) employees? The latter may be more consistent with the commentary above.

Revenue: Revenue agree that the OECD Commentary allows for discretion as to the method afforded to the taxpayer to calculate FTEs (but subject to a consistent standard applying across the group and across fiscal years). We agree that a sensible solution for a company that is merged part way during the year, where the group uses year end numbers for full time equivalents, is to use the numbers as at the date of the merger. Where averages are used then it would appear appropriate to use the average of the number of FTEs at the beginning of the fiscal year and the number of FTEs on the date of merger. For both methodologies, it would appear reasonable that the number of FTEs should then be reduced pro-rata for the length of the period up to the date of the merger relative to the length of the fiscal year. This pro-rata approach reflects the overarching intention that the UTPR liability is allocated to the jurisdictions where the MNE has a substantive presence during the fiscal year. Similarly, when calculating the net book value of tangible assets for the purposes of allocating the UTPR percentage, it is computed as the average value of the beginning and end of year values of tangible assets held by the

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constituent entities located in that jurisdiction for a given fiscal year. Following the same approach as above, in order to reflect the substance in a jurisdiction, the average value of the net tangible assets at the beginning of the fiscal year and as the date of merger should be calculated which should then be reduced pro-rata for the length of the period up to the date of the merger relative to the length of the fiscal year. It is noted that the OECD Commentary does not address this issue and therefore other jurisdictions may take another approach. However, the pro-rata approach appears to Revenue to most closely follow the intention of the provisions.

Action Point: Guidance to be updated.

VIII. Intra-group Financing – Article 3.2.7 Example

Revenue: An example was provided which illustrated the application of Article 3.2.7 of the Model Rules with regard to payments of interest from a constituent entity located in Ireland to a constituent entity located in a high tax jurisdiction where the transaction was disregarded under the tax law of the other jurisdiction. Based on the above example, Revenue concluded that it is not possible to provide confirmation that, in every case, a disregarded payment of interest would lead to a commensurate increase in the taxable income of the lender.

A discussion then took place as to whether any example could be included in guidance.

Action Point: Stakeholders to consider the matter further and provide example(s) which may be considered by Revenue for inclusion in guidance.

IX. Other Queries

ITI Queries:

- ***Where a third party adviser registers as an agent for Pillar Two taxes, can Revenue advise if this will have any impact on the existing linked agent for corporation tax?***

Revenue: From a ROS perspective, Pillar Two taxes are separate to corporation tax. The registration of a third-party agent for Pillar Two taxes will not impact agent linking with a separate advisor for corporation tax.

- ***[ITI] would welcome confirmation from Revenue as to whether the online QDTT filing facility, when utilised by a QDTT group filer, will constitute a QDTT return for the purposes of Section 111AAAC "Transitional simplified jurisdictional reporting".***

Revenue: All QDTT returns will be filed through the online filing facility. These returns will constitute a QDTT return for the purposes of s111AAAC TCA 1997. Information requested on the QDTT online return will correspond to the prescribed version of the QDTT return.

- ***[ITI] would welcome clarification from Revenue on whether an IIR return will be filed, via an online system, similar to QDTT or if Revenue plans to issue an IIR return. Will this return be on a self-assessment basis similar to the QDTT?***

Revenue: Revenue also plans to issue an IIR return, which will be filed online. The IIR return will be on a self-assessment basis.

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X. Query from ITI re-CbCR Safe Harbour

ITI Submission:

The query concerns the preparation of a qualified CbCR report in the context of the Pillar Two Transitional CbCR Safe Harbour. In essence, the question relates to how should a constituent entity that changes tax residence during a fiscal year should be reported in the CbCR. This is not explicitly addressed in the OECD's Administrative Guidance nor in Revenue's TDM. However, considering the principles enshrined in the OECD CbCR guidance (i.e. reasonable, practical, and consistent), it would seem that a pro-rata approach should apply. For example, this would be the position if a UPE changes during the fiscal year, and therefore, it would seem logical for the same principle to apply in the case of a change of residence.

As such, [ITI] would consider that the following approach should apply where an entity migrates tax residence from, say UK to Ireland, mid-year.

- *List the constituent entity twice in Table 2 across the separate jurisdictions (i.e. UK and Ireland)*
- *Allocate the financial data between Ireland and the UK on a just and reasonable basis (most likely time apportionment)*
- *The change of residence and effective date of the residence change disclosed in Table 3*

The key concern of course would be to ensure that a CbCR report completed in this manner would remain qualifying for Pillar Two purposes. [ITI] welcome clarification from Revenue in this regard.

Revenue: Article 10.3.6 of the Model Rules/ Section 111P(8) provides that where an entity has changed its location during the fiscal year, it is located in the jurisdiction where it was located at the beginning of that year. It appears logical that this rule would apply for the purposes of the CbCR safe harbour, albeit it has not been specifically addressed in OECD Commentary. Where that rule is applied, in the example given, the taxpayer would not apportion the financial results but instead allocate all income/taxes to the UK in year 1 and to Ireland in year 2 for the purposes of applying section 111AJ.

XI. TDM Update (following a query from Insurance Ireland)

In advance of the meeting a proposed TDM update was shared with stakeholders regarding Section 111AU – Election to treat investment entity as tax transparent (OECD Commentary on Article 7.5)

Revenue: With respect to the election in section 111AU TCA97, a question arises as to how to determine whether the tax rate applicable to the constituent entity-owner with respect to the annual changes in the fair value of its ownership interest equals or exceeds the minimum rate. The term 'tax rate' is not defined in the EU Minimum Tax Directive or the OECD Model Rules for these purposes. Revenue is prepared to accept that the 'tax rate' requirement is met where:

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- the constituent entity owner is subject to tax in its location under a mark-to-market or similar regime, based on the annual changes in the fair value of its ownership interest in the investment entity or insurance investment entity, and
- the constituent entity owner is subject to a qualified domestic top-up tax, such that the tax rate applicable to the constituent entity owner with respect to such income equals the minimum rate (where the tax transparency election has been made).

Revenue are aware of differing views on this issue and BTPLD have raised the matter with our colleagues in International Tax Division for follow-up with the OECD Secretariat. In the interim Revenue intends to publish guidance in this area.

XII. Matters with the OECD for response

ITI requested an update on the matters that were to be sent to the OECD for clarification and whether a consolidated list could be prepared as there was a number of matters and it is difficult to track.

DFIN: There was a priority list and DFIN will consider if it is appropriate to the updated list.

Action Point: DFIN to consider if it is appropriate to share a list of open matters pending clarification from the OECD.

XIII. Query from Law Society re-TDM

[Law Society] wanted to raise a technical query in relation to one aspect of the updated Pillar Two TDM. It relates to the following guidance (at the top of page 70 of the attached pdf):

“For the purposes of calculating simplified covered taxes, a decrease in covered taxes recorded in the qualified financial statements that relates to a period prior to the transition period should be excluded. This is on the basis that the adjustment relates to a fiscal year to which Part 4A Taxes Consolidation Act 1997 does not apply.”

[Law Society] have been considering the application of this guidance in the context of a fact profile that involves a return to provision adjustment that relates to a deferred tax asset established before 30 November 2021.

The consolidated 2025 OECD Commentary states (on page 323) that in calculating simplified covered taxes for safe harbour purposes, adjustments should only be made for:

- a) taxes that are not Covered Taxes; and**
- b) uncertain tax positions.**

The OECD guidance further states in paragraph 13 on page 327 that “deferred tax expenses attributable to the reversal of deferred tax assets and deferred tax liabilities described in paragraph 19 below”. Paragraph 19 describes deferred tax assets and deferred tax liabilities related to a transaction which is within the scope of Article 9.1.2 (i.e. the DTA was generated in a transaction that takes place after 30 November 2021).

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Considering this guidance in the context of the fact profile above:

- *in terms of a) above, in this case the adjustment does not relate to a deferred tax asset created after 30 November 2021 and so it would not appear to come within this limb.*
- *in terms of b) above, the OECD guidance (Para 14 on page 327) states that:*

“Where the income tax expense includes an adjustment to bring the amount reported for a prior year’s income tax expense in line with the final amount of the expense (sometimes referred to as a return to provision), the effect of any uncertain tax position reflected in that adjustment must be removed.” (our emphasis)

As such, [Law Society] understand that while any uncertain tax position that is within a return to provision amount should be adjusted, a return to provision adjustment itself should generally not be considered an uncertain tax position.

Given the application of the above guidance in the TDM to this fact profile, [Law Society] want to ensure you are comfortable that the language in the TDM in relation to the calculation of simplified covered taxes (as opposed to the general GloBE calculations) does not go beyond the OECD commentary in the context of this fact profile.

[Law Society] wanted to highlight this fact and query for your consideration and it would be great to get any feedback or insights as to any discussions that may have occurred at an OECD level on this point. Let us know if you have any questions or if helpful on a call or at the next TALC BEPS sub-committee meeting.

Revenue: Revenue agree that the TDM needs to be clarified to show that, with respect to the calculation of covered taxes, a decrease in **current** covered taxes relating to a refund of an overpayment of tax recorded in the qualified financial statements that relates to a period prior to the transition period should be excluded. This is on the basis that the adjustment relates to a fiscal year to which Part 4A Taxes Consolidation Act 1997 does not apply. The guidance does not apply to reductions in deferred taxes (This is because deferred tax positions recognised on transition to Pillar Two, and their subsequent unwind, are generally included in covered taxes). In relation to simplified covered taxes for the purposes of the CBCR Safe Harbour, again it will be clarified that the exclusion from current taxes relates to current tax and refunds of overpaid taxes relating to pre-transition years.

Action Point: Guidance to be updated.

XIV. Matters for follow up with LCD from meeting of 24 July 2025

- *While acknowledging that a case-by-case approach would be adopted by Revenue, stakeholders requested further detail as to what process should be followed, and how the obligations of an entity which is to be dissolved/liquidated with regard to return filing and payment of top-up tax can be met. Stakeholders noted that a number of liquidations of in-scope entities that have already taken place and queried how or should those entities register for top-up taxes? Similarly, there will be cases of companies who will register for Pillar Two taxes that will go into liquidation in the future - how will they be dealt with (in particular if there are no other constituent entities of the MNE group located in Ireland)?*

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Revenue: If the entities are not yet liquidated, the entities need to register as normal for the Pillar Two taxes. They must then fulfil their pay and file obligations as normal prior to liquidation. Where an in-scope entity has been liquidated prior to fulfilling its top-up tax obligations, notification should be given to Revenue via MyEnquiries and responses will be provided by the LCD Pillar Two implementation team.

Action Point: BTPLD to raise issues regarding liquidations with Pillar Two implementation team.

- *It was noted that top-up tax returns will be very short returns and the filing of top-up tax returns will be done online on the screen with no upload or API. In this regard, stakeholders asked if it would it be possible to build in functionality so that screen shots/print-screens can be taken, as it will make it easier for tax agents to send to their clients for approval before submission?*

Revenue: This request is being reviewed in the light of resources and priorities.

- [ITI] asked for additional information about the need for, or benefit of, a style sheet. It was noted that the style sheet is beneficial as it provides a human readable format of the GIR XML Schema which can then be compared with the 'written' version of the GIR.

Revenue: The feedback is appreciated. It is acknowledged that some IT tools or support is required to deliver a human readable format of the GIR so that filers can be assured about the details of/data in the return being transmitted in the XML format.

4. Loss-making Branches and Double-deduction Rules (Hybrid Rules)

ITI Submission:

At the TALC BEPS meeting on 24 July, Revenue reiterated its request for examples from practitioners so it could consider further the query raised in relation to an example in the Tax and Duty Manual(TDM) 35C-00-01 (Hybrid Mismatches). [ITI] provide below further information in this regard.

The following example is similar to the example in the TDM where an Irish company has a UK loss making branch. The branch has income of €50 and expenses of €90 giving a loss of €40. The TDM suggests that where a loss is a trapped loss then there is no need to neutralise any double deduction mismatch but it does not expand on what should be done where losses have been built up over a number of years.

Example:

- *Years 1 to 3: The UK branch incurs a loss in total of €1,000.*
- *In Year 4, the UK branch activities are shut down and the losses from prior years are effectively trapped. The TDM would suggest that there is economically no mismatch outcome and there is no need to neutralise is. This raises the question of whether the prior year losses themselves, which may have been neutralised, also need to be remedied.*
- *If this is the case, then there is nothing in legislation to permit this unless Revenue's view is that section 959V TCA 1997 would allow a taxpayer to amend the returns previously filed on the basis that a mistake had been made or to claim relief for the expenses incurred forming part of the prior year loss. [ITI] believe this makes sense but [ITI] would welcome confirmation from Revenue in this regard.*

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A discussion took place regarding this example and the examples already included in the TDM (examples 5 and 6 of TDM 35C-00-01).

Revenue: The TDM sets out the position in law and section 835AD is concerned with dual deduction but are open to considering the matter further.

CCAB-I stated that the issue arises frequently in practice.

Action Point: Stakeholders to clarify the interpretation and the position that arises generally in practice. CCAB-I to submit examples.

Any other business

The Chairperson indicated that the next meeting of the Sub-Committee would likely deal with matters relating to Pillar Two guidance and in relation to timing of same; most likely towards the end of January 2026.

A question was raised by the Law Society regarding the timing of any changes arising from the discussions on the side-by-side solution for Pillar Two and whether it would be a standalone Finance Bill.

DFIN confirmed that it would need further consideration.