



### IN THIS EDITION

1. Pillar Two reporting requirements

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### Pillar Two reporting requirements

#### Which companies and groups are subject to Pillar Two?

The OECD's Pillar Two tax regime applies to companies belonging to multinational groups with **consolidated annual revenues of 750 million euros or more** in two of the four years preceding the financial year from which the new rules take effect. The Pillar Two rules apply from the financial years beginning on or after **31/12/2023**. Where the financial year corresponds to the calendar year, the measures take effect from **2024**.

#### Groups with a parent company (UPE) resident in the US or the PRC

Multinational groups with a UPE in the US or China are subject to some specific requirements under Pillar Two Model Rules. The last section of this newsletter touches on some of their highlights. We invite those interested in this to contact us to discuss these points.

#### What is Pillar Two? A brief introduction

For several decades, member countries of the Organisation for Economic Co-operation and Development (OECD) created a working group known as *the Inclusive Framework*. It has been developing comprehensive measures to prevent *base erosion*, i.e. the practice of shifting a tax base to low-tax countries. On 20/12/2021, *the Inclusive Framework* finalised a

document entitled 'Pillar Two Model Rules' (also known as the 'Global Anti-Base Erosion' or 'GloBE' Rules). It sets out the framework for the global imposition of a **minimum tax** rate of **15%**.

### **Implementation of the Pillar Two regime in the European Union and in Italy: a brief overview**

At the EU level, the Pillar Two regime was implemented by *Council Directive (EU) 2022/2523 of 14/12/2022*, which aims to ensure a minimum level of global taxation for multinational groups of companies and large-scale domestic groups within the EU. In Italy, implementation of the regime is governed by Legislative Decree 209/2023 and a series of subsequent decrees which almost completed implementing the regime. However, we are still awaiting the Revenue Agency's guidance documents.

### **Pillar Two tax returns and notification**

The reporting season has begun for the 2024 tax period for entities with a calendar-year reporting basis and for the tax periods commencing on 31/12/2023 for entities with a non-calendar-year reporting basis. By **the end of June 2026**, the MNEs concerned must submit **three reporting and disclosure obligations**, all of which are due by 30/06/2026. The obligations are listed in the table below and are summarised in the following paragraphs.

Summary Table 1

	<b>Obligation</b>	<b>Implementation</b>	<b>Type</b>
<b>1.</b>	<b>GloBE information return (GIR)</b>	<ul style="list-style-type: none"> <li>– Art. 51 Legislative Decree 209/2023</li> <li>– Implementing Decree of 16/10/2025</li> <li>– Guidelines of the Ministry of Economy and Finance (MEF)</li> </ul>	Disclosure requirements relating to the Group
<b>2.</b>	<b>Notification</b>	<ul style="list-style-type: none"> <li>– Article 51 of Legislative Decree 209/2023</li> <li>– Implementing Decree of 25/02/2025</li> <li>– Provision ref. no. 321488 of 07/08/2025</li> </ul>	Compliance with the obligation to provide information regarding the appointment of the entity designated to submit the GIR
<b>3.</b>	<b>GloBE tax return</b>	<ul style="list-style-type: none"> <li>– Article 53 of Legislative Decree 209/2023</li> <li>– Implementing Decree of 07/11/2025</li> <li>– Provision ref. no. 46523 of 06/02/2026</li> </ul>	Filing of a tax return containing the calculation of tax obligations

*N.B. With regard to MNE groups with UPE located in countries that have not adopted the GloBE rules (e.g. the United States and China), please refer to the last paragraph.*

We urge Clients to make the necessary preparations to submit their returns electronically to the Italian Revenue Agency on time, either directly or through their tax advisor.

Below is a brief description of each requirement.

## 1. The GloBE information return (GIR)

### 1.1. Content

The GIR has a modular structure and consists of **three sections**. In **the first section**, the reporting entity provides information on the multinational or domestic Group of companies. In **the second section**, the reporting entity provides information relating to the 'Safe Harbour' simplified regimes, jurisdictional exclusions, and options. In **the third section**, tax calculations relating to the regime are set out. For each jurisdiction, and for each sub-group of homogeneous entities resident in that jurisdiction, the following data must be provided: relevant income, taxes paid or taxes due; calculation of the effective tax rate (ETR); and all information relating to the Inclusion Income Rule (IIR), the Under taxed Payments Rule (UTPR), and the Qualified Domestic Minimum Top-Up Tax (QDMTT), as well as adjustments to the main data required by the legislation.

### 1.2. Entities requested to submit a GIR

The GIR must be submitted by one or more of the following entities.

- The general rule stipulates that: (1) **every constituent entity**; and (2) **every transparent** entity located within the territory of Italy, must file a GIR.

However, in order to reduce the administrative burden on a Group and streamline reporting obligations, the rules also provide for the following options.

By way of derogation from the general rule, the GIR may be filed:

- by an **enterprise** located in Italy, **designated** for that purpose (a);
- by a **designated entity** located in a foreign country (b) which, in respect of the financial year covered by the notification, has in place a Qualified Agreement between competent authorities with the Italian State for the exchange of information (**DAC 9<sup>1</sup>** or **GIR-MCAA<sup>2</sup>**).
- by the **parent company** (c) located in a country which, with reference to the financial year covered by the notification, has a Qualified Agreement in place between competent authorities with the Italian State for the exchange of information (**DAC 9** or **GIR-MCAA**).

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<sup>1</sup> Council Directive (EU) 2025/872 of 14 April 2025, amending Directive 2011/16/EU on administrative cooperation in the field of taxation (hereinafter DAC 9).

<sup>2</sup> The legal basis for the exchange of this information with third countries, however, is the "Multilateral Competent Authority Agreement on the Exchange of GloBE Information" (hereinafter MCAA), governed by the Inclusive Framework on BEPS in the document "Tax Challenges Arising from the Digitalisation of the Economy – Multilateral Competent Authority Agreement on the Exchange of GloBE Information (January 2025)".

Summary Table 2

<b>1. Each constituent entity located in Italy</b>  <b>2. Each transparent/stateless entity established under Italian laws</b>	Exemption only if there is a designation on their behalf to:	a. Another designated company located in Italy
		b. Another designated company not located in Italy
		c. Parent company
<b>3. Jointly controlled entities (JV) located in Italy</b>  <b>4. Jointly controlled subsidiaries (JV) located in Italy</b>	Submit a GIR independently if absent:	a. Other designated entity located in Italy
		b. Other designated entity not located in Italy
		c. Parent company
<b>5. Parent company of a group with multiple parent companies (rare case)</b>	Exemption if there is a designation on its behalf to:	a. Another designated entity located in Italy
		b. Other designated undertaking not located in Italy
<b>6. Excluded entities</b>	Exempt from GIR, unless an option is exercised	-

### 1.3. Sanctions

A failure to submit a GIR or a delay in its submission of three months or more, may result in an administrative penalty of 100.000 euros being imposed. A delay in submitting a GIR of less than three months or the submission of incomplete or untrue data, may result in an administrative fine of between 10.000 euros and 50.000 euros being imposed. Sanctions are reduced by 50 per cent for the first three financial years that the provisions apply (*Transitional Penalty Relief*).

## 2. The Notification

### 2.1. Content

The Notification is the communication by which **each entity** located within the Italian territory notifies the Italian Revenue Agency of the identification details of the **designated party** who will submit the relevant communication to the Italian tax authority 'centrally' and on its behalf. This is a fundamental obligation in all cases where reporting obligations are transferred to a designated party for the purpose of reducing compliance costs.

### 2.2. Sanctions

A failure to submit the Notification results in the same sanctions being applicable as those relating to breaches of the GIR (paragraph 1.3.).

### 3. The GloBE tax return

#### 3.1. Content

The GloBE tax return sets out the numerical data relating to tax **payments**. Submission is mandatory even if the taxes amount to zero. The return has a modular structure and consists of **a cover page and six sections**. The cover page contains general information about the company responsible for electronic submission of the return to the Revenue Agency and that of company's legal representative. The first section contains data relating to the simplified 'Safe Harbour' regimes and cases of Exclusion from the regime (Section A). The subsequent sections, from the second to the fifth, contain respectively information relating to: calculation of the Income inclusion rule (Section B); calculations for the allocation of the income inclusion rule (Section C); information on the calculation of the undertaxed payment rule (Section D); and information on the calculation of the qualified minimum domestic top-up tax (Section E). The final section (Section F) contains the details of taxes due that are mentioned above.

#### 3.2. Parties required to submit the GloBE tax return

The GloBE tax return must be filed by one or more of the following parties.

Summary Table 3

Tax		Parties	
IIR	For the Income Inclusion rule (IIR):	1.	Parent company (UPE)
		2.	Intermediate participant (IPE)
		3.	Partially-owned participant (POPE)
UTPR	For the Under taxed payment rule (UTPR):	4.	Companies located in Italy, provided they are not investment entities
QDMTT	For the Qualified domestic minimum top-up tax (QDMTT):	5.	Companies
		6.	Jointly-controlled entities
		7.	Stateless/transparent entities
-	Exempt from reporting, unless an option is exercised	8.	Excluded entities

Parties required to file the GloBE tax return are the same as those required to pay the relevant taxes, if due (IIR, UTPR and QDMTT).

#### 3.3. Sanctions

If there is a breach related to the GloBE tax return, the sanctions are the same as those applicable for breaches relating to corporate income tax returns. Given the innovative nature of the provisions, no sanctions can be imposed for the first three financial years of application of the provisions, except where there is fraud or gross negligence.

**What should be done if the UPE of the MNE group is based in a country that has not adopted the GloBE rules (e.g. the United States and China)?**

For the **reporting obligations** for **2024**, despite parent companies not being required to comply with the GloBE rules, entities subject to or designated as being subject to these obligations are required to file a GIR, the Notification and the GloBE tax return to provide all information concerning the MNE Group and the parent holding companies.

As to **tax payments**, for parent companies located in countries that have not adopted the GloBE rules, such as the USA and China, the **Undertaxed Profit Rule (UTPR or back-stop rule)** applies. Under UTPR, payment obligations on behalf of a parent company and/or other Group entities resident in countries that do not apply the GloBE rules are fulfilled on a supplementary basis by the other Group entities located in countries that do adopt the GloBE rules. The UTPR rules apply from the 2025 financial year. Nothing is therefore due for these entities for the 2024 financial year.

Specifically, **entities** within such groups **located in Italy** will be allocated a share of the global UTPR tax equal to the amount of the global UTPR tax multiplied by 50% of the sum of the two percentages relating to the ratios between: **(1)** the number of employees in Italy compared to the total number of employees in all '*non-GloBE rules*' countries; and **(2)** the net book value of tangible assets in Italy compared to the total net book value of tangible assets in all '*non-GloBE rules*' countries.

Despite the above, at the election of the filing entity, the UTPR tax due in the country where the ultimate parent company is resident is zero if that country, despite not being subject to the GloBE rules, applies a corporate income tax with **a nominal rate of 20%** or more. The election is valid for one financial year and may be renewed (**UTPR Safe Harbour**).

From **2026**, following the **Side-by-side Safe Harbour (SbS SH)** agreement of 05/01/2026, MNE groups whose parent company is resident in the United States are exempted from the application of the income inclusion rule (IIR) for the parent company and the UTPR tax. Instead, individual entities remain liable only for the qualified domestic minimum top-up tax (QDMTT), in accordance with the rules in force in the specific jurisdiction. Significant simplifications are also envisaged in terms of reporting obligations.

It is likely that other countries will seek admission to the same *SbS SH*, which is particularly advantageous. We are therefore monitoring the OECD's central record to ascertain if further countries will be added to the list as eligible for SbS SH relief.

From 2025 onwards, China may only benefit from the UTPR *safe harbour*, as described above. However, further investigation is required to verify compliance with the relevant formal requirement stipulating **a nominal** corporate income tax **rate of 20%** or higher.

We are monitoring any developments for 2026. At present, China is not listed in the central record of the SbS SH or UPE Safe Harbour. MNE groups with a parent company based in China are, however, subject to the standard reporting and disclosure requirements listed in the table.

We are available to discuss specific cases and answer any queries in the run-up to the **30/06/2026** deadline.



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