Chapter 8.3: Inclusive Framework Structure

Learning Objective

After completing this chapter, you will be able to describe the governance structure of the OECD/G20 Inclusive Framework on BEPS, understand how Administrative Guidance is developed and issued, navigate the peer review process for qualified status determinations, and identify official resources for staying current with Pillar Two developments.

The **OECD/G20 Inclusive Framework on BEPS** is the global body responsible for developing, implementing, and monitoring the Two-Pillar Solution to address tax challenges arising from digitalisation.

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| INCLUSIVE FRAMEWORK AT A GLANCE                                |
|                                                               |
| Established:      2016                                        |
| Membership:      145+ jurisdictions (as of 2024)             |
| Mandate:         Implement BEPS package; Two-Pillar Solution  |
| Governance:      Equal footing for all members               |
| Secretariat:     OECD Centre for Tax Policy and Administration|
|                                                               |
| KEY ACHIEVEMENT: October 2021 Agreement on Two-Pillar Solution|
|                  (136 jurisdictions; now 140+)               |
|                                                               |
| Pillar One:      Reallocation of taxing rights (Amount A/B)   |
| Pillar Two:      Global minimum tax (15%)                    |
|                  - GloBE Rules (IIR, UTPR, QDMTT)            |
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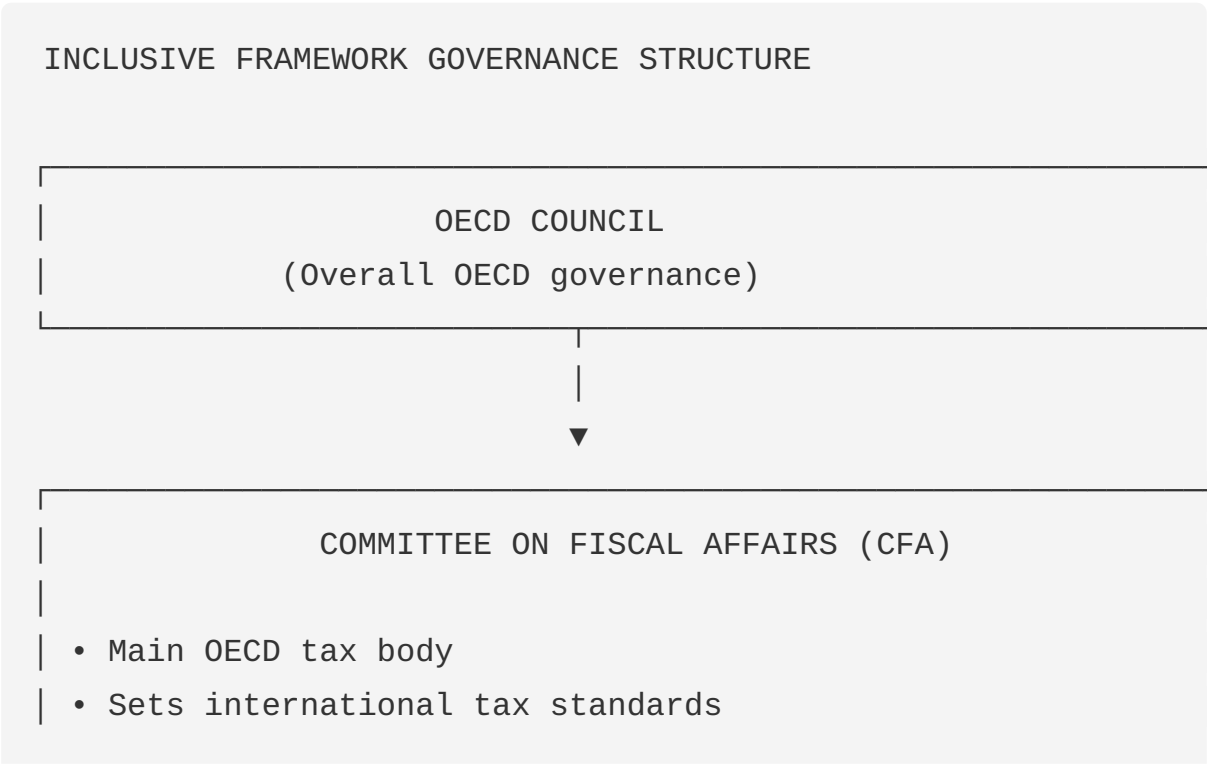
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|                        - STTR                                    |
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Why the Inclusive Framework Matters

Role	Importance for Practitioners
Standard-setting	Develops Model Rules, Commentary, Administrative Guidance
Interpretation	Issues clarifications on technical questions
Peer review	Determines qualified status of implementing legislation
Coordination	Ensures consistent global implementation
Updates	Releases new guidance as issues arise

Governance Structure

Organisational Hierarchy

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INCLUSIVE FRAMEWORK GOVERNANCE STRUCTURE


|                    OECD COUNCIL                      |
|              (Overall OECD governance)               |

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|              COMMITTEE ON FISCAL AFFAIRS (CFA)       |
|                                                      |
| • Main OECD tax body                                 |
| • Sets international tax standards                    |
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| • Oversees Inclusive Framework work              |
| • Chair: Elected from member delegates           |
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|          OECD/G20 INCLUSIVE FRAMEWORK ON BEPS         |
|                                                       |
| • 145+ member jurisdictions                           |
| • Equal participation for all members                 |
| • Decision-making plenary body                        |
| • Meets regularly (typically 2-3 times per year)      |
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| WORKING         | | WORKING         | | TASK FORCES     |
| PARTY NO. 1     | | PARTY NO. 11    | | & STEERING      |
|                 | |                 | | GROUPS          |
| Tax Treaty      | | Aggressive      | |                 |
| Issues          | | Tax Planning    | | Pillar One      |
|                 | | (Pillar Two)    | | Pillar Two      |
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|      CENTRE FOR TAX POLICY AND ADMINISTRATION (CTPA)  |
|                                                       |
| • OECD Secretariat for tax matters                    |
| • Provides technical support                          |
| • Drafts guidance documents                           |
| • Manages peer review processes                       |
| • Director: Reports to OECD Secretary-General         |
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Key Bodies Explained

Body	Role	Relevance to Pillar Two
Committee on Fiscal Affairs	Sets overall tax policy direction	Approves Pillar Two documents
Inclusive Framework Plenary	Decision-making for BEPS matters	Adopts Model Rules, Guidance
Working Party No. 11	Technical work on aggressive tax planning	Develops Pillar Two technical guidance
CTPA Secretariat	Administrative support	Drafts documents, manages processes
Task Force on the Digital Economy	Pillar One/Two coordination	Oversees implementation

Membership Composition

The Inclusive Framework includes:

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 INCLUSIVE FRAMEWORK MEMBERSHIP (145+ jurisdictions)

By Category:
├── OECD Members (38 jurisdictions)
├── G20 Non-OECD Members (e.g., China, India, Brazil)
└── Other Jurisdictions (~100+ developing countries)

By Region:
├── Europe: ~45 jurisdictions
├── Asia-Pacific: ~35 jurisdictions
├── Americas: ~30 jurisdictions
├── Africa: ~25 jurisdictions
└── Middle East: ~10 jurisdictions
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Participation:
• All members participate on EQUAL FOOTING
• Full access to decision-making plenary
• Participation in technical working groups
• Right to request guidance clarifications
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Administrative Guidance Process

How Guidance Is Developed

Administrative Guidance addresses technical questions and provides clarifications on the application of the GloBE Rules.

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 ADMINISTRATIVE GUIDANCE DEVELOPMENT PROCESS


 Step 1: ISSUE IDENTIFICATION
         ├── Member jurisdiction raises question
         ├── Stakeholder consultation identifies gap
         └── Implementation experience reveals need


 Step 2: TECHNICAL ANALYSIS
         ├── Working Party 11 reviews issue
         ├── CTPA Secretariat drafts proposed guidance
         └── Technical experts consulted


 Step 3: MEMBER CONSULTATION
         ├── Draft circulated to IF members
         ├── Written comments invited
         └── Technical meetings held


 Step 4: CONSENSUS BUILDING
         ├── Comments reviewed and addressed
         ├── Revised draft prepared
         └── Consensus sought among members
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Step 5: ADOPTION
        ├── Inclusive Framework plenary approval
        └── Publication on OECD website


Step 6: INTEGRATION
        └── Consolidated Commentary updated
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Administrative Guidance Releases

Release	Date	Key Topics
AG1	February 2023	Currency, transitional rules, safe harbours
AG2	July 2023	QDMTT Safe Harbour, GIR simplifications
AG3	December 2023	Simplified Calculations framework, DTA issues
AG4	June 2024	Allocation rules, STTR interaction
AG5	January 2025	Central Record, Article 9.1 clarifications

Binding Effect of Guidance

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 LEGAL STATUS OF ADMINISTRATIVE GUIDANCE

Administrative Guidance is:
✓ Agreed by Inclusive Framework members
✓ Incorporated into Consolidated Commentary
✓ Expected to be followed by implementing jurisdictions
✓ Basis for peer review assessments

Administrative Guidance is NOT:
✗ Legally binding on domestic courts
✗ Self-executing (requires domestic implementation)
✗ Retroactive (unless explicitly stated)
✗ Final (subject to update)
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PRACTICAL EFFECT:
• Jurisdictions expected to implement consistently
• MNEs should follow for compliance planning
• Deviation may trigger peer review concerns
• Courts may consider as interpretive aid
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5. Peer Review Process

Overview

The Inclusive Framework conducts **peer reviews** to ensure consistent implementation of GloBE Rules across jurisdictions.

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PEER REVIEW FRAMEWORK


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│ PEER REVIEW COMPONENTS                                   │
│                                                          │
│ 1. TRANSITIONAL QUALIFICATION MECHANISM                  │
│     → Simplified self-certification process              │
│     → For early implementers (2024-2025)                 │
│     → Leads to "Transitional Qualified Status"           │
│                                                          │
│ 2. FULL LEGISLATIVE REVIEW                               │
│     → Comprehensive assessment                           │
│     → Detailed examination of legislation                │
│     → Leads to "Full Qualified Status"                   │
│                                                          │
│ 3. ONGOING MONITORING                                    │
│     → Continuous review of application                   │
│     → Ensures consistent outcomes                        │
│     → May result in status change                        │
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Transitional Qualification Mechanism

For the initial implementation period, the IF uses a streamlined process:

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 TRANSITIONAL QUALIFICATION PROCESS


 Step 1: SELF-CERTIFICATION
         └── Jurisdiction certifies legislation aligns with GloBE Rules


 Step 2: NOTIFICATION
         └── Information on key features shared with IF members


 Step 3: MEMBER REVIEW
         └── 60-day period for IF members to raise questions


 Step 4: RESOLUTION
         ├── If no questions: Status granted
         └── If questions: Discussion and resolution


 Step 5: DETERMINATION
         ├── Resolved: Transitional Qualified Status
         └── Unresolved: Consensus-minus-one denial


 Step 6: PUBLICATION
         └── Listed on Central Record
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Central Record of Qualified Status

The OECD maintains a **Central Record** listing jurisdictions with qualified status:

Status Type	Meaning	Listed Jurisdictions (Jan 2025)
IIR Transitional Qualified	IIR legislation meets GloBE standards	27 jurisdictions

Status Type	Meaning	Listed Jurisdictions (Jan 2025)
QDMTT Safe Harbour	QDMTT qualifies for Safe Harbour	28 jurisdictions
UTPR Qualified	UTPR legislation meets standards	TBD

Importance of Qualified Status

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WHY QUALIFIED STATUS MATTERS


For IIR:
├── Qualified IIR has priority in collection
├── Non-qualified IIR may be "switched off"
└── Affects ordering rules between jurisdictions


For QDMTT:
├── Qualified QDMTT reduces GloBE liability to zero
├── QDMTT Safe Harbour eliminates residual IIR
└── Non-qualified QDMTT doesn't prevent Top-Up Tax


For MNEs:
├── Know which jurisdictions' rules take precedence
├── Understand where QDMTT eliminates IIR
└── Plan for potential future status changes
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Switch-Off Mechanism

If a jurisdiction's legislation loses qualified status:

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SWITCH-OFF MECHANISM


Trigger:
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• Peer review identifies non-compliance
• Legislation amended inconsistently
• Administration fails to apply correctly

Process:
1. IF identifies concern
2. Jurisdiction given opportunity to remedy
3. If unresolved, IF may determine:
     → IIR: "Switched off" for other jurisdictions
     → QDMTT: Loses Safe Harbour status

Effect:
• Other jurisdictions' rules take priority
• MNEs may face additional Top-Up Tax
• Jurisdiction loses revenue to other countries
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Official Resources and Communications

Primary OECD Resources

Resource	Description	URL
OECD Tax Main Page	Central hub for all tax content	www.oecd.org/tax
BEPS Page	BEPS project and Inclusive Framework	www.oecd.org/tax/beps
Pillar Two Resources	GloBE Rules, Commentary, Guidance	www.oecd.org/tax/beps/pillar-two
Central Record	Qualified status listings	Published in AG documents

Key Documents

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 ESSENTIAL PILLAR TWO DOCUMENTS


Foundation Documents:
├── GloBE Model Rules (December 2021)
├── Commentary to GloBE Model Rules (March 2022)
└── Consolidated Commentary (updated with AG)


Administrative Guidance:
├── AG1 (February 2023)
├── AG2 (July 2023)
├── AG3 (December 2023)
├── AG4 (June 2024)
└── AG5 (January 2025)


Implementation:
├── GIR Template and Instructions
├── GIR XML Schema
├── Safe Harbours Guidance
└── STTR Model Provision and Commentary


Qualified Status:
└── Central Record of Legislation with Transitional Qualified Status
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4.3 Staying Current

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 MONITORING STRATEGY FOR PRACTITIONERS


Frequency: Monthly (minimum)


Sources to Monitor:
☐ OECD Tax Newsroom (www.oecd.org/tax/news)
☐ OECD Tax Policy Alert emails (subscribe)
☐ Inclusive Framework press releases
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☐ Big 4 / law firm alerts

Key Events to Track:
☐ Inclusive Framework plenary meetings
☐ Administrative Guidance releases
☐ Central Record updates
☐ Peer review outcomes
☐ Jurisdiction implementation announcements

Action Items:
☐ Subscribe to OECD email updates
☐ Set calendar reminders for IF meetings
☐ Review new guidance within 30 days of release
☐ Update internal policies and procedures
☐ Brief stakeholders on material changes
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Inclusive Framework Communications

Communication	Frequency	Content
Press releases	As needed	Major announcements
Outcome statements	After plenary meetings	Summary of decisions
Administrative Guidance	2-3 per year	Technical clarifications
Central Record updates	As needed	Qualified status changes
Reports to G20	Quarterly	Progress updates

6. Stratos Worked Example: Using IF Resources

Scenario

Stratos's tax team needs to verify the qualified status of jurisdictions where group entities are located.

Step 1: Access Central Record

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 CENTRAL RECORD CHECK


 Resource: OECD Administrative Guidance (January 2025)
 Document: Central Record of Legislation with Transitional Qualified Sta

 Stratos Jurisdictions to Check:
 ├── UK
 ├── Germany
 ├── Ireland
 ├── Luxembourg
 ├── Singapore
 ├── USA
 └── Cayman
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Step 2: Verify IIR Qualified Status

Jurisdiction	IIR Legislation?	Transitional Qualified?
UK	Yes (MTT)	**Yes**
Germany	Yes (MinStG)	**Yes**
Ireland	Yes	**Yes**
Luxembourg	Yes	**Yes**
Singapore	No	N/A

Jurisdiction	IIR Legislation?	Transitional Qualified?
USA	No	N/A
Cayman	No	N/A

Step 3: Verify QDMTT Safe Harbour Status

Jurisdiction	QDMTT Legislation?	Safe Harbour Status?
UK	Yes (DTT)	**Yes**
Germany	Yes	**Yes**
Ireland	Yes	**Yes**
Luxembourg	Yes	**Yes**
Singapore	No	N/A
USA	No	N/A
Cayman	No	N/A

Step 4: Document Implications

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STRATOS QUALIFIED STATUS IMPLICATIONS


IIR Ordering:
• UK IIR is qualified → Takes priority for UK-owned subsidiaries
• Germany, Ireland, Luxembourg also qualified
• No conflicts in IIR application


QDMTT Safe Harbour:
• Ireland QDMTT: Qualified for Safe Harbour
    → No residual IIR to UK for Irish Top-Up Tax
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     → Stratos pays €426,394 QDMTT to Ireland only


  • Germany, Luxembourg: Also qualified
     → QDMTT applies locally if needed
     → No Top-Up Tax due (ETR ≥ 15%)


Non-Qualified Jurisdictions:
  • Singapore, USA, Cayman: No GloBE legislation
     → Subject to UK IIR on undertaxed profits
     → Singapore: €197,498 IIR to UK
     → Cayman: €280,480 IIR to UK


Monitoring Action:
  ☐ Track Singapore/Cayman for potential QDMTT adoption
  ☐ Monitor for any status changes in current jurisdictions
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7. Common Pitfalls

Pitfall 1: Assuming All OECD Guidance Is Binding

Error: Treating Administrative Guidance as immediately binding domestic law.

Correct approach: Administrative Guidance is agreed by the IF and expected to be followed, but it requires domestic implementation. Courts are not bound by it, though they may consider it persuasive.

Pitfall 2: Ignoring Peer Review Updates

Error: Not monitoring Central Record updates for qualified status changes.

Correct approach: Qualified status can change. Monitor OECD publications for updates to the Central Record, especially after IF plenary meetings.

Pitfall 3: Relying on Outdated Guidance

Error: Using superseded guidance documents.

Correct approach: Always check the Consolidated Commentary (updated with each AG release) for the most current position. Earlier AG documents remain valid but should be read with later updates.

Pitfall 4: Missing Guidance Releases

Error: Not being aware of new Administrative Guidance for months after release.

Correct approach: Subscribe to OECD tax alerts, monitor professional publications, and establish internal processes to review new guidance promptly.

Pitfall 5: Overlooking Stakeholder Input Opportunities

Error: Not participating in public consultations on proposed guidance.

Correct approach: The OECD often consults stakeholders before finalising guidance. MNEs can submit comments through industry associations or directly.

8. Inclusive Framework Resources Checklist

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 INCLUSIVE FRAMEWORK RESOURCES CHECKLIST
MNE Group: _____
Last Updated: _____


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SECTION A: DOCUMENT LIBRARY
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Core Documents (ensure current versions):
☐ GloBE Model Rules (December 2021)
☐ Consolidated Commentary (latest update: _____)
☐ Administrative Guidance 1-5 (or latest)
☐ GIR Template and Instructions
☐ Safe Harbours Guidance
☐ STTR Model Provision


 Qualified Status:
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☐ Central Record of Legislation (latest update: _____)

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SECTION B: MONITORING SUBSCRIPTIONS

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☐ OECD Tax Newsroom alerts subscribed   YES / NO
☐ Professional firm Pillar Two alerts   YES / NO
☐ Industry association updates   YES / NO

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SECTION C: QUALIFIED STATUS TRACKING

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Jurisdiction	IIR Qualified?	QDMTT SH?	Last Verified

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SECTION D: UPCOMING EVENTS

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☐ Next IF plenary meeting: _____
☐ Expected AG release: _____
☐ Peer review deadlines: _____

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SECTION E: INTERNAL PROCESSES

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☐ Process for reviewing new guidance   YES / NO
☐ Responsibility assigned for monitoring   YES / NO
☐ Stakeholder briefing protocol   YES / NO
☐ Policy update procedure   YES / NO