

# Chapter 8.5: Administrative Guidance Updates

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## Learning Objective

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After completing this chapter, you will be able to track new OECD Administrative Guidance releases systematically, understand how guidance is incorporated into the Consolidated Commentary, implement processes for updating compliance procedures when guidance changes, and maintain awareness of evolving Pillar Two requirements.

Pillar Two is a **living framework**. The GloBE Rules are supplemented by regular Administrative Guidance that clarifies, simplifies, and addresses implementation issues.

### PILLAR TWO DOCUMENT HIERARCHY

#### TIER 1: FOUNDATION

- GloBE Model Rules (December 2021)
- Original Commentary (March 2022)

#### TIER 2: SUPPLEMENTARY GUIDANCE

- Safe Harbours and Penalty Relief (December 2022)
- Administrative Guidance 1-5 (2023-2025)
- GIR Template and Instructions

#### TIER 3: CONSOLIDATED MATERIALS

- Consolidated Commentary (updated with each AG)
- Central Record of Qualified Status

## TIER 4: IMPLEMENTATION TOOLS

- Illustrative Examples

- GIR XML Schema

- MCAA Framework

## Why Tracking Matters

Risk	Consequence
Missing new guidance	Non-compliant calculations, incorrect elections
Using outdated rules	Potential penalties, audit adjustments
Delayed implementation	Competitive disadvantage, increased costs
Inconsistent application	Group-wide compliance failures

## Administrative Guidance Timeline

### Complete Release History

#### ADMINISTRATIVE GUIDANCE RELEASE TIMELINE

2022

- December: Safe Harbours and Penalty Relief
  - Transitional CbCR Safe Harbour
  - Penalty relief during transition

2023

- February (AG1): First Administrative Guidance
  - Currency conversion rules
  - Transition year calculations
  - Qualified refundable tax credits

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- | — July (AG2): Second Administrative Guidance
  - | → QDMTT Safe Harbour standards
  - | → GIR simplifications (transitional)
  - | → Blended CFC tax allocation
- |
- | — December (AG3): Third Administrative Guidance
  - Purchase price accounting in QFS
  - Further CbCR Safe Harbour guidance
  - Simplified calculations for NMCEs
  - Filing deadlines for short fiscal years

2024

- | — June (AG4): Fourth Administrative Guidance
  - Securitisation entity treatment
  - Flow-through entity clarifications
  - Additional allocation rules

2025

- | — January (AG5): Fifth Administrative Guidance
  - Central Record of Qualified Status
  - Article 9.1 DTA guidance
  - Updated GIR and XML Schema
  - GIR MCAA Framework

## Key Topics by Release

Release	Key Topics Covered
AG1 (Feb 2023)	Currency rules, transition year, QRTCs
AG2 (Jul 2023)	QDMTT Safe Harbour, GIR simplifications
AG3 (Dec 2023)	PPA adjustments, NMCE simplified calculations
AG4 (Jun 2024)	Securitisation, flow-through entities

Release	Key Topics Covered
AG5 (Jan 2025)	Central Record, Article 9.1 DTAs, GIR updates

## How to Track New Guidance

### Monitoring Strategy

#### GUIDANCE MONITORING FRAMEWORK

##### LEVEL 1: AUTOMATED ALERTS

- ☐ Subscribe to OECD Tax Newsletter
  - [www.oecd.org/tax/newsletter](http://www.oecd.org/tax/newsletter)
- ☐ Set up Google Alerts
  - "OECD Pillar Two" + "Administrative Guidance"
  - "GloBE Rules" + "guidance"
- ☐ Professional firm subscriptions
  - Big 4 tax alerts (EY, PwC, Deloitte, KPMG)
  - Law firm client updates

##### LEVEL 2: SCHEDULED REVIEWS

###### Weekly:

- ☐ Check OECD Tax newsroom
- ☐ Review professional firm alerts received

###### Monthly:

- ☐ Check Central Record for qualified status updates

☐ Review OECD BEPS page for new publications

Quarterly:

☐ Full review of any new AG releases

☐ Update internal policies if needed

☐ Brief stakeholders on changes

### LEVEL 3: EVENT-DRIVEN MONITORING

After IF Plenary Meetings:

☐ Review outcome statements

☐ Check for new guidance releases

☐ Note any announced future guidance

After G20/G7 Meetings:

☐ Review tax-related communiqués

☐ Monitor for political developments

## Official OECD Resources

Resource	URL	Content
<b>OECD Tax Main</b>	<a href="http://www.oecd.org/tax">www.oecd.org/tax</a>	All tax publications
<b>BEPS Page</b>	<a href="http://www.oecd.org/tax/beps">www.oecd.org/tax/beps</a>	Pillar One/Two materials
<b>Pillar Two Hub</b>	<a href="http://www.oecd.org/tax/beps/pillar-two">www.oecd.org/tax/beps/pillar-two</a>	GloBE-specific documents
<b>Tax Newsroom</b>	<a href="http://www.oecd.org/tax/news">www.oecd.org/tax/news</a>	Press releases, announcements

Resource	URL	Content
Central Record	OECD website	Qualified status listings

## Professional Resources

Source	Type	Frequency
EY Global Tax Alert	Email/Web	Within 24-48 hours of release
PwC Tax Policy Bulletin	Email/PDF	Within 1 week
KPMG TaxNewsFlash	Email/Web	Within 24-48 hours
Deloitte Tax@hand	App/Web	Within 1 week
Law firm alerts	Email	Varies
oecdpillars.com	Web	Regular updates

## Incorporating Guidance into Compliance

### Update Process

#### GUIDANCE IMPLEMENTATION PROCESS

##### Step 1: INITIAL REVIEW (Within 1 week of release)

- └─ Download and read new guidance
- └─ Identify topics relevant to MNE group
- └─ Note effective dates and transition rules
- └─ Flag urgent action items

##### Step 2: IMPACT ASSESSMENT (Within 2 weeks)

- └─ Analyse impact on current calculations

- └─ Identify affected jurisdictions
- └─ Assess system/process changes needed
- └─ Estimate resource requirements

**Step 3: STAKEHOLDER BRIEFING (Within 1 month)**

- └─ Prepare summary for tax leadership
- └─ Brief finance/accounting teams if needed
- └─ Communicate to external advisors
- └─ Update Audit Committee if material

**Step 4: POLICY UPDATE (Within 2 months)**

- └─ Revise internal Pillar Two policies
- └─ Update calculation templates
- └─ Modify system configurations
- └─ Document changes made

**Step 5: TRAINING (Within 3 months)**

- └─ Train affected staff on changes
- └─ Update training materials
- └─ Test understanding

**Step 6: IMPLEMENTATION VERIFICATION**

- └─ Verify changes correctly applied
- └─ Review first filing under new rules
- └─ Document compliance

## Prioritisation Framework

Not all guidance requires immediate action. Prioritise based on:

Priority	Criteria	Timeline
<b>Critical</b>	Changes calculation methodology; affects current filings	Immediate
<b>High</b>		1-2 months

Priority	Criteria	Timeline
	New elections available; affects compliance process	
Medium	Clarifications on existing rules; confirms current approach	2-3 months
Low	Future-dated changes; affects limited scenarios	Next annual review

## Example: Assessing AG5 (January 2025)

### AG5 IMPACT ASSESSMENT EXAMPLE

#### Topic 1: Central Record of Qualified Status

- └─ Priority: HIGH
- └─ Impact: Confirms qualified status of operating jurisdictions
- └─ Action: Verify group jurisdictions on list
- └─ Timeline: Immediate

#### Topic 2: Article 9.1 DTA Guidance

- └─ Priority: MEDIUM (unless significant DTAs)
- └─ Impact: Clarifies treatment of DTAs from government benefits
- └─ Action: Review opening DTA positions
- └─ Timeline: Before next filing

#### Topic 3: Updated GIR and XML Schema

- └─ Priority: HIGH
- └─ Impact: Filing format changes
- └─ Action: Update GIR preparation systems
- └─ Timeline: Before next GIR filing

#### Topic 4: GIR MCAA Framework

- └─ Priority: MEDIUM
- └─ Impact: Exchange of information procedures



- └─ Action: Confirm DFE jurisdiction has signed MCAA
- └─ Timeline: Before filing deadline

## Consolidated Commentary

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### What Is the Consolidated Commentary?

The OECD periodically publishes a **Consolidated Commentary** that integrates: - Original Commentary (March 2022) - All Administrative Guidance releases - Updated examples and clarifications

#### CONSOLIDATED COMMENTARY STRUCTURE

The Consolidated Commentary mirrors Model Rules structure:

##### Chapter 1: Scope

- └─ Article 1.1 - 1.5 definitions
- └─ Scope-related guidance integrated

##### Chapter 2: Charging Provisions

- └─ IIR mechanics
- └─ UTPR mechanics
- └─ Ordering rules

##### Chapter 3: GloBE Income

- └─ Starting point
- └─ Adjustments
- └─ Allocations

##### Chapter 4: Covered Taxes

- └─ Current taxes
- └─ Deferred taxes
- └─ Allocations

##### Chapter 5: ETR and Top-Up Tax

- └ ETR calculation
- └ SBIE
- └ Top-Up Tax
- └ Safe Harbours

[Continues through all chapters...]

#### READING THE CONSOLIDATED COMMENTARY:

- Paragraphs numbered continuously
- New guidance clearly marked
- Cross-references to AG releases
- Examples updated with clarifications

## Using the Consolidated Commentary

Use Case	Approach
Technical research	Start with Consolidated Commentary for complete picture
Understanding changes	Compare to previous version; check AG release notes
Compliance documentation	Cite specific paragraphs in working papers
Training materials	Use as authoritative reference

## Stratos Worked Example: Tracking and Implementing Guidance

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### Scenario

Stratos's tax team implements a process for tracking and responding to Administrative Guidance.

## Step 1: Establish Monitoring

### STRATOS MONITORING SETUP

#### Automated Alerts:

- ☐ OECD Tax Newsletter - Tax Director subscribed
- ☐ EY Global Tax Alert - Tax Compliance Manager subscribed
- ☐ Google Alert "OECD Pillar Two" - Weekly digest

#### Calendar Reminders:

- ☐ Weekly: Check OECD Tax newsroom (Friday)
- ☐ Monthly: Review Central Record (1st of month)
- ☐ Quarterly: Full guidance review (end of quarter)

#### Responsibility:

- ☐ Primary: Head of Tax Compliance
- ☐ Backup: Tax Director
- ☐ Escalation: CFO (for material changes)

## Step 2: AG5 Impact Assessment

When AG5 was released (January 2025), Stratos assessed:

Topic	Relevance	Priority	Action
Central Record	High (5 jurisdictions)	Critical	Verify status
Article 9.1 DTAs	Medium (German DTA)	High	Review position
GIR Updates	High (filing due 2026)	High	Update templates
GIR MCAA	Medium (UK DFE)	Medium	Confirm UK signed

## Step 3: Implementation Actions

### STRATOS AG5 IMPLEMENTATION

#### Week 1:

- ☐ Downloaded AG5 and reviewed key topics
- ☐ Briefed Tax Director on changes
- ☐ Identified German DTA as requiring review

#### Week 2:

- ☐ Verified UK, Germany, Ireland, Luxembourg on Central Record
- ☐ Noted Singapore added (effective 1 Jan 2025)
- ☐ Reviewed German Article 9.1 DTA position

#### Week 3:

- ☐ Updated GIR preparation checklist
- ☐ Confirmed UK has signed GIR MCAA
- ☐ Scheduled system update for GIR XML schema

#### Week 4:

- ☐ Briefed Audit Committee on AG5 (quarterly update)
- ☐ Updated internal Pillar Two policy document
- ☐ Filed impact assessment in compliance records

#### Ongoing:

- ☐ Monitor for AG6 release (expected 2025)
- ☐ Track Netherlands implementation of AG5
- ☐ Review Consolidated Commentary when published

## Step 4: Document Updates

### STRATOS POLICY DOCUMENT UPDATES

Document: Stratos Pillar Two Compliance Policy  
Version: 3.1 (Updated for AG5)

Date: February 2025

Changes Made:

- Section 4.2: Updated DTA treatment per Article 9.1 guidance
- Section 6.1: Added reference to Central Record for qualified status
- Section 7.3: Updated GIR preparation to reflect new schema
- Appendix A: Updated jurisdiction list with Singapore QDMTT
- Appendix C: Added GIR MCAA reference

Approved by: Tax Director

Review date: Next AG release or 6 months

## 5. Staying Current: Best Practices

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### Governance Structure

#### PILLAR TWO GOVERNANCE FOR GUIDANCE UPDATES

##### TAX DIRECTOR

- Overall accountability for Pillar Two compliance
- Approves policy changes
- Reports to CFO/Audit Committee
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##### HEAD OF TAX COMPLIANCE

- Day-to-day monitoring
- Initial assessment of new guidance
- Drafts policy updates
- |

##### TAX TECHNOLOGY

- System updates for guidance changes
- GIR schema updates
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##### LOCAL TAX MANAGERS

- Local implementation

- |— Jurisdiction-specific guidance

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#### EXTERNAL ADVISORS

- |— Technical support on complex guidance
- |— Annual review of compliance approach

## Annual Review Cycle

### ANNUAL PILLAR TWO GUIDANCE REVIEW

#### Q1: YEAR-START REVIEW

- |— Check for January AG release (common timing)
- |— Review prior year compliance for lessons learned
- |— Update policies for new fiscal year
- |— Train staff on any changes

#### Q2: MID-YEAR CHECK

- |— Monitor for mid-year AG releases
- |— Review Consolidated Commentary updates
- |— Assess impact on current year calculations
- |— Prepare for upcoming filing

#### Q3: PRE-FILING REVIEW

- |— Confirm all guidance incorporated
- |— Final check of qualified status
- |— Verify GIR template is current
- |— Brief external auditors

#### Q4: YEAR-END PLANNING

- |— Review any late-year guidance
- |— Plan for transition year changes
- |— Update next year's compliance calendar
- |— Brief Audit Committee on Pillar Two status

## 6. Common Pitfalls

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### Pitfall 1: Relying on Outdated Materials

**Error:** Using original Commentary without checking for AG updates.

**Correct approach:** Always use the Consolidated Commentary or verify against latest AG releases. Date-stamp all reference documents.

### Pitfall 2: Delayed Implementation

**Error:** Waiting until filing deadline to review new guidance.

**Correct approach:** Review guidance within 1 week of release. Implement changes within 2-3 months, well before filing.

### Pitfall 3: Missing Qualified Status Changes

**Error:** Not checking Central Record updates between filings.

**Correct approach:** Monitor Central Record monthly. Set alerts for jurisdiction-specific changes.

### Pitfall 4: Inconsistent Group Application

**Error:** Different subsidiaries/regions applying guidance inconsistently.

**Correct approach:** Centralise guidance interpretation. Issue group-wide policy updates. Train all relevant staff.

### Pitfall 5: No Documentation of Guidance Review

**Error:** Reviewing guidance but not documenting the review or decisions made.

**Correct approach:** Maintain a guidance review log. Document impact assessments. Record policy decisions and rationale.

## 7. Administrative Guidance Tracking Checklist

### ADMINISTRATIVE GUIDANCE TRACKING CHECKLIST

MNE Group: \_\_\_\_\_

Last Updated: \_\_\_\_\_

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#### SECTION A: CURRENT GUIDANCE STATUS

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Confirm current versions in use:

Document	Current Version	Date Verified	
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GloBE Model Rules	December 2021		
Consolidated Commentary			
AG1	February 2023		
AG2	July 2023		
AG3	December 2023		
AG4	June 2024		
AG5	January 2025		
GIR Template			
GIR XML Schema			
Central Record			

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#### SECTION B: MONITORING SUBSCRIPTIONS

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|---|----------|
| <input type="checkbox"/> OECD Tax Newsletter subscribed?        | YES / NO |
| <input type="checkbox"/> Professional firm alerts set up?       | YES / NO |
| <input type="checkbox"/> Calendar reminders for regular checks? | YES / NO |
| <input type="checkbox"/> Responsibility assigned?               | YES / NO |

Responsible person: \_\_\_\_\_



Backup: \_\_\_\_\_

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## SECTION C: RECENT GUIDANCE REVIEW LOG

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Date	Guidance	Reviewed By	Impact	Action Taken
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## SECTION D: POLICY UPDATE LOG

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Date	Policy Updated	Reason	Approved By
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## SECTION E: UPCOMING GUIDANCE WATCH

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Known upcoming releases or consultations:

Expected Date	Topic	Source
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Next IF plenary meeting: \_\_\_\_\_

Next scheduled review: \_\_\_\_\_