



## Pillar Two Technical Update: Side-by-Side System Changes **Tax Specialty: Washington National Tax Office**

February 5, 2026

# Agenda

1. Overview of SbS Deal and Safe Harbours
2. Types of Safe Harbours
3. Eligibility Criteria
4. OECD Assessment & Central Record
5. Operational Rules & Timing
6. Making the Election



# Meet Today's Presenters



**Eric Flueckiger**  
Partner  
Forvis Mazars US  
[eric.flueckiger@us.forvismazars.com](mailto:eric.flueckiger@us.forvismazars.com)



**Justin Metcalfe**  
Director  
Forvis Mazars US  
[justin.metcalfe@us.forvismazars.com](mailto:justin.metcalfe@us.forvismazars.com)



**Neil Rolfe**  
Partner (Head of Insurance Tax)  
Forvis Mazars UK  
[neil.rolfe@mazars.co.uk](mailto:neil.rolfe@mazars.co.uk)

# 01

## Overview



# Overview: OECD Side-by-Side (SbS) Deal and Safe Harbours



The OECD's Side-by-Side (SbS) deal is designed to reduce compliance burdens for jurisdictions that already impose a minimum level of taxation on both domestic and foreign income of MNE Groups headquartered within their borders.

To achieve this, the framework introduces two Safe Harbours.

# 02

## Safe Harbours



# Two Safe Harbours Under the SbS Deal



## SbS Safe Harbour

- This Safe Harbour applies to jurisdictions that have both an eligible domestic tax system and an eligible worldwide tax system (eg US).
- The jurisdiction must ensure a minimum level of taxation on domestic and foreign operations.
- An MNE Group accesses the SbS Safe Harbour by reference to the jurisdiction of its Ultimate Parent Entity.
- When an MNE Group elects the SbS Safe Harbour, none of its entities are subject to the IIR or UTPR.
- The protection extends to joint ventures and JV Subsidiaries owned by the group.



## UPE Safe Harbour

- This Safe Harbour applies where a jurisdiction has only an eligible domestic tax system.
- If elected, the MNE Group is not subject to the UTPR on profits earned in the UPE jurisdiction.

# 03

## Eligibility & Assessment



# Criteria for Eligible Tax Systems



## Eligible Domestic Tax System

A jurisdiction's domestic system must meet all of the following:

- A statutory nominal corporate tax rate of at least 20%, adjusted for preferential rules and sub-national taxes.
- A QDMTT or CAMT based on financial-statement income, with adjustments aligned to minimum-tax policy.
- No material risk that in-scope MNEs will face an effective tax rate below 15% on domestic profits.



## Eligible Worldwide Tax System

A qualifying worldwide system must:

- Apply comprehensively to foreign income, including active and passive income of branches and CFCs and allow only limited exclusions consistent with global minimum tax policy.
- Include anti-BEPS mechanisms, such as preventing high-tax foreign credits from offsetting low-tax passive income.
- Present no material risk that foreign operations will be taxed below 15% on an effective basis.

# OECD Assessment and Central Record

The OECD Inclusive Framework will evaluate jurisdictions for Safe Harbour eligibility by the end of the first half of 2026.

- Jurisdictions that qualify will be listed on the [Central Record](#).
- Countries may request an assessment directly from the Inclusive Framework.
- As of last update on January 5, only the United States appears on the Central Record as a Qualified SbS Regime.
- Additional jurisdictions may seek assessment in 2027 or 2028.

Jurisdictions must also notify the Inclusive Framework within three months of any material amendments to a Qualified regime.



# 04

## Operational Rules



# How the Safe Harbours Operate



When the filing Constituent Entity elects for SbS Safe Harbour:

- The top-up tax for the jurisdiction is deemed to be zero for IIR and UTPR purposes.
- Eligibility requires that the UPE is located in a jurisdiction with a Qualified SbS Regime.
- The zero top-up tax treatment extends to stateless entities, minority-owned entities, and intermediate parent entities (including POPEs).

To qualify as an SbS Regime, a jurisdiction must also:

- Provide a foreign tax credit for QDMTTs on the same terms as other covered taxes.
- Have enacted its eligible domestic and worldwide systems before January 1, 2026.

# Impact on Joint Ventures

When a Safe Harbour election is made:

- The group's top-up tax on its JV and JV Subsidiary interests is zero.
- The Safe Harbour does not extend to other MNE Groups with interests in the same JV.
- A JV that is itself a UPE in a non-qualifying jurisdiction does not necessarily benefit from the Safe Harbour even if 50% owned by a qualifying MNE Group.



# Timing and Transitional Rules



- SbS Safe Harbour elections apply to fiscal years beginning on or after January 1, 2026.
- MNE Groups may still need to compute IIR and UTPR for FY24 and FY25.
- Even after electing a SbS Safe Harbour, groups must continue filing a GIR, though only for QDMTT-related purposes.

# 05

## Making the Election



# Making the Election

- MNE Groups will make the SbS or UPE Safe Harbour election in the GIR, via a new field in Section 1.
- Future GIR updates will clarify which data points are unnecessary for electing groups.
- After January 1, 2026, GIR filings will continue for MNE Groups making the SbS Safe Harbour election, but will be limited to QDMTT obligations.



# Pillar Two Technical Update: Side-by-Side System Changes

## Open Discussion

Register today for part two of this webinar series: [Pillar Two Technical Series: Key Changes to GloBE Reporting](#)

Learn more about Forvis Mazars Pillar Two services today:



# Contact

## Forvis Mazars

Eric Flueckiger, Partner

Forvis Mazars US

[eric.flueckiger@us.forvismazars.com](mailto:eric.flueckiger@us.forvismazars.com)

Neil Rolfe, Partner

Forvis Mazars UK

[neil.rolfe@mazars.co.uk](mailto:neil.rolfe@mazars.co.uk)

Justin Metcalfe, Director

Forvis Mazars US

[justin.metcalfe@us.forvismazars.com](mailto:justin.metcalfe@us.forvismazars.com)

The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by Forvis Mazars or the author(s) as to any individual situation as situations are fact-specific. The reader should perform their own analysis and form their own conclusions regarding any specific situation. Further, the author(s)' conclusions may be revised without notice with or without changes in industry information and legal authorities.

© 2026 Forvis Mazars, LLP. All rights reserved.