



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

FAO: Respondents to the Pillar 2 Consultation

14 June 2022

Dear all,

Working update on Pillar 2

I am writing to provide you with an update on the work to implement the OECD “Pillar 2 rules” in the UK and what to expect in the coming months.

More than 130 countries signed up to the new global minimum tax framework in October 2021, building on the deal brokered in principle by the G7 in June 2021 during the UK’s presidency. The Government continues to strongly support the efforts underway through the G20/OECD Inclusive Framework to address the tax challenges arising from globalisation and the digitalisation of the economy and to adopt a global minimum tax.

The UK consultation on how the Pillar 2 rules will be implemented in domestic legislation has now closed.

More than 50 responses to the consultation were received and we are pressing on with developing the draft legislation, which we will publish in the Summer, and are engaging with our international partners on the Implementation Framework.

The Government has listened to the suggestions and areas of concern raised during the consultation. One of the points raised most consistently and forcefully in consultation responses was the need for a sufficient lead-in time before the rules are implemented in the UK. That is in recognition of the complexity of the rules, the fact that there remain important policy and administrative issues being discussed within the OECD Implementation Framework, and the need for businesses to take steps and build systems to be able to ensure rule compliance.

In line with that, respondents noted that seeking to implement the rules from Spring 2023, ahead of the likely implementation date in other countries, would compromise the long-term success and sustainability of the regime and put UK businesses at a competitive and administrative disadvantage.

The Government understands the points that have been made on this matter and, alongside the next steps in the consultation, will confirm in the Summer update that the UK Pillar 2 legislation will first apply to accounting periods beginning on or after 31 December 2023.

This will give businesses an appropriate lead-in time before implementation and allow the policy to benefit from progress on the international process, while maintaining the UK as a leader in implementing these reforms. The Government will continue to work with the international community and monitor wider progress on implementing these reforms.

Yours sincerely,

A handwritten signature in black ink that reads "Lucy Frazer". The signature is written in a cursive, flowing style.

THE RT HON LUCY FRAZER QC MP