June 1, 2026

The Honorable Scott Bessent
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

**Re: Implementation of the G20/OECD Inclusive Framework Side-by-Side Agreement and Pillar Two Compliance Burdens on U.S. Companies**

Dear Mr. Secretary:

The Alliance for Competitive Taxation (ACT) is a group of leading American companies from a wide range of industries that supports a globally competitive tax system.

We are writing to express our strong and continuing support and gratitude for your leadership in securing the "side-by-side" agreement to protect U.S. sovereignty and ensure that U.S. companies will not be subject to extraterritorial or otherwise unfair taxation burdens. When fully implemented by all participating countries, this agreement will mark a significant achievement that furthers the goals of recognizing the integrity of the U.S. tax system, preserving greater certainty for U.S. companies, and reducing the risk of unnecessary international tax disputes.[1]

While the positive results already achieved by Treasury have been extremely important, they do not mark the end of the OECD's Pillar Two project for the United States. U.S. companies will continue to be subject to tax in the countries around the world (currently more than 50) that have adopted "qualified domestic minimum top-up taxes" (QDMTTs), which are computed on Pillar Two principles but are imposed only on income earned within the enacting country's borders.[2] For this reason, it is vitally important for Treasury to continue its active engagement with the OECD to ensure that the success of the side-by-side agreement is not undermined by countries

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[1] We are keenly aware that, until countries actually deliver on their commitments to implement the side-by-side agreement in their national laws, U.S. companies remain exposed to extraterritorial taxation measures, including with respect to income earned within the United States. As of this writing, only seven of the dozens of jurisdictions that have enacted Pillar Two taxes in their domestic laws have adopted the side-by-side agreement, and Japan is the only G-7 member to have done so. See Tax Notes, Japan Adopts Key Parts of Pillar 2 Side-by-Side Tax Package. We remain hopeful that all countries will live up to their commitments and look forward to seeing more countries incorporate the side-by-side agreement into their domestic laws in the near future.

[2] ACT agrees with Treasury that each country has the sovereign right to adopt (or not to adopt) a QDMTT, which, unlike other parts of the Pillar Two framework, would not impose extraterritorial taxation on U.S companies.

slow-playing the adoption of the side-by-side agreement in their domestic laws or the ever increasing complexity of the Pillar Two rules and their associated compliance obligations.

Specifically, and as discussed further below, we respectfully request that Treasury pursue the following objectives in the ongoing Pillar Two discussions:

- Continue to advocate forcefully for meaningful simplification of the Pillar Two rules and rapid implementation of the side-by-side agreement by all participating countries, consistent with the commitments reflected in the side-by-side agreement;
- Ensure that future OECD guidance does not undermine the agreed intent of the side-by-side agreement, which appropriately recognizes that the U.S. tax system has "similar policy objectives, overlapping scope, and a complementary policy impact" as the Pillar Two rules;
- Pursue further reductions in compliance burdens associated with the GloBE Information Return (GIR), including limiting information-sharing requirements to jurisdictions with clear taxing rights and reducing the overall compliance burden arising from the GIR; and
- Press the OECD to continue to address on an urgent basis the widespread lack of operational readiness among jurisdictions ahead of upcoming filing deadlines.

**The Need for Simplification**

The need for simplification to the substance of the Pillar Two rules has been apparent since the original release of the Model Rules in December 2021. Unfortunately, with limited exceptions,[3] each of the multiple rounds of administrative guidance issued by the OECD since December 2021 has made the rules more complex for taxpayers and more challenging for tax authorities to administer. In recognition of this reality, the side-by-side package explicitly acknowledges the need for—and the OECD's commitment to—"material simplifications for both taxpayers and tax administrations."[4]

As noted, Pillar Two is and will remain a reality for U.S. companies because of the widespread adoption of QDMTTs around the world. In addition, because the overwhelming majority of

[3] The side-by-side safe harbor significantly simplifies the substantive application of the rules for U.S. companies, as does the temporary "Country-by-Country Reporting (CbCR)" safe harbor, which will expire for most companies at the end of 2027.

[4] See G7/OECD Side-by-Side Agreement, p. 6 (referencing commitment to "material simplifications…")

countries that have enacted QDMTTs already impose a broadly applicable corporate income tax at a rate greater than 15 percent, it will rarely be the case that a QDMTT generates any additional tax liability. Put simply, for most U.S. companies in most countries, Pillar Two will be a deadweight compliance exercise, with minimal revenue implications. This widely recognized reality should provide a compelling incentive for everyone involved in the Pillar Two process to expedite the simplification of the reporting and compliance processes with respect to QDMTTs.

Against this backdrop, we are concerned that public statements from OECD officials suggest an ambitious approach to releasing additional guidance tied to the side-by-side agreement to protect the "integrity" of the Pillar Two rules.[5] Similarly, other participants in the OECD process have indicated that the ability of countries to simplify reporting and compliance with the Pillar Two rules will be "limited."[6] We recognize that the side-by-side agreement contemplates further OECD discussions with respect to any "level playing field risks" to Pillar Two.[7] However, we are concerned that an overly ambitious, unfocused pursuit of "integrity" measures, however well-intentioned, will move Pillar Two even further away from desperately needed simplification, and may represent a disguised attempt by some countries to apply ever more intricate rules targeting U.S. companies as a way to claw back positions they believe were wrongfully ceded in the side-by-side agreement.[8]

Such a development would be unfortunate for companies and taxing authorities alike and counterproductive for the OECD. The side-by-side agreement reflects a recognition by all participating countries that the U.S. tax system is entitled to equal dignity with the Pillar Two rules, consistent with the commensurate tax burdens imposed by the U.S. rules. The side-by-side system thus does not threaten Pillar Two's effectiveness. Rather, it strengthens that effectiveness

[5] While "integrity" is not defined, it appears to refer to concerns that the U.S. system, despite the acknowledged fact that it subjects every dollar of income earned by U.S. companies anywhere in the world to current U.S. tax, must nevertheless be backstopped by additional "measures" because it is not identical in every respect to the Pillar Two rules, See "Tax Arbitrage Guidance Due This Year, OECD Official Says,".

[6] See EU's Ability To Simplify Pillar 2 Limited, Official Says

[7] See OECD Side-by-Side Package, chapter 1, para. 14

[8] We note in this regard that the OECD previously released an analysis demonstrating that the US GILTI regime, as it existed prior to the 2025 changes adopted by Congress in the One Big Beautiful Bill Act, imposed a tax burden on U.S. companies that was at least equal to the burden imposed by the Pillar Two rules. Since the OECD conducted that analysis, Congress has revised the GILTI (now NCTI) rules to increase the effective rate of tax (from 13.125% to 14%) and to broaden the base (by eliminating the exemption for 10% of qualified business asset investment). Because, as these data points suggest, the overall tax burden imposed by the U.S. under the NCTI rules is at least commensurate with the tax burden imposed by Pillar Two, the concerns regarding the side-by-side agreement may have less to do with ensuring a "level playing field" with respect to the amount of tax paid by U.S. companies on their global operations and instead be focused on which countries are collecting tax revenue from U.S. companies.

by recognizing that multilateral cooperation in this area can only endure if it is grounded in the sovereign right of countries to set their own tax policies without external threats or pressure.

The much more immediate threat to Pillar Two is the continued existence and expansion of excessively complex rules, which impose burdens on companies that are disproportionate to the (very little) revenue produced for governments – an issue that has been recognized by both implementing jurisdictions and those jurisdictions that have declined to pursue implementation.[9] We therefore encourage Treasury to continue to pursue additional simplification, which should be recognized by all Pillar Two stakeholders as consistent with their interests.[10]

**Addressing Compliance Burdens**

In addition to addressing substantive complexity, the OECD should, as a matter of urgency, address the compliance obligations required under the Pillar Two rules. While we recognize and are grateful for the efforts in the side-by-side safe harbor to streamline certain aspects of the Globe Information Return (GIR), the GIR continues to impose excessive compliance burdens on

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[9] See Republic of Estonia Ministry of Finance, *Estonia Did Not Approve the Proposed Amendments to the Minimum Tax Rules* (Dec. 10, 2025) (stating that Pillar Two is "technically too complex" and creates a "disproportionate administrative burden"), available at Estonia Did Not Approve Proposed Amendments to Minimum Tax Rules; Republic of Estonia Ministry of Finance, *Estonia Postponing Implementation of Minimum Tax Until Year 2030* (Feb. 8, 2024) (describing Pillar Two as a "complex and expensive system" and citing concerns regarding administrative burden), available at Estonia Postponing Implementation of Minimum Tax Until 2030; African Union Commission & African Tax Administration Forum, *Briefing Paper on the Global Tax Debate for the First Extraordinary Session of the Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration* (Dec. 2020) (stating that OECD/G20 BEPS outcomes are "too complex to administer"), available at AU/ATAF Briefing Paper on the Global Tax Debate. In addition, taxpayers, trade associations, and others have all called attention to the inordinate complexity of the Pillar 2 rules. See, e.g., Ibec, Response to Public Consultation on Pillar Two Minimum Tax Rate Implementation (Apr. 2022) (describing Pillar Two as "extremely complex" and warning of significant compliance burdens and double taxation risks), available at Ibec Response to Consultation on Pillar Two Minimum Tax Implementation; Insurance Europe, Response to OECD Consultation on the Pillar Two Blueprint (Dec. 2020) (describing the rules as "far-reaching and complex" and requesting simplification and safe harbors), available at Insurance Europe Response to OECD Consultation on the Pillar Two Blueprint;

[10] While there are many potential approaches to simplification, extending (ideally permanently) the CbCR safe harbor would be among the most effective and straightforward. The CbCR safe harbor relies on data that is readily accessible for companies and easily understood by tax authorities. As noted above, Pillar Two will raise very little revenue in the (many) jurisdictions that already impose a generally applicable income tax at a rate above 15%, Because the CbCR safe harbor determines the effective tax rate (ETR) based on the financial statement income tax expense recorded by a taxpayer for each jurisdiction as a percentage of their CbCR income in that jurisdiction, it will almost always provide a reasonable proxy for a taxpayer's Pillar Two ETR. Setting the safe harbor rate at an amount higher than the Pillar Two rate (i.e., 17%) provides further protection against the possibility that taxpayers would qualify for the safe harbor despite having a significant Pillar Two liability. Extending the CbCR safe harbor would thus deliver enormous simplification benefits for taxpayers and tax authorities with minimal risk of loss of tax revenue that would otherwise be collected under the full rules.

U.S. companies, particularly with respect to their QDMTT filing obligations. Specifically, for jurisdictions that have adopted a QDMTT, taxpayers are generally required to complete the full GIR, including detailed jurisdictional and constituent entity information in Sections 2 and 3. This requirement applies even where the side-by-side safe harbor is available, as that safe harbor does not eliminate QDMTT taxing rights and no CbCR safe harbor applies that would otherwise permit a more limited filing. These obligations are in addition to—and often duplicative of—information required under local QDMTT filing regimes.[11]

We also note that the GIR continues to require the provision of significant information to countries that have enacted Pillar Two rules but that have not adopted a QDMTT. It is unclear why any information regarding the global affiliates of U.S. companies is required to be filed with countries that, with the adoption of the side-by-side agreement, have acknowledged that they have no substantive taxing rights with respect to these affiliates. These unnecessary compliance obligations reflect a lack of balance and proportionality and should be reconsidered.

Our concerns with respect to these compliance obligations are particularly acute because they are not isolated events. Rather, they are part of a growing trend of requiring U.S. companies to provide sensitive information regarding their global operations, tax profiles, and cost structures, proprietary information that is broadly shared and potentially subject to misuse. These initiatives include, for example, public country-by-country reporting regimes and other disclosure requirements such as those under the EU Foreign Subsidies Regulation,[12] which require detailed disclosure of company-specific information that goes well beyond what is needed to test compliance with the relevant laws.[13]

[11] The requirement for taxpayers to complete the GIR country-level data for each QDMTT jurisdiction in addition to complying with local filing requirements imposed by many of these QDMTT jurisdictions is excessive, almost inevitably resulting in overlapping and inconsistent filing requirements. Significant compliance simplification could be achieved by eliminating the requirement for taxpayers to submit a local QDMTT return where the information is already available in part 3 of the GIR. Alternatively, in the case of countries that continue to require a detailed local QDMTT return, taxpayers should not be required to provide detailed GIR information with respect to such countries.

[12] Regulation (EU) 2022/2560 of the European Parliament and of the Council of 14 December 2022 on foreign subsidies distorting the internal market.

[13] See Hoopes, Robinson & Slemrod, *Public Tax Disclosure and Tax Revenue: Evidence and Implications*, Journal of the American Taxation Association (2023), concluding that there is limited empirical evidence that public tax disclosure regimes have generated meaningful additional tax revenue.

Further exacerbating these concerns is the fact that we are only weeks away from filing deadlines associated with the GIR,[14] but it appears that many jurisdictions, including advanced economies that have supported Pillar Two for many years, are not operationally prepared to receive those filings and have not specified the consequences to companies for failing to comply with local filing deadlines for reasons beyond their control.[15] This fact alone raises serious concerns regarding the handling and safeguarding of sensitive U.S. taxpayer information. Given these impending deadlines, the lack of operational readiness on the part of countries to accept and safeguard the sensitive tax information they are demanding from U.S. companies needs to be addressed as the highest priority.[16] While we appreciate the OECD's efforts reflected in the recent "common understanding"[17] document, which recognizes that many jurisdictions are unprepared to receive GIRs by the upcoming June 30 deadline, this release provides only limited relief (i.e., a commitment to waive penalties in certain circumstances where possible under the domestic laws of the signatory countries). It does not address the concerns described above regarding the level of detail required of taxpayers and the need to safeguard sensitive taxpayer information.

We remain enormously grateful to you and your team for your ongoing efforts to ensure Pillar Two reduces unnecessary complexity and administrative burdens for U.S. companies while respecting the sovereignty of all countries. We respectfully request that Treasury:

- Continue to advocate for meaningful simplification of the Pillar Two rules and rapid implementation of the side-by-side agreement by all participating countries, consistent with their commitments reflected in the side-by-side agreement;
- Ensure that future OECD guidance remains aligned with both the letter and intent of the side-by-side agreement;

[14] See OECD, Compilation of Additional GloBE Information Reporting Requirements ("The first GIRs and notifications are expected to be due on 30 June 2026.").
[15] Christian Kaeser, Looming Global Minimal Tax Deadlines Require Clarity and Urgency, Bloomberg Law (May 13, 2026).
[16] On April 30, 2026, the OECD released "The Global Minimum Tax Implementation Toolkit," which, while not binding or self-executing in any jurisdictions, recommends that jurisdictions refrain from imposing penalties on taxpayers for incomplete or missing filings,"where the information filed in the GIR was not received by the receiving jurisdiction due to the fault of either the sending or the receiving jurisdiction, and not the MNE Group." See The Global Minimum Tax Implementation Toolkit, para. 273. While this is a helpful acknowledgement that at least some jurisdictions are not fully prepared to receive the required filings, it provides limited comfort given the potential scope of the problem confronting companies.
[17] See OECD Global Minimum Tax Administrative Guidance Announcement

- Pursue further reductions in compliance burdens associated with the GIR, including limiting information-sharing requirements to jurisdictions with clear taxing rights and reducing the overall compliance burden arising from the GIR; and
- Press the OECD to continue to address on an urgent basis the lack of operational readiness among jurisdictions to accept and safeguard sensitive taxpayer information ahead of upcoming filing deadlines.

We would welcome the opportunity to engage further with Treasury staff on these issues and to support efforts to ensure that the implementation of the side-by-side agreement reflects, in practice as well as in principle, the understanding that was reached between the United States and all the countries that are parties to the side-by-side agreement.

Yours sincerely,

Alliance for Competitive Taxation

CC: The Honorable Kenneth J. Kies, Assistant Secretary, Tax Policy
Kevin Salinger, Deputy Assistant Secretary, Tax Policy
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