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Working Paper

Taxing large multinationals

Estimating the revenue effects of recent changes to the global minimum tax

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Abstract

The OECD's Pillar Two rules, agreed in 2021, establish a global minimum tax on multinationals. They introduce three main mechanisms: the Income Inclusion Rule (IIR), the Qualified Domestic Minimum Top-up Tax (QDMTT) and the Undertaxed Payments Rule (UTPR). In 2025, G7 finance ministers announced a 'side-by-side' understanding, under which US-headquartered multinationals are excluded from the IIR and UTPR, while QDMTT collection remains permitted. The arrangement was formalised in the OECD's January 2026 Administrative Guidance, which also introduced a new Substance-Based Tax Incentive (SBTI) Safe Harbour.

This paper assesses the 'side-by-side' package, and how it affects Pillar Two revenues. Under current implementation plans, Pillar Two would generate approximately $152 billion in annual revenues in implementing jurisdictions. We find that excluding US-headquartered multinationals from the IIR and UTPR reduces estimated revenues to $140.3 billion. The SBTI Safe Harbour is likely to have a much larger impact on Pillar Two revenues. Incorporating the SBTI reduces estimated global revenues to approximately $99.9 billion.

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Abbreviations and acronyms

CAMT	Corporate Alternative Minimum Tax
ETR	Effective Tax Rate
IIR	Income Inclusion Rule
GILTI	Global Intangible Low-Taxed Income
GloBE	Global Anti-Base Erosion
QDMTT	Qualified Domestic Minimum Top-Up Tax
OECD	Organisation for Economic Co-operation and Development
SBIE	Substance-Based Income Exclusion
SBTI	Substance-based Tax Incentive
UTPR	Undertaxed Profits Rule

Executive summary

The OECD/G20 Pillar Two agreement introduced a global minimum tax of 15% on large multinational enterprises (MNEs). In 2025, G7 finance ministers reached a political agreement on a 'side-by-side' approach which excludes US-headquartered MNEs from the application of foreign Income Inclusion Rules (IIRs) and Undertaxed Profits Rules (UTPRs), while continuing to operate under the US Global Intangible Low-Taxed Income (GILTI) regime. The arrangement was formalised in the OECD's January 2026 Administrative Guidance, which also introduced a new Substance-Based Tax Incentive (SBTI) Safe Harbour.

This paper evaluates how these changes affect the global revenue potential of Pillar Two. Using aggregated OECD Country-by-Country Reporting (CbCR) data, it estimates top-up tax revenues under jurisdictions that have announced implementation of the IIR, Qualified Domestic Minimum Top-Up Tax (QDMTT) and UTPR for 2025–2026. The analysis then models the side-by-side package by excluding US-headquartered groups from the IIR and UTPR, while maintaining QDMTT collection in source jurisdictions. Finally, it provides an indicative estimate of the potential revenue effects of the SBTI Safe Harbour.

The results show that, under current implementation plans, Pillar Two would generate approximately $152.4 billion in annual revenues (9.4% of corporate income tax (CIT)) in implementing jurisdictions. Excluding US-headquartered multinationals from the IIR and UTPR reduces estimated revenues to $140.3 billion (8.7% of CIT), a decline of around $12.1 billion, or 8% of baseline revenues. The revenue losses are concentrated in high-income economies, reflecting both their greater adoption of the IIR and UTPR and their larger exposure to US-headquartered multinational groups. The continued application of QDMTTs substantially limits the overall revenue impact by preserving source-country taxing rights over low-taxed profits earned by US subsidiaries.

The analysis finds that the SBTI Safe Harbour is likely to have a considerably larger impact on Pillar Two revenues than the exclusion of US-headquartered groups from the IIR and UTPR. Under the assumptions adopted in this paper, incorporating the SBTI reduces estimated global revenues further, to approximately $99.9 billion, equivalent to 6.2% of CIT revenues. The SBTI permits qualifying tax incentives to increase effective tax rates for Pillar Two purposes, thereby reducing both the top-up tax percentage and the amount of

profits subject to top-up taxation. Consequently, although effective tax rates increase after the introduction of the SBTI, Pillar Two revenues decline because the top-up tax base becomes smaller. While the side-by-side package preserves much of the original revenue potential through continued application of QDMTTs, the treatment of qualifying tax incentives may become a more important determinant of future Pillar Two revenues than the exclusion of US multinationals.

1 Introduction

In recent years, countries have debated significant changes to international tax rules affecting multinational enterprises. In October 2021, following negotiations at the OECD, the global minimum tax (known as Pillar Two) emerged as a central component of the international tax reform agenda. Since that agreement, both the political landscape and implementation prospects have evolved considerably.

In late June 2025, G7 finance ministers announced a 'side-by-side' understanding on the OECD/G20 Pillar Two rules. The statement indicated that US-headquartered multinationals would be excluded from the operation of the IIR and UTPR in participating jurisdictions, in exchange for the United States withdrawing proposed retaliatory measures (including the draft 'section 899' tax) from the budget bill. This political understanding was formalised in January 2026, when the OECD published Administrative Guidance introducing a 'side-by-side' package within Pillar Two, setting out the conditions under which parallel minimum tax regimes may operate alongside the Global Anti-Base Erosion (GloBE) rules. The side-by-side package introduces several changes to the global minimum tax framework, most notably the exemption of US-parented multinational groups from the IIR and UTPR and the introduction of the Substance-Based Tax Incentives (SBTI) Safe Harbour.

This paper quantifies how these changes affect the revenue potential of Pillar Two. The analysis uses aggregated OECD CbCR data and models the simultaneous operation of the IIR, QDMTT and UTPR according to jurisdictions' announced implementation plans for 2025 and 2026. The baseline first estimates revenues under a counterfactual in which Pillar Two rules may be applied to US-headquartered groups. It then introduces the side-by-side restriction by preventing jurisdictions from applying the IIR and UTPR to those groups, while continuing to allow QDMTT collection in source countries. Finally, the paper provides an indicative estimate of the additional effect of the SBTI Safe Harbour.

Under the baseline implementation scenario, Pillar Two is estimated to raise approximately $152.4 billion, equivalent to around 9.4% of corporate income tax revenues in the jurisdictions covered by the analysis. Once the side-by-side exclusion is introduced, estimated revenues fall to approximately $140.3 billion, or 8.7% of CIT revenues. The direct revenue effect of excluding US groups from foreign IIRs and UTPRs is therefore significant but limited, reducing estimated

collections by around $12.1 billion, or approximately 8% of the baseline total. Previous studies have estimated substantial revenue gains from the implementation of Pillar Two. The OECD initially estimated annual global revenues between $175 billion and $261 billion, with a central estimate of $220 billion (OECD, 2023). Similarly, Baraké et al. (2022) estimated that Pillar Two could generate around $214–$239.4 billion in 2023. More recently, following the announcement of the side-by-side package, the OECD suggests that revenues could be between approximately $91 billion and $155 billion for 2026, depending on implementation assumptions.

The estimated effect of the SBTI Safe Harbour is considerably larger. Under the approximation used in this paper, incorporating the SBTI reduces estimated Pillar Two revenues to approximately $99.9 billion. This suggests that the treatment of qualifying tax incentives may be more consequential for the overall revenue potential of Pillar Two than the exclusion of US-headquartered groups from the IIR and UTPR. The SBTI can increase the effective tax rate used for Pillar Two purposes and thereby reduce both the top-up tax percentage and the amount of revenue ultimately collected. These estimates should be interpreted with caution. The analysis is static and does not account for behavioural responses by multinational enterprises or governments.

The remainder of the paper is organised as follows. Section 2 describes the methodology used to calculate effective tax rates, top-up tax bases and the allocation of revenues under the QDMTT, IIR and UTPR. Section 3 presents the data. Section 4 reports the revenue effects of the US exclusion and the SBTI Safe Harbour. Section 5 concludes.

2 Methodology

We simulate the application of Pillar Two using OECD macro-level country-by-country reporting data. The analysis proceeds in three steps: (i) computation of effective tax rates and identification of undertaxed profits; (ii) calculation of the top-up tax base after substance-based carve-outs; and (iii) allocation of top-up tax across jurisdictions following the hierarchy of QDMTT, IIR and UTPR.

2.1 Effective tax rates, top-up tax and carve-outs

We compute effective tax rates (ETRs) as the ratio of taxes to profits, using accrued taxes. For each parent-partner pair, we aggregate profits and taxes across 2021 and 2022 and define:

$$ETR_{pj} = \frac{Taxes_{pj}}{Profits_{pj}}$$

Using these accrued ETRs, profits earned in 2022 are classified into two categories: those taxed below the 15% minimum rate and those taxed at or above the threshold. This classification allows us to identify undertaxed profits potentially subject to a top-up tax under Pillar Two.

In line with the Pillar Two design, the top-up tax applies to the portion of profits taxed below 15%, after deducting a substance-based carve-out equal to 8% of tangible assets and 10% of payroll. Three mechanisms may collect the resulting top-up tax: the QDMTT, the IIR and the UTPR. Their interaction and order are central to the simulations.

2.2 Baseline scenario: joint application of IIR, QDMTT and UTPR before the side-by-side package

Our main specification simulates Pillar Two revenues under a realistic implementation scenario in which countries apply the minimum tax depending on their announced policy choices. This scenario reflects the actual, asymmetric rollout of Pillar Two rather than assuming universal adoption of a single rule. For each country in our sample, the top-up tax base is first computed as:

$$\max(15\% - ETR_{pj}, 0) \times \max[Profits_{pj} - (8\% \times Assets_{pj} + 10\% Payroll_{pj}), 0]$$

The allocation of the resulting top-up tax follows the Pillar Two rule hierarchy and countries' announced implementation status:

QDMTT priority. If the partner (source) country has announced the implementation of a QDMTT, the top-up tax is collected domestically

by that country. **IIR as a secondary rule.** If no QDMTT applies in the source country, the top-up tax is allocated to the parent (residence) country provided that it applies an IIR. **UTPR as a backstop.** If the source country does not apply a QDMTT and the residence country does not apply an IIR, the remaining top-up tax is allocated across UTPR-adopting jurisdictions in proportion to each jurisdiction's share of the multinational group's employment and tangible assets, using equal weights.

2.3 Side-by-side package scenario: US exclusion and SBTI effects

In this scenario we present the effects of switching off the IIR and UTPR on US multinationals. The US is currently the only country eligible for side-by-side treatment for IIR and UTPR exclusions.

Another important change introduced by the side-by-side package is the SBTI. Estimating the impact of SBTI presents important challenges because the information required to implement the mechanism is not available in public data. Under the OECD proposal, the SBTI applies only to specific categories of qualifying tax incentives (QTIs), such as certain refundable tax credits, non-refundable expenditure-based tax credits, super deductions, allowances and exemptions that satisfy the eligibility conditions. The SBTI was introduced to preserve governments' ability to use targeted subsidies to attract investment and employment, but it also reduces the Pillar Two tax base and limits the amount of top-up tax that can ultimately be collected.

The treatment of these incentives under the SBTI differs depending on their legal design: some are reflected through adjustments to covered taxes, while others affect GloBE income, and the total adjustment is subject to a jurisdiction-specific Substance Cap. However, publicly available CbCR data do not identify the amount or type of qualifying tax incentives claimed by multinational groups, nor do they distinguish between refundable and non-refundable credits or other qualifying incentives. As a result, the actual SBTI adjustment cannot be observed directly and must instead be approximated using simplifying assumptions.

$$SBTI\ cap_{\ pj} = \max(5.5\% \times Payroll_{pj}, 1\%\ Assets_{pj})$$

To approximate the effect of the SBTI, the increase in jurisdictional ETRs implied by applying the SBTI cap based on payroll and tangible assets is computed. The SBTI cap corresponds to the higher of 5.5% of compensation of employees (payroll) or 1% of tangible assets. As there is no data to indicate the direction of this cap (increasing covered taxes or income or both), and in which jurisdictions the MNE is applying it, we cap the simulated increase in the accrued ETR at 4 percentage points, corresponding to the median increase implied by the cap-based simulation across all observations. The median provides a robust measure of the typical SBTI effect, limiting the influence of extreme

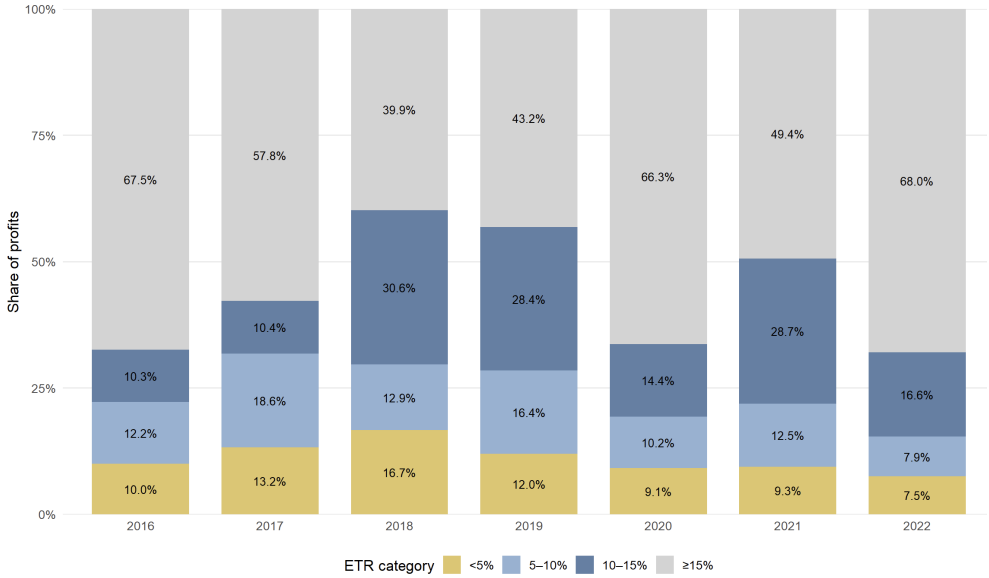
observations while preserving the heterogeneity in ETR increases for jurisdictions where the implied adjustment is smaller than the cap.

3 Data

The main data source used in this study is the aggregated country-by-country reports of MNEs published by the OECD. This dataset provides information on key variables such as profits, taxes paid, number of employees and tangible assets in all countries where the multinationals operate aggregated by the headquarter country. Ideally, the use of micro CbCR would be preferred as each multinational could be assessed, but these data are confidential and require specific access. The public CbCR tabulations we use are available for the years 2016 to 2022.

3.1 Distribution of MNE profits

Figure 1 Share of profits by ETR band (2016-2022)



Note: This graph presents the share of profits of all MNEs in the OECD CbCR data taxed at a rate lower than 15% over the years, detailing three ETR bands: lower than 5%, between 5%-10% and between 10%-15%. The ETR is the accrued ETR of the year.

Source: Author calculations based on OECD CbCR data

Coverage has expanded over time: while 25 jurisdictions contributed in 2016, the number increased to more than 50 in 2022. Notable reporting differences exist among countries. For example, Ireland, Morocco and New Zealand publish only aggregate totals for domestic and foreign activity, without detailed country-level breakdowns. Some

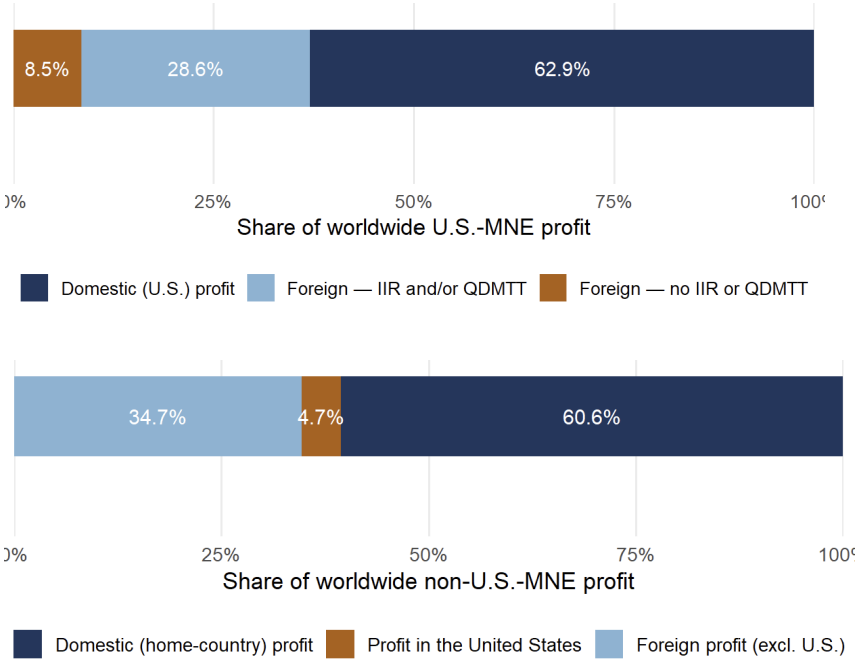
jurisdictions, such as Finland, the United Kingdom, South Korea and Mauritius, report only on a regional basis (e.g. Africa, Asia, Europe).

The dataset also includes profits reported under 'stateless entities'. To avoid bias, we adopt a conservative approach and exclude profits allocated to stateless entities entirely. A further complication arises from intra-company dividends, which can lead to double counting.

To complement the CbCR data, additional datasets are used: GDP from the World Bank, wage data from the International Labour Organization (ILO) and CIT revenues from the UNU-WIDER Government Revenue Dataset (GRD).

As shown in Figure 1, the share of profits taxed at an ETR of at least 15% varied considerably over the period, from 67.5% in 2016 to 39.9% in 2018, before recovering to 68% in 2022. By 2022, around one-third of profits were taxed below 15%, comprising 7.5% below 5%, 7.9% between 5% and 10% and 16.6% between 10% and 15%.

Figure 2 Composition of US parent and non-US Parent MNE global profits



Note: This figure presents the composition of worldwide MNE profits by parent jurisdiction and location of profits. Panel 2a decomposes the worldwide profits of US-parented MNEs into profits earned domestically in the United States, foreign profits earned in jurisdictions applying an IIR and/or QDMTT, and foreign profits earned in jurisdictions applying neither rule. Panel 2b decomposes the worldwide profits of non-US-parented MNEs into profits earned in their home jurisdiction, profits earned in the United States and other foreign profits. The shares refer to total positive profits and should not be interpreted as the share of profits subject to Pillar Two top-up taxation.

Source: Author calculations based on OECD CbCR data (2022)

The CbCR statistics also highlight the central role of US multinationals, with around 1,299 US-parented reporting groups in 2022, the highest number among reporting jurisdictions. This makes the location and taxation of US-related profits particularly relevant for assessing the revenue implications of the side-by-side arrangement.

Figures 2 and 3 provide descriptive evidence on the location of profits linked to the United States. Around 63% of US-parented MNE profits are earned domestically in the United States, while a further 8.5% arise in foreign jurisdictions that apply neither an IIR nor a QDMTT. To the extent that these profits are undertaxed, they can no longer give rise to UTPR top-up tax in other implementing jurisdictions under the side-by-side arrangement. By contrast, around 28.6% of US-parented MNE profits arise in jurisdictions applying a QDMTT and can therefore continue to be subject to domestic top-up taxation where they are undertaxed. For non-US-parented MNEs, only around 4.7% of worldwide profits arise in the United States. These are the profits potentially affected by switching off the IIR with respect to profits arising in the United States.

Figures A3.1-A3.3 in Appendix 3 provide further evidence on the ETRs of these different profit categories. Figure A3.1 shows that the share of foreign profits of US-parented MNEs with an ETR below 15% declined from around 76% in 2019 to 52% in 2022, with the share taxed below 5% falling particularly sharply, from 50% to around 10%. Figure A3.2 considers the other side of the arrangement: in 2022, around 37% of profits earned in the United States by foreign-parented MNEs were reported with an ETR below 15%.

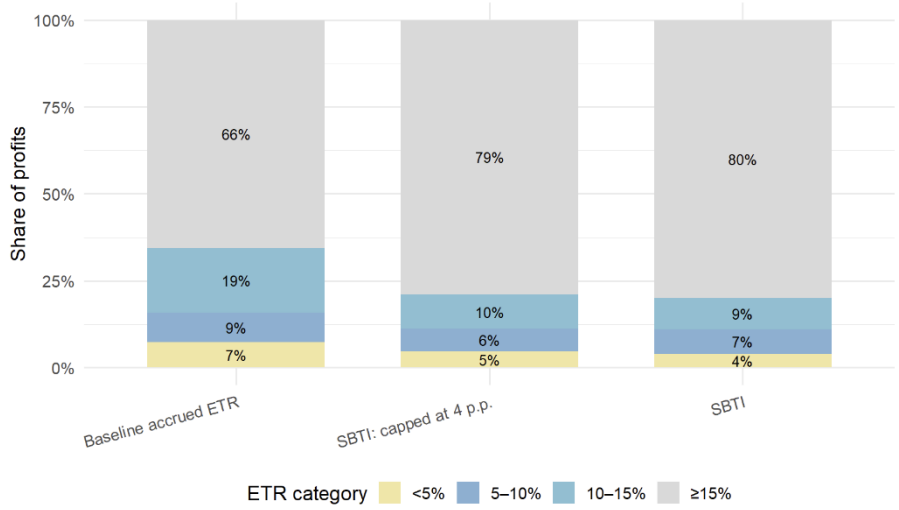
Figure A3.3 examines domestic profits of US-parented MNEs. These account for around 63% of their worldwide profits, but their aggregate accrued ETR was 17.5% in 2022, above the 15% threshold used in our analysis. An important limitation is that the aggregated CbCR data do not allow us to identify individual US-parented groups whose domestic ETR may fall below 15%. Our 2022 estimates therefore treat aggregate domestic US profits as being above the threshold. This may mask heterogeneity across US MNEs and should be kept in mind when interpreting the estimated revenue effect of the side-by-side arrangement.

A major component of the 2026 package is the SBTI Safe Harbour. Unlike the side-by-side arrangement, which changes the application of the IIR and UTPR to US-related profits, the SBTI affects the calculation of potential top-up taxes through the treatment of qualifying tax incentives. To capture this effect, the analysis considers two alternative SBTI-adjusted ETR specifications (Figure 4). The first caps the SBTI-induced increase in the accrued ETR at four percentage points, while the second applies the SBTI without this restriction. Under the baseline accrued ETR, around 35% of profits fall below the 15% threshold. This share declines to around 21% under the 4

percentage-point cap, and to around 20% under the uncapped specification.

Figure 4 illustrates the main channel through which the SBTI affects estimated Pillar Two revenues in our analysis. By increasing the ETR used for Pillar Two purposes, the favourable treatment of qualifying incentives can move profits above the 15% threshold, thereby reducing potential top-up taxation.

Figure 3 Share of profits by ETR category (2022)



Note: This graph presents the share of profits taxed at different rate ranges, detailing three ETR specifications: ETR accrued, ETR SBTI capped at 4% and ETR SBTI (unrestricted cap).

Source: Author's estimates

4 Results

4.1 Effect of US exclusion

The baseline examines a current snapshot of the implementation of Pillar Two in which jurisdictions apply the IIR, QDMTT and UTPR depending on their national announcements (see Table A1.1 in Appendix 1). The results highlight two cases: i) countries can collect IIR, UTPR and QDMTT including from US MNEs; and ii) countries cannot collect IIR and UTPR from US MNEs (side-by-side scenario).

Under a baseline where the US is treated as participating ('Incl. US'), total revenue collected amounts to approximately $152 billion, equivalent to 9.4% of global CIT. This represents the scenario in which both top-up taxes and backstop rules (IIR and UTPR) can be applied to the profits of US-headquartered MNEs.

Moving to the side-by-side package, in the scenario where countries cannot apply the IIR or UTPR on US MNEs, potential global revenues are around $140.3 billion (8.7% of CIT). It is still possible to collect QDMTT on US MNEs under the side-by-side package.

High-income countries experience the largest absolute decline, since it is mainly high-income countries that have introduced or announced an intention to apply the Pillar Two rules. The reduction is particularly pronounced in Norway, Poland, Germany, Canada, South Korea and Japan, where revenue declined by 30%–80% compared to the implementation scenario including the US. For instance, estimates show that Poland's potential revenues fall from $0.6 billion to $0.3 billion, Australia's from $6.2 billion to $5 billion and Japan's from $1.6 to $1.1 billion. The top 20 affected countries are listed in Table 1. For detailed results by country, see Table A2.1 in Appendix 2.

Pillar Two revenues largely accrue to high-income countries, which collect about $133 billion (9.7% of CIT) with the inclusion of the US (including IIR and UTPR on US MNEs). Upper-middle income countries collect around $10.3 billion (5.5% of CIT) and lower-middle income countries about $8.8 billion (15.9% of CIT). While the absolute gains are concentrated in high-income jurisdictions, relative revenue importance is also meaningful for lower-income economies. The concentration of collected revenues in high-income countries stems from the fact that 50 high-income countries announced they were applying either IIR, QDMTT or UTPR in 2025 and 2026, whereas only 12 non-high-income countries announced they were introducing one of the rules (see Table A1.2 in Appendix 1).

Table 1 Top 20 affected countries

Country	Pillar Two revenues (Incl. US)	Pillar Two revenues (Excl. US)	% change after US exclusion
Norway	767.8	149.5	-80.5%
Poland	621.8	298.7	-52.0%
Germany	1,969.7	1,122.3	-43.0%
Canada	6,658.3	4,159.1	-37.5%
South Korea	743.6	501.4	-32.6%
Japan	1,606.3	1,083.6	-32.5%
Hungary	287.7	201.8	-29.8%
Belgium	1,107.1	852.3	-23.0%
Portugal	324.2	256.9	-20.7%
Australia	6,206.9	5,033.6	-18.9%
France	2,178.0	1,767.9	-18.8%
New Zealand	271.8	226.2	-16.8%
Sweden	638.4	537.4	-15.8%
Spain	1,879.1	1,597.4	-15.0%
United Kingdom	12,327.5	10,578.6	-14.2%
Czechia	844.3	730.2	-13.5%
Thailand	1,501.8	1,313.6	-12.5%
Croatia	66.1	58.3	-11.8%
Italy	2,506.5	2,220.3	-11.4%
Türkiye	668.1	592.2	-11.4%

Note: This table presents estimates for the 20 countries experiencing the largest relative changes in revenue between the baseline scenario, in which Pillar Two applies to US-parented multinational groups, and the scenario in which the IIR and UTPR do not apply to these groups. Both scenarios account for countries that have implemented or announced plans to implement the IIR, QDMTT or UTPR. All values are expressed in USD million.

Source: Author's estimates

Table 2 shows the extent of the US exclusion effect on Pillar Two revenues across income country groups. When IIR and UTPR cannot be applied to US-headquartered groups, total revenues fall from around $152.4 to $140.3 billion, largely explained by the drop in revenues from high-income countries, which decline from $133 to $122 billion (-8.7%). The change in upper- and lower-middle income countries' revenues is much more limited: revenues are reduced by around 2.3-3%. For detailed results by country, see Table A2.1 in Appendix 2.

Table 2 Revenues by income country group (2022)

Classification	No. of countries	Incl. US	% CIT	Excl. US	% CIT
High income	50	133.3	9.7%	121.7	8.9%
Upper middle income	8	10.3	5.5%	10.0	5.3%
Lower middle income	4	8.8	15.9%	8.6	15.5%
Total	**62**	**152.4**	**9.4%**	**140.3**	**8.7%**

Note: This table presents two scenarios by country income classification: Pillar two revenues including the US and Pillar Two revenues excluding IIR and UTPR on the US. ETR used is ETR accrued, without accounting for SBTI. All values are in USD billion.

Source: Author's estimates

4.2 Effect of SBTI Safe Harbour

Table 3 Revenues by income country group (2022)

Classification	No. of countries	Excl. US Excl. SBTI	% CIT	Excl. US Incl. SBTI	% CIT
High income	50	121.7	8.9%	88.1	6.4%
Upper middle income	8	10.0	17.5%	6.2	10.9%
Lower middle income	4	8.6	4.6%	5.5	3.0%
Total	**62**	**140.3**	**8.7%**	**99.9**	**6.2%**

Note: This table presents two scenarios by country income classification: Pillar two revenues excluding the US and Pillar Two revenues excluding the US while accounting for the SBTI effect on ETRs. All values are in USD billion. Source: Author's estimates

In this analysis, the computation of ETR is based on data from the OECD CbCR database using taxes accrued in the baseline and then using the max cap to estimate the effect of tax credits. MNEs have more margin to increase their ETRs in countries with large assets or employee compensation as the cap permits it such as China, the United States, Japan and Germany (Figure A2.1 in Appendix 2). We compute the max cap by country as highlighted in the methodology, and find that ETR would increase by 4% if we take the median. Assuming that ETR cannot increase more than 4% due to the SBTI gives a global Pillar Two revenue estimate of $99 billion. This should be treated with caution as there are currently no specific data and revenues go down further if ETR can increase by more than 4%. This paper limits the increase to 4% to avoid some extreme value increases.

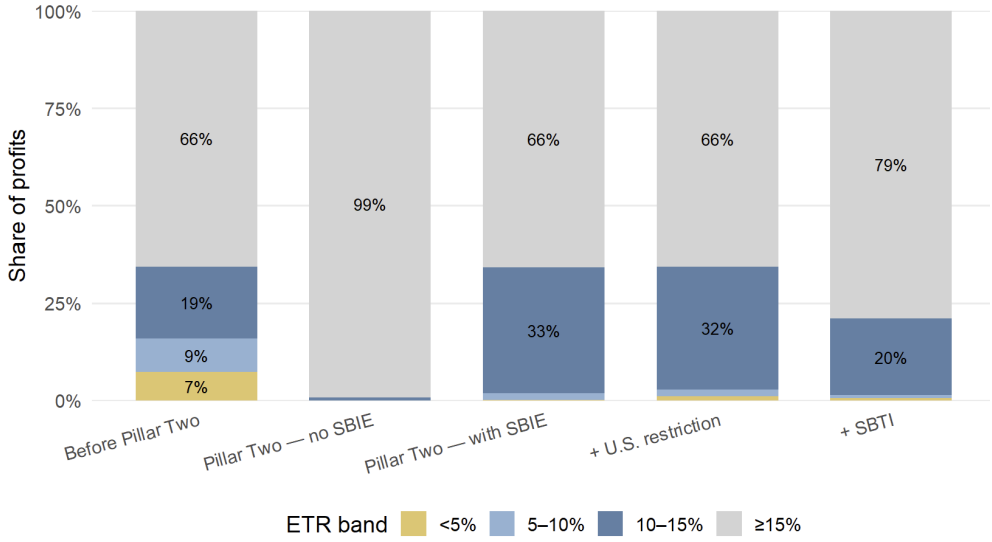
Under this assumption, countries lose, on average, around 40% of their potential Pillar Two revenues after accounting for SBTI. In relative terms, Iceland, Canada, Greece, Norway and Germany experience the largest reductions, with estimated revenue declines exceeding 80% compared with the baseline estimates. In absolute terms, the largest losses are for the United Kingdom, Canada, Hong Kong (China), Singapore and the Netherlands, where estimated revenues decline by between $2.6 billion and $7 billion (see Table A2.1 in Appendix 2 for country-level results).

The effects of the side-by-side package are driven primarily by the introduction of the SBTI rather than by the exclusion of US-headquartered multinational groups. Figure 5 illustrates how the distribution of multinational profits across ETR bands changes as the different components of Pillar Two and the 2026 package are successively introduced. Before Pillar Two, around 34% of profits are

reported with an accrued ETR below 15%, including 7% below 5% and 9% between 5% and 10%. Applying the 15% minimum tax without the substance-based income exclusion (SBIE) would see around 99% of profits reaching an ETR of at least 15%. Once the SBIE is incorporated, the share of profits reaching the 15% threshold falls to around 66%, illustrating the importance of the substance-based carve-out in reducing the amount of top-up tax generated by Pillar Two.

The subsequent introduction of the side-by-side arrangement produces only a limited change in the aggregate ETR distribution, with the share of profits at or above 15% remaining around 66%. This is consistent with the relatively modest revenue effect of the side-by-side arrangement estimated in the analysis. By contrast, accounting for the SBTI produces a more pronounced shift: the share of profits at or above 15% increases from around 66% to 79%, while the share between 10% and 15% falls from around 32% to 20%. This shift should not be interpreted as implying higher Pillar Two revenues. Rather, the SBTI allows qualifying tax incentives to receive more favourable treatment for Pillar Two purposes, increasing the ETR used in the analysis and thereby reducing the amount of potential top-up tax.

Figure 4 Profits by ETR before and after Pillar Two



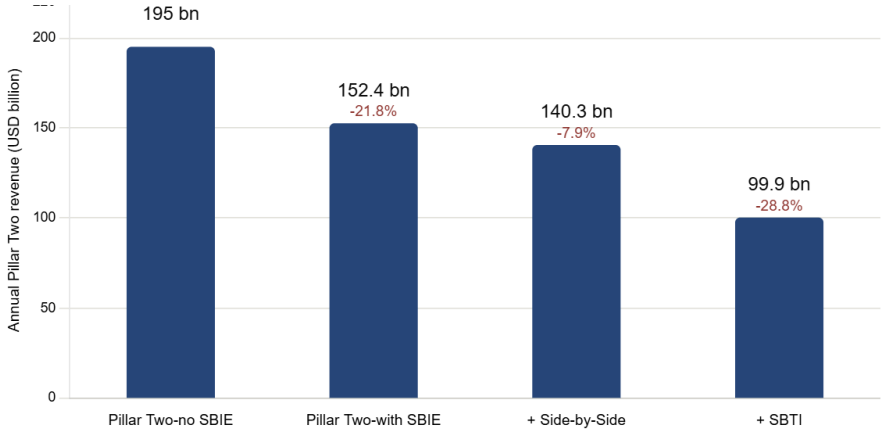
Note: This figure presents the distribution of profits across ETR bands under five successive scenarios: (1) before Pillar Two, using the observed accrued ETR; (2) after applying the 15% minimum tax without the SBIE; (3) after applying Pillar Two with the SBIE; (4) after additionally applying the side-by-side arrangement to US-related profits; and (5) after additionally accounting for the SBTI Safe Harbour.

Source: Author's calculations based on OECD CbCR data

Figure 6 translates the changes in the ETR distribution shown in Figure 5 into their implications for estimated Pillar Two revenues. In the counterfactual scenario in which the 15% minimum tax is applied without the SBIE, estimated annual revenues amount to around $195 billion. Accounting for the SBIE reduces this to $152.4 billion, a decline of around 22%. The introduction of the side-by-side arrangement further reduces estimated revenues to $140.3 billion, around 8%

relative to the preceding scenario and 28% relative to the no-SBIE counterfactual.

Figure 5 Pillar II potential revenues across successive scenarios



Note: This graph presents the projected annual global revenue from Pillar Two, showing how successive carve-outs and coexistence mechanisms reduce collectible revenue. We start from SBIE, introduce the side-by-side arrangement and then add SBTI. Each percentage reflects the change from the immediately preceding scenario.

Source: Author's estimations.

Accounting for the SBTI Safe Harbour reduces estimated revenues to $99.9 billion, a further reduction of around 29% relative to the side-by-side scenario. Overall, the combined effect of the SBIE, side-by-side arrangement and SBTI reduces estimated revenues by around 49% relative to the counterfactual application of the 15% minimum tax without the SBIE. The decomposition therefore shows that the design features surrounding the 15% minimum rate are important determinants of its revenue effects. The revenue reduction associated with the side-by-side arrangement is relatively modest compared with the effects of the SBIE and SBTI. In particular, the SBTI produces the largest additional reduction among the successive changes considered after the SBIE.

5 Conclusion

This paper assesses the implications of the OECD's side-by-side package for the expected revenue gains from Pillar Two. Using OECD aggregated CbCR data, it estimates revenue outcomes under current implementation plans for the IIR, QDMTT and UTPR, and then evaluates how these outcomes change once the side-by-side package is introduced.

The results show that excluding US-headquartered multinationals from the IIR and UTPR reduces global Pillar Two revenues only moderately, from approximately $152 billion to $140 billion in the current implementation scenario. Most of this decline reflects revenues that would otherwise have been collected by jurisdictions applying the IIR to US-headquartered groups, while QDMTTs continue to preserve a significant share of source-country taxing rights. The revenue impact is concentrated in high-income economies, reflecting both their greater adoption of Pillar Two rules and their larger exposure to US multinational activity.

The introduction of the SBTI has a much larger effect on estimated revenues. Under the assumptions adopted in this paper, accounting for the SBTI reduces global Pillar Two revenues to around $99 billion. This reflects the fact that the SBTI reduces the amount of profit subject to top-up taxation by allowing qualifying tax incentives linked to substantive economic activity to increase jurisdictional effective tax rates.

These estimates should be interpreted with caution. The modelling relies on aggregated CbCR data which do not identify the qualifying tax incentives eligible under the SBTI. The analysis therefore approximates the SBTI effect using a cap on ETR increases, which provides an indicative rather than definitive estimate. In addition, the simulations are static and do not account for behavioural responses by multinational enterprises, changes in investment or financing structures, or interactions between the OECD rules and the US GILTI and Corporate Alternative Minimum Tax (CAMT) regimes.

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Appendix 1 List of countries applying Pillar Two

Table A1.1 List of countries that announced application of IIR, UTPR or QDMTT (2025–2026)

Country	IIR	QDMTT	UTPR	Country	IIR	QDMTT	UTPR
Oman	yes	yes	no	Hong Kong	yes	yes	no
Bahamas	no	yes	no	Hungary	yes	yes	yes
Bahrain	no	yes	no	Iceland	yes	yes	no
Barbados	no	yes	no	Indonesia	yes	yes	yes
Brazil	no	yes	no	Ireland	yes	yes	yes
Israel	no	yes	no	Isle of Man	yes	yes	no
Kenya	no	yes	no	Italy	yes	yes	yes
Kuwait	no	yes	no	Japan	yes	yes	yes
Mauritius	no	yes	no	Jersey	yes	yes	no
Qatar	yes	yes	no	Liechtenstein	yes	yes	no
Slovakia	no	yes	no	Luxembourg	yes	yes	yes
United Arab Emirates	no	yes	no	Malaysia	yes	yes	no
Uruguay	no	yes	no	Netherlands	yes	yes	yes
Zimbabwe	no	yes	no	New Zealand	yes	yes	yes
Australia	yes	yes	yes	North Macedonia	yes	yes	no
Austria	yes	yes	yes	Norway	yes	yes	yes
Belgium	yes	yes	yes	Poland	yes	yes	yes
Bulgaria	yes	yes	yes	Portugal	yes	yes	yes
Canada	yes	yes	yes	Romania	yes	yes	yes
Croatia	yes	yes	yes	Singapore	yes	yes	no
Curacao	yes	yes	no	Slovenia	yes	yes	yes
Cyprus	yes	yes	yes	South Africa	yes	yes	no
Czechia	yes	yes	yes	South Korea	yes	yes	yes
Denmark	yes	yes	yes	Spain	yes	yes	yes
Finland	yes	yes	yes	Sweden	yes	yes	yes
France	yes	yes	yes	Switzerland	yes	yes	no
Germany	yes	yes	yes	Thailand	yes	yes	yes
Gibraltar	yes	yes	no	Türkiye	yes	yes	yes
Greece	yes	yes	yes	United Kingdom	yes	yes	yes
Guernsey	yes	yes	no	Vietnam	yes	yes	no

Note: This table presents countries that announced application of IIR, QDMTT or UTPR for 2025 and 2026 according to the PWC Pillar 2 Country Tracker. In this study, it is assumed that Estonia, Latvia, Lithuania and Malta do not collect Pillar Two revenues as they have opted for a deferral of application of six years. Source: PWC Pillar 2 Country Tracker

Table A1.2 Number of countries that have announced application of IIR, UTPR or QDMTT by country income group (2025–2026)

Classification	IIR	QDMTT	UTPR
High income	40	48	28
Low income	0	0	0
Low middle income	2	4	1
Upper middle income	6	8	3

Source: Author's estimates

Appendix 2 Detailed results

Table A2.1 Revenue estimates for countries that announced application of Pillar Two rules with/without the US (2022)

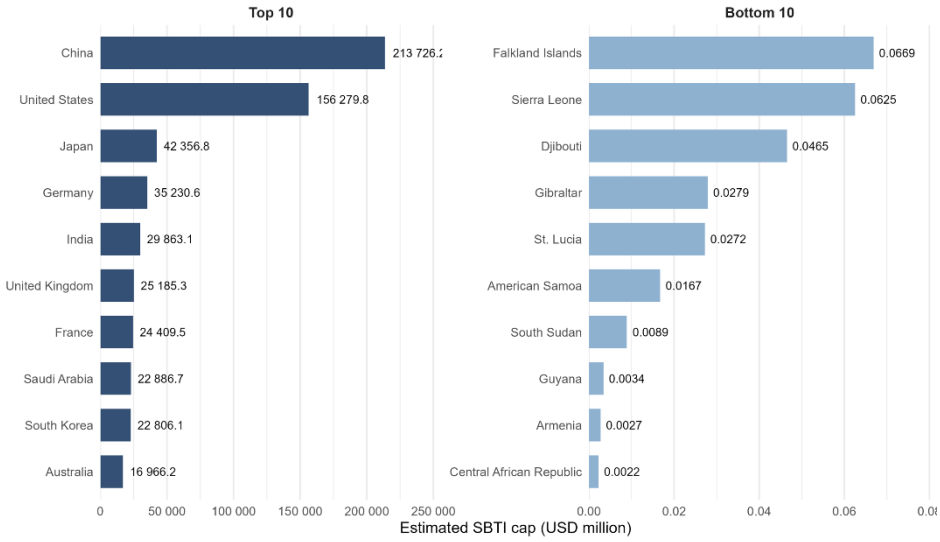
Country	Excl. US (No SBTI)	% CIT	US included (No SBTI)	%CIT	Excl. US (ETR SBTI)	% CIT
Australia	5,033.6	4.5%	6,206.9	5.5%	4,111.4	3.7%
Austria	1,180.8	7.3%	1,228.9	7.6%	571.5	3.5%
Bahamas	13.9	.	13.9	.	13.5	.
Bahrain	306.0	1,337.2%	306.0	1337.2%	287.6	1256.7%
Barbados	1,014.2	524.7%	1,014.2	524.7%	1,002.2	518.4%
Belgium	852.3	3.7%	1,107.1	4.8%	423.0	1.8%
Canada	4,159.1	4.0%	6,658.3	6.4%	636.7	0.6%
Croatia	58.3	2.6%	66.1	2.9%	45.4	2.0%
Curaçao	16.1	.	16.1	.	15.9	.
Cyprus	769.9	37.3%	771.6	37.4%	747.5	36.3%
Czechia	730.2	5.7%	844.3	6.5%	610.4	4.7%
Denmark	3,618.3	27.3%	3,680.6	27.8%	2,880.9	21.7%
Europe	301.5	.	301.5	.	148.3	.
Finland	643.2	7.6%	679.7	8.0%	286.4	3.4%
France	1,767.9	2.2%	2,178.0	2.7%	1,315.7	1.7%
Germany	1,122.3	1.1%	1,969.7	2.0%	421.0	0.4%
Gibraltar	2.8	.	2.8	.	2.8	.
Greece	284.5	5.3%	306.3	5.7%	36.2	0.7%
Guernsey	28.2	.	28.2	.	25.0	.
Hong Kong (China)	16,674.0	72.5%	16,674.0	72.5%	13,535.7	58.9%
Hungary	201.8	6.9%	287.7	9.8%	137.4	4.7%
Iceland	2.6	0.3%	2.6	0.3%	0.0	0.0%
Ireland	7,939.1	33.3%	8,606.0	36.1%	6,158.7	25.8%
Isle of Man	18.4	.	18.4	.	18.4	.
Israel	554.1	2.5%	554.1	2.5%	493.5	2.2%
Italy	2,220.3	3.7%	2,506.5	4.2%	550.3	0.9%
Japan	1,083.6	0.5%	1,606.3	0.8%	976.1	0.5%
Jersey	294.7	.	294.7	.	292.8	.
Korea	501.4	0.6%	743.6	0.8%	392.4	0.4%
Kuwait	58.1	.	58.1	.	39.7	.
Liechtenstein	8.7	.	8.7	.	6.9	.
Luxembourg	7,153.7	201.4%	7,704.5	217.0%	6,402.4	180.3%
Netherlands	10,178.8	20.5%	10,588.6	21.3%	7,894.3	15.9%
New Zealand	226.2	1.9%	271.8	2.3%	133.2	1.1%
Norway	149.5	0.1%	767.8	0.7%	101.0	0.1%
Oman	45.6	3.6%	45.6	3.6%	35.7	2.8%
Other Europe	1,356.6	.	1,356.6	.	547.1	.
Poland	298.7	1.5%	621.8	3.2%	201.3	1.0%
Portugal	256.9	3.0%	324.2	3.8%	119.1	1.4%
Qatar	23.5	0.3%	23.5	0.3%	11.4	0.1%
Romania	3,963.5	43.8%	4,059.2	44.9%	3,484.9	38.5%

Singapore	14,835.1	74.5%	14,835.1	74.5%	12,057.9	60.5%
Slovak Republic	32.0	0.8%	32.0	0.8%	27.2	0.6%
Slovenia	92.3	6.6%	97.9	7.0%	54.8	3.9%
Spain	1,597.4	4.1%	1,879.1	4.9%	964.5	2.5%
Sweden	537.4	2.7%	638.4	3.2%	250.6	1.3%
Switzerland	11,086.0	40.9%	11,086.0	40.9%	8,474.2	31.2%
United Arab Emirates	7,739.1	.	7,739.1	.	5,959.0	.
United Kingdom	10,578.6	10.3%	12,327.5	12.0%	5,099.4	5.0%
Uruguay	132.8	6.9%	132.8	6.9%	113.1	5.9%

Note: This table presents revenue potential from a scenario reflecting countries that announced applying IIR, QDMTT or UTPR (according to PWC Pillar Two Country Tracker for 2025 and 2026). The second column reflects a scenario where the US is included (countries can collect IIR, QDMTT and UTPR from the US). The fourth column presents the side-by-side approach where countries cannot collect IIR and UTPR from the US. The sixth column presents a scenario where the US is excluded and the ETRs reflect the SBTI safe harbour. Columns 3, 5, and 7 represent the corresponding share of revenues with respect to the corporate income tax collected in the jurisdiction. Figures are in USD million.

Source: Author's estimates.

Figure A2.1 Countries with the highest and lowest estimated SBTI caps

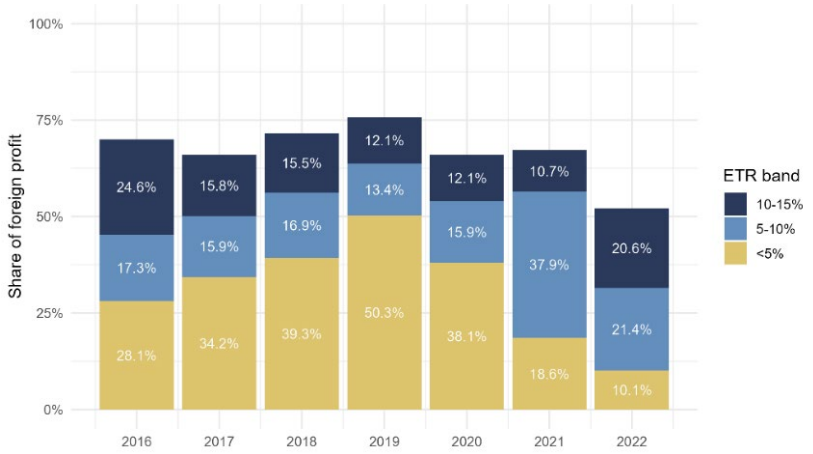


Note: This figure presents SBTI caps for the top 10 and bottom 10 countries. SBTI caps are the max value that the side-by-side package has determined for tax incentives deductions.

Source: Author's estimates

Appendix 3 Additional descriptives

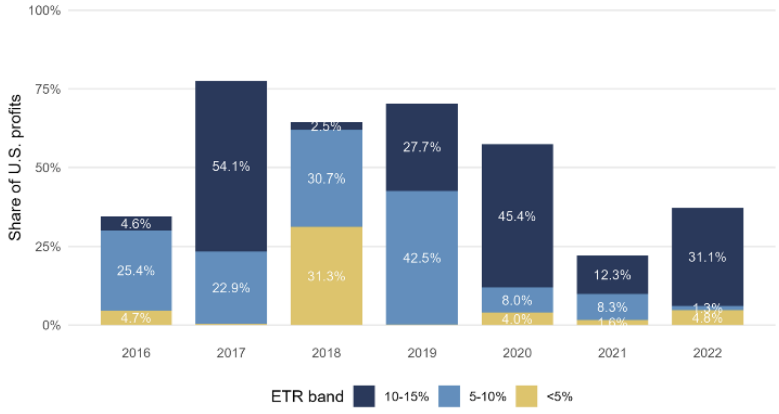
Figure A3.1 Share of US parent MNEs foreign profits below 15%



Note: This figure presents the share of US-parented MNEs' foreign profit taxed at ETR below 15% (accrued ETR = tax accrued/profit), broken down by ETR band, for 2016–2022.

Source: Author's estimates

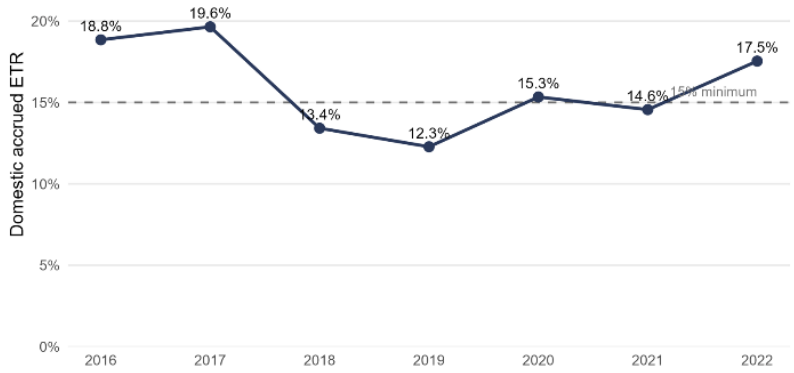
Figure A3.2 Share of profits of non-US MNEs in the US



Note: This figure presents the share of foreign-parented MNEs' US profit taxed at ETR below 15% (accrued ETR = tax accrued/profit), broken down by ETR band, for 2016–2022.

Source: Author's estimates

Figure A3.3 Share of profits of non-US MNEs in the US



Note: This figure presents the domestic accrued ETR (tax accrued/profit) of US-parented MNEs on profits reported in the United States, for 2016–2022, relative to the 15% Pillar Two minimum. Source: Author's estimates