



FEI

Staying Ahead of the Curve: Tax Compliance Update and Cybersecurity Preparedness for Financial Institutions

June 10, 2025



EY

Building a better
working world

Responding to Cyber Threats & Incidents





Alexander Saul

Senior,
Technology Risk
Consultant

Introduction to Cyber Threats

Common threats the cyber industry are currently facing includes:

- **Phishing Attacks:** These are deceptive emails or messages that trick individuals into revealing sensitive information, such as login credentials or financial data. Attackers often impersonate trusted entities to increase the likelihood of success.
- **Ransomware:** Malware whose primary purpose is to perform some malicious action (such as encrypting data), with the goal of extracting payment from the target in order to avoid or undo the malicious action.
- **Data Breaches:** A breach is an exposure and release of data by a threat actor. This is typically coupled with an extortion demand and does not always mean the environment is under attack, but data has been exfiltrated from a public or private location.
- **Vishing:** In vishing campaigns, threat actors call targeted users and attempt to persuade them to download malicious payloads, establish remote support sessions, or enter their credentials to adversary-in-the-middle (AITM) phishing pages.
- **Social engineering:** This encompasses tactics used by cybercriminals to manipulate individuals into divulging confidential information.
- **Exploits:** Exploits are malicious code or techniques that take advantage of vulnerabilities in software, hardware, or network systems. Attackers use exploits to gain unauthorized access, escalate privileges, or execute arbitrary code on a target system.



Introduction to Cyber Threats

Common threats the cyber industry are currently facing includes:

- **Phishing Attacks:** These are deceptive emails or messages that trick individuals into revealing sensitive information, such as login credentials or financial data. Attackers often impersonate trusted entities to increase the likelihood of success.
- **Ransomware:** Malware whose primary purpose is to perform some malicious action (such as encrypting data), with the goal of extracting payment from the target in order to avoid or undo the malicious action.
- **Data Breaches:** A breach is an exposure and release of data by a threat actor. This is typically coupled with an extortion demand and does not always mean the environment is under attack, but data has been exfiltrated from a public or private location.
- **Vishing:** In vishing campaigns, threat actors call targeted users and attempt to persuade them to download malicious payloads, establish remote support sessions, or enter their credentials to adversary-in-the-middle (AITM) phishing pages.
- **Social engineering:** This encompasses tactics used by cybercriminals to manipulate individuals into divulging confidential information.
- **Exploits:** Exploits are malicious code or techniques that take advantage of vulnerabilities in software, hardware, or network systems. Attackers use exploits to gain unauthorized access, escalate privileges, or execute arbitrary code on a target system.



Introduction to Cyber Threats

Common threats the cyber industry are currently facing includes:

- **Phishing Attacks:** These are deceptive emails or messages that trick individuals into revealing sensitive information, such as login credentials or financial data. Attackers often impersonate trusted entities to increase the likelihood of success.
- **Ransomware:** Malware whose primary purpose is to perform some malicious action (such as encrypting data), with the goal of extracting payment from the target in order to avoid or undo the malicious action.
- **Data Breaches:** A breach is an exposure and release of data by a threat actor. This is typically coupled with an extortion demand and does not always mean the environment is under attack, but data has been exfiltrated from a public or private location.
- **Vishing:** In vishing campaigns, threat actors call targeted users and attempt to persuade them to download malicious payloads, establish remote support sessions, or enter their credentials to adversary-in-the-middle (AITM) phishing pages.
- **Social engineering:** This encompasses tactics used by cybercriminals to manipulate individuals into divulging confidential information.
- **Exploits:** Exploits are malicious code or techniques that take advantage of vulnerabilities in software, hardware, or network systems. Attackers use exploits to gain unauthorized access, escalate privileges, or execute arbitrary code on a target system.



Introduction to Cyber Threats

Common threats the cyber industry are currently facing includes:

- **Phishing Attacks:** These are deceptive emails or messages that trick individuals into revealing sensitive information, such as login credentials or financial data. Attackers often impersonate trusted entities to increase the likelihood of success.
- **Ransomware:** Malware whose primary purpose is to perform some malicious action (such as encrypting data), with the goal of extracting payment from the target in order to avoid or undo the malicious action.
- **Data Breaches:** A breach is an exposure and release of data by a threat actor. This is typically coupled with an extortion demand and does not always mean the environment is under attack, but data has been exfiltrated from a public or private location.
- **Vishing:** In vishing campaigns, threat actors call targeted users and attempt to persuade them to download malicious payloads, establish remote support sessions, or enter their credentials to adversary-in-the-middle (AITM) phishing pages.
- **Social engineering:** This encompasses tactics used by cybercriminals to manipulate individuals into divulging confidential information.
- **Exploits:** Exploits are malicious code or techniques that take advantage of vulnerabilities in software, hardware, or network systems. Attackers use exploits to gain unauthorized access, escalate privileges, or execute arbitrary code on a target system.



Introduction to Cyber Threats

Common threats the cyber industry are currently facing includes:

- **Phishing Attacks:** These are deceptive emails or messages that trick individuals into revealing sensitive information, such as login credentials or financial data. Attackers often impersonate trusted entities to increase the likelihood of success.
- **Ransomware:** Malware whose primary purpose is to perform some malicious action (such as encrypting data), with the goal of extracting payment from the target in order to avoid or undo the malicious action.
- **Data Breaches:** A breach is an exposure and release of data by a threat actor. This is typically coupled with an extortion demand and does not always mean the environment is under attack, but data has been exfiltrated from a public or private location.
- **Vishing:** In vishing campaigns, threat actors call targeted users and attempt to persuade them to download malicious payloads, establish remote support sessions, or enter their credentials to adversary-in-the-middle (AITM) phishing pages.
- **Social engineering:** This encompasses tactics used by cybercriminals to manipulate individuals into divulging confidential information.
- **Exploits:** Exploits are malicious code or techniques that take advantage of vulnerabilities in software, hardware, or network systems. Attackers use exploits to gain unauthorized access, escalate privileges, or execute arbitrary code on a target system.



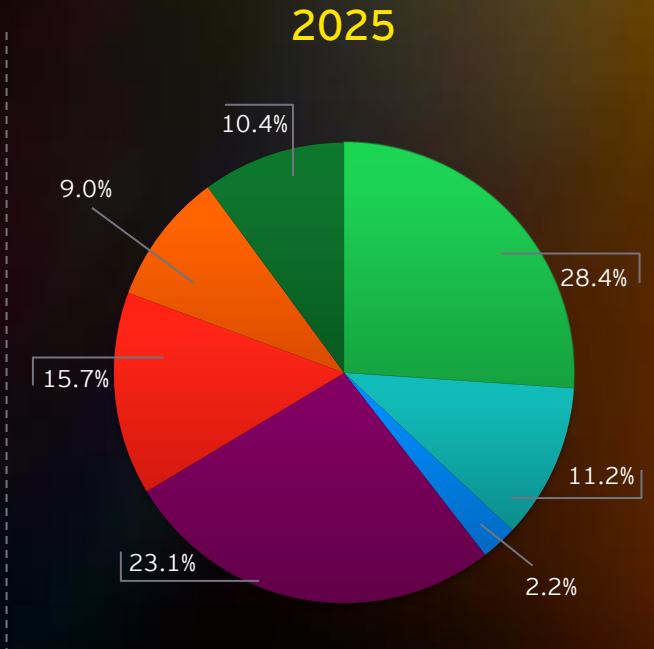
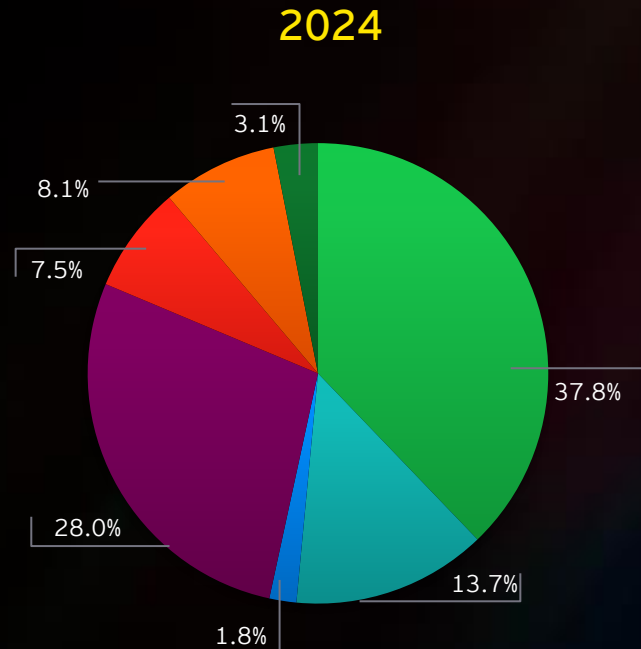
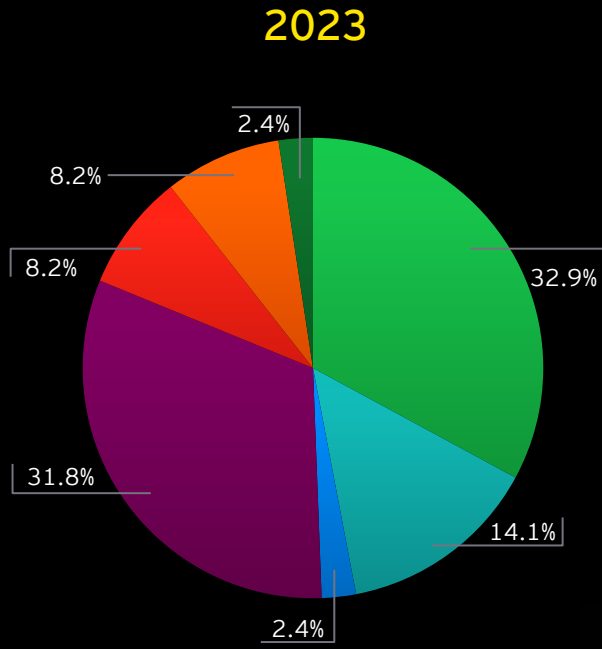
Introduction to Cyber Threats

Common threats the cyber industry are currently facing includes:

- **Phishing Attacks:** These are deceptive emails or messages that trick individuals into revealing sensitive information, such as login credentials or financial data. Attackers often impersonate trusted entities to increase the likelihood of success.
- **Ransomware:** Malware whose primary purpose is to perform some malicious action (such as encrypting data), with the goal of extracting payment from the target in order to avoid or undo the malicious action.
- **Data Breaches:** A breach is an exposure and release of data by a threat actor. This is typically coupled with an extortion demand and does not always mean the environment is under attack, but data has been exfiltrated from a public or private location.
- **Vishing:** In vishing campaigns, threat actors call targeted users and attempt to persuade them to download malicious payloads, establish remote support sessions, or enter their credentials to adversary-in-the-middle (AITM) phishing pages.
- **Social engineering:** This encompasses tactics used by cybercriminals to manipulate individuals into divulging confidential information.
- **Exploits:** Exploits are malicious code or techniques that take advantage of vulnerabilities in software, hardware, or network systems. Attackers use exploits to gain unauthorized access, escalate privileges, or execute arbitrary code on a target system.



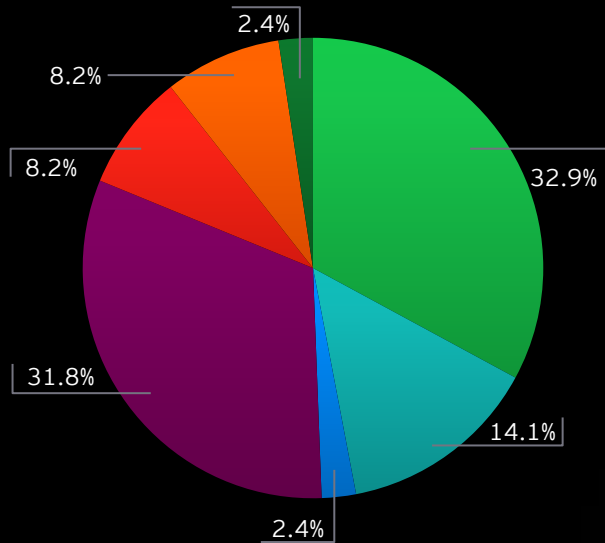
EY Investigations by Incident Type - All Sectors



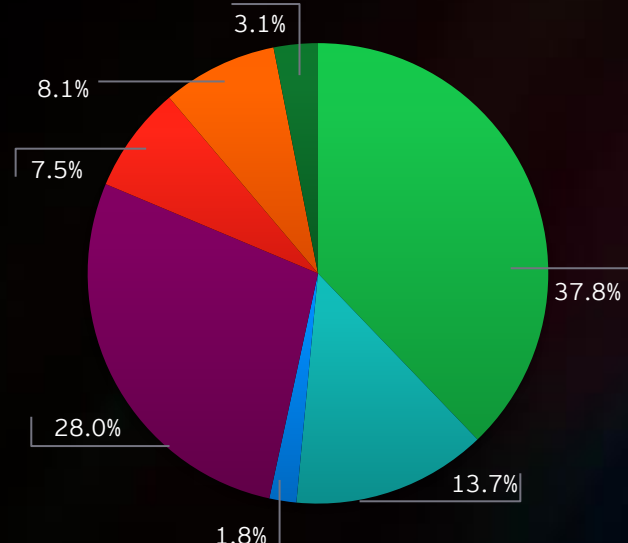
Incident Type	2023	2024	2025	Change
Ransomware	32.9%	37.8%	28.4%	-9.4%
Business email compromise	14.1%	13.7%	11.2%	-2.5%
Malware	2.4%	1.8%	2.2%	+0.4%
Unauthorized access	31.8%	28.0%	23.1%	-4.9%
Data breach / extortion	8.2%	7.5%	15.7%	+8.2%
Social engineering	8.2%	8.1%	9.0%	+0.9%
External / vendor breach	2.4%	3.1%	10.4%	+7.3%

EY Investigations by Incident Type - All Sectors

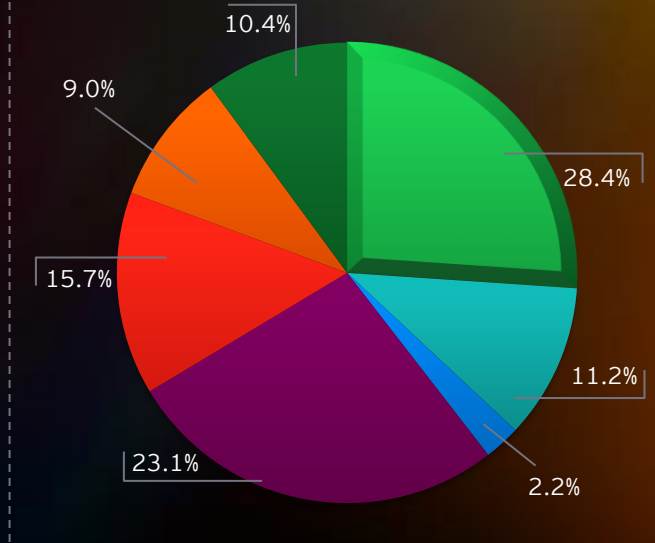
2023



2024

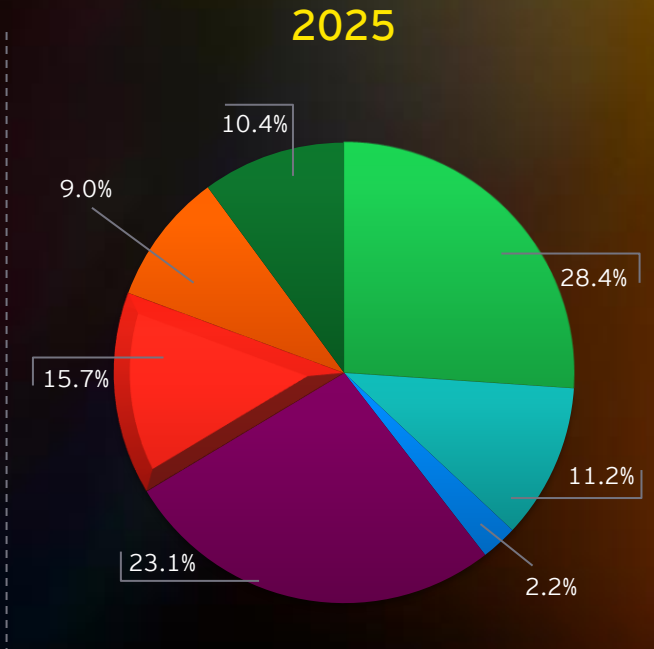
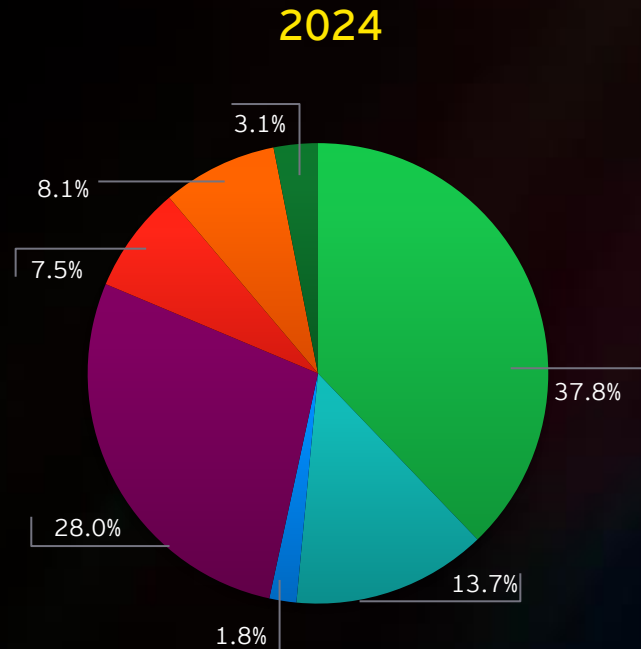
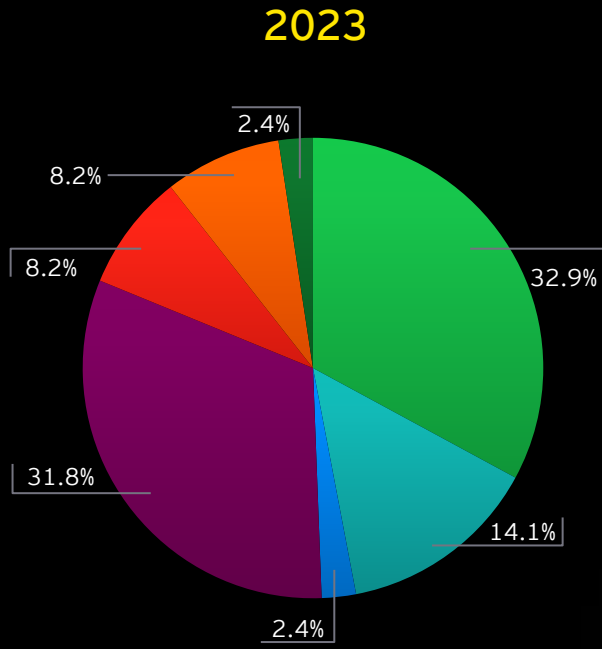


2025



Ransomware	32.9%	37.8%	28.4%	-9.4%
Business email compromise	14.1%	13.7%	11.2%	-2.5%
Malware	2.4%	1.8%	2.2%	+0.4%
Unauthorized access	31.8%	28.0%	23.1%	-4.9%
Data breach / extortion	8.2%	7.5%	15.7%	+8.2%
Social engineering	8.2%	8.1%	9.0%	+0.9%
External / vendor breach	2.4%	3.1%	10.4%	+7.3%

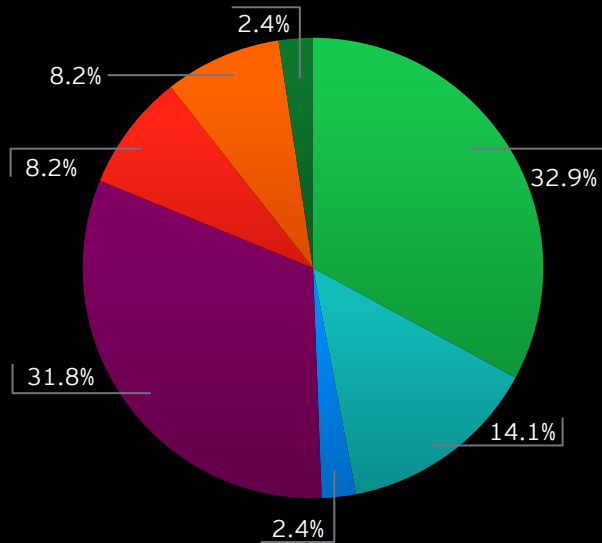
EY Investigations by Incident Type - All Sectors



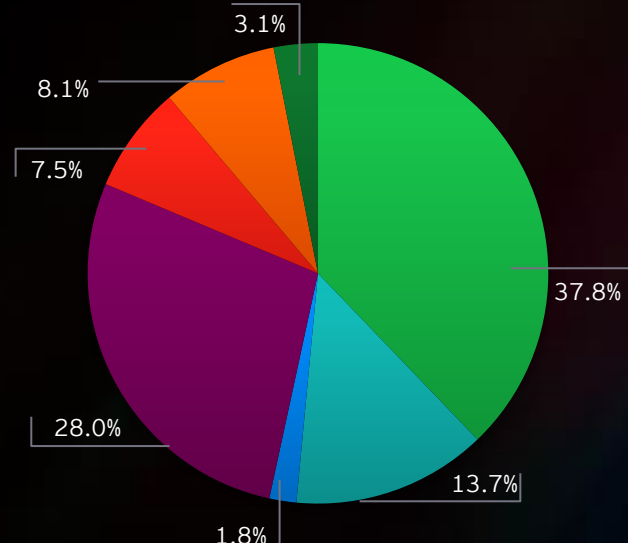
Incident Type	2023	2024	2025	Change (2025 vs 2024)
Ransomware	32.9%	37.8%	28.4%	-9.4%
Business email compromise	14.1%	13.7%	11.2%	-2.5%
Malware	2.4%	1.8%	2.2%	+0.4%
Unauthorized access	31.8%	28.0%	23.1%	-4.9%
Data breach / extortion	8.2%	7.5%	15.7%	+8.2%
Social engineering	8.2%	8.1%	9.0%	+0.9%
External / vendor breach	2.4%	3.1%	10.4%	+7.3%

EY Investigations by Incident Type - All Sectors

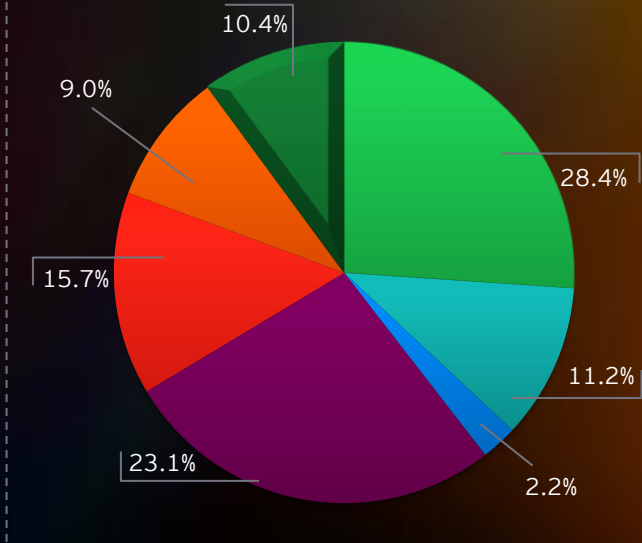
2023



2024



2025



Ransomware	32.9%	37.8%	28.4%	-9.4%
Business email compromise	14.1%	13.7%	11.2%	-2.5%
Malware	2.4%	1.8%	2.2%	+0.4%
Unauthorized access	31.8%	28.0%	23.1%	-4.9%
Data breach / extortion	8.2%	7.5%	15.7%	+8.2%
Social engineering	8.2%	8.1%	9.0%	+0.9%
External / vendor breach	2.4%	3.1%	10.4%	+7.3%

Understanding Cyber Threats

- **Targeted Attacks on Financial Institutions:** We've seen instances where cybercriminals specifically target financial institutions to gain access to critical employee accounts or sensitive financial data. These attacks often involve sophisticated techniques, such as social engineering and advanced malware.
- **Data Breaches in Financial Institutions:** Financial institutions hold vast amounts of sensitive financial information. A breach in this sector can expose client data, leading to severe legal and financial repercussions.
- **Motivations Behind Cyber Threats:** Understanding the motivations can help in anticipating and mitigating threats. Common motivations include:
 - **Financial Gain:** Many cybercriminals seek to steal money or sensitive information for financial profit.
 - **Political or Ideological Reasons (Hacktivists)**
 - **Espionage:** Competitors or nation-state threat actors may engage in cyber activities to gain an advantage by stealing trade secrets or sensitive data.

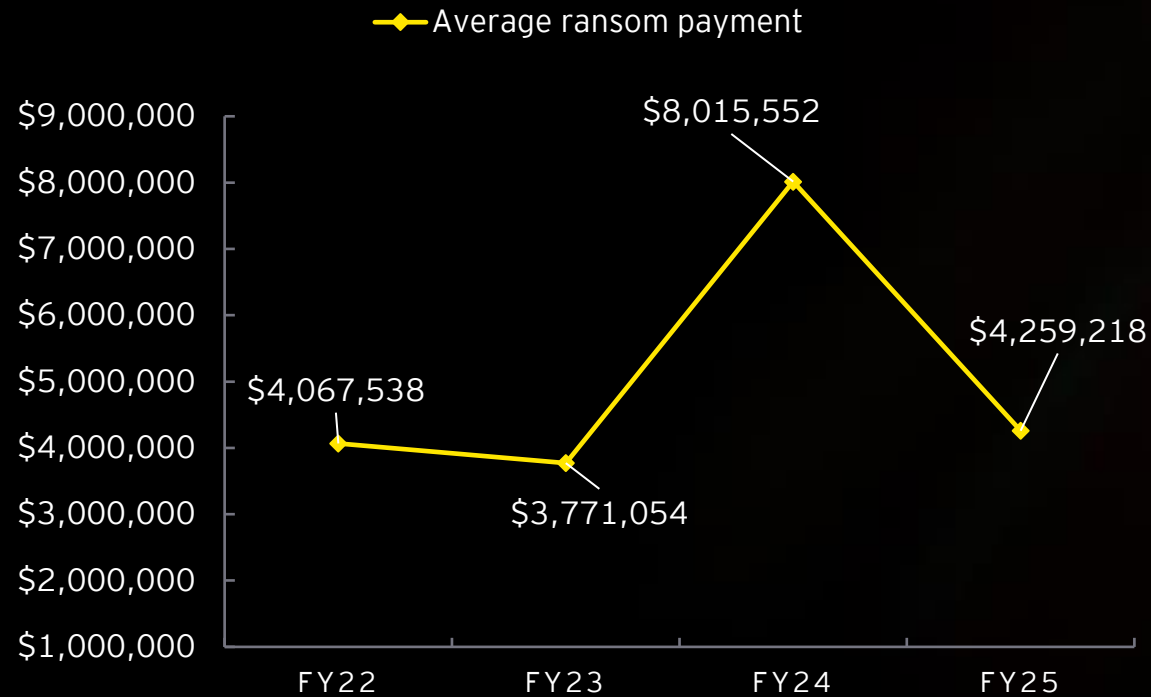


The Impact of Cyber Threats

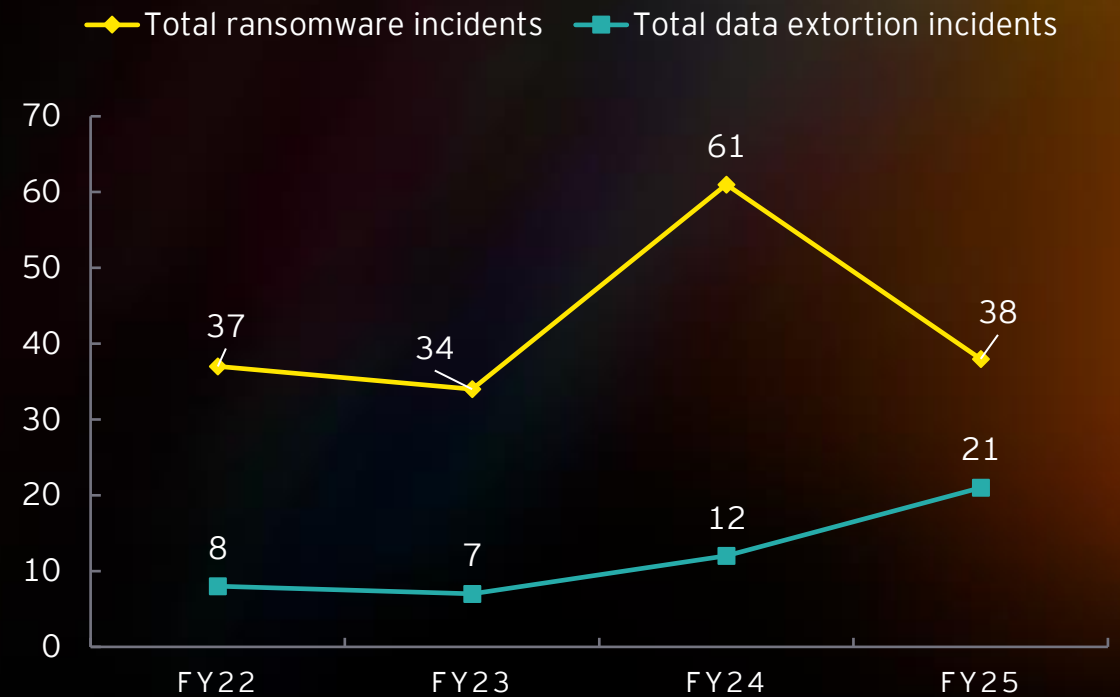
- **Financial Losses:** The financial implications of a cyber incident can be staggering. According to industry reports, the average cost of a data breach in the financial sector can reach millions of dollars, factoring in legal fees, regulatory fines, and loss of business.
- **Reputational Damage:** Trust with an organization is difficult to obtain but easy to lose. A cyber incident can erode customer confidence and loyalty, leading to long-term damage to an organization's brand. Clients or customers may choose to take their business elsewhere if they feel their data is not secure or if there is a burden related to continued use of an organization's services.
- **Legal and Regulatory Consequences:** Organizations may face legal actions from affected parties or regulatory scrutiny following a breach. Compliance with data protection laws is critical, and failure to comply can result in significant fines.

Overall Trends in Ransom Payments - All Sectors

Average ransom payment (USD)



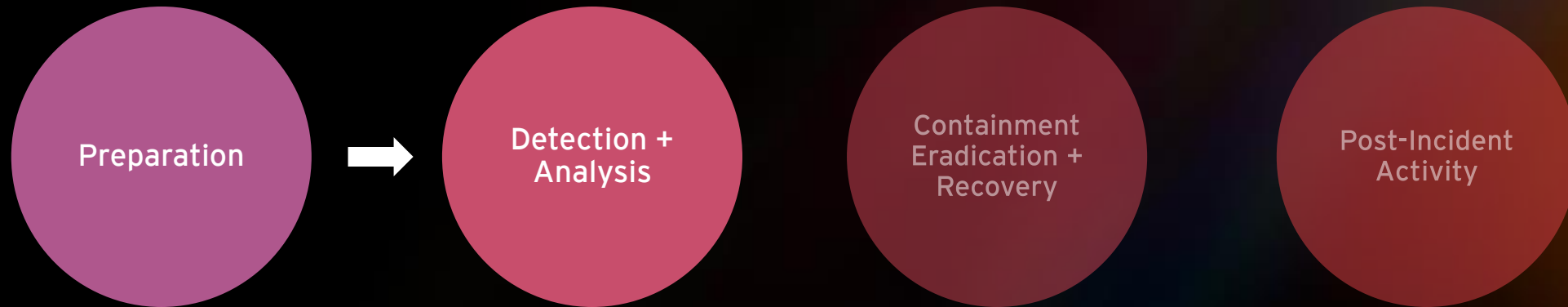
Encryption Declines as Data Extortion Rises



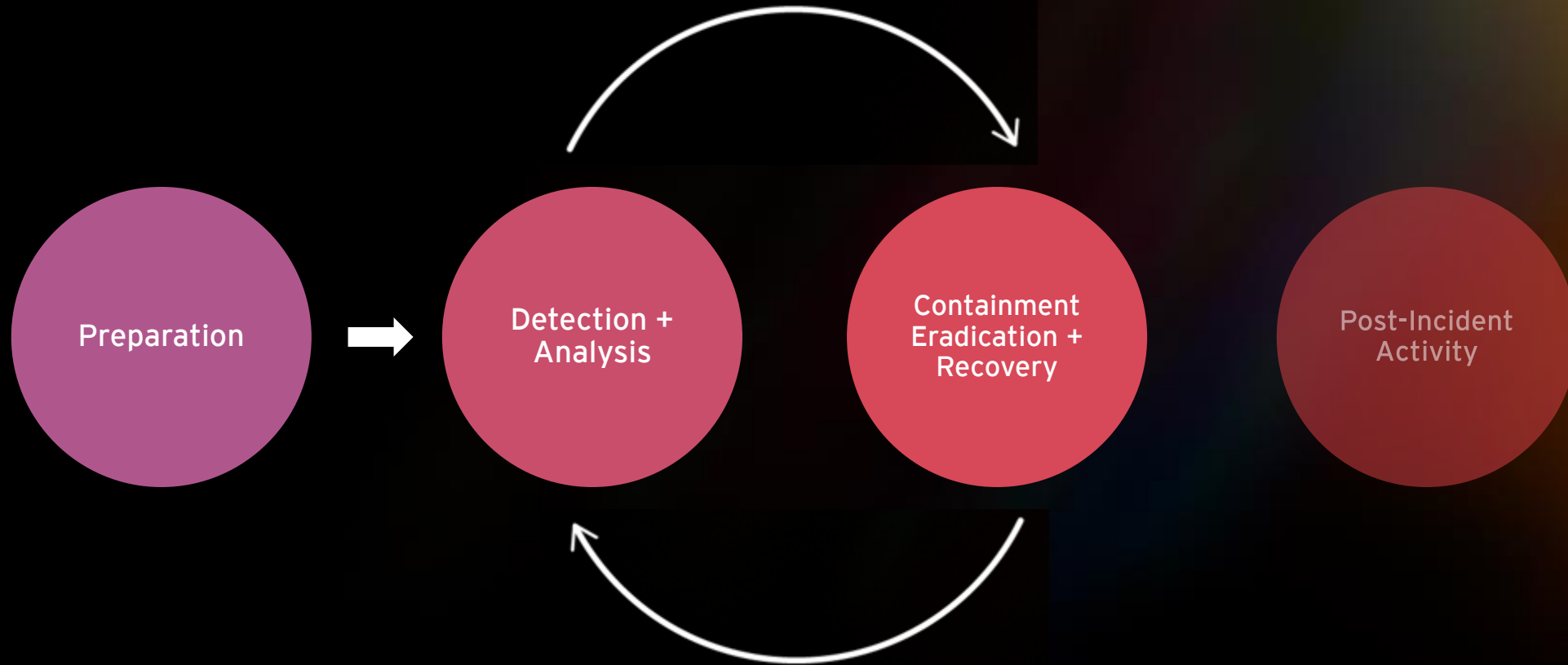
Incident Response Framework



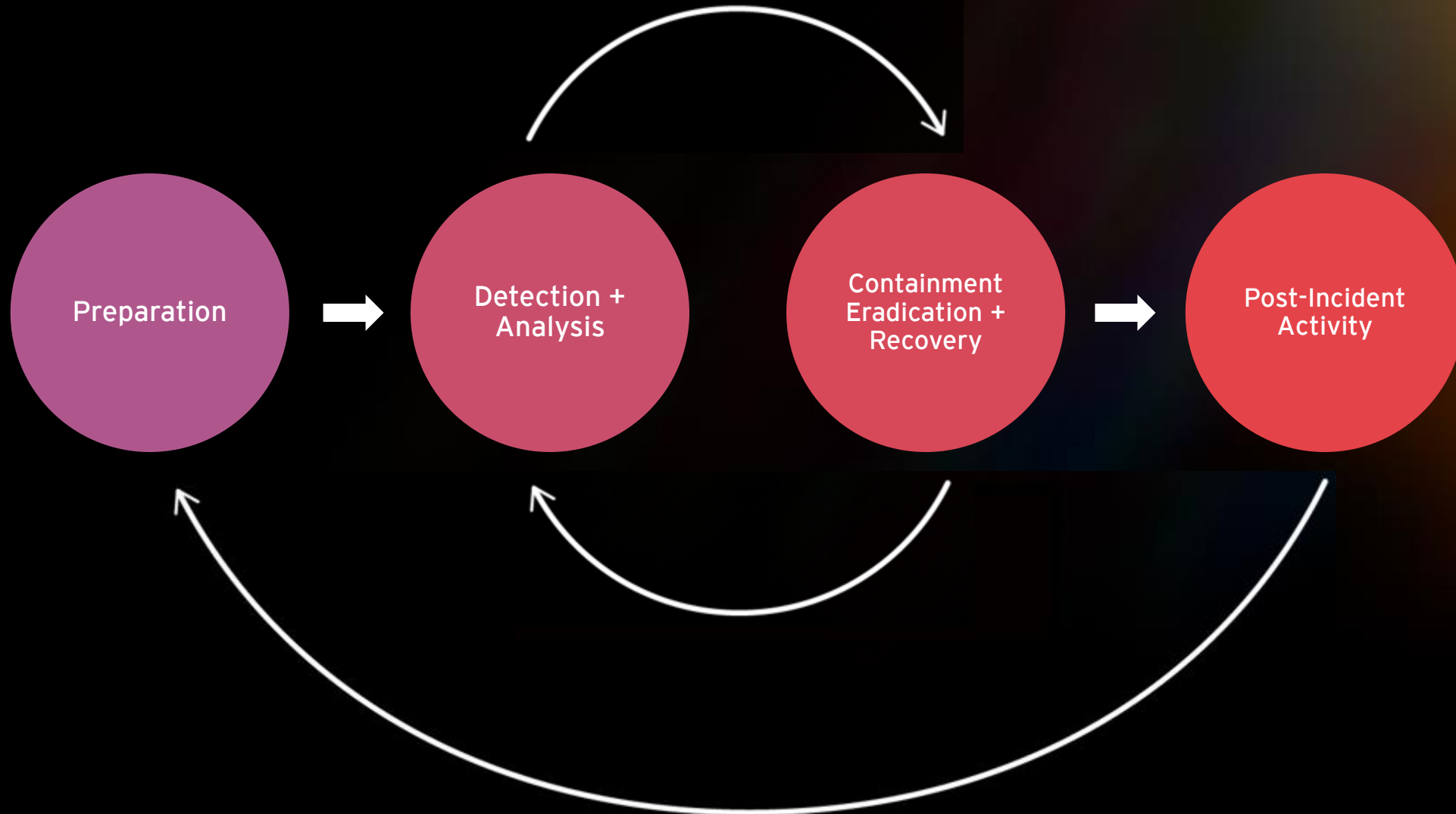
Incident Response Framework



Incident Response Framework



Incident Response Framework



Tax Update





**Ashley
Rabb**

Senior Manager,
Tax



**Rebecca
Beck**

Senior Manager,
Tax

Agenda



- ▶ Federal Tax Legislative Update
- ▶ Pillar 2: Global Minimum Tax Update
- ▶ Expanded Tax Footnote Reporting under ASU 2023-09
- ▶ EY Tax Updates and Webcast Schedule

Federal Tax Legislative Update



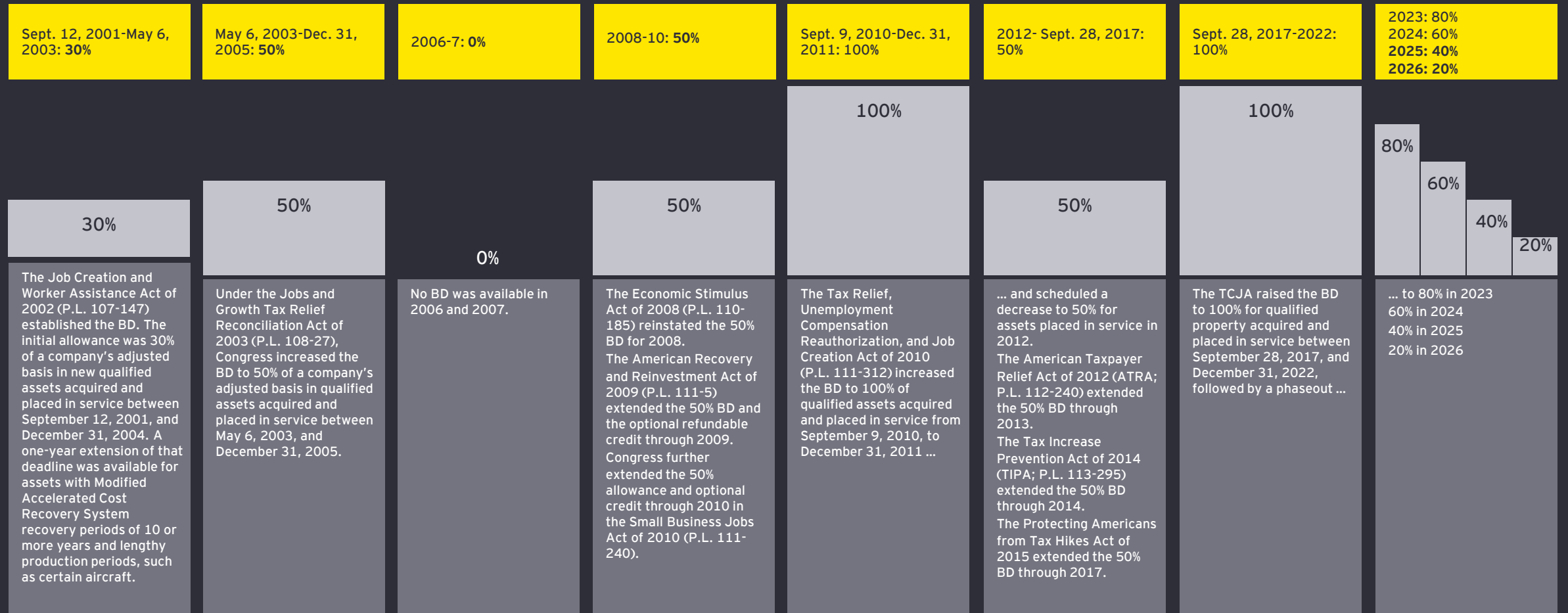
Expiration/change dates of various TCJA tax provisions

Provision	2021	2022	2023	2024	2025	2026	2027
Interest deduction based on earnings before interest, taxes, depreciation and amortization (EBITDA)		EBIT					
Research and development (R&D) expensing		Five-year amortization					
Some tax extenders							
100% expensing		Phased down in 20% increments					
Global intangible low-taxed income (GILTI) deduction at 50%						37.5%	
Foreign-derived intangible income (FDII) deduction at 37.5%						21.875%	
Base Erosion and Anti-Abuse Tax (BEAT) rate: 10%/11% for banks/dealers						12.5%/13.5%	
Tax Cuts and Jobs Act (TCJA) individual rate cuts and other provisions							
20% pass-through deduction							
Tax extenders: controlled foreign corporation (CFC) look-through rule and Work Opportunity Tax Credit (WOTC)							
Expansion of the scope of Internal Revenue Code (IRC) Section 162(m) deduction limits							
TCJA disallowance of excess business loss							

Business tax cliffs:

- ▶ Section 163(j) - Businesses' interest expense deduction limitation
- ▶ Section 174 - R&D expense amortization
- ▶ Bonus depreciation - phases

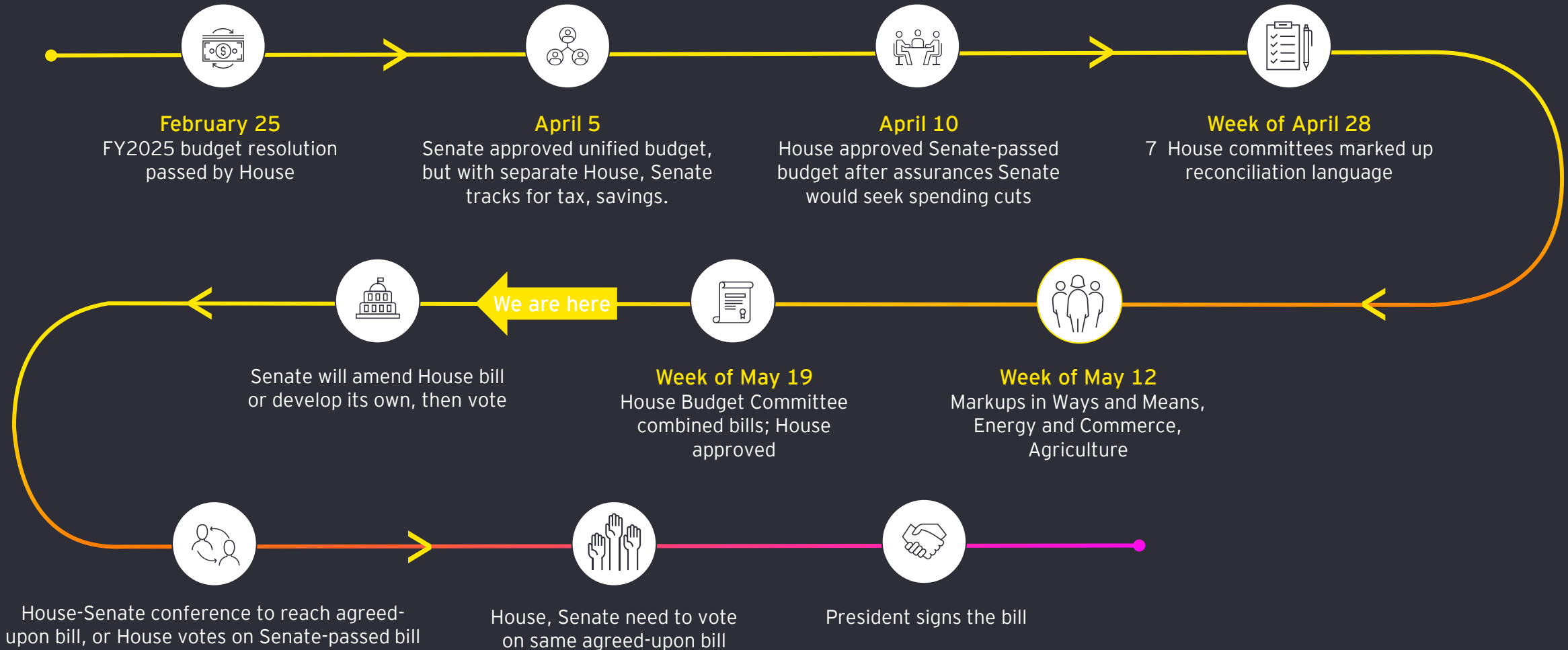
Bonus depreciation (BD) through the years



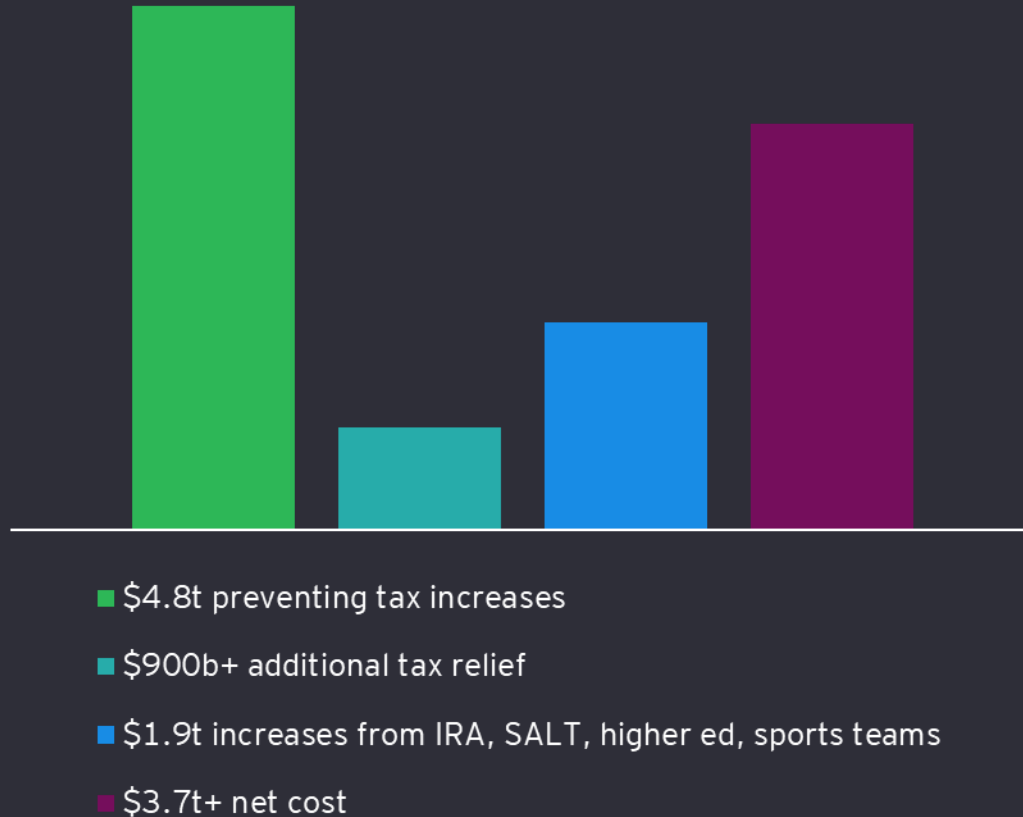
TCJA Changes to Bonus Depreciation

Placed in service year	Bonus depreciation percentage for qualified property
Sept. 28, 2017 – Dec. 31, 2022	100%
2023	80%
2024	60%
2025	40%
2026	20%
2027	None
2028+	None

Path To reconciliation bill



What is in the House tax bill?



Source: Joint Committee on Taxation, [Estimated Revenue Effects Of Provisions To Provide For Reconciliation Of The Fiscal Year 2025 Budget](#), May 13, 2025.

TCJA extensions

- Individual rates
- Estate tax relief
- Higher levels for:
 - Section 199A deduction
 - Standard deduction
 - Child Tax Credit
- TCJA pre-cliffs
 - Bonus depreciation
 - Interest deduction
 - Section 174 R&D
- International
 - Global intangible low-taxed income (GILTI)
 - Foreign-derived intangible income (FDII)
 - Base erosion and anti-abuse tax (BEAT)

President Trump's tax proposals

- No tax on tips
- No tax on overtime
- No tax on auto loans
- Seniors' deduction
- Depreciation for factories

Revenue offsets

- Endowment tax
- SALT cap (\$40k)
- IRA credit rollbacks
- Sports team owners
- Waste and fraud

Federal tax headliners

Expensing of domestic R&E

- ▶ Temporary provision effective for domestic R&E expenditures (including software development expenditures) incurred in tax years beginning after December 31, 2024, and before January 1, 2030.
- ▶ Option to capitalize and amortize domestic R&E over (1) useful life of research (not less than 60 months) or (2) 10 years (under Section 59(e)).
- ▶ Foreign R&E expenditures still mandatory 15-year amortization.
- ▶ Revisions to disposition limitation rules in Section 174(d) for dispositions of research intellectual property that occur after May 12, 2025. Not applicable to domestic R&E expenditures incurred in elective expensing window.
- ▶ Section 280C(c) rules revised.

Interest expense - EBITDA

- EBITDA limitation reinstated (increases ability to deduct interest) for tax years ending after December 31, 2024, and before January 1, 2030.

Federal tax headliners

100% bonus depreciation

- ▶ 100% bonus depreciation for certain property acquired and placed in service after January 19, 2025, and before January 1, 2030, with an extra year for long production period property. Other than acquisition and placed in service dates, eligibility criteria is the same as current law.

Qualified Production Property - 100% Expensing

- 100% depreciation allowance for certain US facilities (real property) used to produce tangible personal property. To qualify, construction must begin after January 19, 2025, and before January 1, 2029, and the facility/improvement must be placed in service before January 1, 2033.
- Original use requirement but exceptions exist for certain facility acquisitions.
- Production equals the manufacture, production or refining of a product that result in a substantial transformation of the product.

Tax Year 2024 Compliance: Notable changes to federal forms

IRS form	Material changes
Form 1120	<ul style="list-style-type: none"> ✦ Schedule C: New worksheet for Schedule C: The worksheet for calculating the dividends-received deduction after limitations under Section 246(b) has been updated to include the impact of Section 250 ✦ Schedule J: Substantially Redesigned Schedule J (Tax Computation and Payment). Additional lines to account for taxes and credits including tax liability from audited partnerships, recapture of investment credit, qualified electric vehicle passive activity credit, and PFIC Qualified Electing Fund
Form 4626 (CAMT)	<ul style="list-style-type: none"> ✦ Schedule A (Form 4626), Pro-Rata Share of Adjusted Net Income or Loss of CFCs (formerly Worksheet A) ✦ Part VI—Aggregate Pro-Rata Share of Adjusted Net Income or Loss of CFCs (formerly Worksheet B)
Form 2220	<ul style="list-style-type: none"> ✦ For tax year 2024, the IRS will waive the penalty imposed under Section 6655 for failure to make estimated tax payments for taxes attributable to a corporate alternative minimum tax (CAMT) liability: <ul style="list-style-type: none"> ✦ Affected corporations must still file the 2024 Form 2220, even if they owe no estimated tax penalty ✦ Affected corporations must also include an amount of estimated tax penalty on Line 34 of Form 1120, even if the amount is zero ✦ For tax year 2024, applicable corporations may exclude the CAMT tax liability when calculating the required annual tax payment on Form 2220
Form 6765	<ul style="list-style-type: none"> ✦ New checkboxes at the top of page 1, Section 280C election and whether taxpayer is a member of a controlled group. ✦ New Section E—Other Information - Questionnaire ✦ New Section F—Qualified Research Expenses Summary ✦ New Section G—Business Component Information (optional for 2024)

Legislative and other developments: Things we have our eye on

Corporate Alternative Minimum Tax (CAMT)

Background

- ▶ In August 2022, President Biden signed into law the Inflation Reduction Act, which includes a 15% Corporate AMT based on book income or Adjusted Financial Statement Income (AFSI) for companies that report more than \$1 billion in profits to shareholders.
 - ▶ An applicable corporation's minimum tax equals the amount by which the tentative minimum tax exceeds the corporation's regular tax for the tax year
 - ▶ Affected companies must make several adjustments to GAAP book income to determine AFSI.
 - ▶ The Act limits general business credits and AMT foreign tax credits (FTCs) for creditable foreign income taxes paid or accrued by controlled foreign corporations (CFCs).
 - ▶ CAMT paid can be carried forward and applied as a credit against regular tax in future years
 - ▶ Applies for tax years beginning in 2023 and thereafter

Legislative and other developments: Things we have our eye on

Corporate Alternative Minimum Tax (CAMT) Cont.

- ▶ Treasury and the IRS issued proposed regulations in September 2024 on how to apply the 15% corporate alternative minimum tax (CAMT) on the adjusted financial statement income (AFSI) of large corporations. The regulations propose comprehensive rules for determining AFSI, whether a corporation is an applicable corporation (including rules for foreign-parented multinational groups) and the CAMT foreign tax credit.
- ▶ Certain sections of the proposed regulations would apply to tax years ending after the date the proposed regulations were published in the Federal Register, while other sections of the proposed regulations would apply to tax years ending after the date the final regulations are published in the Federal Register. Taxpayers may rely on the proposed regulations for tax years ending before these dates, provided certain requirements are met.
- ▶ The IRS's recently released Notice 2025-27 provides interim guidance for the corporate alternative minimum tax (CAMT)

Form 4626 CAMT 2024 filing requirements summary

	Description	Adjusted financial statement income (AFSI) threshold	Document safe harbor determination	Form 4626, Part I and Schedule A	Form 4626, Part II, Part III, Part IV, and Part VI	Form 5471, Schedule H-1	Form 4626, Part V
A	<p>Prop. Reg. Section 1.59-2(g) would permanently extend the safe harbor or “simplified method” in Section 5 of Notice 2023-7¹ for determining whether a corporation is an applicable corporation.</p> <p>✦ Is not an applicable corporation in any prior tax year</p>	Three-year average AFSI less than \$500 million, using simplified methodology (generally using pretax financial income) ¹	Yes	N/A	N/A	N/A	N/A
B	<p>✦ Does not meet the safe harbor</p> <p>✦ Is not an applicable corporation in the current tax year or in any prior tax year</p>	<p>✦ Three-year average AFSI greater than \$500 million, using simplified methodology¹</p> <p>✦ Three-year average AFSI less than \$1 billion²</p>	N/A	Yes	N/A	N/A	Required if answered “Yes” to line A or Line B at the top of Form 4626, Page 1 (i.e., member of a Section 52 controlled group or foreign-parented multinational group (FPMG))
C	✦ Is an applicable corporation in the current tax year or any prior tax year (may or may not have CAMT liability)	✦ Three-year average AFSI greater than \$1 billion ²	N/A	May be skipped ³	Yes	Yes	Required if answered “Yes” to line A or Line B at the top of Form 4626, Page 1 (i.e., member of a Section 52 controlled group or FPMG)

¹For foreign-parented groups, there is an additional requirement that the Average Annual AFSI of the US group for the three-year tax period must be less than \$50 million, using the simplified safe harbor methodology, to qualify for the safe harbor.

²For foreign-parented groups, there is an additional requirement that the Average Annual AFSI of the US group for the three-year tax period must be \$100 million or more to be treated as an applicable corporation.

³Taxpayers that have already been determined to be an applicable corporation in current or prior years may skip the three-year lookback in Part I.

NOTE: Taxpayers may generally rely on the proposed regulations for tax years ending (or transactions occurring) on or before the date of publication in the Federal Register. However, all members of a CAMT testing group (i.e., Section 52 control group or FPMG, as applicable) would be required to follow the proposed regulations consistently.

Federal tax and accounting methods: considerations for FY24 return

Federal tax reflections	Accounting method changes
<ul style="list-style-type: none">✦ Review any items raised during year-end provision✦ Finalize analysis for tax positions requiring further review after TY23 return filed✦ Update processes to reflect any accounting method changes filed and approved for the FY24 tax year✦ Consider and review:<ul style="list-style-type: none">✦ New contract terms✦ New payment processes or revenue streams✦ Business or structure changes✦ Changes in financial statement reporting or recognition of revenue	<p>Common automatic method changes:</p> <ul style="list-style-type: none">✦ Depreciation changes✦ Section 451 advance payments✦ Section 263A/inventory✦ Intangible capitalization✦ Employee bonuses✦ Cash to accrual changes <p>Common non-automatic method changes:</p> <ul style="list-style-type: none">✦ Section 461 expense recognition✦ Section 451 recognition of income✦ Deferred compensation/non-qualified stock options✦ Original issue discount and market discount

Automatic vs. non-automatic method change considerations

- ✦ Type of method change impacts when the change may be implemented and filing requirements
- ✦ Important timing considerations:
 - ✦ Information needed to file a Form 3115
 - ✦ Documentation and data needed for implementing the method change
 - ✦ Year of change and implementation impacts timing of Section 481(a) adjustment, financial statement reporting and potentially estimated taxes

Automatic method changes	Non-automatic method changes
Implement on tax return for year of change	Generally, may not implement on tax return until consent received from IRS National Office
File no later than when taxpayer's federal income tax return is due for the year of change	File no later than the last day of the tax year of change
Form 3115 generally filed in duplicate: <ul style="list-style-type: none"> ✦ Original with tax return for the year of change ✦ Duplicate filed with the IRS Ogden Service Center prior to return filing 	File original with the IRS National Office
No filing fee	Filing fee: \$13,225 + \$280 for each additional applicant

Pillar Two Update

Global Minimum Tax



Introduction

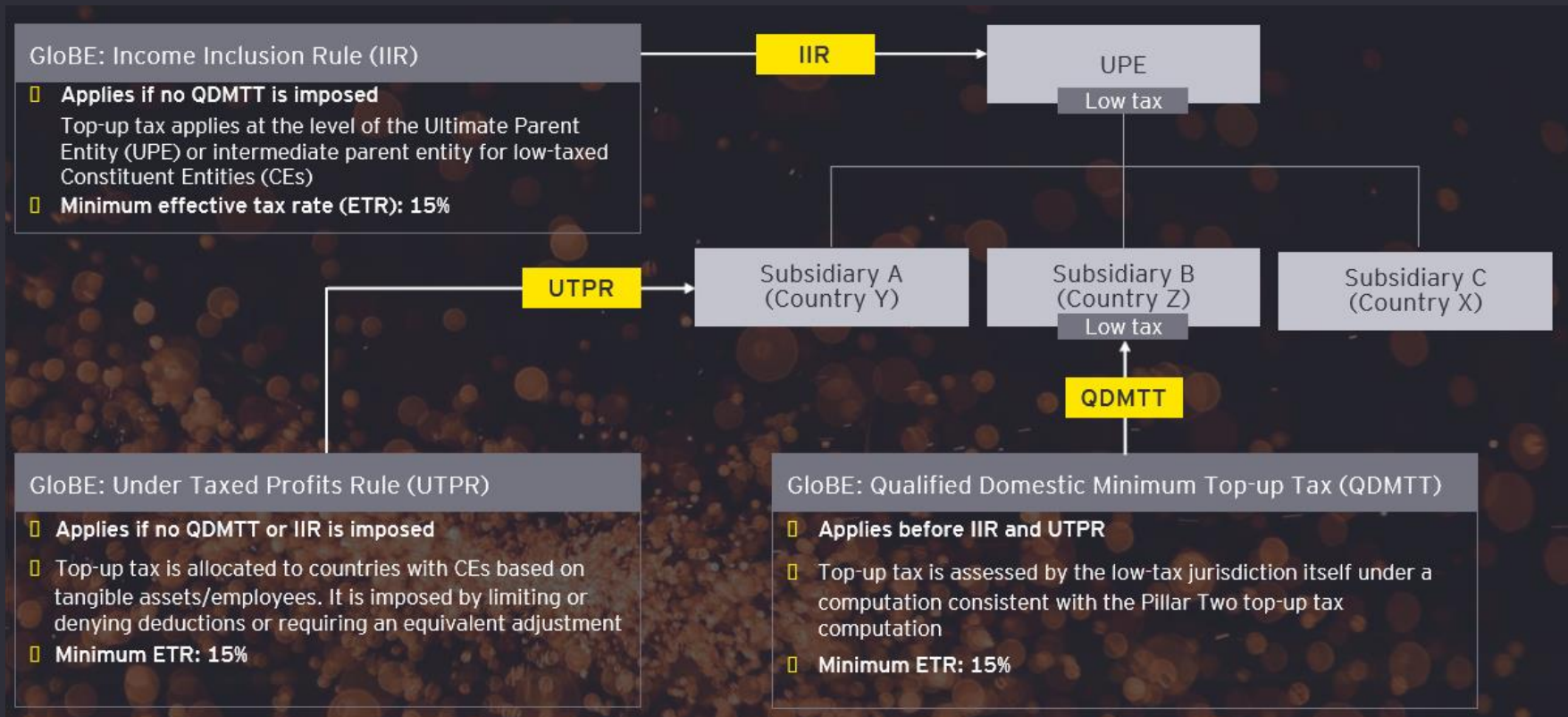
Pillar 1 introduces new rules aiming to allocate more profit to market jurisdictions

Pillar 2 introduces new global minimum tax rules

- ▶ 142 jurisdictions participating in the OECD/G20 Inclusive Framework have agreed on new global minimum tax mechanisms designed to ensure that all large global businesses pay at least an agreed minimum rate of tax on their income regardless of where it is earned
- ▶ The **Global Anti-Base Erosion (GloBE) regime** consists of a set of interlocking rules for imposing top-up tax on income that has an effective tax rate (ETR) below the agreed 15% minimum rate
 - ▶ Design details are reflected in **agreed Model Rules, Commentary and Administrative Guidance**
 - ▶ GloBE is to be implemented by countries through domestic legislation based on the agreed design
- ▶ A **Subject To Tax Rule (STTR)** with a 9% minimum nominal tax rate is still under development
 - ▶ Providing for increased withholding taxes on certain intragroup payments, including interest and royalties
 - ▶ To be implemented through bilateral tax treaties
- ▶ Applicable to multinational entity (MNE) group with consolidated financial statement revenues of EUR750 million or more in two of the four fiscal years immediately preceding the tested fiscal year

Pillar Two: Basic Design

- ▶ Aimed to impose a global minimum tax of 15% on certain MNE, in every jurisdiction
 - ▶ Local Top-up: Qualified Domestic Minimum top-up tax (QDMTT)
 - ▶ Parent Top-up: Income Inclusion Rule (IIR)
 - ▶ Group Top-up: Undertaxed Profits Rule (UTPR)
 - ▶ Shared pro-rata by all entities in the group located in a jurisdiction that has implemented UTPR



Overview of Pillar Two implementation across the world

Final legislation	
Jurisdiction	Rules covered
European Union	QDMTT, IIR, UTPR
Australia	QDMTT, IIR, UTPR
Austria	QDMTT, IIR, UTPR
Bahamas	QDMTT
Bahrain	QDMTT
Barbados	QDMTT
Belgium	QDMTT, IIR, UTPR
Brazil	QDMTT
Bulgaria	QDMTT, IIR, UTPR
Canada	QDMTT, IIR
Croatia	QDMTT, IIR, UTPR
Cyprus***	DMTT, IIR, UTPR
Czech Republic	QDMTT, IIR, UTPR
Denmark	QDMTT, IIR, UTPR
Estonia	Filing obligations
Finland	QDMTT, IIR, UTPR
France	QDMTT, IIR, UTPR
Germany	QDMTT, IIR, UTPR
Gibraltar	QDMTT, IIR
Greece	QDMTT, IIR, UTPR
Guernsey	QDMTT, IIR
Hungary	QDMTT, IIR, UTPR
Indonesia	QDMTT, IIR, UTPR
Ireland	QDMTT, IIR, UTPR
Isle of Man	QDMTT, IIR
Italy	QDMTT, IIR, UTPR
Japan	QDMTT, IIR, UTPR
Jersey***	DMTT, IIR
Kenya	QDMTT
Kuwait	QDMTT

Final legislation	
Jurisdiction	Rules covered
Latvia	Filing obligations
Liechtenstein	QDMTT, IIR, UTPR
Lithuania	Filing obligations
Luxembourg	QDMTT, IIR, UTPR
Malaysia	QDMTT, IIR
Malta	Filing obligations
Mauritius*	QDMTT
Netherlands	QDMTT, IIR, UTPR
New Zealand	IIR, UTPR
North Macedonia	QDMTT, IIR, UTPR
Norway	QDMTT, IIR
Oman	QDMTT, IIR
Poland	QDMTT, IIR, UTPR
Portugal	QDMTT, IIR, UTPR
Qatar	QDMTT, IIR
Romania	QDMTT, IIR, UTPR
Singapore	QDMTT, IIR
Slovakia	QDMTT
Slovenia	QDMTT, IIR, UTPR
Spain	QDMTT, IIR, UTPR
South Africa	QDMTT, IIR
South Korea	IIR, UTPR
Sweden	QDMTT, IIR, UTPR
Switzerland	QDMTT, IIR
Thailand	QDMTT, IIR, UTPR
Turkey	QDMTT, IIR, UTPR
United Arab Emirates	QDMTT
United Kingdom	QDMTT, IIR, UTPR
Vietnam	QDMTT, IIR

Draft legislation	
Jurisdiction	Rules covered
Canada	UTPR
Curaçao	QDMTT, IIR
Hong Kong	QDMTT, IIR
Lithuania	QDMTT, IIR, UTPR
Norway	UTPR

Intention to implement Pillar Two
Israel

* Mauritius has enacted a law incorporating an initial provision placeholder for the introduction of Pillar Two. Detailed legal provisions and regulations regarding how this jurisdiction will implement Pillar Two are expected to be developed in the future.

**The United States is not included in the implementation overview above since this jurisdiction does not yet have final or draft legislation and has not yet indicated an intention to implement Pillar Two into domestic law. Additionally, the OECD is not included as it does not possess legislative authority.

*** Cyprus and Jersey have introduced DMTTs which are not anticipated to meet QDMTT status as part of the peer review.

Pillar Two: transitional CbCR safe harbor

Transition period: fiscal years (FYs) beginning on or before 31 December 2026, but not a FY that ends after 30 June 2028

- ▶ Calendar years 2024, 2025, 2026
- ▶ “Once out, always out”: once not applied for a fiscal year for a jurisdiction, no application for subsequent years
- ▶ Based on country-by-country report (Form 8975) prepared using Qualified Financial Statements

During the transition period, the top-up tax is deemed to be zero for a jurisdiction for the fiscal year **where at least one** of the following tests is met:

De Minimis Test

- ▶ **Total Revenue** of less than EUR10m and
- ▶ **Profit (Loss) before Income Tax (PBT)** of less than EUR1m

Simplified ETR Test

- ▶ MNE group’s Simplified ETR (**Simplified covered tax/PBT**) must be equal to, or greater than the Transition Rate:
 - ▶ 15% (2023-2024)
 - ▶ 16% (2025)
 - ▶ 17% (2026)

Routine Profits Test

- ▶ **PBT** is equal to, or less than, the Substance Based Income Exclusion (SBIE) amount

Pillar Two: Transitional UTPR Safe Harbour

The Transitional UTPR Safe Harbour provides a temporary reprieve from UTPR Top-up Tax *in the UPE jurisdiction* during the transition period if the UPE jurisdiction *has a corporate income tax rate of at least 20%*

UTPR Top-up Tax

UTPR Top-up Tax Amount calculated for the UPE jurisdiction qualifying for the safe harbour *shall be deemed to be zero* for the transition period.

Transition period

Fiscal years running no longer than 12 months, beginning on or before 31 December 2025, and ending before 31 December 2026. Guidance clarifies that there will be no extension.

Corporate tax rate

Corporate income tax rate for each jurisdiction is the *nominal statutory tax rate* generally imposed on in-scope MNE groups on a comprehensive measure of income. *Sub-national taxes* are taken into account if structured so that the combined rate generally applicable to in-scope MNE groups will be equal to or *greater than 20% in the case of all sub-national jurisdictions*.

Limited scope

Not applicable to CFCs of US MNEs and foreign-parented US subsidiaries.

Transitional CbCR Safe Harbour inapplicable

MNEs may elect either to apply the Transitional CbCR Safe Harbour or the Transitional UTPR Safe Harbour. Note the “once out, always out” approach of the Transitional CbCR Safe Harbour. A cost-benefit analysis may be required.

OECD guidance

OECD’s Statutory Corporate Income Tax Rates table for the relevant fiscal year may be used to determine the jurisdictions eligible for the Transitional UTPR Safe Harbour; upon request, further administrative guidance to identify whether a jurisdiction has met the 20% rate test for the relevant fiscal year may be provided.

BEPS Pillar Two Cont. : US Response and potential retaliatory approaches to OECD agreement, UTPR

President Trump signed an Executive Order (EO) on 20 January directing the US Treasury Secretary to notify the OECD that any commitments made by the Biden administration regarding “the Global Tax Deal” have no force and effect in the US absent legislative action by the US Congress adopting the relevant provisions.

- ▶ Defending American Jobs
 - ▶ On January 21, Chairman Smith (R-MO) and all Ways & Means Republicans reintroduced the Defending American Jobs and Investment Act (H.R. 591) to:
 - ▶ Require Treasury to identify extraterritorial taxes and discriminatory taxes enacted by foreign countries that affect US businesses such as UTPR
 - ▶ Increase tax rates on US income of investors, corporations in countries by 5 points each year for 4 years, rates hiked by 20 percentage points while taxes are in effect
- ▶ Unfair Tax Prevention
 - ▶ On March 27, Rep. Ron Estes (R-KS) and every Ways & Means Republican reintroduced the Unfair Tax Prevention Act (H.R. 2423) targeting countries that move forward with UTPR against US
 - ▶ The bill strengthens anti-avoidance rules in the BEAT tax, revokes the ability of newly identified foreign-owned extraterritorial tax regime (FETR) entities to disregard certain service payments and payments subject to withholding taxes, and treats 50% of costs of goods sold as a base erosion tax benefit

BEPS Pillar Two Cont. : US Response and potential retaliatory approaches to OECD agreement, UTPR cont.

- ▶ Section 891
 - ▶ On January 20, America First Trade Policy exec. order directed Treasury/Commerce/USTR to investigate whether any foreign country subjects US corporations to discriminatory or extraterritorial taxes pursuant to Section 891
 - ▶ Section 891 allows for the doubling of rates of tax on citizens and corporations of certain foreign countries if the President finds US citizens or corporations are being subjected to discriminatory or extraterritorial taxes
 - ▶ Nothing yet released on 891 or rest of trade EO, despite April 1 deadline

ASU 2023-09:
Improvements to
income tax disclosures



ASU 2023-09: Overview of key requirements

The guidance is intended to improve the transparency and decision-usefulness of income tax disclosures.

1

Rate reconciliation

Who: Public business entities (PBEs)

What: Disclose specific categories in the rate reconciliation and additional reconciling items in certain categories

2

Income taxes paid

Who: All entities

What: Disclose income taxes paid (net of refunds received) on an annual basis

- Disaggregated by federal (national) in the country of domicile, state and foreign jurisdictions
- Disaggregated by individual jurisdictions based on a quantitative threshold (5% of total income taxes paid, net of refunds received)

3

Other income statement information

Who: All entities

What: Disclose additional income statement information

- Income/loss from continuing operations before income tax expense disaggregated between domestic and foreign
- Income tax expense/benefit from continuing operations disaggregated by federal (national), state and foreign

Transition requirements

Type of entity	Annual periods beginning after ...
PBEs	15 December 2024
All other entities	15 December 2025



Entities can apply it prospectively for annual periods beginning after the effective date



Retrospective application to each period presented is permitted



Early adoption is permitted

Rate reconciliation: What is changing?

Pre-adoption

- ★ Requirement to disclose the estimated amount and nature of each significant reconciling item
- ★ Requirement for entities subject to SEC regulations to disclose reconciling items using a 5% threshold
- ★ Disclosure using either percentages or dollar amounts in reporting currency
- ★ Nonpublic entities required to disclose the nature of significant reconciling items, but may omit a numerical reconciliation

Post-adoption

- ★ Prescriptive requirement to disclose the following specific categories of reconciling items:
 1. State and local income tax, net of federal (national) income tax effect*
 2. **Foreign tax effects**
 3. Effect of changes in tax laws or rates enacted in the current period*
 4. **Effect of cross-border tax laws***
 5. **Tax credits***
 6. Changes in valuation allowances*
 7. **Nontaxable or nondeductible items***
 8. Changes in unrecognized tax benefits
- ★ Categories denoted with an *asterisk above should reflect taxes imposed by/within the country of domicile
- ★ Categories listed in **yellow text** above require additional information to be disclosed based on a 5% quantitative disaggregation threshold
- ★ Disclosure of both percentages and amounts in reporting currency
- ★ Entities other than PBEs required to provide qualitative disclosures about specific categories of reconciling items and individual jurisdictions

Rate reconciliation: Reconciling item categories

Disaggregated*





Category	Aggregated	By jurisdiction	By nature	Further information
State and local income taxes, net of federal				Include qualitative disclosure about the states and local jurisdictions that make up the majority (50%) of the category (A)
Foreign tax effects				Reconciling items within a jurisdiction greater than the 5% threshold are required to be disclosed even if the individual jurisdiction is below the threshold
Effect of changes in tax laws or rates enacted in the current period				
Effect of cross-border tax laws				The effect of certain cross-border tax laws (e.g., global intangible low-taxed income (GILTI)) and related foreign tax credits may be disclosed on a net basis
Tax credits				

*Quantitative disaggregation threshold is 5% of the amount computed by multiplying income (loss) from continuing operations by the applicable statutory federal (national) tax rate

(A) Starts with the jurisdiction that has the largest effect and adding jurisdictions in descending order until the aggregated effect is greater than 50%

Rate reconciliation: Reconciling item categories (cont'd)

Disaggregated*

Category	Aggregated	By jurisdiction	By nature	Further information
Changes in valuation allowances				Disclosure reflects valuation allowances initially recognized and subsequently adjusted in the reporting period
Nontaxable or nondeductible items				
Changes in unrecognized tax benefits				Presented on an aggregate basis for all jurisdictions worldwide An unrecognized tax benefit recorded for a tax position taken in the same reporting period, in the current annual reporting period, may be presented on a net basis in the category where the tax position is presented
Other items				If the reconciling item does not fall within any of the prescribed categories, it is required to be disaggregated by nature

*Quantitative disaggregation threshold is 5% of the amount computed by multiplying income (loss) from continuing operations by the applicable statutory federal (national) tax rate

Rate reconciliation: Example of post-adoption disclosure

The example footnote disclosure is based on the FASB's illustration in the final standard.

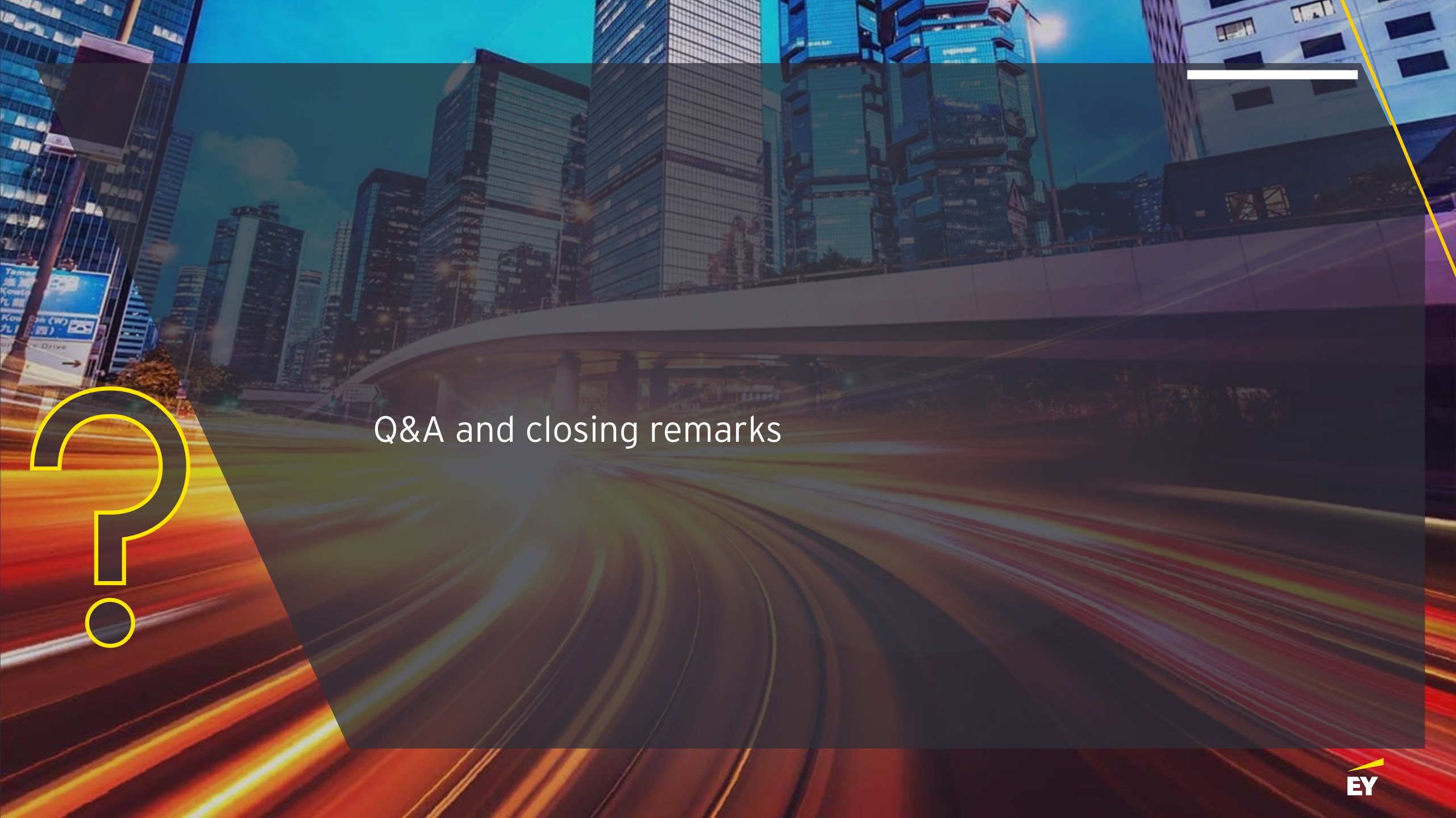
	Current year		Prior year	
	Amount (\$)	Percent (%)	Amount (\$)	Percent (%)
US federal statutory tax rate	x	x	x	x
State and local income taxes, net of federal income tax effect¹	x	x	x	x
Foreign tax effects				
Ireland				
Statutory tax rate difference between Ireland and United States	(x)	(x)	(x)	(x)
Changes in valuation allowances	(x)	(x)	(x)	(x)
Enacted changes in tax laws or rates	-	-	x	x
Other	x	x	(x)	(x)
Switzerland	(x)	(x)	(x)	(x)
Other foreign jurisdictions	(x)	(x)	(x)	(x)
Effect of changes in tax laws or rates enacted in the current period	-	-	(x)	(x)
Effect of cross-border tax laws				
Global intangible low-taxed income (GILTI)	x	x	x	x
Foreign-derived intangible income (FDII)	(x)	(x)	(x)	(x)
Base erosion and anti-abuse tax (BEAT)	x	x	x	x
Tax credits				
R&D tax credits	-	-	(x)	(x)
Energy-related tax credits	(x)	(x)	-	-
Other	-	-	(x)	(x)
Changes in valuation allowances	x	x	(x)	(x)
Nontaxable or nondeductible items				
Share-based payment awards	x	x	x	x
Goodwill impairment	x	x	x	x
Other	x	x	(x)	(x)
Changes in unrecognized tax benefits	(x)	(x)	x	x
Other adjustments	x	x	(x)	(x)
Effective tax rate	x	x	x	x

¹ State taxes in California and New York made up the majority (greater than 50 percent) of the tax effect in this category.

Upcoming EY Tax Webcasts

- ▶ Wednesday, June 11 (11:00 a.m. ET) - How trade and tariff developments impact supply chain and operations
- ▶ Friday, June 13 (12:00 p.m. ET) - Tax in a time of transition: Legislative, economic, regulatory and IRS developments
- ▶ Wednesday, June 18 (2:00 p.m. ET) - Domestic tax quarterly webcast series: a focus on state tax matters
- ▶ Tuesday, June 24 (11:00 a.m. ET) - Accounting for income taxes: a quarterly perspective

<https://taxnews.ey.com/news/0000-0000-upcoming-tax-webcasts>



Q&A and closing remarks

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2025 Ernst & Young LLP.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com

