



August 19, 2024

Organisation for Economic Co-operation and Development
Centre for Tax Policy and Administration
Cross-Border and International Division
2, Rue André Pascal
75775 Paris, France

taxpublicconsultation@oecd.org

Re: Comment Letter on the Draft User Guide for the GloBE Information Return XML Schema

The National Foreign Trade Council (the “NFTC”) is providing written comments on the Draft User Guide for the GloBE Information Return XML Schema published on July 10, 2024 (the “GIR Schema”).

The NFTC, organized in 1914, is an association of U.S. business enterprises engaged in all aspects of international trade and investment. Our membership covers the full spectrum of industrial, commercial, financial, and service activities. Our members value the work of the OECD and the Inclusive Framework (“IF”) in establishing and maintaining international tax and transfer pricing norms that provide certainty to enterprises conducting cross-border operations. A list of the companies comprising the NFTC Board of Directors is attached as an Appendix.

General Comments

NFTC welcomes the GIR Schema and understands the significant efforts of the IF in working to create a single GIR filing system. We support the stated purpose of the GIR Schema to provide a technical format for confidentially exchanging GIR information between tax administrations and facilitate domestic GIR filings where appropriate. Above all, we recommend changes that advance a consistent, standardized approach to capturing GIR information across jurisdictions, as that will minimize the cost of complying with and administering the GloBE rules.

We suggest that this work be extended to a centralized exchange system for countries. Such a system must include deployment of periodic updates for both technology and rule changes. With this goal in mind, the IF should develop common protocols and schemas to ensure interoperability among tax authorities with respect to GIR filings. Such a system could also help reduce disputes between and among taxpayers and tax administrations.

Specific Comments

Importance of Consistency

To achieve its stated purposes, it is critical that the GIR Schema is identical in all countries. Neither the schema nor any associated portal for submitting or exchanging information should be modified in any jurisdiction in order to maintain consistency in the global system.

In this regard, consistency must include the content and formatting requirements of submissions, portals for reporting and exchanging information, and notification requirements. Even slight deviations on formatting or information requirements between jurisdictions would require additional work (including additional review to ensure compliance) for no incremental benefit. These deviations can also generate significant financial costs for multinational enterprises (“MNEs”). Deviations from the standard also create increased complexity, which undermines administrability and is not necessary to achieve the overarching policy objectives of GLoBE. In particular, we suggest the consistency also extend to notifications. Establishing consistent notification formats will allow MNEs to develop tools to allow for the proper processing of notifications to reduce incremental manual work and unnecessary complexity. The IF should explore establishing a central notification portal for Pillar Two, which could help streamline notifications for both MNEs and tax administrations.

Special characters should be addressed to prevent rejections from the disparate treatment of special characters across jurisdictions. Some languages have special characters which are not commonplace (or do not exist) in the systems operated by other jurisdictions. For instance, entity names provided in the local language can include characters such as ä, ö, ü and ß, among others. As even languages using the English alphabet have varying diacritics, a standard convention enumerating which letters will be accepted is important. The OECD must work with members to establish a framework for the treatment of these special characters. This should include accepting alternate spelling and/or characters or providing another specific framework. All inputs into the GIR Schema should be defined and standardized as slight differences in practice between countries could inhibit the ability of some MNEs to file or countries to receive the information. We further suggest a standardization of the coding structure for the identification of countries; for example, with Country-by-Country reporting, different coding structures (*e.g.*, ISO Code, IRS Code, Local country codes) are often required, which adds complexity and an additional compliance burden.

Minimization of Compliance Burden

The NFTC fully supports the stated objective to develop a consistent and transparent set of standards for information collection that preserves consistency and certainty of outcomes for MNEs while minimizing the cost of complying with and administering the GloBE rules. The GIR Schema and the previously published *Annex A* of the GIR demonstrates the significant level of information required to prepare the GIR. The amount and granularity of the information required to be generated and reported will create an undue compliance burden on MNEs that is unnecessary to achieving the overarching policy objectives of Pillar Two.

These excessive requirements for data include:

- The requirement to provide data on a Constituent Entity (“CE”) basis given the existence of nearly 400 required data points in Section 3 of the GIR (GloBE Computations). Some members estimate that this translates into over 14,000 data points required to populate the GIR, which could rise to over 50,000 data points, with some members estimating 200,000 data points upon expiry of the current Safe Harbors. MNEs estimate that only around 50% of these data points can

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be automated. The result is nearly 30 pages of GIR format and 140 pages of XML schema. Thus, there is significant opportunity for GIR simplification.

- The volume of compliance filings required given that the rules add a global GIR filing and a local QDMTT filing in addition to the existing compliance requirements (*i.e.*, Corporate Income Tax Return). Enforcement by the IF may be needed to ensure that only very limited additional local compliance is required above and beyond the GIR.
- Under the dissemination approach of the GIR, an MNE will need to file a GIR with each tax administration that adopts a local filing requirement under the GloBE rules, unless the jurisdiction of the Ultimate Parent Entity (“UPE”) or the Designated Filing Entity exchanges that information with other affected tax administrations under a Qualifying Competent Authority Agreement (“QCAA”). This creates numerous complications from the volume of filings (noted immediately above) to data privacy issues with the exchange of information. There is a pressing need for a legal framework to be established across IF members coupled with the exchange of information program. We further request additional clarity for the ‘early years’ where the UPE jurisdiction may not have adopted Pillar Two (*e.g.*, the United States) and an agreement as to which jurisdictions will operate the exchange of information for MNEs in this scenario.

NFTC suggests that the IF continue to look for ways to reduce the compliance burden on MNEs and administrative/systems costs for tax administrations. Listed below are some potential approaches for the IF to consider in future guidance.

First, creating a permanent framework for the transitional simplified reporting requirements, which permits MNEs to report their GloBE calculations on a jurisdictional basis, and therefore, eases the requirement to report on a CE-by-CE basis. This represents a more practical approach, given the adoption of QDMTTs. It aids in reducing the number of hours in collecting and processing data while at the same time, allowing relevant jurisdictions access to baseline GloBE data.

Second, additional simplification in the GIR Computations in Section 3 of the template should be adopted. As envisioned, over 400 data points are needed, which is far too much to include in an information return and is more similar to ‘audit level’ data, which can always be requested during an examination, if necessary. We suggest a simplified form that provides the computed data (calculated GloBE income, covered taxes, and relevant jurisdictions). This would reduce the administrative burden while still providing the necessary data to compute a top-up tax.

Finally, penalty relief for accuracy related errors made in good faith during the transitional period should be provided. Given the evolving OECD guidance and local country regulations and uncertainty of adoption for many jurisdictions, the reporting requirements are a moving target. The ambiguity in the rules should not be held against a taxpayer acting in good faith.

We appreciate the rule allowing MNEs to rely on jurisdictional self-certification of QDMTTs until the peer review process is completed. Without such a protection, when a QDMTT is determined to be non-compliant, an MNE group would have to amend GIRs, adding to the volume of filings and increasing the compliance burden. We suggest this remain in place until at least the first year after the year in which the full legislative review under the peer review process is completed.

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Timing

We request that the timing of implementation for the GIR Schema is fixed, with the system and portal ready ahead of time (*i.e.*, 90 days before the reporting go-live date) to avoid unnecessary delays. Targeting a date before reporting goes live will ensure that minor bugs and fixes can be worked out in order to minimize disruptions. MNEs are investing significant time and resources to develop the systems necessary to comply with GloBE reporting. The system's development will take away from resources that would otherwise be invested elsewhere, so it is important that the timing for implementation does not slip.

Data Security

NFTC has repeatedly raised concerns about data security. We again urge the IF to ensure that appropriate mechanisms are in place to safely store and receive the data. The volume and sensitivity of the data are significant. The data will contain sensitive MNE information and appropriate safeguards must be taken. The sheer volume of data will be significant and countries must be able to develop the means to safely receive and store the data.

Additional Recommendations & Request for Clarification

- We recommend the IF consider including a secondary filing mechanism that would allow an MNE to designate a secondary jurisdiction (e.g., a secondary designated filing entity jurisdiction) to exchange information with certain jurisdictions that do not have an exchange of information agreement with the UPE or the primary Designated Filing Entity jurisdiction. Adopting this mechanism would allow MNEs to streamline their compliance obligations by filing in fewer jurisdictions.
- We propose removing the “OwnershipChange” and “ChangeDate” information since providing all ownership changes and effective dates is extremely complex and administratively burdensome for MNEs who may have a significant number of constituent entities.
- The timestamp should be further clarified as to whether it is intended to function on a 24-hour time convention. We also would like clarity on which time zone the reference is based on—A standard reference? The time in the place of filing?
- There can be different Tax IDs for the same entity – for example, a German entity might have a German Tax ID but also a U.S. Tax ID. Do MNEs have the optionality to choose any Tax ID? For example, would an MNE be able to use German Tax IDs for some of its German entities but, then, for a different German entity use a U.S. Tax ID?
- For the filing jurisdiction, the Model Rules in 8.1.2 state that GIR can be filed in an “implementing jurisdiction.” However, it is unclear whether a jurisdiction with only partial GloBE implementation would qualify as “implementing” for this purpose. For instance, if a jurisdiction has only implemented QDMTT and not an IIR. (Or in 2025, if a jurisdiction has not yet implemented the UTPR.)
- We request that the IF continue to reevaluate the information required for Pillar Two reporting and look for increased simplification on the data required as Pillar Two implementation expands. This includes promoting uniform filings, such as registration filings, and reducing duplicative efforts between the GloBE and Country-by-Country Reporting.

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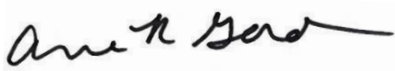
- In the Summary of the Top-Up Tax within the GIR & XML Schema, the ETR ranges are too narrow (2.5% intervals), creating 13 options to determine where each jurisdiction is placed. This can be simplified to just 3 categories whilst meeting the same intent—Zero TUT % / Less than 5% TUT / More than 5% TUT %.

Conclusion

NFTC members want to implement systems and, ultimately, comply with the rules to ensure Pillar Two obligations are met. The GIR Schema is helpful in understanding the full breadth of the requirements. We urge the IF to adopt our suggestions, reducing the compliance burden and encouraging the IF to continue the dialogue with the business community to resolve these issues.

NFTC appreciates the continued engagement with the business community by the IF. We are happy to answer any questions or clarify any of the comments raised.

Sincerely,



Anne Gordon
Vice President for International Tax Policy

Appendix: NFTC Board of Directors

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