// NO.26-028 | 07/2026

DISCUSSION PAPER

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# Impact of the Global Minimum Tax on Domestic Tax Legislation

Leibniz Association

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**Impact of the Global Minimum Tax on Domestic Tax Legislation**

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**Abstract**

This paper examines how jurisdictions have responded to the introduction of the OECD Pillar Two framework and analyses the implications of these developments for international tax competition. Using a comprehensive dataset covering 223 tax systems, we examine the global implementation of Pillar Two mechanisms, the development of statutory corporate income tax (CIT) rates between 2015 and 2025, the redesign of tax incentives, and the extent to which Pillar Two establishes a level playing field for multinational enterprises.

The findings reveal substantial asymmetries in the implementation and practical operation of Pillar Two. By 2026, only a limited group of jurisdictions had implemented all major Pillar Two mechanisms, although implementation is considerably more widespread among European countries. At the same time, the long-run decline in statutory CIT rates appears to have slowed following the 2021 Pillar Two agreement. However, low-tax jurisdictions continue to compete through alternative channels, including substance-based tax incentives and preferential regimes designed to interact favourably with Pillar Two rules.

Overall, the evidence suggests that Pillar Two is unlikely to eliminate international tax competition but instead may fundamentally reshape its structure. At the same time, heterogeneous implementation across jurisdictions creates the risk that the regime amplifies existing international differences in effective corporate taxation rather than establishing a genuinely level global playing field.

**JEL Classification:** H25, K34, F23

**Keywords:** Global Minimum Tax, tax competition, firm competition, corporate tax law

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## 1. Introduction

On 8 October 2021, more than 135 members of the OECD/G20 Inclusive Framework agreed on a two-pillar solution for global tax reform. Pillar Two introduces a global minimum tax designed to ensure that multinational enterprise groups (MNEs) are subject to a minimum level of taxation regardless of where they operate. The Global Anti-Base Erosion (GloBE) rules establish a coordinated framework under which MNEs with consolidated annual revenues exceeding €750 million are subject to a top-up tax where the jurisdictional effective tax rate (ETR) falls below 15%.

Depending on the implementation in the relevant jurisdictions, the top-up tax is collected either in the low-tax jurisdiction through a (Qualified) Domestic Minimum Top-up Tax ((Q)DMTT), in the jurisdiction of the ultimate parent entity through the Income Inclusion Rule (IIR), or in other implementing jurisdictions through the Undertaxed Profits Rule (UTPR). Substance-based carve-outs exclude a portion of income attributable to real economic activity from Pillar Two, thereby limiting the scope of the global minimum tax.

Ultimately, the global minimum tax aims to establish an effective lower bound for corporate taxation worldwide[4] and to reduce opportunities for tax-motivated profit shifting.[5] In doing so, it seeks to create a more level playing field among large MNEs and to mitigate the remaining challenges of international tax competition.[6]

Despite broad global support for the general idea of a global minimum tax, several countries have so far shown reluctance to implement the GloBE rules domestically, raising concerns about whether these policy objectives can ultimately be achieved. In particular, some of the world's largest economies — including China, the United States (US), and India — have not taken substantive steps toward implementation.

Concerns regarding a potential weakening of the global minimum tax have been further amplified by the adoption of the OECD's Side-by-Side (SbS) package on 5 January 2026. The package addresses the parallel application of Pillar Two alongside other minimum tax regimes and allows jurisdictions with qualified parallel systems to effectively shield their MNEs from the application of both the IIR and the UTPR. Currently only the US fall under the package, but

[4] John Vella et al., Pillar 2's Impact on Tax Competition, p. 1, http://dx.doi.org/10.2139/ssrn.4203395 (accessed 31 May 2026).

[5] Christoph Spengel et al., Steuerplanung unter der globalen Mindeststeuer, 38 Der Betrieb 2023 2198, 2198 (2023).

[6] Minimum Tax Implementation Handbook (Pillar Two) p. 3 (2023) https://www.oecd.org/tax/beps/minimum-tax-implementation-handbook-pillar-two.pdf.

other jurisdictions may adopt a similar approach by implementing parallel domestic minimum tax regimes that differ in their effectiveness from the OECD GloBE framework.[7]

This paper provides the first comprehensive and systematic analysis of how Pillar Two has been implemented in domestic tax systems and how it has affected other features of corporate taxation. Prior literature has analytically examined how jurisdictions may respond to the introduction of Pillar Two, including the adoption of (Q)DMTTs[8] and other Pillar Two mechanisms, adjustments to CIT rates[9], and the redesign of tax incentives.[10] This paper provides the first comprehensive ex-post analysis of these predictions.

The analysis systematically examines changes in the domestic corporate tax systems of 223 jurisdictions since 2024 and relates these developments to specific country characteristics. Based on this analysis, the paper evaluates whether the reform is likely to achieve its central policy objective of establishing a level playing field in international taxation and limiting harmful tax competition. In this context, the paper also discusses whether the early and extensive adoption of Pillar Two in Europe may place European MNEs at a competitive disadvantage relative to firms headquartered in the US and other major economies, as suggested in the literature.[11]

The remainder of this paper is structured as follows. Chapter 2 reviews the relevant theoretical literature and develops expectations regarding jurisdictional responses. Chapter 3 outlines the data and methodology. Chapters 4 and 5 present the empirical analysis, and Chapter 6 concludes.

## 2. Expected reactions of tax systems in response to the introduction of OECD Pillar Two

This section reviews the theoretical literature on how jurisdictions are expected to respond to the introduction of Pillar Two. It focuses on three key dimensions: the domestic implementation

[7] International Tax Review, Brazil asks OECD for pillar two carve-out, https://www.internationaltaxreview.com/article/2g9hm2ntpq5zx88vcwfsw/direct-tax/brazil-asks-oecd-for-pillar-two-carve-out-deal (accessed 31 May 2026); KPMG, Latin America BEPS Pillar Two update: Side-by-side and beyond, https://kpmg.com/us/en/webcasts/2026/latin-america-beps-pillar-update.html (accessed 31 May 2026).

[8] Michael P. Devereux, International Tax Competition and Coordination with A Global Minimum Tax, 76 National Tax Journal 145, 159-160 (2023).

[9] Felix Hugger et al., The Global Minimum Tax and the Taxation of MNE profit, 68 OECD Taxation Working Papers 1, 43-44 (2024); John Vella et al., Pillar 2's Impact on Tax Competition, p. 26-28, http://dx.doi.org/10.2139/ssrn.4203395 (accessed 31 May 2026).

[10] Niels Bammens & Dieter Bettens, The Potential Impact of Pillar Two on Tax Incentives, 51(2) Intertax 155, 169 (2023).

[11] Julian Böhmer et al., "In this world so wide" – EU und USA ab 2026 „side by side" in Sachen globale Mindeststeuer, 7 Der Betrieb 2026 M4, M5 (2026).

of Pillar Two mechanisms, the development of CIT rates, and the introduction or modification of tax incentives.

*Implementation of (Q)DMTTs and Corporate Tax Rates*

(a) *Low-tax jurisdictions:*

Jurisdictions with ETRs below 15% (*low-tax jurisdictions*) face three principal strategic options in response to the GloBE framework: (i) increasing statutory CIT rates, (ii) maintaining low statutory CIT rates while introducing a (Q)DMTT, or (iii) maintaining low tax rates without implementing a (Q)DMTT. Non-rate tax incentives may additionally form part of this broader policy response. The relative attractiveness of these options depends both on the jurisdiction's economic model and on the implementation choices of other countries.

The GloBE framework aims to establish a global minimum level of corporate taxation, thereby limiting inter-jurisdictional tax competition. In principle, this creates incentives for low-tax jurisdictions to raise statutory CIT rates and reduces downward pressure on corporate taxation more generally[12]. At the same time, however, the design of the GloBE rules — particularly the Substance-Based Income Exclusion (SBIE) — creates important countervailing incentives for low-tax jurisdictions to retain low statutory tax rates while introducing a (Q)DMTT.[13] Because the (Q)DMTT applies only to profits not covered by the SBIE, jurisdictions may continue to attract real economic activity while simultaneously retaining top-up tax revenues domestically.[14] In addition, MNEs below the €750 million revenue threshold remain outside the scope of the GloBE rules and therefore continue to benefit fully from a low-tax environment.[15]

Under certain conditions, however, even refraining from introducing a (Q)DMTT may be the economically optimal strategy. This is particularly the case when no top-up tax is collected elsewhere — that is, where the MNE is subject to neither the IIR nor the UTPR in any other jurisdiction.[16] In such circumstances, incentives for profit shifting remain broadly unchanged

[12] Felix Hugger et al., The Global Minimum Tax and the Taxation of MNE profit, 68 OECD Taxation Working Papers 1, 43-44 (2024).

[13] Michael P. Devereux, International Tax Competition and Coordination with A Global Minimum Tax, 76 National Tax Journal 145, 159-160 (2023); John Vella et al., Pillar 2's Impact on Tax Competition, p. 26-28, http://dx.doi.org/10.2139/ssrn.4203395 (accessed 31 May 2026).

[14] Eckhard Janeba & Guttorm Schjelderup, The global minimum tax raises more revenues than you think, or much less, 145 Journal of International Economics 1, 13 (2023).

[15] Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS p. 9 (2021) https://doi.org/10.1787/782bac33-en.

[16] Wei Cui Strategic Incentives for Adopting the Global Minimum Tax, 16 Journal of Legal Analysis 211, 220 (2024).

relative to the pre-GloBE environment. Moreover, the relative attractiveness of low-tax jurisdictions may even increase if competing jurisdictions raise their ETRs following the introduction of Pillar Two.

The adoption of the OECD's SbS package further increases the likelihood of such scenarios. In particular, MNEs headquartered in jurisdictions with qualified parallel minimum tax systems may be shielded from the application of both the IIR and the UTPR in other jurisdictions. [17] By contrast, MNEs headquartered in jurisdictions without such systems remain exposed to UTPR taxation and may therefore seek to minimize taxable presence in UTPR-applying jurisdictions, potentially at the cost of increased organizational complexity and reduced operational efficiency.

*b) Mid- and high-tax jurisdictions:*

While the strategic responses of low-tax jurisdictions are central, the policy incentives of mid- and high-tax jurisdictions differ systematically. Mid-tax jurisdictions — i.e. jurisdictions with statutory tax rates moderately above the 15% threshold — may face pressure to adjust statutory CIT rates downward toward the minimum level. By doing so, they may remain competitive without substantially sacrificing tax revenues, as reductions in effective taxation below the threshold would be offset through the (Q)DMTT mechanism.[18] At the same time, these jurisdictions are likely to rely increasingly on tax base design and SBIE-compatible incentives in order to attract substantive economic activity. [19]

High-tax jurisdictions, by contrast, tend to be unable to reduce their statutory tax rates below 15%, resulting in a limited incentive to reduce statutory tax rates. At the same time, the theoretical literature remains inconclusive regarding potential incentives to raise tax rates.[20] Increases in tax rates among low-tax jurisdictions may encourage corresponding rate increases

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[17] Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Side-by-Side Package p. 79-87 (2026) https://www.oecd.org/content/dam/oecd/en/topics/policysub-issues/global-minimum-tax/side-by-side-package.pdf.

[18] John Vella et al., Pillar 2's Impact on Tax Competition, p. 26, http://dx.doi.org/10.2139/ssrn.4203395 (accessed 31 May 2026).

[19] OECD, Global Anti-Base Erosion Model Rules (Pillar Two), frequently asked questions, p. 3, https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/global-minimum-tax/faqs-on-model-globe-rules.pdf (accessed 31 May 2026); Guttorm Schjelderup & Frank Stähler, The economics of the global minimum tax, 31(4) International Tax and Public Finance 935, 949 (2024).

[20] Felix Hugger et al., The Global Minimum Tax and the Taxation of MNE profit, 68 OECD Taxation Working Papers 1, 43 (2024).

elsewhere by reducing competitive pressure on high-tax countries.[21] More generally, the primary objective of high-tax jurisdictions is likely the protection of their domestic tax base through the implementation of the IIR and, where applicable, a (Q)DMTT. Reduced tax competition may therefore allow these jurisdictions to maintain relatively high statutory tax rates while relying increasingly on targeted tax incentives to remain attractive for substantive economic activity.[22]

*Implementation of IIR and UTPR*

The incentives to implement the IIR and the UTPR are shaped by strategic interactions between jurisdictions. In particular, jurisdictions hosting Ultimate Parent Entities (UPEs) may refrain from implementing an IIR in order to preserve tax planning opportunities for their MNEs.[23] However, such a strategy is only viable where low-tax jurisdictions do not implement a (Q)DMTT. Otherwise, the jurisdiction of the UPE would forgo tax revenues that would instead be collected by jurisdictions applying the UTPR.[24]

Similarly, the adoption of the UTPR involves a trade-off between additional tax revenues and potential distortions to real economic activity. If neither the low-tax jurisdiction implements a (Q)DMTT nor the UPE jurisdiction an IIR, top-up taxes are allocated to UTPR jurisdictions in proportion to their economic presence.[25] This creates new tax planning incentives under the GloBE framework. In particular, an MNE with economic activity concentrated in a single UTPR-applying jurisdiction may seek to relocate part of that activity elsewhere, as otherwise low-taxed profits could become subject to top-up taxation in that jurisdiction. Conversely, jurisdictions applying the UTPR may collect significant additional tax revenues where MNEs maintain a substantial economic presence.

Beyond revenue considerations, the adoption of the UTPR may also be motivated by concerns regarding competitive neutrality. If UPE jurisdictions refrain from implementing the IIR, MNEs headquartered in those jurisdictions may face lower effective tax burdens than domestic firms

[21] Shafik Hebous & Michael Keen, Pareto-improving minimum corporate taxation, 225 Journal of Public Economics 1, 3-4 (2023).
[22] Tax Incentives and the Global Minimum Corporate Tax: Reconsidering Tax incentives after the GloBE Rules p. 30 (2022) https://doi.org/10.1787/25d30b96-en.
[23] Wei Cui Strategic Incentives for Adopting the Global Minimum Tax, 16 Journal of Legal Analysis 211, 220 (2024).
[24] Michael P. Devereux, International Tax Competition and Coordination with A Global Minimum Tax, 76 National Tax Journal 145, 154 (2023).
[25] Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS p. 13-14 (2021) https://doi.org/10.1787/782bac33-en.

or firms headquartered in jurisdictions applying the GloBE rules.[26] In such circumstances, the UTPR may serve as a backstop to ensure that foreign MNEs are subject to a minimum level of taxation, thereby mitigating potential competitive disadvantages for domestic firms.

*Non-Rate Tax Incentives under Pillar Two*

Pillar Two is expected to reshape the design of tax incentives by altering the relative attractiveness of different forms of tax competition. Governments traditionally use tax incentives to promote economic growth and encourage activities associated with positive externalities, particularly research and development (R&D).[27] At the same time, preferential tax regimes — especially for intellectual property (IP) income — have frequently been used as instruments of international tax competition and, in some cases, facilitated profit shifting without corresponding substantive economic activity.[28]

These concerns were already addressed under BEPS Action 5 through the introduction of the "nexus approach," which links preferential tax treatment to the level of economic activity undertaken within a jurisdiction.[29] As a result, many IP and patent box regimes (and also other preferential regimes[30]) were redesigned to incorporate stronger substance requirements. Pillar Two builds on this logic by limiting the effectiveness of tax incentives that reduce the jurisdictional ETR below the 15% minimum threshold. Where such incentives result in low effective taxation, additional top-up taxes may apply under the GloBE rules.

The impact of Pillar Two differs significantly between income-based and expenditure-based tax incentives.[31] Income-based incentives — such as patent, IP, or knowledge box regimes — typically operate through reduced tax rates or partial exemptions for qualifying income. Because these incentives directly reduce covered taxes, they are more likely to reduce the GloBE ETR and therefore trigger top-up taxation.[32]

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[26] Michael P. Devereux, International Tax Competition and Coordination with A Global Minimum Tax, 76 National Tax Journal 145, 156-157 (2023).
[27] Christian von Haldenwang et al., Tax Expenditures Lab Flagship Report 2025 p. 121 (Jost H. Heckemeyer et al., German Institute of Development and Sustainability (IDOS) 2025).
[28] Gregor Kirchhof et al., BeckOK EStG, § 4j, no. 2 (Carsten Quilitzsch, 24 ed., C.H.Beck 2025).
[29] Countering Harmful Tax Practices More Effectively, Taking into Account Transperency and Substance, ACTION 5: 2015 Final Report p. 9 (2015) http://dx.doi.org/10.1787/9789264241190-en.
[30] Harmful Tax Practices – 2018 Progress Report on Preferential Regimes p. 9 (2019) https://doi.org/10.1787/9789264311480-en.
[31] Tax Incentives and the Global Minimum Corporate Tax: Reconsidering Tax incentives after the GloBE Rules p. 3 (2022) https://doi.org/10.1787/25d30b96-en.
[32] Tax Incentives and the Global Minimum Corporate Tax: Reconsidering Tax incentives after the GloBE Rules p. 37 (2022) https://doi.org/10.1787/25d30b96-en.

By contrast, expenditure-based incentives are generally more compatible with the GloBE framework. These include enhanced deductions, accelerated depreciation, and tax credits linked to specific expenditures or investment activities. In particular, Qualifying Refundable Tax Credits (QRTCs) — i.e. refundable tax credits paid in cash or cash equivalents within a specified period[33] — and Marketable Transferable Tax Credits (MTTCs) — i.e. transferable tax credits that can be sold or transferred under market conditions[34] — receive favourable treatment under the GloBE rules and may therefore preserve the effectiveness of domestic incentive regimes despite the introduction of Pillar Two. Technically, qualifying tax credits are generally treated as income rather than as a reduction of covered taxes in the GloBE ETR calculation[35], thereby limiting their negative impact on the jurisdictional ETR. By contrast, non-qualifying tax credits are generally treated as reductions in covered taxes[36] and therefore reduce the GloBE ETR more directly, thereby increasing exposure to top-up taxation.

This preferential treatment of expenditure-based incentives is reinforced by the broader structure of the GloBE rules[37], which place greater emphasis on substantive economic activity. The OECD's SbS package further strengthens this development through the introduction of a substance-based tax incentive safe harbour for certain Qualified Tax Incentives (QTIs), including specific QRTCs and MTTCs.[38]

As a result, jurisdictions are likely to redesign tax incentive regimes in order to ensure compatibility with the GloBE framework.[39] While traditional income-based incentives may become less effective, expenditure-based incentives and substance-based tax benefits are likely to gain importance and may enable jurisdictions to maintain competitive tax environments outside the effective scope of Pillar Two.[40] More generally, Pillar Two is expected to shift tax competition

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[33] Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS p. 65 (2021) https://doi.org/10.1787/782bac33-en.

[34] Tax Challenges Arising from the Digitalisation of the Economy – Consolidated Commentary to the Global Anti-Base Erosion Model Rules (2025) p. 84-85 (2025) https://doi.org/10.1787/a551b351-en.

[35] Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS p. 16 (2021) https://doi.org/10.1787/782bac33-en.

[36] Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS p. 23 (2021) https://doi.org/10.1787/782bac33-en.

[37] Christian von Haldenwang et al., Tax Expenditures Lab Flagship Report 2025 p. 127 (Jost H. Heckemeyer et al., German Institute of Development and Sustainability (IDOS) 2025); Tax Incentives and the Global Minimum Corporate Tax: Reconsidering Tax incentives after the GloBE Rules p. 50 (2022) https://doi.org/10.1787/25d30b96-en.

[38] Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Side-by-Side Package p. 70 (2026) https://www.oecd.org/content/dam/oecd/en/topics/policysub-issues/global-minimum-tax/side-by-side-package.pdf.

[39] Victoria J. Perry, Pillar 2: tax competition in low-income countries and substance-based income exclusion, 44(1) Fiscal Studies 23, 30 (2023).

[40] Suranjali Tandon, The Need for Global Minimum Tax: Assessing Pillar Two Reform, 50(5) Intertax 396, 402 (2022).

away from low statutory tax rates and toward the design of tax bases, tax incentives, and measures linked to substantive economic activity.[41]

*Interim conclusions*

Overall, the introduction of Pillar Two is expected to generate heterogeneous but systematic policy responses across jurisdictions. Low-tax jurisdictions are likely to adopt (Q)DMTTs while maintaining low statutory tax rates, although some may refrain from implementation under specific conditions. Mid-tax jurisdictions may adjust statutory CIT rates toward the 15% threshold while increasingly relying on tax base design and SBIE-compatible incentives. High-tax jurisdictions, by contrast, are expected to focus primarily on protecting their tax base through the implementation of the IIR and (Q)DMTTs while maintaining relatively stable corporate tax rates.

More generally, tax competition is likely to shift away from statutory tax rates toward the design of tax bases and tax incentives within the constraints of the GloBE framework. Thus, rather than eliminating tax competition, Pillar Two is expected to transform its nature. These theoretical expectations provide the framework for the empirical analysis in the following sections.

## 3. Data sources

This study analyses cross-country responses to the introduction of OECD Pillar Two, focusing on the implementation of Pillar Two mechanisms, changes in CIT rates, and the redesign of tax incentives. The analysis covers 223 tax systems. Of these, 198 are based on the directory of the German Federal Foreign Office[42], while an additional 25 jurisdictions were identified from the sources listed below.

To analyse the implementation of Pillar Two, we collect data on the adoption and timing of the IIR, the UTPR, and the (Q)DMTT. The primary sources are the BEPS 2.0 trackers published by Ernst & Young[43], PwC[44], and KPMG[45], and the Tax Foundation's "Corporate Tax Rates

[41] Christoph Spengel et al., Steuerplanung unter der globalen Mindeststeuer, 38 Der Betrieb 2023 2198, 2203 (2023).

[42] Auswärtiges Amt, Verzeichnis der Staatennamen für den amtlichen Gebrauch in der Bundesrepublik Deutschland, https://www.auswaertiges-amt.de/de/service/terminologie/215252-215252 (accessed 31 May 2026).

[43] Ernst & Young, BEPS 2.0 Pillar Two Developments Tracker, https://app.powerbi.com/view?r=eyJrIjoiZDI2MDIwM2QtODZjMS00ZmJkLWFjMGQtM2VkMmU0ZTY4NjliIiwidCI6IjViOTczZjk5LTc3ZGYtNGJlYi1iMjdkLWFhMGM3MGI4NDgyYyIsImMiOjh9 (accessed 31 May 2026).

[44] PwC, Pillar Two Country Tracker, https://www.pwc.com/gx/en/services/tax/pillar-two-readiness/country-tracker.html (accessed 31 May 2026).

[45] KPMG, KPMG BEPS 2.0 Tracker, https://digitalgateway.kpmgservices.tech/en-US/news/beps (accessed 31 May 2026).

Around the World" database[46]. Information on Pillar Two implementation is available for 218 of the 223 jurisdictions included in the sample. The information obtained from these sources was cross-checked for consistency.

To examine developments in statutory corporate taxation[47], we compile a panel dataset on CIT rates covering the period from 2015 to 2025. The primary source is Ernst & Young's Worldwide Corporate Tax Guide[48], supplemented by Tax Foundation data[49]. A complete time series is available for 211 jurisdictions. The extended observation period allows us to compare post-Pillar Two developments with pre-reform trends in international corporate taxation.

The analysis of tax incentives focuses on preferential tax regimes and expenditure-based incentives that are relevant under the GloBE framework. We use the OECD's IP Regimes – Corporate Tax Statistics databases (2020 and 2024[50]) to analyse developments in IP and other preferential tax regimes. In addition, the PwC Pillar Two Tracker[51] is used to identify newly introduced or modified tax incentives, including the introduction of QRTCs and MTTCs.

In order to relate domestic tax policy responses to certain country characteristics, we supplement this tax information with data from other sources. Specifically, we add countries tax haven status based on the combined classifications of Hines (2010)[52], Hebous & Johannesen (2021)[53] as well as rankings from the Tax Justice Network Corporate Tax Haven Index (2019 and 2025)[54]. In our study, a jurisdiction is classified as a tax haven if it appears in at least two of these four lists. This approach results in a set of 22 tax havens (see Appendix A).

We gathered further data as variables for a regression analysis to help us better understand the rationales behind introducing (Q)DMTTs. The explanatory variables were derived from the

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[46] Tax Foundation, Corporate Tax Rates Around the World, https://taxfoundation.org/data/all/global/corporate-tax-rates-by-country-2025/ (31 May 2026).

[47] To obtain a comprehensive understanding of the overall tax burden for an MNE, additional types of income tax, such as the German trade tax, were included.

[48] Ernst & Young, Tax Guides Library Archive, https://www.ey.com/en_gl/technical/tax-guides/tax-guide-library-archive (accessed 31 May 2026).

[49] Tax Foundation, Global Tax Data, https://taxfoundation.org/data/global-tax/ (accessed 31 May 2026).

[50] OECD, Intellectual properties regimes – Corporate tax statistics 2020 and 2024, https://data-explorer.oecd.org/vis?fs[0]=Topic%2C1%7CTaxation%23TAX%23%7CCorporate%20tax%23TAX_CPT%23&pg=0&fc=Topic&bp=true&snb=15&df[ds]=dsDisseminateFinalDMZ&df[id]=DSD_QDD_IPR%40DF_QDD_IPR&df[ag]=OECD.CTP.TPS&df[vs]=1.0&dq=.A..&to[TIME_PERIOD]=false&pd=%2C&vw=tb (accessed 31 May 2026).

[51] PwC, Pillar Two Country Tracker, https://www.pwc.com/gx/en/services/tax/pillar-two-readiness/country-tracker.html (accessed 31 May 2026).

[52] James R. Hines Jr. Treasure Islands, 24(4) Journal of Economic Perspectives 103, 104 (2010).

[53] Shafik Hebous & Niels Johannesen, At your service! The role of tax havens in international trade with services, 135 European Economic Review 1, 21 (2021).

[54] Tax Justice Network, Corporate Tax Haven Index 2025, https://cthi.taxjustice.net/ (accessed 31 May 2026).

countries' gross domestic product (GDP) in 2024[55], the size of inward and outward FDI in 2024[56] and the labour force for 2025[57]. Based on the top 10 inward FDI countries in 2024[58], ratios were developed for each country to measure to what extent IIRs and UTPRs have been implemented in investor countries.

Finally, we collect data on major (outbound) investment destinations for key economies, including the US, Germany, the European Union (EU), China, and India, in order to analyse potential exposure to Pillar Two outside the UPE jurisdiction. These jurisdictions are identified based on their position among the top ten outward FDI destinations for each economy between 2020 and 2024. [59] To proxy differences in substantive economic activity, we construct an indicator based on the ratio of inward FDI[60] to labour force size[61] in 2024, distinguishing between low (1), medium (2), and high (3) levels of investment intensity. The full list of jurisdictions and classifications is reported in Appendix B.

## 4. Introduction of IIR, UTPR and (Q)DMTT

We begin the empirical analysis by examining the adoption of the core Pillar Two mechanisms. On 8 October 2021, more than 135 members of the OECD/G20 Inclusive Framework, representing over 95% of global GDP, agreed on the Two-Pillar Solution.[62] These jurisdictions included the world's largest economies at the time, the US, China, Japan, Germany, the United

[55] International Monetary Fund, GDP, current prices, https://www.imf.org/external/datamapper/NGDPD@WEO/WEOWORLD (accessed 31 May 2026); World Bank, GDP (current US$), https://data.worldbank.org/indicator/NY.GDP.MKTP.CD (accessed 31 May 2026).

[56] International Monetary Fund, https://data.imf.org/en/Data-Explorer?datasetUrn=IMF.STA:DIP(12.0.1) (accessed 31 May 2026).

[57] World Bank, https://data.worldbank.org/indicator/SL.TLF.TOTL.IN (accessed 31 May 2026); an alternative source must be used for 24 countries.

[58] International Monetary Fund, https://data.imf.org/en/Data-Explorer?datasetUrn=IMF.STA:DIP(12.0.1) (accessed 31 May 2026).

[59] U.S. Bureau of Economic Analysis (BEA), Direct Investment & Multinational Enterprises (MNEs) https://www.bea.gov/itable/direct-investment-multinational-enterprises (accessed 31 May 2026); Eurostat, EU direct investment positions, flows and income, by countries (BPM6), https://ec.europa.eu/eurostat/databrowser/view/bop_fdi6_geo__custom_19857594/default/table (accessed 31 May 2026).

[60] International Monetary Fund, https://data.imf.org/en/Data-Explorer?datasetUrn=IMF.STA:DIP(12.0.1) (accessed 31 May 2026).

[61] World Bank, Labor force, total, https://data.worldbank.org/indicator/SL.TLF.TOTL.IN (accessed 31 May 2026); Bermuda, November 2024 Labour Force Survey Report, 2025, www.gov.bm/sites/default/files/2025-12/2024%20LFS%20November%20Report.pdf; Cayman Islands, The Cayman Islands' Labor Force Survey Report Fall 2024, 2025, https://www.eso.ky/storage/page_docums/uploadFilePdf/924/The%20Cayman%20Islands%20Labour%20Force%20Survey%20Report%20Fall%202024.pdf; Trading Economies, Virgin Islands – Labor Force, total, https://tradingeconomics.com/virgin-islands/labor-force-total-wb-data.html (accessed 31 May 2026); Jersey, Labour Market June 2025, 2025, https://stats.je/news/june-2025-labour-market-report-published/#:~:text=General%20news,Read%20the%20full%20report.

[62] Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS p. 3 (2021) https://doi.org/10.1787/782bac33-en.

Kingdom, and India.[63] However, the subsequent implementation of the GloBE rules into domestic law has been considerably more limited. As of 2026, only a minority of jurisdictions have implemented the core Pillar Two mechanisms in their domestic tax systems.

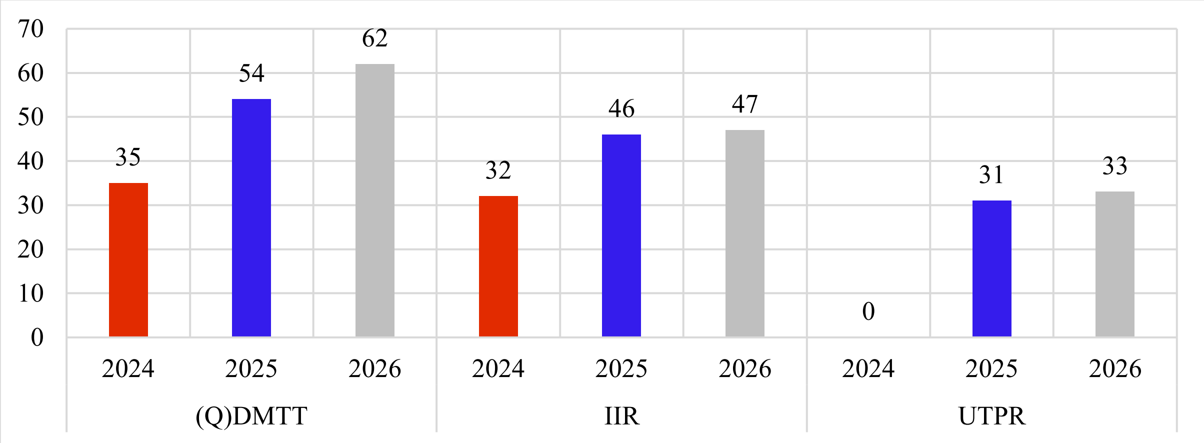


*Figure 1 shows the progress of (Q)DMTT, IIR and UTPR implementation into domestic tax law between 2024 and 2026 across all tax systems (N=223, n=218).*[64]

Figure 1 shows the implementation of the (Q)DMTT, the IIR, and the UTPR between 2024 and 2026 across all jurisdictions in the sample (N = 223, n = 218)[65]. The figure reveals substantial differences in implementation across the three mechanisms. The (Q)DMTT has been adopted most frequently, while implementation of the IIR remains more limited and adoption of the UTPR comparatively rare. Although implementation increased considerably between 2024 and 2026, only 33 jurisdictions had adopted all three mechanisms by 2026. Another 30 jurisdictions implemented only selected Pillar Two elements, most commonly the (Q)DMTT. Conversely, 155 jurisdictions — representing more than 70% of the sample — had not implemented any Pillar Two mechanism by 2026, underscoring the still limited global diffusion of the GloBE framework.

This pattern is consistent with the theoretical incentives discussed in Section 2. The (Q)DMTT allows jurisdictions to retain top-up tax revenues domestically while preserving relatively competitive statutory tax rates and maintaining the attractiveness of their tax systems for substantive economic activity. By contrast, the IIR and particularly the UTPR may create greater competitive concerns because they increase the effective tax burden on resident MNEs and may affect

[63] OECD, Members of the OECD/G20 Inclusive Framework on BEPS joining the October 2021 Statement on a Two-Pillar Solution to Adress the Tax Challenges Arising from the Digitalisation of the Economy as of 9 June 2023, https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/beps/oecd-g20-inclusive-framework-members-joining-statement-on-two-pillar-solution-to-address-tax-challenges-arising-from-digitalisation-october-2021.pdf (accessed 31 May 2026).

[64] Source: Own illustration.

[65] Where data is not available for the entire population (N) in this paper, the subsample (n) is indicated in the text.

investment incentives. These findings are consistent with the interpretation that Pillar Two primarily alters the allocation of taxing rights and top-up tax revenues rather than fundamentally eliminating tax competition itself.

Implementation differs substantially across regions. Europe exhibits by far the most extensive adoption of Pillar Two mechanisms, particularly with respect to the IIR and the UTPR. This development is largely driven by the EU Minimum Tax Directive of 14 December 2022[66], which requires Member States to implement both mechanisms. By 2026, 33 of the 50 European jurisdictions in the sample had adopted the IIR, 26 the UTPR, and 35 a (Q)DMTT. Among the EU member states, five countries used the transitional regulation option and had not implemented the Pillar Two measures until now.

Outside Europe implementation remains considerably more limited. In Asia, 13 of 48 jurisdictions had adopted a (Q)DMTT by 2026, while adoption of the IIR (9 jurisdictions) and especially the UTPR (4 jurisdictions) remained modest. In Africa, South America, and North America, only one jurisdiction had implemented the IIR by 2026, while two jurisdictions had done so in Australia and Oceania.

Overall, these findings suggest that implementation of Pillar Two is substantially more selective and geographically concentrated than the broad political consensus that initially supported the reform. In practice, Pillar Two therefore risks evolving from a global minimum tax framework into a predominantly European project with more limited adoption outside Europe.[67]

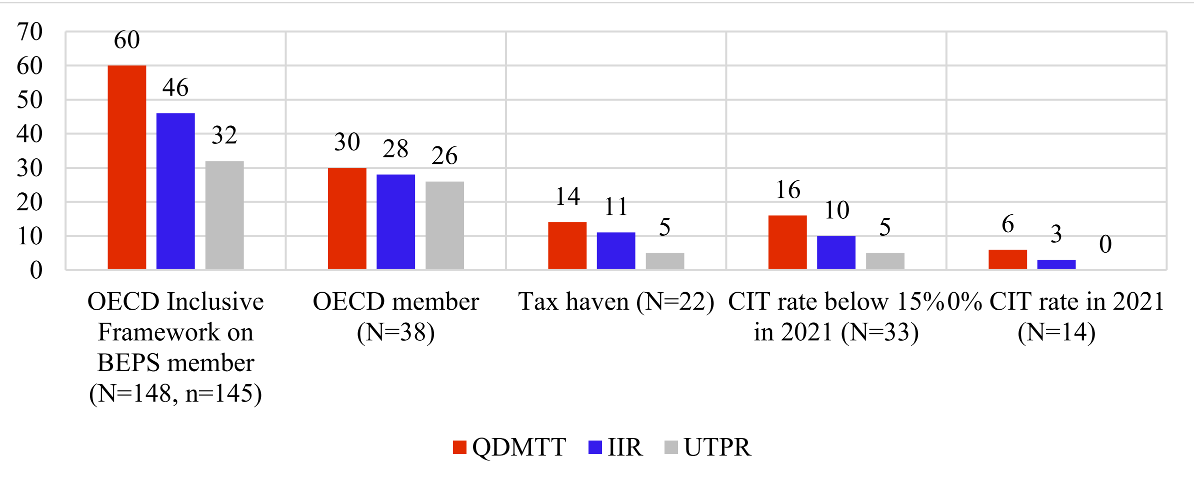


*Figure 2 shows the status of implementation for (Q)DMTT, IIR and UTPR as of 2026 across different categories.*[68]

[66] Article 50 provides for a temporary derogation in jurisdictions with fewer than 12 ultimate parent entities, which explains the remaining gaps in implementation (European Union, Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union (2022) http://data.europa.eu/eli/dir/2022/2523/oj).
[67] Monika Wünnemann, Aktuelle Steuerpolitik zum Jahresbeginn 2026, 1 Deutsches Steuerrecht 1, 5 (2026).
[68] Source: Own illustration.

Figure 2 shows the implementation status of the Pillar Two mechanisms across different categories of jurisdictions as of 2026. We compare implementation patterns across OECD Inclusive Framework members, OECD member states, tax havens, and jurisdictions with statutory CIT rates below 15% or equal to zero in 2021.

Even among OECD Inclusive Framework members, implementation remains incomplete by 2026. Only 41% of all Inclusive Framework members had adopted a (Q)DMTT, while adoption rates for the IIR (32%) and especially the UTPR (22%) were substantially lower. More than half of all Inclusive Framework jurisdictions had not implemented any Pillar Two mechanism, including ten jurisdictions with CIT rates below 15%.[69]

Implementation differs considerably between OECD and non-OECD jurisdictions. Among OECD member states, adoption rates are substantially higher. In total, 30 of the 38 OECD countries in the sample had implemented at least one Pillar Two mechanism by 2026, while 26 had implemented all three mechanisms. However, 21 of these jurisdictions were EU Member States[70], highlighting the importance of supranational coordination mechanisms for the effective implementation of Pillar Two. By contrast, implementation among non-EU OECD countries is noticeably lower, particularly with respect to the UTPR, which had been implemented by only 8 of the 16 non-EU OECD jurisdictions. Eight OECD members — Chile, Colombia, Costa Rica, Estonia, Latvia, Lithuania, Mexico, and the US — had not implemented any Pillar Two mechanism by 2026.

The implementation behaviour of tax havens and low-tax jurisdictions is relevant for assessing whether Pillar Two can effectively limit international tax competition and profit shifting incentives, particularly in light of the incomplete adoption in industrialized countries. Figure 2 therefore also analyses implementation among tax havens and jurisdictions with statutory CIT rates below 15% in 2021, including those with a 0% statutory CIT rate.

The results indicate that many tax havens and low-tax jurisdictions have selectively adopted domestic top-up taxes, often accompanied by an IIR, while refraining from broader implementation of the UTPR. Among the identified tax havens[71], 14 of 22 jurisdictions had adopted a

[69] These countries are Andorra, Belize, Bosnia and Herzegovina, Moldova, Paraguay, Anguilla, Eswatini, British Virgin Islands, Cayman Islands and Macau.

[70] The Directive contains a transitional regulation for deferred introduction in countries where fewer than 12 UPEs of MNEs are resident (European Union, Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union (2022) http://data.europa.eu/eli/dir/2022/2523/oj.). Because of this, Estonia, Latvia, Lithuania, Malta and Slovakia have not adopted the IIR or UTPR into their domestic tax laws as of 2026.

[71] See Chapter 3 for explanations concerning the identification of a country as a tax haven.

(Q)DMTT and 11 had implemented an IIR, whereas only 5 had introduced the UTPR. Six jurisdictions —Switzerland, Singapore, Guernsey, Hong Kong, the Isle of Man, and Jersey — implemented the IIR and the (Q)DMTT, but not the UTPR. The Bahamas, Mauritius, and the United Arab Emirates adopted only a (Q)DMTT. At the same time, eight jurisdictions classified as tax havens in our sample — China, Costa Rica, Lebanon, Malta, Panama, the British Virgin Islands, Bermuda, and the Cayman Islands — had not implemented any Pillar Two mechanism by 2026.

A similar pattern can be observed among jurisdictions with statutory CIT rates below 15% in 2021. By 2026, 16 of the 33 identified low-tax jurisdictions had implemented the (Q)DMTT, 10 had adopted an IIR, but only 5 had implemented the UTPR. Fourteen[72] of these jurisdictions imposed a CIT rate of 0% in 2021.[73] Among these zero-tax jurisdictions, only 6 had implemented a (Q)DMTT by 2026, while none had adopted the UTPR.

These findings are broadly consistent with the theoretical expectations developed in Section 2. For many low-tax jurisdictions, the (Q)DMTT appears to represent the most attractive implementation strategy because it allows them to retain top-up tax revenues domestically while preserving relatively favourable tax conditions for multinational enterprises. By contrast, broader implementation of the IIR and especially the UTPR appears considerably less attractive. Our analysis further suggests that Pillar Two has not fundamentally displaced low-tax business models but has instead encouraged more selective and strategic forms of implementation. Several jurisdictions continue to offer highly favourable tax environments that multinationals may effectively use outside the practical scope of Pillar Two where neither an IIR nor a UTPR applies elsewhere.

In Appendix C, we examine country characteristics associated with the implementation of (Q)DMTTs more broadly based on logistic and OLS regressions. The dependent variable is an indicator for (Q)DMTT adoption until 2026. Explanatory variables include the CIT rate (in 2021), the tax haven status, as well as controls for size of the economy (ln (GDP)), two variables that control for the intensity of inbound and outbound FDI (in 2024) relative to GDP and a control for real economic activity, proxied by the labour force (in 2025) relative to GDP. In

[72] These are Bahamas, Bahrain, Belize, Maldives, Vanuatu, United Arab Emirates, Anguilla, British Virgin Islands, Bermuda, Cayman Islands, Guernsey, Isle of Man, Jersey and Bonaire, Sint Eustatius and Saba.

[73] With exception of Vanuatu and Bonaire, Sint Eustatius and Saba, these tax systems were all mentioned in the October 2021 OECD statement on the two-pillar solution (OECD, Members of the OECD/G20 Inclusive Framework on BEPS joining the October 2021 Statement on a Two-Pillar Solution to Adress the Tax Challenges Arising from the Digitalisation of the Economy as of 9 June 2023, https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/beps/oecd-g20-inclusive-framework-members-joining-statement-on-two-pillar-solution-to-address-tax-challenges-arising-from-digitalisation-october-2021.pdf (accessed 31 May 2026)).

Column (1) and (2) of Appendix C, we include 209 countries for which all these variables are available. The results confirm that the (Q)DMTT is an instrument frequently used by low-tax countries to maintain top-up tax revenues locally. Lower CIT rates are associated with a significantly higher probability of (Q)DMTT adoption in both Columns (1) and (2). In the OLS specification (Column 1), a one percentage point lower CIT rate is associated with a 1.2 percentage point higher probability of (Q)DMTT adoption. Besides, size of the economy is positively associated with (Q)DMTT implementation, as indicated by significantly positive coefficients for ln(GDP) in both specifications. All other variables are significant in not more than one of the two specifications.

In Column (3) and (4) of Appendix C, we further test whether the adoption of (Q)DMTT also depends on IIR and UTPR implementation in the ten countries with the highest amount of inbound FDI. Additionally considering these two variables reduces the sample to 104 countries. Our results reveal that broader IIR implementation in top investor countries significantly increases the likelihood of (Q)DMTT adoption. In Column (3), a 10-percentage point higher IIR implementation rate in top investor countries is associated with a 7.7 higher probability for (Q)DMTT implementation. This underlines that countries interact strategically: Pillar Two implementation choices are not independent from implementation in other countries. This finding is particularly relevant for assessing the impact of the SbS package for global Pillar Two implementation patterns. We find no similar effect for UTPR implementation in investor countries.

# 5. Impact of the Pillar Two on other domestic tax legislation

## 5.1. Development of statutory CIT rates

We next examine whether the introduction of Pillar Two has influenced domestic corporate tax policy more broadly.

One central objective of Pillar Two is to reduce harmful tax competition by establishing an effective lower bound for corporate income taxation. In theory, low-tax jurisdictions that do not implement a (Q)DMTT may face incentives to increase statutory CIT rates toward the 15% minimum threshold in order to retain tax revenues domestically. Unlike a domestic top-up tax, however, increases in statutory CIT rates affect not only shifted profits but also substantive economic activity and firms outside the scope of Pillar Two. At the same time, Pillar Two may reduce competitive pressure on high-tax jurisdictions to lower statutory tax rates, while encouraging some mid-tax jurisdictions to adjust rates toward the new effective minimum threshold (see Section 2).

In this section, we analyse the development of statutory CIT rates before and after the political agreement on Pillar Two in 2021. Although Pillar Two is based on effective taxation, statutory CIT rates remain an important indicator of broader tax competition dynamics and domestic tax policy responses. Figure 3 presents the development of average statutory CIT rates for different groups of jurisdictions between 2015 and 2025.

Across all country groups, the long-standing downward trend in statutory CIT rates appears to have stabilized or partially reversed around 2021, coinciding with the political agreement on Pillar Two. Among OECD countries, average statutory CIT rates declined from 24.72% in 2015 to 23.33% in 2021, continuing a long-term downward trend from levels above 47% in the early 1980s.[74] By 2025, however, the average OECD CIT rate had increased again to 24.15%. This reversal is particularly visible among G7 countries. Their average statutory CIT rate decreased from 31.52% in 2015 to 26.99% in 2021, but subsequently increased to 29.06% by 2025.

A similar, though less pronounced, pattern can be observed among non-OECD jurisdictions, where average statutory CIT rates declined from 22.90% in 2015 to 21.99% in 2021 before rising modestly to 22.12% by 2025. Tax havens likewise exhibited a modest increase in average statutory CIT rates after 2021. While the average rate among these jurisdictions declined slightly from 13.49% in 2015 to 13.27% in 2021, it increased to 14.62% by 2025.

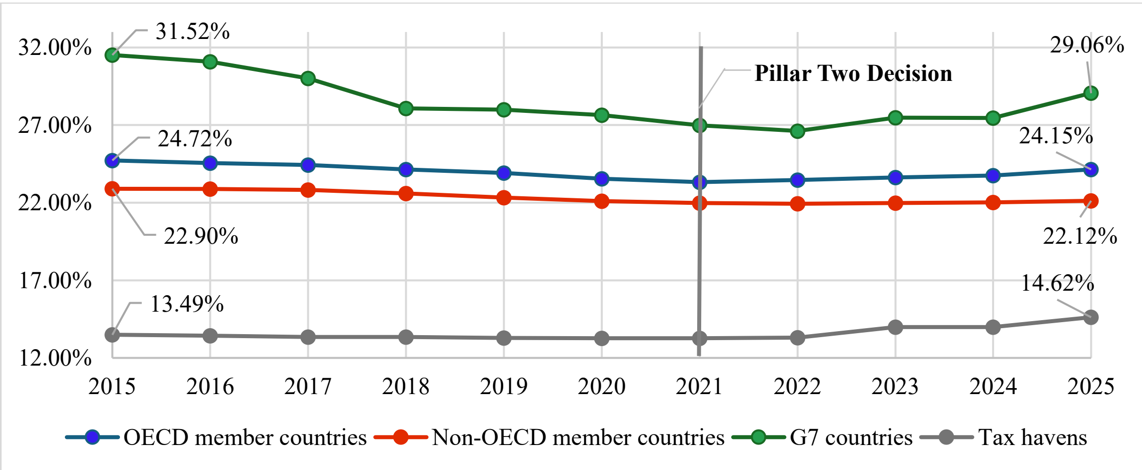


*Figure 3 shows the development of CIT rates in the period between 2015 and 2025, expressed as arithmetic mean for different groups of countries.*[75]

Not only have average statutory CIT rates changed over the past decade, but the distribution of tax rates across jurisdictions has also become more concentrated. Overall, the data indicate a

[74] Simon Loretz, Corporate taxation the OECD in a wider context, 24(4) Oxford Review of Economic Policy 639, 641 (2008).

[75] Source: Own illustration.

gradual convergence toward medium-range corporate tax rates, broadly consistent with the theoretical expectations discussed in Section 2.

Figure 4 illustrates the frequency distribution of statutory CIT rates across 211 jurisdictions in 2015, 2021, and 2025. Over this period, the number of jurisdictions with very high statutory CIT rates —rates above 25% and especially above 30% — declined noticeably. At the same time, the number of jurisdictions with very low tax rates, especially below 5%, also decreased. Conversely, the number of jurisdictions applying medium-range statutory CIT rates between 10% and 25% increased substantially.

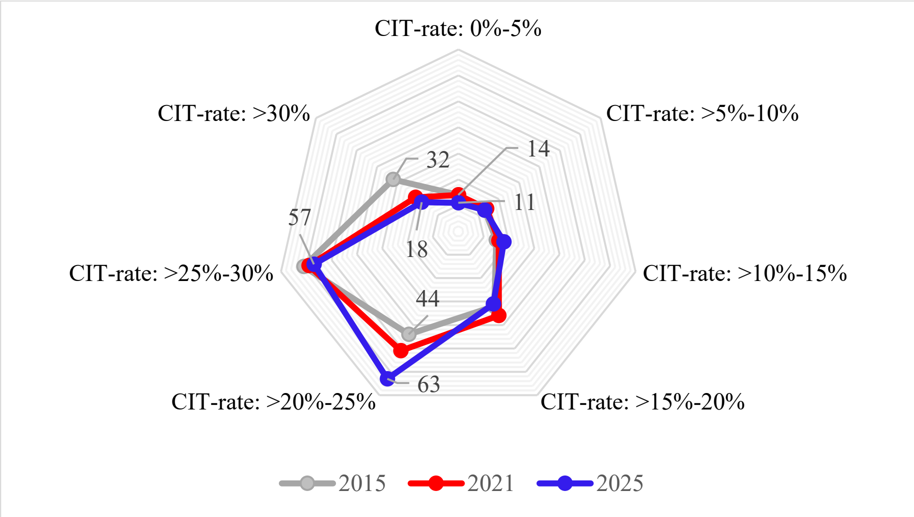


*Figure 4 shows the distribution of statutory CIT rates in 211 surveyed countries and tax systems in 2015, 2021 and 2025.*[76]

The following chart illustrates the development of average statutory CIT rates between 2021 and 2025 across different groups of jurisdictions classified according to their statutory CIT levels in 2021. Particular attention is given to jurisdictions with statutory CIT rates below 15%, as these jurisdictions are most likely to face exposure to Pillar Two top-up taxation. To account for differences in economic substance and market size, low-tax jurisdictions are further differentiated according to GDP levels, which serve as a proxy for the scale of domestic economic activity.

[76] Source: Own illustration.

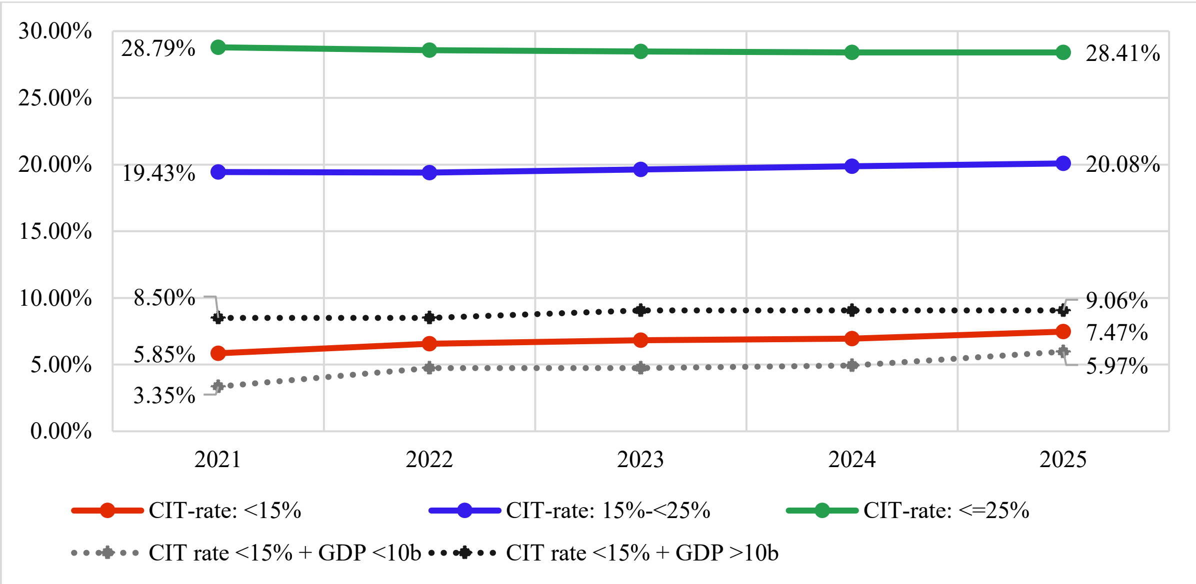


*Figure 5 shows the development of CIT rates in the period between 2021 and 2025, expressed as arithmetic mean for different groups of countries, grouped according to their CIT rate level in 2021.*[77]

Although Pillar Two is based on effective taxation rather than statutory tax rates, jurisdictions with statutory CIT rates below 15% are generally more likely to expose multinational enterprises operating within their territory to top-up taxation under the GloBE rules. This follows from the fact that the ETR under Pillar Two is calculated on the basis of financial accounting income with various adjustments, rather than directly from domestic taxable income.

The results indicate that jurisdictions with statutory CIT rates below 15% in 2021 experienced the strongest upward adjustments in statutory taxation between 2021 and 2025. Across all 33 jurisdictions in this category, the average statutory CIT rate increased from 5.85% in 2021 to 7.47% in 2025.

When differentiating by GDP in 2024[78], important differences emerge between smaller and larger low-tax jurisdictions. Jurisdictions with a GDP below USD 10 billion (N = 17) increased their average statutory CIT rate from 3.35% in 2021 to 5.97% in 2025. By contrast, jurisdictions with a GDP above USD 10 billion (N = 16) increased average statutory CIT rates only modestly, from 8.50% to 9.06%. These findings suggest that especially smaller low-tax jurisdictions have responded more actively through increases in statutory CIT rates.

Responses by individual countries from these categories confirm these general patterns. The five largest jurisdictions with statutory CIT rates below 15% in 2021 were Ireland, the United

[77] Source: Own illustration.
[78] International Monetary Fund, GDP, current prices, https://www.imf.org/external/datamapper/NGDPD@WEO/WEOWORLD (accessed 31 May 2026); World Bank, GDP (current US$), https://data.worldbank.org/indicator/NY.GDP.MKTP.CD (accessed 31 May 2026).

Arab Emirates, Hungary, Qatar, and Bulgaria. Given the size of their economy, multinational enterprises may use these countries not only as a target for profit shifting but also for substantive investments. This is reflected in the CIT rate development of most of these countries. While all of the jurisdiction had implemented a (Q)DMTT by 2026, they largely maintained – with the exception of the United Arab Emirates – their pre-existing statutory CIT rates between 2021 and 2025.

Ireland retained its 12.5% CIT rate, Hungary its 9% rate, while Qatar and Bulgaria continued to apply rates of 10%. This pattern suggests that the availability of (Q)DMTTs, together with the Substance-Based Income Exclusion, may reduce incentives for jurisdictions to raise statutory CIT rates toward the 15% threshold. In particular, jurisdictions seeking to preserve their attractiveness for substantive investment activity may prefer to maintain statutory rates below 15% while relying on the SBIE to preserve competitive advantages within the Pillar Two framework.

Hungary and Bulgaria illustrate this dynamic particularly clearly. Both jurisdictions are important recipients of FDI in manufacturing industries[79] and may therefore have incentives to maintain relatively low statutory tax rates while simultaneously participating in Pillar Two through the implementation of a (Q)DMTT. More generally, the findings suggest that many jurisdictions prefer to retain additional tax revenues through domestic top-up taxes rather than adjusting ordinary statutory CIT rates upward.

The United Arab Emirates represents a notable exception within this group. On 1 June 2023, the jurisdiction introduced a federal CIT system for the first time, imposing a statutory CIT rate of 9% and thereby ending the previous general corporate tax exemption regime. Government statements explicitly linked the reform to broader international tax developments and to support for the implementation of Pillar Two.[80]

Among jurisdictions with GDP levels below USD 10 billion, several reforms are particularly noteworthy. Bermuda increased its statutory CIT rate from 0% to 15% in 2025. The Bermudan government explicitly justified the reform with reference to Pillar Two and simultaneously announced targeted tax credits intended to preserve the jurisdiction's attractiveness as an investment location.[81] A more detailed discussion of these credits follows in Section 5.2. Importantly,

[79] OECD Economic Surveys: Hungary 2024 p. 62 (2024) https://doi.org/10.1787/795451e5-en; Sibel Ahmedova, Foreign Direct Investments in the Economic Development of Bulgaria, 15(1) International May Conference on Strategic Management 150, 152 (2018).
[80] United Arab Emirates, The Ministry of Finance announces the introduction of a Corporate Tax in the UAE, 2022, https://mof.gov.ae/en/news/the-ministry-of-finance-announces-the-introduction-of-a-corporate-tax-in-the-uae/.
[81] Bermuda, Corporate Income Tax (CIT), 2023, https://www.gov.bm/CIT.

the Bermuda corporate tax regime applies only to MNEs with annual consolidated revenues exceeding EUR 750 million and therefore shares important structural similarities with a (Q)DMTT despite being formally designed as a conventional CIT.

Additional significant increases can be observed in the Maldives, Montenegro, and Gibraltar. The Maldives increased its statutory CIT rate from 0% to 15% in 2022, Montenegro raised its rate from 9% to 15%, and Gibraltar increased its rate from 10% to 12.5% in 2022 before further increasing it to 15% in 2025. In the case of Gibraltar, the government explicitly linked the reform to Pillar Two implementation and the intention to align domestic taxation more closely with the global minimum tax framework.[82]

At the same time, several micro-jurisdictions maintained zero-tax CIT systems throughout the entire observation period. Nine jurisdictions with GDP levels below USD 10 billion in 2024 continued to apply statutory CIT rates of 0% between 2021 and 2025.[83] Collectively, these jurisdictions represented a comparatively small economic weight, with a combined GDP of approximately USD 31 billion in 2024.[84] Among these jurisdictions, Guernsey, the Isle of Man, and Jersey implemented a (Q)DMTT by 2026, whereas the British Virgin Islands and the Cayman Islands neither increased statutory CIT rates nor implemented a (Q)DMTT. The factors underlying these divergent responses are discussed further in Section 5.3.

The findings also indicate more moderate developments among mid-tax jurisdictions. Jurisdictions that applied statutory CIT rates between 15% and 25% in 2021 (N = 67) increased their average statutory CIT rate from 19.43% in 2021 to 20.08% in 2025. Between 2021 and 2025, this group recorded 13 increases and only 3 decreases in statutory CIT rates. This development may indicate that Pillar Two reduced competitive pressure on mid-tax jurisdictions to lower statutory rates further.

By contrast, jurisdictions that applied statutory CIT rates above 25% in 2021 (N = 111) exhibited comparatively stable tax levels. Their average statutory CIT rate declined only slightly from 28.79% in 2021 to 28.41% in 2025. Nevertheless, some convergence toward intermediate tax levels is observable within this group, as 19 jurisdictions reduced statutory CIT rates between 2021 and 2025, whereas only 5 increased them.

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[82] Gibraltar, The Budget 2024 - THE HON MINISTER FEETHAM'S ADDRESS - 481/2024, 2024, https://www.gibraltar.gov.gi/press-releases/the-budget-2024-the-hon-minister-feethams-address-4812024-10056.

[83] This includes Belize, Vanuatu, Anguilla, the British Virgin Islands, the Cayman Islands, Guernsey, the Isle of Man, Jersey, and Bonaire, Sint Eustatius and Saba.

[84] International Monetary Fund, GDP, current prices, https://www.imf.org/external/datamapper/NGDPD@WEO/WEOWORLD (accessed 31 May 2026); World Bank, GDP (current US$), https://data.worldbank.org/indicator/NY.GDP.MKTP.CD (accessed 31 May 2026).

Malta represents a particularly noteworthy case within this category. Although Malta maintained a statutory CIT rate of 35% throughout the entire observation period, the Maltese tax system includes a shareholder refund mechanism that may substantially reduce the effective level of taxation under certain circumstances. Under this mechanism, shareholders may reclaim up to six-sevenths of corporate income taxes paid, potentially reducing effective taxation below the Pillar Two threshold and thereby triggering top-up taxation abroad.

The Maltese authorities have explicitly acknowledged these challenges in discussions concerning future reforms of the domestic tax system.[85] Malta also made use of the six-year deferral option under the EU Minimum Tax Directive and therefore had not implemented the Pillar Two mechanisms into domestic law by 2026. On 2 September 2025, Malta introduced an elective regime allowing entities to apply a final tax rate of 15%, thereby eliminating subsequent shareholder-level refunds. These reforms appear intended to preserve the competitiveness of the Maltese tax system while limiting potential revenue losses arising from Pillar Two implementation.[86]

Overall, the findings suggest that Pillar Two has influenced domestic corporate tax rate policy, but in a more differentiated manner than initially anticipated. While the long-standing decline in statutory CIT rates appears to have stabilized after 2021, the data also indicate a gradual convergence of statutory tax rates toward intermediate levels. Smaller low-tax jurisdictions were more likely to increase statutory CIT rates directly, whereas several larger low-tax jurisdictions maintained rates below 15% while implementing (Q)DMTTs and relying on the SBIE to preserve investment attractiveness.

At the same time, these developments should be interpreted cautiously. The observed changes in statutory CIT rates coincide not only with the political agreement on Pillar Two, but also with the fiscal and economic consequences of the COVID-19 pandemic and broader macroeconomic developments, which may likewise have influenced national tax policy decisions.

Overall, the evidence suggests that Pillar Two has not eliminated international tax competition but has instead altered its structure. Competitive dynamics increasingly appear to centre less on purely nominal tax rates and more on the strategic design of domestic implementation regimes, targeted tax incentives, and the taxation of substantive economic activity.

[85] Malta: 2024 Article IV Consultation-Press Release; and Staff Report p. 47 (2024) https://doi.org/10.5089/9798400299704.002.
[86] Malta, Government Notices published in Government Gazette No. 21,499 of 2nd September 2025, 2025, https://www.gov.mt/en/Government/DOI/Government%20Gazette/Government%20Notices/Pages/2025/09/GovNotices0209.aspx (accessed 31 May 2026).

## 5.2. Impact of the OECD Pillar Two on tax incentives

The introduction of the OECD Pillar Two framework is expected to reshape the design and use of tax incentives across jurisdictions.[87] In particular, the rules affect income-based tax incentives, such as preferential tax rates on qualifying income under IP or patent box regimes, which directly reduce taxable profits and therefore lower the ETR. Under a global minimum ETR of 15%, the benefits of such incentives are increasingly neutralized through the application of top-up taxes. By contrast, expenditure-based tax incentives, including R&D tax credits, super-deductions, and investment allowances, are linked to specific costs or activities rather than profits and can often be structured in a manner that preserves their effectiveness under Pillar Two.[88]

As a result, jurisdictions face growing pressure to reassess their policy mix for attracting investment and fostering innovation. Rather than signalling the end of tax competition, Pillar Two appears to redirect it toward new forms and instruments.[89] Jurisdictions are therefore likely to preserve the attractiveness of their tax systems increasingly through Pillar Two-compatible incentive structures, particularly tax credits qualifying as QRTCs or MTTCs, substance-based incentives, and measures falling outside the Pillar Two ETR calculation altogether. In this context, the SBIE plays a particularly important role because it preserves tax advantages linked to substantive economic activity. At the same time, some jurisdictions may continue to maintain income-based preferential regimes where feasible, albeit with reduced effectiveness under the global minimum tax framework.

Within OECD member states, both expenditure-based and income-based tax incentives remain widely used. In 2024, 33 out of 38 OECD member states provided expenditure based tax incentives, while 21 out of 38 maintained income-based preferential regimes[90], primarily IP box systems.[91] Figure 6 compares reduced tax rates under IP regimes in 2020 (i.e. before the Pillar Two

[87] Tax Incentives and the Global Minimum Corporate Tax: Reconsidering Tax incentives after the GloBE Rules p. 47 (2022) https://doi.org/10.1787/25d30b96-en.

[88] Tax Incentives and the Global Minimum Corporate Tax: Reconsidering Tax incentives after the GloBE Rules p. 47 (2022) https://doi.org/10.1787/25d30b96-en.

[89] Victoria J. Perry, Pillar 2: tax competition in low-income countries and substance-based income exclusion, 44(1) Fiscal Studies 23, 30 (2023).

[90] Corporate Tax Statistics 2025 p. 48 (2025) https://doi.org/10.1787/6a915941-en.

[91] OECD, Intellectual properties regimes – Corporate tax statistics 2024, https://data-explorer.oecd.org/vis?fs[0]=Topic%2C1%7CTaxation%23TAX%23%7CCorporate%20tax%23TAX_CPT%23&pg=0&fc=Topic&bp=true&snb=15&df[ds]=dsDisseminateFinalDMZ&df[id]=DSD_QDD_IPR%40DF_QDD_IPR&df[ag]=OECD.CTP.TPS&df[vs]=1.0&dq=GRC%2BHUN%2BISR%2BITA%2BKOR%2BLTU%2BNLD%2BPOL%2BCHE%2BCH06%2BCH065%2BTUR%2BGBR%2BUSA%2BBEL%2BFRA%2BPRT%2BESP%2BES21%2BES22%2BIRL%2BLUX%2BSVK.A..&to[TIME_PERIOD]=false&pd=2024%2C2024&vw=tb (accessed 31 May 2026).

consensus) and 2024 (i.e. after the Pillar Two consensus) across jurisdictions included in the OECD Corporate Tax Statistics database for which comparable data were available.

Figure 6 shows that the introduction of Pillar Two had no immediate effect on the use of income-based IP box regimes. Only limited adjustments to preferential tax rates can be observed between 2020 and 2024. This suggests that jurisdictions have generally not abolished income-based tax incentives or increased the preferential rates following the introduction of Pillar Two, even though their effectiveness may be reduced through top-up taxation.

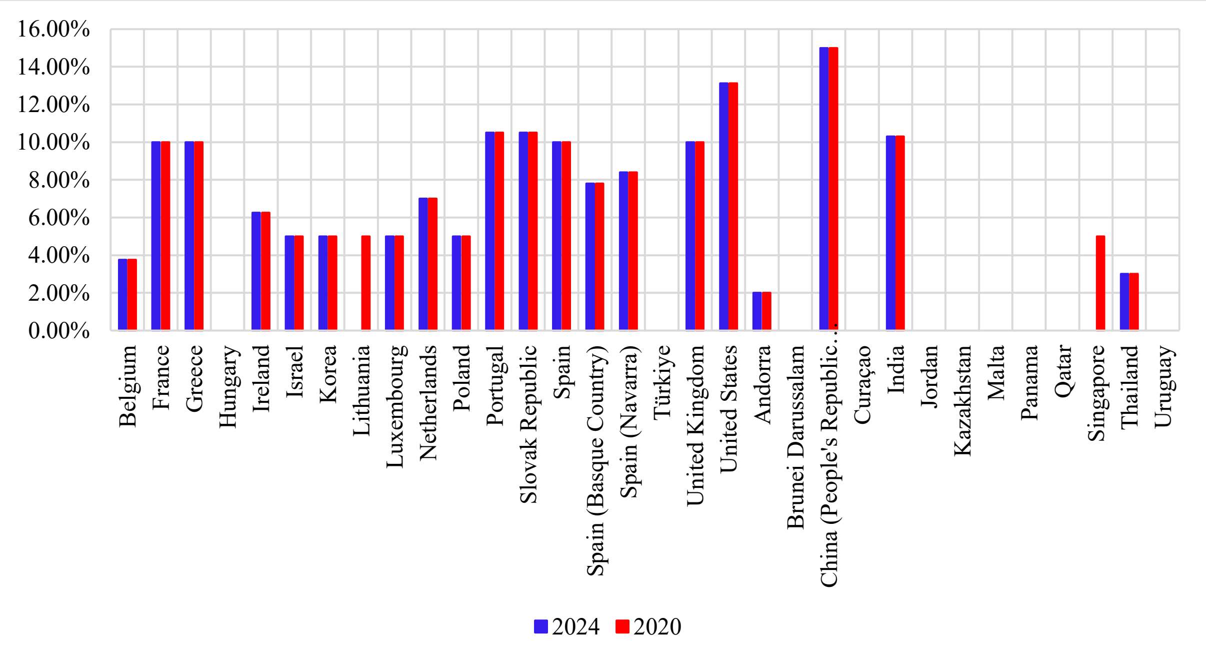


*Figure 6 shows the reduced tax rate under IP regimes in 2020 and 2024 for all 32 tax systems listed in the OECD's "Intellectual Property Regimes – Corporate Tax Statistics" database.*[92]

By contrast, a more significant development can be observed in the growing use of Pillar Two-compatible tax credits. Several jurisdictions, including Barbados, Belgium, Brazil, Hungary, Ireland, Israel, the Netherlands and Singapore, have introduced or redesigned incentives in order to qualify as QRTCs or MTTCs.[93] This trend suggests that jurisdictions seek to preserve the effectiveness of tax incentives while avoiding adverse Pillar Two consequences.

[92] OECD, Intellectual properties regimes – Corporate tax statistics 2020 and 2024, https://data-explorer.oecd.org/vis?fs[0]=Topic%2C1%7CTaxation%23TAX%23%7CCorporate%20tax%23TAX_CPT%23&pg=0&fc=Topic&bp=true&snb=15&df[ds]=dsDisseminateFinalDMZ&df[id]=DSD_QDD_IPR%40DF_QDD_IPR&df[ag]=OECD.CTP.TPS&df[vs]=1.0&dq=.A..&to[TIME_PERIOD]=false&pd=%2C&vw=tb (accessed 31 May 2026).
[93] PwC, Pillar Two Country Tracker, https://www.pwc.com/gx/en/services/tax/pillar-two-readiness/country-tracker.html (accessed 31 May 2026).

Singapore provides a particularly important example of this strategic adjustment. Historically, the jurisdiction has relied extensively on tax incentives[94], including reduced tax rates[95], tax privileged economic zones[96], investment allowances, and preferential regimes for international headquarters and financial services activities.[97] Rather than reducing its reliance on tax incentives after Pillar Two, Singapore has signalled its intention to maintain an active incentive-based investment strategy. In its 2026 budget statement, the government emphasized the continuing importance of tax incentives for attracting FDI and announced further reforms designed to align existing incentives with the technical requirements of Pillar Two.[98] In particular, several tax credits have been restructured to qualify as QRTCs[99], thereby preserving their effectiveness under the GloBE rules.

A similar development can be observed in Bermuda. Following the introduction of a 15% CIT applicable to MNEs, the jurisdiction enacted the Tax Credit Act 2025 to preserve its attractiveness as an investment location.[100] The reform introduced several tax credits, including a substance-based credit targeted primarily at multinational insurers, which combines employment- and expenditure-based elements and is designed to qualify as a QRTC.[101] These measures illustrate how jurisdictions increasingly combine higher nominal taxation with Pillar Two-compatible incentive structures.

Beyond corporate income taxation, jurisdictions are also exploring incentives that fall outside the Pillar Two ETR calculation altogether. These include, for example, personal income tax relief for highly qualified employees or incentives embedded in other tax bases. In China, policy discussions have explicitly considered shifting incentives toward taxes not covered by Pillar

94 Options for low income countries' effective and efficient use of tax incentives for investment p. 13 (2015) https://www.imf.org/external/np/g20/pdf/101515.pdf.
95 Irma Johanna Mosquera Valderrama et al., International Cooperation and the 2030 Sustainable Development Agenda 133-134 (Irma Johanna Mosquera Valderrama & Mirka Balharová, 19th edition, Springer 2021).
96 Options for low income countries' effective and efficient use of tax incentives for investment p. 22 (2015) https://www.imf.org/external/np/g20/pdf/101515.pdf.
97 Irving Aw & Janus Lim, Corporate Taxation, April 2026 Country Tax Guides IBFD 1, 45-88 (2026).
98 Singapore, Securing our Future together in a changed world, 2026, https://www.singapore-budget.gov.sg/budget-speech/budget-statement.
99 Johanes Candra, Singapore Refundable Investment Credit: shaping the future of foreign direct investment, https://www.ey.com/en_sg/technical/you-and-the-taxman/singapore-refundable-investment-credit-shaping-the-future-of-foreign-direct-investment (accessed 31 May 2026).
100 Bermuda, Corporate Income Tax (CIT), 2023, https://www.gov.bm/CIT.
101 Ernst & Young, Bermuda releases consultation on substance-based tax credits, https://www.ey.com/en_gl/technical/tax-alerts/bermuda-releases-consultation-on-substance-based-tax-credits2 (accessed 31 May 2026); Deloitte, Tax Credit Act 2025 and Corporate Income Tax Amendment (No. 2) Act 2025 enacted, https://www.taxathand.com/article/40755/Bermuda/2025/Tax-Credits-Act-2025-and-Corporate-Income-Tax-Amendment-No-2-Act-2025-enacted (accessed 31 May 2026).

Two, such as value-added taxes.[102] Such approaches may become increasingly important for jurisdictions seeking to preserve competitiveness while avoiding top-up taxation.[103]

The implications of these developments are particularly significant for developing countries. Many developing economies have historically relied on tax holidays, preferential economic zones, and broad profit exemptions in order to attract multinational investment.[104] Such measures are often administratively simple and fiscally less costly than refundable tax credits.[105] Under Pillar Two, however, these incentives are especially vulnerable because they frequently reduce jurisdictional ETRs below the 15% minimum threshold and therefore trigger top-up taxation elsewhere.[106]

As a result, the competitive value of traditional profit-based incentives may decline substantially. The case of Vietnam illustrates this dynamic, as the jurisdiction has increasingly explored alternative incentive mechanisms following concerns that existing preferential regimes may become less effective under Pillar Two.[107] More broadly, Pillar Two may place developing countries at a structural disadvantage because they often possess more limited fiscal capacity to replace traditional tax holidays with costly refundable credit systems.[108]

Overall, Pillar Two has not eliminated tax competition through tax incentives, but has transformed its structure. Jurisdictions increasingly compete through Pillar Two-compatible expenditure-based credits, substance-linked incentives, and measures outside the GloBE ETR calculation, while traditional profit-based regimes become less effective. This shift may particularly disadvantage developing countries, which often lack the fiscal and administrative capacity to replace tax holidays with refundable credit systems.[109] A global blending approach could

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[102] Yufei Liang, The Impact of the Global Minimum Tax Reform on China and Its Countermeasures, p. 12, https://doi.org/10.1515/econ-2022-0104 (accessed 31 May 2026).
[103] Thabo Legwaila, Global Minimum Corporate Tax – Developing Countries Beware, 45(4) Obiter 958, 973 (2024).
[104] Options for low income countries' effective and efficient use of tax incentives for investment p. 3 (2015) https://www.imf.org/external/np/g20/pdf/101515.pdf; Victor Thuronyi, Tax Law Design and Drafting 990 (David Holland & Richard J. Vann, 2nd edition International Monetary Fund 1998).
[105] Tientip Subhanij et al., Tax policy for sustainable development in Asia and the Pacific 73-74 (Joosung Jun, ESCAP Financing for Development Series, No. 2, United Nations 2018).
[106] Minimum Tax Implementation Handbook (Pillar Two) p. 18 (2023) https://www.oecd.org/tax/beps/minimum-tax-implementation-handbook-pillar-two.pdf.
[107] Annet Wanyana Oguttu, The Anticipated Impact of the Global Minimum Tax on Tax Competition for Developing Countries, 79(11) Bulletin for International Taxation 416, 427 (2025).
[108] Thabo Legwaila, Global Minimum Corporate Tax – Developing Countries Beware, 45(4) Obiter 958, 978 (2024); Cihat Öner, An Analysis of Controlled Foreign Company Rules, the OECD's Pillar Two and Developing Countries 78(1) Bulletin for International Taxation 19, 29 (2024); Alexander Fedan, Case Study Analysis of the OECD Pillar One and Pillar Two Allocations to Developing Countries, 75(8) Bulletin for International Taxation 382, 383 (2021).
[109] Roberto Codorniz Leite Pereira, Pillar Two and Developing Countries: The Perils of Jurisdictional Blending, 15(4) World Tax Journal 545, 571-572 (2023).

mitigate some of these asymmetries by reducing the extent to which low-taxed income in individual jurisdictions triggers top-up taxation.[110]

**5.3. Pillar Two and the realization of level playing field**

One of the principal objectives of Pillar Two is to establish a more level playing field for multinational enterprises by ensuring a minimum level of effective taxation across jurisdictions. Whether this objective can be achieved depends not only on the formal adoption of Pillar Two mechanisms, but also on the interaction between implementation patterns, safe harbour rules, and existing multinational group structures.

In principle, Pillar Two reduces competitive distortions by subjecting low-taxed income to top-up taxation. However, recent evidence suggests that the relationship between low ETRs and actual top-up tax exposure is imperfect. Koch/Oblinger document only a modest negative correlation between lower ETRs and additional top-up taxes[111], while Baumgart/Blaufus/Paczkowski show that top-up tax outcomes continue to depend on domestic tax enforcement practices despite the existence of a standardized framework.[112] These findings indicate that uniform implementation and consistent administrative application remain important prerequisites for achieving a genuine level playing field.

The practical effects of Pillar Two differ substantially across major economic regions. Due to the EU Minimum Tax Directive, EU Member States are generally required to implement both the IIR and the UTPR. Consequently, low-taxed profits of EU-parented MNEs are comprehensively exposed to top-up taxation, irrespective of whether the low-tax jurisdiction itself applies a local (Q)DMTT. EU-parented groups may therefore face broader exposure to Pillar Two than MNEs headquartered in jurisdictions that have not implemented the IIR or UTPR. This exposure is not limited to traditional profit-shifting arrangements, but may also arise from temporary losses, restructuring measures, or accounting adjustments if the GloBE regulations imperfectly account for such circumstances.[113]

By contrast, the US[114], China, and India had not implemented the core Pillar Two mechanisms by 2026. Non-implementation of the IIR does not, by itself, fully shield low-taxed profits from

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[110] Roberto Codorniz Leite Pereira, Pillar Two and Developing Countries: The Perils of Jurisdictional Blending, 15(4) World Tax Journal 545, 573 (2023).

[111] Reinald Koch & Lukas Oblinger, Effects of the global minimum tax on German corporations, p. 18, http://dx.doi.org/10.2139/ssrn.5682542 (accessed 31 May 2026).

[112] Eike Alexander Baumgart et al., Expected burdens of the global minimum tax: Firm evidence, p. 18, http://dx.doi.org/10.2139/ssrn.6581998 (accessed 31 May 2026).

[113] Reinald Koch & Lukas Oblinger, Effects of the global minimum tax on German corporations, p. 14-21, http://dx.doi.org/10.2139/ssrn.5682542 (accessed 31 May 2026).

[114] The US directly explained their refusal to do so with the aim not to damage economic competitiveness of their domestic firms (United States, Presidential Actions, 2025, The Organisation for Economic Cooperation and

top-up taxation. Such profits may still be taxed under a local (Q)DMTT, under an IIR applied by an intermediate parent jurisdiction, or through the UTPR in another jurisdiction in which the MNE operates. Since many large US-parented MNEs maintain substantial operations within the EU, the UTPR could in principle expose them to top-up taxation.

However, the SbS and UPE safe harbour regime for recognized SbS systems substantially limits the potential exposure of US-parented MNEs to foreign IIRs and UTPRs.[115] Since the US is currently the only jurisdiction recognized as operating a qualified SbS regime[116], US-parented groups may in practice remain outside significant parts of the Pillar Two framework where no local (Q)DMTT applies. As a result, their top-up tax exposure depends primarily on whether relevant low-tax jurisdictions have adopted domestic minimum top-up taxes.

Figure 7 illustrates this point by showing the (Q)DMTT implementation status and statutory CIT rates of the ten largest US outbound FDI destinations. Several major investment destinations of US MNEs, including Singapore and Luxembourg, have implemented (Q)DMTTs. In these jurisdictions, Pillar Two exposure may still arise through domestic top-up taxation. However, the Cayman Islands and Bermuda, which together account for a substantial share of US outbound FDI, have not implemented a (Q)DMTT. Both jurisdictions are commonly associated with financial investment structures and profit-shifting activities rather than substantive real investment.[117] These implementation asymmetries leave scope for US-parented MNEs to achieve low effective taxation outside the practical reach of Pillar Two.

Moreover, selective implementation may create incentives for firms to restructure profit-shifting arrangements toward jurisdictions in which Pillar Two exposure remains limited. One potential example is Singapore, which has introduced a (Q)DMTT but also offers substantial Pillar

Development (OECD) Global Tax Deal (Global Tax Deal), 2025, https://www.whitehouse.gov/presidential-actions/2025/01/the-organization-for-economic-co-operation-and-development-oecd-global-tax-deal-global-tax-deal/ (accessed 31 May 2026)).

115 Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Side-by-Side Package p. 79-87 (2026) https://www.oecd.org/content/dam/oecd/en/topics/policysub-issues/global-minimum-tax/side-by-side-package.pdf; United States, G7 Statement on Global Minimum Tax, 2025, https://home.treasury.gov/news/press-releases/sb0181; OECD, Central Record for purposes of the Global Minimum Tax, https://www.oecd.org/en/topics/sub-issues/global-minimum-tax/central-record-of-legislation-with-transitional-qualified-status.html (accessed 31 May 2026).

116 OECD, Central Record for purposes of the Global Minimum Tax, https://www.oecd.org/en/topics/sub-issues/global-minimum-tax/central-record-of-legislation-with-transitional-qualified-status.html (accessed 31 May 2026).

117 Javier Garcia-Bernardo et al., Uncovering Offshore Financial Centers: Conduits and Sinks in the Global Corporate Ownership Network 7, 6246 Scientific Reports 1, 6 (2017); Katharina Lewellen & Leslie A. Robinson, Internal Ownership Structures of U.S. Multinational Firms, http://dx.doi.org/10.2139/ssrn.2273553 (accessed 31 May 2026).

Two-compatible or Pillar Two-irrelevant tax incentives, as discussed in Section 5.2.[118] Between 2020 and 2024, US outbound FDI in Singapore increased by 76.99 percent.[119] While this development cannot be attributed solely to Pillar Two, it is consistent with the broader expectation that tax competition increasingly shifts from statutory tax rates toward the design of domestic implementation regimes and targeted incentives.

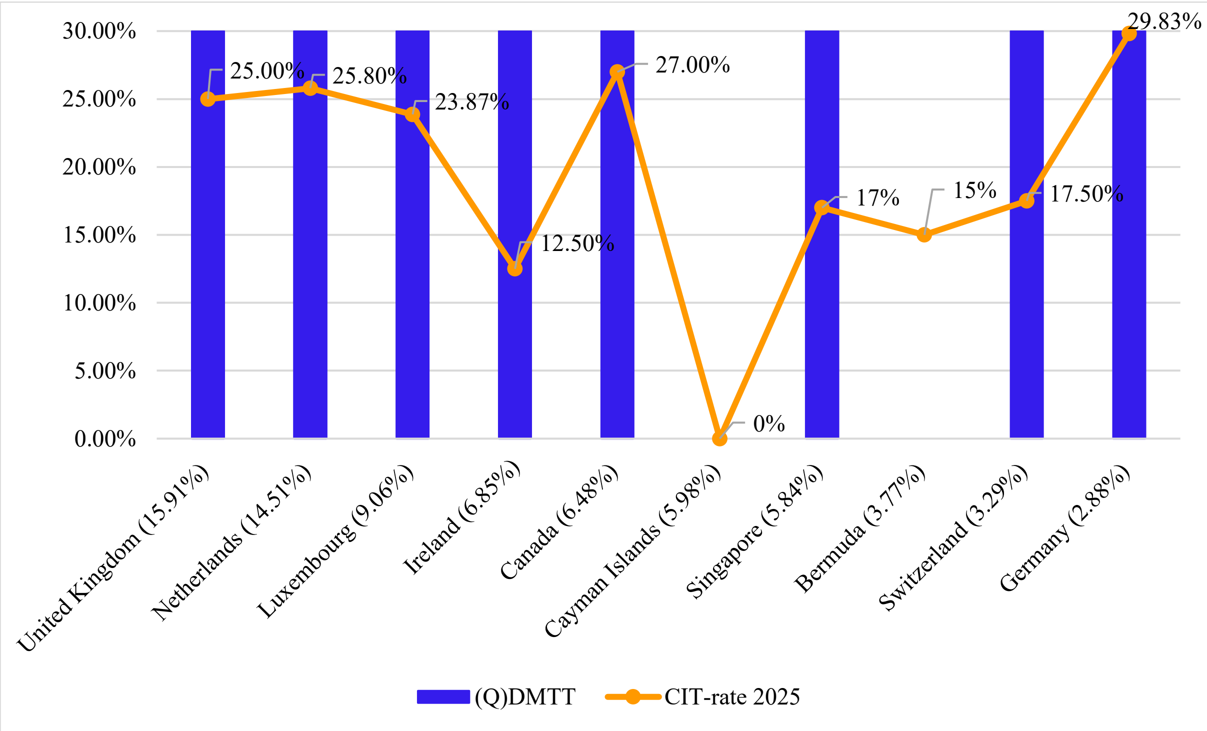


*Figure 7 shows the implementation status of the (Q)DMTT for the main investment destinations of the US, listed by their share of total FDI, as well as the respective statutory CIT rate for 2025; *please note the explanations on Bermuda's corporate tax system*[120]

The SbS agreement would not necessarily create competitive asymmetries if the US NCTI regime produced outcomes broadly comparable to Pillar Two. However, the OECD Pillar Two framework and the US NCTI regime differ substantially in both design and practical effect. Pillar Two applies jurisdictional blending and requires a minimum ETR of 15 percent in each jurisdiction, whereas the US NCTI regime relies primarily on global blending. In addition, the Pillar Two tax base is derived from financial accounting income, while NCTI is calculated on the basis of US taxable income. Consistent with this less restrictive design, empirical evidence

[118] Irma Johanna Mosquera Valderrama et al., International Cooperation and the 2030 Sustainable Development Agenda 129 (Irma Johanna Mosquera Valderrama & Mirka Balharová, 19th edition, Springer 2021).
[119] U.S. Bureau of Economic Analysis (BEA), Direct Investment & Multinational Enterprises (MNEs), https://www.bea.gov/itable/direct-investment-multinational-enterprises (accessed 31 May 2026).
[120] Source: Own illustration.

suggests that GILTI has not significantly reduced profit-shifting activities of US-parented MNEs.[121]

The situation for Chinese MNEs differs in important respects from that of US-parented groups. Although China had not implemented Pillar Two mechanisms into domestic law by 2026, it also had not introduced a qualified SbS regime[122]. Chinese-parented MNEs therefore remain potentially exposed to foreign IIRs, UTPRs, and domestic minimum top-up taxes in jurisdictions in which they operate.

At the same time, certain characteristics of Chinese corporate group structures and the implementation patterns of major Chinese investment destinations may limit the practical Pillar Two exposure of Chinese MNEs. For example, some large Chinese firms appear to operate almost exclusively within China and do not report material subsidiaries or permanent establishments in foreign jurisdictions implementing Pillar Two mechanisms.[123] For such firms, the practical relevance of Pillar Two currently depends primarily on future implementation choices by China itself.

In addition, numerous internationally active Chinese firms are ultimately controlled from China but legally organized through holding entities incorporated in jurisdictions such as the Cayman Islands or the British Virgin Islands. [124] These structures are often linked not only to tax considerations, but also to broader regulatory and financing objectives, including access to foreign equity capital and variable-interest-entity structures in sectors subject to foreign ownership restrictions. Since neither the Cayman Islands nor the British Virgin Islands had implemented Pillar Two mechanisms by 2026, the mere existence of such intermediate holding structures does not itself trigger top-up taxation. At the same time, both jurisdictions remain among the most important destinations of Chinese outbound FDI, primarily because of their role as offshore financial centers (see Figure 8).

[121] Michael Overesch et al., The Effects of the Tax Cuts and Jobs Act on the Tax-Competitiveness of Multinational Corporations, p. 29, http://dx.doi.org/10.2139/ssrn.4383849 (accessed 31 May 2026); Javier Garcia-Bernardo et al., Did the Tax Cuts and Jobs Act Reduce Profit Shifting by US Multinational Companies?, 2026 IMF Economic Review 1, 16 (2026); Dhammika Dharmapala, The Consequences of the 2017 US International Tax Reform: A Survey of the Evidence, p. 14, http://dx.doi.org/10.2139/ssrn.4659051 (accessed 31 May 2026).

[122] OECD, Central Record for purposes of the Global Minimum Tax, https://www.oecd.org/en/topics/sub-issues/global-minimum-tax/central-record-of-legislation-with-transitional-qualified-status.html (accessed 31 May 2026).

[123] Reuven S. Avi-Yonah, "Where Is China Now on Pillar 2?", 116 (3) Tax Notes International 425, 428 (2024).

[124] Noam Noked & Jingyi Wang, Chinese companies in tax havens, 27(3) Journal of International Economic 521, 521-522 (2024).

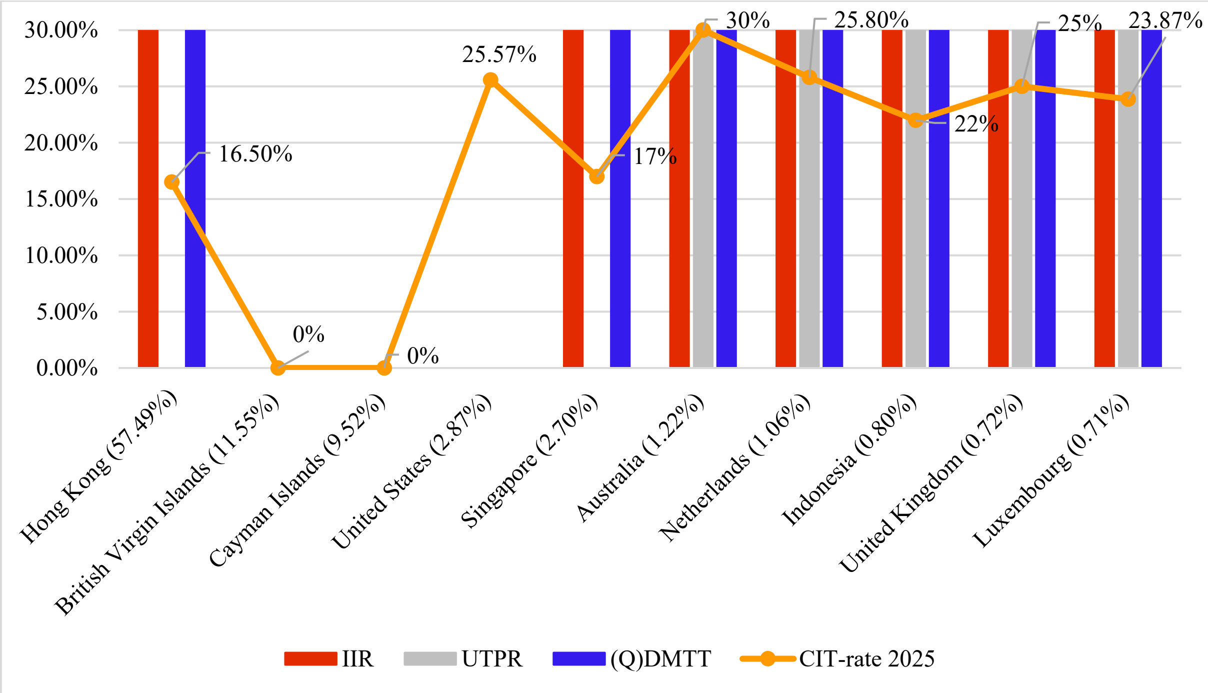


*Figure 8 shows the implementation status of the OECD Pillar Two mechanisms for the main investment destinations of China, listed by their share of total FDI, as well as the respective statutory CIT rate for 2025.*[125]

Moreover, none of the five largest destinations of Chinese outbound FDI — which jointly account for more than 70 percent of total Chinese outbound investment — had implemented a UTPR by 2026 (Figure 8).

We examine the group structures and the potential exposure to top-up taxes more closely for five of the largest Chinese multinationals, including Tencent Holdings, Alibaba Group, Xiaomi, BYD, and ICBC. Three of these firms — Tencent, Alibaba, and Xiaomi — are ultimately headquartered in the Cayman Islands, whereas BYD and ICBC are incorporated in China itself.

The annual reports of these MNEs list their most relevant subsidiaries. Tencent Holdings, Alibaba Group and Xiaomi list affiliates in the Cayman Islands and/or British Virgin Islands to form part of their most relevant subsidiaries, which are most likely subject to low levels of taxation. All five MNEs have also listed affiliates in countries that have implemented Pillar Two mechanisms, which may cause top-up taxes under an IIR or UTPR. For Alibaba and BYD, potential IIR exposure results from relevant subsidiaries in Hong Kong, whereas the other three

[125] Source: Own illustration.

MNEs have relevant subsidiaries in Europe, namely the Netherlands (Xiaomi[126]), Finland (Tencent[127]), the UK (ICBC[128]) and Austria (ICBC[129]). Since these lists only include the most relevant subsidiaries, it can be assumed that these MNEs have additional (smaller) subsidiaries in IIR or UTPR countries.[130] Furthermore, according to the Pillar Two Model rules, a permanent establishment must also be considered as a CE.[131] Altogether, the current group structures of the considered MNEs may create exposure to top-up taxation under foreign IIRs or UTPRs.

However, tax disclosures from the current annual reports of these Chinese MNEs indicate that most of them not expect a material impact on their overall tax burden. Tencent Holdings Limited[132], Alibaba Group[133] and ICBC[134] notes in the Annual Report 2024/2025 that the implementation of Pillar Two, even in jurisdictions where the MNEs operates, will not have a material impact on the CIT burden. BYD has already recognized a provision of 9,435,000 RMB[135] for OECD Pillar Two top-up taxes in 2024 and does not rule out the potential for other tax systems to impose top-up-taxes in the future.[136]

Several explanations may account for these comparatively limited reported effects. First, these MNEs may not be subject to low taxation. For instance, Xiaomi points out in the Annual Report for 2024 that no ETR below 15% was recorded in jurisdictions that have implemented OECD

[126] Xiaomi, 2024 Annual Report, p. 304-306, https://ir.mi.com/financial-information/annual-interim-reports (accessed 31 May 2026).
[127] Tencent, 2024 Annual Report, p. 261-262, https://static.www.tencent.com/uploads/2025/04/08/1132b72b565389d1b913aea60a648d73.pdf (accessed 31 May 2026).
[128] ICBC, Annual Report 2024, p. 62-63, https://www.icbc-ltd.com/en/page/1089249049481998336.html (accessed 31 May 2026).
[129] ICBC, Annual Report 2024, p. 62-63, https://www.icbc-ltd.com/en/page/1089249049481998336.html (accessed 31 May 2026).
[130] For example, BYD operates a subsidiary in the Netherlands entitled BYD Europe B.V. (BYD, Annual Report 2024, p. 306, https://www.bydglobal.com/cn/en/BYD_ENInvestor/InvestorAnnals_mob.html (accessed 31 May 2026)), similarly to Xiaomi with Xiaomi Technology Netherlands B.V. (Xiaomi, Impressum, https://www.mi.com/de/support/guidance/impressum/ (accessed 31 May 2026)) as well as Tencent Holdings with Tencent Cloud Europe B.V. (North Data, https://www.northdata.de/TENCENT%20CLOUD%20EUROPE%20B%C2%B7V%C2%B7,%20Amsterdam/KVK%2071482539 (accessed 31 May 2026)).
[131] Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS p. 9 (2021) https://doi.org/10.1787/782bac33-en.
[132] Tencent, 2024 Annual Report, p. 197-198, https://static.www.tencent.com/uploads/2025/04/08/1132b72b565389d1b913aea60a648d73.pdf (accessed 31 May 2026).
[133] Alibaba, Fiscal Year 2025 Annual Report, p. 42, https://data.alibabagroup.com/ecms-files/1514443390/dbeaef58-eac8-4c00-9fdf-e361a5841078/Alibaba%20Group%20Holding%20Limited%20Fiscal%20Year%202025%20Annual%20Report.pdf (accessed 31 May 2026).
[134] ICBC, Annual Report 2024, p. 197, https://www.icbc-ltd.com/en/page/1089249049481998336.html (accessed 31 May 2026).
[135] This amounts to around € 1.2 million and represents approximately 0.02% of total profit.
[136] BYD, Annual Report 2024, p. 292, https://www.bydglobal.com/cn/en/BYD_ENInvestor/InvestorAnnals_mob.html (accessed 31 May 2026).

Pillar Two measures.[137] Alibaba[138] and Tencent[139] at least report a tax burden above 15% at the consolidated (global) level, despite their tax haven presences. Second, the current implementation asymmetries and jurisdictional safe harbour rules may continue to permit relatively low effective taxation in certain structures despite the formal introduction of Pillar Two. Third, the practical effects of Pillar Two remain highly dependent on the interaction between domestic implementation choices and multinational group organization.

Overall, the evidence suggests that Chinese MNEs occupy an intermediate position between EU- and US-parented groups. Unlike US-parented MNEs, Chinese groups currently do not benefit from a qualified SbS regime that broadly shields them from foreign IIRs and UTPRs. At the same time, the absence of domestic Chinese implementation and the continued relevance of offshore holding structures may still leave scope for relatively low effective taxation in some settings. Consequently, the practical effectiveness of Pillar Two for Chinese MNEs remains highly dependent on future implementation choices, enforcement practices, and potential restructuring responses.

The situation for Indian MNEs is broadly comparable to China. India has, so far, also not established GloBE regulations itself, but is also not operating a parallel regime that would qualify for an application for the SbS regime. However, the Indian case appears less economically significant because the major destinations of Indian outbound FDI already apply either statutory tax rates above 15 percent or domestic minimum top-up taxes (see Figure 9).

[137] Xiaomi, 2024 Annual Report, p. 313, https://ir.mi.com/financial-information/annual-interim-reports (accessed 31 May 2026).

[138] The ratio amounted to 22.18% (22,529 RMB/101,596 RMB) in 2024 and 22.80% (35,445 RMB/155,455 RMB) in 2025. Alibaba, Fiscal Year 2025 Annual Report, p. 244, https://data.alibabagroup.com/ecms-files/1514443390/dbeaef58-eac8-4c00-9fdf-e361a5841078/Alibaba%20Group%20Holding%20Limited%20Fiscal%20Year%202025%20Annual%20Report.pdf (accessed 31 May 2026).

[139] The ratio amounted to 26,83% (43,276 RMB/161,324 RMB) in 2023 and 18,64% (45,018 RMB/241,485 RMB) in 2024. Tencent, 2024 Annual Report, p. 123, chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://static.www.tencent.com/uploads/2025/04/08/1132b72b565389d1b913aea60a648d73.pdf (accessed 31 May 2026).

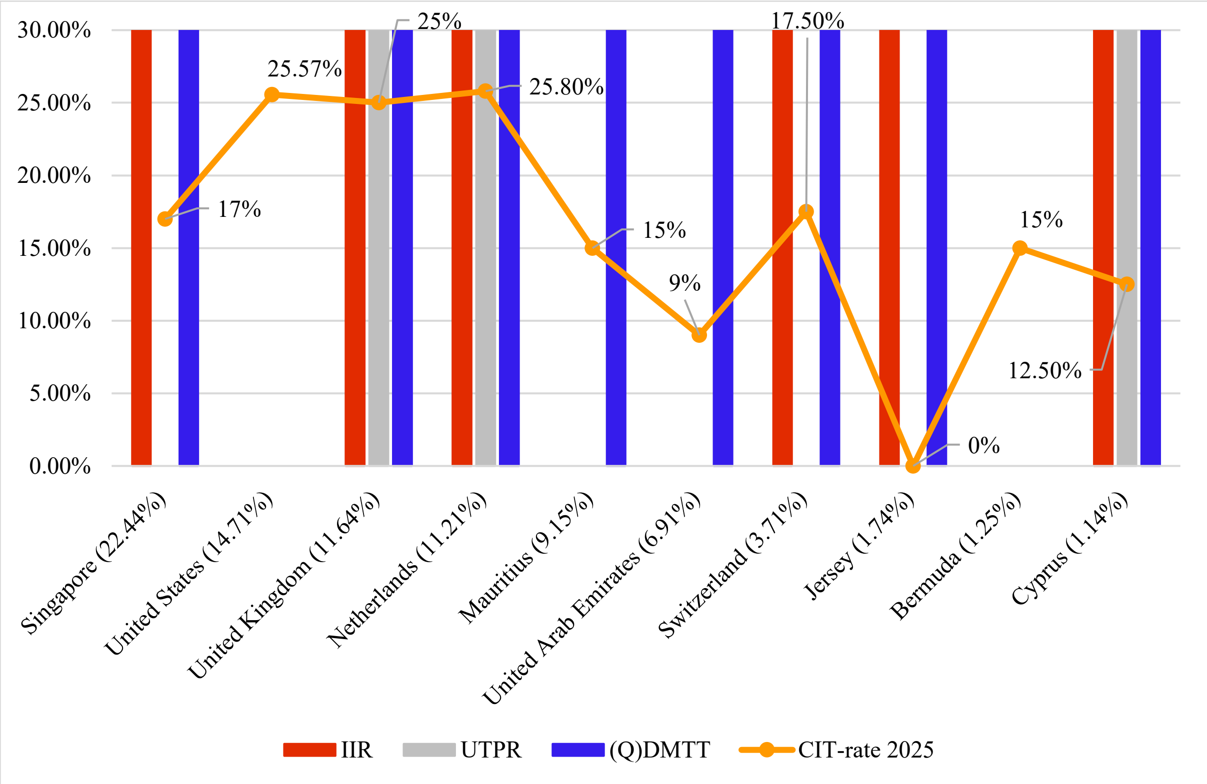


*Figure 9 shows the implementation status of the OECD Pillar Two mechanisms for the main investment destinations of India, listed by their share of total FDI, as well as the respective statutory CIT rate for 2025; *please note the explanations on Bermuda's corporate tax system* [140]

Ultimately, the impact of Pillar Two for Chinese and Indian MNEs depends also on future policy choices of major economies and tax havens. India and, particularly, China may seek to shield their MNEs from top-up tax exposure under the SbS regime, in order to avoid competitive disadvantages compared to US-parented MNEs. Recently, Brazil has approached the OECD with considerations for implementing a qualified SbS regime.[141] Other countries may follow their example.

Our regression analysis in Section 5.1 has documented that (low-tax) countries consider in their decision to adopt (Q)DMTTs the application of IIR in their main investor countries. As a consequence, further reducing the relevance of IIRs and UTPRs globally may reduce incentives or tax haven countries to maintain (Q)DMTTs in order to remain attractive as an investment location (or a location for offshore financing structures) for MNEs from these countries.

[140] Source: Own illustration.

[141] International Tax Review, Brazil asks OECD for pillar two carve-out, https://www.internationaltaxreview.com/article/2g9hm2ntpq5zx88vcwfsw/direct-tax/brazil-asks-oecd-for-pillar-two-carve-out-deal (accessed 31 May 2026); KPMG, Latin America BEPS Pillar Two update: Side-by-side and beyond, https://kpmg.com/us/en/webcasts/2026/latin-america-beps-pillar-update.html (accessed 31 May 2026).

More broadly, these developments suggest that the long-run effectiveness of Pillar Two may depend less on formal global consensus than on whether major economic blocs continue to regard the framework as competitively neutral. If parallel or SbS regimes increasingly fragment the system, Pillar Two may evolve toward a partially regional rather than genuinely global minimum tax framework.

The broader practical exposure of EU-parented MNEs to Pillar Two may then amplify existing international differences in effective taxation, rather than creating a level playing field. Consistent with this interpretation, Koch and Oblinger (2025) report that large European multinational groups exhibit, on average, higher ETRs than comparable US-, and Chinese-parented MNEs.

## 6. Conclusion

This study examines how jurisdictions have responded to the introduction of the OECD Pillar Two framework and analyses the implications of these developments for international tax competition. Using data on the global implementation of Pillar Two mechanisms, domestic CIT rates and tax incentives, we document substantial heterogeneity in the adoption and practical operation of the new minimum tax regime.

Our findings indicate that Pillar Two has not produced a globally uniform minimum tax system. By 2026, only a minority of jurisdictions participating in the OECD Inclusive Framework had implemented the IIR, UTPR, or a (Q)DMTT. At the same time, implementation patterns differ systematically across jurisdictions. European countries have implemented Pillar Two measures comparatively broadly, whereas implementation among several important low-tax jurisdictions and major non-OECD economies remained substantially more limited. In addition, recent developments surrounding the qualified SbS regime for US-parented MNEs suggest that the practical exposure of multinational groups to Pillar Two may increasingly diverge across major economic blocs.

The evidence further suggests that Pillar Two has altered the structure of international tax competition rather than eliminating it altogether. Following the 2021 Pillar Two agreement, the long-run decline in statutory CIT rates appears to have slowed modestly. However, low-tax jurisdictions continue to exist, and many jurisdictions have adapted their tax systems in ways intended to preserve competitiveness under the new framework. In particular, numerous countries introduced or redesigned tax incentives to interact favourably with Pillar Two mechanisms while avoiding top-up taxation.

More broadly, our findings indicate that Pillar Two may affect different forms of tax competition asymmetrically. The regime appears substantially more restrictive toward purely paper-based profit shifting than toward tax competition aimed at attracting real economic activity and investment. Several elements of the Pillar Two framework — including the substance-based income exclusion, expenditure-based incentives, and the preferential treatment of qualified refundable tax credits — continue to create advantages for jurisdictions capable of attracting mobile investment, payroll, and operational substance. Consequently, low-tax jurisdictions may increasingly compete through substance-based investment incentives and operational business activities rather than through purely nominal tax rate reductions alone.

This distinction may have important economic implications. Whereas Pillar Two likely reduces incentives for purely tax-motivated profit shifting without accompanying substance, competition for mobile real activities and investment may persist and potentially intensify under the new framework.[142] As a result, the economic effects of Pillar Two may depend not only on the level of minimum taxation itself but also on how multinational firms adjust the location of real activities, IP, and organizational functions in response to the new incentives created by the regime.

Our findings additionally suggest that the long-run effectiveness of Pillar Two may depend critically on continued international coordination. The emergence of parallel or partially equivalent systems, such as the US qualified SbS regime, creates the risk that multinational groups headquartered in different jurisdictions face systematically different competitive conditions under Pillar Two. Similar incentives may also arise for other large economies seeking to preserve the competitiveness of domestically headquartered multinational firms. If such parallel regimes become more widespread, Pillar Two may gradually evolve into a fragmented system of partially coordinated regional minimum tax regimes rather than a genuinely uniform global minimum tax framework.

These asymmetries carry concrete competitive implications. EU-parented MNEs face comprehensive top-up taxation under the IIR and UTPR by virtue of the EU Minimum Tax Directive, while US-parented groups benefit from the qualified Side-by-Side regime and Chinese-parented groups may remain partly outside domestic Pillar Two enforcement. To the extent that

[142] Michael P. Devereux et al., What Is the Substance-Based Carve-Out under Pillar 2? And How Will It Affect Tax Competition?, 39(5) EconPol Policy Brief 1 (2021); Christoph Spengel et al., Steuerplanung unter der globalen Mindeststeuer, 38 Der Betrieb 2023 2198 (2023); Eckhard Janeba & Guttorm Schjelderup, The global minimum tax raises more revenues than you think, or much less, 145 Journal of International Economics 1 (2023); Michael P. Devereux, International Tax Competition and Coordination with A Global Minimum Tax, 76 National Tax Journal 145 (2023).

low-taxed income continues to be achievable for US and Chinese MNEs through structures that remain outside the practical reach of Pillar Two, European multinationals may face a structurally higher effective tax burden — not because their domestic tax systems have changed, but because the global framework applies to them more comprehensively than to their principal competitors.

Overall, the evidence presented in this study suggests that Pillar Two represents an important transformation of international corporate taxation, but not the end of international tax competition. Instead, tax competition appears increasingly likely to shift away from purely nominal tax rate competition toward implementation design, investment incentives, and the attraction of mobile real economic activity. Future research should therefore continue to examine not only whether Pillar Two increases effective taxation, but also how it reshapes the strategic interaction between jurisdictions and multinational enterprises under the evolving architecture of international corporate taxation.

## Appendix

### Appendix A – Overview of tax havens

| | |
|---|---|
| Bahamas | Bermuda |
| British Virgin Islands | Cayman Islands |
| China | Costa Rica |
| Cyprus | Guernsey |
| Hong Kong | Ireland |
| Isle of Man | Jersey |
| Lebanon | Luxembourg |
| Malta | Mauritius |
| Netherlands | Panama |
| Singapore | Switzerland |
| United Arab Emirates | United Kingdom |

Notes: This table shows the countries that have been classified as tax haven in this paper. These classifications are based on the work of Hines (2010) and Hebous & Johannesen (2021), as well as on the rankings of the Tax Justice Network's "Corporate Tax Haven Index" (2019 and 2025). Our study classifies a jurisdiction as a tax haven if it is listed in at least two of these four lists.

### Appendix B – Major investment destinations for key economies*

| United States | Germany | European Union | China | India |
|---|---|---|---|---|
| ***United Kingdom (15.91%) – 1*** | United States (18.96%) – 1 | United States (15.37%) – 1 | ***Hong Kong (57.49%) – 3*** | ***Singapore (22.44%) – 2*** |
| ***Netherlands (14.51%) – 2*** | ***Netherlands (15.22%) – 2*** | ***United Kingdom (10.89%) – 1*** | ***British Virgin Islands (11.55%) – 3*** | United States (14.71%) – 1 |
| ***Luxembourg (9.06%) – 3*** | ***Luxembourg (12.82%) – 3*** | ***Netherlands (8.84%) – 2*** | ***Cayman Islands (9.52%) – 3*** | ***United Kingdom (11.64%) – 1*** |
| ***Ireland (6.85%) – 2*** | France (6.34%) – 1 | ***Luxembourg (7.33%) – 3*** | United States (2.87%) – 1 | ***Netherlands (11.21%) – 2*** |
| Canada (6.48%) – 1 | ***United Kingdom (5.73%) – 1*** | ***Switzerland (4.94%) – 2*** | ***Singapore (2.70%) – 2*** | ***Mauritius (9.15%) – 1*** |
| ***Cayman Islands (5.98%) – 3*** | ***China (4.94%) – 1*** | Germany (4.67%) – 1 | Australia (1.22%) – 1 | ***United Arab Emirates (6.91%)*** – 1 |
| ***Singapore (5.84%) – 2*** | Spain (3.71%) – 1 | France (3.70%) – 1 | ***Netherlands (1.06%) – 2*** | ***Switzerland (3.71%) – 2*** |
| ***Bermuda (3.77%) – 3*** | Austria (3.54%) – 1 | ***Ireland (3.42%) – 2*** | Indonesia (0.80%) – 1 | ***Jersey (1.74%) – 3*** |
| ***Switzerland (3.29%) – 2*** | ***Switzerland (2.67%) – 2*** | Spain (2.82%) – 1 | ***United Kingdom (0.72%) – 1*** | ***Bermuda (1.25%) – 3*** |
| Germany (2.88%) – 1 | Italy (2.56%) – 1 | Italy (2.47%) – 1 | ***Luxembourg (0.71%) – 3*** | ***Cyprus (1.14%) – 2*** |

| | | | | |
|---|---|---|---|---|
| Australia (2.83%) – 1 | Poland (2.20%) – 1 | Belgium (2.41%) – 1 | Sweden (0.55%) – 1 | ***Hong Kong (0.97%) – 3*** |
| | | | | Germany (0.80%) – 1 |
| | | | | Indonesia (0.71%) – 1 |

* tax systems which are also tax havens are shown in bold and cursive

The level of real investment intensity low (1), medium (2) and high (3) is defined as follows:

| Inward FDI 2024 / Labour Force | |
|---|---|
| low (1) | under 150.000 USD |
| medium (2) | between 150.000 USD and 500.000 USD |
| high (3) | above 500.000 USD |

Notes: The first table shows data on the most important FDI destinations for major economies, namely the US, Germany, the EU, China and India. Listed are the top ten outward FDI destinations for the respective economy between 2020 and 2024. Furthermore, the average percentage share of total FDI is listed, together with an indicator based on the ratio of inward FDI to the labour force in 2024, to illustrate differences in economic activity. This is specified in the second table.

**Appendix C – Regression analysis evaluating the implementation of a (Q)DMTT**

| Estimator | (1) OLS | (2) Logit | (3) OLS | (4) Logit |
|---|---|---|---|---|
| CIT rate | -1.240*** | -8.675*** | -1.694*** | -15.711*** |
| | (0.309) | (2.101) | (0.631) | (5.748) |
| Tax haven status | 0.225** | 0.911 | -0.100 | -3.962*** |
| | (0.111) | (0.635) | (0.118) | (1.924) |
| IIR implementation top 10 inward investment countries | | | 0.771** | 6.276** |
| | | | (0.380) | (2.578) |
| UTPR implementation top 10 inward investment countries | | | -0.299 | -3.392 |
| | | | (0.408) | (2.562) |
| ln (GDP) | 0.080*** | 0.543*** | 0.114*** | 0.957** |
| | (0.013) | (0.125) | (0.030) | (0.392) |
| Inward FDI/GDP | -0.006** | -0.039 | -0.034 | 1.169 |
| | (0.003) | (0.024) | (0.021) | (0.711) |
| Outward FDI/GDP | 0.004* | 0.026 | 0.084*** | 0.751 |
| | (0.002) | (0.019) | (0.021) | (0.481) |
| Labour Force/GDP * 100 | -3.131*** | -85.873 | -2.204 | -48.023 |

| | (1.082) | (63.121) | (3.068) | (112.458) |
|---|---|---|---|---|
| Observations | 209 | 209 | 104 | 104 |
| Pseudo R-sq | | 0.334 | | 0.459 |
| R-sq | 0.313 | | 0.424 | |

Notes: The table reports OLS- and logit regressions using QDMTT, an indicator domestic QDMTT implementation by 2026 as dependent variable. Heteroscedasticity-robust standard errors are given in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% level.

**Appendix D – Implementation Status of OECD Pillar Two mechanisms per jurisdiction**

| Tax system / jurisdiction | IIR | UTPR | (Q)DMTT |
|---|---|---|---|
| Afghanistan | X | X | X |
| Egypt | X | X | X |
| Albania | X | X | X |
| Algeria | X | X | X |
| Andorra | X | X | X |
| Angola | X | X | X |
| Antigua and Barbuda | X | X | X |
| Equatorial Guinea | X | X | X |
| Argentina | X | X | X |
| Armenia | X | X | X |
| Azerbaijan | X | X | X |
| Ethiopia | X | X | X |
| Australia | 2024 | 2025 | 2024 |
| Bahamas | X | X | 2024 |
| Bahrain | X | X | 2025 |
| Bangladesh | X | X | X |
| Barbados | X | X | 2024 |
| Belgium | 2024 | 2025 | 2024 |
| Belize | X | X | X |
| Benin | X | X | X |
| Bhutan | X | X | X |
| Bolivia | X | X | X |
| Bosnia and Herzegovina | X | X | X |
| Botswana | X | X | X |
| Brazil | X | X | 2025 |
| Brunei | X | X | X |
| Bulgaria | 2024 | 2025 | 2024 |
| Burkina Faso | X | X | X |
| Burundi | X | X | X |
| Chile | X | X | X |
| China | X | X | X |
| Cook Islands | X | X | X |
| Costa Rica | X | X | X |
| Ivory Coast | X | X | X |

| Tax system / jurisdiction | IIR | UTPR | (Q)DMTT |
|---|---|---|---|
| Denmark | 2024 | 2025 | 2024 |
| Germany | 2024 | 2025 | 2024 |
| Dominica | X | X | X |
| Dominican Republic | X | X | X |
| Djibouti | X | X | X |
| Ecuador | X | X | X |
| El Salvador | X | X | X |
| Eritrea | X | X | X |
| Estonia | X | X | X |
| Fiji | X | X | X |
| Finland | 2024 | 2025 | 2024 |
| France | 2024 | 2025 | 2024 |
| Gabon | X | X | X |
| Gambia | X | X | X |
| Georgia | X | X | X |
| Ghana | X | X | X |
| Grenada | X | X | X |
| Greece | 2024 | 2025 | 2024 |
| Guatemala | X | X | X |
| Guinea | X | X | X |
| Guinea-Bissau | X | X | X |
| Guyana | X | X | X |
| Haiti | X | X | X |
| Honduras | X | X | X |
| India | X | X | X |
| Indonesia | 2025 | 2026 | 2025 |
| Iraq | X | X | X |
| Iran, Islamic Republic of | X | X | X |
| Ireland | 2024 | 2025 | 2024 |
| Iceland | 2026 | X | 2026 |
| Israel | X | X | 2026 |
| Italy | 2024 | 2025 | 2024 |
| Jamaica | X | X | X |
| Japan | 2024 | 2026 | 2026 |
| Yemen | X | X | X |
| Jordan | X | X | X |
| Cambodia | X | X | X |
| Cameroon | X | X | X |
| Canada | 2024 | 2025 | 2024 |
| Cape Verde | X | X | 2026 |
| Kazakhstan | X | X | X |
| Qatar | X | X | 2025 |
| Kenya | X | X | 2025 |
| Kyrgyzstan | X | X | X |
| Kiribati | X | X | X |
| Colombia | X | X | X |
| Comoros | X | X | X |

| Tax system / jurisdiction | IIR | UTPR | (Q)DMTT |
|---|---|---|---|
| Congo | X | X | X |
| Congo, Democratic Republic of | X | X | X |
| Korea, Republic of | 2024 | 2025 | 2026 |
| Croatia | 2024 | 2025 | 2024 |
| Cuba | X | X | X |
| Kuwait | X | X | 2025 |
| Laos, People's Democratic Republic of | X | X | X |
| Lesotho | X | X | X |
| Latvia | X | X | X |
| Lebanon | X | X | X |
| Liberia | X | X | X |
| Libyan Arab Jamahiriya | X | X | X |
| Liechtenstein | 2024 | X | 2024 |
| Lithuania | X | X | X |
| Luxembourg | 2024 | 2025 | 2024 |
| Madagascar | X | X | X |
| Malawi | X | X | X |
| Malaysia | 2025 | X | 2025 |
| Maldives | X | X | X |
| Mali | X | X | X |
| Malta | X | X | X |
| Morocco | X | X | X |
| Mauritania | X | X | X |
| Mauritius | X | X | 2025 |
| North Macedonia | 2024 | 2025 | 2024 |
| Mexico | X | X | X |
| Micronesia, Federated States of | X | X | X |
| Moldova | X | X | X |
| Monaco | X | X | X |
| Mongolia | X | X | X |
| Montenegro | X | X | 2026 |
| Mozambique | X | X | X |
| Myanmar | X | X | X |
| Namibia | X | X | X |
| Nauru | X | X | X |
| Nepal | X | X | X |
| New Zealand | 2025 | 2025 | 2026 |
| Nicaragua | X | X | X |
| Netherlands | 2024 | 2025 | 2024 |
| Niger | X | X | X |
| Nigeria | X | X | 2026 |
| Niue | X | X | X |
| Norway | 2024 | 2025 | 2024 |
| Oman | 2025 | X | X |
| Austria | 2024 | 2025 | 2024 |
| Pakistan | X | X | X |
| Panama | X | X | X |

| Tax system / jurisdiction | IIR | UTPR | (Q)DMTT |
|---|---|---|---|
| Papua New Guinea | X | X | X |
| Paraguay | X | X | X |
| Peru | X | X | X |
| Philippines | X | X | X |
| Poland | 2025 | 2025 | 2025 |
| Portugal | 2024 | 2025 | 2024 |
| Rwanda | X | X | X |
| Romania | 2024 | 2025 | 2024 |
| Russian Federation | X | X | X |
| Solomon Islands | X | X | X |
| Zambia | X | X | X |
| Samoa | X | X | X |
| San Marino | X | X | X |
| São Tomé and Príncipe | X | X | X |
| Saudi Arabia | X | X | X |
| Sweden | 2024 | 2025 | 2024 |
| Switzerland | 2025 | X | 2024 |
| Senegal | X | X | X |
| Serbia | X | X | X |
| Seychelles | X | X | X |
| Sierra Leone | X | X | X |
| Zimbabwe | X | X | 2024 |
| Singapore | 2025 | X | 2025 |
| Slovakia | X | X | 2024 |
| Slovenia | 2024 | 2025 | 2024 |
| Somalia | X | X | X |
| Spain | 2024 | 2025 | 2024 |
| Sri Lanka | X | X | X |
| St. Kitts and Nevis | X | X | X |
| St. Lucia | X | X | X |
| St. Vincent and the Grenadines | X | X | X |
| South Africa | 2024 | X | 2024 |
| Sudan | X | X | X |
| Suriname | X | X | X |
| Swaziland | X | X | X |
| Syria, Arab Republic | X | X | X |
| Tajikistan | X | X | X |
| Tanzania, United Republic of | X | X | X |
| Thailand | 2025 | 2025 | 2025 |
| Timor-Leste | X | X | X |
| Togo | X | X | X |
| Tonga | X | X | X |
| Trinidad and Tobago | X | X | X |
| Chad | X | X | X |
| Czech Republic | 2024 | 2025 | 2024 |
| Tunisia | X | X | X |
| Turkey | 2024 | 2025 | 2024 |

| Tax system / jurisdiction | IIR | UTPR | (Q)DMTT |
|---|---|---|---|
| Turkmenistan | X | X | X |
| Uganda | X | X | X |
| Ukraine | X | X | X |
| Hungary | 2024 | 2025 | 2024 |
| Uruguay | X | X | 2025 |
| Uzbekistan | X | X | X |
| Vanuatu | X | X | X |
| Venezuela | X | X | X |
| United Arab Emirates | X | X | 2025 |
| United States | X | X | X |
| United Kingdom | 2024 | 2025 | 2024 |
| Vietnam | 2024 | X | 2024 |
| Belarus | X | X | X |
| Central African Republic | X | X | X |
| Cyprus | 2024 | 2025 | 2025 |
| Guam | X | X | X |
| U.S. Virgin Islands | X | X | X |
| Anguilla | X | X | X |
| Samoa | X | X | X |
| Eswatini | X | X | X |
| British Virgin Islands | X | X | X |
| Greenland | X | X | X |
| Aruba | X | X | X |
| Bermuda | X | X | X |
| Cayman Islands | X | X | X |
| Curaçao | 2025 | X | 2025 |
| Gibraltar | 2025 | X | 2024 |
| Guernsey | 2025 | X | 2025 |
| Hong Kong | 2025 | X | 2025 |
| Isle of Man | 2025 | X | 2025 |
| Jersey | 2025 | X | 2025 |
| Kosovo | X | X | X |
| Macau | X | X | X |
| Northern Mariana Islands | X | X | X |
| Palestinian Authority | X | X | X |
| Puerto Rico | X | X | X |
| Sint Maarten | X | X | X |
| Saint-Martin | X | X | X |
| South Sudan | X | X | X |
| Taiwan | X | X | X |
| Bonaire, Sint Eustatius and Saba | X | X | X |
| São Tomé and Príncipe | X | X | X |
| New Caledonia | X | X | X |

Notes: This table shows for all jurisdictions included in the analysis, which Pillar Two mechanisms (IIR, UTPR, (Q)DMTT) had been implemented by 2026. The year of implementation is listed where applicable; if a mechanism has not been introduced, this is represented by an "X".

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