

Deloitte Tax resource guides look at direct pay and transferability tax credit elections, Pillar Two issues

New “5x5” resource guides from Deloitte Tax LLP offer five insights that taxpayers need to know and five actions taxpayers can take now regarding recent guidance on direct payment and transferability options for certain tax credits enacted in the Inflation Reduction Act of 2022 (P.L. 117-169) and issues related to the “Pillar Two” minimum tax on certain large multinational corporations under the global tax pact being advanced by the OECD.

URL: <https://www.taxnotes.com/research/federal/legislative-documents/public-laws-and-legislative-history/inflation-reduction-act-of-2022-%28p.l.-117-169%29/7dybc>

Direct payment and transferability of Inflation Reduction Act credits

The Internal Revenue Service on June 14 issued critical guidance on the direct payment and transferability provisions for certain tax credits enacted in the Inflation Reduction Act, including temporary regulations setting forth mandatory information and registration requirements for the section 6417 direct payment and section 6418 transferability elections, proposed regulations under sections 6417 and 6418, and new FAQs further explaining both sets of guidance. The temporary and proposed regulations were published in the Federal Register on June 21. **Learn more in the 5x5**

URL: <https://www.federalregister.gov/documents/2023/06/21/2023-12797/pre-filing-registration-requirements-for-certain-tax-credit-elections>

URL: <https://www.federalregister.gov/documents/2023/06/21/2023-12799/section-6418-transfer-of-certain-credits>

URL: <https://www.irs.gov/credits-deductions/elective-pay-and-transferability-frequently-asked-questions-transferability>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-5x5-direct-pay-and-transferability.pdf>

Pillar Two GloBE adjustments

The Global Anti-Base Erosion (GloBE) rules under Pillar Two require a set number of adjustments to the financial accounting net income or loss for each constituent entity to determine its GloBE income or loss. The net GloBE income serves as the denominator for determining the effective tax rate (ETR) for each jurisdiction. When the jurisdictional ETR is below 15 percent, the GloBE rules are designed to apply a top-up tax in order to bring the total amount of taxes paid on a multinational enterprise’s excess profit in a jurisdiction up to the minimum rate of 15 percent. Therefore, it’s important to identify which GloBE adjustments could cause the jurisdictional ETR to fall below the minimum rate of 15 percent. **Learn more in the 5x5**

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-5x5-series-insights-and-actions-pillar-two-globe-adjustments.pdf>

Pillar Two transitional safe harbors

Recently announced Pillar Two transitional safe harbors—a simplified ETR test, a routine profits test, and a *de minimis* test—allow a multinational group to exclude its operations in lower-risk countries from the

compliance obligation of preparing full Pillar Two calculations. The relief applies for years beginning on or before December 31, 2026, *i.e.*, three years for most groups. ***Learn more in the 5x5***

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-5x5-pillar-two-transitional-safe-harbors.pdf>

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