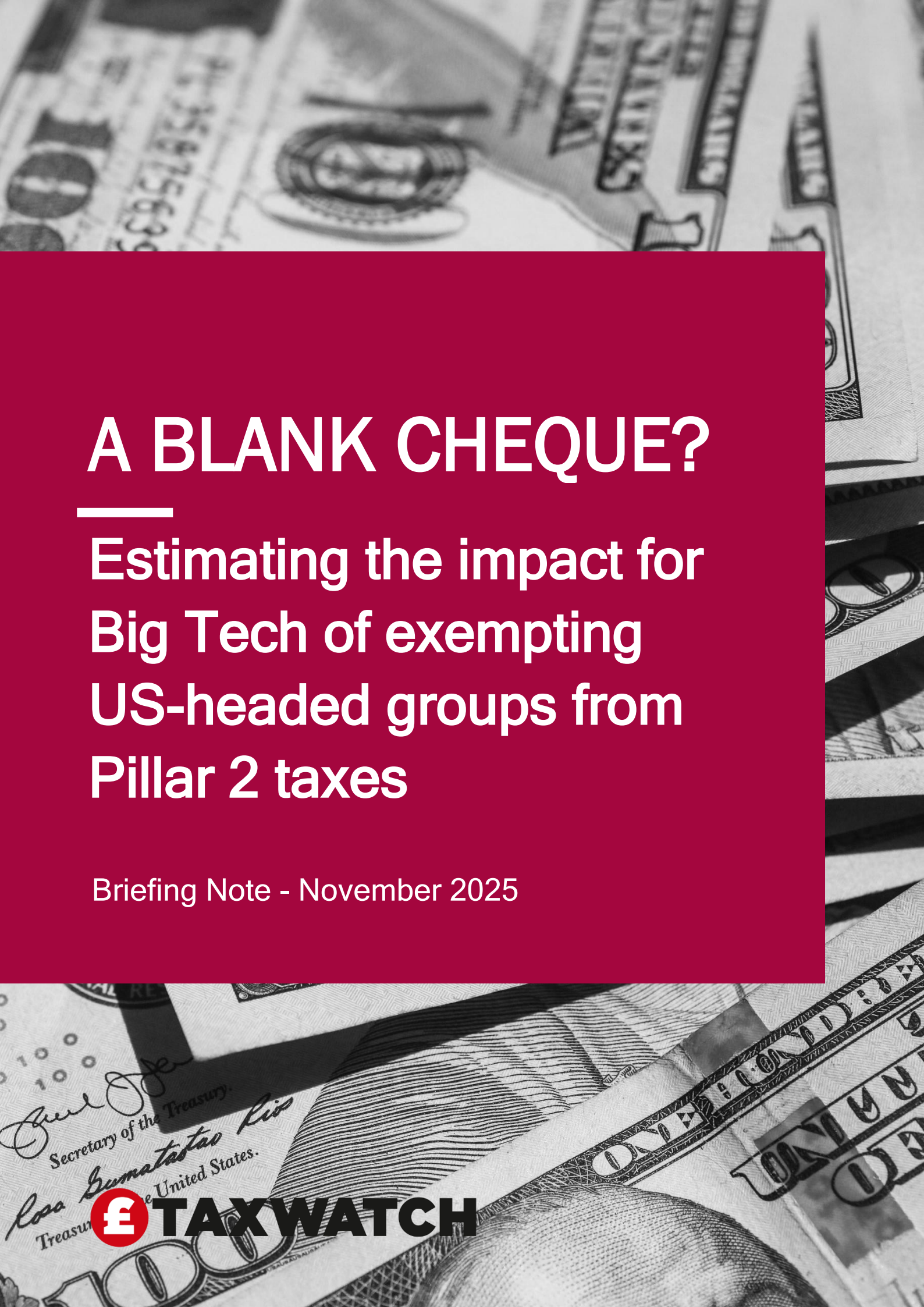


The background of the entire page is a grayscale image of several US dollar bills. The bills are slightly out of focus, with the '100' and 'ONE HUNDRED' text visible on some of them. A large, solid magenta rectangle is overlaid on the left side of the page, containing the main title and subtitle in white text.

A BLANK CHEQUE?

Estimating the impact for Big Tech of exempting US-headed groups from Pillar 2 taxes

Briefing Note - November 2025



Introduction: what are Pillar 2 taxes?

In October 2021 over 130 countries, including the US and the UK, agreed to implement a set of international tax rules to address the “*tax challenges arising from the digitisation of the economy*”.¹

Dubbed the ‘Two-Pillar Solution’, these rules are intended to tackle a fundamental problem with the international tax system. This system developed decades ago for nation-states to tax ‘bricks and mortar’ businesses with offices, staff and assets in the places where they operated. It has been turned on its head by the online economy, and by an economic model that can attribute more taxable profits to a brand or a piece of software than to a factory. At the stroke of a pen, multinational companies can move ownership and accompanying profits of intangible assets into tax havens. And they can provide digital services around the world without having a significant, taxable business presence in the countries where their users are based.²

The result for the last two decades has been that many digital service providers and IP-heavy multinationals have paid much lower tax rates than many domestic businesses. The problem is particularly acute with tech companies which provide online services like search, retail platforms, streaming or social media; and also IP-heavy companies like the pharmaceutical industry. This basic dysfunction in the international tax system is becoming worse as online services have ballooned as a share of the global economy.

Negotiated under the auspices of the OECD, the Two-Pillar Solution will apply only to the largest companies, with annual consolidated revenues over EUR 750 million, and which operate beyond the country in which they are headquartered.³ It is designed to do two things:

- **Redistribute where large multinationals pay tax** by reallocating a portion of a multinational group’s global profits to the jurisdictions where its customers are located (Pillar 1)
- **Increase how much tax large multinationals pay**, to counteract low tax rates in tax havens, through a global minimum tax of 15 percent on profits (Pillar 2). If a group’s profits are taxed at a rate lower than 15 percent in any jurisdiction, then profit taxes will be ‘topped up’ to 15 percent in a set sequence amongst participating countries: first, any participating country where the profits are booked, if they choose to do so (‘qualified minimum domestic top-up taxes’, or QMDTTs); then the country where the group is headquartered (the ‘income inclusion rule’, or IIR); and finally other countries where the multinational operates, in accordance with a ‘backstop’ rule (the ‘undertaxed profits rule’ or UTPR).

The Two-Pillar arrangement is a compromise, which may tax large multinationals less than some existing unilateral measures such as Digital Services Taxes.⁴ Nonetheless it is a unique global agreement to equip the international tax system to cope better with the reality of a global, digital economy.

US efforts to dismantle the Two-Pillar Solution

The current US administration is opposed to the Two-Pillar agreement which its predecessor helped to drive.

Implementing Pillar 1 requires a multilateral treaty to determine how this portion of profits will be divided between different countries. Negotiations on this treaty have stalled: with the US vetoing it since January 2025, Pillar 1 now looks highly unlikely to be agreed in the near-term.⁵

Pillar 2 can be implemented separately by each participating country. Over fifty countries, including the UK, have already introduced laws to implement Pillar 2.⁶ In the UK, multinational firms large enough to fall within the scope of the rules are liable to Pillar 2 taxes from 31 December 2023, meaning that during 2025 in-scope

businesses have been filing their first 'Pillar 2' UK tax returns.⁷ UK Pillar Two taxes - called the 'Multinational Top-Up Tax' and the 'Domestic Top-Up Tax' - are expected to raise an additional £2.2 billion of tax revenues annually by 2027-28.⁸

Unable to stop countries directly from implementing Pillar 2 taxes, the current US administration has instead begun threatening tariffs and 'revenge taxes' against countries that do so.

Initially this was done through section 899 of the 2025 'One Big Beautiful Bill Act', which included Pillar 2 taxes in a list of taxes that were allegedly 'discriminatory' against US companies, and empowered the US Treasury Secretary to authorize an escalator of punitive taxes against entities in the US that are based in "offending foreign countries" that have implemented "unfair foreign taxes" including the third part of the Pillar 2 regime (the UTPR).⁹

On 28 June 2025, the members of the G7 group of countries (Canada, France, Germany, Italy, Japan, the UK and the US) unilaterally announced that in response to US threats, US-headquartered multinationals would be exempt from two of the three Pillar 2 taxes (the IIR and the UTPR).¹⁰ The G7 did this apparently without consultation or agreement with the other 130+ countries which have agreed to the Two-Pillar arrangement.

The G7's justification for this exemption of US-headed firms is that the US' domestic tax measure against US multinationals' low-taxed foreign profits, the 'GILTI' tax, should be considered as an equivalent to Pillar Two taxes. US tech giants, represented by the Computer and Communications Industry Association (CCIA), have been calling for this position, called 'GILTI grandfathering', since 2020.¹¹

This justification, a reversal of the G7 countries' previous positions, ignores the fact that many other countries have had similar 'Controlled Foreign Corporation' rules for many years, but their firms are not exempt from Pillar Two taxes (and the Pillar 2 rules already contain provisions for apportioning such Controlled Foreign Corporation taxes).¹² More importantly, it ignores the fact that the US' GILTI tax regime is considerably more lenient than the Pillar Two rules: it starts with a lower minimum tax rate (14 percent) and then allows 'blending' of US-headed groups' foreign tax rates in different jurisdictions. This allows multinationals to keep very low tax rates in some jurisdictions as long as they also incur some higher tax rates in others.¹³

It is also unclear whether the G7's concession really was necessary to stave off US economic warfare. The US Treasury Secretary himself was reportedly opposed to the retaliatory taxes in s.899 of the 'One Big Beautiful Bill Act', and a range of financial industry groups and other sectoral lobby groups for US multinationals were already lobbying the Whitehouse to remove s.899 due to fears it would reduce investment in the US.^{14 15}

Moreover, the G7 concession has not made the threat go away. The US has retained other retaliatory measures against Digital Services Taxes (DSTs) and Pillar 2 taxes, including tax and tariff threats in section 301 of the Trade Act (previously used by the Biden Administration to investigate and threaten the UK and European DSTs).¹⁶

Several large countries outside the G7, including China, India and Brazil, are reportedly opposed to rewriting the Two-Pillar Rules for the benefit of US-headed multinationals.¹⁷ Nonetheless the OECD, usually responsive to what the powerful G7 countries ask, has announced that it will try to reach agreement on revised rules by the 31 December 2025.¹⁸

Non-disclosure

Governments know how much profits multinational groups book in different jurisdictions, and how much tax they pay on those profits, because in many jurisdictions including the UK, the US and EU countries, large multinationals must provide this data to domestic tax authorities through unpublished 'Country by Country Reports' (CBCR).¹⁹ These reports are also exchanged between countries via information-exchange agreements.²⁰

By contrast, public financial reporting by most large multinationals does not include country-by-country breakdowns of income, profits and taxes.²¹ Most publicly-traded US-headed groups, for instance, split their revenues, profits and taxes only between 'domestic' and 'foreign' categories.

Thanks to a 2021 European Union Directive, multinationals with global revenues over EUR 750m, operating within the EU, will be required to publish full Country-by-Country reports (CBCR) from 2026 onwards.²²

It remains to be seen whether US multinationals operating in the EU will do so. One EU member state, Romania, has translated the 2021 Directive into its national law in a way that starts the public reporting requirement in 2024-25, earlier than other EU member states.²³ Analysis by the Fair Tax Foundation shows that just 42 percent of CBCR reports published by US-headed multinationals to fulfil the Romanian requirements contained the country-by-country information which the EU Directive and Romanian law asks Romanian subsidiaries or branches to publish.²⁴

At least four of the six US groups considered in this report -- Alphabet/Google, Amazon, Apple and Microsoft -- have subsidiary companies in Romania, bringing them within scope of the new requirements already.²⁵ TaxWatch asked Meta whether it had published a CBCR report in response to the Romanian requirements, but had not received a response at the time of writing.

None of the other three groups' reports provides country-by-country data beyond figures for Romania itself.²⁶
^{27 28} In each case the groups' Romanian subsidiaries have simply reported that their US parent companies have not provided them with the necessary information:

- *"the Group's ultimate parent has not made available information with respect to the Group's worldwide operations"* (Apple);²⁹
- *"The management of Amazon Development Center (Romania) S.R.L. requested information for the preparation of the report from Amazon.com, Inc. However, this information was not made available";*³⁰
- *"the ultimate parent company of the Group, Microsoft Corporation, has not made available to Microsoft Romania SRL the CbCR data relating to the Group's global operations."*³¹

Romanian companies are required to make such statements under Romanian and EU CBCR laws when their parent company will not provide them with the information that these laws require the subsidiaries to publish.³² Romanian law cannot compel US parent companies to provide the specified global country-by-country data, and there is no suggestion that the companies mentioned here have acted unlawfully. Their decision not to provide the public country-by-country reporting specified in the Romanian/EU law, which many other non-EU-headed multinationals have provided in full,³³ does nonetheless impede assessment of the likely impact of Pillar Two taxes on these groups individually, or their exemption.

Confidential estimates

The UK government is also refusing to disclose its assessment of the potential revenue impact of the Pillar 2 exemption for US-headed multinationals that the UK signed up to in June 2025.

Though there are a number of outstanding design and implementation questions while the details are finalised at the OECD, the UK Treasury will have been able to produce a reasonably accurate assessment based on the non-public country-by-country reporting of US-headed groups which the UK tax authority will have received for several years.

A basic principle of UK tax policymaking is that that Parliament and the public can see a 'policy costing' of the revenue that a given measure will generate or forego, before it is introduced. The G7 commitment in June was made without parliamentary approval, but nonetheless the agreement will require changes to UK tax law which Parliament will need to scrutinise. At a time of major UK fiscal pressure, and with the Chancellor considering domestic tax rises, it would be irresponsible for the government to sign up to the G7 deal without knowing what tax revenues it was signing away.

The UK Treasury has confirmed to TaxWatch that they have made an assessment of the likely UK revenue impact of the June 2025 G7 agreement to which the UK has signed up.³⁴ However, they refuse to disclose under Freedom of Information legislation what the estimate is, how it has been calculated, or whether it was produced before or after the G7 agreement. The Treasury has told that it is refusing to release the information because it needs to maintain *"a 'safe space' in which policy officials and ministers are able to formulate and develop policy, and conduct rigorous and candid assessments away from external interference and distraction"*. They also argue that disclosing the information may *"prejudice relations between the UK and our international partners"*.³⁵

A best guess

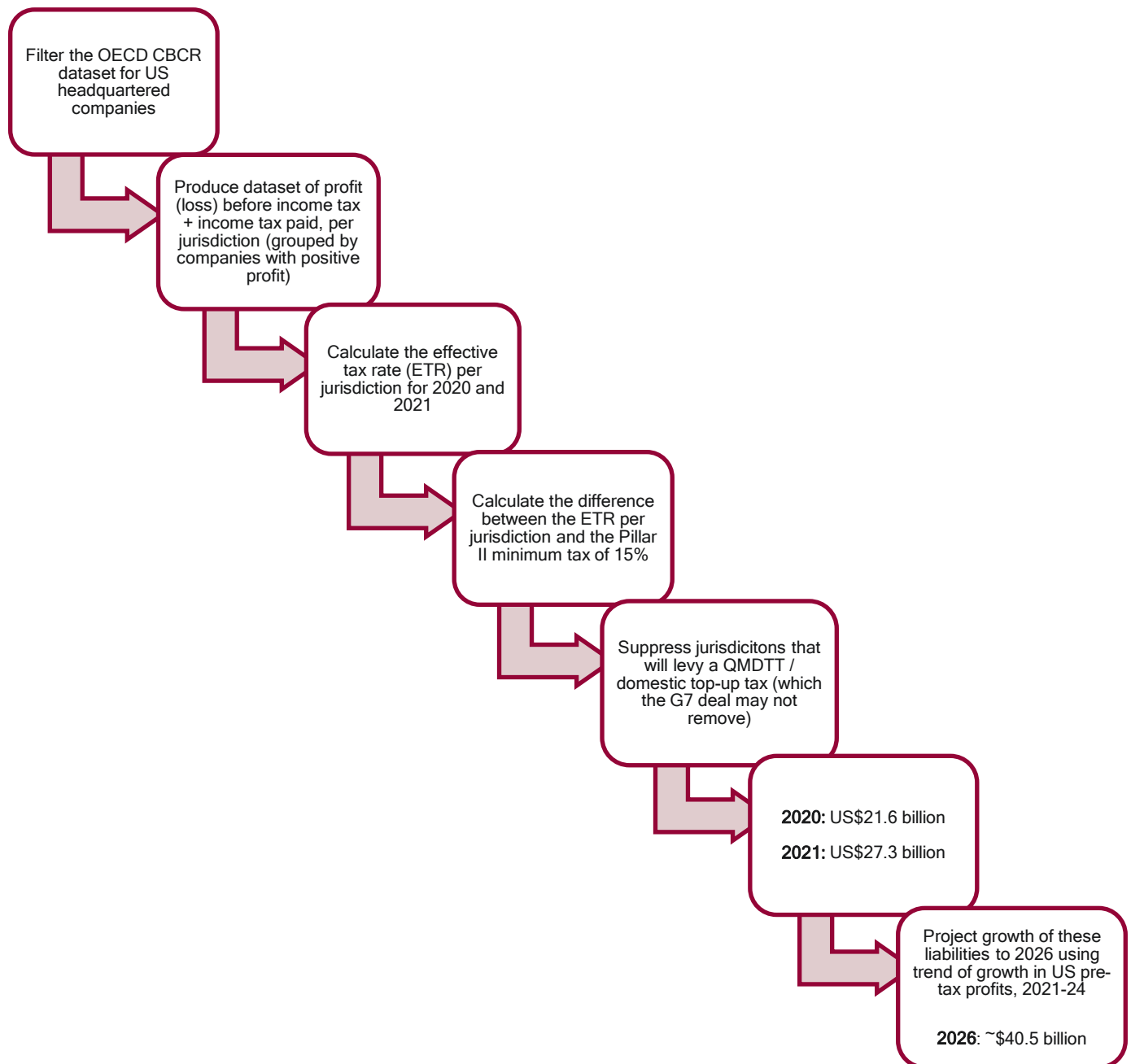
Neither the UK government nor US-headed multinationals will disclose the information needed to determine the likely scale of the international tax break that the UK has agreed under US pressure. We are left with using published statistics about US multinationals' foreign revenues and profits to produce our own 'ball park' estimate. We have done this as follows (and would welcome comments and critiques of the methodology or the data).

1. How much US multinational groups would reduce their tax liabilities by being exempted from Pillar 2 taxes will depend upon the geographical distribution of their non-US profits and tax liabilities. In the absence of individual groups' public country-by-country reports, we have started with a dataset of financial results by jurisdiction which the OECD has produced by aggregating non-public country-by-country returns.³⁶ This data is only available for the years 2016-21. We have used 2020 and 2021 data, as it is more complete than previous years, and should avoid a previous data problem with the inclusion of dividend income.³⁷
2. From this data, we have determined the total aggregate profits and tax paid in around 108 countries by large US-headed multinationals. We have then calculated the additional tax due if companies' effective tax rates in countries adhering to Pillar 2 measures are 'topped up' to 15%: around \$56 billion based on 2020 figures, and \$60 billion based on 2021 figures. Finally, to model the difference between this 'full' Pillar 2 and the G7 Pillar 2 exemption, we remove the effect of countries that may levy a domestic 'top-up' tax (QMDTT), which are likely to stay even if the G7 deal is implemented.³⁸ This reduces the effect of the Pillar 2 exemption to some \$22 billion in 2020 and £27 billion in 2021.
3. The OECD dataset does not yet provide data for years after 2021. To project the increase in these tax liabilities with the increase in US-headed groups' profits in current and future years, we scale them by the overall increase in US corporate pre-tax profits, as reported by the US Bureau of Economic Analysis.³⁹ These have grown by 24 percent (2024 compared to 2021). If they continue this trend,⁴⁰ the 'saved' Pillar 2 tax liabilities of US-headed groups due to the G7 exemption may be **in the order of \$40.5 billion.**

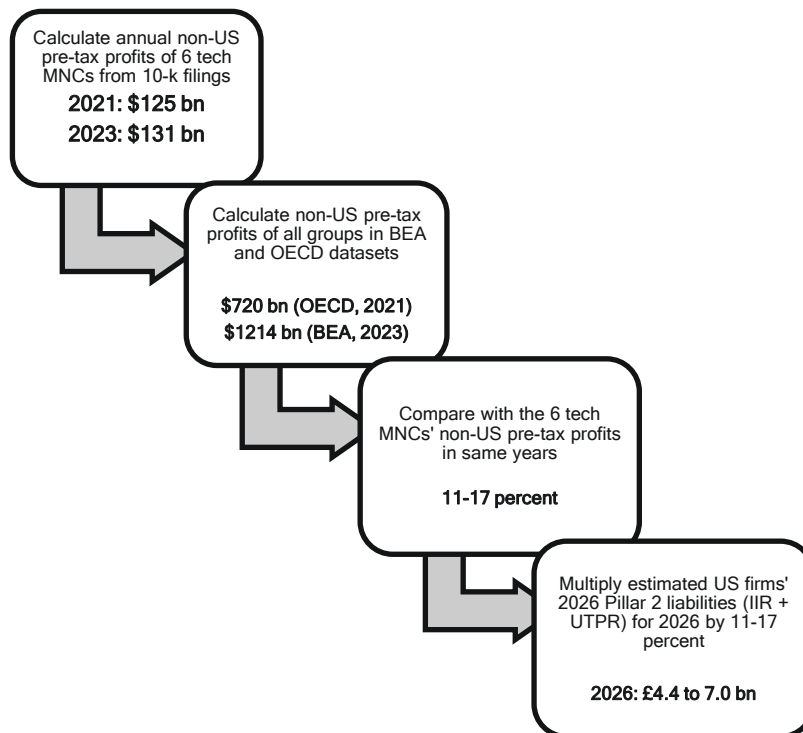
4. We have then sought to determine the proportion of these aggregate tax liabilities of US-headed groups that might be attributed to six large US tech firms: Alphabet, Amazon, Apple, Meta, Microsoft and Netflix. To do this, we have compared the non-US revenues and pre-tax profits of these six companies from the relevant years, against the non-US revenues and pre-tax profits of all US-headed companies, using the OECD's 2021 dataset. To sense-check this proportion, we have compared it with an alternative dataset of US firms' aggregate non-US revenues and pre-tax profits, produced by the US Bureau of Economic Analysis (BEA) from companies' tax returns for 2023.⁴¹
5. From this comparison, it appears that these six corporate groups may constitute around 8-10 percent of all US-headed companies' non-US revenues, and 11-17 percent of their non-US profits (the spread in each case being the difference between the BEA and OECD datasets).
6. We therefore estimate that of the approximately \$40.5 billion of tax liabilities that the G7 Pillar 2 exemption may save all US-headed groups by 2026, the 'ballpark' tax saving for just these six groups **may by 2026 (the first year that the G7 exemption could be applied) be in the order of \$4.4-7.0 billion per year** (the range created by the lower and higher profit splits of 11 and 17 percent).
7. Projecting what the saving would have been if applied to US groups in 2024 (\$3.7 to \$5.9 billion), this is equivalent to **8-13 percent of these six groups' non-US tax liabilities** in 2024.⁴² **(There is no suggestion that any of the companies or groups mentioned in this report are avoiding or evading tax to obtain a Pillar 2 tax reduction, or are otherwise responsible for any wrongdoing).**
8. In the absence of individual firms' country-by-country reporting, these estimates are global and collective. They cannot account for particularities of the individual firms' profit distribution per jurisdiction. For example: Amazon's response to TaxWatch states that the group "*does not expect to pay more than a nominal amount of additional tax, if any, due to Pillar 2 rules in 2025 and 2026. This is because our income is sufficiently taxed under the current global minimum tax rules.*"⁴³ As discussed above, Amazon's published reporting does not show what its effective tax rate is in different jurisdictions. Its overall global effective tax rate in 2024 was below 15 percent (13.5 percent).⁴⁴

Nor has TaxWatch been able to assess the impact of the various transitional 'safe harbours' in the Pillar 2 regime, one of which effectively postpones the UTPR for US-headed firms until 2026, and most of which expire by 2027.⁴⁵ Nor can our ball-park figures provide a reliable jurisdictional breakdown of where Pillar 2 tax liabilities are likely to be paid.

Stage 1: Estimate potential Pillar 2 top-up taxes on US-headed companies



Stage 2: 'Big 6' share of US-headed companies' 'topped-up' profit taxes



This 'ball-park' calculation entails a number of large assumptions whose impact on the accuracy of our estimate we lack sufficient data to assess. These include:

- That the six tech MNCs pay an equally low (or lower) ETR per jurisdiction compared to other US MNCs;
- That the geographical pattern of non-US pre-tax profits of US MNCs is similar to the geographical pattern of non-US pre-tax profits of US tech MNC;
- That current tax paid per year (in the OECD dataset) is the best (or least worst) proxy for tax liabilities;
- That the geographical pattern of non-US pre-tax profits of US MNCs has not changed significantly since 2021.

We have also not accounted for:

- Differences in the channels through which Pillar 2 taxes are collected (e.g. QDMTT v UTPR);
- Two substance-based carve-outs that are currently part of Pillar 2 rules - payroll costs⁴⁶ and tangible assets⁴⁷ - which will in practice reduce Pillar 2 liabilities;
- The effect of 'refundable' and 'non-refundable' tax credits, which are treated differently under Pillar 2 rules, and will increase top-up taxes by different amounts.

Perhaps most obviously, we have not included the effect of GILTI tax (now called Net CFC Tested Income or NCTI) that the US may levy on the under-taxed non-US profits of US multinationals. It is undeniable that this will offset the tax savings our calculation estimates. Nonetheless under the previous situation in which GILTI was not recognized as a 'side by side' equivalent to Pillar 2 taxes, GILTI may have been due on top of Pillar 2 taxes, so is not included here as a mitigation of the exemption from Pillar 2 taxes.

The need for full disclosure by G7 governments and US multinationals

This estimate illustrates the scale of what might be at stake in the G7 tax deal. But it can only indicate the order of magnitude of tax revenue at stake. It also tells us little about the geographical distribution of Pillar 2 taxes on US big tech companies, or other US MNCs - in other words, the winners and losers from the G7 deal amongst different countries.

Taxpayers and decision-makers deserve better. International tax agreements are too often made without the detailed, published costings and cost-benefit analyses that are standard practice in domestic tax policymaking. In this case:

- **The UK Treasury should release the estimate it has made of UK tax foregone in the G7 deal;**
- **Other G7 governments should do the same;**
- **At a minimum, US-headed companies should publish full country-by-country financial/tax reports, in line with the global country-by-country information specified in the transparency laws of EU countries where they operate.**

Annex: responses from companies

TaxWatch wrote to all six companies mentioned in this note, setting out the data taken from each of their consolidated financial statements, our understanding of their disclosures under the Romania country-by-country reporting requirements, and our estimate of their collective potential tax savings from the Pillar 2 G7 carve-out. TaxWatch also asked each company for their estimate of their Pillar 2 liabilities and the impact of the G7 carve-out; and to provide their Romanian CBCR reports.

TaxWatch has received the following responses at the time of writing:

Amazon: An Amazon spokesperson said *“Based on the limited information shared, we disagree with TaxWatch's calculations and do not recognise the figures used in their analysis. Amazon does not expect to pay more than a nominal amount of additional tax, if any, due to Pillar 2 rules in 2025 and 2026. This is because our income is sufficiently taxed under the current global minimum tax rules. Furthermore, we acknowledge the EU's goal of creating greater tax transparency and comply with the legal requirements of the country-by-country reporting. We pay corporate tax in countries across Europe amounting to hundreds of millions of euros, and we are committed to operating in full compliance with local tax laws everywhere. Our Romania public country-by-country report was prepared and published in compliance with Romanian laws in December 2024.”*

Netflix: A Netflix spokesperson said *“Netflix complies with the relevant tax rules and regulations in every country in which we operate.”*

Microsoft: A spokesperson on behalf of Microsoft said that they had nothing to share on record.

TaxWatch had not received responses from Alphabet/Google, Apple or Meta/Facebook at the time of writing.

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²⁵ TaxWatch understands that Netflix does not have a Romanian subsidiary, but provides services to Romanian customers via a subsidiary in another EU country. TaxWatch has been unable to identify any Romanian subsidiary companies of Meta. TaxWatch sent a list of questions to Meta, including whether it had a Romanian subsidiary or taxable branch, but has not received a response at the time of writing.

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³⁵ HM Treasury, response to Internal Review request from TaxWatch, IR2025/16525, 10 September 2025

³⁶ OECD Data Explorer, *Country-by-country reporting (CbCR) - Aggregate totals by jurisdiction - Corporate tax statistics*, <https://data-explorer.oecd.org/>

³⁷ Uncertainty about the inclusion or exclusion of intracompany dividends in profit before tax hampers the interpretation of CbCR statistics and the comparability of the aggregate data across reporting jurisdictions. In particular, the inclusion of intracompany dividends in "profit (loss) before income tax" can result in artificially low effective tax rates (ETRs). This is because dividends are typically not tax deductible by the paying entity and so, unlike other intra-group payments, are not controlled transactions for transfer pricing purposes. From 2020 on, there are rules in place on how to deal with intra-company dividends. If companies have followed these rules, and countries have enforced these rules, the double counting should not be a problem from 2020 on. We have only used the subset of large multinationals that have reported positive profits and not losses in a given year ("Sub-Groups with Positive Profit"). This is important to avoid offsetting firms with losses and firms with profits in the aggregate statistics.

³⁸ For a list of jurisdictions with QMDTTs introduced up to 2027, see <https://www.pwc.com/gx/en/tax/international-tax-planning/pillar-two/pwc-pillar-two-country-tracker-summary-v2.pdf>

<https://www.stlouisfed.org/on-the-economy/2025/apr/whats-driving-surge-us-corporate-profits>

⁴⁰ To project the trend for 2025-27 we have used 2021-24 data and projected forward using a linear least-squares method via the Excel LINEST/TREND function.

⁴¹ US Department of Commerce (Bureau of Economic Analysis), *Activities of U.S. Multinational Enterprises (MNEs)* (dataset), <https://www.bea.gov/international/di1usdop>

⁴² Non-US tax liabilities reported in 10-K annual reports of Alphabet, Amazon, Apple, Meta, Microsoft and Netflix.

⁴³ Statement from Amazon Inc to TaxWatch, 31 October 2025

⁴⁴ Income prior to taxes divided by provision for income taxes, from Amazon.com Inc, Form 10-K for year ending December 31, 2024 (6 February 2025), <https://www.sec.gov/Archives/edgar/data/1018724/000101872425000004/amzn-20241231.htm>

⁴⁵ See e.g. this analysis from US law firm Akin Gump, https://www.akingump.com/en/insights/tax-insights/can-a-spin-off-get-spotify-back-to-the-garden-copy#_ftn41

⁴⁶ <https://oecdpillars.com/pillar-tab/substance-based-income-exclusion/>

⁴⁷ <https://oecdpillars.com/pillar-tab/substance-based-income-exclusion/>