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Global minimum tax: US-parented groups exempt from IIR and UTPR from 2026

Published 9 October 2026 · The Finance Intellect · Source-based summary

Under the OECD side-by-side arrangement released on 5 January 2026, US-parented groups are exempt from the Income Inclusion Rule and the UTPR for fiscal years from 1 January 2026.

Country reference

- Country: United States (planned expansion country)
- Authorities: Internal Revenue Service (IRS); US Department of the Treasury; OECD
- Topic: OECD Pillar Two side-by-side arrangement
- Key date: Released 5 January 2026; fiscal years from 1 January 2026
- Law: OECD/G20 Inclusive Framework agreement; US minimum tax rules

What was agreed

The OECD/G20 Inclusive Framework agreed a side-by-side arrangement that recognises US minimum tax rules. US-parented groups are exempt from the Income Inclusion Rule (IIR) and the Undertaxed Profits Rule (UTPR) for fiscal years beginning on or after 1 January 2026. The transitional UTPR safe harbour expired at the end of 2025, so the timing avoids a gap.

Also in the package

- A new safe harbour based on effective tax rates, to simplify compliance.
- A substance-based safe harbour for certain tax incentives.
- In September 2026 the Inclusive Framework added a further package: a framework for reviewing domestic legislation, updates to the GloBE Information Return and new guidance.

What it does not change

- Countries can still apply their own qualified domestic minimum top-up taxes (QDMTTs) to low-taxed local subsidiaries of US groups, as most commentators read the arrangement. Check the OECD text for each case.
- Non-US groups remain fully within Pillar Two, including the UTPR.
- US groups still face the US regime: GILTI (now net CFC tested income) and the corporate alternative minimum tax.

Who is affected

- US multinationals with subsidiaries in low-tax jurisdictions, including the UAE and Hong Kong.
- Gulf and Asian groups with US subsidiaries: they remain in scope, so nothing changes for them.
- Joint ventures with US partners: ownership chains decide which rules apply.

What to do now

- US-parented groups: confirm which local minimum taxes still apply in each country.
- Non-US groups: keep Pillar Two compliance on track; the exemption is not reciprocal.
- Watch for country-by-country adoption of the safe harbours.

Our take

The arrangement splits the world in two: US groups under US rules, everyone else under Pillar Two. Local top-up taxes in places like the UAE still matter for US subsidiaries there.

Sources

- OECD: Global Anti-Base Erosion Model Rules (Pillar Two), side-by-side package
- OECD: Inclusive Framework package on consistency and certainty (September 2026)
- EY: OECD releases side-by-side arrangement exempting US multinationals (5 January 2026)

Important. This summary is for general information and is not tax, legal or financial advice. It is based on public OECD publications, together with adviser commentary, and may be incomplete or out of date. The official legislation and guidance prevail; check the official text before acting.

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