University of St.Gallen

Institute for Law and Economics

Side-by-Side Overview

20. November 2025

From insight to impact.

G7 statement on global minimum taxes

This understanding, which builds on our continued commitment to collaborate jointly through the Inclusive Framework to address the potential risks of base erosion and profit shifting, is based on the following accepted principles:

1
- A side-by-side system would fully exclude U.S. parented groups from the UTPR and the IIR in respect of both their domestic and foreign profits.

2
- A side-by-side system would include a commitment to ensure any substantial risks that may be identified with respect to the level playing field, or risks of base erosion and profit shifting, are addressed to preserve the common policy objectives of the side-by-side system.

3
- Work to deliver a side-by-side system would be undertaken alongside material simplifications being delivered to the overall Pillar 2 administration and compliance framework.

4
- Work to deliver a side-by-side system would be undertaken alongside considering changes to the Pillar 2 treatment of substance-based non-refundable tax credits that would ensure greater alignment with the treatment of refundable tax credits.

G7 statement on global minimum taxes - Canada.ca

Side-by-side raises different questions for each jurisdiction

- **Countries with:**
  - QDMTT, IIR, UTPR
  - IIR, UTPR
  - QDMTT, IIR
  - QDMTT
  - none
  - (many more categories)
  - See e.g. Pillar Two Country Tracker | PwC

- **Legal base:**
  - P2 Directive plus domestic law
  - Domestic law
  - Domestic law plus reference to Model Rules
  - Domestic law plus constitutional base

The model rules are not ready for side-by-side as a safe harbour

Article 8.2. Safe Harbours

8.2.1. At the election of the Filing Constituent Entity, and notwithstanding Chapter 5, the Top-up Tax for a jurisdiction (the safe harbour jurisdiction) shall be deemed to be zero for a Fiscal Year when the Constituent Entities located in this jurisdiction are eligible for a GloBE Safe Harbour, pursuant to the conditions provided under the GloBE Implementation Framework and applicable for that Fiscal Year.

GloBE Implementation Framework means the procedures to be developed by the Inclusive Framework on BEPS in order to develop administrative rules, guidance, and procedures that will facilitate the co-ordinated implementation of the GloBE Rules.

GloBE Implementation Framework does not yet exist!
This is challenging for countries with a direct reference to the model rules

Example for a constitutional base (Switzerland)
Is Side-by-Side covered by Art.129a Federal Constitution

Art. 129*a*[104] Special taxation of large corporate groups

1 The Confederation may issue regulations for large corporate groups on being taxed in the market state and on a minimum rate of tax.

2 In doing so, it shall be guided by international standards und model regulations.

3 In order to safeguard the interests of the Swiss economy as a whole, it may derogate from:

a. the principles of universality and uniformity of taxation and the principle of taxation according to ability to pay in accordance with Article 127 paragraph 2;

b. the maximum tax rates in accordance with Article 128 paragraph 1;

c. the regulations on enforcement in accordance with the first sentence of Article 128 paragraph 4;

d. the matters excluded from tax harmonisation in accordance with the second sentence of Article 129 paragraph 2.