Global Transfer Pricing Firm

GLOBAL TRANSFER PRICING FIRM

KSA Pillar Two Consultation

Background

- The Kingdom of Saudi Arabia has released the draft Pillar Two legislation for a month-long Public Consultation process beginning on 19th Nov 2026
- The legislation expects to implement a Domestic Minimum Tax in KSA starting from Financial Year beginning on or after 1st January 2027.
- The OECD/G20 Inclusive Framework combats profit shifting by Multinational Entities ('MNEs') through BEPS Action Plans. Building on this, Pillar Two establishes a 15% minimum effective tax rate per jurisdiction.
- Under the legislation an MNE group is considered in-scope if it meets following criteria:
  - **Revenue Threshold:** The group has an annual consolidated revenue EUR 750 million or more in at least two of the four preceding fiscal years; and
  - **Cross-Border Presence:** At least one entity or permanent establishment outside the jurisdiction of the ultimate parent entity (UPE)
- Applicable from all fiscal Year beginning on after 1st January 2027
- Regulations expected to be published within 180 days from the issuance of the law. The regulations will specify the implementing provisions for all major articles including:
  - Article 2 – In Scope entities
  - Article 3 - Revenue
  - Article 5 – Location of Permanent Establishment
  - Article 42 – Covered Tax
  - Article 94 – Filing obligations

Scope of DMTT

The draft KSA Pillar Two legislation are largely aligned with GloBE Model Rules and its commentary. The summary of entities that are in scope and out scoped as well as taxes – covered taxes and not covered taxes is captured in the below tables:

Entities

Covered

- ✓ **KSA entities** in a MNE group meeting the revenue threshold
- ✓ Joint ventures ("JV") or affiliates in KSA part of a MNE group, where the ultimate parent owns 50% or more, or the combined revenue of the JV and its affiliates meets the threshold
- ✓ Non-resident entities operating in KSA as part of a MNE group (unless excluded under Article 5)
- ✓ A government entity engaged in trade or business

Exempt

- ✓ Government entities
- ✓ Non-profit organizations
- ✓ International organisations
- ✓ Retirement funds
- ✓ Real estate investment vehicle that are an ultimate parent entity
- ✓ sovereign wealth fund meeting specified conditions

Taxes

Covered

- ✓ Corporate taxes included in the financial accounts of a participating entity (including its share in profits of other group entities)
- ✓ Zakat Taxes
- ✓ Taxes paid instead of corporate tax, such as withholding tax on interest, rent, and royalties
- ✓ Taxes on retained earnings or corporate equity, if based on income/equity and not treated as supplementary tax

Uncovered

- ✓ Tax paid by the parent under the Qualified Income Inclusion Rule (IIR)
- ✓ Tax paid by the entity under the Qualified DMTT
- ✓ Taxes resulting from adjustments under the Under Taxed Profits Rule (UTPR)
- ✓ Tax levied on the group based on special laws
- ✓ Non-qualified recoverable attribution taxes
- ✓ Taxes paid by insurance companies related to policyholders' returns
- ✓ Disqualified Imputation Tax

Computation of GLoBE Income

Step 1

Start with Financial Accounting P&L

- Pre-tax consolidated net income/loss, adjusted for permanent differences (>€1M) and policy **exclusions**
- Five-Year Election: **GLoBE Income Adjustments (Optional)**
  Include/exclude dividends, equity gains/losses, stock-based comp, fair value/impairment gains/losses

Step 2

Shipping income

- Exclusion of qualifying shipping income to prevents distortions in ETR and to be in alignment with OECD framework

Step 3

Allocations

- Arm's-length allocation between main entity, PEs & flow-throughs. This is to ensure profits are taxed where economic activity occurs

Step 4

Adjustment

- Adjustments made pertaining to Intragroup Financing Insurance, Capital Instruments, Carry-Back Adjustment. This is ensure the distortions in GLoBE income/loss and ETR to reflect true economic reality for Pillar Two

Step 5

Top-Up Tax Calculation

- Refer the ensuing slide

Calculation of Top-up Tax Liability

ETR for the jurisdiction for each tax period

(Total Adjusted Covered Taxes of all Constituent Entities in KSA / Net Pillar Two Income of all Constituent Entities in KSA)*100

Taxable Income

Taxable Income = Net Pillar Two Income – Substance based Income Exclusion

A specified percentage of the payroll costs and the eligible Tangible asset base can be deducted from the Net Pillar Two Income

Total DMTT Liability

Top-up Tax Rate = 15% - ETR
Top-up Tax = Taxable Income X Top-up Tax Rate

Determination of Additional Current Tax

Current Additional Tax = (Pillar 2 Income or Loss × Minimum Tax) – Modified Covered Taxes
The current additional tax is the amount arising from a recalculation of the effective tax rate or Pillar 2 income/loss for a prior period

Calculate Top-up Tax

Top-up Tax +Additional Current Tax / Permanent Difference Tax Liability

Certain types of entities are required to calculate their ETR separately from the rest of the group in KSA. These include Joint Ventures (JVs), Minority-Owned Constituent Entities (MOCEs), Investment Entities, and Stateless Permanent Establishments (PEs)

Local Accounting standards can be used if all entitles in KSA are:

- required to use such standards
- are externally Audited
- Follow same fiscal year as UPE

Transitional CbCR Safe Harbour (TCSH)

- KSA has implemented the Transitional CbCR Safe Harbour.
- The Safe Harbour will only be applicable for financial year starting on or before 31st Dec 2027.
- The Domestic Top Up Tax payable for 2027 will be considered to be Nil if the Group prepares a Qualified CbCR Report and the group passes any of the following tests
  - De Minimis Test
  - Simplified ETR Test
  - Routine Profit Test

De minimis Test

✓ The MNE Group reports CbCR Total Revenue of less than, in Saudi Riyals, the equivalent of ten (10) million euros and Profit (or Loss) before Income Tax of less than, in Saudi Riyals, the equivalent of one (1) million euros in the Kingdom .

Simplified ETR Test

✓ The MNE Group has a Simplified ETR that is equal to or greater than the 17% in the Kingdom for 2027

Routine Profit Test

✓ The MNE Group reports CbCR Profit or loss before Tax less than, in Saudi Riyals, the applicable Substance Based Income Exclusion

Other Safe Harbours

- KSA has implemented two safe harbours introduced by the OECD in the Side-by-Side Package:
  - Simplified ETR Safe Harbour
  - Substance Based Tax Incentive Safe Harbour

Simplified ETR Safe Harbour

- ✓ Simplified ETR Safe Harbour is a permanent safe harbour, intended to replace TCSH
- ✓ Top up tax is considered to be zero if the ETR is greater than 15%
- ✓ Offers an alternative to full computation.
- ✓ Implementing provisions to be specified in the regulations

Substance Based Tax Incentive Safe Harbour

- ✓ Qualifying Tax Incentives can be added back to covered Tax without adding it to the Globe Income subject to a substance-based cap.
- ✓ Allows KSA to offer substance-based Tax Incentives without incentive reducing ETR as per Globe Rules computation.
- ✓ Implementing provisions to be specified in the regulations

Corporate Restructurings & Tax Neutrality

M&A, Transfers , JVs & Multiparent Groups

- **Revenue Threshold & Restructuring:** Revenue thresholds apply to mergers / demergers to prevents restructuring to fall below Pillar Two applicability
- **Joining/Leaving Entities:** Proportional inclusion of income and taxes, prevents ETR manipulation
- **Asset / Liability Transfer:** Recognized at disposing entity's carrying value to safeguards against artificial step-ups or losses
- Proportional allocation of income and taxes based on JVs ownership, brings entities under IIR and prevents income shielding from Top-Up Taxes and
- Proper allocation of revenue, income, and taxes among parent entities, prevents avoidance through complex ownership structures

Tax Neutrality & Distribution Regimes

- Flow-through entities reduce GLoBE income by amounts flowing to holders, avoids double taxation
- Deductible dividend regimes allow reduction for qualifying dividends, maintains tax neutrality for distributed dividends
- Deemed distribution tax available for distribution-based tax systems, which would be lesser of:
  - Amount to raise ETR to Minimum Rate (15%) or
  - Tax that would be payable if profits fully distributed

Aspect	Treatment
ETR Determination	Include all deferred tax assets (DTAs) & liabilities (DTLs) but capped at lower of Minimum Rate or domestic rate
Exclusions / Anti-Abuse	Exclude DTAs from artificial deductions or excluded income arising after 30 November 2021 with limited grace-period exceptions
Transfers Before Transition	Acquiring entity must use disposing entity's carrying value for transferred of DTAs/DTLs included in GloBE Income

Obligations

Registration

- In Scope Entities must register within 15 month from the end of the first fiscal year entity is in scope
- In case of multiple entities in KSA, Designated Local Entity Must be appointed.
- Failing to comply with registration may result in penalties up to SAR 10,000
- Information/documents required to be specified by the regulations.

Domestic Top Up Tax Return

- In Scope Entities must submit domestic top up tax within 15 month from the end of the fiscal year
- Declaration to the effect that Return is complete and correct is required
- In case of multiple entities in KSA, Designated Local entity can file the top up tax return.

Globe Information Return/ Notification

- In Scope Entities must submit GIR/ GIR Notification within 15 month from the end of the fiscal year.
- GIR/ GIR Notification can be filed by Designated Local Entity

For the first year that the Law is applicable to the MNE Group, the Deadline for Domestic Top Ip Tax and GIR is extended to 18 months from the end of the fiscal year.

KSA Specific Consideration

Zakat	❯ Taxes on retained earnings and Corporate Equity including Zakat has been included as a covered taxes. This aligned with the OECD Consolidated Commentary on Pillar Two Model Rules. Though Kuwait has Zakat taxes, it is not covered tax for the purpose of Pillar Two computation ❯ MNE Groups that pay Zakat will have to evaluate whether there is top up tax liability.
Regional Headquarters	❯ MNE Groups availing tax relief under the Regional headquarters program will be impacted. ❯ RHQ program may not qualify as an Qualified Tax Incentive.
Penalty Relief	❯ During first year MNE group is in-scope for the law, penalty in connection with Domestic Top up Tax Return and GIR will not apply if the authority considers that MNE Group has taken good faith measures to comply with the regulations
SWF Exemption	❯ Sovereign Wealth Fund cannot act as an UPE and should not be considered while determining the UPE of the Group. ❯ An entity which is directly owned by the SWF will be considered the UPE of such group.

Key Takeaways for the Taxpayers

Evaluate the applicability in terms of registration, compliance, reporting, payment obligations and disclosure requirements

Draw a roadmap for the group with all the requirements and action points including the timelines based on the evaluation while ensuring the consent of all the stake holders

Ensure Registration within the prescribed timelines while keeping the penalty implications in mind

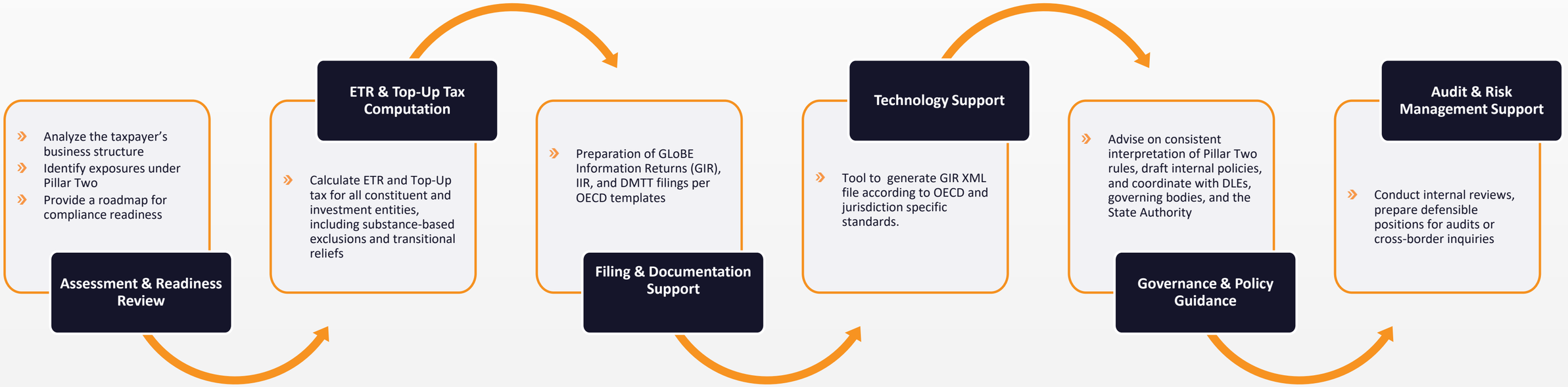
Meet the transfer pricing requirements such as local file, Master file and CbCR reporting prescribed in the regulations

Ensure compliance with transitional safe harbour requirements in order to avail the relief

Track record keeping and file the tax returns within prescribed due dates

Ensure the accurate computation of DMTT and payment of DMTT liability within prescribed timelines

How VSTN Can Support



PROPRIETARY TECHNOLOGY

VSTN Technology Suite

VSTN OTP SUITE

01

Automate and operationalize your transfer pricing policy, turning it from a manual, year-end exercise into a real-time, data-driven process.

- Real-time monitoring of intercompany transactions
- Automated TP calculations & periodic adjustments
- Integrates with ERP & financial systems

VSTN PILLAR 2 SOLUTIONS

02

HMRC-authorised platform that automates OECD Pillar 2 compliance end to end, from GloBE Income to Top-up Tax.

- GloBE Income & Adjusted Covered Taxes by entity
- Effective Tax Rate and Top-up Tax computation (15% test)
- IIR, UTPR & QDMTT filing workflows

VSTN CBCR SOLUTION

03

Automated platform that generates OECD-compliant Country-by-Country Report XML filings, cutting reporting time by up to 90%.

- Automated OECD XML generation, latest schema
- Real-time schema validation & error detection
- Multi-jurisdiction risk-intelligence dashboards

VSTN 4ONE

04

Unified practice-management platform built natively into Microsoft 365, powered by the VaSTiN AI assistant.

- Lives inside Outlook, Teams & SharePoint — single sign-on
- VaSTiN AI for queries, inbox triage & proposals
- One dashboard, from leads to delivery to invoicing

WHO WE ARE

VSTN Consultancy — Global Transfer Pricing Firm

VSTN Consultancy is a Global Transfer Pricing firm with extensive expertise in the field of transfer pricing having its offices in India, Singapore, UAE, USA, and the KSA. VSTN Consultancy has been awarded by **International Tax Review (ITR)** as **Best Newcomer in Asia Pacific – 2024 | Middle East Transfer Pricing Practice Leader of the Year 2025 | Middle East Best Newcomer of the year - 2025** and is ranked as one of the Recommended Transfer Pricing Firms. VSTN Consultancy has been shortlisted in other awards as finalist by ITR for Tax Innovator, Tax Compliance and Reporting Firm, Transfer Pricing Leader , Transfer Pricing Rising Star in Asia Pacific – 2025 | Best Newcomer, Tax Innovator and Transfer Pricing Leader in EMEA – 2025. VSTNs senior partners have been ranked in ITR in the list of recognised Practitioners.

Our offering spans the end-to-end Transfer Pricing value chain, including design of intercompany policy, drafting of Interco agreement, ensuring effective implementation of the Transfer Pricing policy, year-end documentation and certification, Global Transfer Pricing Documentation, BEPS related compliances (including advisory, Masterfile, Country by Country report), safe harbor filing, audit defense before all forums, Pillar 2 Analysis advice and dispute prevention mechanisms such as Advance Pricing agreement.

We are structured as an inverse pyramid where leadership get involved in all client matters, enabling clients to receive the highest quality of service.

Being a specialized firm, we offer advice that is independent of an audit practice and deliver it with an uncompromising integrity.

Our expert team brings in cumulative experience of over several decades in the transfer pricing space having worked with multiple Multinational Companies across sectors/industries and have cutting edge knowledge and capabilities in handling complex TP engagements.

WHO WE ARE

VSTN Consultancy — Global Transfer Pricing Firm

VSTN Consultancy is a transfer pricing firm with a global footprint across India, UAE, Singapore, USA, and KSA. We combine deep technical expertise with a client-centric approach to deliver premium transfer pricing services.

01 **Specialisation**
Exclusive focus on transfer pricing — not a generalist practice.

02 **Global Reach**
Serving clients across 17+ countries with local expertise.

03 **Industry Recognition**
Awarded Best Newcomer APAC & Best Newcomer Middle East.

04 **Licensed Databases**
11+ premium databases.

150+
Years' Experience

300+
Clients Served

17+
Countries

5
Global Offices

11+
Licensed Databases

50+
Team Members

OUR TEAM

Leadership & Core Team



Nithya Srinivasan

Founder & CEO

Nithya Srinivasan, founder of VSTN has **20+ years** of experience in Transfer Pricing advising multinational corporations and providing practical transfer pricing solutions. She has extensive experience managing transfer pricing compliance, litigation, APAs, complex planning assignments for High profile MNCs. She also specializes in dealing with tax authorities on wide variety of transfer pricing issues including marketing intangibles, share valuation, risk adjustments, start-up losses, adoption of statistical techniques to address transfer pricing problems.

She was involved in development of dynamic transfer pricing policies for clients, including supply chain structuring, business model conversions. She has led Base Erosion Profit Shifting(BEPS) initiative for major India HQs.

Nithya has authored articles for publication in International Fiscal Association (“IFA”) journal, International Tax review, Tax sutra, NDTV, coauthored a book titled “Transfer Pricing Law and Practice in India including BEPS” published by CCH and also co authored for the BCAJ Journal on “Transfer Pricing in the Automotive sector”.

Nithya has coauthored a research paper published in the International Organization of Scientific Research (IO SR) -Journal of Economics and Finance on Indian Transfer Pricing landscape.

She has been recognized as a **“Highly Regarded” Practitioner** by the International Tax Review (ITR) in its prestigious World Tax Rankings. Her exceptional leadership and expertise in transfer pricing have earned her the title of **Middle East Transfer Pricing Practice Leader of the Year**. Additionally, she has been nominated for the **“APAC and EMEA Transfer Pricing Practice Leader of the Year”** award by International Tax Review (ITR).

OUR TEAM

Leadership & Core Team



Srilakshmi Hariharan

Principal

Srilakshmi Hariharan has over **20+ years** of Transfer Pricing experience at Big 4s and MNCs including PwC, Shell India Markets Pvt Ltd, Deloitte, and Crowe Howarth. She specializes in handling Transfer Pricing Audits, Compliance documentation, and Assessments, in addition to assisting clients with the APA process.

She also has extensive experience advising clients on complex intercompany transactions and compliance documentation related to cost sharing arrangements, intra-group services, management charges, treasury transactions, drafting intercompany agreements, and analyzing PE exposure on proposed or existing transactions. She has further assisted clients on planning assignments to help set up arm's length mark-ups for new business or transactions. Her corporate exposure includes handling compliance documentation for entities across Asia Pacific, Europe, and India.

She has been ranked by the International Tax Review (ITR) in the list of **"Recognized Practitioners in Transfer Pricing".**



S Ranjani

Principal

S Ranjani has around **13+ years** of Transfer Pricing experience, including over 7 years at Deloitte handling client compliances and litigation, and approximately 3 years in an in-house Tax and TP role at Daimler.

She manages Transfer Pricing compliance, litigation, APAs, and advisory assignments for high-profile MNCs, covering issues such as marketing intangibles, economic adjustments, and loss-making entities. She has also worked on Masterfile and Country-by-Country reporting for major MNCs and India HQs, and has co-authored articles, a book titled "Transfer Pricing Law and Practice in India including BEPS" (CCH), and a BCAJ piece on "Transfer Pricing in the Automotive sector."

She has been ranked by International Tax Review (ITR) as a **"Recognized Practitioner in Transfer Pricing"** and was nominated for the **"APAC Transfer Pricing Rising Star Award"** by ITR for 2024.

OUR TEAM

Leadership & Core Team



E Rajesh

Principal

E Rajesh has over **11+ years** of transfer pricing experience supporting MNEs across the TP lifecycle, including pricing advisory for various transactions, evaluating alternative business models, reviewing intra-group transactions, preparing local files, filing Accountant's reports, and opting for safe harbour rules and advance pricing agreements.

Rajesh was key in onboarding BEPS compliances such as Master file and Country-by-Country reports for major South Indian conglomerates. He has authored articles published in forums including TaxSutra ("Interplay of Statistics and Transfer Pricing") and research papers in IOSR-JEF on Indian Transfer Pricing. He also won an Olympiad conducted by Deloitte's Indian transfer pricing practice for crowdsourcing tax ideation.

He has been ranked by International Tax Review (ITR) as a **"Recognized Practitioner in Transfer Pricing"** and was nominated for the **"APAC Transfer Pricing Rising Star Award"** by ITR for 2025.



Nitya Joseph

Principal

Nitya Joseph has around **10+ years** of experience in Transfer Pricing with over 5 years with Deloitte working on various engagements and assisting the clients with their Transfer pricing compliances and litigation. She has substantial experience managing transfer pricing compliance for international and specified domestic transactions, litigation, advisory assignments for High profile MNCs across manufacturing, trading and services industries.

She has assisted in filing and conclusion of APAs and Safe Harbour applications for clients, and was involved in planning assignments for financial transactions. She has closely dealt with tax authorities and assisted in representation before the Tax Tribunal on various issues including intra-group charges, proportionate adjustment, economic adjustments, loss making entities etc.

She has been ranked by International Tax Review (ITR) in the list of **“Recognized Practitioners in Transfer pricing”.**

OUR TEAM

Leadership & Core Team



Saranya Nagarajan

Director

Saranya Nagarajan has around **12+ ye**ars of experience in handling Transfer Pricing related matters in industry and Big4 (Deloitte). She has hands on experience in managing transfer pricing compliance including Local File, Master File and Country-by-Country reporting. She has handled transfer pricing litigations before tax/appellate authorities involving several issues including economic adjustments, intra-group services, etc.

Saranya has dealt with various Indian and multi-national clients and has been extensively involved in planning studies, agreement reviews, health check-ups and other transfer pricing advisory services.

She is a qualified Chartered Accountant, a qualified Company Secretary and holds a certification in Transfer Pricing issued by the Chartered Institute of Taxation, UK.



Triveni Palla

Director

Triveni Palla has over **14+ years** of experience in handling transfer pricing related matters. She has a decade of experience in handling transfer pricing matters in Big4s such as PwC India and Deloitte India and based in Hyderabad.

She has hands on experience in serving the clients in variety of transfer pricing matters including transfer pricing compliance, litigation, master file, safe harbour, planning, transaction structuring, global documentation, Advance Pricing Agreements, BEPS advisory, health check-ups, intra-group services, operational transfer pricing advisory and implementation, etc.

She has extensive experience in serving clientele in variety of industries such as Information Technology, Aerospace, Pharma, Telecommunications, Cement Manufacturing, semiconductors, etc.

Triveni Palla is a qualified Chartered Accountant from the Institute of Chartered Accountants of India.

OUR REACH

Global Locations Served & Licensed Databases

COUNTRIES SERVED (17+)

- USA
- Canada
- Mexico
- UK
- Netherlands
- Belgium
- Denmark
- Switzerland
- Italy
- Singapore
- India
- Australia
- Philippines
- UAE
- KSA
- Turkey
- Zambia

LICENSED DATABASES

TP Catalyst	***Moody's***
ORBIS	***Moody's***
Loan Module	***Moody's***
IP & Royalty Data	***Moody's***
EDF-X Bond Database	***Moody's***
EDF-X Credit Risk Analytics	***Moody's***
Royalty Rates	***ktMINE***
Services CUT	***ktMINE***
Loan Module	***Royalty Range***
TP Documenter	***Ryan***
Prowess	***CMIE***

THANK *YOU*

We look forward to partnering with you on this engagement.

INDUSTRY RECOGNITION

- Best Newcomer — APAC
- Best Newcomer — Middle East
- Middle East TP Practice Leader
- Notable & Trusted Practitioner
- Women In Tax Leader
- Wealth & Finance Best Global TP Firm - India

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