

The OECD Pillar Two and Its Implications for MNE Tax Strategies: Challenges and Opportunities for Compliance

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Abstract. *Recent developments in international corporate taxation reflect a fundamental shift toward stronger multilateral coordination, most notably through the introduction of a global minimum effective corporate tax under the framework developed by the Organization for Economic Cooperation and Development and the Group of Twenty. This reform aims to address persistent challenges associated with profit shifting, base erosion, and harmful tax competition in an increasingly integrated global economy. While the academic literature has extensively examined the technical design and normative justification of minimum taxation, comparatively less attention has been devoted to its implications for multinational enterprises’ tax strategies, compliance behaviour, and the evolving dynamics of international tax competition.*

This paper develops a conceptual analysis of how the global minimum tax restructures the economic incentives and legal constraints faced by large multinational enterprises. Drawing on theories of tax competition and profit shifting and incorporating perspectives from international tax law, the study adopts a qualitative research design combining policy analysis, comparative institutional review, and doctrinal examination. The analysis is guided by research questions addressing how minimum taxation reshapes corporate tax planning, investment decisions, administrative complexity, and the scope of fiscal sovereignty across jurisdictions.

The findings suggest that the global minimum tax reduces incentives for traditional profit shifting strategies and promotes partial convergence in effective tax rates, while simultaneously redirecting competitive pressures toward non-rate instruments, regulatory design, and administrative practices. It further demonstrates the central role that compliance capacity and administrative coordination play in shaping corporate responses, particularly in the initial phase of implementation. Importantly, emerging divergences in national adoption practices, carve-outs, and political economy constraints underscore that minimum corporate taxation operates within asymmetric institutional and sovereign bargaining structures, limiting its capacity to function as a uniform global solution. The paper contributes to the literature by developing an integrated analytical framework that conceptualizes global minimum taxation as a restructuring of international tax competition, linking economic theory, international tax law, and early institutional practice to assess its strategic, administrative, and governance implications.

Keywords: Global minimum tax, international tax competition, multinational enterprises, tax compliance, international tax governance, international corporate taxation.

Introduction

The increasing globalization of economic activity and the growing mobility of capital have significantly intensified international tax competition over the past decades. Multinational enterprises (MNEs), operating across multiple jurisdictions, have been able to exploit differences in national corporate tax systems through profit shifting strategies, thereby reducing their global

effective tax rates. These developments have contributed to concerns regarding base erosion, revenue losses, and perceived unfairness in the international corporate tax system, particularly in high-tax jurisdictions. As a response, international organizations and national governments have increasingly sought to strengthen coordination in corporate taxation.

The OECD's Base Erosion and Profit Shifting (BEPS) project represented an important step toward addressing aggressive tax planning practices by MNEs through enhanced transparency and anti-avoidance measures. However, while BEPS improved information exchange and introduced common standards, it largely relied on voluntary cooperation and did not fundamentally alter the underlying incentives driving tax competition. In this context, the continued decline in statutory corporate tax rates and the persistence of profit shifting highlighted the limitations of soft coordination mechanisms.

Against this background, the OECD/G20 Inclusive Framework introduced Pillar Two, establishing a global minimum effective corporate tax rate of 15 percent for large multinational groups. Unlike previous initiatives, Pillar Two represents a shift toward a more binding form of international tax coordination, aiming to limit harmful tax competition by reducing the benefits of locating profits in low-tax jurisdictions. The introduction of the Global Anti-Base Erosion (GloBE) rules, including the Income Inclusion Rule and the Undertaxed Payments Rule, significantly alters the international tax landscape and the strategic environment in which MNEs operate.

While the technical design and legal implementation of Pillar Two have received considerable attention in policy documents and emerging academic literature, less emphasis has been placed on its broader economic implications. In particular, the effects of the global minimum tax on MNE tax strategies, investment incentives, and compliance behaviour remain underexplored. From a corporate finance perspective, taxation is a key determinant of investment location, internal financing decisions, and organizational structure. The introduction of a minimum effective tax rate therefore has the potential to reshape not only tax planning practices but also broader financial and strategic decisions within multinational groups. Moreover, Pillar Two introduces substantial compliance and administrative requirements, which may generate new economic frictions. The need for detailed data collection, jurisdiction-by-jurisdiction effective tax rate calculations, and coordination across multiple tax authorities may increase compliance costs and affect firms' risk management strategies. These effects are likely to be uneven across countries and firms, raising important questions regarding fiscal sovereignty, administrative capacity, and competitive neutrality. Existing contributions tend to examine these dimensions in isolation, focusing either on legal design, economic modelling of tax competition, or firm-level behavioural responses. What remains underdeveloped is a structured analytical account of how these elements interact within a unified incentive framework that simultaneously captures firm strategy, administrative capacity, and intergovernmental coordination under minimum taxation.

This paper develops an integrated analytical framework for understanding the global minimum tax as a restructuring of the incentive architecture governing multinational enterprise behaviour and intergovernmental tax competition. The analysis is guided by a set of interrelated research questions examining how the introduction of Pillar Two reshapes multinational enterprises' tax planning strategies and investment incentives; how it alters the dynamics of international tax competition and affects the scope of national fiscal sovereignty; and what new compliance challenges and coordination pressures arise under the emerging regime. By embedding these questions within a unified analytical framework, the paper conceptualizes Pillar Two not merely as a minimum rate instrument, but as a structural intervention that reshapes strategic behaviour across multiple levels: corporate tax planning, administrative enforcement, and inter-

jurisdictional competition. By linking economic theory, international tax law, and early institutional practice within a single conceptual structure, the paper offers a theory-informed account of the evolving equilibrium between tax competition and coordination.

The remainder of the paper is structured as follows: Section 2 reviews the relevant literature on international tax competition, profit shifting, and tax coordination, identifying the research gap addressed by this study, Section 3 outlines the methodology and comparative analytical approach adopted in the paper, Section 4 presents and discusses the main findings regarding the impact of Pillar Two on MNE tax strategies, tax competition, and compliance. The Section also examines the policy and business implications of the global minimum tax, while Section 5 concludes and suggests directions for future research.

Literature review

International tax competition and profit shifting

The literature on international corporate taxation has long emphasized the interaction between capital mobility, national tax sovereignty, and the strategic behaviour of MNEs. From an economic perspective, international tax competition arises when jurisdictions design corporate tax systems in an environment where investment and reported profits can be relocated across borders. Theoretical contributions demonstrate that increased capital mobility constrains governments' ability to tax mobile tax bases, creating downward pressure on corporate tax rates and potentially leading to inefficiently low levels of taxation (Devereux et al., 2002, Devereux et al., 2022; Keen & Konrad, 2013). These contributions constitute the foundational theoretical framework for analysing tax competition under capital mobility and continue to inform contemporary debates on coordinated tax reform.

Empirical research has consistently shown that multinational enterprises respond to cross-country tax differentials by engaging in profit shifting. Profit shifting is commonly defined as the reallocation of taxable income across jurisdictions through legal or quasi-legal arrangements, including transfer pricing practices, the strategic location of intangible assets, and the use of intra-group financing structures (Dharmapala, 2014; Zucman, 2014). These strategies allow firms to reduce their global effective tax rates, widely recognized in the literature as a more relevant measure of tax burden than statutory rates alone (Devereux et al., 2002). From a corporate finance perspective, effective tax rates influence investment decisions, cost of capital, and organizational structure, reinforcing the view that taxation is a core element of firm strategy. Together, this body of work forms the established analytical baseline for understanding multinational tax planning in the pre-Pillar Two environment.

Legal scholarship complements this economic analysis by examining the institutional foundations that enable profit shifting. The international tax system, built largely on bilateral tax treaties and the arm's length principle, allocates taxing rights based on concepts such as residence, source, and permanent establishment. While these concepts aim to prevent double taxation, legal scholars argue that they also create structural opportunities for tax planning, particularly in the context of digitalization and the growing importance of intangible assets (Avi-Yonah, 2007; Picciotto, 2013). As a result, profit shifting is not merely a consequence of aggressive behaviour by firms, but also of mismatches and gaps inherent in the existing legal framework.

International tax coordination and anti-avoidance frameworks

In response to the challenges posed by uncoordinated tax competition and profit shifting, a substantial body of literature has examined the potential for international tax coordination.

Economic models of coordination suggest that cooperative outcomes can improve welfare by reducing distortions in investment allocation and stabilizing tax revenues, although such outcomes are difficult to sustain in the absence of binding enforcement mechanisms (Keen & Konrad, 2013). These theoretical insights have informed policy debates on multilateral tax reform.

From a legal and institutional perspective, coordination has traditionally been pursued through bilateral tax treaties. However, treaty-based coordination has been criticized for being ill-suited to addressing base erosion and profit shifting, as treaties primarily allocate taxing rights rather than constrain tax competition (Avi-Yonah, 2007). This limitation became increasingly evident as globalization intensified and corporate structures grew more complex.

The OECD's BEPS project represented a significant shift toward multilateral coordination by introducing minimum standards on transparency, transfer pricing documentation, and anti-avoidance measures (OECD, 2015). The BEPS literature acknowledges its contribution to improving information exchange and reducing certain forms of aggressive tax planning but also highlights its limitations. In particular, BEPS largely preserved national discretion over tax rates and did not directly address the incentive effects generated by large cross-country differences in effective taxation (Dharmapala, 2016). As a result, while BEPS improved enforcement, it did not fundamentally alter the competitive dynamics underlying international corporate taxation. In this sense, BEPS is widely understood as a strengthening of anti-avoidance enforcement within the existing competitive paradigm rather than a structural transformation of that paradigm.

Global minimum taxation and the emergence of Pillar Two

The concept of a global minimum corporate tax has transitioned from a theoretical policy proposal to an active reality with the implementation of the OECD/G20 Pillar Two framework. In contrast to earlier soft coordination measures, the Pillar Two rules, encapsulated in the GloBE Model Rules, represent a binding multilateral attempt to limit harmful tax competition by imposing a minimum effective tax rate of 15 percent on large multinational enterprises (OECD, 2021; OECD 2024; OECD, 2025). Under these rules, large MNE groups that have consolidated revenues above the agreed threshold must calculate their effective tax rate on a jurisdictional basis and face a top-up tax in jurisdictions where the ETR falls below the minimum (OECD, 2021; OECD, 2025). As of mid-2025, the OECD reports that around 90 percent of in-scope MNEs are expected to be subject to the global minimum tax as implementation spreads across adopted jurisdictions, underscoring the rapid operationalization of the regime (OECD, 2025).

The emerging policy literature also provides working definitions and operational foundations for Pillar Two that are vital to economic and legal analysis. For instance, the Pillar Two Subject-to-Tax Rule (STTR) complements the GloBE framework by allowing source jurisdictions to “tax back” specific cross-border payments that are subject to low nominal rates, addressing base erosion in developing countries (OECD, 2023). The inclusion of STTR mechanisms in bilateral treaties reinforces the increasingly complex interaction between international tax law and economic objectives, as governments seek to preserve taxing rights while collectively limiting tax avoidance.

Recent empirical analysis directly measures the economic impact of the global minimum tax on profit shifting and effective tax rate dispersion. The OECD Taxation Working Paper on “The Global Minimum Tax and the taxation of MNE profit” finds that the minimum tax substantially reduces incentives for profit shifting and is estimated to increase global corporate income tax revenues significantly, potentially by between USD 155–192 billion annually (Hugger et al., 2024). In addition to revenue effects, the study suggests that the minimum tax substantially narrows tax

rate differentials across jurisdictions, with implied consequences for investment location decisions and tax planning strategies (Hugger et al., 2024).

Beyond OECD publications, academic research has further explored the theoretical implications of minimum taxation for tax competition. Chen (2024) models the impact of a global minimum tax on investment incentives and asymmetric tax competition, demonstrating that while minimum taxation reduces profit shifting, its effects on smaller jurisdictions depend on structural characteristics and adjustment margins. Similarly, Haufler and Kato (2024) show that limiting the minimum tax to large firms may alter competitive dynamics in complex ways, with differentiated welfare and revenue effects across haven and non-haven countries. These contributions represent the state of the art in economic modelling of global minimum tax regimes. However, much of this emerging literature remains focused on equilibrium modelling and aggregate revenue effects, leaving open broader questions regarding institutional restructuring and firm-level strategic adaptation.

Complementing economic insights, legal scholarship has also begun to critically assess Pillar Two's compatibility with existing treaty networks and principles of international tax law. Englisch (2023) situates the GloBE top-up tax within broader debates on the allocation of taxing rights and the evolving balance between national sovereignty and multilateral coordination. This line of analysis highlights that while Pillar Two represents a significant collective response to base erosion and profit shifting, it also raises fundamental questions regarding treaty interpretation, legal certainty, and the future architecture of international tax governance. This emerging strand of legal scholarship primarily evaluates compatibility, interpretation, and doctrinal coherence, rather than the broader reconfiguration of competitive and administrative dynamics. Policy research has additionally tracked implementation challenges and compliance burdens linked to Pillar Two in real-world contexts. For example, a recent quantitative assessment of Pillar Two compliance costs for EU-headquartered groups finds that data collection, reporting obligations, and administrative adjustments pose significant burdens for MNEs, potentially influencing internal tax governance and resource allocation (Bray et al., 2025). This evidence highlights a dimension that remains underdeveloped in theoretical work—the role of compliance complexity and administrative capacity in shaping corporate responses. Although compliance considerations have entered the debate, they remain analytically fragmented across economic and legal literatures.

Taken together, this body of research confirms that Pillar Two is both a legal innovation and an economic mechanism with measurable effects on profit shifting incentives, tax competition equilibria, and revenues. However, despite rapid progress in implementation and active scholarly engagement, there remains a persistent gap in integrative research that systematically combines legal and economic analysis to explain how multinational enterprises strategically adapt to global minimum taxation in terms of investment decisions, financing structures, and organizational design. This paper contributes to filling that gap by synthesizing economic incentives and international tax law perspectives to assess the incentives, trade-offs, and emerging patterns of tax strategy under the global minimum tax regime.

Identified research gap and contribution

Despite rapid advances in both academic and policy-oriented research, several gaps remain in the literature on global minimum taxation. First, economic analyses of Pillar Two tend to focus on aggregate revenue effects and equilibrium outcomes, while legal studies primarily examine technical design and treaty compatibility. Existing strands of scholarship largely proceed in parallel—economic analyses modelling aggregate effects and legal studies examining doctrinal

coherence—without systematically integrating incentive theory with the legal mechanics of the regime to explain firm-level strategic responses.

Although recent studies acknowledge compliance costs, they are often treated as secondary rather than as central determinants of multinational tax strategy. The interaction between compliance complexity, administrative capacity, and corporate decision-making—particularly in multi-jurisdictional settings—has not yet been fully explored. Finally, while recent research acknowledges that minimum taxation may narrow statutory rate differentials, the broader restructuring of competitive margins—toward regulatory design, administrative capacity, and institutional credibility—remains under-theorized. This paper addresses these gaps by integrating economic theory and international tax law to analyse how Pillar Two reshapes multinational enterprises' tax strategies, compliance behaviour, and investment decisions. Drawing on early implementation experiences and comparative institutional insights, the paper develops an integrated analytical framework that conceptualizes Pillar Two as a restructuring of international tax competition and corporate tax strategy.

Methodology

This paper adopts a qualitative, analytical design combining policy analysis, comparative institutional review, and doctrinal examination of international tax frameworks. This methodological choice is appropriate given the novelty and complexity of the OECD/G20 Pillar Two regime, which has only recently entered into force and for which comprehensive ex post quantitative data are not yet available. As a result, the analysis focuses on institutional design, incentive structures, and expected behavioural responses rather than on econometric testing.

The research is grounded in a conceptual and policy-oriented analytical framework that integrates insights from economics, corporate finance, and international tax law. The primary objective is to examine how the introduction of a binding global minimum corporate tax alters the incentives faced by multinational enterprises and reshapes international tax competition and compliance dynamics. In line with this objective, the study formulates theory-driven propositions derived from the literature on tax competition, profit shifting, and regulatory design. The analytical framework proceeds from three core premises: first, that a binding jurisdictional minimum effective tax rate reduces incentives for profit shifting and contributes to convergence in effective tax rates; second, that constraining statutory rate competition may redirect competitive pressures toward non-rate instruments, including fiscal incentives and regulatory tools; and third, that compliance complexity and administrative capacity function as economically relevant variables shaping firm-level responses and intergovernmental dynamics. The framework further anticipates differentiated implementation effects across jurisdictions with varying legal infrastructure and administrative capacity, particularly in emerging and smaller economies.

The policy and doctrinal analysis is based on a structured review of primary and secondary sources. Primary materials include the OECD/G20 Global Anti-Base Erosion (GloBE) Model Rules, official Commentary and Administrative Guidance, OECD implementation and impact reports, the EU Minimum Tax Directive, relevant features of the U.S. Global Intangible Low-Taxed Income (GILTI) regime, and selected national implementation measures where available. Secondary sources include peer-reviewed academic literature and institutional analyses published primarily between 2021 and 2025 with some sources dating back to earlier periods. Sources were selected according to three criteria: relevance to incentive effects, administrative implementation, and intergovernmental coordination. This selection framework ensures consistency between the research questions, theoretical framework, and documentary evidence.

The comparative institutional component focuses on three analytically distinct contexts: the European Union, representing coordinated supranational transposition; the United States, illustrating interaction between Pillar Two and an existing domestic minimum tax regime; and emerging and developing economies, where administrative capacity and revenue implications present distinct implementation challenges. These cases were selected not for statistical representativeness, but for their capacity to illuminate variation in legal alignment, administrative capacity, and strategic positioning within the global minimum tax regime.

The analysis proceeds in three complementary stages. First, a doctrinal examination of the core Pillar Two mechanisms—including the Income Inclusion Rule, Undertaxed Payments Rule, Subject-to-Tax Rule, and Qualified Domestic Minimum Top-up Taxes—identifies how the legal design modifies incentives and reallocates taxing rights. Second, a comparative assessment evaluates early implementation choices across the selected jurisdictions, highlighting institutional divergences and coordination frictions. Third, the conceptual framework is applied to interpret these developments in light of established models of tax competition and firm behaviour, enabling a structured explanation of strategic adaptation. Given the recent entry into force of the Pillar Two rules, the analysis necessarily focuses on expected and early-stage impacts rather than fully observed outcomes. The absence of comprehensive post-implementation quantitative data precludes econometric testing or statistical estimation at this stage, and accordingly, no statistical software or data-processing tools are employed. This limitation is understood as a transitional feature of the current research context rather than a methodological weakness. The qualitative and analytical approach adopted in this paper is intended to provide a structured foundation for future empirical research, as firm-level and jurisdictional data become available in subsequent tax years.

Results and discussions

Implications for MNE

Implications for MNE tax strategies

The implementation of the OECD/G20 Pillar Two global minimum tax reshapes multinational enterprises' tax strategies by altering the incentive structure that has historically driven profit allocation and organizational design. By imposing a jurisdictional minimum effective tax rate through coordinated top-up taxation, the GloBE rules substantially reduce the benefits of exploiting cross-border tax rate differentials and legal mismatches. Multinational tax strategy correspondingly shifts from aggressive profit shifting toward the management of jurisdictional effective tax rates, compliance exposure, and organizational efficiency (OECD, 2021; Devereux et al., 2022).

A central consequence of Pillar Two is the reassessment of group structures designed primarily to fragment income across jurisdictions. Under the GloBE framework, effective tax rates are calculated on a jurisdictional basis using standardized definitions of income and covered taxes, limiting the scope for blending low-tax outcomes in one jurisdiction with higher taxation elsewhere (OECD, 2021; OECD, 2025). This design reduces the marginal tax benefit of maintaining complex chains of subsidiaries whose primary function is tax optimization. Where income is subject to taxation below the minimum rate, any residual advantage is neutralized through top-up taxation, while the administrative and compliance costs associated with complex group structures remain (Hugger et al., 2024). Multinational enterprises therefore face incentives to rationalize corporate structures and prioritize operational substance over tax-motivated fragmentation.

These dynamics are particularly evident in the treatment of holding company structures. Historically, intermediate holding companies located in low-tax jurisdictions have played a key

role in multinational tax planning by facilitating the accumulation of dividend income, capital gains, and passive income streams under favourable participation exemption regimes and treaty networks (Avi-Yonah, 2007; Picciotto, 2013). Under Pillar Two, however, income accruing at the level of such holding companies is assessed in the context of jurisdictional effective tax rates, and any under-taxation triggers top-up taxes elsewhere in the group (OECD, 2021; OECD, 2025). As participation exemptions do not shield income from the application of the GloBE rules, the effectiveness of low-tax holding structures as profit-parking vehicles is substantially reduced (Englisch, 2023). The result is a shift toward holding structures with demonstrable economic substance, often located in jurisdictions offering legal certainty and administrative stability rather than minimal taxation.

The reduced effectiveness of holding company structures under Pillar Two also affects decisions regarding the location of intellectual property and the design of internal financing arrangements. The concentration of intangible assets in low-tax jurisdictions has long been a central element of multinational tax planning due to the mobility of IP-related income (Zucman, 2014). Under a minimum effective tax rate regime, the tax advantages of such arrangements are structurally diminished, particularly where income derived from intangibles is subject to top-up taxation at the group level. Similarly, internal financing structures based on interest deductions and financing income must now be evaluated not only for their impact on local tax bases but also for their contribution to global minimum tax exposure, reinforcing a broader alignment between financing decisions and economic substance (Devereux et al., 2022).

Beyond specific structuring decisions, Pillar Two elevates tax compliance to a core component of financial and risk management. The complexity of GloBE calculations, data collection requirements, and reporting obligations necessitates close coordination between tax, finance, and governance functions within multinational groups (Bray et al., 2025). Tax strategy increasingly intersects with broader corporate governance and ESG frameworks, reflecting a shift from tax minimization toward tax risk optimization. Firms must balance potential tax savings against compliance costs, regulatory uncertainty, and reputational considerations, leading to a redefinition of corporate tax strategy that emphasizes predictability, transparency, and long-term sustainability. These dynamics can be illustrated through two stylized multinational profiles. A technology-intensive group that historically concentrated intellectual property in a low-tax jurisdiction may now face systematic top-up taxation on royalty income, reducing the net benefit of such arrangements and prompting reconsideration of asset location. By contrast, a manufacturing-based group with substantial tangible assets in higher-tax jurisdictions may face limited direct top-up exposure but significant compliance and reporting obligations across entities. The impact of Pillar Two thus varies according to firm structure, asset composition, and geographic footprint.

These variations indicate that Pillar Two does not eliminate strategic tax planning but reconfigures it. Firms with substantial internal resources and sophisticated tax departments are better positioned to navigate the technical complexity of the GloBE framework, optimize timing differences, and manage jurisdictional effective tax rate calculations. By contrast, firms with more limited administrative capacity may face proportionally higher compliance burdens and greater exposure to regulatory uncertainty. The regime therefore has the potential to reinforce advantages enjoyed by highly integrated multinational groups, raising broader concerns about competitive neutrality and the distribution of regulatory costs across firms.

Effects on international tax competition

The introduction of a binding global minimum effective tax rate under Pillar Two has significant implications for the nature and intensity of international tax competition. By placing a floor under effective corporate taxation for large multinational enterprises, the regime directly constrains governments' ability to attract mobile tax bases through reductions in statutory corporate income tax rates. As a result, the traditional form of tax competition—characterized by downward pressure on headline tax rates—is expected to weaken, particularly among jurisdictions that previously relied on low statutory rates as a competitive strategy (Devereux et al., 2022; OECD, 2021).

From an economic perspective, the minimum tax alters the strategic interaction among states by reducing the marginal benefit of unilateral rate cuts. Where statutory tax reductions lead to effective tax rates below the global minimum, the resulting revenue loss is no longer offset by increased investment or profit inflows, as any under-taxation is neutralized through top-up taxation elsewhere in the multinational group (Hugger et al., 2024). This mechanism weakens the classic “race to the bottom” dynamic identified in the tax competition literature and supports theoretical predictions that minimum taxation can stabilize corporate tax revenues and reduce inefficient tax competition (Keen & Konrad, 2013; Chen, 2024).

However, the decline in statutory rate competition does not imply an end to tax competition as such. Instead, Pillar Two is widely expected to induce a shift toward non-rate forms of competition, as governments seek alternative means to attract and retain investment while remaining compliant with the global minimum tax. Recent policy analyses suggest that countries may increasingly rely on targeted tax credits, investment allowances, innovation incentives, and direct subsidies that are either partially excluded from the GloBE tax base or reduce effective tax burdens without lowering statutory rates (OECD, 2021; Devereux et al., 2022). From a legal standpoint, this shift raises complex questions regarding the interaction between domestic incentive regimes and the Pillar Two rules, particularly with respect to the treatment of refundable tax credits and substance-based carve-outs.

The economic implications of this transformation are ambiguous. On the one hand, non-rate competition may be less distortive than across-the-board rate reductions if incentives are targeted toward activities with positive externalities, such as research and development or green investment. On the other hand, selective incentives risk reintroducing complexity and uneven competition, particularly where jurisdictions differ in their fiscal capacity and administrative sophistication. Smaller or developing economies may face constraints in offering competitive incentive packages, potentially exacerbating asymmetries in the global tax system (OECD, 2023).

A further and increasingly emphasized concern in the literature is the risk of a “race to the top” in tax complexity and administrative burden. Pillar Two introduces a highly sophisticated compliance framework that requires detailed jurisdictional calculations, extensive data collection, and coordination across multiple tax authorities. Governments may respond strategically by designing incentive regimes and administrative rules that are formally compliant with the minimum tax but complex in practice, potentially shifting the competitive margin from tax rates to regulatory design and administrative discretion (Bray et al., 2025). Such instruments may be less transparent and more difficult to evaluate from a welfare perspective than headline rate competition.

From the perspective of multinational enterprises, increased complexity and administrative burden represent economically relevant costs that can influence investment and location decisions. Compliance costs associated with Pillar Two are not neutral across jurisdictions, as differences in administrative capacity, legal certainty, and dispute resolution mechanisms affect the predictability and risk associated with operating in particular countries (Hugger et al., 2024; Englisch, 2023).

Consequently, tax competition under Pillar Two may increasingly operate through institutional quality and administrative efficiency rather than through explicit tax rate differentials.

These developments suggest that Pillar Two restructures rather than eliminates international tax competition, shifting the competitive margin from statutory rates toward regulatory design, administrative quality, and institutional credibility. While statutory rate competition is constrained, competitive pressures are redirected toward non-rate instruments and regulatory complexity, with uncertain implications for efficiency, equity, and global investment patterns. This transformation accentuates the importance of analysing minimum taxation not only as a revenue-raising instrument, but also as a structural change in the competitive dynamics of the international tax system.

Administrative and compliance challenges

The effectiveness of the Pillar Two global minimum tax is critically dependent on the administrative feasibility and consistency of its implementation across jurisdictions. While the GloBE rules are designed to operate through coordinated domestic legislation rather than supranational enforcement, this decentralized model places substantial demands on both tax administrations and multinational enterprises. Administrative and compliance challenges therefore function as determinants of the regime's real-world impact rather than peripheral implementation issues.

A primary challenge arises from the extensive data requirements and reporting obligations imposed by the GloBE framework. Multinational enterprises subject to Pillar Two must calculate jurisdictional effective tax rates using standardized definitions of income, covered taxes, and adjustments that differ in important respects from both financial accounting standards and domestic tax bases (OECD, 2021; OECD, 2025). This requires the collection, reconciliation, and consolidation of detailed entity-level data across all jurisdictions in which a group operates. Recent policy analyses indicate that these requirements necessitate significant investments in internal reporting systems, data governance frameworks, and coordination between tax and finance functions within multinational groups (Bray et al., 2025). From an economic perspective, such compliance costs represent fixed costs of participation in international markets, which may disproportionately affect firms with complex global structures. At the same time, larger and more sophisticated multinational groups are better positioned to absorb and strategically manage these fixed costs, potentially reinforcing existing competitive hierarchies within global markets.

Beyond reporting burdens, the risk of double taxation and inconsistent application represents a further source of uncertainty. Although the Pillar Two framework seeks to minimize double taxation through coordinated rules and ordering mechanisms, the coexistence of multiple top-up tax instruments—including the Income Inclusion Rule, the Undertaxed Payments Rule, and Qualified Domestic Minimum Top-up Taxes—creates potential for overlap and mismatches in practice (OECD, 2021; OECD, 2025). Inconsistent interpretations of GloBE concepts across jurisdictions, differences in timing, and variations in safe harbour implementation may expose multinational enterprises to multiple layers of taxation on the same income. Legal scholars emphasize that while dispute prevention and resolution mechanisms are envisaged within the Inclusive Framework, their effectiveness remains untested at scale, particularly in cases involving multiple jurisdictions and competing taxing claims (Englisch, 2023).

These risks are amplified by asymmetries in administrative capacity across countries. Advanced economies with well-resourced tax administrations are generally better positioned to implement complex minimum tax rules, process detailed filings, and engage in multilateral coordination. In contrast, developing and emerging economies may face constraints in terms of

technical expertise, data infrastructure, and institutional capacity, limiting their ability to administer the GloBE rules effectively (OECD, 2023). Such asymmetries raise concerns about uneven enforcement and the possibility that the benefits of minimum taxation may accrue disproportionately to jurisdictions with greater administrative capacity.

Administrative capacity may also function as a competitive variable. Jurisdictions offering legal certainty, efficient administration, and predictable application of Pillar Two rules may attract multinational activity even where statutory tax burdens are comparable. Conversely, inconsistent or opaque implementation increases tax risk and compliance exposure, influencing firms' structuring and location decisions (Hugger et al., 2024).

The challenges discussed above highlight a central trade-off inherent in the Pillar Two design. While the global minimum tax aims to reduce harmful tax competition and profit shifting, it does so by introducing a highly complex and administratively demanding framework. The success of the regime therefore depends not only on formal adoption but also on effective coordination, capacity building, and simplification efforts, particularly for jurisdictions with limited administrative resources. Without such measures, there is a risk that administrative and compliance burdens may undermine the efficiency and equity objectives of the global minimum tax.

Comparative insights from early implementation

Early implementation of the Pillar Two global minimum tax illustrates how differences in institutional design and legal alignment shape multinational enterprises' effective tax rates and the regime's practical effectiveness. Although Pillar Two formally establishes a uniform minimum effective tax rate of 15 percent, its practical impact on multinational taxation varies across jurisdictions. In the European Union, coordinated implementation through the EU Minimum Tax Directive is expected to result in relatively consistent adjustments to multinational effective tax rates across Member States. The harmonized transposition of the GloBE rules reduces opportunities for regulatory arbitrage within the single market and increases the likelihood that low-tax outcomes are effectively neutralized through domestic or foreign top-up taxation (OECD, 2021). Consequently, multinational enterprises operating in the EU are likely to experience upward convergence of jurisdictional effective tax rates toward the minimum threshold, particularly in Member States that previously relied on preferential regimes or low statutory rates. However, the interaction between Pillar Two and broader EU tax initiatives, including substance-based carve-outs and investment incentives, suggests that effective tax rates may continue to vary across firms depending on their operational footprint and access to non-rate benefits, potentially moderating the overall convergence effect (Devereux et al., 2022).

The United States presents a more ambiguous picture with respect to effective tax rate outcomes. The coexistence of Pillar Two with the U.S. Global Intangible Low-Taxed Income regime introduces structural differences in blending rules, tax bases, and credit mechanisms that affect the computation of effective tax rates for U.S.-headquartered multinational groups. While GILTI imposes a minimum tax on foreign income, its global blending approach allows high-tax income to offset low-tax income, potentially resulting in jurisdictional effective tax rates below the Pillar Two minimum without triggering equivalent top-up taxation (Englisch, 2023). This misalignment may lead to uneven ETR outcomes across multinational groups based on residence, thereby weakening the neutrality and uniformity of the global minimum tax and reinforcing residence-based asymmetries within the international tax order. From an effectiveness perspective, such asymmetries risk undermining the minimum tax's capacity to fully neutralize profit shifting incentives, particularly if firms can strategically exploit differences between GILTI and GloBE calculations.

In emerging and developing economies, the expected effects of Pillar Two on multinational effective tax rates are highly contingent on administrative capacity and policy choices. Where jurisdictions implement Qualified Domestic Minimum Top-up Taxes effectively, Pillar Two can increase local effective tax rates and allow source countries to capture revenues that would otherwise accrue to parent jurisdictions (OECD, 2023). Where implementation remains weak, under-taxation may persist in practice, with top-up taxes collected elsewhere in the multinational group. This outcome limits the ability of emerging economies to translate minimum taxation into higher local effective tax rates, potentially reducing the regime's developmental impact while still constraining the use of tax incentives to attract foreign direct investment.

Across jurisdictions, implementation frictions influence effective tax rate outcomes. Inconsistent interpretation of GloBE concepts and the risk of double taxation introduce uncertainty into ETR calculations, potentially leading firms to adopt conservative tax positions that increase reported ETRs above the minimum threshold (Bray et al., 2025; Hugger et al., 2024). While this may increase revenues in the short term, it also affects investment decisions and jurisdictional attractiveness.

In view of these early insights, it stands to reason that while Pillar Two is likely to raise effective tax rates for many multinational enterprises and reduce extreme low-tax outcomes, its impact is mediated by legal alignment and implementation design. Rather than producing uniform convergence at the minimum rate, the regime may generate differentiated ETR outcomes across firms and jurisdictions, reflecting the uneven implementation of minimum taxation. These dynamics underscore that the success of Pillar Two depends not only on its formal design but also on sustained coordination, simplification, and capacity-building efforts to ensure that the global minimum tax operates as an effective and equitable constraint on international tax competition.

Policy and business implications

Implications for governments

The introduction of the Pillar Two global minimum tax has significant implications for governments, particularly in terms of administrative coordination, legal consistency, and institutional capacity. As the analysis in Section 4 demonstrates, the effectiveness of minimum taxation depends not only on formal rule adoption but also on the way the GloBE framework is implemented and administered across jurisdictions. Governments therefore face a complex trade-off between achieving policy objectives related to base protection and minimizing administrative and compliance burdens.

A central implication concerns the need for enhanced administrative coordination and simplification. The decentralized structure of Pillar Two, which relies on domestic implementation of harmonized rules, creates inherent risks of fragmentation and inconsistency. Differences in interpretation, timing, and procedural requirements can undermine the uniform application of the minimum tax and increase uncertainty for multinational enterprises (OECD, 2021). From a governance perspective, coordination mechanisms within the OECD/G20 Inclusive Framework play a critical role in mitigating these risks, yet their effectiveness depends on sustained engagement and information sharing among participating jurisdictions. Simplification measures, such as safe harbours and standardized reporting approaches, may therefore be essential to reduce complexity without weakening the integrity of the regime.

Closely related is the importance of effective dispute prevention and resolution mechanisms. The coexistence of multiple top-up tax instruments and the interaction of Pillar Two with existing domestic and treaty-based rules increase the likelihood of overlapping tax claims and

interpretative conflicts. Without predictable and timely mechanisms for resolving such disputes, the global minimum tax risks generating legal uncertainty and undermining investment confidence (Englisch, 2023). From an institutional standpoint, this highlights the need for consistent application of ordering rules and transparent guidance, particularly in cases involving multiple jurisdictions and complex group structures.

The analysis also substantiates persistent capacity-building challenges, especially for developing and emerging economies. While Pillar Two offers potential revenue gains through mechanisms such as Qualified Domestic Minimum Top-up Taxes, realizing these benefits requires substantial administrative resources, technical expertise, and data infrastructure (OECD, 2023). In the absence of adequate capacity, there is a risk that minimum taxation may disproportionately benefit jurisdictions with more advanced tax administrations, thereby reinforcing existing asymmetries in the international tax system. Addressing these challenges does not necessarily entail expanding the scope of the minimum tax but rather ensuring that institutional support and technical assistance accompany its implementation. Pillar Two should therefore be understood not as a self-executing solution to international tax competition, but as a framework whose effectiveness depends on continuous coordination and adaptation within a diverse and evolving global tax environment.

Implications for multinational enterprises

Naturally, MNEs are profoundly impacted by the entry into force of the global minimum tax especially regarding the manner in which tax strategy is conceived, operationalized and integrated into broader corporate governance structures. The analysis so far demonstrates that the shift from rate-based tax planning to jurisdictional effective tax rate management fundamentally alters the role of the tax function within multinational groups. Tax planning under Pillar Two increasingly centres on strategic compliance, requiring firms to anticipate regulatory outcomes, manage jurisdictional exposures, and align tax positions with operational substance rather than pursue aggressive tax minimization strategies (OECD, 2021; Devereux et al., 2022).

Strategic compliance planning, therefore, emerges as a core element of multinational tax strategy under the global minimum tax. The complexity of the GloBE rules, combined with their interaction with domestic tax systems and international reporting obligations, necessitates a proactive and forward-looking approach to tax management. Multinational enterprises must develop robust internal processes to model jurisdictional effective tax rates, assess the impact of restructuring decisions, and evaluate the consequences of investment and financing choices on global minimum tax exposure. From an economic perspective, these activities represent a shift from ex post tax optimization toward ex ante risk management, where tax considerations are integrated into broader financial and strategic planning processes (Hugger et al., 2024).

This transformation also reshapes the organizational positioning of the tax function within multinational enterprises. Rather than operating as a specialized or isolated unit, tax departments increasingly collaborate with finance, legal, and compliance teams to ensure consistency between accounting data, tax reporting, and regulatory disclosures. The fixed costs associated with Pillar Two compliance, including data infrastructure and internal controls, further incentivize firms to streamline structures and prioritize transparency and predictability. These developments suggest that tax compliance under Pillar Two is not merely a regulatory obligation but a strategic capability that can influence firms' competitive positioning.

In parallel, the global minimum tax accelerates the integration of tax transparency and tax risk management into environmental, social, and governance (ESG) frameworks. Increasing

stakeholder scrutiny of corporate tax practices has already elevated tax behaviour as a component of corporate responsibility and governance quality. Pillar Two reinforces this trend by linking tax outcomes more directly to standardized reporting and regulatory oversight, thereby reducing the scope for opaque tax planning strategies (Bray et al., 2025; Englisch, 2023). As a result, multinational enterprises face growing incentives to align their tax strategies with ESG commitments, internal codes of conduct, and board-level oversight mechanisms.

From a governance perspective, this integration reflects a broader redefinition of tax risk as a material business risk alongside financial, operational, and reputational risks. Boards and senior management are increasingly required to oversee tax strategy decisions, assess exposure to regulatory change, and ensure that tax practices are consistent with long-term value creation and stakeholder expectations. The global minimum tax thus contributes to a structural shift in corporate governance, where tax transparency and compliance are embedded within enterprise-wide risk management frameworks rather than treated as technical or peripheral concerns. Firms that successfully adapt to this environment are likely to view compliance not as a constraint, but as a strategic function that supports stability, predictability, and sustainable business operations in an increasingly coordinated international tax landscape.

Spillover effects on SMEs

Although small and medium-sized enterprises are formally outside the scope of the global minimum tax, the implementation of the regime is likely to generate significant indirect spillover effects that affect their compliance environment and access to fiscal incentives. These effects arise not from direct application of the GloBE rules, but from adjustments in tax administration, corporate governance practices, and fiscal policy induced by minimum taxation at the multinational level.

One important spillover relates to indirect compliance pressures. As tax administrations adapt their systems to accommodate the data requirements and reporting standards associated with Pillar Two, broader changes in information collection, documentation, and audit practices may extend beyond in-scope multinational enterprises. Enhanced use of standardized reporting, increased reliance on digital tax administration tools, and stricter enforcement of substance requirements can affect domestic firms, including SMEs, particularly those that are part of supply chains involving multinational groups (OECD, 2021; OECD, 2025). Even where the number of in-scope multinationals is limited, administrative reforms introduced to ensure consistency and credibility in the application of the minimum tax may alter compliance expectations across the corporate sector.

These dynamics are particularly relevant in smaller economies with a limited presence of large multinational enterprises. One such example is Bulgaria, where preliminary data suggest no more than 5 enterprises are expected to fall in the scope of Pillar Two. In such jurisdictions, the direct revenue effects of Pillar Two is expected to be modest, while the administrative costs of implementation remain substantial. For example, in economies where only a small number of multinational groups meet the €750 million revenue threshold, the reconfiguration of tax administration systems to accommodate GloBE reporting and enforcement may disproportionately affect domestic firms that are not direct beneficiaries of the reform. SMEs may face heightened scrutiny, expanded documentation requirements, or indirect reporting obligations when interacting with multinational counterparties, despite not being subject to minimum taxation themselves.

From an economic standpoint, these indirect compliance pressures can impose relatively higher fixed costs on SMEs, which typically lack the internal resources and specialized expertise

available to large multinational enterprises. While Pillar Two aims to target base erosion and profit shifting by the largest corporate groups, the diffusion of more complex administrative standards may reduce the relative competitiveness of SMEs, particularly in smaller economies where domestic firms constitute the bulk of economic activity (Bray et al., 2025). This raises concerns about the distributional effects of international tax reform across firm sizes and across countries with different economic structures.

Another spillover effect concerns potential constraints on fiscal incentives traditionally used to support SMEs and attract investment in smaller economies. Governments with limited fiscal space often rely on targeted tax incentives, preferential regimes, or investment-related reliefs to support domestic entrepreneurship and compensate for structural disadvantages. As Pillar Two increases scrutiny of low effective tax rates and incentivizes the adoption of Qualified Domestic Minimum Top-up Taxes, policymakers may face pressure to reassess or curtail such measures to avoid erosion of the minimum tax base or conflicts with international standards (OECD, 2021; Devereux et al., 2022). In smaller economies with limited multinational activity, this dynamic reduces policy flexibility without delivering proportionate gains in revenue or investment stability. The implementation of Pillar Two necessarily reshapes domestic tax administration and fiscal policy in ways that indirectly affect firms outside its formal scope. Recognizing these asymmetries is essential for assessing the distributive consequences and political sustainability of global minimum taxation across heterogeneous economies.

Implications for global governance and policy coordination

Global tax governance is inevitably highly influenced by the new regime. One key governance implication concerns the asymmetrical impact of minimum taxation across countries as examined. Overall, jurisdictions with a high concentration of multinational headquarters or significant inward investment by in-scope firms are positioned to capture a greater share of top-up tax revenues, whereas smaller economies or countries with limited multinational presence face substantial implementation costs with relatively modest fiscal returns. These asymmetries are not incidental, but reflect underlying structural differences in economic size, investment profiles, and administrative capacity. From a governance perspective, this raises important questions about the long-term sustainability and political acceptability of minimum taxation in heterogeneous national contexts (OECD, 2023).

Beyond administrative asymmetries, the distributive consequences of Pillar Two raise deeper structural concerns regarding the allocation of taxing rights in the international system. Although the regime is presented as a coordinated multilateral solution, its revenue effects are not neutral. Jurisdictions hosting multinational headquarters are structurally advantaged under the Income Inclusion Rule, while source jurisdictions depend on effective implementation of Qualified Domestic Minimum Top-up Taxes to secure comparable revenues. Where administrative capacity or legal infrastructure is limited, revenue gains may accrue primarily to residence countries rather than to jurisdictions where substantive economic activity takes place. This dynamic risks entrenching existing fiscal hierarchies rather than rebalancing them. Moreover, political accommodations and differentiated treatment of certain domestic regimes illustrate that the operation of Pillar Two is shaped not only by technical design but also by relative bargaining power among major economies. In this respect, the global minimum tax reflects a negotiated equilibrium rather than a fully symmetrical governance framework. Such asymmetries may affect perceptions of fairness, legitimacy, and long-term compliance incentives within the Inclusive Framework. Recent developments surrounding the treatment of the United States within the Pillar Two

framework further underlines these asymmetries and the political constraints of global tax coordination. In early 2026, an agreement was reached among Inclusive Framework members to effectively shield U.S.- headquartered multinational enterprises from exposure to the Undertaxed Payments Rule, reflecting concerns over the interaction between Pillar Two and existing U.S. minimum tax rules. This accommodation preserves the coexistence of the global minimum tax with domestic regimes that are deemed functionally equivalent, but it also illustrates the differentiated application of Pillar Two across major economies and the limits of uniform enforcement in practice (Reuters, 2026). From a governance perspective, such exemptions highlight the extent to which political economy considerations and sovereign bargaining power shape the operation of the global minimum tax, reinforcing the reality that global tax coordination remains embedded within asymmetric state power structures rather than constituting a fully neutral supranational regime.

Coordination challenges further complicate the governance landscape. Although Pillar Two is based on a common set of technical rules, its decentralized implementation through domestic legislation creates scope for divergence in interpretation, enforcement practices, and timing. Variations in the application of safe harbours, transitional measures, and interactions with existing domestic tax regimes may weaken consistency and increase uncertainty for both governments and multinational enterprises (Englisch, 2023). Moreover, the coexistence of Pillar Two with bilateral tax treaties and unilateral anti-avoidance measures underscores the limits of rule-based coordination in the absence of effective dispute prevention and resolution mechanisms.

Beyond these operational challenges, the global minimum tax also reveals the inherent limits of minimum taxation as a solution to international tax competition. Pillar Two constrains extreme forms of tax rate competition and reduces incentives for profit shifting to very low-tax jurisdictions, but it does not eliminate strategic behaviour by either firms or states. Instead, competition may be redirected toward non-rate instruments, regulatory design, or the strategic use of tax incentives that fall outside the formal scope of the minimum tax. In this sense, Pillar Two reshapes rather than resolves the competitive dynamics of international taxation (Devereux et al., 2022; Hugger et al., 2024).

Finally, the reliance of Pillar Two on accounting-based measures of effective tax rates introduces additional structural constraints. Differences in accounting standards, timing of income recognition, and treatment of deferred taxes can affect measured effective tax rates, complicating enforcement and comparability across jurisdictions. These features highlight that the global minimum tax operates as a second-best instrument, designed to function within existing legal and accounting frameworks rather than to replace them. Recognizing these limitations is essential for understanding both the achievements and the boundaries of minimum taxation as a tool of global tax governance. The long-term effectiveness will depend on continued institutional adaptation, cooperative governance, and realistic expectations regarding what minimum taxation can and cannot achieve in an evolving global economy.

Conclusion

This paper has examined the implications of the OECD/G20 Pillar Two global minimum tax for multinational enterprise tax strategies, international tax competition, and global tax governance. Drawing on economic theory, international tax law, and early regulatory and administrative responses to the implementation of Pillar Two, the analysis situates the global minimum tax as a significant institutional shift in the architecture of international corporate taxation, while also highlighting the policy trade-offs and structural constraints inherent in minimum taxation. The core contribution of the paper lies in its conceptualization of Pillar Two as an institutional restructuring

of international tax competition and not merely as a rate-based constraint on profit shifting. By using an interdisciplinary approach, the paper aims to demonstrate how a binding global minimum effective tax rate reshapes economic incentives and compliance behaviour at both the firm and system levels. The analysis suggests that Pillar Two reduces the attractiveness of traditional profit-shifting strategies and exerts pressure toward greater convergence in effective tax rates, consistent with the first research hypothesis. However, this convergence is neither uniform nor automatic, it is mediated by accounting rules, implementation choices, and disparities in administrative capacity across jurisdictions.

The examination further indicates that while Pillar Two constrains statutory tax rate competition, it does not eliminate competitive dynamics in international taxation. Instead, competition is redirected toward non-rate instruments, including fiscal incentives, regulatory design, and administrative practices, lending support to the second research hypothesis. This shift emphasizes the importance of understanding minimum taxation not as a definitive solution to tax competition, but as a mechanism that restructures its operative dimensions—from statutory rate rivalry to competition over regulatory design, administrative quality and institutional credibility. The paper highlights the central role of compliance and administrative considerations in shaping multinational enterprise behaviour under Pillar Two. The complexity of the GloBE rules and their interaction with domestic tax systems elevate strategic compliance planning from a technical function to a core component of corporate tax strategy, particularly during the initial phases of implementation. This finding is consistent with the third research hypothesis and reflects a broader transformation in the governance and risk management functions of multinational enterprises, where compliance capacity itself becomes a strategic asset influencing competitive positioning across jurisdictions.

Differences in legal frameworks, political constraints, and administrative capacity significantly affect the effectiveness and uniformity of Pillar Two implementation. These asymmetries are especially pronounced in smaller and developing economies, but they are also evident in the differentiated treatment of major capital-exporting jurisdictions. Recent accommodations regarding the interaction between Pillar Two and existing domestic minimum tax regimes, particularly in the case of the United States, illustrate how political economy considerations and sovereign bargaining power shape the practical operation of the global minimum tax. Such developments reinforce the fourth research hypothesis and accentuate that global minimum taxation operates within, rather than above, existing national policy constraints. Taken together, these findings position Pillar Two not simply as a coordinated minimum tax rule, but as a structural transformation in the governance of international corporate taxation. By linking firm-level strategic adaptation, administrative capacity constraints, and cross-jurisdictional asymmetries within a single analytical framework, the paper contributes a conceptual lens for interpreting the evolving equilibrium between tax competition and tax coordination. In this sense, the analysis moves beyond descriptive synthesis and offers a theory-informed account of how minimum taxation reshapes — but does not eliminate — the strategic behaviour of both firms and states.

Several limitations of the present research should be acknowledged. First, the assessment is necessarily qualitative, as comprehensive empirical data on the behavioural and fiscal effects of Pillar Two are not yet available, given the recent and ongoing nature of its implementation. Second, the paper relies on early policy guidance and initial implementation experiences, which may evolve as jurisdictions refine their domestic rules, coordination mechanisms, and administrative practices. Accordingly, the findings should be interpreted as analytically grounded but provisional, pending more comprehensive empirical evaluation.

These limitations point directly to avenues for future research. Quantitative studies examining changes in effective tax rates, investment patterns, and profit allocation following fuller implementation of Pillar Two will be essential to assess its long-term economic impact. Further research could also explore the interaction of minimum taxation with other areas of international tax reform, including digital taxation and environmental tax incentives, as well as the implications of differentiated implementation for tax treaty policy, dispute resolution mechanisms, and the legitimacy of global tax coordination.

In sum, this paper argues that the global minimum tax represents a meaningful step toward greater international coordination in corporate taxation, but not a comprehensive or final solution to the challenges of tax competition and base erosion. By highlighting both its incentive effects and its institutional and political limitations—and by conceptualizing Pillar Two as a restructuring of international tax competition rather than its resolution—the paper provides a more analytically grounded understanding of global minimum taxation. This framework offers a foundation for future empirical and theoretical research on the long-term equilibrium between coordination, competition, and state sovereignty in international tax policy.

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