# Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), September 2026

Inclusive Framework on BEPS

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# Executive summary

## Background

1. In October 2021 members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (Inclusive Framework) agreed a two-pillar solution to reform the international tax framework in response to the challenges of digitalisation of the economy. As part of the October Statement, Inclusive Framework members agreed to a co-ordinated system of Global anti-Base Erosion (GloBE) rules that are designed to ensure large multinational enterprises pay a minimum level of tax on the income arising in each jurisdiction where they operate. In the October Statement, it was agreed that the GloBE Rules would have the status of a common approach. Under this common approach, jurisdictions are not required to adopt the GloBE rules, but, if they choose to do so, they will implement and administer the rules in a way that is consistent with the agreed outcomes. The common approach also means that Inclusive Framework members accept the application of the GloBE rules applied by other members, including agreement as to rule order and the application of any agreed safe harbours.

2. The GloBE Model Rules were approved and released by the Inclusive Framework on 20 December 2021 *Tax Challenges Arising from Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS* (OECD, 2021[1]). The GloBE Model Rules consist of an interlocking and coordinated system of rules which are designed to be implemented into the domestic law of each jurisdiction and operate together to ensure large MNE Groups are subject to a minimum effective tax rate of 15% on any excess profits arising in each jurisdiction where they operate. Consistent with the intention of the Inclusive Framework, the GloBE Rules (including the IIR and UTPR) are designed so that the imposition of top-up tax in accordance with those rules will be compatible with the provisions of the United Nations Model Double Taxation Convention between Developed and Developing Countries (the “UN Model Double Tax Convention”) (United Nations Department of Economic and Social Affairs, 2022[2]) and the *Model Tax Convention on Income and on Capital: Condensed Version 2017*, (the “OECD Model Tax Convention”) (OECD, 2017[3]).

3. The Commentary to the GloBE Model Rules was first approved and released by the Inclusive Framework on 14 March 2022 *Tax Challenges Arising from the Digitalisation of the Economy - Commentary to the Global Anti-Base Erosion Model Rules (Pillar Two), First Edition: Inclusive Framework on BEPS* (OECD, 2022[4]) The Commentary clarifies the interpretation and operation of the provisions in the GloBE Model Rules and includes some examples illustrating how the rules apply to specific fact patterns. The Commentary is intended to promote a consistent and common interpretation of the GloBE Model Rules in order to provide certainty for MNE Groups and to facilitate coordinated outcomes among implementing jurisdictions. Although the Commentary is detailed and comprehensive, it does not provide guidance on every aspect of the GloBE Model Rules.

4. The Model GloBE Rules envision that the Inclusive Framework may issue guidance on both the interpretation and the operation of the rules. The Inclusive Framework has provided interpretive guidance to ensure consistent and common interpretation of the GloBE Rules, provide certainty for MNE Groups and facilitate coordinated and transparent outcomes under the rules. Once agreed, the Administrative

Guidance is incorporated into the Commentary as it supplements or replaces paragraphs in the Commentary or explains how to apply the language of the rules to particular fact patterns. The text of the Commentary has been updated in 2026 to incorporate the various pieces of Administrative Guidance that were approved by the Inclusive Framework before the end of May 2026 (OECD, 2026[6]).

## September 2026 Administrative Guidance

5. This document sets out Administrative Guidance released by the Inclusive Framework on Explicitly Conditional Taxes and the use of local financial accounting standard under a QDMTT in case of mismatching fiscal periods. This Administrative Guidance will be incorporated into the Commentary.

# 1 Explicitly Conditional Taxes

## Introduction

6. In the Introduction to the Side-by-Side Package, the Inclusive Framework on BEPS ("IF") confirmed that conditional or discriminatory taxes will not be treated as Covered Taxes under the GloBE Rules and said that further work would be undertaken to consider how to ensure this principle is consistently applied.

7. A conditional tax is a tax which is designed to apply to a taxpayer of an in-scope MNE Group in a jurisdiction only when such MNE Group is subject to the IIR or UTPR in another jurisdiction and is not eligible for the SbS Safe Harbour (a "GloBE taxpayer"). This conditionality discriminates against a local member of an MNE Group that is subject to the IIR or UTPR in another jurisdiction and not eligible for the SbS Safe Harbour, by imposing a heavier local tax burden on such a member than on a member of a group that is not subject to the IIR or UTPR in respect of the income of that taxpayer or has a top up tax of zero under those rules due to the operation of the SbS Safe Harbour (a "non-GloBE taxpayer").

8. This conditionality enables the local jurisdiction to collect the tax that would otherwise be payable under the IIR or UTPR in another jurisdiction in respect of a GloBE taxpayer, while eliminating or mitigating the impact of the tax on non-GloBE taxpayers. In this way, conditional taxes have similar characteristics to "soak-up taxes" which are designed to absorb tax liabilities that would otherwise arise in another jurisdiction, without imposing a significant tax cost on entities with no such liabilities, which could affect the tax competitiveness of the jurisdiction. As a result, the cost of such taxes will largely be borne by IIR and UTPR jurisdictions rather than the GloBE taxpayer. This is because a GloBE taxpayer's additional local tax liability will be broadly offset by the reduction in the tax payable under the IIR or UTPR.

9. The guidance confirms Explicitly Conditional Taxes will not be treated as Covered Taxes. It also clarifies that a DMTT which applies on a conditional basis will not be a QDMTT, subject to the exceptions that the IF agreed with respect to the 2024 Fiscal Year. A similar exception is also provided for corporate income taxes that applied on a conditional basis only with respect to the 2024 Fiscal Year. The guidance does not address the qualified status of cases of conditional IIRs or UTPRs, but those are similarly not qualified as they do not provide consistent outcomes with the scope provided in Article 1.1 of the Model Rules.

10. This guidance deals only with the treatment of Explicitly Conditional Taxes. The Inclusive Framework will issue further guidance by 31 December 2026 (intended to apply prospectively) on other features of a tax (or benefits provided in respect of a tax) that will result in such tax being considered discriminatory and therefore not being treated as a Covered Tax. IF Jurisdictions that currently have taxes or benefits that may be within scope of such further guidance will present relevant information to the Inclusive Framework before such guidance is finalised.

## Explicitly Conditional taxes

### *Background*

11. The IF has already agreed that conditional or discriminatory taxes, including DMTTs, will not be qualified or recognised as Covered Taxes. It also agreed that further work would be undertaken to ensure that this principle will be consistently applied.

12. This guidance excludes Explicitly Conditional Taxes from the definition of Covered Taxes in Article 4.2. A tax is an Explicitly Conditional Tax to the extent that the tax only applies to a Constituent Entity (including a member of a JV Group) that is a GloBE taxpayer.

13. Explicitly Conditional Taxes can use inclusionary or exclusionary drafting. For example, a tax that applies to a Constituent Entity of an in-scope MNE Group only when the Entity is a GloBE taxpayer is an Explicitly Conditional Tax. Similarly, a tax that exempts (or otherwise disapplies the tax to) an in-scope Constituent Entity if it is a non-GloBE taxpayer is also an Explicitly Conditional Tax.

14. It is possible that a tax could apply to all taxpayers but have features that discriminate based on the characteristics of a taxpayer referred to in paragraph 7. Bifurcating a single tax so that it is treated as partly a Covered Tax and partly not a Covered Tax might be complex and require significant additional guidance. However, where the discriminatory feature is a straightforward surcharge or similar rate differential, bifurcation should be straightforward. The portion of the tax that applies without regard to the discriminatory feature could be a Covered Tax and the remainder could not be.

### *Guidance*

15. The following paragraphs will be added after paragraph 23 of the Commentary to Article 4.2 of the Model Rules.

> 23.1 A Covered Tax does not include an Explicitly Conditional Tax. A tax is an Explicitly Conditional Tax if it:
>
> a. applies to a Constituent Entity (or a Joint Venture or member of a JV Group) under the condition that a Qualified IIR or a Qualified UTPR applies in respect of that Constituent Entity (or Joint Venture or member of a JV Group) in another jurisdiction and it is not eligible for the SbS Safe Harbour; or
>
> b. does not apply to a Constituent Entity (or a Joint Venture or member of a JV Group) under the condition that a Qualified IIR or a Qualified UTPR does not apply in respect of that Constituent Entity (or Joint Venture or member of a JV Group) in another jurisdiction or that it is eligible for the SbS Safe Harbour.
>
> 23.2 Where the condition described in paragraph 23.1 attaches to a separate, severable levy or surcharge — such as a surtax imposed at a distinct rate on the same base — that levy or surcharge is treated as a separate tax for the purposes of paragraph 23.1, and the generally applicable tax remains a Covered Tax. For example, where a tax is generally imposed at a 10% rate and a separate surcharge of 5% applies only in respect of taxpayers described in paragraph 23.1(a), the surcharge is not a Covered Tax and the generally applicable 10% tax remains a Covered Tax. Where a conditional feature is not imposed as a separate, severable levy or surcharge, the tax as a whole is an Explicitly Conditional Tax.
>
> 23.3 For the avoidance of doubt, a tax will not be considered an Explicitly Conditional Tax solely because it only applies to Constituent Entities of MNE Groups whose consolidated revenues meet a certain threshold.

23.4 Notwithstanding paragraph 23.1, an Explicitly Conditional Tax will be treated as a Covered Tax for any Fiscal Year beginning before 1 January 2025 if the condition that results in the tax being an Explicitly Conditional Tax was enacted before 30 November 2024 and that tax is no longer conditional for any Fiscal Year that begins on or after 1 January 2025.

23.5 A DMTT, an IIR or a UTPR that is an Explicitly Conditional Tax is also not a Covered Tax.

23.6 Pursuant to paragraph 23.1, an Explicitly Conditional Tax must be excluded from Adjusted Covered Taxes. As an Explicitly Conditional Tax is not a Covered Tax, the amount is not part of the Net Taxes Expense adjustment under Article 3.2.1(a) and is not added back to the Financial Accounting Net Income or Loss in the computation of GloBE Income.

16. The following paragraph will be added after paragraph 118.5 of the Commentary on Article 10.1 (definition of a Qualified Domestic Minimum Top-up Tax).

118.5.1 A DMTT would not be a QDMTT if it is an Explicitly Conditional Tax.

118.5.2 However, the Inclusive Framework agreed to a time-limited derogation under which a conditional DMTT that applied from 1 January 2024 would be recognised as a QDMTT from that date providing the DMTT was enacted before 30 November 2024 and included a sunset clause such that the DMTT applies on an unconditional basis to all in-scope MNE Groups for all Fiscal Years beginning on or after 1 January 2025. This derogation is also recorded in the Central Record for purposes of the Global Minimum Tax and applies notwithstanding paragraph 118.5.1.

# 2 Use of local financial accounting standard under a QDMTT in case of mismatching fiscal periods

## Issue to be addressed

1. The GloBE Income or Loss and Adjusted Covered Taxes of a Constituent Entity (CE) are generally calculated based on the financial accounts used in the preparation of the Consolidated Financial Statements (CFS). In most cases, the Fiscal Year used in the preparation of the CFS will cover the same period as the period used in the Constituent Entity's separate local financial accounts ("the CE's fiscal period"). However, in some cases, the CE's fiscal period will be different to the Fiscal Year of the CFS. In such instances, paragraphs 13.2 and 13.8 of the Commentary to Article 1.1.1 clarify that the GloBE Income or Loss and Adjusted Covered Taxes of that Constituent Entity should be calculated based on the fiscal period which is used for that Constituent Entity in the preparation of the CFS. Depending on the UPE's accounting practice or standard, income and taxes may therefore be calculated based on the financial accounts for the CE's fiscal period that ends in the UPE's Fiscal Year, or the financial accounts for the months or weeks that fall within the UPE's Fiscal Year.

2. To ensure the QDMTT achieves a result consistent with the GloBE Rules, the Accounting Standard in the QDMTT Safe Harbour requires the QDMTT to be computed based on the UPE's Financial Accounting Standard in all cases where "the Fiscal Year of [the Constituent Entity's] financial accounts is different to the Fiscal Year of the Consolidated Financial Statements." This language could be interpreted in two different ways. It could be interpreted to mean that the Constituent Entity must use the accounting standard in the Consolidated Financial Statements whenever the fiscal period of a Constituent Entity's financial accounts does not align with either (i) the UPE's Fiscal Year or (ii) the fiscal period used for the Constituent Entity in the preparation of the Consolidated Financial Statements.The latter interpretation ensures that the QDMTT achieves results that are consistent with the results of applying the GloBE Rules to determine the Top-up Tax for the jurisdiction. This guidance confirms this interpretation and clarifies that a Constituent Entity is not required to use the financial accounting standard of the Consolidated Financial Standard where the fiscal period of its financial accounts is the same as the fiscal period used for the Constituent Entity in the preparation of the Consolidated Financial Statement, regardless of whether that fiscal period aligns with the UPE's Fiscal Year. A jurisdiction is not required to strictly apply this clarification to fiscal periods beginning before the date the guidance is approved by the Inclusive Framework.

3. This guidance further allows a QDMTT jurisdiction to require Constituent Entities to use a fiscal period that may be different to the UPE's Fiscal Year. When that is the case, the guidance explains how to apply the QDMTT Safe Harbour and compute the QDMTT accrued for a Fiscal Year when the fiscal period used for the QDMTT and the UPE's Fiscal Year do not align. The Jurisdictional Top-up Tax is reduced to zero for a UPE Fiscal Year when all the QDMTT fiscal periods that begin and all the QDMTT fiscal periods that end in the UPE Fiscal Year qualify for the QDMTT Safe Harbour. However, the

Jurisdictional Top-up Tax for a UPE Fiscal Year beginning in 2024 (including a Fiscal Year that begins on 31 December 2023) is deemed to be zero even if the UPE Fiscal Year begins at an earlier date during 2024 than the beginning of the required QDMTT Fiscal Period. For example, a QDMTT Safe Harbour that applied to Constituent Entities of an MNE Group from 1 April 2024 would reduce the Jurisdictional Top-up Tax to zero for the whole UPE Fiscal Year that begins on 1 January 2024, notwithstanding that the QDMTT does not apply to the jurisdiction for the period 1 January to 31 March 2024. This rule applies even if the UPE Fiscal Year beginning in 2024 is longer or shorter than 12 months. For Fiscal Years in which the QDMTT Safe Harbour does not apply, the Domestic Top-up Tax payable under Article 5.2.3 is based on a pro rata allocation of the QDMTT payable to each month that ends within the relevant QDMTT fiscal period.

4. The guidance further clarifies that the same rules apply to Joint Ventures and JV Subsidiaries in cases where a JV Subsidiary is required to use a QDMTT fiscal period that is different from the Fiscal Year of the Joint Venture.

## Revisions to Commentary

5. Paragraph 3.b of box 3.1 (Standards for a QDMTT Safe Harbour) in Annex A.3 to the Commentary (QDMTT Safe Harbour) will be revised by deleting the “and” after the semi-colon at the end of the paragraph.

6. Paragraph 3.c of box 3.1 (Standards for a QDMTT Safe Harbour) in Annex A.3 to the Commentary (QDMTT Safe Harbour) will be re-structured by moving the last part of the sentence to the beginning and making the conditions sub-paragraphs. The wording of the second condition will be revised for clarity. The revised paragraph 3.c will read as follows (with the new language shown in bold and the deleted language in strikethrough):

c. the QDMTT shall be computed based on the provisions that are equivalent to Articles 3.1.2 and 3.1.3 of the GloBE Model Rules where:

   i. not all Constituent Entities located in the jurisdiction meet the requirements of subparagraph (a); or

   ii. **the fiscal period of the accounts of those Constituent Entities is different to the fiscal period used for those Constituent Entities in the preparation of the Consolidated Financial Statements** ~~the Fiscal Year of such accounts is different to the Fiscal Year of the Consolidated Financial Statements of the MNE Group~~.

7. New paragraph 3.d will be added to box 3.1 (Standards for a QDMTT Safe Harbour) in Annex A.3 to the Commentary (QDMTT Safe Harbour) to read as follows:

d. subparagraph c(ii) shall not apply where:

   i. the QDMTT legislation requires the QDMTT to be computed based on a fiscal period determined under the QDMTT legislation, which may be different to or the same as the UPE’s Fiscal Year; or

   ii. the fiscal period of the accounts of a Constituent Entity is different to the fiscal period used for that Constituent Entity in the preparation of the Consolidated Financial Statements because the Constituent Entity became or ceased to be a Constituent Entity during the fiscal period or the immediately preceding fiscal period as a result of an acquisition, disposition, dissolution, merger, or similar restructuring (including establishment of a Permanent Establishment).

8. The following paragraphs will be inserted after paragraph 18 of Annex A.3 to the Commentary (QDMTT Safe Harbour):

18.1. In instances where the fiscal period of local accounts of a Constituent Entity is different from the fiscal period used for that Constituent Entity in preparation of the Consolidated Financial Statements, a QDMTT jurisdiction that has adopted the Local Financial Accounting Standard Rule must generally require the use of the UPE's Financial Accounting Standard. However, this rule does not apply where the fiscal period of the accounts of a Constituent Entity is different to the fiscal period used for that Constituent Entity in the preparation of the Consolidated Financial Statements because the Constituent Entity became or ceased to be a Constituent Entity during the fiscal period or the immediately preceding fiscal period as a result of an acquisition, disposition, dissolution, merger, or similar restructuring (including establishment of a Permanent Establishment. In addition, such QDMTT jurisdictions may require Constituent Entities to use the UPE's Financial Accounting Standard in cases where the fiscal period of local accounts is different from the UPE's Fiscal Year.

18.2 Under the Local Financial Accounting Standard Rule, however, the QDMTT jurisdiction has the option to require Constituent Entities located in the jurisdiction to use a fiscal period for QDMTT purposes determined pursuant to the QDMTT legislation (Required QDMTT Fiscal Period). The Required QDMTT Fiscal Period may be different to or the same as the UPE's Fiscal Year used for the Consolidated Financial Statements. When a QDMTT jurisdiction uses that option and the requirements of paragraphs 3.a and 3.b are met, the QDMTT must be computed under the Local Financial Accounting Standard. If a Constituent Entity in the jurisdiction keeps its financial accounts for a fiscal period different to the Required QDMTT Fiscal Period, that Constituent Entity must apply the principles of the LFAS with respect to fiscal periods and the principles set out in paragraphs 13.2 to 13.8 of the Commentary to Article 1.1.1 of the GloBE Rules to determine the data to be used for QDMTT computations. This means that the application of paragraphs 13.2 to 13.8 for such a Constituent Entity must be based on the LFAS rules (rather than the CFS accounting standard rules) for determining the financial information to be included in a given Required QDMTT Fiscal Period.

18.3. For example, Jurisdiction A has introduced a QDMTT that has a Local Financial Accounting Standard Rule and is qualified as a QDMTT Safe Harbour. In January 2026, Constituent Entity A, which keeps its financial accounts based on a calendar year fiscal period, acquires Constituent Entity B, which keeps its financial accounts based on an October to September fiscal period. Both Constituent Entity A and Constituent Entity B are located in Jurisdiction A and the Required QDMTT Fiscal Period for the MNE Group that includes those Constituent Entities is the calendar year. The MNE Group must apply the principles of the LFAS and the principles set out in paragraphs 13.2 to 13.8 of the Commentary to Article 1.1.1 to determine the data to be used for Constituent Entity B's QDMTT computations. The LFAS would require reporting of Constituent Entity B's financial results for the fiscal period that ends during the consolidating parent's fiscal period. Accordingly, the MNE Group must determine its QDMTT liability based on Constituent Entity A's financial accounts for the 2026 calendar year and Constituent Entity B's financial accounts for the October 2025 - September 2026 fiscal period (i.e. the fiscal period ending within the 2026 calendar year). The UPE's Fiscal Year used for the Consolidated Financial Statements is not relevant to this determination.

18.4. The rules in paragraphs 18.1 through 18.3 apply to Joint Ventures and JV Subsidiaries in cases where a JV Subsidiary is required to use a QDMTT fiscal period that is different from the Fiscal Year of the Joint Venture.

9. The following text in strikethrough will be removed from, and the following text in bold will be inserted in paragraph 21 of Annex A.3 to the Commentary (QDMTT Safe Harbour):

21. ~~In some cases, the Fiscal Year of the local accounts can be different to the one of the Consolidated Financial Statements which could create a mismatch between the QDMTT~~

~~computations and the computations that would have been required under GloBE. In these situations, the QDMTT jurisdiction must require the use of the UPE's Financial Accounting Standard to ensure consistency between the GloBE Rules and the QDMTT.~~ **In general, the QDMTT and the QDMTT Safe Harbour apply based on the fiscal period of each Constituent Entity that was used for purposes of preparing the Consolidated Financial Statements. In those cases, the QDMTT Safe Harbour reduces the Jurisdictional Top-up Tax to zero for the UPE's Fiscal Year. For example, assume the UPE's Fiscal Year ends on 31 December, and the only Constituent Entity of the MNE Group that is located in a QDMTT Safe Harbour jurisdiction uses a fiscal period ending on 30 September for purposes of preparing the Consolidated Financial Statements. In this case, the QDMTT applies based on that 30 September fiscal period and the Jurisdictional Top-up Tax under Article 5.2.3 of the GloBE Rules for the UPE's Fiscal Year ending on 31 December 2026 is deemed to be zero. The result would be the same if the Required QDMTT Fiscal Period corresponds to the fiscal period used for purposes of preparing the Consolidated Financial Statements. The same rules apply to Joint Ventures and JV Subsidiaries in cases where a JV Subsidiary is required to use a QDMTT fiscal period that is different from the Fiscal Year of the Joint Venture.**

10. The following paragraphs will be inserted after paragraph 21 of Annex A3 to the Commentary (QDMTT Safe Harbour):

21.1. However, a jurisdiction may have a Required QDMTT Fiscal Period that is different from the fiscal period that was used for purposes of preparing the Consolidated Financial Statements. When this is the case, whether the QDMTT Safe Harbour applies to the UPE's Fiscal Year depends upon whether the QDMTT Safe Harbour applies to each of the Required QDMTT Fiscal Periods that begin or end in the UPE's Fiscal Year. If all of the Required QDMTT Fiscal Periods that begin and the Required QDMTT Fiscal Periods that end in the UPE's Fiscal Year qualify for the QDMTT Safe Harbour, the Jurisdictional Top-up Tax is reduced to zero for the UPE's Fiscal Year. If any of those Required QDMTT Fiscal Periods do not qualify for the QDMTT Safe Harbour, the Jurisdictional Top-up Tax under Article 5.2.3 of the GloBE Rules for the UPE's Fiscal Year is reduced by the QDMTT payable. In other words, the QDMTT Safe Harbour doesn't apply to that UPE Fiscal Year for purposes of the IIR or UTPR, except as provided in paragraph 21.3. The following paragraphs provide more detail and illustrative examples.

21.2. The Jurisdictional Top-up Tax under Article 5.2.3 of the GloBE Rules is deemed to be zero for a Fiscal Year if the QDMTT Safe Harbour applies to the jurisdiction for each Required QDMTT Fiscal Period that begins and each Required QDMTT Fiscal Period that ends during the UPE's Fiscal Year. For example, assume the UPE's Fiscal Year for purposes of the Consolidated Financial Statements ends on 31 December and the Required QDMTT Fiscal Period for Constituent Entities located in a jurisdiction A ends on 30 September. The Jurisdictional Top-up Tax for Jurisdiction A will be reduced to zero for the Fiscal Year ending 31 December 2026 if the QDMTT Safe Harbour applies to those Constituent Entities in both the Required QDMTT Fiscal Period ending on 30 September 2026 and the Required QDMTT Fiscal Period beginning on 1 October 2026.

21.3. The Jurisdictional Top-up Tax under Article 5.2.3 of the GloBE Rules is deemed to be zero for a Fiscal Year that begins on 31 December 2023 or in 2024 (a UPE's 2024 Fiscal Year) if the QDMTT Safe Harbour applies to the jurisdiction for a Required QDMTT Fiscal Period that begins during a UPE's 2024 Fiscal Year, even if the QDMTT Safe Harbour did not apply to each day during the UPE's 2024 Fiscal Year. In other words, the Jurisdictional Top-up Tax under Article 5.2.3 of the GloBE Rules is deemed to be zero for a UPE's 2024 Fiscal Year if the QDMTT Safe Harbour applies to any Required QDMTT Fiscal Period beginning on 31 December 2023 or in 2024, irrespective of whether that QDMTT Safe Harbour applied for the entirety of the UPE's 2024

Fiscal Year. For example, assume the UPE's 2024 Fiscal Year ends on 31 December, and the Required QDMTT Fiscal Period for Constituent Entities located in Jurisdiction B ends on 30 September. The Jurisdictional Top-up Tax for Jurisdiction B will be reduced to zero for the Fiscal Year ending 31 December 2024 if the QDMTT Safe Harbour applies to the Required QDMTT Fiscal Period beginning on 1 October 2024. This applies irrespective of the fact that the QDMTT (that became effective in 2024) did not apply to the Constituent Entities between 1 January and 30 September 2024. This relieves the MNE Group from the compliance burden of determining the Jurisdictional Top-up Tax under an applicable IIR based on the accounting standard used in the Consolidated Financial Statements IIR for the months in 2024 before the QDMTT takes effect.

21.4. In all other cases, the Jurisdictional Top-up Tax will be reduced by the amount of domestic Top-up Tax that is attributed to the UPE's Fiscal Year in accordance with the rules set out in paragraph 20.4 of the Commentary to Article 5.2.3. Those rules are meant to ensure that there is no duplication or omission of Top-up Tax in cases where the GloBE Rules and the QDMTT apply to the same UPE Fiscal Year but the QDMTT Safe Harbour does not reduce the Jurisdictional Top-up Tax to zero because it does not apply to all Required QDMTT Fiscal Periods beginning or ending during the UPE's Fiscal Year used for the preparation of the Consolidated Financial Statements.

17. 21.5. For the sake of clarity, if the Switch-off Rule applies for any Required QDMTT Fiscal Period that starts or ends in the UPE Fiscal Year (including a UPE's 2024 Fiscal Year), the QDMTT Safe Harbour will not apply for that UPE Fiscal Year and the rules in paragraph 20.4 of the Commentary to Article 5.2.3 must be followed.

18. 21.6. The rules in paragraphs 21.1 through 21.5 apply to Joint Ventures and JV Subsidiaries in cases where a JV Subsidiary is required to use a QDMTT fiscal period that is different from the Fiscal Year of the Joint Venture.

11. The following paragraph will be inserted after paragraph 20.3 of the Commentary to Article 5.2.3:

20.4. A QDMTT legislation may require a Constituent Entity located in the jurisdiction to apply the QDMTT based on a fiscal period (Required QDMTT Fiscal Period) that is different to the fiscal period used for purposes of preparing the Consolidated Financial Statements (see paragraphs 21 through 21.3 of Annex A3 to the Commentary). If the Required QDMTT Fiscal Period is different to the one used for purposes of preparing the Consolidated Financial Statements and the QDMTT Safe Harbour does not apply to all such Required QDMTT Fiscal Periods that begin and all such Required QDMTT Fiscal Periods that end within the UPE's Fiscal Year, the Domestic Top-up Tax of any Required QDMTT Fiscal Period is allocated to each month of the QDMTT Fiscal Period based on the income arising during those months. If it is not reasonably practicable to allocate the Domestic Top-up Tax for a Required QDMTT Fiscal Period based on the facts and circumstances, it must be allocated pro rata tempore to each month in the period. The sum of the Domestic Top-up Tax allocated to all the months ending within the UPE's Fiscal Year is the amount of QDMTT payable for purposes of Article 5.2.3 for that Fiscal Year.

20.5. For example, assume that the UPE's Fiscal Year ends on 31 December and the same period is used in the Consolidated Financial Statements for all Constituent Entities of the MNE Group located in Jurisdiction A. The Required QDMTT Fiscal Period for the Constituent Entities of the MNE Group located in Jurisdiction A ends on 30 September. The Domestic Top-up Taxof the Constituent Entities determined for the Required QDMTT Fiscal Period ending 30 September 2026 is 1,200 and the Domestic Top-up Tax determined for the Required QDMTT Fiscal Period ending 30 September 2027 is 2,400. While the QDMTT Safe Harbour applies to the QDMTT Fiscal Period ending on 30 September 2026, the Constituent Entities are then subject to a Switch-off Rule for the Required QDMTT Fiscal Period ending 30 September 2027. Because the Switch-off Rule applies to the Required QDMTT Fiscal Period beginning on 1 October 2026 and ending 30

September 2027, the QDMTT Safe Harbour does not apply with respect to all Required QDMTT Fiscal Periods that begin and all Required QDMTT Fiscal Periods that end within the UPE's Fiscal Year of the Consolidated Financial Statements ending 31 December 2026. The MNE Group must apply Article 5.2.3 based on the amount of QDMTT payable in respect of the fiscal period of the Constituent Entities reflected in the Consolidated Financial Statements. Assume that it is not reasonably practicable to allocate the Domestic Top-up Tax based on the income arising in the relevant months. The prorated amount of the Domestic Top-up Tax is 100 per month for the Required QDMTT Fiscal Period ending 30 September 2026 and 200 per month for the Required QDMTT Fiscal Period ending 30 September 2027. The amount allocable to months ending within the fiscal period ending on 31 December 2026 that was used for the Consolidated Financial Statements is 1,500, which is the sum of 900 from the first period (100 x 9 months) and 600 from the second period (200 x 3 months).

20.6. As another example, assume that the UPE's Fiscal Year ends on 31 December and the same period is used in the Consolidated Financial Statements for all Constituent Entities of the MNE Group located in Jurisdiction B. The QDMTT of Jurisdiction B comes into effect for the first Fiscal Year beginning on or after 1 January 2027 and qualifies for the QDMTT Safe Harbour. The Required QDMTT Fiscal Period for the Constituent Entities of the MNE Group located in Jurisdiction B ends on 30 September. The Domestic Top-up Tax of the Constituent Entities determined for the Required QDMTT Fiscal Period ending 30 September 2028 is 1,200. Because the QDMTT does not take effect for the MNE Group in Jurisdiction B until 1 October 2027, the QDMTT Safe Harbour does not apply with respect to the UPE's Fiscal Year of the Consolidated Financial Statements ending 31 December 2027. The MNE Group must apply Article 5.2.3 based on the amount of QDMTT payable in respect of the fiscal period of the Constituent Entities reflected in the Consolidated Financial Statements. Assume that it is not reasonably practicable to allocate the Domestic Top-up Tax based on the income arising in the relevant months. The prorated amount of the Domestic Top-up Tax is 100 per month for the Required QDMTT Fiscal Period ending 30 September 2028. The amount allocable to months ending within the fiscal period ending on 31 December 2027 that was used for the Consolidated Financial Statements is 300, which is the sum of the amounts allocated to October through December 2027 (100 x 3 months).

# References


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