



GloBE Bulletin

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Dhruva publications are designed to assist readers to keep abreast with latest news, developments and tax issues that concern businesses. It is our endeavour to put forward painstaking research which equips you with the knowledge necessary to navigate the complex world of taxation effectively. At Dhruva, our international tax team is a frontrunner in analysing all latest developments with respect to the OECD IF's proposed two-pillar solution. We hope that you will find this publication to be a valuable resource and we look forward to hearing your comments and suggestions.

The Pillar Two Global Anti-Base Erosion (GloBE) rules, introduced under the OECD's global tax reform initiative, mark a transformative shift in international taxation. Designed to establish a global minimum tax rate of 15%, these rules aim to curb profit shifting by multinational enterprises (MNEs) and ensure a fairer distribution of tax revenues among jurisdictions. However, while the principles of Pillar Two are straightforward, their practical implementation is anything but simple.

MNEs now face an array of complex challenges spanning compliance, data management, technological requirements, and jurisdictional disparities. As countries begin to implement these rules, businesses must navigate a labyrinth of new regulations, adapt existing systems, and harmonize operations across diverse legal landscapes. This article explores the key practical challenges posed by Pillar Two and highlights the implications for MNEs globally.

This is the eighteenth edition of our monthly alert series on the GloBE Rules. This essential resource aims to serve as a compass in navigating the evolving landscape of GloBE Rules, enabling one to anticipate and effectively respond to the challenges and opportunities presented by the imminent implementation of these rules.



A. Knowledge Bytes:

Introduction:

The Pillar Two-GloBE Rules introduce a global minimum tax rate of 15% for MNEs with consolidated revenues of at least €750 million in two out of the four preceding years. With about more than 30 leading economies of the world having legislated the Rules from fiscal years starting on or after 1 January 2024, a significant number of MNEs across the world are already nearing the closure of their first effective year of implementation of the Rules.

Smooth transition to this new international tax framework demands coordination between the IT, HR, finance and tax teams of an MNE Group. Added to this, it demands a dedicated team of professionals / external consultants to thoroughly analyse the provisions of the Rules and analyse their impacts on the various transactions of the MNE. While the OECD IF has taken reasonable steps to streamline the administrative processes of the GloBE Rules and issued timely administrative guidances to clarify a number of ambiguous issues, yet MNEs have faced a number of practical challenges in the actual implementation of GloBE Rules. Some of the critical challenges faced by MNEs in their actual implementation experience have been summarised in the following sections -

I. Monitoring legislative developments

The OECD Model Rules comprise of more than 700 pages of legislation (in the form of Rules, Commentary, Illustrations and Administrative Guidance). This is combined with local legislations passed across different jurisdictions of the world (which though in substance are in line with the Model Rules yet introduce certain deviations to align with their local tax and accounting practices). Given that different jurisdictions across the world have diverse tax and accounting practices, the introduction of local variations in GloBE Rules adds to the complexity of tracking local legislative developments and complying with them.

Additionally, certain jurisdictions which inter alia include the United Kingdom, Germany, Sweden, Belgium, and Viet Nam have introduced registration / notification requirements for MNEs operating in their jurisdictions with the local tax authorities. Failure to comply with such notification / registration requirements could attract penal provisions for MNEs.

II. Importance of Qualified CbCR

The GloBE Rules introduced a Transitional Country-by-Country Report (CbCR) Safe Harbour which introduces three tests and if in any jurisdiction the MNE clears any of the three tests, it qualifies for the safe harbour implying that the MNE need not undertake detailed computation or pay any top-up tax for such jurisdiction. As the name suggests, the Safe Harbour leverages information from the MNE Group's CbCR and a critical pre-condition for the safe harbour is the relevant data points should be sourced from 'Qualified CbCR' i.e., one that is prepared in accordance with OECD Guidelines.

Below is an illustrative list of common errors made by an MNE in the preparation of their CbCR, which could lead to disqualification of CbCR and consequent inability of an MNE Group to benefit from the Safe Harbour –

- Entities which are not consolidated for materiality reasons have to be included in the CbCR
- Entities which are sold or merged at year end but which were partly consolidated within the FY have to be included in the CbCR
- Permanent establishments have to be identified and allocated to the right jurisdiction for CbCR purposes
- Separate application of Transitional CbCR Safe Harbour on entities which qualify as joint ventures (at equity accounting and participation of at least 50%)
- Dividends of CEs, which are included in CbCR, have to be eliminated



- The Reporting MNE should consistently use the same sources of data from year to year in completing the template. The Reporting MNE may choose to use data from its consolidation reporting packages, from separate entity statutory financial statements, regulatory financial statements, or internal management accounts.
- Revenues are based on a very broad definition and should include extraordinary revenues.

III. Ambiguities in interpretation of law

The GloBE Rules are a new and evolving law and therefore subject to a lot of potential disputes, interpretation differences and challenges in practical application. Added to this is the inherent complexity in cross-border transactions. A few key areas where application of Pillar Two could create potential ambiguities –

- **Entity Classification:** Determining whether an entity qualifies as an excluded entity, such as an investment fund, or falls within specific categories like permanent establishments, adds complexity.
- **Data Requirements:** Pillar Two demands detailed financial data points for each entity. This poses challenges when an entity has incomplete or inconsistent data.
- **Recalculation Risks:** Adjustments based on prior tax positions—such as unpaid taxes from earlier periods triggering recalculated top-up taxes—can introduce significant financial liabilities.
- **Alignment of Accounting Standards:** Pillar Two relies on international accounting frameworks like IFRS or US GAAP. Where an entity has an accounting standard different from the UPE's accounting standard, it could pose challenges in aligning the Pillar Two calculations.
- **Jurisdictional Calculations:** The aggregation of GloBE income and taxes at a jurisdictional level introduces uncertainties, especially when entities have divergent tax

characteristics or operate under different carve-outs and exclusions.

- **Liability Allocation:** Establishing which party bears responsibility for future top-up taxes can be contentious, particularly when past tax positions influence future liabilities.
- **Future Tax Projections:** Estimating the long-term Pillar Two impact, including potential changes in effective tax rates and the introduction of new tax regimes, complicates financial budgeting process for MNE Groups.

IV. Huge volumes of data to be handled

A study of the GloBE Information Return (GIR) and the detailed GloBE computation process shows that there are about more than 150 data points which require adjustments / elections for the detailed GloBE computation of any CE. While all adjustments may not be relevant for a CE, it is nonetheless important to note that the detailed computation process is a data-intensive exercise. This becomes even more complicated when an MNE Group undertakes restructuring or is present in jurisdictions which have a tax and accounting system widely different from that of the UPE's tax and accounting practice.

V. Additional data sourcing challenges

The detailed computation process under the GloBE Rules requires certain adjustments which require additional data points which might not be available within existing ERP systems. To illustrate, dividend income if it meets certain conditions gets qualified as excluded income.

MNEs are required to undertake comparison of data requirements with existing data sources and identify data gaps. Next, it is important to identify data sources for such gaps and corresponding data owners. Once data owners are identified, it is critical to map data flows and design high-level reporting & compliance processes. Additional data points are required to be integrated into the Group's tax and accounting software.



B. Country Updates:

Australia: On 16 December 2024, Australian GloBE Rules legislation, which was earlier approved by the Senate in November 2024, was published in the Official Gazette having received the royal assent. Consequently, On 23 December 2024, Australian Government published the Taxation (Multinational — Global and Domestic Minimum Tax) Rules 2024 which is a subordinate legislation providing guidance on the operational aspects of the GloBE Rules in Australia. The subordinate legislation provides guidance on inter alia, the transitional country-by-country reporting safe harbor, the simplified calculations safe harbor, the qualified domestic minimum top-up tax safe harbor, and the transitional UTPR safe harbor. While the Income Inclusion Rule (IIR) and Domestic Minimum Top-up Tax (DMTT) shall apply for fiscal years beginning on or after 1 January 2024, the UTPR is set to apply for fiscal years beginning on or after 1 January 2025.

Brazil: On 18 December 2024, The Brazilian Senate approved its Global Minimum Tax Bill for in-scope MNE groups which creates an additional social contribution on net profit (CSLL) which is in-principle equivalent to the QDMTT of the GloBE Rules. The tax is effective from financial years beginning on or after 1 January 2025. The bill mandates that the executive branch propose draft legislation to the National Congress by the first half of 2025 to implement an IIR aligned with the Pillar Two guidelines, along with a controlled foreign corporation regime. The bill received the President's assent on 30 December 2024.

Netherlands: On 17 December 2024, The Dutch Senate approved amendments to the Minimum Tax Act 2024, aligning it with the OECD's 2023 Administrative Guidance (AG) on global minimum tax rules, including anti-arbitrage measures to prevent abuse of the Transitional CbCR Safe Harbor. The amendments introduce provisions on currency conversion, transitional rules for domestic withholding taxes, and the

treatment of accrued excess negative tax expenses, while also addressing structured hybrid arrangements exploiting the CbCR Safe Harbour. Dutch law on GloBE Rules is effective from financial years beginning on or after 1 January 2024.

Luxembourg: On 19 December 2024, Luxembourg's Chamber of Deputies approved amendments to the country's Pillar Two law, which was originally passed in December 2023. The amendments provide clarifications on the Transitional CbCR Safe Harbor as well as address the treatment of flow-through entities and deferred tax liability recapture rules. The bill, which underwent an initial vote, awaits a dispensation for a second vote, subject to the approval of the Council of State, as per Luxembourg's legislative procedures.

Germany: On 6 December 2024, The German Ministry of Finance (MOF) published a discussion paper proposing a streamlined revision of its global minimum tax law through its draft Minimum Tax Adjustment Act. The draft act aims to incorporate the OECD's latest Administrative Guidance and eliminate outdated measures, such as the license barrier. Key provisions include regulations on the use of reporting packages for the Transitional CbCR Safe Harbour, allowing in-scope MNEs to simplify calculations using qualified financial data. The MOF also released stakeholder feedback from its first consultation on global minimum tax amendments, with the public consultation on this second draft open until 31 January 2025.

Italy: On 23 December 2024, Italy's Department of Finance issued a legislative decree implementing key elements of the OECD's 2023 Administrative Guidance on the GloBE Rules, addressing issues such as currency conversion, hedging instruments, and sovereign wealth funds. It also covers debt releases, short-term portfolio holdings, deferred tax assets for loss carryforwards, and transparency elections for



investment entities owned by mutual insurance companies. Additional provisions address currency conversion rules and transitional tax allocation under a blended controlled foreign corporation regime.

Spain: On 19 December 2024, the Spanish Parliament passed legislation to transpose the EU's Minimum Tax Directive into Spanish national law. The Spanish legislation includes a DMTT and IIR, effective from financial years beginning on or after 31 December 2023, and a UTPR, effective from financial years beginning on or after 31 December 2024. This legislation follows infringement procedures by the European Commission against Cyprus, Poland, Portugal, and Spain for the delayed implementation of the Pillar Two Directive.

Cyprus: On 12 December 2024, the Parliament of Cyprus passed legislation to incorporate the EU Minimum Tax Directive into its domestic law. The legislation aligns with the Pillar Two GloBE Rules incorporating AG issued by the OECD so far. It includes the IIR, effective for financial years beginning on or after 31 December 2023, and both the UTPR and the DMTT, effective for financial years beginning on or after 31 December 2024.

Bahrain: On 15 December 2024, Bahrain's National Bureau for Revenue published two documents regarding the administration of the country's DMTT regime and registration procedures, following the issuance of implementing regulations. The documents, released, come after Executive Regulation which was issued on 12 December 2024. The law, introduced on 1 September 2024, imposes a DMTT on Bahrain-based entities of in-scope MNE groups from financial years beginning on or after 1 January 2025. The guide provides an overview of the law's scope and outlines registration requirements for affected entities. It specifies that MNE groups must designate a constituent entity responsible for filing returns,

paying taxes, and handling other compliance matters for the entire group.

Japan: On 27 December 2024, Japanese Government confirmed its plans to implement a QDMTT and a UTPR starting financial years beginning on or after April 2026. While Japan already enforces an IIR on financial years beginning on or after 1 April 2024, the government plans to revise its Pillar Two regime based on OECD guidance. Legislation for these reforms is expected to be passed by March 2025.

Singapore: On 30 December 2024, Singapore published secondary legislation and e-guide explaining its IIR and QDMTT mechanism that is effective from financial years beginning on or after 1 January 2025. The regulations and guide outline key adjustments for determining tax scope, financial accounting, SBIE, and safe harbors. The Inland Revenue Authority of Singapore's e-guide provides a framework, examples, and FAQs, with additional guidance to follow.

Thailand: On 26 December 2024, Thailand issued an emergency decree establishing a DTT for in-scope MNE Groups, set to apply to financial years beginning on or after 1 January 2025. The decree, published in the Royal Gazette, follows approval by the Thai Cabinet on 11 December 2024.

South Africa: On 24 December 2024, South Africa's Global Minimum Tax Act, 2024 was published after receiving The President's assent. The Act introduces an IIR and a QDMTT for in-scope MNE Groups effective financial years beginning on or after 1 January 2024 but does not include a UTPR. The Act specifies the application of the Rules, including the calculation of the domestic top-up tax, the charge to tax for domestic entities, and clarifications on the Safe Harbor for the TUT.

Hong Kong: On 27 December 2024, the Hong Kong Government introduced the draft



legislation for implementing the Pillar Two GloBE Rules through its Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Bill 2024 which intends to implement the QDMTT and IIR on in-scope MNEs from financial years beginning on or after 1 January 2025. Following consultation feedback, the UTPR implementation has been deferred to a later date, pending further studies and alignment with timelines in other jurisdictions.

Oman: On 31 December 2024, Oman Government issued a Royal Decree which was subsequently published in the Official Gazette on 5 January 2025. The decree introduces a supplementary tax regime, which is in-principle equivalent to the DMTT of the GloBE Rules, for fiscal years beginning on or after 1 January 2025.

Kuwait: On 6 January 2025, the Kuwait Government issued a Decree introducing a supplementary tax regime, which is in-principle equivalent to the DMTT of the GloBE Rules, for fiscal years beginning on or after 1 January 2025.



C. Around the globe:

European Union (27 countries)

Austria	Italy
Belgium	Latvia
Bulgaria	Lithuania
Croatia	Luxembourg
Cyprus	Malta
Czech Republic	Netherlands
Denmark	Poland
Estonia	Portugal
Finland	Romania
France	Slovakia
Germany	Slovenia
Greece	Spain
Hungary	Sweden
Ireland	

Rest of Europe (23 countries)

Albania	Moldova
Andorra	Monaco
Belarus	Montenegro
Bosnia Herzegovina	North Macedonia
Faroe Islands	Norway
Georgia	San Marino
Gibraltar	Serbia
Guernsey	Switzerland
Iceland	Turkey
Isle of Man	Ukraine
Jersey	United Kingdom
Liechtenstein	

Africa (25 countries)

Angola	Mauritania
Benin	Mauritius
Botswana	Morocco
Burkina Faso	Namibia
Cabo Verde	Republic of Congo
Cameroon	Senegal
Congo	Seychelles
Côte d'Ivoire	Sierra Leone
Djibouti	South Africa
Egypt	Togo
Eswatini	Tunisia
Gabon	Zambia
Liberia	

Asia (30 countries)

Armenia	Malaysia
Azerbaijan	Maldives
Bahrain	Mongolia
Brunei	Oman
China	Papua New Guinea
Cook Islands	Philippines
Hong Kong	Qatar
India	Russia
Indonesia	Samoa

Israel	Saudi Arabia
Japan	Singapore
Jordan	South Korea
Kazakhstan	Thailand
Kuwait	UAE
Macau	Vietnam

North America (24 countries)

Anguilla	Grenada
Antigua	Haiti
Bahamas	Honduras
Barbados	Jamaica
Bermuda	Mexico
British Virgin Islands	Montserrat
Canada	Panama
Cayman Islands	Saint Lucia
Costa Rica	St. Vincent and the Grenadines
Dominica	St. Kitts and Nevis
Dominican Republic	Turks and Caicos Islands
Greenland	USA

South America (11 countries)

Argentina	Curacao
Aruba	Paraguay
Belize	Peru
Brazil	Trinidad and Tobago
Chile	Uruguay
Colombia	

Australasia (3 countries)

Australia	New Zealand
Fiji	

Legend

	Formal adoption of GloBE Rules from 2024 (34 countries)
	Formal adoption of GloBE Rules from 2025 (12 countries)
	Policy framework in place to introduce IIR, QDMTT and UTPR in 2024 / 2025 (6 countries)
	Declaration to implement GloBE Rules though timelines are uncertain (8 countries)
	EU member states opting for delayed implementation (4 countries)



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