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QC 76121

Base erosion and profit shifting

How the OECD and Australia address base erosion and profit shifting, a tax avoidance strategy used by multinationals.

Last updated 21 June 2022

What is base erosion and profit shifting

Base erosion and profit shifting (BEPS) refers to the tax planning strategies used by multinational companies to exploit gaps and differences between tax rules of different jurisdictions internationally. This is done to artificially shift profits to low or no-tax jurisdictions where there is little or no economic activity.

The Organisation for Economic Co-operation and Development (OECD) conservatively estimates the annual revenue loss due to BEPS at $100 to $240 billion USD.

Effects of base erosion and profit shifting

BEPS results in tax not being paid in the jurisdiction where economic activity occurs – eroding revenue bases of countries and undermining the fairness and integrity of their tax systems. Although some schemes are illegal, most aren't.

Businesses that operate across borders may use BEPS strategies to gain a competitive advantage over others that operate at a domestic level. Additionally, when taxpayers see multinational enterprises legally avoiding income tax, it weakens voluntary compliance by all taxpayers.

The OECD BEPS Action Plan

Due to rising government and community concern about BEPS strategies, G20 finance ministers asked the OECD to develop an action

plan addressing BEPS issues in a coordinated and comprehensive manner. This resulted in the release of the OECD BEPS 15 Action Plan in mid-2013:

- **Action 1:** Address the tax challenges of the digital economy
- **Action 2:** Neutralise the effects of hybrid mismatch arrangements
- **Action 3:** Strengthen controlled foreign company (CFC) rules
- **Action 4:** Limit base erosion involving interest deductions and other financial payments
- **Action 5:** Counter harmful tax practices more effectively, taking into account transparency and substance
- **Action 6:** Prevent treaty abuse
- **Action 7:** Prevent the artificial avoidance of the permanent establishment status
- **Actions 8–10:** Assure that transfer pricing outcomes are in line with value creation
- **Action 11:** Establish methodologies to collect and analyse data on BEPS and the actions to address it
- **Action 12:** Require taxpayers to disclose their aggressive tax planning arrangements
- **Action 13:** Re-examine transfer pricing documentation
- **Action 14:** Make dispute resolution mechanisms more effective
- **Action 15:** Develop a multilateral instrument to modify bilateral tax treaties

The ensuing work by the OECD G20 Project involving over 60 countries culminated in the October 2015 release of the BEPS final package – 13 reports covering the 15 actions.

Australia's implementation of the BEPS package

Australia is committed to acting to address BEPS risks and has implemented recommendations from BEPS Actions 2, 5, 6, 8–10, 13, 14 and 15.

The legislation to give effect to BEPS Action 2, *Treasury Laws Amendment (Tax Integrity and Other Measures No. 2) Act 2018,* received Royal Assent on 24 August 2018. Schedules 1 and 2 introduced new Division 832 of the ITAA 1997 and the necessary amendments to give effect to the OECD Hybrid Mismatch rules. The

rules apply to certain payments after 1 January 2019 and income years commencing on or after 1 January 2019.

Australia signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI) on 7 June 2017 (BEPS Action 15) and it entered into force on 1 January 2019. It is expected the MLI will modify 35 of Australia's tax treaties to implement integrity provisions to protect those treaties from being exploited and to improve tax treaty related dispute resolutions mechanisms. Australia has also agreed to mandatory arbitration in relation to tax treaty related disputes.

In October 2018, we updated our mutual agreement procedures (MAP) guidance to implement recommendations in BEPS Action 14. Taxation Ruling TR 2000/16 *Income tax: international transfer pricing and profit reallocation adjustments, relief from double taxation and the Mutual Agreement Procedure* was withdrawn.

An updated PCG 2017/2 *Simplified transfer pricing record keeping options* was released on 9 January 2019 which implements BEPS Actions 8–10 transfer pricing simplification recommendation for low value-adding intragroup services.

We have fully implemented Country-by-Country (CbC) Reporting (BEPS Action 13), including from June 2018, the exchange of CbC reports with partner jurisdictions via the OECD Common Transmission System (CTS).

As part of the MLI, Australia adopted the principal purposes test in Article 7 to prevent treaty abuse and deny treaty benefits in certain circumstances (BEPS Action 6). An updated PS LA 2020/2 *Administering general anti-abuse rules, such as a principal or main purposes test, included in any of Australia's tax treaties,* released on 1 October 2020, provides guidance on the administrative process of applying a principal or main purposes test in Australia's tax treaties.

Inclusive framework

The OECD established the inclusive framework on BEPS implementation in December 2015. Aims of the inclusive framework include monitoring implementation of BEPS measures, in particular the minimum standard recommendations for Actions 5, 6, 13 and 14. The OECD has undertaken annual reviews of the implementation of the minimum standards.

The inclusive framework will also support the development of toolkits for low-capacity developing countries. Australia is one of over 140 members of the inclusive framework.

More information

Australia's current work on implementing the BEPS package

- Hybrid mismatch rules (BEPS Action 2)
- Automatic exchange of information on cross-border arrangements (BEPS Action 5)
- Country-by-country reporting (BEPS Action 13)
- Mutual agreement procedure (BEPS Action 14)
- Multilateral Instrument (MLI) (BEPS Action 15)

OECD information

- OECD BEPS
- BEPS Actions
- Background Brief: Inclusive Framework on BEPS (PDF, 205KB)

QC 52546

Hybrid mismatch rules

How hybrid mismatch rules work and when they apply.

Last updated 4 November 2025

Why we have hybrid mismatch rules

Australia's hybrid mismatch rules largely follow The Organisation for Economic Cooperation and Development (OECD) hybrid mismatch and branch mismatch rules from Action Item 2 of the OECD Base Erosion and Profit Shifting (BEPS) action plan.

The ATO, in consultation with the Board of Taxation, designed and implemented hybrid mismatch rules to prevent multinational companies from gaining an unfair competitive advantage by avoiding income tax or obtaining double tax benefits through hybrid mismatch arrangements.

Hybrid mismatch arrangements exploit differences in the tax treatment of an entity or instrument under the laws of 2 or more tax jurisdictions. This has an overall negative impact on competition, efficiency, transparency and fairness.

What the rules apply to

The rules apply to payments that give rise to hybrid mismatch outcomes which can be summarised as:

- deduction or non-inclusion mismatches (D/NI) where a payment is deductible in one jurisdiction and non-assessable in the other jurisdiction
- deduction or deduction mismatches (D/D) where the one payment qualifies for a tax deduction in 2 jurisdictions
- imported hybrid mismatches where receipts are sheltered from tax directly or indirectly by hybrid outcomes in a group of entities or a chain of transactions.

These rules operate in Australia to neutralise hybrid mismatches by cancelling deductions or including amounts in assessable income.

The rules also contain a targeted integrity provision that applies to certain deductible interest payments, or payments under a derivative, made to an interposed foreign entity where the rate of foreign income tax on the payment is 10% or less.

Subject to some exceptions, the rules apply to certain payments after 1 January 2019, and to income years commencing on or after 1 January 2019. Limited transitional arrangements – impacting frankable distributions – apply for Additional Tier 1 regulatory capital issued by banks or insurance companies.

In addition, the imported mismatch rules will only apply in respect of 'structured arrangements' for income years commencing on or after 1 January 2019. The complete imported mismatch rule will be delayed to income years starting on or after 1 January 2020. This aligns with the European Union (EU) introduction of the hybrid mismatch rules.

Who the rules apply to

The rules apply to payments between:

- related parties
- members of a control group
- parties under a structured arrangement.

Unlike the diverted profits tax or multinational anti-avoidance law measures, the hybrid mismatch rules do not have a de minimis or materiality threshold.

Clarifying the operation of hybrid mismatch rules

Australia's hybrid mismatch rules have been updated with a number of technical amendments in order to clarify and improve the rules' operation.

In the 2019–20 Budget on 2 April 2019, the government announced the measure Tax Integrity – clarifying the operation of the hybrid mismatch rules. Subsequently, the government handed down the 2019–20 Mid-Year Economic and Fiscal Outlook (MYEFO) on 16 December 2019 and announced Tax integrity – improving the operation of the hybrid mismatch rules. These measures announced a number of minor technical amendments to Australia's hybrid mismatch rules to clarify and improve their operation.

On 3 September 2020 the Treasury Laws Amendment (2020 Measures No.2) Act 2020, which fully implemented the above measures and some additional changes, received royal assent.

The amendments:

- clarify the operation of the hybrid mismatch rules for trusts and partnerships
- clarify the circumstances in which an entity is a deducting hybrid
- clarify the operation of the dual inclusion income rule by
  - deeming certain types of foreign sourced income to be subject to Australian income tax in determining if that income is dual inclusion income
  - removing the need for non-corporate entities to reduce their dual inclusion income where they have a foreign income tax offset
  - clarifying the operation of the dual inclusion income on-payment rule
  - expanding the definition of dual inclusion income group such that, if in a country 2 or more entities share the same multiple liable entities (and those alone), then those entities are members of a dual inclusion income group in that country
- amend the definition of 'foreign hybrid mismatch rules' so that it refers to a foreign law corresponding to any of Subdivisions 832-C to 832-H of the *Income Tax Assessment Act 1997* (ITAA 1997) and clarify the operation of provisions that have regard to the operation of corresponding foreign hybrid mismatch rules
- clarify that, for the purpose of applying the hybrid mismatch rules, foreign income tax does not include foreign municipal or state taxes (except in considering the application of the integrity rule)
- clarify that the hybrid mismatch rules apply to multiple entry consolidated (MEC) groups in the same way as they apply to consolidated groups

- ensure that the integrity rule can apply appropriately to financing arrangements that have been designed to circumvent the operation of the hybrid mismatch rules
- allow franking benefits on franked distributions made on certain Additional Tier 1 (AT1) capital instruments that would otherwise be denied. For further information on these amendments and their specific administrative treatment, refer to Franked distributions on AT1 capital instruments.

Furthermore, on 10 December 2024, the Treasury Laws Amendment (Multinational—Global and Domestic Minimum Tax) (Consequential) Act 2024 implementing the Global Anti-Base Erosion Model Rules (Pillar Two) received royal assent. This Act further amended the meaning of 'subject to foreign income tax' for the purpose of applying the hybrid mismatch rules, clarifying that foreign GLoBE tax (that is, foreign DMT tax, foreign IIR tax and foreign UTPR tax) and other foreign minimum taxes are disregarded in determining if an amount is subject to foreign income tax. These amendments clarify that Australia's hybrid mismatch rules will continue to operate notwithstanding the implementation of Pillar Two by Australia and other jurisdictions.

Application dates for the amendments

The September 2020 amendments apply to income years starting on or after 1 January 2019, except for amendments to the:

- integrity rule (other than the state and municipal taxes changes), which applies apply to income years starting on or after 2 April 2019
- definition of 'foreign hybrid mismatch rules', which applies to income years starting on or after 1 January 2020.

The December 2024 amendments apply in relation to income years ending on or after 1 January 2024.

Administering amendments to the hybrid mismatch rules

As a number of the changes have retrospective effect, taxpayers will need to either:

- decide to comply with the law (pre-amendments), or
- 'anticipate' the amendments (now enacted law) for the purposes of their income tax return lodgments.

We won't apply our resources to checking whether these self-assessments are correct (in accordance with the law (pre-

amendments)), but taxpayers will need to review their lodged returns now that the proposed amendments have been enacted.

Taxpayers should refer to Administrative treatment of retrospective legislation for further information and practical guidance on our administrative approach to law change proposals with retrospective effect.

Taxpayers should also refer to Lodgment and payment obligations and related interest and penalties, which sets out our administrative approach to lodgment and payment obligations and related charging of interest and penalties where taxpayers may be affected by the introduction of a new tax measure.

For further information about how we administer retrospective changes refer to Law Administration Practice Statement PS LA 2007/11 *Administrative treatment of taxpayers affected by announced but unenacted legislative measures which will apply retrospectively when enacte*d to explore its applications and provisions.

Franked distributions on Additional Tier 1 capital instruments

Where franked distributions made on AT1 capital instruments give rise to a foreign income tax deduction, the retrospective changes ensure:

- franking benefits on those distributions continue to be allowed (assuming relevant requirements are satisfied, such as the holding period rule, the related payments rule and the dividend washing integrity rule)
- an amount equal to the amount of the foreign income tax deduction is included in the assessable income of the entity that makes the distribution.

We will continue to work with issuers of AT1 instruments to identify when franked distributions give rise to foreign income tax deductions on these capital instruments, to ensure correct application of the new law.

For investors in AT1 capital instruments, your ability to claim franking benefits attached to franked distributions that are paid on these capital instruments, won't be impacted by a foreign income tax deduction that arises for that distribution.

Legislation and supporting material

The hybrid mismatch rules received royal assent on 24 August 2018 (as contained in Schedule 1 and 2 of Treasury Laws Amendment (Tax

Integrity and Other Measures No. 2) Act 2018).

The September 2020 amending legislation clarifying the operation of the hybrid mismatch rules received royal assent on 3 September 2020 (as contained in Schedule 1 of The Treasury Laws Amendment (2020 Measures No. 2) Act 2020).

The December 2024 amending legislation clarifying the meaning of subject to foreign income tax post enactment of the Global Anti-Base Erosion Model Rules (Pillar Two) received royal assent on 10 December 2024 (as contained in Schedule 1 of Treasury Laws Amendment (Multinational—Global and Domestic Minimum Tax) (Consequential) Act 2024).

Law companion rulings

The following Law Companion Rulings (LCRs) have been released so far:

- On 13 January 2021 we finalised LCR 2021/1 *OECD hybrid mismatch rules – targeted integrity rule*. This outlines the ATOs interpretation of the hybrid mismatch targeted integrity rule set out in Subdivision 832-J of the ITAA 1997. The finalised version incorporates feedback received on the 2 previous drafts and addresses changes introduced as part of the amending legislation.
- On 24 July 2019 we finalised LCR 2019/3 *OECD hybrid mismatch rules – concept of structured arrangement*. This outlines the ATOs view of the law about the phrases 'structured arrangement' and 'party to the structured arrangement' set out in section 832-210 of the ITAA 1997.

Taxation determinations

To date, the following Taxation Determinations (TDs) have been released.

On 29 June 2022 we published TD 2022/9 *Income tax: is section 951A of the US Internal Revenue Code a provision of a law of a foreign country that corresponds to section 456 or 457 of the Income Tax Assessment Act 1936 for the purpose of subsection 832-130(5) of the Income Tax Assessment Act 1997?* This TD explains the ATO's view that section 951A of the US Internal Revenue Code, known as the global intangible low-taxed income 'GILTI' regime, doesn't correspond to section 456 or 457 of the ITAA 1936 (the operative provisions of Australia's controlled foreign company regime). Rather, section 951A and other related provisions of the US Internal Revenue Code are widely considered to be a US 'minimum tax regime' for which there is no equivalent in Australia.

On 3 July 2024 we published TD 2024/4 *Income tax: hybrid mismatch rules – application of certain aspects of the 'liable entity' and 'hybrid payer' definitions*. This TD explains the ATO's view that hypothetical income or profits within the tax base of a country can be used to identify a 'liable entity' or entities in the country for the purpose of section 832-325, and a 'non-including country' for the purpose of subsection 832-320(3) of the 'hybrid payer' definition can be a jurisdiction other than the country where the payee of the relevant payment is located or resides.

Practical compliance guidelines

To date, the following Practical Compliance Guidelines (PCGs) have been released.

PCG 2021/5

On 16 December 2021 we finalised PCG 2021/5 *Imported hybrid mismatch rule – ATO's compliance approach*. This contains practical guidance on the ATO's assessment of the relative levels of tax compliance risk associated with hybrid mismatches addressed by Subdivision 832-H of the ITAA 1997 (the imported mismatch rule).

PCG 2019/6

On 24 July 2019 we finalised PCG 2019/6 *OECD hybrid mismatch rules – concept of structured arrangement*. It contains practical guidance for taxpayers when assessing the risk of the newly legislated hybrid mismatch rules applying to their circumstances – in particular with relation to the concept of 'structured arrangement' in section 832-210 of the ITAA 1997.

This PCG should be read in conjunction with LCR 2019/3 *OECD hybrid mismatch rules – concept of structured arrangement*.

PCG 2018/7

On 25 October 2018, we finalised PCG 2018/7 Part IVA of the *Income Tax Assessment Act 1936* (ITAA 1936) and restructures of hybrid mismatch arrangements to help clients wishing to eliminate hybrid tax outcomes that would otherwise fall foul of the newly legislated hybrid mismatch rules.

This PCG will help clients manage their compliance risk by outlining straightforward (low risk) restructuring to which we will not seek to apply Part IVA. The PCG also encourages early engagement with us by those taxpayers whose arrangements fall outside the low-risk parameters outlined in the PCG.

Clients potentially affected by the rules and considering restructuring should refer to this PCG to understand our compliance approach.

Payments within United States (US) consolidated groups

All references are to the *Income Tax Assessment Act 1997* (ITAA 1997), unless otherwise stated.

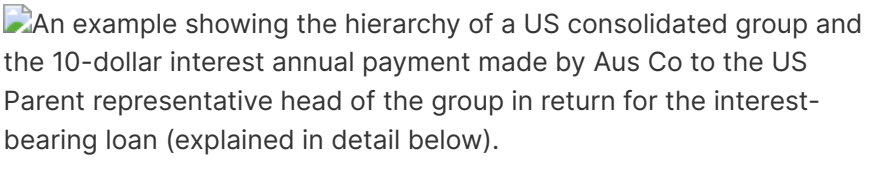
We have been asked whether an intercompany payment between members of a US consolidated group can be regarded as 'subject to foreign income tax' in the US in a foreign tax period under subsection 832-130(1).

To the extent an intercompany payment is included as gross income in the calculation of the recipient member's 'separate taxable income' for US federal income tax purposes for the foreign tax period, the intercompany payment can be regarded as 'subject to foreign income tax' in the US under subsection 832-130(1).

The calculation of the 'separate taxable income' of a member of a US consolidated group for US federal income tax purposes is addressed by the US federal tax regulations, and is subject to certain modifications, including modifications for transactions between members of a US consolidated group.

You must also consider the effect of subsections 832-130(3) and (4) however, in ultimately determining whether an intercompany payment can be regarded as 'subject to foreign income tax' in the US.

The following example illustrates our view.


An example showing the hierarchy of a US consolidated group and the 10-dollar interest annual payment made by Aus Co to the US Parent representative head of the group in return for the interest-bearing loan (explained in detail below).

US Parent, US Sub 1 and US Sub 2 are each US resident corporations that file on a consolidated group basis for US federal income tax purposes. US Parent is the representative head of the group that files the consolidated return as agent for the group members. A 'check-the-box' election has been made to treat Aus Co as a 'disregarded entity' of US Sub 1 for US federal income tax purposes.

US Parent made a $100 interest-bearing loan to Aus Co in Year 1, in return for payment of $10 of interest annually by Aus Co at the end of each year, and repayment of $100 at the end of Year 5. For US federal income tax purposes, US Sub 1 is treated as the borrower in respect of the loan and the related interest expense of Aus Co is treated as an expense of US Sub 1.

If the full $10 of interest income received by US Parent in a foreign tax period is included as gross income in the calculation of US Parent's 'separate taxable income' for the foreign tax period, the full $10 of

interest income can be regarded as ‘subject to foreign income tax’ in the US under subsection 832-130(1).

For example, the full $10 of interest income received by US Parent may be included as gross income in the calculation of US Parent’s ‘separate taxable income’ if no amount of the $10 of interest income is required to be redetermined or adjusted in accordance with any US federal income tax law or regulation.

This outcome is notwithstanding that for US federal income tax purposes:

- US Sub 1 may be entitled to deduct the full $10 of corresponding interest expense in calculating its ‘separate taxable income’ for the same foreign tax period, and
- US Parent’s and US Sub 1’s ‘separate taxable incomes’ are combined in calculating the consolidated taxable income of the US consolidated group for the foreign tax period.

Subject to the operation of subsection 832-130(3), the $10 interest payment won't give rise to a deduction or non-inclusion mismatch under section 832-105. However, the interest payment will instead give rise to a deduction or deduction mismatch under subsection 832-110(1) if US Sub 1 is entitled to deduct all or part of the interest payment in working out its ‘separate taxable income’.

When we engage with you, we will likely request copies of relevant parts of the US consolidated tax return and relevant supporting documents as evidence of the extent to which an intercompany payment has been included in a recipient member’s ‘separate taxable income’ in a foreign tax period.

Media releases

- Treasurer's media release – Making sure multinationals pay their fair share: Addressing hybrid loopholes, 7 March 2018
- Treasurer's media release – Turnbull Government clampdown on multinational tax avoidance hits hybrids, 24 November 2017
- Joint media release – A new Tax Avoidance Taskforce, 3 May 2016

Contact us

If you have any questions or would like to contact us, email us at international@ato.gov.au.

QC 61035

International Compliance Assurance Programme (ICAP)

The ATO is participating in ICAP launched by the Organisation for Economic Co-operation and Development (OECD).

Last updated 31 August 2021

ICAP is a voluntary risk assessment and assurance programme to facilitate open and co-operative multilateral engagements between multinational enterprise (MNE) groups willing to engage actively and transparently with tax administrations in jurisdictions where they have activities.

By co-ordinating conversations between an MNE group and multiple tax administrations, ICAP supports the effective use of transfer pricing documentation, including the MNE group's country-by-country (CBC) report, as part of a multilateral risk assessment process. Where an area is identified as needing further attention, work conducted in ICAP can improve the efficiency of compliance action taken outside the programme, if needed.

The OECD has noted that the key benefits of ICAP include:

- targeted and consistent interpretation and use of CBC reports
- better use of resources for tax administrations and MNEs
- a co-ordinated and transparent approach to engagement
- faster multilateral tax certainty
- fewer disputes entering into a mutual agreement procedures (MAP).

More information about ICAP, including a handbook for the multilateral risk assessments and a list of the participating tax administrations, can be found on the OECD website.

ICAP complements the ATO's Top 100 risk categorisation approach and Top 1,000 tax performance program, as well as other initiatives, such as our advance pricing arrangement and advice and guidance programs to provide tax certainty to MNEs.

For more information about the ATO's involvement in ICAP email internationalrelations@ato.gov.au. Australian multinationals that wish to discuss possible participation in ICAP should contact us via this email address.

QC 55206

MLI Article 4(1) administrative approach

Australia-New Zealand joint administrative approach for non-individual dual residents impacted by MLI Article 4(1).

Last updated 16 November 2022

Australia and New Zealand administrative approach

Australia and New Zealand are signatories to the Multilateral Convention[(1)] (MLI) and have both deposited their instruments of ratification with the OECD. This reinforces the commitment of Australia and New Zealand to addressing base erosion and profit shifting (BEPS) risks and ensuring a better functioning international tax system.

In recognition of the Single Economic Market agenda between Australia and New Zealand, which seeks to create a seamless trans-Tasman business environment, and the fact that our respective tax systems and administrations are comparable and both countries are committed to adopting measures to address BEPS risks, this joint approach represents a measured risk-based approach that seeks to provide certainty and minimise compliance costs for taxpayers. It is envisaged that this approach will only be implemented between Australia and New Zealand at this stage.

For taxpayers who satisfy all of the eligibility criteria outlined below for the relevant year, the Australian Taxation Office (ATO) and New Zealand Inland Revenue (IR) jointly determine that:

- Where an eligible taxpayer reasonably self-determines its place of effective management (PoEM) to be located in Australia, it will be deemed to be a resident of Australia for the purposes of the *Convention between Australia and New Zealand for the avoidance of double taxation with respect to taxes on income and fringe benefits and the prevention of fiscal evasion* (Australia-New Zealand treaty).
- Where an eligible taxpayer reasonably self-determines its PoEM to be located in New Zealand, it will be deemed to be a resident of New Zealand for the purposes of the Australia-New Zealand treaty.

This determination is made for the purposes of the Australia-New Zealand treaty as modified by Article 4(1) of the MLI.

Where an eligible taxpayer reasonably self-determines its PoEM to be located in New Zealand and it is deemed to be a resident of New Zealand for the purposes of the Australia-New Zealand treaty, the taxpayer will also be a prescribed dual resident under the definition in subsection 6(1) of the *Income Tax Assessment Act 1936* (ITAA 1936).

This approach is designed to reduce the compliance burden and costs for lower materiality taxpayers as they are able to assess their eligibility based on readily available information. It also allows the ATO and IR to focus compliance resources on arrangements that could have material revenue consequences and/or pose higher risk of non-compliance with the tax laws.

Where the taxpayer is uncertain as to whether they satisfy the eligibility criteria or uncertain as to the self-determination of PoEM, we encourage the taxpayer to engage with either competent authority about their circumstances. If the taxpayer does not meet the eligibility criteria, then an application will need to be lodged.

The ATO and IR will monitor the operation of this administrative approach to ensure it remains fit for purpose.

Eligibility criteria

Structure

1. The taxpayer is an ordinary company(2) incorporated under either the *Corporations Act 2001* in the case of Australia or the *Companies Act 1993* in the case of New Zealand.
2. The taxpayer has reasonably self-determined its place of effective management to be solely in either Australia or New Zealand for the purposes of the Australia-New Zealand treaty.

Financials

3. The taxpayer's group(3) annual accounting income(4) is less than AUD $250 million or NZD $260 million based on prepared financial statements for the most recent reporting period(5).
4. The taxpayer's gross passive(6) income is less than 20% of its total assessable income for the most recent income tax year.
5. The total value of intangible assets(7) (other than goodwill) held by the taxpayer is less than 20% of the value of its total assets based on prepared financial statements for the most recent reporting period.

Compliance activities

6. The taxpayer or any member of the group[(8)] is currently **not**, and has **not** been in the last 5 years, subject to any compliance activity[(9)] undertaken by either the ATO or IR which relates to the determination of residency for taxation purposes.
7. The taxpayer or any member of the group[(10)] is currently **not** engaged in an objection[(11)], challenge[(12)], settlement procedure or litigation in either Australia or New Zealand in relation to a dispute with either the ATO or IR.

   Where the taxpayer has only failed criterion 7 (that is, the taxpayer meets all other criteria), we encourage the taxpayer to contact either competent authority to discuss their particular facts and circumstances prior to lodging an application for a competent authority determination.

The administrative approach will only be valid if the taxpayer satisfies all of the following conditions on an on-going basis:

8. Upon being notified by either the ATO or IR of a new compliance activity[(13)], the taxpayer notifies the ATO or IR that it has been eligible for the dual resident administrative approach and the jurisdiction of residence for the purposes of the Australia-New Zealand treaty has been determined under this approach.
9. The taxpayer or any member of the taxpayer group[(14)] has **not** entered into, or carried out:
   - a tax avoidance scheme whose outcome depends, in whole or part, on the location of its residence
   - a tax avoidance scheme affecting the location of its central management and control, including previous or subsequent 'migration' of residency
   - arrangements to conceal ultimate beneficial or economic ownership
   - arrangements involving abuse of board processes (including backdating of documents) or the board not truly executing its functions, or
   - arrangements under which any benefits under the Australia-New Zealand treaty would be potentially denied under the conditions of the Principal Purpose Test in paragraph 1 of MLI Article 7.

Taxpayer obligations

Where there is a material change, the taxpayer is required to re-assess their eligibility and approach either competent authority if the practical administrative approach no longer applies to their circumstances.

Where the taxpayer has assessed their circumstances and eligibility to apply the practical administrative approach, they are still required to meet the general record-keeping requirements under domestic law(15). This includes supporting documentation that must be clearly identifiable for each relevant year for which they have determined their residency for the purposes of the Australia-New Zealand treaty under this approach.

Review of agreement

The ATO and IR will generally not seek to review a taxpayer's self-determined PoEM as long as all material facts and circumstances remain the same. The ATO and IR reserve the right to review the outcome of a taxpayer's self-determined PoEM especially in instances where the ATO or IR is of the opinion that any anti-avoidance rules may apply.

In most circumstances, the tax law puts a time limit on the period in which the ATO or IR can amend a tax assessment. These time limits provide certainty and finality for both the taxpayer and the Commissioner. Generally the period of review of a taxpayer's assessment is 4 years. However, in a case where the ATO or the IR forms an opinion of fraud or evasion, there is no time limit for amending an assessment.

When a review concludes, the outcome will be communicated in writing, generally within 7 days of a decision. If the outcome of the review results in the reversal of a taxpayer's self-determined position the result will be retrospectively applied from the later of:

- the date of the MLI (1 January 2019)
- the date of the change in a taxpayer's circumstances that resulted in the determination ceasing to be correct.

[1] *Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting*.

2 Ordinary company takes its meaning from plain English that is, an entity that is not a trust, partnership, cooperative, or other like vehicle. For the purposes of assessing this criterion, 'ordinary company' does not include an entity acting in the capacity of a trustee.

3 For the purposes of assessing this criterion, 'group' consists of an ultimate Australian or New Zealand parent together with all the entities (including any offshore subsidiaries) it is required by the Australian Accounting Standard AASB 10 Consolidated Financial Statements or the New Zealand Accounting

Standard equivalent NZ IFRS 10 to include in its consolidated financial statements (or would be required to consolidate if it had been required to prepare consolidated financial statements). If there are 2 or more entry points into Australia that are under the control of the same offshore ultimate parent, for the purposes of assessing this criterion, 'group' includes all relevant Australian top-tier parent entities and their subsidiaries as required by AASB 10 to be included in their respective consolidated financial statements (or would be required to be consolidated if the entities had been required to prepare consolidated financial statements). If there are 2 or more entry points into New Zealand that are under the control of the same offshore ultimate parent, for the purposes of assessing this criterion, 'group' includes all relevant New Zealand top-tier parent entities and their subsidiaries as required by NZ IFRS 10 to be included in their respective consolidated financial statements (or would be required to be consolidated if the entities had been required to prepare consolidated financial statements).

4 Income includes revenue, gains from investment activities and other inflows that go to the determination of the profit or loss in accordance with the Australian Accounting Standard AASB 101 Presentation of Financial Statements or with the New Zealand Accounting Standard equivalent NZ IAS 1. For the avoidance of doubt, if the Australian or New Zealand parent is within a larger global group, criterion 3 refers to the consolidated annual accounting income of the ultimate Australian or New Zealand parent (for multiple entry groups, it will be the sum of the consolidated annual accounting income of the relevant top-tier parent entities (refer to note 3)).

5 If the taxpayer starts or ceases a business part way through a reporting period, a reasonable estimate of what their annual accounting income would have been if the entity had carried on the business for the entire reporting period should be used.

6 For the purposes of assessing this criterion, 'passive income' is any of the following as defined in section 23AB of the Income Tax Rates Act 1986, dividends other than non-portfolio dividends, franking credits on such dividends, non-share dividends, interest income (some exceptions apply), royalties, rent, gains on qualifying securities, net capital gains and income from trusts or partnerships, to the extent it is referable (either directly or indirectly) to an amount that is otherwise base rate entity passive income.

7 'Intangible asset' is as defined under the Australian Accounting Standard AASB 138 Intangible Assets and under the New Zealand Accounting Standard NZ IAS 38 Intangible Assets.

8 Determined under the same definition contained in note 3.

9 This includes any risk review, audit or any other compliance activity carried out by the ATO or IR and notified to the taxpayer.

10 Determined under the same definition contained in note 3.

11 An objection lodged by a taxpayer against an assessment under section 175A of ITAA 1936 is a formal avenue of dispute resolution which attracts appeal rights. This is in contrast to a request for amendment of an assessment under section 170 of the ITAA 1936 to correct a mistake or omission where there is no dispute about the facts or the law.

12 The challenge process in Part 8A of the Tax Administration Act 1994 (TAA) is a formal avenue of dispute resolution which attracts appeal rights. This is in contrast to a request for amendment of an assessment under section 113 of the TAA to correct a mistake or omission where there is no dispute about the facts or law.

13 This includes any risk review, audit or any other compliance activity carried out by the ATO or IR and notified to the taxpayer.

14 Determined under the same definition contained in note 3.

15 Section 262A of the ITAA 1936 or section 22 of the TAA.

QC 59062

Global and domestic minimum tax

The implementation of Pillar Two of the OECD/G20 Two-Pillar Solution for multinational businesses in Australia.

Last updated 9 March 2026

Pillar Two implementation in Australia

Australia has implemented the Global Anti-Base Erosion Model Rules (GloBE Rules) by introducing a global and domestic minimum tax.

The GloBE Rules provide for a coordinated system of taxation intended to ensure multinational enterprise groups (MNE groups) are subject to a global minimum tax rate of 15% in each of the jurisdictions where they operate. They are a key part of the Organisation for Economic Co-operation and Development (OECD)/G20 Two-Pillar Solution, to address the tax challenges arising from the digitalisation of the economy.

On 10 December 2024, primary legislation that implements the framework of the GloBE Rules in Australia received royal assent. The primary legislation also makes consequential amendments. These amendments include provisions necessary for the administration of top-up tax within the existing tax administration framework, consistent with the GloBE Rules.

On 23 December 2024, subordinate legislation containing the detailed computational rules was registered as a legislative instrument and is now in force.

The global and domestic minimum tax comprises:

- a global minimum tax which consists of 2 interlocking rules
  - the **Income Inclusion Rule** (IIR) – acts as the primary rule which broadly allows Australia to apply a top-up tax on multinational parent entities located in Australia if the group's effective tax rate in another jurisdiction is below 15%
  - the **Undertaxed Profits Rule** (UTPR) – acts as a backstop rule which allows Australia to apply a top-up tax on constituent entities located in Australia if the group's effective tax rate in another jurisdiction is below 15% and where the profit is not brought into charge under an IIR
- a **domestic minimum tax**, which operates consistently with the GloBE Rules and provides Australia the ability to claim primary rights to impose top-up tax over any low-taxed profits in Australia, in priority over the IIR and UTPR.

The IIR and the domestic minimum tax will apply to fiscal years starting on or after 1 January 2024. The UTPR will apply to fiscal years starting on or after 1 January 2025.

The primary legislation can be found here:

- Taxation (Multinational–Global and Domestic Minimum Tax) Act 2024
- Taxation (Multinational–Global and Domestic Minimum Tax) Imposition Act 2024
- Treasury Laws Amendment (Multinational–Global and Domestic Minimum Tax) (Consequential) Act 2024

The subordinate legislation containing the detailed computational rules can be found here:

- Taxation (Multinational–Global and Domestic Minimum Tax) Rules 2024

Other supporting subordinate legislation including supplementary administrative lodgment rules and the list of jurisdictions with qualified status for the purpose of the IIR and domestic minimum tax can be found here:

- Taxation Administration (Exemptions from Requirement to Lodge Australian IIR/UTPR Tax Return and Australian DMT Tax Return) Determination 2025

- Taxation (Multinational–Global and Domestic Minimum Tax) (Qualified GloBE Taxes) Determination 2025

On 28 January 2026, Australia became a signatory of the Multilateral Competent Authority Agreement on the Exchange of GloBE Information (GIR MCAA). Australia is now included on the list of signatories of the GIR MCAA. The GIR MCAA is a Qualified Competent Authority Agreement (QCAA) for the purpose of GIR lodgment. The GIR MCAA can be found here:

- Multilateral Competent Authority Agreement on the Exchange of GloBE Information (January 2025)

The list of activated bilateral exchange relationships under the GIR MCAA for the automatic exchange of GloBE information can be found under OECD Exchange relationships. The list shows the jurisdictions with which Australia has a QCAA that is in effect. The OECD will update this list as new bilateral exchange relationships are activated.

ATO guidance

We are continuously considering the need for guidance products to support the new measure, along with whether there is a need to update existing guidance.

As part of ongoing ATO consultation, we have been seeking feedback on guidance that will best support implementation of the new measure. We will continue to seek feedback as Australia's implementation of Pillar Two progresses.

To date, we have published Practical Compliance Guideline PCG 2025/4 *Global and domestic minimum tax lodgment obligations – transitional approach*.

You can also contact us if you have any feedback on priority issues for public advice and guidance.

Administering potential amendments

The Australian global and domestic minimum tax must be applied consistently with the GloBE Rules for Australia to achieve qualification status. This requires maintaining consistent outcomes set out in specific OECD materials, including future publications and how and in what timeframe a jurisdiction addresses identified inconsistencies with its law. These OECD materials are the GloBE Model Rules, Commentary, and agreed Administrative Guidance.

An inconsistency may arise when Australia has yet to implement agreed Administrative Guidance or there has been a minor drafting oversight in the Australian law compared to OECD materials. Any

potential amendment to Australian law to address inconsistencies remains a policy decision as a matter for the government and future governments.

As explained in the Explanatory Memorandum, the primary legislation includes a rule making power so that future OECD materials can be incorporated efficiently and in a timely manner. This can apply retrospectively to maintain Australia's qualification.

While any decision regarding amendments is a matter for government, we expect future amendments to address inconsistencies may generally have retrospective application where relevant to maintain qualification.

We will apply our usual practical guidance for the administrative treatment of retrospective legislation for taxpayers that anticipate legislative amendments to address these inconsistencies, whether or not there has been a separate formal announcement.

- Taxpayers can self-assess based on the existing law. Where the amendment to address the inconsistency would increase liabilities, taxpayers will need to amend their returns and pay the increased liability if the law is ultimately changed retrospectively.
- We will not advise taxpayers to self-assess by anticipating law change to address inconsistencies. However, if taxpayers choose to do so, we will not direct our compliance resources to checking whether self-assessments comply with existing law (pre-amendments), in respect of the anticipated law change. Where taxpayers anticipate a change, they should internally document the inconsistency identified between the Australian law and the OECD materials.

Taxpayers should also refer to our related guidance on Lodgment and payment obligations and related interest and penalties, which we will apply in relation to interest and penalties for taxpayers that anticipate legislative amendments to address inconsistencies.

If you identify any inconsistencies between Australian law and the OECD materials, share them with us or Treasury. We may also be able to confirm whether we consider the identified provision is inconsistent with the OECD materials. Contact us to discuss any inconsistencies at Pillar2Project@ato.gov.au.

OECD side-by-side announcement

The OECD has announced an agreement of the Inclusive Framework (IF) on a side-by-side package (Side-by-Side Package [5 January 2026] [PDF, 1.1MB]). The package includes several components, including simplifications, a one-year extension of the

transitional CBC reporting safe harbour, a safe harbour dealing with qualified tax incentives, and the introduction of a side-by-side system.

The adoption of the side-by-side package into Australian law is a matter for government. Any proposed retrospective legislative amendments for the side-by-side package will be administered in line with our usual practical guidance as set out above.

A key component of the package is the side-by-side safe harbour which under the IF agreement applies to fiscal years commencing on or after 1 January 2026. The safe harbour is available to MNE groups that have an ultimate parent entity located in a jurisdiction that has a qualified side-by-side regime. The United States is currently the only jurisdiction that the IF has determined as having a qualified side-by-side regime. Under the side-by-side safe harbour, IIR and UTPR top-up tax would be deemed as zero for all constituent entities of an eligible MNE group, as well as in respect of the MNE group's interests in GloBE joint ventures.

The side-by-side safe harbour if enacted would not change the Australian lodgment requirements for fiscal years that commenced in 2024 or 2025, and would only impact lodgment and payment obligations for fiscal years commencing from 1 January 2026 (generally due from March 2028). In addition, the side-by-side safe harbour does not impact the application of Australian domestic minimum tax, or the requirement to lodge Australian DMT tax returns (DMTRs), for any fiscal year.

Engaging with us for advice

Contact us about Pillar Two

You can direct questions about our administration or operation of the Australian global and domestic minimum tax to Pillar2Project@ato.gov.au.

Private ruling applications

Taxpayers can apply for a private ruling regarding the application of a relevant provision of a tax law relating to the global and domestic minimum tax.

The Commissioner of Taxation may decline to provide a ruling in respect of the global or domestic minimum tax in certain circumstances.

The Explanatory Memorandum to the primary legislation provides some examples of situations where the Commissioner may determine it is unreasonable to provide a private ruling, including where:

- the OECD Inclusive Framework has published new Administrative Guidance which Australia is planning on incorporating into domestic law but has not yet done so
- the OECD Inclusive Framework has identified an issue which requires Administrative Guidance, or is drafting Administrative Guidance on a GloBE or domestic minimum tax issue, and has yet to publish an agreed version of that Administrative Guidance
- issuing a ruling would require assumptions to be made on how other jurisdictions apply their respective domestic rules implementing the GloBE Rules and domestic minimum tax.

We have updated Taxation Ruling TR 2006/11 *Private Rulings* following the enactment of the Australian global and domestic minimum tax.

If you are considering applying for a private ruling, before submitting a private ruling or early engagement application contact us at Pillar2Project@ato.gov.au. This will allow us to facilitate preliminary discussions, where we will work with you to identify and clarify the issues and determine the most appropriate form of advice.

OECD guidance materials

OECD guidance materials are intended to promote a consistent and common interpretation of the GloBE Rules to provide certainty for MNE groups and to facilitate coordinated outcomes under the rules.

OECD guidance materials released to date include:

- Model GloBE Rules (20 December 2021)
- Consolidated Commentary to the GloBE Rules (9 May 2025), supplemented by Administrative Guidance that provides further clarification on:
  - The scope of the GloBE Rules, issues relating to the income and taxes calculation, issues related to insurance companies, the transition rules and the design of the Qualified Domestic Minimum Top-up Tax (QDMTT) – Agreed Administrative Guidance (2 February 2023) (PDF, 1.2MB)
  - Currency conversion rules, tax credits, the Substance-based Income Exclusion, the design of QDMTT and the QDMTT and transitional UTPR safe harbours – Agreed Administrative Guidance (17 July 2023) (PDF, 1.1MB)
  - Purchase price accounting adjustments, the Transitional CBC Reporting Safe Harbour, consolidated revenue threshold, mismatches in Fiscal Years, allocation of Blended Controlled Foreign Corporation Tax Regime, transitional filing for short reporting fiscal years, and NMCE simplified calculation safe

harbour – Agreed Administrative Guidance (18 December 2023) (PDF, 478KB)

- The recapture rule applicable to deferred tax liabilities, divergences between GloBE and accounting carrying values, cross-border allocation of current and deferred taxes, allocation of profits and taxes in certain structures involving Flow-through Entities, and the treatment of securitisation vehicles – Agreed Administrative Guidance (17 June 2024) (PDF, 3MB)
- The basis to complete the GIR – Administrative Guidance on Article 8.1.4 and 8.1.5 (15 January 2025) (PDF, 390KB)
- The treatment of certain deferred tax assets – Administrative Guidance on Article 9.1 (15 January 2025) (PDF, 427KB)
- Side-by-side package – Side-by-Side Package (5 January 2026) (PDF, 1.1MB)
- The qualified status of jurisdictions' legislation – Administrative Guidance, Legislation with Transitional Qualified Status (PDF, 500KB)

- GloBE Information Return (January 2025 update to version released July 2023)
- Safe Harbours and Penalty Relief (20 December 2022) (PDF, 460KB)
- Illustrative Examples (25 April 2024) (PDF, 1.88MB)

Quick reference guides

We have developed quick reference guides to provide a broad overview of different aspects of the global and domestic minimum tax:

- Download the Pillar Two overview for inward and outward investors quick reference guide (NAT 75778, PDF, 75KB)
- Download the Transitional CBC reporting safe harbour quick reference guide (NAT 75777, PDF, 41KB)

More information

For more information, see Global agreement on corporate taxation: addressing the tax challenges arising from the digitalisation of the economy.

When and how the Pillar Two rules apply ›

Work out how the Pillar Two global and domestic minimum tax rules work and when and who they apply to.

Lodging, paying and other obligations for Pillar Two

Pillar Two obligations, including returns, payment and key dates.

Pillar Two interactions with other provisions

Pillar Two interactions with Australia's existing corporate tax system.

Transitional CBC reporting safe harbour

How to apply the transitional CBC reporting safe harbour available under Pillar Two.

Pillar Two interactions with consolidation

How the Pillar Two rules apply to consolidated groups.

Specific issues for Pillar Two

Specific issues identified by stakeholders via consultation and other channels not covered in other Pillar Two content.

QC 102592

When and how the Pillar Two rules apply

Work out how the Pillar Two global and domestic minimum tax rules work and when and who they apply to.

Last updated 12 March 2026

The Australian Pillar Two rules

The Australian global and domestic minimum tax implements the Global Anti-Base Erosion Model Rules (GloBE Rules) through primary and subordinate legislation, referred to together as the Minimum Tax law.

The primary legislation includes the:

- *Taxation (Multinational—Global and Domestic Minimum Tax) Act 2024* (Minimum Tax Act)
- *Taxation (Multinational—Global and Domestic Minimum Tax) Imposition Act 2024* (Minimum Tax Imposition Act)
- *Treasury Laws Amendment (Multinational—Global and Domestic Minimum Tax) (Consequential) Act 2024* (Minimum Tax Consequential Act).

The subordinate legislation includes the:

- *Taxation (Multinational–Global and Domestic Minimum Tax) Rules 2024* (Australian Minimum Tax Rules)
- *Taxation Administration (Exemptions from Requirement to Lodge Australian IIR/UTPR Tax Return and Australian DMT Tax Return) Determination 2025*
- *Taxation (Multinational–Global and Domestic Minimum Tax) (Qualified GloBE Taxes) Determination 2025*.

The Minimum Tax law is to be interpreted in a manner consistent with specific Organisation for Economic Co-operation and Development (OECD) guidance materials for GloBE. Such materials include the GloBE Model Rules, commentary, and agreed administrative guidance.

When the rules apply

The primary legislation provides that the:

- Income Inclusion Rule (IIR) and the domestic minimum tax apply to fiscal years starting on or after 1 January 2024.
- Undertaxed Profits Rule (UTPR) applies to fiscal years starting on or after 1 January 2025.

Who the rules apply to

The Australian global and domestic minimum tax applies to constituent entities that are members of a multinational enterprise group

(MNE group) with annual revenue of 750 million Euros or more in the consolidated financial statements of the ultimate parent entity (UPE).

Broadly, constituent entities are members of an MNE group which are not classified as excluded entities under the Minimum Tax law. An MNE group is a group, in most cases determined under accounting consolidation principles, for which there is at least one entity or permanent establishment that is not located in the jurisdiction of the UPE.

- An entity means any legal person (other than a natural person) or an arrangement that is required to prepare separate financial accounts, such as a partnership or trust.
- The primary legislation defines the term permanent establishment for the purposes of the Australian global and domestic minimum tax (explained further below).

If the MNE group's annual revenue, as shown in the UPEs consolidated financial statements, meets or exceeds the revenue threshold in at least 2 of the 4 fiscal years preceding the test year, then the MNE group is in-scope.

The domestic minimum tax broadly applies to Australian constituent entities in MNE groups to which the global minimum tax applies.

Entities excluded from the rules

Certain entities of an MNE group are excluded from the operation of the Australian global and domestic minimum tax (known as GloBE excluded entities).

Some examples of excluded entities include government entities, international organisations, non-profit organisations, certain service entities and pension funds, as well as UPEs which are either an investment fund or a real estate investment vehicle.

The definition for GloBE excluded entities in the Minimum Tax law is based on the GloBE Rules. A subsidiary of a GloBE excluded entity is not automatically excluded and should be evaluated in its own respect.

Records must be kept that explain their determination as being an excluded entity.

Consequence of being a GloBE excluded entity

Broadly, if an entity in a MNE group is a GloBE excluded entity then it will:

- not have an obligation to lodge returns for the purposes of the Australian global and domestic minimum tax
- not be liable to top-up tax, since IIR, UTPR and the domestic minimum tax do not apply.

Where an MNE group is composed entirely of GloBE excluded entities, the group is excluded from the operation of the Australian global and domestic minimum tax completely.

Where an MNE group is not wholly comprised of GloBE excluded entities, some obligations may still apply in respect to excluded entities. For example:

- revenue of GloBE excluded entities is included in ascertaining whether the 750 million Euro revenue threshold has been satisfied
- certain disclosures in respect of GloBE excluded entities that are within a MNE group may be required in the GloBE Information Return.

How the rules apply

The Australian global and domestic minimum tax is applied to an entity with an IIR, DMT or UTPR top-up tax amount. Broadly, the top-up tax amount is calculated via the following steps:

1. **Calculate the effective tax rate (ETR) of a jurisdiction** – the net income of each constituent entity located in the jurisdiction is determined, followed by the taxes attributable to the net income (subject to reporting simplifications). The ETR is determined by dividing the total taxes by the total net income. The mechanisms for calculating net income and attributable taxes are located in the Australian Minimum Tax Rules and refers to financial accounting data with GloBE specific adjustments.
2. **Calculate the top-up tax for the jurisdiction** – MNE groups with an ETR in a jurisdiction below 15% are charged top-up tax relating to the jurisdiction. The tax charged is based on the difference between the 15% minimum rate and the ETR in the jurisdiction. While this is the base case, there are other situations in which top-up tax may arise under the Australian Minimum Tax Rules.
3. **Determine the top-up tax liability for the entity** – the jurisdiction's top-up tax is allocated among the relevant entities, determined by mechanisms located in the Australian Minimum Tax Rules. If the MNE group's ETR in Australia is below 15%, constituent entities located in Australia will be allocated and liable for a domestic top-up tax amount. If the MNE group's ETR in a foreign jurisdiction is below 15%, an IIR or UTPR top-up tax amount may be imposed on constituent entities located in Australia, depending on the MNE group's structure and ordering rules located in the Australian Minimum Tax Rules. In some situations, stateless constituent entities with an ETR below 15% can also be allocated domestic top-up tax amounts.

Further detail can also be found in the OECD's Pillar Two Model Rules Fact Sheets (PDF, 170KB).

Top-up tax can also be applied to an MNE group in respect to certain joint arrangements.

Special rules apply when calculating the top-up tax amounts for certain entities, groups, and arrangements. These rules are intended to cater for different tax regimes and holding structures and can classify entities based on various characteristics, including how they might be treated for tax or accounting purposes.

These special rules can apply to entities, groups and arrangements such as a GloBE permanent establishment, flow-through entity, GloBE JV or GloBE JV subsidiary, GloBE investment entity, minority-owned entity and multi-parented group. They may adjust:

- the jurisdiction the constituent entity is treated as being located in, or whether it is considered stateless (stateless entities are effectively each treated as being located in a separate fictional jurisdiction for the purposes of calculating top-up tax)
- whether the ETR is calculated on a standalone basis separate from other constituent entities in the same jurisdiction
- the income and taxes attributed to a certain jurisdiction
- which entity is allocated and liable for the top-up tax.

Multinationals must thoroughly evaluate their group structure and how their entities are treated in each jurisdiction when determining how the rules apply.

GloBE location

Each constituent entity is treated as being in one jurisdiction only for a fiscal year, including where it changes its location. There are rules in Division 4 of Part 5 of the Minimum Tax Act to determine the location of entities and GloBE permanent establishments.

Where an entity changes its location, it is taken to be located in the jurisdiction in which it was located at the start of the fiscal year.

Most entities will be treated as being located in Australia if considered an Australian resident for tax purposes. If not an Australian resident, the location is generally the place of management or place of creation. Specifically, where an entity that is not a flow-through entity, is an Australian resident under section 6 of the *Income Tax Assessment Act 1936*, and is not, for the purposes of a tax treaty, deemed a resident solely of a foreign country under the treaty's tie-breaker rules, it is treated as being located in Australia.

Different rules may apply if the entity is considered a GloBE permanent establishment, fiscally transparent, or is dual located.

Dual located entities

If an entity is considered to be located in more than one jurisdiction (that is, dual located), section 10-60 of the Australian Minimum Tax Rules contains its own tie-breaker rules to determine location.

Where a tax treaty between the relevant jurisdictions contains a residency tie-breaker rule, and that rule deems an entity to be resident only of one of the jurisdictions for the purposes of the treaty, the entity will be located in that jurisdiction.

In other cases, the rules deem location broadly based on the amount of taxes paid or tangible fixed assets and payroll expenditure in each jurisdiction, or otherwise where the entity was created if the entity is the UPE.

Dual located parent entities

An override to the tie-breaker rules may apply if the overseas jurisdiction does not apply the IIR and the relevant entity is a parent entity.

Specifically, if an Australian resident parent entity is considered dual located, and section 10-60 of the Australian Minimum Tax Rules deems it as located in a jurisdiction that has not implemented the IIR, section 10-65 deems the parent entity as being located in Australia where Australia is not restricted from taxing the parent entity under the relevant tax treaty.

GloBE permanent establishments

The application of the rules to permanent establishments depends on whether the arrangement meets the definition of a GloBE permanent establishment. This concept is defined differently to how a permanent establishment is defined in other legislation, such as the *Income Tax Assessment Act 1997*.

GloBE permanent establishments are treated as constituent entities and subject to top-up tax. Any liabilities and obligations are placed on the main entity. A main entity:

- is the entity that includes the financial accounting net income or loss of the GloBE permanent establishment in its financial accounts, and
- must be located in a separate jurisdiction.

Section 19 of the Minimum Tax Act defines a GloBE permanent establishment to include the following simplified scenarios:

1. Where an entity has a place of business in a jurisdiction, that constitutes a permanent establishment in accordance with an applicable tax treaty, if the income attributable to it is taxed by that jurisdiction in accordance with a provision similar to Article 7 of the OECD Model Tax Convention.
2. Where there is no tax treaty, but the entity has a place of business in a jurisdiction and the income attributable to that place of business is taxed under the local income tax laws on a net basis similar to how its residents are taxed.
3. Where a jurisdiction has no corporate income tax system, but the entity has a place of business in the jurisdiction that would have been treated as a permanent establishment under the OECD Model Tax Convention and had the right to tax in accordance with Article 7 of that Convention.
4. Where scenarios 1–3 do not apply, a place of business through which an entity's operations are conducted outside the jurisdiction in which the entity is located, if the income attributable to it is exempt from taxation in the entity's jurisdiction.

Any top-up tax that would otherwise be allocated to a permanent establishment is imposed on the main entity. The allocation of income and taxes between the main entity and permanent establishment depends on the scenario type of the GloBE permanent establishment. For scenarios 1–3, it follows the attribution of income and expenses under the tax treaty, local tax laws where the permanent establishment is located, or the amounts that would have been attributed in accordance with Article 7 under the OECD Model Tax Convention.

The location of the GloBE permanent establishments falling under scenario 1–3 is where the place of business was determined to be. A GloBE permanent establishment falling under scenario 4 is considered stateless.

Flow-through entities

Broadly, under Chapter 10 of the Australian Minimum Tax Rules, an entity is a flow-through entity to the extent that it is fiscally transparent with respect to its income, expenditure, profit or loss in the jurisdiction the entity was created. A constituent entity is treated as fiscally transparent when the income, expenditure, profit or loss of that entity is treated as if it were derived or incurred by the direct owner in proportion to its ownership interest.

The Australian Minimum Tax Rules also have different classifications of an entity depending on whether it is fiscally transparent in its creation

jurisdiction, its owner's jurisdiction or both. Flow-through entities will be a:

- tax transparent entity if its owner treats it as fiscally transparent
- reverse hybrid entity if the owner treats it as opaque.

These classifications impact the allocation of income and taxes between the constituent entity and its owners, noting there are special rules that apply to flow-through entities that are UPEs.

A flow-through entity that is a UPE or required to apply a qualified IIR will be treated as located in jurisdiction where it was created. A flow-through entity that is neither a UPE nor required to apply a qualified IIR will be considered stateless.

Flow-through UPEs

When a flow-through entity is the UPE of an MNE group, Part 7-1 of the Australian Minimum Tax Rules allows the UPE to reduce the amount of its income included in its jurisdictional ETR calculation by the portion attributable to a direct owner, if either of 2 tests is satisfied:

1. Specific 5% minor-owner test – a reduction applies where the direct owner is an individual that is a tax resident in the UPE jurisdiction, a governmental entity of the UPE jurisdiction, or an international organisation, a non-profit organisation, or a pension fund, that was created and is managed in the UPE jurisdiction. Applies only where that owner holds ownership interests in the flow-through UPE that carry rights to 5% or less of the profits and assets of the UPE.
2. General 15% subject-to-tax test – a reduction applies where the direct owner satisfies the taxable period and minimum tax conditions. The taxable period condition requires that the direct owner must be subject to tax in respect of the attributable income for a taxable period that ends within 12 months of the end of the fiscal year. The minimum tax condition is met where the direct owner is subject to tax on the full amount of the income at a nominal rate of 15% or more. Alternatively, that condition can also be satisfied where the combined taxes on the attributable income (being the taxes paid by the flow-through UPE, or any flow-through entities it owns, together with the taxes paid by the direct owner, on the income) equal or exceed 15% of that income.

Joint arrangements

The Australian global and domestic minimum tax may apply to certain types of arrangements. This may include arrangements classified as joint arrangements under accounting standards.

The first consideration is whether the arrangement falls within the definition of entity under section 13 of the Minimum Tax Act (or gives

rise to a GloBE permanent establishment of a main entity). Joint arrangements can be unincorporated and so must prepare separate financial accounts to be an entity. An unincorporated arrangement that is not a legal person and which is not required to prepare separate financial accounts, is not an entity for this purpose.

If the arrangement meets the definition of entity, its treatment depends on how the arrangement is classified under the global and domestic minimum tax framework, including whether it is a GloBE JV or a constituent entity. If an arrangement does not meet an applicable classification (and it is not GloBE permanent establishment of an in-scope entity) it is not directly recognised under the Australian global and domestic minimum tax and will not be subject to separate top-up tax or reporting obligations.

Classifications of joint arrangements

This table is a guide only. It provides examples of the classification of an arrangement, once it is determined to be an entity, in certain fact patterns. Every arrangement must be evaluated based on their particular facts and circumstances.

Type	Conditions	Treatment
GloBE JV	Equity-accounted UPE holds ≥ 50% ownership interest percentage. Not excluded under subsection 26(2).	Top-up tax calculated separately for a deemed JV group, which consists of the GloBE JV and its subsidiaries. • DMT top-up tax directly imposed on GloBE JV and GloBE JV subsidiaries. • IIR and UTPR top-up tax imposed on the MNE group in respect of the GloBE JV.
Constituent entity	Consolidated line-by-line in the UPE's financial statements (i.e. be a group entity). Not a GloBE excluded entity.	Top-up tax calculated at the jurisdictional level pooling all constituent entities in that jurisdiction that are part of the same ETR calculation.

If your arrangement does not constitute an entity or a GloBE permanent establishment, or does not fall into either of the above classifications, it will not be subject to separate top-up tax and reporting obligations. However, in some cases the accounting results or income from such arrangements may still be included in an MNE group's top-up tax calculations, where the investor in the arrangement is a constituent entity or GloBE JV. For example:

- where the arrangement constitutes an entity but not a constituent entity or GloBE JV, the investor may still be required to include distributions from the entity in its GloBE income or loss under rules applying to certain portfolio shareholdings
- where an unincorporated arrangement does not constitute an entity because it is not required to prepare separate financial accounts, its investors would generally include their share of its financial results in their top-up tax calculations.

Careful consideration of the classification of joint arrangements is required to determine how top-up tax is calculated and whether obligations apply to the arrangement itself or to the parties involved.

GloBE joint ventures

The Australian global and domestic minimum tax can apply in respect of certain entities which are not themselves constituent entities of an MNE group. An entity that is not considered a separate constituent entity under section 16 of the Minimum Tax Act on the basis that their accounting results are not consolidated on a line-by-line basis in the consolidated financial statements of the UPE, may still be classified as a GloBE JV and be subject to special deeming rules.

An entity is classified as a GloBE JV if it meets the definition in section 26. This section requires:

1. the entity's financial results are reported under the equity method in the consolidated financial statements of the UPE of the MNE group for the fiscal year
2. the UPE's ownership interest percentage in the entity is at least 50%.

Subsidiaries of a GloBE JV which are, or would be, consolidated by the GloBE JV on a line-by-line basis under applicable accounting standards may also be in scope and are referred to as GloBE JV subsidiaries.

GloBE joint venture exclusions

An entity is not a GloBE JV if any of the exceptions in subsection 26(2) apply:

- It is the UPE of an applicable MNE group.

- It is a GloBE excluded entity that is a governmental entity, international organisation, non-profit organisation, pension fund, or an investment fund or real estate investment vehicle that is a UPE.
- The group entities that hold direct ownership interests in it are GloBE excluded entities of the type referred to above, where either the entity
  - exclusively or almost exclusively holds assets or invests funds for the benefit of its direct owners
  - only carries out ancillary activities related to the functions of the excluded entity owners.
- The MNE group is comprised exclusively of GloBE excluded entities.

How the rules apply to GloBE joint ventures

Special deeming rules apply to arrangements that qualify as a GloBE JV or GloBE JV subsidiary of an MNE group. The special rules apply by deeming the arrangements as constituent entities of a separate MNE group.

Broadly, top-up tax for these entities is calculated separately from the MNE group whose UPE owns 50% or more ownership interest in the GloBE JV. The GloBE JV and its GloBE JV subsidiaries are treated as constituent entities of a separate deemed group, and the GloBE JV as the UPE of the deemed separate MNE group.

Stakeholders have raised questions about how Part 7-1 of the Australian Minimum Tax Rules applies where a GloBE JV, treated as the UPE of a separate MNE group, is a flow-through entity. We consider that Part 7-1 applies to the GloBE JV as a deemed UPE in these cases.

About which entity is allocated and liable for top-up tax:

- GloBE JV and GloBE JV subsidiaries are not themselves liable for IIR or UTPR top-up tax.
- Any liability for IIR or UTPR top-up tax in respect of a GloBE JV or GloBE JV subsidiary is imposed on members of the MNE group (not on the GloBE JV or GloBE JV subsidiary) in proportion to the MNE group's share of the top-up tax.
- Domestic minimum tax is imposed directly on the GloBE JVs and GloBE JV subsidiaries.

Interactions with accounting standards

Accounting standards generally divide joint arrangements into 2 types:

1. Joint venture (equity accounting)
2. Joint operation (proportional consolidation on a line-by-line basis).

Accounting joint ventures will not ordinarily be constituent entities of an MNE group under the Minimum Tax Act as their accounting results are equity accounted in the consolidated financial statements of the UPE. Otherwise, they may be a GloBE JV or GloBE JV subsidiary of an MNE group, depending on the facts and circumstances. However, not all arrangements that are classified as joint ventures under accounting standards will be a GloBE JV or GloBE JV subsidiary and vice versa.

Accounting joint operations are consolidated on a line-by-line basis using proportional consolidation method by the parent entity. Accordingly, they may be constituent entities. However, to be considered a constituent entity, a joint operation must first qualify as an entity under the Minimum Tax Act, either as a separate legal person, or as an arrangement required to prepare separate financial accounts. A joint operation that does not meet that condition may still be treated as a constituent entity if it gives rise to a GloBE permanent establishment of another constituent entity or GloBE JV.

Accounting joint operations

There is no concept of a joint operation under the Australian global and domestic minimum tax. An MNE group that has an accounting joint operation may need to consider if the arrangement constitutes a separate constituent entity under the Minimum Tax Act.

If a joint operation is a constituent entity, then the MNE group could have separate calculation, reporting and liability requirements in relation to it. For information on reporting and liability requirements, see Lodging, paying and other obligations for Pillar Two.

How the rules apply to joint operations

If a joint operation is:

- a constituent entity, top-up tax will be calculated in respect of the joint operation based on amounts included in the consolidated financial statements of the UPE
  - it may also be classified as a flow-through entity or a GloBE permanent establishment depending on the facts and circumstances
  - the classification of the joint arrangement will affect how income and tax is allocated between the constituent entity and its owners
- a constituent entity and a flow-through entity, its owners that are constituent entities will generally be required to include their share of the joint operations' amounts in their top-up tax calculations
- not a constituent entity because it does not meet the definition of an entity, its owners that are constituent entities will generally

include their share of its financial results in their top-up tax calculations.

Safe harbours

The Minimum Tax law currently incorporates 4 safe harbours developed by the OECD.

1. **Transitional country-by-country (CBC) reporting safe harbour**

The transitional CBC reporting safe harbour allows an MNE group to use CBC reporting and financial accounting data as the basis for the safe harbour calculation, eliminating the need to undertake detailed GloBE calculations.

This safe harbour applies to fiscal years beginning on or before 31 December 2026 but not including a fiscal year that ends after 30 June 2028. An MNE group may elect to use the safe harbour if it can demonstrate, based on their qualified CBC reports and qualified financial statements, that it meets one of the following tests for a jurisdiction:

- de minimis test
- simplified effective tax rate test, or
- routine profits test

The effect of applying this safe harbour is that the MNE group's jurisdictional top-up tax for that jurisdiction for the fiscal year is taken to be zero.

For more information on how the CBC reporting safe harbour applies, see Transitional CBC reporting safe harbour.

2. **Qualified Domestic Minimum Top-Up Tax (QDMTT) safe harbour**

An MNE group may elect to apply the permanent QDMTT safe harbour under section 8-200 of the Australian Minimum Tax Rules. The permanent QDMTT safe harbour reduces the top-up tax of a jurisdiction to zero. This is for the purpose of applying an IIR or UTPR in Australia in respect of the jurisdiction, where that jurisdiction applies a QDMTT that has QDMTT safe harbour status. This provides a practical compliance solution to avoid needing to carry out both QDMTT and IIR or UTPR calculations in respect of a jurisdiction.

3. **Non-Material Constituent Entity (NMCE) simplified calculations safe harbour**

MNE groups may elect to use the simplified calculations safe harbour under section 8-155 of the Australian Minimum Tax Rules, which includes a simplified method in determining the GloBE income or loss, GloBE revenue and adjusted covered taxes of a NMCE.

This permanent safe harbour allows MNE groups to use these simplified calculations for NMCEs in determining whether the de minimis test, routine profits test or effective tax rate test has been met for a jurisdiction under the safe harbour.

Broadly, an NMCE is a constituent entity that has not been consolidated in the UPE's consolidated financial statements solely due to size or materiality.

Where an MNE group meets one of the simplified calculations safe harbour tests, the top-up tax for the jurisdiction is taken to be zero, with some limited exceptions. Simplified calculations are currently only available for NMCEs. Constituent entities other than NMCEs have to apply the usual GloBE computational rules as part of the simplified calculations safe harbour.

4. **Transitional UTPR safe harbour**

The transitional UTPR safe harbour under section 8-225 of the Australian Minimum Tax Rules allows an MNE to reduce their UTPR top-up tax amount in respect of the UPE jurisdiction (only) to nil during the transitional period, if the UPE jurisdiction has a nominal corporate income tax rate of at least 20%. This safe harbour applies to fiscal years beginning on or before 31 December 2025 and ending before 31 December 2026.

The consolidated commentary provides further information on the safe harbours available and applicable tests where relevant. For details, download the OECD Commentary to the GloBE Rules and refer to Annex A – Safe Harbours: Global Anti-Base Erosion Rules (Pillar Two).

The Australian Minimum Tax Rules also include its own de minimis exclusion in Part 5-5 that can apply for particular jurisdictions.

OECD safe harbours

The OECD Inclusive Framework has agreed to a number of additional safe harbours not listed above:

- Side-by-Side (SbS) safe harbour
- UPE safe harbour
- Substance-based Tax Incentive (SBTI) safe harbour
- Permanent simplified ETR safe harbour.

The Inclusive Framework has also agreed a one-year extension to the transitional CBC reporting safe harbour.

The adoption of these safe harbours into Australian law is a matter for government. For more details, see how the ATO administers potential amendments.

Additional simplifications

To ensure qualification of Australia's global and domestic minimum tax, we are unable to provide concessions, simplifications or safe harbours that are inconsistent with the outcomes provided for in the GloBE Model Rules and administrative guidance.

More information

For more information, see:

- OECD GloBE Rules
  - Safe Harbours and Penalty Relief (20 December 2022) (PDF, 460KB)
  - Illustrative Examples (25 April 2024) (PDF, 2.6MB)
  - Agreed Administrative Guidance (2 February 2023) (PDF, 1.27MB)
  - Agreed Administrative Guidance (17 July 2023) (PDF, 1.08MB)
  - Agreed Administrative Guidance (18 December 2023) (PDF, 478KB)
  - Agreed Administrative Guidance (17 June 2024) (PDF, 3MB)
  - Administrative Guidance, Legislation with Transitional Qualified Status (15 January 2025) (PDF, 497KB)
  - Administrative Guidance on Article 8.1.4 and 8.1.5 (15 January 2025) (PDF, 390KB)
  - Administrative Guidance on Article 9.1 (15 January 2024) (PDF, 427KB)
  - Pillar Two Model Rules Fact Sheets (PDF, 170KB)

QC 103566

Lodging, paying and other obligations for Pillar Two

Pillar Two obligations, including returns, payment and key dates.

Last updated 29 April 2026

Four new lodgment requirements are introduced as part of the Australian global and domestic minimum tax, consistent with the Global Anti-Base Erosion Model Rules (GloBE Rules). These are:

- GloBE Information Return (GIR)
- Foreign lodgment notification
- Australian IIR/UTPR Tax Return (AIUTR)
- Australian DMT Tax Return (DMTR).

The combined global and domestic minimum tax return

The foreign lodgment notification, AIUTR and DMTR will be combined in one form, the Combined global and domestic minimum tax return (CGDMTR).

The separate lodgment requirements are met when the relevant section of the CGDMTR is completed and the CGDMTR is lodged.

The online form for the CGDMTR will be accessible in ATO online services via:

- Online services for agents
- Online services for business

Only persons with strong identity strength in myID and that use myID to log in, can access and lodge the CGDMTR via Online services for business and Online services for agents. For more details, refer to Increase your online security with myID.

Access Manager permissions must be provided to enable access to the form in ATO online services.

A taxpayer with a valid Australian business number (ABN), if not already registered, may register for access to Online services for business.

All registered tax agents may register to use Online services for agents.

You may also lodge through application programming interface (API)-enabled software. Software developers can obtain the necessary API specifications and guidance:

- from the ATO API Portal, or
- by contacting DPO@ato.gov.au.

For a designated local entity (DLE) lodging the form on behalf of group entities, the ATO online services platform has a limitation of 20 entities,

which includes the DLE. If a DLE needs to lodge for more than 20 group entities, the CGDMTR will need to be lodged through an API solution, which will support CGDMTR lodgments for up to 300 entities.

A group entity that does not have a lodgment obligation is not counted towards the abovementioned 20 and 300 entity limits. For instance, in most cases subsidiary members of tax consolidated groups do not need to be listed in the CGDMTR if they:

- are exempt from lodging both the AIUTR and DMTR, and
- have appointed a DLE to lodge their foreign lodgment notification.

These subsidiary members consequently would not be counted in the 20 or 300 entity limit.

The API channel and Online services for business require the DLE to have an ABN to lodge the CGDMTR. The form can still be lodged and processed where the group entities listed in the CGDMTR do not have an ABN.

The GIR and the CGDMTR are separate returns and are lodged separately. The GIR is a global return, while the CGDMTR is an Australia-specific domestic return. The CGDMTR does not contain computational information but enables the triggering of Australia's domestic assessment and payment provisions.

You can:

- view the CGDMTR online instructions
- view sample PDFs of the CGDMTR
- contact us at Pillar2Project@ato.gov.au if you are
  - a taxpayer unable to lodge through ATO online services or an API solution, or
  - a DLE lodging on behalf of more than 300 entities.

GIR and foreign lodgment notification

The GIR is an information return:

- developed by the Organisation for Economic Co-operation and Development (OECD) Inclusive Framework
- containing data to enable tax administrators to perform risk assessment and assess the correctness of an entity's top-up tax liability.

The GIR is a single information return for the multinational enterprise group (MNE group), consisting of:

- a general section

- various jurisdictional sections.

Under the general section, an MNE group:

- provides information about the MNE group as a whole
- identifies the filing constituent entity and provides its corporate structure.

The jurisdictional sections provide information about:

- each jurisdiction where the MNE group is operating
- jurisdictions where relevant safe harbours and exclusions apply.

For jurisdictions where safe harbours and exclusions do not apply, the MNE group would report its detailed effective tax rate (ETR) computations, followed by top-up tax computations and the allocation of top-up tax, if necessary.

The sections that need to be provided in the GIR depend on the dissemination approach, as agreed upon by the OECD Inclusive Framework. Refer to Australian record keeping requirements for the GIR to see what the ATO requires under the dissemination approach.

Under Subdivision 127-A in Schedule 1 to the *Taxation Administration Act 1953* (TAA), the default requirement is for **each group entity** of an MNE group that is GloBE located in Australia to lodge a GIR. In the usual case, a group entity is an entity that, through relationships of ownership or control, have their assets, liabilities, income, expenses and cash flows included in the consolidated financial statements of the ultimate parent entity (UPE).

Consistent with the GloBE Rules, Subdivision 127-A in Schedule 1 provides the ability for group entities to nominate another entity in the MNE group to lodge one single GIR on their behalf. This can comprise of:

- a designated local entity (DLE) lodging with the ATO
- a foreign UPE or a designated filing entity (DFE) lodging with a foreign government agency
  - in this case, each Australian group entity must either lodge its own foreign lodgment notification, or the nominated DLE can lodge a single foreign lodgment notification on behalf of each group entity.

An Australian group entity has a GIR lodgment obligation even if the Australian IIR/UTPR tax or Australian DMT tax amount is nil.

Lodging the GIR in Australia

The GIR XML file can be lodged with the ATO using the Online services for agents or Online services for business file transfer facility. Taxpayers with a tax file number (TFN) may nominate a tax agent to lodge the GIR on their behalf.

You may need to contact your digital service provider to check whether they support GIR XML file generation. Digital service providers can access GIR XML file specifications required to lodge with the ATO, see GloBE Information Returns (GIR) OECD 2026 specification v1.0 | ATO Software Developers.

Similar to the lodgment of country-by-country reports, the channel will indicate if lodgment has been successful. The lodgment will then go through a validation process and if the relevant option is selected, an email advising the outcome will be sent to the contact email address provided in the file transfer facility.

When lodging the GIR locally with the ATO, either each Australian group entity or a DLE of an MNE group can lodge. There is no need to lodge a foreign lodgment notification with the ATO.

The GIR will be lodged separately from the CGDMTR. The AIUTR and DMTR are contained in the CGDMTR, but it does not contain the GIR.

DFE or UPE lodging the GIR overseas

When lodging the GIR with a foreign government agency and not locally with the ATO, to effectively fulfil each Australian group entity's GIR lodgment obligation:

- The GIR must be lodged on time in the foreign jurisdiction (if not met, the group will still have Australian filing obligations).
- Notification must be given to the Commissioner of Taxation by either each Australian group entity itself or the nominated DLE by lodging a foreign lodgment notification form. The foreign lodgment notification is included in the CGDMTR.
  - Where a DLE has been nominated to lodge the foreign lodgment notification, the details of each subsidiary member of a consolidated group (TCG) or multiple entry consolidated (MEC) group are not required to be listed in the foreign lodgment notification section of the CGDMTR where those subsidiary members are exempt from lodgment of both the AIUTR and DMTR under LI 2025/28.The head company of the TCG or head companies and any eligible tier 1 companies of an MEC group must be listed in this section.

For further information, refer to Tax consolidated group lodgments for Pillar Two.

- The foreign government agency that the GIR is lodged with must have a Qualifying Competent Authority Agreement (QCAA) that is in effect with Australia. The GIR will then be exchanged with the ATO as per the QCAA and in line with the dissemination approach agreed by the OECD Inclusive Framework.
  - If the GIR is lodged with a foreign government agency but it is not exchanged with the ATO within the time period specified in the QCAA, the ATO may by written notice require that the GIR be locally lodged with the ATO.
  - On 28 January 2026, Australia became a signatory of the Multilateral Competent Authority Agreement on the Exchange of GloBE Information (GIR MCAA), which is a QCAA for the purposes of lodgment. Australia is now included on the list of GIR MCAA signatories (PDF, 108 KB).
  - The list of activated bilateral exchange relationships under the GIR MCAA for the automatic exchange of GloBE information can be found under OECD Exchange relationships. The list shows the jurisdictions with which Australia has a QCAA that is in effect. The OECD will update this list as new bilateral exchange relationships are activated.

Entities will still have obligations to lodge the AIUTR and DMTR with the ATO even if the GIR is lodged overseas.

AIUTR and DMTR

The AIUTR and DMTR are Australian domestic tax returns, included in the CGDMTR. They enable the triggering of Australia's domestic assessment and pay provisions. The GIR is an information only return and does not result in a top-up tax assessment.

The AIUTR is for the global minimum tax, while the DMTR is for the domestic minimum tax.

Under Subdivision 127-A in Schedule 1 to the TAA, each group entity:

- is required to lodge an AIUTR where they have an Australian IIR/UTPR tax amount (including a nil amount), unless a lodgment exemption applies
- is required to lodge a DMTR where they have an Australian DMT tax amount (including a nil amount), unless a lodgment exemption applies.

Group entities can appoint a DLE to lodge their AIUTR and DMTR on their behalf.

Note: Excluded entities don't have an obligation to lodge the AIUTR or DMTR, nor do they have an obligation to lodge the GIR and foreign

lodgment notification form.

Example: Australian headquartered group does not nominate a DLE

Paddington MNE group is an Australian headquartered MNE group which is in scope of Pillar Two. The Australian entities have not nominated a DLE and have not lodged the GIR overseas through a DFE.

As a result, each Australian entity is required to lodge the GIR. In addition, each Australian entity is required to lodge the AIUTR and DMTR with the ATO (subject to any applicable exemptions for the AIUTR and DMTR).

Generally, we anticipate that where there is an Australia UPE, the GIR will be lodged in Australia.

Example: Australian headquartered group nominates DLE

Assume the same facts as Example 1, except that Herbert Limited has been appointed to be the DLE for GIR, AIUTR and DMTR purposes in respect to the Paddington MNE group.

As the DLE, Herbert Limited lodges the GIR, AIUTR and DMTR on behalf of all Australian entities that have a lodgment obligation. The effect is that each group entity that has a lodgment obligation is taken to have lodged at the time the DLE lodges the returns.

Each group entity that has a lodgment obligation is taken to have satisfied their lodgment obligations on time if Herbert Limited lodges the GIR and the AIUTR and DMTR electronically, in the approved form and by the due date.

Example: foreign headquartered group

Archie Enterprises is the UPE of a foreign headquartered applicable MNE group with Australian operations.

The MNE group nominates Archie Enterprises to file the GIR with a foreign revenue agency on behalf of the group. Australia has an

applicable QCAA with that foreign jurisdiction. All Australian group entities are discharged of their obligation to lodge the GIR with the Commissioner if Archie Enterprises lodges the GIR with their foreign revenue agency by the due date.

However, all Australian entities are still required to lodge the AIUTR and DMTR (subject to any applicable exemptions) and give a completed foreign lodgment notification to the ATO. In this circumstance, a nominated DLE can lodge the AIUTR, DMTR and foreign lodgment notification form on behalf of the Australian entities.

Nomination of a DLE

An MNE group can nominate a DLE to lodge a GIR or foreign lodgment notification on behalf of Australian group entities. If they do so, they can also choose to nominate that same DLE to lodge AIUTRs and DMTRs on behalf of Australian group entities.

A DLE must:

- be a group entity that is GloBE located in Australia for the fiscal year
- be nominated by every other group entity that is GloBE located in Australia for the fiscal year to lodge the GIR or foreign lodgment notification
- be nominated by every group entity with an AIUTR and DMTR lodgment obligation to lodge those returns, if the MNE group also wishes to nominate the DLE to lodge the AIUTR and DMTR
- not be an excluded entity or a permanent establishment.

How to nominate a DLE

There is no specific form that an MNE group must lodge or use to nominate a group entity as a designated local entity (DLE).
MNE groups must identify the DLE in the relevant section of the GIR and the CGDMTR for the fiscal year. The DLE must complete relevant declarations in those returns as the filing entity.

An MNE group must keep appropriate internal written records of each group entity nominating the DLE. We may request a copy of the nomination records for compliance and engagement purposes.

Failure to nominate a DLE

If an MNE group does not nominate a DLE or only nominates one for the GIR and not the CGDMTR (which includes the AIUTR and DMTR), each individual entity with those lodgment obligations must lodge its own return or notice.

Example: GIR lodged in Australia

Alpha MNE group is an Australian headquartered in-scope MNE group. Bravo Pty Ltd is an Australian group entity of the MNE group that is also the head company of a tax consolidated group. Charlie Limited and Delta Pty Ltd are the only Australian group entities of the MNE group that are not members of the tax consolidated group.

All Australian group entities of the MNE group have nominated Charlie Limited to be the DLE for the GIR. Charlie Limited lodges a single GIR on time with the ATO on behalf of all Australian group entities.

Based on the Commissioner's legislative instrument, all subsidiary members of Bravo Pty Ltd tax consolidated group have qualified for an exemption to lodge the AIUTR and DMTR. Accordingly, only Bravo Pty Ltd is required to lodge a AIUTR and DMTR in respect of the tax consolidated group. In addition, Charlie Limited and Delta Pty Ltd, not being members of the tax consolidated group, are each required to lodge an AIUTR and DMTR.

Bravo Pty Ltd and Delta Pty Ltd nominate Charlie Limited as the DLE to lodge the AIUTR and DMTR with the ATO on their behalf. Charlie Limited files the single CGDMTR on behalf of itself, Bravo Pty Ltd and Delta Pty Ltd.

Example: GIR lodged overseas

Echo MNE group is a foreign headquartered in-scope MNE group with group entities in Australia. Foxtrot Enterprises is the UPE of the MNE group that lodges the GIR in a foreign jurisdiction which has a QCAA with Australia.

Golf Pty Ltd is an Australian group entity that has been nominated by all Australian group entities to be the DLE for the foreign lodgment notification. It has also been nominated to lodge AIUTRs and DMTRs by group entities with lodgment obligations. Golf Pty Ltd lodges the foreign lodgment notification form, the AIUTRs and DMTRs in the CGDMTR on behalf of those group entities, on time with the ATO.

Lodgment for entities leaving and joining applicable MNE groups

If an entity leaves an applicable MNE group and joins another applicable MNE group part way through the fiscal year, the transitioning entity can have separate Australian lodgment obligations in respect of each group for the fiscal year in which the transfer occurs.

It is important that you contact us at Pillar2Project@ato.gov.au before lodgment if you have a transitioning entity that has separate DMTR or AIUTR lodgment obligations for each group in this scenario. We will need to tell you how to lodge for that entity to ensure its lodgments can be accepted by our systems.

You do not need to contact us if the entity does not have separate DMTR or AIUTR lodgment obligations for each group. For example, you do not need to contact us if the entity only has DMTR and AIUTR obligations in respect of one of those groups but not in respect of the other because:

- the other group is not in scope of Australia's Minimum Tax law for the fiscal year
- the entity benefits from DMTR and AIUTR lodgment exemptions for the other group for the fiscal year, such as those that may apply to subsidiary members of tax consolidated groups; for example, where a standalone entity leaves an applicable MNE group and joins another applicable MNE group as a subsidiary of a TCG (and it is exempt from lodging a DMTR and AIUTR for that MNE group), you do not need to contact us before lodging the returns for the first MNE group.

Similarly, you do not need to contact us if the entity does not have DMTR or AIUTR lodgment obligations for any group for the fiscal year due to applicable lodgment exemptions. For example, you do not need to contact us before lodgment where a subsidiary member of a TCG transitions to another TCG as a subsidiary member in another applicable MNE group, provided that DMTR and AIUTR lodgment exemptions apply to the entity in respect of both groups.

Lodgment due dates

The GIR, foreign lodgment notification, AIUTR and DMTR are required to be lodged:

- 18 months after the end of the first fiscal year
  - the extended lodgment period applies only to MNE groups in scope from the first applicable fiscal year and does not apply to

MNE groups that become in scope in a later fiscal year, and

- 15 months after the end of the subsequent fiscal years.

The Commissioner has the ability to extend the lodgment deadline for the AIUTR and DMTR, but not the GIR or the foreign lodgment notification.

Lodgment due dates for the first fiscal year

Year-end date	Lodgment due date
Fiscal years ending before 31 December 2024 (fiscal years less than 12 months)	30 June 2026
31 December 2024	30 June 2026
31 January 2025	31 July 2026
28 February 2025	31 August 2026
31 March 2025	30 September 2026
30 April 2025	31 October 2026
31 May 2025	30 November 2026
30 June 2025	31 December 2026
31 July 2025	31 January 2027
31 August 2025	28 February 2027
30 September 2025	31 March 2027
31 October 2025	30 April 2027
30 November 2025	31 May 2027

See additional information for misaligned fiscal years on the Specific issues for Pillar Two page.

Registration

We do not require MNE groups to register for Pillar Two prior to their first lodgment of a GIR and CGDMTR. However, entities may require the GDMT account and role to be created prior to lodgment, in order to nominate a tax agent for Pillar Two purposes.

To lodge a GIR and CGDMTR online, a DLE or group entity needs to log in to ATO online services for business or their agent can lodge on their behalf via ATO online services for agents. For more information on how to access these services, refer to the:

- Online services for agents user guide
- Online services for business user guide

When the first lodgment of CGDMTR is received, a Global and Domestic Minimum Tax (GDMT) account and relevant role will be automatically created in our system.

However, entities may require the GDMT account and role to be created prior to lodgment, in order to nominate a tax agent for Pillar Two purposes. This can be completed by lodging a request to create a GDMT account through either:

- Online services for business using secure mail
  - open a **New message**
  - select the Topic: **Global and domestic minimum tax**
  - select the Subject: **Request for account and role**
  - provide full entity details and the fiscal year end date and start date for the lodgment in your request
- Online services for agents using practice mail (only agents already linked at client level can make this request)
  - open a **New message**
  - select the Topic: **Global and domestic minimum tax**
  - select the Subject: **Request for account and role**
  - provide full entity details and the fiscal year end date and start date for the lodgment in your request
- entities that cannot access online services and do not have a current client level agent must contact us (as follows). Overseas taxpayers or agents cannot lodge unless they are already in our systems and linked at client level to a GDMT account. The entity

itself will need to request this, as the agent proposed to be nominated for Pillar Two is not yet linked to the account

- email the Pillar2Project@ato.gov.au
- phone **13 28 66** (businesses)
- provide full entity details and the fiscal year end date and start date for the lodgment in your request.

Note that the GDMT account and role creation request will not be able to be completed without full entity details and fiscal year of the lodgment.

After the GDMT account and role is created, Agent nomination can be completed.

Agents already linked at the client level will be able to lodge your CGDMTR.

Tax agents may remove client to agent linking by following Remove client in the Online services for agents user guide.

Legislative instrument

Entities may be exempt from certain lodgment aspects of the Australian global and domestic minimum tax in certain circumstances.

Specifically, subsections 127-35(5) and 127-45(5) in Schedule 1 to the TAA allow the Commissioner to, by way of a legislative instrument, make a determination specifying circumstances in which a group entity need not lodge an AIUTR and DMTR for a fiscal year, respectively.

The Commissioner cannot exempt entities from lodging the GIR or foreign lodgment notification.

LI 2025/28

The Legislative Instrument LI 2025/28 *Taxation Administration (Exemptions from Requirement to Lodge Australian IIR/UTPR tax return and Australian DMT tax return) Determination 2025* together with its explanatory statement has been registered and published on the Federal Register of Legislation on 22 December 2025.

It is aimed at exempting an entity from lodgment when its top-up tax liability will always be nil.

Under the legislative instrument, entities that may be exempt from lodging a DMTR for a fiscal year include:

- certain subsidiary members of tax consolidated groups or multiple entry consolidated (MEC) groups

- entities that are not GloBE located in Australia, other than a stateless constituent entity created in Australia or a main entity of an Australian GloBE permanent establishment
- certain GloBE securitisation entities
- certain flow-through entities that cannot have an Australian DMT tax liability.

Given the AIUTR covers both Australian IIR tax and Australian UTPR tax liabilities, entities will only be exempt from lodging an AIUTR for a fiscal year under specific circumstances in which these liabilities will always be nil.

The legislative instrument sets out 2 circumstances that must both be met for a fiscal year before the exemption will apply:

1. Entities that may fall within the first circumstance relating to the IIR include
    - entities that are not parent entities, or which are parent entities but which are not GloBE located in Australia
    - parent entities that are GloBE located in Australia, but which only hold direct and indirect ownership interests in other group entities or GloBE joint ventures that are themselves GloBE located in Australia
    - parent entities that are GloBE located in Australia, but which cannot have an Australian IIR tax liability greater than zero because a higher-tier parent entity is required to apply a qualified income inclusion rule.
2. These entities must also be covered by the second circumstance relating to the UTPR in order to benefit from the exemption. Entities that may do so include
    - certain subsidiary members of consolidated groups and MEC groups
    - entities that are not GloBE located in Australia, other than a main entity of an Australian permanent establishment
    - entities that would have an Australian UTPR tax liability of nil due to the application of one or more qualified income inclusion rules or in combination with the group's eligibility for the transitional UTPR safe harbour
    - the fiscal year starts on or before 31 December 2024
    - certain GloBE investment entities, insurance investment entities and GloBE securitisation entities.

Entities may be exempt from the requirement to lodge one or both of AIUTR and DMTR for a fiscal year depending on their circumstances.

Example: foreign-headquartered group

(a) Foreign UPE

Archie Enterprises is the GloBE UPE of a foreign-headquartered applicable MNE group. It has one subsidiary that is GloBE located in Australia. Archie Enterprises does not have a permanent establishment in Australia.

Archie Enterprises' foreign jurisdiction has implemented a qualified income inclusion rule (QIIR) for the fiscal year, which applies to all constituent entities, GloBE JVs and GloBE JV subsidiaries in the applicable MNE group, including those that are GloBE located in the UPE jurisdiction.

DMTR

Archie Enterprises is exempt from lodging a DMTR for the fiscal year because it is:

- GloBE located in a foreign jurisdiction, and
- not a main entity in respect of an Australian GloBE permanent establishment or a flow-through entity created in Australia.

Therefore, it cannot have an Australian DMT tax liability greater than zero.

AIUTR

Archie Enterprises is exempt from lodging an AIUTR for the fiscal year because:

- **IIR-related condition** – Archie Enterprises is a parent entity that is not GloBE located in Australia. As a result, it cannot have an Australian IIR liability.
- **UTPR-related condition** – Archie Enterprises is not GloBE located in Australia and is not a main entity of a GloBE permanent establishment that is GloBE located in Australia for the fiscal year. Therefore, no Australian UTPR liability can arise.

(b) Australian subsidiary

DMTR

The Australian subsidiary is not exempt from lodging the DMTR.

AIUTR

Archie Enterprises' Australian subsidiary does not hold ownership interests in other constituent entities.

The Australian subsidiary is exempt from lodging an AIUTR for the fiscal year because:

- **IIR-related condition** – the Australian subsidiary is GloBE located in Australia for the fiscal year but is not itself a parent entity.
- **UTPR-related condition** – the Australian subsidiary could never have an Australian UTPR top-up tax amount greater than zero due to the application of the QIIR of the UPE's jurisdiction to all constituent entities, GloBE JVs and GloBE JV subsidiaries in the group, including those in the UPE's jurisdiction. The application of that QIIR switches off Australia's UTPR taxing rights.

Example: UPE in a non-implementing jurisdiction and Australian parent entity

MNE group A is a foreign headquartered MNE group which is in scope of Pillar Two.

- UPE 1 is GloBE located in a non-implementing foreign jurisdiction.
- UPE 1 directly owns 100% of Aus Fin Co 1.
- Aus Fin Co 1 is located in Australia and owns 100% of Foreign Co 2.
- Foreign Co 2 is located in Jurisdiction X. Jurisdiction X has implemented only a QDMTT but does not have a QIIR or QUTPR.

Is Aus Fin Co 1 exempt from lodging an AIUTR for the fiscal year?

No. Aus Fin Co 1 is not exempt from lodging an AIUTR for the fiscal year because there is not a higher-tier parent entity that is required to apply a QIIR. Because it is not exempt from the Australian QIIR tax, it is also not exempt from lodging the AIUTR. Accordingly, no further consideration of the UTPR-related exemption criteria is required.

Example: UPE in a non-implementing jurisdiction and Australian non-parent entity

Now assume the facts in the previous example, except that Aus Fin Co 1 is not a parent entity because UPE 1 holds Foreign Co 2 directly.

Is Aus Fin Co 1 exempt from lodging an AIUTR for the fiscal year?

No. Even though Aus Fin Co 2 satisfies the IIR-related criteria because it is not a parent entity, it does not satisfy the criteria relating to the UTPR.

For this MNE group's structure, the MNE group's profits in the GloBE UPE jurisdiction and jurisdiction X are not covered by a QIIR. Therefore, Australia's UTPR taxing rights over the MNE group's undertaxed profits in those jurisdictions are not switched off.

This outcome does not change even if:

- UPE 1 or Foreign Co 2 benefits from the Transitional CBC reporting safe harbour
- Jurisdiction X's QDMTT has QDMTT safe harbour status.

Example: UPE in a non-implementing jurisdiction and benefits from the transitional UTPR safe harbour

1. Assume the facts in the example above, except that the UPE jurisdiction is eligible to benefit from the transitional UTPR safe harbour and Foreign Co 2 does not exist. Therefore, Aus Fin Co 1 is the only other constituent entity in the group.

For this applicable MNE group structure, Aus Fin Co 1 is exempt from lodging the AIUTR for the fiscal year because:

- **IIR-related condition** – Aus Fin Co 1 is not a parent entity and therefore cannot have an Australian IIR liability greater than nil.
- **UTPR-related condition** – For this applicable MNE group structure, all of the MNE group's profits are covered by a combination of the transitional UTPR safe harbour and Australia's domestic minimum tax.

2. Assume the facts in example above, except that the UPE jurisdiction is eligible to benefit from the transitional UTPR

safe harbour and Foreign Co 2 does exist (unlike the example in (1) above).

For this applicable MNE group structure, Aus Fin Co 1 is not exempt from lodging the AIUTR for the fiscal year because:

- **UTPR-related condition** – For this applicable MNE group structure, Foreign Co 2's profits are not covered by Australia's QDMT, the transitional UTPR safe harbour or a QIIR.

This outcome does not change even if Foreign Co 2's jurisdiction has a QDMTT safe harbour status.

Obligations and liabilities for specific entity types

GloBE permanent establishments

For GloBE permanent establishments located in Australia, all lodgment and payment obligations are placed on its main entity. The main entity is required to give the Commissioner a GIR, AIUTR, and DMTR in respect of the GloBE permanent establishment. The GIR and foreign lodgment notification requirements apply to the main entity as if it were located in Australia.

GloBE joint ventures

GloBE JVs and GloBE JV subsidiaries are not required to separately lodge the GIR or the AIUTR. However, disclosure requirements regarding GloBE JVs and GloBE JV subsidiaries are required in the GIR for applicable MNE groups that hold ownership in GloBE JVs.

GloBE JVs and GloBE JV subsidiaries are required to lodge a DMTR under section 127-55 of the TAA and may be liable to pay domestic minimum tax. The Commissioner's legislative instrument outlines circumstances in which a GloBE JV or GloBE JV subsidiary need not lodge a DMTR.

A GloBE JV of an applicable MNE group and its GloBE JV subsidiaries may appoint a DLE of that applicable MNE group to lodge their DMTRs on their behalf. If an entity is a GloBE JV of 2 applicable MNE groups for a fiscal year, the GloBE JV and its GloBE JV subsidiaries may only appoint a DLE of one of those groups to lodge their DMTRs.

Accounting joint operations

Stakeholders have specifically asked us what the lodgment obligations are for arrangements that are treated as joint operations for accounting purposes. There is no concept of a joint operation for

accounting purposes under the global and domestic minimum tax. Whether such an arrangement has lodgment obligations depends on whether it is classified as a constituent entity. If it is, the standard lodgment obligations applicable to group entities can apply, which includes lodgment of the GIR, AIUTR and DMTR. For more information on the classification of joint operations, see When and how the Pillar Two rules apply.

The legislative instrument includes exemptions that may apply to certain joint operations classified as constituent entities. These include the following:

- About the **AIUTR**
  - A group entity that is not GloBE located in Australia will not be required to lodge an AIUTR, unless it is a main entity of an Australian permanent establishment (refer to section 11 of the instrument). Also, this exemption covers a joint operation created in Australia that is classified as a flow-through entity, except where it is a parent entity that must apply Australia's IIR.
- About the **DMTR**
  - A joint operation that is not GloBE located in Australia will not be required to lodge a DMTR (refer to section 8 of the instrument). However, this particular exemption does not apply to a joint operation created in Australia that is classified as a flow-through entity. Neither does it apply to an entity that is a main entity of an Australian permanent establishment.
  - Where the joint operation is a flow-through entity created in Australia, lodgment will not be required where the Australian domestic top-up tax amount cannot be greater than zero provided certain circumstances are met (refer to section 10 of the instrument). These circumstances include that the joint operation is neither a reverse hybrid entity, a main entity of an Australian permanent establishment, or a UPE that is GloBE located in Australia. In addition, for the exemption to apply, the joint operation must have all its Financial Accounting Net Income or Loss reduced to zero under the Australian Minimum Tax Rules and must not have a domestic top-up tax amount greater than zero.

We anticipate that a number of joint operations that are flow-through entities may not have an obligation to lodge an AIUTR and DMTR based on the exemptions above. Taxpayers should consider the legislative instrument carefully regarding whether they meet the conditions for the relevant exemption.

About the **GIR**, joint operations classified as constituent entities are not required to lodge a GIR if they are not GloBE located in Australia.

This includes flow-through entities created in Australia that are treated as stateless constituent entities.

However, MNE groups must still report information about each constituent entity in the GIR. We will apply an administrative approach and accept GIRs that do not list joint operations as separate constituent entities, provided the following specific circumstances are met:

- The joint operation is a flow-through entity created in Australia and is not a trust, GloBE partnership, reverse hybrid entity or main entity of an Australian permanent establishment.
- The joint operation could not have an Australian domestic top-up tax amount greater than zero.
- The financial records available for the joint operation do not enable separate reporting as a constituent entity in the GIR for the detailed disclosure requirements.
- The participants in the joint operation that are group entities are constituent entities and report their proportionate share of the joint operation's income, covered taxes, and other relevant information as part of their disclosures in the GIR.

GloBE partnerships

'GloBE partnership' is defined under subsection 128-20(6) of the *Taxation Administration Act 1953* (TAA) and takes its meaning from the ordinary concept of partnership. It is distinct from the definition of partnership in subsection 995-1(1) of the ITAA 1997 and specifically includes corporate limited partnerships.

Extended application to unincorporated entity types

Targeted rules accommodate different entity types to ensure obligations and liabilities imposed can be administered effectively.

For trusts, partnerships and other unincorporated entities, Subdivision 128-B in Schedule 1 to the TAA extends the entities to which obligations and liabilities in respect of the Australian global and domestic minimum tax apply.

Extended application under the TAA

Entity type	Entity subtype	Entity that obligation, offences and joint and several	Provisio

		liability is applied to	
Trusts	n/a	The trustees, regardless of whether the trustee is a member of the applicable MNE group	128-15
GloBE partnerships	Not a GloBE JV or GloBE JV subsidiary	The partners, regardless of whether the partner is a member of the applicable MNE group.	128-20
GloBE partnership	Unincorporated GloBE JV	Each partner of the unincorporated JV that is a group entity of the applicable MNE group.	128-25
GloBE partnership	Unincorporated GloBE JV subsidiary	Each partner that is the GloBE JV, or another GloBE JV subsidiary, or a group entity of the applicable MNE group.	128-25
Not trust or GloBE partnership	Unincorporated GloBE JV	Each group entity of the applicable MNE group that holds a direct ownership interest in the GloBE JV.	128-25
Not trust or GloBE partnership	Unincorporated GloBE JV subsidiary	The GloBE JV and each group entity of the applicable MNE group that holds a direct ownership	128-25

		interest in the GloBE JV.	
Not trust or GloBE partnership	Unincorporated group entities	Each group entity of the applicable MNE group to which a portion of the unincorporated group entity's assets, income, expenses, cashflows and liabilities belong, or that is a member of the management committee of the unincorporated group entity.	128-25

Note: Both columns under entity type (entity type and entity subtype) must be met for the relevant provision to apply.

Generally, any entity listed above that the extended application applies to can discharge the obligation or liability.

Liability

Top-up tax liabilities

Global and domestic minimum tax is payable by entities that have a top-up tax amount for the fiscal year.

The global minimum tax brings the total effective tax in another jurisdiction up to 15% by charging:

- Australian IIR tax equal to the sum of its IIR top-up tax amounts
- Australian UTPR tax equal to the sum of its UTPR top-up tax amounts.

The domestic minimum tax brings the total effective tax in Australia up to 15% by charging Australian DMT tax equal to the sum of its domestic top-up tax amounts.

An entity becomes liable for top-up tax on the same day the return that gives rise to the assessment is due, generally 15 months after fiscal year end and 18 months after the first fiscal year end. Shortfall interest charge, general interest charge and penalties can also apply.

Where an Australian group entity is a member of a tax consolidated group, the head entity is allocated the top-up tax amounts for the purposes of liabilities for DMT and UTPR tax. For more information on top-up tax allocations, see Top-up tax for tax consolidated groups.

The Taxation (Multinational – Global and Domestic Minimum Tax) Rules 2024 and associated Explanatory Statement (PDF, 1.55MB) detail the mechanisms for allocating and computing top-up tax amounts.

Joint and several liability

All group entities of the MNE group become jointly and severally liable to pay top-up tax, meaning the ATO can collect global or domestic minimum tax amounts or related charges from any group entity in the MNE group. Generally, any group entity can discharge the liability on behalf of all group entities in the group.

Specifically, section 128-5 in Schedule 1 to the TAA provides that if an amount is payable by a group entity of an applicable MNE group, that group entity and each other group entity of that group is jointly and severally liable to pay that amount. An amount includes top-up tax, general interest charge, shortfall interest charge, and penalties.

Additional joint and several liability rules apply to GloBE JVs of an applicable MNE group. Where GloBE JVs and GloBE JV subsidiaries are liable to pay top-up tax, each of these entities and the group entities of the MNE group that have direct ownership interest in the JV are jointly and severally liable to pay the amount.

There are exceptions to this. Joint and several liability does not apply:

- to entities that meet the conditions in subsection 820-39(3) of the *Income Tax Assessment Act 1997*, or
- where Australian law prohibits the entity from entering into an arrangement under which it becomes subject to such a liability.

Payments

Payment reference number

A payment reference number (PRN) is issued for each group entity when any of its top-up tax liabilities is greater than zero. The same PRN applies to all 3 top-up tax liabilities. The PRN will be provided to the lodging entity as part of the lodgment success message via Online services for business, Online services for agents or an API solution.

The PRN provided on the lodgment confirmation page may be different to the one on the notices and account summary screen. Either of them

can be used to make payment to the Global and Domestic Minimum Tax (GDMT) account.

The group entity, DLE and tax agent can view a PRN through Online services for business, Online services for agents or by phoning the ATO.

How to pay

Top-up tax liabilities should be paid individually by each group entity of an MNE group.

The DLE can make a payment for itself and for the group entities it is lodging for. However, the correct PRN for each corresponding group entity must be used. Failure to do so may lead to delays in payment processing. For example, the DLE should not make a payment for another group entity using the DLE's PRN.

For details on how to pay, refer to 'Payment' in the Pillar Two CGDMTR online form instructions 2024.

To minimise delays in processing times and in case there is an available refund, ensure the financial institution details for your GDMT account are up to date.

Deferrals

Lodgment deferral

Every in-scope taxpayer will be granted automatic 30-day deferral for their AIUTR and DMTR lodgments for fiscal years commencing in 2024; to allow taxpayers and their advisers extra time to ensure they are ready to lodge on time. You do not need to do anything; the lodgment deferral will appear automatically on the taxpayer account. This automatic deferral doesn't apply to later fiscal years commencing after 2024.

However, an automatic payment deferral will not be granted for any IIR, UTPR or DMT top-up tax liability in the first year. If you have top-up tax payable for the first year, you will still need to pay on or before the original due date despite lodgments being automatically deferred for 30 days for the first year. You can, however, apply for a payment deferral as outlined below, which will be considered in line with existing guidance.

Any further period of lodgment deferral for the first year, beyond the automatic deferral of 30 days, or for subsequent years, can be requested via practice mail or secure mail on the ATO online channels using the *Combined global and domestic minimum tax lodgment deferral request* form (NAT 75810) below.

Combined Global and domestic minimum tax return lodgment deferral request form

Download the Combined Global and domestic minimum tax return lodgment deferral request form (NAT 75810) (XLS, 110KB).

If you do not have access to ATO online channels, contact the Pillar Two mailbox at Pillar2Project@ato.gov.au, and an ATO secured transfer facility (Kiteworks) will need to be used to submit the form.

Each form can only contain a lodgment deferral request for one in-scope MNE group. For example, a form can contain requests for one DLE and all the MNE group's group entities with Australian AIUTR and DMTR lodgment obligations.

There is no limit to the number of group entities that can be listed in the form. If a tax agent has a number of MNE groups to request deferrals for, deferrals for each MNE group must be submitted using a separate form.

Before submitting a deferral request

Ensure that you send your request before the due date and include sufficient reasons for your deferral request. Each group entity's deferral request will be considered separately, as there may be different reasons for the request for each group entity.

As outlined in PCG 2025/4 *Global and domestic minimum tax lodgment obligations – transitional approach*, during the transition period (fiscal years commencing on or before 31 December 2026 and ending on or before 30 June 2028) we will consider whether reasonable measures have been taken when assessing a deferral request. We will contact you in relation to the outcome of your request.

Submitting lodgment deferral – tax agents

Tax agents cannot lodge the Pillar Two lodgment deferral via the existing lodgment deferral form in Online services for agents. The completed Combined Global and domestic minimum tax return lodgment deferral request form must be sent to us using practice mail:

- open a **New message**
- select the Topic: **Global and domestic minimum tax**
- select the Subject: **Request for lodgment deferral**
- select the appropriate option in the **Enquiry type** drop-down menu
- attach the completed form
- select the **Declaration**, then send.

Submitting lodgment deferral – DLE or group entity

Members of an in-scope MNE group (either the DLE or the individual group entities) can submit the Combined Global and domestic minimum tax return lodgment deferral request form via Online services for business using secure mail:

- open a **New message**
- select the Topic: **Global and domestic minimum tax**
- select the Subject: **Request for lodgment deferral**
- select the appropriate option in the **Enquiry type** drop-down menu
- attach the completed form
- select the **Declaration**, then send.

If you do not have access to Online services for business then contact us through the Pillar Two mailbox at Pillar2Project@ato.gov.au. (**Do not** attach the deferral request form to the email as it is not a secure channel. We will provide Kiteworks secure file transfer details.)

If a lodgment deferral is not granted

If a lodgment deferral is not granted for a particular group entity, but other group entities are granted a deferral, then the group entity which was not granted a deferral must lodge its return separately.

If a DLE is lodging on the group's behalf, it must remove the group entity from the group return. This arrangement is only relevant in this fiscal year. In the following fiscal year, the DLE (or a different DLE if nominated) may lodge for the whole group again.

If a lodgment deferral is not granted – suspension of lodgment enforcement action

We usually consider a suspension of lodgment enforcement action when the reasons given for the lodgment deferral request are not sufficient to allow a deferral or where a deferral is not applicable.

We may agree to suspend lodgment enforcement action during the transition period by not undertaking compliance action on a specific overdue lodgment for a period of time.

Generally, a suspension will not be granted for a period greater than 4 weeks. Refer to PS LA 2011/15 for a list of matters we consider when deciding whether to suspend lodgment enforcement action.

You can apply for a suspension through:

- Online services for business using secure mail
  - open a **New message**
  - select the Topic: **Global and domestic minimum tax**

  - select the Subject: **Request for lodgment deferral**
- Online services for agents using practice mail
  - open a **New message**
  - select the Topic: **Global and domestic minimum tax**
  - select the Subject: **Request for lodgment deferral**
- the Pillar Two mailbox at Pillar2Project@ato.gov.au.

A letter informing you of the outcome will be sent to you if:

- a lodgment deferral or suspension of lodgment enforcement action is not granted, or
- we choose to suspend lodgment enforcement action in lieu of granting a lodgment deferral.

If a lodgment deferral is granted, the new lodgment date will show in Online services for business or Online services for agents.

Payment deferral

Requests for payment deferrals are made separately to lodgment deferral requests, although they can be made at the same time.

You can request a payment deferral if:

- there are, or have been, exceptional or unforeseen circumstances beyond their control
- the exceptional or unforeseen circumstances must be consistent with those outlined in Practice Statement PS LA 2011/14 *General debt collection powers and principles*.

Combined global and domestic minimum tax return payment deferral request form

Download the Combined global and domestic minimum tax return payment deferral request form (NAT 75813), PDF, 112KB) and provide details of the exceptional or unforeseen circumstances.

Submitting payment deferral – tax agents

Tax agents cannot lodge the Pillar Two payment deferral via the existing payment only deferral application form in Online services for agents. The completed Combined global and domestic minimum tax return payment deferral request form must be sent to us using practice mail:

- open a **New message**
- select the Topic: **Global and domestic minimum tax**

- select the Subject: **Request for payment deferral**
- select the appropriate option in the **Enquiry type** drop-down menu
- attach the completed form
- select the **Declaration**, then send.

Submitting payment deferral – DLE or group entity

Members of an in-scope MNE group (either the DLE or the individual group entities) who are not lodging through a tax agent, can submit the payment deferral request form via Online services for business using secure mail:

- open a **New message**
- select the Topic: **Global and domestic minimum tax**
- select the Subject: **Request for payment deferral**
- select the appropriate option in the **Enquiry type** drop-down menu
- attach the completed form
- select the **Declaration**, then send.

If you do not have access to Online services for business, then contact us through the Pillar Two mailbox at Pillar2Project@ato.gov.au. (**Do not** attach the deferral request form to the email as it is not a secure channel. We will provide Kiteworks secure file transfer details.)

If there is a DLE appointed for the MNE group, it is important that the DLE details are also set out in the form (not just the entities on behalf of which the DLE is lodging).

You will be contacted in relation to the outcome of your request if the payment deferral is not granted. Otherwise, the new payment date will show in Online services for business or Online services for agents.

GIR or foreign lodgment notification – suspend lodgment enforcement action

We cannot defer lodgment of the GIR or foreign lodgment notification. We may, however, agree to suspend lodgment enforcement action during the transition period by not undertaking compliance action on overdue lodgments for a period of time.

You can apply for a suspension through:

- Online services for business using secure mail
  - open a **New message**
  - select the Topic: **Global and domestic minimum tax**

  - select the Subject: **Request for lodgment deferral**
- Online services for agents using practice mail
  - open a **New message**
  - select the Topic: **Global and domestic minimum tax**
  - select the Subject: **Request for lodgment deferral**
- the Pillar Two mailbox at Pillar2Project@ato.gov.au.

Generally, a suspension will not be granted for longer than 4 weeks.

An automatic 30-day suspension will apply to any foreign lodgment notification for the fiscal year commencing in 2024, aligning with the 30-day deferral period for the AIUTR and DMTR.

Amendments

You may need to lodge an amended CGDMTR if you have made a mistake or forgotten to include an amount in relation to the CGDMTR.

Not all errors or adjustments require correcting a CGDMTR. For example, there is no need to amend an assessment if the error does not affect the amount of a top-up tax liability. If you would like to correct a GIR, this can be done in respect of any error, not just ones which affect the top-up tax liability.

Amendments can only be made by the original lodging entity. For example, a DLE lodges the CGDMTR on behalf of all the group entities in Australia. It is subsequently discovered that information in the CGDMTR relating to 2 of the group entities requires amending. In this case, only the DLE can amend the CGDMTR on behalf of these 2 group entities, because it had lodged the original CGDMTR for them.

You cannot amend the following information that was provided in the original CGDMTR:

- capacity of lodging entity; that is, switching from a group entity to DLE or DLE to group entity
- adding or removing a group entity
- identifiers of the lodging entity including TFN/ABN/ARN and name
- identifiers of group entities including TFN/ABN/ARN, name and business address
- the reporting period of the return.

All validations applicable on the original are applicable on the amendment.

After lodging the amended CGDMTR, the lodging entity will receive a lodgment success notification and a transaction ID. An amended notice of assessment and statement of account (if applicable) will be issued. The relevant group entity can make a payment if a liability occurs as a result of the amendment.

For further information, see Amending a global and domestic minimum tax assessment and GIR.

Period of review

4-year period of review

A 4-year period of review applies where we may amend global and domestic minimum tax assessments. This period of review may be extended or refreshed. After the period of review ends, an amendment will only be made by us in limited circumstances:

- For assessments of Australian IIR/UTPR tax, the 4-year period starts on the later of
  - the day the GIR is given to the Commissioner
  - the day the AIUTR is given to the Commissioner.
- For assessments of Australian DMT tax, the 4-year period starts on the later of
  - the day the GIR is given to the Commissioner
  - the day the DMTR is given to the Commissioner.

The period of review may be extended by a Federal Court of Australia order or if the taxpayer agrees to a written request by the Commissioner.

When is the GIR given to the Commissioner

The GIR is generally considered given to the Commissioner:

- if lodged in Australia, on the date it is lodged
- if lodged on time with a foreign government agency in accordance with section 127-20 in Schedule 1 to the TAA, on the date it is given to the foreign government agency.

The foreign government agency that the GIR is lodged with must have a QCAA with Australia.

Penalties

What administrative penalties can apply

The existing uniform penalty provisions contained in Schedule 1 to the TAA apply, with base penalty amounts similar to those imposed for significant global entities. This means, for example:

- penalties for failure to lodge on time, which can apply to entities that do not lodge an approved form by the due date. The base penalty amount is multiplied by 500.
- penalties for false and misleading statements or for taking a position that is not reasonably arguable. The base penalty amount is doubled.

In addition, an administrative penalty can apply for failing to keep records about the global and domestic minimum tax.

OECD guidance on penalties

The OECD has released guidance on transitional penalty relief, which outlines that administrators should consider providing a soft landing for MNE groups during a transition period.

This includes recommending administrators consider not applying penalties or sanctions in connection with the filing of the GIR during the transition period where an MNE group has taken 'reasonable measures' to ensure the correct application of the GloBE Rules. 'Reasonable measures' is not defined and should be understood in light of each jurisdiction's existing rules and practices.

ATO guidance on penalties

We have published Practical Compliance Guideline PCG 2025/4 *Global and domestic minimum tax lodgment obligations – transitional approach*, outlining:

- our approach to the enforcement of penalties during a transition period, and
- expectations in respect of lodgment obligations for the global and domestic minimum tax.

We have also published minor updates to existing ATO guidance products relating to the administration of penalties for the global and domestic minimum tax, including to:

- MT 2008/1 *Penalty relating to statements: meaning of reasonable care, recklessness and intentional disregard*
- MT 2008/2 *Shortfall penalties: administrative penalty for taking a position that is not reasonably arguable*
- MT 2012/3 *Administrative penalties: voluntary disclosures*
- PS LA 2005/2 *Penalty for failure to keep or retain records*

- PS LA 2011/15 *Lodgment obligations, due dates and deferrals*
- PS LA 2011/19 *Administration of the penalty for failure to lodge on time*
- PS LA 2012/4 *Administration of the false or misleading statement penalty – where there is no shortfall amount*
- PS LA 2012/5 *Administration of the false or misleading statement penalty – where there is a shortfall amount*.

Record keeping

The legislation inserts Subdivision 382-C in Schedule 1 to the TAA which provides record keeping requirements on the Australian global and domestic minimum tax.

Broadly, the provision requires an Australian group entity, as well as GloBE JVs and GloBE JV subsidiaries, of an MNE group, to keep records that fully explain whether it has complied with the global and domestic minimum tax legislation. This includes, but is not limited to, all records that explain and show the basis of every disclosure in the GIR, AIUTR and DMTR lodged or exchanged with the Commissioner.

Excluded entities, which may not have an obligation to lodge, are still required to keep records relating to their status as an excluded entity.

Entities that are exempt from lodgment obligations under the legislative instrument are still required to keep records showing why they qualified for the exemption for a fiscal year.

Records must be kept in writing in English, or in a format that is readily accessible and convertible to English and must enable the entity's liability to top-up tax to be readily determined.

Records must be kept until either:

- the end of 8 years after those records were prepared or obtained
- 8 years after the completion of the transactions or acts to which those records relate
- the end of the period of review for an assessment to which those records relate (if extended), whichever is the later.

Australian record keeping requirements for the GIR

As part of the requirement to keep records that fully explain whether you have complied with the global and domestic minimum tax legislation, you are required to keep records that support the disclosures in the GIR. This is notwithstanding that the UPE or DFE of the MNE group may lodge the GIR with a foreign government agency.

The records required to be kept are dependent on the information required to be provided under the dissemination approach, agreed upon by the OECD Inclusive Framework. The dissemination approach sets out which sections of the GIR are to be distributed to each country based on the MNE group's structure and the requirements of the rule order. More specifically, the UPE country receives the complete GIR, countries with taxing rights receive the detailed calculations for those jurisdictions in which it has taxing rights in relation to, and all countries receive the corporate structure. Based on this, the ATO should receive the following in respect of the GIR:

- Section 1: general information section, such as the group's corporate structure and summary information
- Section 2: jurisdictional sections relating to safe harbours and exclusions where Australia has taxing rights (including Australia itself)
- Section 3: jurisdictions sections providing detailed ETR and top-up tax computations for those jurisdictions in respect of which Australia has taxing rights (including computations in relation to Australia itself which provides the computations for Australian Domestic Minimum Tax)
- the whole GIR where there is an Australian UPE.

Broadly, this means records must be kept for all disclosures in the GIR in relation to overseas jurisdictions where Australia has taxing rights.

Where there is a foreign UPE and Australia does not have taxing rights for an overseas jurisdiction, records must be kept that support that Australian constituent entity has no IIR/UTPR taxing rights as per the agreed rule order. Records must still be kept for all detailed disclosures in the GIR in relation to Australia itself.

Records must also be kept in relation to the MNE group structure regardless of whether Australia has taxing rights over a foreign jurisdiction.

Where there is an Australian UPE, records must be kept for all disclosures in the GIR.

More information

For more information, see:

- Combined global and domestic minimum tax return (PDF, 744KB) for a Group Entity (GE) – sample only
- Combined global and domestic minimum tax return (PDF, 814KB) for a Designated Local Entity (DLE) – sample only

- Online services for agents user guide
- Online services for business user guide
- OECD GloBE Rules
- GloBE Information Return (January 2025) – update to version released July 2023
- GloBE Information Return (Pillar Two) XML Schema
- GloBE Information Return (Pillar Two) Status Message XML Schema (PDF, 2.2MB)

Amending a global and domestic minimum tax assessment and GIR

How to amend a global and domestic minimum tax assessment and correct a GloBE Information Return (GIR).

QC 103565

Amending a global and domestic minimum tax assessment and GIR

How to amend a global and domestic minimum tax assessment and correct a GloBE Information Return (GIR).

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Check if an amendment is needed

To correct mistakes in relation to the global and domestic minimum tax, you may need to:

- amend a prior return or assessment, or
- include the correction in the current year's return.

For computational mistakes, you may need to amend one or more of your prior:

- GloBE Information Return (GIR).
- Australian IIR/UTPR tax return (AIUTR) assessment.
- Australian DMT tax return (DMTR) assessment.

If the error does not affect the amount of your top-up tax liability, you do **not** need to amend your assessment.

Mistakes you may need to fix include where you have:

- misclassified an item of income or tax expense
- forgotten to include an amount
- erroneously applied an exemption
- made data entry mistakes.

When you don't need to adjust or amend a return

Not all errors or adjustments require correcting a tax return. For example, you don't need to amend an assessment if the error does not affect the amount of a top-up tax liability. But you can correct a GIR for any error, not just ones which affect the top-up tax liability.

In some cases, the global and domestic minimum tax rules require adjustments to be made in the current year calculations in respect of certain errors or adjustments that relate to earlier years. In these cases, any additional top-up tax liability is reported in the current year tax return. Examples of these adjustments include those in respect of prior period accounting errors, or adjustments in respect of changes in prior period income tax liabilities.

For further details, refer to the Minimum tax law. You do not need to amend the prior period tax returns for these adjustments. The 4-year amendment period does not apply when making these adjustments in the current period.

For more information, see Lodging paying and other obligations for Pillar Two.

Statutory amendment period

The law sets out certain time limits for amending an assessment.

For Australian Income Inclusion Rule (IIR) tax and Australian Undertaxed Profits Rule (UTPR) tax, you must amend by the later of:

- 4 years after you, the designated local entity (DLE) or designated filing entity (DFE) have given us the multinational enterprise (MNE) group's GloBE Information Return (GIR)
- 4 years after you or your DLE have given us the Australian IIR/UTPR tax return for the relevant group entity.

For Australian DMT tax, you must amend by the later of:

- 4 years after you, the designated local entity (DLE) or designated filing entity (DFE) have given us the MNE group’s GIR

- 4 years after you or your designated local entity have given us the Australian DMT tax return for the relevant group entity.

A GIR is given to us when you or your designated local entity lodges it with the ATO electronically. For this purpose, the law also treats a GIR as being given to us at the time a foreign ultimate parent entity or designated filing entity lodges it with a foreign government agency. The following conditions must be met:

- The foreign government agency has a Qualifying Competent Authority Agreement with Australia.
- The GIR is lodged on time with the foreign agency.
- You or your designated local entity provide the ATO with a foreign lodgment notification.

For more information, see Lodging paying and other obligations for Pillar Two.

Amend a combined global and domestic minimum tax return (CGDMTR)

Amendments can only be made by the original lodging entity. For example, a DLE lodges the combined global and domestic minimum tax return (CGDMTR) on behalf of all the group entities in Australia. Subsequently, it is discovered that information in the CGDMTR relating to 2 of the group entities requires amending. In this case, only the DLE can amend the CGDMTR on behalf of these 2 group entities because it had lodged the original CGDMTR for them.

You cannot amend the following information provided in the original CGDMTR:

- Capacity of lodging entity, that is, switching from a group entity to DLE or DLE to group entity.
- Adding or removing a group entity.
- Identifiers of the lodging entity including tax file number (TFN), Australian business number (ABN), ATO reference number (ARN) and name.
- Identifiers of group entities including TFN/ABN/ARN, name and business address.
- Reporting period of the return.

All validations applicable on the original are applicable on the amendment.

After lodging the amended CGDMTR, the lodging entity will receive a lodgment success notification and a transaction ID. An amended notice

of assessment (NOAA) and statement of account (SOA) (if applicable) will be issued. The relevant group entity can make a payment if a liability occurs as a result of the amendment.

Amend a GloBE Information Return (GIR)

An amendment to the GIR follows the same process as lodgment of the original GIR. Like the CGDMTR, an amendment can only be made by the original lodging entity.

The GIR XML Schema design is structured in 5 unique parts:

- FilingInfo = Part 1.1 to 1.2 of the GIR
- GeneralSection = Part 1.3 of the GIR
- Summary = Part 1.4 of the GIR
- JurisdictionSection = Part 2 and Part 3.1 to 3.4.2 of the GIR
- UTPRAttribution = Part 3.4.3 of the GIR.

When amending a GIR you must include the FilingInfo (as this is mandatory for any original lodgment and subsequent amendment). However, you only need to include the relevant part (or parts) of the GIR subsequent to the FilingInfo which are actually being amended. This means that you do no need to lodge the full GIR on an amendment, only the FilingInfo and the relevant amended part.

In amending any relevant part of the GIR, ensure to correctly complete the DocSpec Type by indicating an updated DocRefID, the correct CorrDocRefID and updating the DocTypeIndic accordingly to indicate that the relevant part is an amendment.

See GloBE Information Return (Pillar Two) XML Schema (EN) (pages 126 to 128) for further guidance from the OECD.

All validation rules that are applicable on the original lodgment will likewise be applicable on the amendment.

Any amendment to the GIR will also indicate a potential new exchange of the GIR with the relevant signatories' jurisdictions of the GIR Multilateral Competent Authority Agreement (MCAA).

The status of the amendment will follow the same process as the original lodgment. A validation report will be returned to ATO online services once the GIR has been processed by our internal systems. Allow up to 3 days for the GIR to be processed.

How to lodge an amendment

You can lodge your CGDMTR or GIR amendment using:

- Online services to business
- Online services for agents
- your third-party software package that supports electronic lodgment.

If you have any issues lodging electronically, contact us at Pillar2Project@ato.gov.au.

QC 106337

Pillar Two interactions with other provisions

Pillar Two interactions with Australia's existing corporate tax system.

Last updated 12 March 2026

Interaction with other provisions

Australia's implementation of the Global Anti-Base Erosion Model Rules (GloBE Rules) includes consequential amendments to Australia's income tax law to clarify its interaction with Pillar Two. The amendments are included in the Multinational—Global and Domestic Minimum Tax (Consequential) Act 2024 (Consequential Act).

In particular, the Consequential Act includes amendments to specific Australian cross-border tax provisions. These include rules concerning foreign income tax offsets, controlled foreign companies, hybrid mismatches and foreign hybrids.

Foreign income tax offset rules

Australia's foreign income tax offset (FITO) rules do not provide a foreign tax credit for taxes paid under a foreign income inclusion rule (IIR) and foreign undertaxed profits rule (UTPR).

However, to the extent you satisfy the usual eligibility criteria and integrity rules, a FITO may be claimed in respect of foreign domestic minimum top-up tax (DMT) paid on income included in your Australian assessable income.

Timing of FITO claims

The FITO rules require that the payment of foreign DMT tax is in respect of amounts included in your assessable income for that particular income year.

While your assessable income may include an amount that will also give rise to a payment of foreign DMT, the relevant FITO can only be claimed after the foreign DMT is paid.

Given the differences between foreign DMT and Australian income tax calculations and the timing of lodgments, you may need to lodge an amended income tax return at a later point in time.

The amendment to claim the FITO must be in relation to the income year in which the amount was included in your assessable income, and not the income year during which payment, or the legal obligation to pay, occurred.

Example: timing of FITO claim

Aus Co is a group entity of an applicable MNE group which has a fiscal year ended 31 December 2024. Foreign Co is wholly owned by Aus Co and part of the same MNE group. Foreign Co is located in Jurisdiction B, which has implemented a foreign DMT. Part of Foreign Co's GloBE income is also included in Aus Co's assessable income, due to the operation of Australia's controlled foreign company rules.

In July 2025, Aus Co lodges its income tax return for the income year ended 31 December 2024 but the foreign DMT is only paid in June 2026. Aus Co does not claim a FITO at the time of lodging the income tax return.

In June 2026, Aus Co is preparing to lodge its income tax return in respect of the income year ended 31 December 2025. The FITO relating to the payment of foreign DMT should not be claimed in Aus Co's 31 December 2025 income tax return. Instead, Aus Co will need to amend its income tax assessment for the income year ended 31 December 2024 in order to claim the FITO, as the FITO relates to amounts included in Aus Co's assessable income for that income year.

Amendment events after lodging your income tax return

If you pay foreign DMT that counts towards your offset after you lodge your income tax return, you will have 4 years from the time of that payment to amend your income tax assessment to claim a FITO under

section 770-190 of the *Income Tax Assessment Act 1997* (ITAA 1997). For more information on claiming FITOs, see Guide to foreign income tax offset rules 2025.

Example: amendment events after lodging income tax return

Following on from the example above, in July 2025, Aus Co lodges its Australian income tax return for the year ended 31 December 2024. At that time, there has been no payment of foreign DMT by Foreign Co and as such, no FITO is claimed in that tax return in respect of any foreign DMT.

Aus Co lodges its GIR (for the fiscal year ended 31 December 2024) and CGDMTR on 30 June 2026. On the same day, Foreign Co also makes a foreign DMT payment to the revenue authorities in Jurisdiction B.

Aus Co has 4 years, commencing from 30 June 2026, during which it may amend its Australian income tax return for the year ended 31 December 2024, to claim a FITO in respect of foreign DMT paid by Foreign Co in respect of an amount included in Aus Co's assessable income.

New FITO integrity rule for foreign DMT taxes

The amount of the FITO allowed in respect of foreign DMT taxes is subject to an additional safeguard.

The amount of DMT tax which an entity is treated as having paid is reduced by:

- the amount of a refundable tax credit that is refunded to an entity because the credit exceeds income tax liability
- consideration received for the transfer of a transferable tax credit to which an entity was entitled in respect of a foreign income tax of that jurisdiction
- cash or cash equivalent amounts recognised as government grants under *International Accounting Standard 20* (or a comparable accounting standard applicable under a foreign law)
- a benefit of a kind specified by the Minister in respect of a specified jurisdiction.

This new integrity rule complements the existing FITO integrity rule. The existing rule reduces the amount of foreign income tax that an entity is considered to have paid:

- to the extent it is entitled to refunds of the foreign income tax, or

- by any other benefits worked out by reference to the amount of foreign income tax.

Example: new FITO integrity rule for foreign DMT

Entity A (a constituent entity located in unlisted country Jurisdiction A) is a controlled foreign company (CFC), wholly owned by Aus Co, which is part of the same multinational enterprise group (MNE group).

Jurisdiction A has a corporate tax rate of 10% and has enacted a Qualified Domestic Minimum Top-up Tax.

Entity A receives a $6 grant from the government of Jurisdiction A (recognised as a government grant under an applicable accounting standard).

Entity A derived $85 of attributable income, which is wholly attributable to Aus Co. In arriving at the $85 of attributable income, a notional deduction of $10 for corporate income tax and $5 for a foreign DMT tax paid in Jurisdiction A is claimed.

Assuming other relevant conditions in the FITO rules are satisfied, the amount of FITO that could have been available for Aus Co would have been $15 (the combination of $10 CIT and $5 DMT), disregarding the new integrity rule.

However, under the new integrity rule, the FITO is reduced by the government grant ($6), capped at the amount of foreign DMT tax paid ($5).

Therefore, the FITO allowed is $15 − $5 = $10.

Controlled foreign company rules

The CFC rules work to attribute foreign income earned by a foreign company back to Australia in certain circumstances. The interactions between the CFC rules and Pillar Two are such that:

- Tax imposed under CFC tax regimes (including Australia) are taken into account when calculating the effective tax rate of a jurisdiction for Pillar Two purposes.
- Foreign DMT, IIR or UTPR taxes are excluded from the meaning of ‘subject to tax’ for CFCs and transferor trusts located in a listed jurisdiction under section 324 of the *Income Tax Assessment Act 1936* (ITAA 1936). This will also impact whether certain income is considered eligible designated concession income (EDCI) and therefore taxed in Australia.

- Taxpayers are precluded from notionally deducting foreign IIR tax and foreign UTPR tax in calculating attributable income under section 393 of the ITAA 1936.
- A notionally allowable deduction may be available for payments of foreign DMT tax.

Australia's Qualified Domestic Minimum Tax (QDMT) is given priority in its application to Australian income and does not take into account taxes imposed under other CFC tax regimes.

Example: eligible designated concessional income

Australian Entity A Co is an attributable taxpayer in respect of B Co, which is located in an overseas listed country. The listed country has implemented the IIR, UTPR and DMT.

The listed country applies a QDMT, which includes an item of income from B Co in its effective tax rate (ETR) calculation. This income is otherwise exempt for corporate income tax purposes in the listed country.

In determining whether the item of income has been subject to tax in a listed country, the taxpayer is required to disregard any imposition of GloBE taxes (IIR, UTPR and DMT). The item is still considered as EDCI.

The taxpayer is also entitled to a notional deduction for any foreign DMT paid in respect of the EDCI included in its notional assessable income.

Hybrid mismatch rules

The operation of Australia's hybrid mismatch rules broadly continues to operate unaffected by the Australian global and domestic minimum tax.

Foreign DMT, IIR or UTPR and other foreign minimum taxes are disregarded when determining if an amount of income is subject to foreign income tax per the hybrid mismatch rules under section 832-130 of the ITAA 1997. This ensures that a hybrid mismatch can be identified irrespective of whether a jurisdiction has implemented an IIR, UTPR or DMT.

The disregarding of such taxes also applies in the context of Australia's targeted integrity rule in Subdivision 832-J. Specifically, a foreign GloBE tax does not impact whether a payment of interest or an

amount under a derivative financial arrangement is subject to foreign income tax at a rate of 10% or less. However, the application of foreign IIR, UTPR and DMT taxes may still be a relevant factor under the principal purpose test in determining whether it is reasonable to conclude that an entity entered a scheme with the requisite purpose.

Foreign hybrid rules

Similarly, Australia's foreign hybrid rules broadly continues to operate unaffected by the Pillar Two regime.

Australia's foreign hybrid rules ensure that an entity that qualifies as a 'foreign hybrid' is treated as a partnership (rather than a company) for Australian tax purposes.

One of the requirements for entities to be treated as foreign hybrids is that no foreign income tax is imposed on the entity itself. References to 'foreign income tax' do not include foreign IIR, UTPR and DMT taxes and other foreign minimum taxes, ensuring that the foreign hybrid rules are not impacted by a foreign jurisdiction's decision to impose such taxes at the level of the foreign hybrid entity.

Example: foreign hybrid limited partnership

Polar LLP is located in Jurisdiction A. Aus Co, located in Australia, is a limited partner of Polar LLP. Under the corporate income tax regime of Jurisdiction A, Polar LLP is treated as fiscally transparent, and the imposition of taxes are on partners of Polar LLP of which Aus Co is one.

Assuming all other relevant conditions are met under Australia's foreign hybrid rules, Polar LLP is treated as a fiscally transparent partnership for Australian tax purposes. One of the requirements to be met is that foreign income tax is imposed on the partners of Polar LLP (including Aus Co) and not on Polar LLP itself.

Jurisdiction A implements a IIR, UTPR and DMT, and legislates for these GloBE and DMT related liabilities to be imposed on limited partnerships (such as Polar LLP) instead of on its partners.

Aus Co is required to disregard the imposition of those taxes on the partnership and will continue to treat Polar LLP as a foreign hybrid limited partnership under Division 830.

More information

For more information, see:

- Foreign income tax paid by a controlled foreign company
- Hybrid mismatch rules

QC 104816

Transitional CBC reporting safe harbour

How to apply the transitional CBC reporting safe harbour available under Pillar Two.

Last updated 6 January 2026

Pillar Two safe harbours

The minimum tax law contains 4 safe harbours. These safe harbours provide different degrees of simplification to multinational enterprise groups (MNE groups) in working out whether they have an Australian top-up tax liability. One of these safe harbours is the transitional country-by-country (CBC) reporting safe harbour.

The transitional CBC reporting safe harbour provisions are:

- contained in Chapter 8 of the Taxation (Multinational–Global and Domestic Minimum Tax) Rules 2024 (Australian Minimum Tax Rules)
- supported by OECD materials and the broader legislative framework established by the primary legislation.

What is the transitional CBC reporting safe harbour

The transitional CBC reporting safe harbour can relieve a MNE group from having to undertake detailed top-up tax calculations for a jurisdiction. This is when the MNE group can demonstrate, based on CBC reporting and financial accounting data, that it meets one of 3 tests for that jurisdiction. It is only available during a transitional period.

An eligible MNE group can elect to apply the transitional CBC reporting safe harbour from the first fiscal year the MNE group becomes subject to the global and domestic minimum tax for a jurisdiction. Where it applies, it deems jurisdictional top-up tax to be zero for that fiscal year.

Even where the CBC reporting safe harbour applies, an Australian IIR/UTPR return and Australian DMT return showing Australian IIR, UTPR and DMT tax amounts of zero must still be lodged unless exempted under the legislative instrument.

For an overview of the transitional CBC reporting safe harbour, download the Transitional CBC reporting safe harbour quick reference guide (NAT 75777, PDF 41KB).

Election to use transitional CBC reporting safe harbour

An MNE group must make an election for the transitional CBC reporting safe harbour to apply. Subject to the conditions below, an MNE group can elect to apply the transitional CBC reporting safe harbour for a jurisdiction for a fiscal year.

The election is made annually by a filing constituent entity in Section 2 of the GloBE Information Return (GIR). The filing constituent entity must specify in that section the particular jurisdiction and fiscal year to which the transitional CBC reporting safe harbour applies.

An election covers ordinary constituent entities and minority-owned constituent entities located in that jurisdiction. However, it will not cover an investment entity or insurance investment entity located in that jurisdiction unless that entity meets certain conditions.

As the transitional CBC reporting safe harbour is tested and applied separately to joint ventures of an MNE group from constituent entities located in the same jurisdiction, a separate transitional CBC reporting safe harbour election must be made in respect of each joint venture group. This election can also be made in Section 2 of the GIR by specifying the joint venture subgroup, jurisdiction and fiscal year.

If you elect to apply the transitional CBC reporting safe harbour, we may ask you to provide information to confirm your eligibility as part of our client engagement approach for Pillar Two. This includes providing information confirming that amounts used for the relevant computations are sourced from qualified CBC reports or directly from qualified financial statements.

Conditions

An MNE group will be eligible for the transitional CBC reporting safe harbour in respect of a jurisdiction for a fiscal year where the relevant conditions are met, as follows.

Transitional CBC reporting safe harbour exclusions

The jurisdiction must not be subject to any specific transitional CBC reporting safe harbour exclusions. The following jurisdictions are

excluded:

- A jurisdiction in which a stateless constituent entity is taken to be located.
- A jurisdiction with an eligible distribution tax system, in respect of which the MNE group has made a deemed distribution tax election.
- Any jurisdiction of a multi-parented MNE group that does not file a single CBC report that includes all the information for the combined groups.
- A jurisdiction in respect of which the MNE group did not apply the transitional CBC reporting safe harbour in the previous fiscal year (once out, always out), unless the current year is the first fiscal year within the transitional period that the MNE group has a constituent entity in the jurisdiction.
- The jurisdiction in which a constituent entity, that is both a flow-through entity and a UPE of the MNE group, is located, unless all ownership interests in the UPE are held by qualified persons.

MNE has a qualified CBC report

Generally, the MNE group must use information from a qualified CBC report prepared and filed using qualified financial statements for the transitional CBC reporting safe harbour. In some cases where a MNE group is not required by a jurisdiction to file a CBC report, it can be treated as having a qualified CBC report for this purpose.

Passes a transitional CBC reporting safe harbour test

The MNE group must satisfy at least one of the following 3 transitional CBC reporting safe harbour tests for the jurisdiction and the fiscal year to which the election applies:

1. De minimis test
2. Simplified EFT (effective tax rate) test
3. Routine profits test

The test must be satisfied using the prescribed transitional CBC reporting safe harbour data. There are certain entities which may have restrictions or required adjustments, including certain investment entities, joint ventures, and flow-through UPEs.

Effect of transitional CBC reporting safe harbour

The effect of applying the transitional CBC reporting safe harbour is that the MNE group's jurisdictional top-up tax for that jurisdiction for the fiscal year is deemed to be zero.

An exception to this applies for any investment entities or insurance investment entities located in that jurisdiction. The top-up tax of such an entity is not deemed to be zero unless it meets certain conditions. Non-qualifying investment entities or insurance investment entities must apply the full top-up tax computation rules.

The transitional CBC reporting safe harbour must also be tested, elected and applied separately to joint venture groups.

You do not need to apply the full top-up tax computational rules for the jurisdiction in which the safe harbour applies. You are still obligated to satisfy any filing obligations in Australia, such as the GIR, Australian IIR/UTPR tax return and the Australian DMT tax return. This includes disclosing any Australian IIR, UTPR and DMT tax amounts of zero.

For jurisdictions not covered by the transitional CBC reporting safe harbour for a fiscal year, MNE groups will need to consider the application of the full top-up tax computational rules or other safe harbour, as applicable.

The election to use the transitional CBC reporting safe harbour may impact top-up tax calculations in later fiscal years. This includes certain rules dealing with tax attributes upon MNE groups entering the first year being in-scope of the global and domestic minimum tax.

Transitional period

The transitional CBC reporting safe harbour only applies to a fiscal year within the transition period, being a fiscal year that:

- begins on or before 31 December 2026
- ends on or before 30 June 2028.

The following table shows examples of years when a transition period may apply.

Table 1: Fiscal years

Fiscal year start	Fiscal year end	Within transition period
1 January 2024	31 December 2024	Yes
1 January 2026	30 June 2026	Yes
31 December 2026	30 June 2028	Yes

1 January 2027	31 December 2027	No

Decision-making table

For a summary of how to apply the transitional CBC reporting safe harbour, refer to the decision-making table below.

Table 2: Transitional CBC reporting safe harbour decision-making table

Step	Action	Decision
1	Has the entity prepared a qualified CBC report using qualified financial statements?	**No** – go to Step 2 **Yes** – go to Step 4
2	Is the entity in a jurisdiction that does not require a CBC report?	**No** – transitional CBC reporting safe harbour NOT available **Yes** – go to Step 3
3	Does the entity have financial statements prepared using authorised or acceptable accounting standards? For a permanent establishment, the financial statements referred to are those used for financial reporting, tax reporting or internal management or control purposes.	**No** – transitional CBC reporting safe harbour NOT available **Yes** – go to Step 4
4	Has the entity failed the CBC reporting safe harbour in the past?	**Yes** – transitional CBC reporting safe harbour NOT available **No** – go to Step 5
5	De minimis test: Does the entity have revenue of less than 10 million euros and profit less than 1 million euros for its jurisdiction? or	**No, for all 3 tests** – transitional CBC reporting safe harbour NOT available

	Simplified ETR test: Is the entity's effective tax rate (ETR) above the minimum rate? ETR = simplified covered tax (tax from accounts) ÷ profit? or Routine profits test: Is the entity's revenue (including a loss) below the substance based income exclusion ('SBIE' – see full GloBE Rules) amount for its jurisdiction?	**Yes, for one or more tests** – transitional CBC reporting safe harbour available

More information

The application of the transitional CBC reporting safe harbour relies on specific definitions and data requirements. For more detailed information, refer to Chapter 8 of the Australian Minimum Tax Rules.

De minimis test

How to apply the de minimis test for the transitional CBC reporting safe harbour under Pillar Two.

Simplified ETR test

How to apply the simplified ETR test for the transitional CBC reporting safe harbour under Pillar Two.

Routine profits test

How to apply the routine profits test for the transitional CBC reporting safe harbour under Pillar Two.

Transitional CBC reporting safe harbour data

Work out what data can be used when applying the transitional CBC reporting safe harbour under Pillar Two.

De minimis test

How to apply the de minimis test for the transitional CBC reporting safe harbour under Pillar Two.

Last updated 22 October 2025

What is the de minimis test

The de minimis test is one of the 3 tests that can be used to determine if the transitional country-by-country (CBC) reporting safe harbour applies to a jurisdiction for a fiscal year.

The de minimis test uses revenue and profit amounts from qualified CBC reports to determine whether the multinational enterprise group's (MNE group) financial activity in a jurisdiction is below prescribed thresholds.

The test is set out in Subdivision B of Division 2 of Part 8-2 of the Taxation (Multinational–Global and Domestic Minimum Tax) Rules 2024 (Australian Minimum Tax Rules).

Conditions to meet the de minimis test

To satisfy the de minimis test, the MNE group must meet both of the following conditions for the tested jurisdiction for the fiscal year:

1. Its total revenue for the jurisdiction is less than 10 million euros.
2. Its profit (loss) before income tax for the jurisdiction is less than 1 million euros.

These revenue and profit figures must be taken from the qualified CBC report and may be subject to special rules or exclusions.

However, an MNE group will **not** satisfy the de minimis test for a jurisdiction if the combined total of the following exceeds 10 million euros for a fiscal year:

- total revenue for the jurisdiction as reported in the group's qualified CBC report, and
- total revenue of each constituent entity of the MNE group that is located in that jurisdiction and that is excluded from the ultimate parent entity's consolidated financial statements solely on the grounds that the constituent entity is held for sale.

QC 105661

Simplified ETR test

How to apply the simplified ETR test for the transitional CBC reporting safe harbour under Pillar Two.

Last updated 22 October 2025

What is the simplified ETR test

The simplified effective tax rate (ETR) test is one of the 3 tests that can be used to determine if the transitional country-by-country (CBC) reporting safe harbour applies to a jurisdiction for a fiscal year.

The simplified ETR test uses income tax amounts from qualified financial statements and profit amounts from qualified CBC reports to determine whether the simplified ETR for a jurisdiction is above prescribed thresholds.

The simplified ETR is only used to determine whether the group meets the test for the transitional CBC reporting safe harbour and not to calculate any top-up tax liabilities for jurisdictions where the safe harbour does not apply.

The test is set out in Subdivision C of Division 2 of Part 8-2 of the Taxation (Multinational–Global and Domestic Minimum Tax) Rules 2024 (Australian Minimum Tax Rules).

Simplified ETR formula

A multinational enterprise group (MNE group) satisfies the simplified ETR test if its **simplified ETR** for the jurisdiction for the fiscal year is equal to or greater than the **transition rate** for that fiscal year.

An MNE group's simplified ETR for a jurisdiction is its: simplified covered taxes ÷ profit (loss) before income tax.

Transition rates

The transition rates for fiscal years starting in the following years are as follows:

Transition rates

Year	Rate

2024	15%
2025	16%
2026	17%

Where the simplified ETR is equal to or greater than the applicable transition rate, the transitional CBC reporting safe harbour will apply.

QC 105662

Routine profits test

How to apply the routine profits test for the transitional CBC reporting safe harbour under Pillar Two.

Last updated 22 October 2025

What is the routine profits test

The routine profits test is one of the 3 tests that can be used to determine if the transitional CBC reporting safe harbour applies to a jurisdiction for a fiscal year.

The test compares the multinational enterprise group's (MNE group) profit for the jurisdiction, as reported in its qualified CBC report, against a prescribed percentage of its eligible payroll costs and tangible assets for the jurisdiction.

The test is set out in Subdivision D of Division 2 of Part 8-2 of the Taxation (Multinational–Global and Domestic Minimum Tax) Rules 2024 (Australian Minimum Tax Rules).

Conditions to meet the routine profits test

To satisfy the routine profits test for a fiscal year, the MNE group's profit (loss) before income tax must be equal to or less than its substance-based income exclusion (SBIE) amount for the tested jurisdiction.

The test is passed if: profit (loss) before income tax ≤ SBIE amount.

SBIE amount

Unlike the profit (loss) before income tax, the SBIE amount is determined under the detailed computational rules in Part 5-3 of the

Australian Minimum Tax Rules, with certain modifications.

These modifications ensure that the calculation only includes an amount from a constituent entity if it is both located in, and a CBC reporting resident of, the jurisdiction for the fiscal year.

The SBIE amount for a jurisdiction for a fiscal year is, broadly, the sum of:

1. **payroll carve-out amount** for these constituent entities – (eligible payroll costs for eligible employees – exclusions) × percentage
    - eligible payroll costs include employee compensation expenditures, payroll and employment taxes, social security contributions and stock-based compensation recorded in financial accounts
    - eligible employees include employees of the constituent entity, as well as certain independent contractors
    - excludes amounts capitalised as eligible tangible assets and certain costs related to international shipping.
2. **tangible asset carve-out amount** for these constituent entities – (total carrying values of each eligible tangible asset – exclusions) × percentage
    - eligible tangible assets include property (including plant and equipment) and natural resources located in the jurisdiction and owned by the constituent entity, a lessee's right to use tangible assets located in the jurisdiction and certain licenses from a government to use immovable property or exploit natural resources in the jurisdiction
    - generally excludes the carrying value of assets held for sale, lease or investment.

This summary does not include all adjustments that may be required to be made in calculating an SBIE amount. For further information, MNE groups should refer to Part 5-3 of the Australian Minimum Tax Rules.

The percentages applied to calculate both amounts are set out under section 9-30 and section 9-35 of the Australian Minimum Tax Rules, explained below.

Carve-out amount transitional percentages

The percentages to be applied in determining the payroll and tangible asset carve-out amounts are as follows:

Transitional percentages

Fiscal year begins	Tangible asset percentage	Payroll percentage
2024	7.8	9.8
2025	7.6	9.6
2026	7.4	9.4

Automatic qualification

If a jurisdiction has a loss or zero profits, it automatically passes the routine profits test for that fiscal year. There is no need to calculate its SBIE amount.

Worked example

Example: SBIE amount worked example

For the fiscal year 1 July 2025 to 30 June 2026, MNE group A has:

- $10 million in payroll costs in Country A
- $20 million in tangible assets in Country A.

The payroll carve-out percentage is 9.6% and the tangible asset carve-out percentage is 7.6% for fiscal years beginning in 2025. Therefore:

- payroll carve-out amount = $10 million × 9.6% = $960,000
- tangible asset carve-out amount = $20 million × 7.6% = $1,520,000
- total carve-out = $2,480,000.

If MNE group A's profit before income tax for Country A for the fiscal year is equal to or less than $2.48 million, it will satisfy the routine profits test.

Transitional CBC reporting safe harbour data

Work out what data can be used when applying the transitional CBC reporting safe harbour under Pillar Two.

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Source of data

The transitional country-by-country (CBC) reporting safe harbour tests use amounts, such as profit (loss) before income tax, total revenue and simplified covered taxes, to determine if a multinational enterprise group (MNE group) is eligible to apply the safe harbour in respect of a particular jurisdiction for a fiscal year.

To correctly apply a transitional CBC reporting safe harbour test, the amounts used in the calculations must meet certain requirements. Broadly, the amounts used in the calculation must be:

- sourced directly from qualified data
- adjusted where required.

The specific source and adjustments required depend on which test is being applied, as shown in the table below:

Source of data

Safe harbour test	Data points/amounts	Data source	Thresh
De minimis test	• Total revenue for the jurisdiction • Profit (loss) before income tax for the jurisdiction	• Qualified CBC report	If a jurisdict has < €1 profit ar €10m to revenue
Simplified ETR test	• Profit (loss) before income tax for the jurisdiction • Simplified covered taxes for the jurisdiction	• Profit (loss) from qualified CBC report • Income tax expense from qualified	If the jurisdict simplifie ETR ≥ transitio rate (for fiscal ye starting in 2024, is 15%)

		financial statements	
Routine profits test	• Profit (loss) before income tax for the jurisdiction • Substance-based income exclusion (SBIE) for the jurisdiction	• Profit from qualified CBC report • SBIE amount calculated under GloBE rules, as modified.	If profit SBIE amount

The transitional CBC reporting safe harbour is tested, elected and applied separately to joint venture (JV) groups. For that purpose, a special rule applies to JV groups, which requires data to be sourced from qualified financial statements, instead of qualified CBC reports.

The rules are predominately set out in Division 2 of Part 8-2 of the Taxation (Multinational–Global and Domestic Minimum Tax) Rules 2024 (Australian Minimum Tax Rules).

Adjustments to amounts reported

Where an amount is to be sourced from the qualified CBC report or qualified financial statements, it must directly reflect what is reported in the qualified CBC report or financial statements. No adjustments are permitted unless they are expressly allowed.

Qualified CBC report

The term 'qualified CBC report' is defined in section 8-35 of the Australian Minimum Tax Rules as a country-by-country (CBC) report prepared in relation to a jurisdiction and filed using qualified financial statements.

Interaction with existing CBC regime

The CBC report is a key element of the CBC reporting regime, which is a pre-existing regime separate to Pillar Two that requires certain entities to report their financial and tax data for each jurisdiction in which they operate.

Access to the transitional CBC reporting safe harbour depends on whether an MNE group has filed a CBC report as required, or can be treated as having done so under specific assumptions:

Access to transitional CBC reporting safe harbour

Scenario	Assumption required	Treatment under assumption	Access t transitio CBC reportin safe har
MNE group **files** a CBC report as required under a jurisdiction's CBC reporting regime.	None	None	Can acce the transition CBC repo safe harb
MNE group **fails to file** a CBC report as required under a jurisdiction's CBC reporting regime.	None	None	Cannot access transition CBC repo safe harb
Ultimate parent entity (UPE) jurisdiction has a CBC reporting regime but the particular MNE group is **not required** to file a CBC report in relation to a jurisdiction.	Assume that the MNE group filed a CBC report in relation to the jurisdiction in accordance with those requirements.	The data from the MNE group's qualified financial statements that would have been reported as total revenue and profit (loss) before income tax in that CBC report is **treated as reported in the group's qualified CBC report**.	Can acce the transition CBC repo safe harb
UPE jurisdiction does **not have** a CBC reporting regime and the MNE group is **not required**	• Assume that the MNE group filed a CBC report in accordance with both: • the OECD's CBC reporting	The data from the MNE group's qualified financial statements that would have been reported as	Can acce the transition CBC repo safe harb

to file a CBC report in relation to a jurisdiction.	Guidance on the Implementation of Country-by-Country: BEPS Action 13 • Transfer Pricing Documentation and Country-by-Country Reporting Action 13 – 2015 Final Report.	total revenue and profit (loss) before income tax in that CBC report is **treated as reported in the group's qualified CBC report**.

Careful consideration is required to ensure the CBC report is based on data from qualified financial statements.

Qualified financial statements

The qualified CBC report must be prepared and filed using qualified financial statements. Qualified financial statements are financial accounts or statements that meet certain standards as set out in section 8-70 of the Australian Minimum Tax Rules.

Qualified financial statements

Provision	Qualified financial statements	Requirements
8-70(1)(a)	Financial **accounts** used to prepare the **consolidated financial statements** of the UPE of the MNE group.	Generally, the consolidated financial statements of the UPE are required to be prepared under either: • an acceptable financial accounting standard • an authorised financial accounting standard, adjusted for **material competitive distortions**. Refer to section 34 of the *Taxation - (Multinational—Global*

		and Domestic Minimum Tax) Act 2024 (Minimum Tax Act).
8-70(1)(b)	Separate financial **statements** of a constituent entity of an MNEgroup.	Where prepared under an acceptable or authorised financial accounting standard, information contained in them is: • maintained based on that accounting standard • reliable.
8-70(1)(c)	Separate financial **accounts** of a constituent entity of the MNEgroup not included in the consolidated financial statements on a line-by-line basis on materiality grounds.	The accounts must be used for the preparation of the **MNE group's CBC report**.
8-70(1)(d)	Separate financial **statements** prepared by the main entity in respect of a GloBE permanent establishment.	Prepared for financial reporting, regulatory, tax reporting or internal management control purposes.

As set out in section 8-75, all of the relevant data used in the transitional CBC reporting safe harbour tests for each jurisdiction must be sourced from the same type or category of qualified financial statements. The MNE group must apply this type or category of qualified financial statements consistently for all entities in the jurisdictions and for all relevant computations.

The transitional CBC reporting safe harbour is not available where the data for computations is derived from a mixture of types of qualified financial statements or where not all entities in a jurisdiction use same data source. For example, it would not be available where profit (loss) before tax is sourced from financial accounts for a constituent entity used to prepare consolidated financial statements of the UPE and simplified covered tax is sourced from separate financial statements prepared under a different accounting standard. Exceptions to this apply for:

- non-material constituent entities excluded from consolidation
- GloBE permanent establishments

- the deferred tax component of the income tax expense.

Consolidated financial data

In Australia, we allow CBC reports to be prepared using consolidated data at the jurisdictional level if the CBC reporting parent is also the head entity of a tax consolidated group, the consolidated data is reported for each jurisdiction in Table 1 of the CBC report and consolidation is consistently used across the years.

Foreign-headquartered MNEs that file their CBC report in another jurisdiction instead of Australia may also prepare their CBC reports using consolidated data at the jurisdictional level, where the filing jurisdiction permits the use of consolidated data.

In a CBC report prepared using consolidated data, items of income and expense that arise from intra-group transactions between entities that are CBC reporting resident in the same jurisdiction are eliminated.

Where CBC reports are prepared using consolidated data at the jurisdictional level in accordance with the requirements of the CBC regime of the filing jurisdiction, the qualified financial statements for the MNE group for the purposes of the transitional CBC reporting safe harbour are those statements or accounts that are prepared on a consolidated basis for the jurisdiction. This is subject to the requirement that the other conditions in section 8-70 are also satisfied, including:

- that the financial accounts are used in preparing the consolidated financial statements of the UPE (if paragraph 8-70(1)(a) is relied on)
- the accounting standard requirements for financial statements (if paragraph 8-70(1)(b) is relied on)
- the purchase accounting and goodwill impairment adjustments in subsections 8-70(2) to (5).

For the purposes of the transitional CBC reporting safe harbour, and subject to any adjustments specifically required under section 8-70, no further adjustments are required to the data drawn from qualified financial statements or the qualified CBC report where the qualified CBC report is prepared based on:

- financial accounts of constituent entities used in preparing the consolidated financial statements of the UPE, where those accounts eliminate items of income and expense from intra-group transactions between entities located in the same jurisdiction
- the consolidated financial statements of a constituent entity (which may cover a sub-group of entities of the MNE group located in the same jurisdiction) prepared in accordance with acceptable or authorised financial accounting standards.

A group may prepare its consolidated financial statements in various ways, and adjustments may be made at various stages of the consolidation process. This guidance applies regardless of the point at which consolidation adjustments are made in the process of preparing the CBC report.

Example: qualified financial statements and qualified CBC report

Entity A is a head entity of an Australian income tax consolidated group and a CBC reporting parent. Entity A completes the CBC report using consolidated data at the jurisdictional level for each jurisdiction in Table 1 of the report and has done so consistently over the years. This results in income and expenses arising from intra-group transactions between entities that are CBC reporting resident in Australia being eliminated in the CBC report.

The qualified statements are the financial accounts of Entity A and other constituent entities in Australia used in preparing consolidated financial statements of the UPE and that make adjustments to eliminate income and expenses arising from intra-group transactions at the jurisdictional level (assuming all other conditions in section 8-70 are satisfied). The CBC report of Entity A is prepared and filed on a consolidated basis using these qualified financial statements and is a qualified CBC report.

As Australia allows Entity A to complete the CBC report using consolidated data at the jurisdictional level, the data can be used for the transitional CBC reporting safe harbour tests with no further adjustments other than those adjustments expressly required for the purposes of the safe harbour.

The same is true where Entity A prepares consolidated financial statements covering a sub-group of entities within Australia and those statements are prepared in accordance with Australian IFRS. Provided all other conditions in section 8-70 are satisfied, those statements are qualified financial statements, and the CBC report prepared and filed in relation to the Australia jurisdiction is a qualified CBC report. The data can be used for the transitional CBC reporting safe harbour with no further adjustments other than those adjustments expressly required for the purposes of the safe harbour.

Accounting standard definitions

The following terms are defined under section 34 of the Minimum Tax Act:

- **Acceptable financial accounting standards** include Australian accounting standards, IFRS, or the generally accepted accounting principles (GAAP) of certain major economies such as the US, UK, EU member states, China, Japan, Canada, India, and others.
- An **authorised accounting standard** is a set of GAAPs approved by an authorised accounting body in the jurisdiction where the constituent entity is located.
- A **material competitive distortion** occurs when applying a specific GAAP principle results in a financial difference exceeding 75 million euros compared to IFRS, unless otherwise defined by regulation.

Profit (loss) before income tax

Profit (loss) before income tax is defined in section 8-30 of the Australian Minimum Tax Rules and refers to the profit or loss before income tax amount reported in the qualified CBC report for a tested jurisdiction.

Certain adjustments to the profit (loss) before income tax amount may be required when performing the 3 transitional CBC reporting safe harbour tests to:

- recognise certain intra-group transactions shown in the qualified financial statements
- neutralise hybrid arbitrage arrangements
- ensure profit or loss of investment entities and insurance investment entities are only reflected in the jurisdiction of its direct parent entities in proportion to their ownership interests under section 8-95
- disregard amounts attributable to direct ownership interest holders in a flow-through UPE but only if all direct ownership interest holders are qualified persons under section 7-5 (a similar adjustment is also required for UPEs that are subject to a deductible dividend regime).
- disregard net unrealised fair value losses on non-portfolio ownership interests in excess of 50 million euros
- disregard losses in the main entity jurisdiction to prevent double counting of losses that relate to its GloBE permanent establishment
- disregard certain goodwill impairment losses that do not have a reversal of a deferred tax liability or recognition of a deferred tax asset. This is explained further below.

Purchase price accounting adjustments

Some MNE groups incorporate purchase price accounting (PPA) adjustments into the financial accounts of a constituent entity used to prepare the CBC report or the separate financial statements of a constituent entity. In these cases, a special consistency reporting condition must be satisfied for those financial accounts or financial statements to be considered qualified financial statements.

If this condition is not met, the MNE group will not be able to access the transitional CBC reporting safe harbour using those financial accounts or statements.

The consistency reporting condition is met if:

- the MNE group has not submitted a CBC report for a fiscal year starting after 31 December 2022 that is based on the constituent entity's financial accounts or statements without PPA adjustments
- the MNE group has submitted such a CBC report but the constituent entity was required by law or regulation to change its financial accounts or statements to include PPA adjustments.

Where the consistency reporting condition is met, PPA adjustments could include the recognition of goodwill in the qualified financial statements. An MNE group must make an adjustment to its profit (loss) before income tax to add back any reduction in a constituent entity's income from goodwill impairments related to transactions entered into after 30 November 2021, when applying the:

- routine profits test
- simplified ETR test, but only if the financial accounts or statements do not also have either
  - a reversal of deferred tax liability
  - recognition or increase of a deferred tax asset related to the impairment.

Adjustments for intra-group transactions

In some instances, intra-group payments between group entities of the MNE group may need to be recognised for the purposes of the transitional CBC reporting safe harbour test computations, regardless of their treatment in the CBC report.

If an intra-group payment made between group entities is treated as income in the qualified financial statements of the recipient and as an expense in the qualified financial statements of the payer, the income and expense must be included in the MNE group's profit or loss before income when performing transitional CBC reporting safe harbour calculations, irrespective of the tax treatment of that payment or its treatment in the CBC report.

This rule applies as follows to intra-group transactions between entities in the same jurisdiction:

- An MNE group whose qualified CBC report is prepared using qualified financial statements that eliminate items of income and expense relating to intra-group transactions between entities in the same jurisdiction, will not need to recognise these amounts in the MNE group's profit or loss before income tax.
- Where an MNE group's qualified CBC report is prepared using qualified financial statements that do not eliminate items of income and expense relating to intra-group transactions between entities in the same jurisdiction, no adjustments are to be made to those items based on the tax treatment of the transaction (these amounts must be included in the profit or loss before income tax, even if they are not shown in the CBC report).

Example: cross border intra-group transactions

Entity A is located in Jurisdiction X and Entity B is located in Jurisdiction Y. Both are part of the same MNE group. Entity A subscribes for redeemable preference shares issued by Entity B during the fiscal year.

In the MNE group's qualified financial statements, the redeemable preference shares are treated as a debt instrument. In the qualified financial statements:

- Entity B records $10 million as interest expense
- Entity A records $10 million as interest income.

The tax law of jurisdiction Y treats redeemable preference shares as equity and any distributions as dividends.

In the MNE group's qualified CBC report, the profit or loss before income tax for Jurisdiction X includes the $10 million of interest income. For Jurisdiction Y, the profit or loss before income tax includes the $10 million of interest expense.

For the purposes of the transitional CBC reporting safe harbour tests, no further adjustment is to be made for the transaction in each jurisdiction's profit or loss before income tax, irrespective of the tax treatment of the payment by Jurisdiction Y. Making any further adjustments will make the MNE group ineligible for the transitional CBC reporting safe harbour.

Profit adjustments for hybrid arrangements

Certain expenses and losses reflected in the profit or loss before income tax amount may need to be excluded if the expense or loss

arose as a result of a hybrid arbitrage arrangement entered into after 15 December 2022. This is provided for under section 8-110.

The specific arrangements that need to be neutralised are:

- a deduction/non-inclusion arrangement defined in section 8-120
- a duplicate loss arrangement defined in section 8-125.

Tax adjustments are not required for these 2 arrangements.

Adjustments may not be required where an arrangement does not give rise to an expense or loss in the qualified financial statements of a constituent entity.

The rules on hybrid arrangements contained in Subdivision G of Part 8-2 of the Australian Minimum Tax Rules are complex and require careful consideration.

Intra-group arrangements within tax consolidated groups

The following guidance relates to the issue of whether a deduction/non-inclusion arrangement under section 8-120 can arise with respect to certain transactions occurring within an Australian income tax consolidated group. In these transactions, a constituent entity provides credit or otherwise invests in another constituent entity that is part of the same tax consolidated group. That credit or investment results in an accounting expense in the financial statements of the recipient. There is no corresponding taxable income for the investor due to the application of the income tax consolidation single entity rule. If the hybrid arbitrage arrangement rules were to apply to these arrangements, the effect would be to increase the MNE group's profit or loss before income tax for the Australian jurisdiction.

As set out above, where the MNE group's CBC report is prepared using consolidated data at the jurisdictional level, in accordance with the requirements of the CBC regime of the filing jurisdiction, the qualified financial statements are those consolidated statements or accounts. As there would be no expense (or income) relating to the intra-group arrangement between members of the income tax consolidated group reflected in those accounts or statements, those items will not need to be recognised in the MNE group's profit or loss before income tax for the purposes of the transitional CBC reporting safe harbour. Similarly, the hybrid arbitrage arrangement rules could not have any operation because there would not be any expense from the arrangement in the qualified financial statements.

Where the applicable CBC regime does not allow for jurisdictional reporting on a consolidated basis and instead requires data to be reported on an aggregated basis, the qualified financial statements for the MNE group for the purposes of the transitional CBC reporting safe

harbour may not eliminate items of income and expense relating to intra-group transactions between entities in the same jurisdiction. In these circumstances, there may be an interest expense in the qualified financial statements and the MNE group may need to consider the potential application of the hybrid arbitrage arrangement rules relating to deduction/non-inclusion arrangements.

However, subject to any further guidance from the OECD, we will not apply compliance resources to test the application of section 8-120 (and, consequently, section 8-110) to an intra-group financing arrangement where:

- the MNE group prepares its qualified CBC report for the Australian jurisdiction on an aggregated basis
- an intra-group arrangement involving the provision of credit or making of an investment by an investor occurs between members of an Australian tax consolidated group (TCG) or multiple entry consolidated (MEC) group of the MNE group, and results in an expense in the qualified financial statements
- the net effect of the intra-group financing arrangement on the profit or loss before income tax for Australia for the fiscal year in the qualified CBC report is the same as it would have been had the qualified CBC report been prepared and filed using consolidated data for the jurisdiction.

We are adopting this compliance approach because in these cases there is no net expense in the jurisdictional profit or loss before income tax from the arrangement. There could be no beneficial impact for an MNE group for the purposes of meeting the transitional CBC reporting safe harbour tests from entering the arrangement. As such, these arrangements do not appear to involve an exploitation of differences between tax and financial accounting treatment.

Net unrealised fair value loss adjustment

Net unrealised fair value losses over 50 million euros must be excluded from profit (loss) before income tax.

Broadly, net unrealised fair value losses are the sum of all losses, as reduced by any gains, which arise from changes in fair value of ownership interests (excluding portfolio shareholdings).

Example: net unrealised fair value losses

Koala Pty Ltd holds a 6% ownership interest in Emu Ltd, and Wombat Holdings Ltd holds a 7% ownership interest in Emu Ltd. These interests are held directly and grant equal rights to profits, capital, reserves, and voting rights in Emu Ltd.

Koala Pty Ltd and Wombat Holdings Ltd are both constituent entities of the same MNE group and are both located in the same jurisdiction.

During the fiscal year:

- Koala Pty Ltd records a fair value loss of 30 million euros on its ownership interest in Emu Ltd
- Wombat Holdings Ltd records a fair value loss of 35 million euros on its ownership interest.

The aggregate ownership interest of the MNE group in Emu Ltd is 13%, so it is not a portfolio shareholding. The net unrealised fair value loss is 65 million euros, which must be excluded from the aggregate profit (loss) before income tax for the jurisdiction.

Total revenue

The total revenue of an MNE group is defined in section 8-25 of the Australian Minimum Tax Rules and refers to the revenue amount reported in the qualified CBC report for the tested jurisdiction.

The following adjustments must be made to total revenue:

- adjustments to recognise intragroup transactions (a similar rule that applies to profit (loss) before income applies to total revenue)
- adjustments to ensure total revenue of investment entities and insurance investment entities is only reflected in the jurisdiction of their direct parent entities, in proportion to their ownership interests, under section 8-95.

Simplified covered taxes

The term simplified covered taxes is defined in section 8-50 of the Australian Minimum Tax Rules. It refers to the income tax expense for a jurisdiction that would be reported in the MNE group's qualified financial statements for a fiscal year if certain assumptions were made.

Under those assumptions, the following are disregarded:

- taxes for constituent entities whose income or loss was not included in the CBC report (for example, held-for-sale entities)
- taxes in respect of constituent entities whose profits are reported in a different jurisdiction in the CBC report
- taxes that are not covered taxes (which is defined under section 4-40)

- uncertain tax positions.

Other adjustments can apply to:

- exclude taxes of investment entities to ensure amounts are only reflected in the jurisdiction of their direct parent entities in proportion to their ownership interests under section 8-95
- exclude duplicate taxes arising in respect of a duplicate tax recognition hybrid arbitrage arrangement
- reduce simplified covered taxes by amounts attributable to direct ownership interest holders in a flow-through UPE but only if all direct ownership interest holders are qualified persons under section 7-5 (a similar adjustment is required for UPEs that are subject to a deductible dividend regime).

Taxes that are not covered taxes

Simplified covered taxes only include amounts in respect of covered taxes.

A covered tax is, broadly, a tax recorded in the financial accounts of a constituent entity in respect of its income or profits. Taxes paid by insurance companies in respect of returns to policyholders, goods and services tax, payroll and property tax are excluded from being considered a simplified covered tax.

Tax adjustments for hybrid arrangements

Certain tax expenses reflected in the simplified covered tax amount may need to be excluded if the amount was from a hybrid arbitrage arrangement entered into after 15 December 2022.

The specific arrangements that need to be neutralised in respect of the simplified covered taxes amount are duplicate tax recognition arrangements, as defined under section 8-130.

Tax adjustments for special entities

Broadly, the simplified ETR calculations do not require cross border allocation of taxes for GloBE permanent establishments, CFCs and hybrid entities from qualified financial statements which may be required under the full Australian Minimum Tax Rules. However, there may be adjustments between GloBE permanent establishments and their main entities to prevent double counting.

Pillar Two interactions with consolidation

How the Pillar Two rules apply to consolidated groups.

Last updated 25 March 2026

Australian tax consolidated groups

The Pillar Two rules apply to multinational enterprise groups (MNE groups). They contain certain interactions with existing corporate income tax grouping rules.

The OECD guidance materials adopt broad definitions for tax consolidated groups designed to capture a range of local tax consolidation regimes, including Australia's tax consolidation regime.

For the purposes of this guidance, a tax consolidated group refers to both a:

- consolidated group (TCG) as defined in section 703-5 of the *Income Tax Assessment Act 1997,* consisting of a single Australian resident head company and wholly-owned Australian resident subsidiaries
- multiple entry consolidated (MEC) group as defined in section 719-5 of the *Income Tax Assessment Act 1997*, consisting of Australian-resident subsidiaries that are wholly-owned by the same foreign resident top company with multiple Australian entry points.

Some aspects of the Pillar Two rules only apply to TCGs and not to MEC groups, for example, the OECD aggregated reporting election. We will indicate where this is the case.

Pillar Two and consolidated groups

The Pillar Two rules apply to MNE groups. The composition of an MNE group is, in most cases, determined in accordance with accounting consolidation principles.

Accounting consolidation is undertaken on a global basis. It broadly involves combining the financial results of the ultimate parent entity (UPE) and its controlled subsidiaries into a single set of consolidated financial statements.

Within an accounting consolidated group, there may be sub-groups of entities that form one or more tax groupings recognised under local tax legislation by reference to various concepts of ownership or common control. This guidance focuses on Australian tax consolidated groups.

The Pillar Two framework contains specific rules which can affect how the Pillar Two rules apply to tax consolidated groups. For example:

- **Allocation of top-up tax** – where constituent entities are part of a tax consolidated group in Australia, their top-up tax liability may be allocated to the head company.
- **Lodgment obligations** – subsidiary members of tax consolidated groups may be exempt from certain lodgment obligations. Tax consolidated groups can also streamline compliance by nominating a single entity to lodge on behalf of each entity in the MNE group that has a lodgment obligation. In Australia, you can appoint an Australian group entity, including the head company of a tax consolidated group, to undertake the central filing function.
- **Special calculation and reporting elections** – the Pillar Two rules contain elections that simplify compliance for certain prescribed groups. These include the:
  - election to apply consolidated accounting treatment (section 3-200 of the Australian Minimum Tax Rules) – this allows certain intra-group transactions that occur between entities in the same jurisdiction to be excluded from the calculation of top-up tax. This aligns the treatment, to some extent, with how MNEs undertake reporting for tax purposes.
  - aggregated reporting election (ARE) – this allows MNE groups to report top-up tax information for entities within a TCG as if they were a single constituent entity in the GloBE Information Return (GIR). This election works in conjunction with the reallocation of domestic minimum tax and undertaxed profits rule top-up tax liability within tax consolidated groups so that reporting and payment are centralised at the head company level.
  - transitional simplified reporting election (TSRE) – this provides temporary relief during a transition period by allowing MNE groups to report top-up tax information through jurisdictional-level data rather than detailed entity-by-entity disclosures in the GIR.
- **Special, transitional and integrity rules** – consolidated groups may be subject to special provisions, particularly in the context of mergers, acquisitions or restructures. Integrity rules may also apply to prevent the manipulation of group structures to avoid top-up tax, including rules governing intra-group transfers of assets during a specified transition period.

Tax consolidated group lodgments for Pillar Two

How Pillar Two lodgment obligations apply to tax consolidated groups.

Top-up tax for tax consolidated groups

How to calculate and allocate top-up tax for tax consolidated groups.

Tax consolidated group reporting for Pillar Two

Pillar Two reporting simplifications for tax consolidated groups.

Tax consolidated group restructures and transition rules

Treatment of Pillar Two tax attributes from ownership transfers for tax consolidated groups and transition rules.

QC 105977

Tax consolidated group lodgments for Pillar Two

How Pillar Two lodgment obligations apply to tax consolidated groups.

Last updated 12 March 2026

Lodgments for tax consolidated groups

The Australian global and domestic minimum tax introduces 4 new lodgment obligations:

1. GloBE Information Return (GIR)
2. Foreign lodgment notification
3. Australian IIR/UTPR Tax Return (AIUTR)
4. Australian DMT Tax Return (DMTR).

Each group entity located in Australia has an obligation to lodge either a GIR or foreign lodgment notification (where the GIR is lodged

overseas). This includes subsidiary members of a tax consolidated group.

Each group entity must also lodge an AIUTR or DMTR, unless their circumstances qualify for a lodgment exemption. Under the Legislative Instrument LI 2025/28 *Taxation Administration (Exemptions from Requirement to Lodge Australian IIR/UTPR Tax Return and Australian DMT Tax Return) Determination 2025*, subsidiary members of a tax consolidated group may be exempt from lodging the AIUTR or the DMTR, or both the AIUTR and DMTR, depending on their circumstances.

Nominated entity

Multinational enterprise groups (MNE groups) can appoint a nominated entity to lodge on behalf of each entity that has a lodgment obligation:

- A designated local entity (DLE) can be appointed to lodge the GIR (if lodged in Australia) or foreign lodgment notification (where the GIR is lodged overseas), the AIUTR and DMTR.
- A designated filing entity (DFE) or ultimate parent entity (UPE) in a foreign jurisdiction can lodge the GIR in that jurisdiction.

The head company of a tax consolidated group can be appointed as the DLE, but it does not have to be.

If an MNE group has Australian group entities outside of the tax consolidated group but within the same MNE group, they must also be included in the DLE nomination.

Lodgment for entities leaving and joining applicable MNE groups

If an entity leaves an applicable MNE group and joins another applicable MNE group part way through the fiscal year, the entity has separate lodgment obligations as a group entity of both MNE groups at different times during the fiscal year.

However, where the entity joins or leaves a tax consolidated group in either applicable MNE group it may be exempt from one or both of its DMTR and AIUTR lodgment obligations under the legislative instrument as follows.

Top-up tax of tax consolidated group members

If a subsidiary member of a tax consolidated group has a DMT or UTPR top-up tax amount, that amount is allocated to the constituent entity head company of the group, subject to certain exceptions.

This is provided under:

- section 2-40 of the Australian Minimum Tax Rules for a **DMT** top-up tax amount
- section 2-50 of the Australian Minimum Tax Rules for a **UTPR** top-up tax amount.

As a result, the top-up tax amounts for the subsidiary member are taken to be zero. Under the legislative instrument, the subsidiary member will also be exempt from lodging the DMTR. It may also be exempt from lodging an AIUTR.

However, where the subsidiary member could have an IIR top-up tax amount greater than zero, it will still need to lodge an AIUTR, as IIR top-up tax amounts are not re-allocated to the head company. This situation can occur where the head company of the tax consolidated group is an excluded entity or in certain MEC group structures where one or more eligible tier-1 companies other than the provisional head company could be allocated an IIR top-up tax amount greater than zero under the rule order.

For more information, see Pillar Two top-up tax for tax consolidated groups.

Legislative instrument

The legislative instrument sets out circumstances in which a group entity need not lodge a DMTR or AIUTR for a fiscal year. It contains specific exemptions for subsidiary members of a tax consolidated group from the requirement to lodge:

- an Australian DMTR, if the subsidiary member of the tax consolidated group is an entity to which subsection 2-40(2) of the Australian Minimum Tax Rules applies
- the AIUTR, if broadly, both the following circumstances apply:
  - the subsidiary member cannot have an IIR top-up tax amount greater than zero, in the circumstances set out in paragraph 11(1)(a) of the legislative instrument
  - the subsidiary member is an entity to which subsection 2-50(2) of the Australian Minimum Tax Rules applies, or another circumstance under paragraph 11(1)(b) of the legislative instrument applies.

The relevant entities that can have IIR top-up tax amounts greater than zero are, broadly, parent entities:

- that are GloBE located in Australia

- that hold ownership interests in entities located outside Australia, including stateless entities
- for which no other higher-tier parent entity in Australia or overseas is required to apply a qualified IIR under the rule order.

As a result, generally only the head companies of consolidated groups (TCGs) and multiple entry consolidated (MEC) groups, and other eligible tier-1 companies of MEC groups, may have IIR top-up tax amounts greater than zero. A corresponding AIUTR lodgment obligation applies to those entities.

These lodgment exemptions may also apply to subsidiary members of a tax consolidated group that leave or join the tax consolidated group part way through a fiscal year.

GloBE Information Return and foreign lodgment notification

The legislative instrument does not exempt group entities from lodgment of the GloBE Information Return (GIR) or foreign lodgment notification (where the GIR is lodged overseas). As such, the obligation to lodge the GIR or foreign lodgment notification, as applicable, remains with all Australian members of the MNE group.

This means the head company and subsidiary members of a tax consolidated group have separate obligations to lodge the GIR or foreign lodgment notification. However, an MNE group can choose to lodge the GIR or the foreign lodgment notification centrally by nominating a single entity (the designated local entity) to lodge on behalf of Australian group entities.

Example scenarios

The following examples illustrate how Pillar Two lodgment obligations apply to tax consolidated groups, in certain scenarios.

Example 1: joining a TCG

Alpha Co joins an applicable Australian headquartered MNE group, Omega Group, on 1 August 2025. At the same time, it also becomes a subsidiary member of a TCG, with Omega Co as head company. It was not a member of another applicable MNE group before joining Omega Group.

Omega Group's fiscal year ends on 31 December 2025. Sections 2-40 and 2-50 of the Australian Minimum Tax Rules apply respectively to reduce Alpha Co's DMT top-up tax amount and UTPR top-up tax amount for the fiscal year ended

31 December 2025 to nil. They reallocate this top-up tax to the head company of the TCG, Omega Co.

Under the legislative instrument, Alpha Co will be exempt from lodging the DMTR for the fiscal year ended 31 December 2025. As Alpha Co meets all the relevant criteria in the instrument, it is also exempt from having to lodge the AIUTR. The obligation to lodge these tax returns will continue to exist for the head company of the TCG. Alpha Co still has to lodge a GIR but, this obligation will be met if a DLE lodges the GIR with the ATO on its behalf.

Example 2: leaving a TCG and joining another TCG

Beta Co is a wholly owned Australian group entity of the applicable Australian headquartered MNE group, Gamma Group. Beta Co is also a subsidiary member of a TCG, with Gamma Co as the head company. Halfway through the fiscal year, Beta Co is acquired by another applicable Australian headquartered MNE group, Zeta Group. On completion of this transaction, Beta Co immediately joins a TCG in Zeta Group. Gamma Group and Zeta Group both have fiscal years ending 31 December.

Sections 2-40 and 2-50 of the Australian Minimum Tax Rules apply respectively to reduce Beta Co's DMT and UTPR top-up tax amounts to nil. These DMT and UTPR top-up tax amounts are re-allocated to the head companies of the respective TCGs. Each head company is effectively reallocated the DMT and UTPR top-up tax amounts of Beta Co that arise for the period of the fiscal year that Beta Co was a member of their applicable MNE group.

Each head company will be required to lodge a DMTR for their respective fiscal year ended 31 December. Those head companies will also need to lodge an AIUTR, unless they qualify for a lodgment exemption. Their returns can be lodged through a DLE of the respective MNE group.

Beta Co is prima facie required to lodge a DMTR, AIUTR and GIR in its capacity as group member of Gamma Group and another DMTR, AIUTR and GIR in its capacity as group member of Zeta Group.

However, under the legislative instrument, Beta Co will be exempt from lodging a DMTR in respect of both groups, due to it having been a subsidiary member of a TCG in those groups during the fiscal year. Further, as Beta Co meets all the relevant

criteria in the instrument, it will also be exempt from having to lodge an AIUTR in each of these capacities.

Beta Co still has to lodge the GIR in its capacity as a group entity of Gamma Group and in its capacity as a group entity of Zeta Group. However, this obligation will be met with respect to both MNE groups if a DLE of each group lodges the GIR with the ATO on its behalf. Practically, this means the DLE may lodge the combined return as well as the GIR on behalf of the Australian group entities.

Example 3: different fiscal years – leaving a TCG group

Sigma Co is a wholly owned Australian subsidiary of the applicable Australian headquartered MNE group, Theta Group. Sigma Co is also a subsidiary member of a TCG, with Theta Co as head company. Theta Group has a fiscal year ended 31 December.

On 30 June 2025, 100% of the ownership interests in Sigma Co are acquired by another applicable MNE group, Iota Group (fiscal year ended 31 March). However, Sigma Co does not join a TCG in Iota Group.

Sigma Co's DMT and UTPR top-up tax amounts that arise in respect of Theta Group are reduced to nil under sections 2-40 and 2-50 of the Australian Minimum Tax Rules. This top-up tax is reallocated to the head company of the TCG in Theta Group. Under the legislative instrument, Sigma Co will be exempt from lodging a DMTR and AIUTR, in respect of its capacity as group entity of Theta Group, for the fiscal year ended 31 December 2025. The obligation to lodge a DMTR and AIUTR continues to exist for the head company of the TCG in Theta Group. This may be met if an appointed DLE has centrally lodged the AIUTR and DMTR for all Australian group entities of Theta Group on their behalf.

Sigma Co is not exempt from lodgment of the DMTR in its capacity as group member of Iota Group for the fiscal year ended 31 March 2026. In this capacity, Sigma Co is also not exempt from lodgment of the AIUTR as it is not a subsidiary member of a TCG and none of the other exemption criteria in the instrument apply. Sigma Co's obligations to lodge the AIUTR and DMTR as a group entity of Iota Group will be met if an appointed DLE has

centrally lodged the AIUTR and DMTR for all Australian group entities of Iota Group.

Sigma Co still has to lodge the GIR in respect of each MNE group for the fiscal years ended 31 December 2025 and 31 March 2026 respectively. However, this obligation will be met if, for each MNE group, a DLE lodges the GIR with the ATO on its behalf. Practically, this means the DLE may lodge the combined return as well as the GIR on behalf of the Australian group entities.

Example 4: partial sale of a subsidiary

Delta Co is a wholly owned group entity of the applicable MNE group, Kappa Group. The UPE of Kappa Group, Kappa Co, is located in Australia and has a fiscal year ending 31 December. Delta Co is a subsidiary member of a TCG. On 30 June 2025, 20% of Delta Co is purchased by Rho Co, who are not a group entity of Kappa Group. As a result, Delta Co leaves the TCG, but 80% of its ownership remains held within the Kappa Group and it remains a group entity.

Delta Co's DMT top-up tax amount and UTPR top-up tax amount for the fiscal year ending 31 December 2025 are reduced to nil in accordance with sections 2-40 and 2-50 of the Australian Minimum Tax Rules. These top-up tax amounts are allocated to B Co, the head company of the TCG.

Under the legislative instrument, Delta Co would be exempt from lodging the DMTR and the AIUTR in respect of the fiscal year ended 31 December 2025. The obligation to lodge a DMTR and AIUTR continues to exist for B Co, as the head company of the TCG.

Delta Co still has to lodge the GIR for the fiscal year, but this obligation will be met if a DLE lodges the GIR with the ATO on its behalf. Practically, this means the DLE may lodge the combined return as well as the GIR on behalf of the Australian group entities.

Example 5: partially owned to wholly owned subsidiary

An applicable MNE group, Zeta Group, owns 80% of group entity Epsilon Co. The remainder of the ownership interests in Epsilon Co are held by an entity that is not a group entity of Zeta Group. The UPE of Zeta Group, Zeta Co, is located in Australia and has a fiscal year ending 31 December. On 1 April 2025, Zeta Group acquires the remaining 20% of Epsilon Co from Eta Co and Epsilon Co joins a TCG.

Epsilon Co's DMT and UTPR top-up tax for the fiscal year ended 31 December 2025 is reduced to nil in accordance with sections 2-40 and 2-50 of the Australian Minimum Tax Rules. This top-up tax is entirely allocated to the head company of the TCG. Under the legislative instrument, Epsilon Co will be exempt from lodging the DMTR in respect of the fiscal year. As it meets all the relevant criteria in the instrument, it will also be exempt from lodging of the AIUTR.

QC 105978

Top-up tax for tax consolidated groups

How to calculate and allocate top-up tax for tax consolidated groups.

Published 17 December 2025

Calculation and allocation of top-up tax

The Australian global and domestic minimum tax contains provisions that may affect the way in which members of a tax consolidated group calculate and allocate top-up tax liability. These include:

- **Calculation** – a filing constituent entity of the multinational enterprise (MNE) group can elect to follow the consolidated accounting treatment. This allows elimination of intragroup transactions between members of the tax consolidated group when determining their GloBE income or loss. This broadly aligns with the disregarding of those transactions for income tax purposes.
- **Allocation** – special rules allocate any DMT and UTPR top-up tax of a subsidiary member of a tax consolidated group to the head

company. This means the head company will be liable for that top-up tax.

We also outline below an ATO administrative approach to allocation of DMT and UTPR top-up tax where one or more entities to which top-up tax is allocated are subsidiary members of a tax consolidated group. This recognises that some MNE groups report DMT and UTPR top-up tax on a net basis for a tax consolidated group as opposed to an entity-by-entity basis. We generally will not devote compliance resources to assess the allocation approach taken by MNE groups provided certain conditions are met.

Consolidated accounting treatment

Under section 3-200 of the Australian Minimum Tax Rules, MNE groups can elect to apply consolidated accounting treatment to certain constituent entities within a tax consolidated group. This election can be made in section 3.2.3 of the GloBE Information Return (GIR).

If the election is made, amounts arising from intra-group transactions are eliminated when calculating top-up tax. This is to the extent the transactions are not recognised under the consolidated accounting treatment applied by the ultimate parent entity (UPE).

Eligibility criteria

An election to apply consolidated accounting treatment applies to constituent entities of an applicable MNE group that:

- are located in the same jurisdiction
- are included in a tax consolidation group (as defined in subsection 3-200(4))
- share the same effective tax rate (ETR) computation.

The reference to a tax consolidation group in subsection 3-200(4) includes Australian tax consolidated groups (that is, tax consolidated groups (TCGs) and multiple entry consolidated (MEC) groups).

The election can also apply to transactions between members of a subgroup, including between:

- minority owned constituent entities (MOCEs)
- investment entities and insurance investment entities
- joint venture group entities.

Effect of election

This election adjusts the way in which top-up tax is calculated by eliminating from the calculation of GloBE income or loss, the income, expenses, gains and losses of same-jurisdiction intra-group transactions. The elimination is made only where these transactions are eliminated in the UPE's consolidated financial statements.

The election cannot be revoked for the election year or the 4 succeeding fiscal years. In the fiscal years in which the election is made or revoked, special rules apply to ensure that the GloBE income or loss of consolidated entities are calculated appropriately.

This election only permits the elimination of certain intra-group transactions between separate constituent entities. It does not consolidate or aggregate those entities into a single entity, for either top-up tax calculation or reporting purposes.

Entities that undertake this election should have regard to the specific reporting simplifications in the GIR. For more information, see Tax consolidated group reporting for Pillar Two.

Example 1: consolidated accounting treatment for a TCG

Alpha Co is the head company of a TCG in Australia, of which Bravo Co is a subsidiary member. These companies are constituent entities of the Omega MNE Group. Gamma Co is another company located in Australia that is also a constituent entity of Omega MNE Group, but it is not part of the TCG. These companies all share the same ETR calculation as constituent entities of Omega MNE Group.

Alpha Co (as the filing constituent entity for the Omega MNE Group) makes an election under section 3-200 of the Australian Minimum Tax Rules. As a result, in calculating their GloBE income or loss, the Financial Accounting Net Income or Loss (FANIL) of Alpha Co and Bravo Co are adjusted so as to eliminate items of income, expense, gains and losses from transactions between Alpha Co and Bravo Co (the consolidated local entities). This also ensure there are no duplications or omissions of such items in the first fiscal year for which the election applies.

Adjustments are not made to transactions between the consolidated local entities and Gamma Co. However, if Gamma Co was part of another TCG, the filing constituent entity for the Omega MNE Group may be able to make another election that could apply to transactions within that other TCG.

Where the election is not made, each constituent entity must separately determine its GloBE income or loss before any consolidation

adjustments.

Allocating top-up tax

The Australian Minimum Tax Rules include specific provisions about the allocation of DMT and UTPR top-up tax amounts within tax consolidated groups.

The provisions are contained in:

- section 2-40 of the Australian Minimum Tax Rules for DMT top-up tax amounts
- section 2-50 of the Australian Minimum Tax Rules for UTPR top-up tax amounts.

Where these provisions apply, subsidiary members of tax consolidated groups must:

- reduce their DMT and UTPR top-up tax amounts to zero
- allocate those amounts and the resulting liability to the head company subject to certain exceptions.

This effectively results in a 'bottom up' approach to allocation of DMT and UTPR top-up tax for tax consolidated groups.

The reallocation of top-up tax amounts does not affect the computation of top-up tax but simply shifts the liability and payment obligations for such amounts to the head company.

These provisions do not apply to IIR top-up tax amounts. To the extent a subsidiary member has an IIR top-up tax amount (for example, because the head company of the tax consolidated group is an excluded entity), that subsidiary member will be liable to pay that amount.

Top-up tax for members leaving or joining a tax consolidated group

In some cases, an entity may be a constituent entity of an applicable MNE group for an entire fiscal year but be a subsidiary member of a TCG or MEC group within that applicable MNE group for only part of the fiscal year. In these circumstances, top-up tax calculated for the entity for the fiscal year will still be entirely reallocated to the head company of the tax consolidated group.

In some other cases, an entity may be a constituent entity of more than one applicable MNE group in a given fiscal year, including where the fiscal years of the applicable MNE groups are not the same. In these circumstances, where the entity was a subsidiary member of a TCG or MEC group while it was a constituent entity of each applicable

MNE group, the special allocation rules still apply to allocate the subsidiary member's DMT and UTPR top-up tax amounts to the head companies of the respective tax consolidated groups. The top-up tax amount allocated to each head company will be the amount of top-up tax calculated for the subsidiary member for the fiscal year for the particular MNE group.

Allocating DMT top-up tax

Under the Australian Minimum Tax Rules, DMT top-up tax is first allocated to Australian constituent entities, including head companies and subsidiaries of tax consolidated groups, in proportion to their GloBE income. However, under subsections 2-40(2) and (4), subsidiaries of tax consolidated groups must reduce their DMT top-up tax amount to zero and the head company must increase its amount by the same total. This results in a 'bottom up' approach to allocation of the jurisdictional DMT top-up tax for tax consolidated groups.

We acknowledge that some MNE groups have systems that may not allocate DMT top-up tax within a tax consolidated group on an entity-by-entity basis. Instead, these systems may only determine relevant items on a ‘net' basis for the tax consolidated group, resulting in a single amount of DMT top-up tax for the entire tax consolidated group. This approach is referred to as the ‘top-down’ approach to allocation of jurisdictional DMT top-up tax.

We generally don't intend to devote compliance resources to reviewing allocations of jurisdictional DMT top-up tax where one or more entities to which top-up tax is allocated are subsidiary members of a tax consolidated group, irrespective of whether the MNE group uses a ‘top-down’ or ‘bottom up’ approach. This is provided the total DMT top-up tax amount for Australian constituent entities is correct and consistent with the result under the ‘bottom-up’ approach, which is the approach required by law.

Our practical approach also complements the OECD’s guidance on the GIR, where certain elections are available to reduce compliance burden on MNE groups. These elections include the:

- Aggregated reporting election
- Transitional simplified reporting election.

Allocation of DMT top-up tax examples

Example 2: DMT top-up tax – all constituent entities in the tax consolidated group have GloBE income

For the fiscal year ended 31 December 2024, Bop MNE Group, an applicable MNE group with a foreign headquartered ultimate parent entity (UPE), Bop Co, has 3 constituent entities in Australia. Cop Co and Hop Co are members of a TCG, with Cop Co as the head company. Mop Co is not part of the TCG. It is a wholly owned subsidiary of Bop Co. All constituent entities in Australia have GloBE income.

Bop MNE Group is required to determine if it has a DMT top-up tax liability in Australia for the 2024 fiscal year. If the group has a DMT top-up tax liability, it will need to allocate the jurisdictional DMT top-up tax amongst the Australian constituent entities.

For the 2024 fiscal year, the group's Australian operations have GloBE income of $17 million and adjusted covered taxes of $1.74 million, resulting in an ETR of 10.2% in Australia. As a result, the Bop MNE Group has a top-up tax percentage of 4.8% and jurisdictional DMT top-up tax of $816,000 (assume there is no substance based income exclusion amount), to be allocated amongst all its Australian constituent entities as follows:

- Cop Co's top-up tax (and DMT top-up tax amount) = $816,000 × $5 million ÷ $17 million = $240,000.
- Hop Co's top-up tax (and DMT top-up tax amount) = $816,000 × $2 million ÷ $17 million = $96,000.
- Mop Co's top-up tax (and DMT top-up tax amount) = $816,000 × $10 million ÷ $17 million = $480,000.

MNE groups with systems that can calculate items such as GloBE income and adjusted covered taxes within a tax consolidated group on an entity-by-entity basis employ a 'bottom-up' approach. Using this approach, the allocation of jurisdictional top-up tax is also able to be undertaken on an entity-by-entity basis.

If Bop MNE Group were to employ a 'bottom up' approach, in accordance with subsections 2-40(2) and (4) of the Australian Minimum Tax Rules, Hop Co's DMT top-up tax amount would be reduced by $96,000 to zero and Cop Co's DMT top-up tax amount would be increased by $96,000. Therefore, Cop Co's DMT top-up tax amount would be $336,000. The allocation provisions in the Australian Minimum Tax Rules seek to produce a single point of liability in respect of all members of a tax consolidated group.

If Bop MNE Group's systems are unable to calculate items such as GloBE income and adjusted covered taxes within the TCG on an entity-by-entity basis, those systems may only determine such items on a 'net' basis for members of the TCG.

Under such a 'top-down' approach, Bop MNE Group's systems combine the GloBE income of Cop Co and Hop Co. The resultant allocation of the jurisdictional DMT top-up tax under its systems would be as follows:

- Cop Co's DMT top-up tax amount = $816,000 × ($5 million + $2 million) ÷ $17 million = $336,000.
- Mop Co's DMT top-up tax amount = $816,000 × $10 million ÷ $17 million = $480,000.

Table 1: Summary of Bop MNE group's DMT top-up tax calculation and allocation for 2024 fiscal year

DMT top-up tax calculation	Cop Co	Hop Co	Mop Co	Tota
Adjusted covered taxes	$1.5 million	$0	$240,000	$1.74 million (a
GloBE income or (loss)	$5 million	$2 million	$10 million	$17 million (b
ETR (a)÷(b)	n/a	n/a	n/a	10.2%
top-up tax %	n/a	n/a	n/a	4.8% (c
Jurisdictional DMT top-up tax (b)×(c)	n/a	n/a	n/a	$816,00
Allocation of jurisdictional DMT top-up tax – bottom up (before applying allocation rules for tax consolidated groups)	$240,000	$96,000	$480,000	$816,00
Allocation of jurisdictional	$336,000	n/a	$480,000	$816,00

DMT top-up tax – bottom up (after applying allocation rules for tax consolidated groups)				
Allocation of jurisdictional DMT top-up tax – top down	$336,000	n/a	$480,000	$816,00

Table 1 summarises Bop MNE group's DMT top-up tax calculation and allocation for the 2024 fiscal year. It shows that the 'bottom-up' and 'top-down' approaches achieve the same outcome for Bop MNE group, being that the DMT top-up tax amount allocated to Cop Co (as head company of the TCG) is $336,000 and the DMT top-up tax amount allocated to Mop Co is $480,000. As such, we will not be devoting compliance resources in this case to reviewing the method of allocating Jurisdictional DMT top-up tax to constituent entities, where one or more constituent entities are part of a tax consolidated group.

The same outcome arises under both approaches when all constituent entities in the TCG have GloBE income. This can be contrasted to the following example, where a subsidiary member of the tax consolidated group has a GloBE loss.

Example 3: DMT top-up tax – a constituent entity in the tax consolidated group has a GloBE loss

For the fiscal year ended 31 December 2025 Bop MNE Group has the same 3 constituent entities in Australia. Cop Co has GloBE income of $5 million, Hop Co has a GloBE loss of $500,000, and Mop Co has GloBE income of $10 million for the fiscal year.

For the 2025 fiscal year, the group's Australian operations have GloBE income of $14.5 million and adjusted covered taxes of $1.74 million, resulting in an ETR of 12% in Australia. As a result, the Bop MNE group has a top-up tax percentage of 3% and jurisdictional DMT top-up tax of $435,000 (assume there is no substance based income exclusion amount). This is to be

allocated amongst all its Australian constituent entities as follows:

- Cop Co's top-up tax (and DMT top-up tax amount) = $435,000 × $5 million ÷ $15 million = $145,000.
- Hop Co's top-up tax (and DMT top-up tax amount) = $0.
- Mop Co's top-up tax (and DMT top-up tax amount) = $435,000 × $10 million ÷ $15 million = $290,000.

Under the 'bottom-up' approach, Cop Co and Mop Co would be allocated $145,000 and $290,000 in DMT top-up tax respectively. Hop Co has a GloBE loss and therefore no top-up tax is allocated to it.

Under the 'top-down' approach, whereby Bop MNE group's systems determine GloBE income or loss and other attributes on a 'net' basis for the TCG, the DMT top-up tax would be allocated as follows:

- Cop Co's DMT top-up tax amount = $435,000 × ($5 million − $500,000) ÷ $14.5 million = $135,000.
- Mop Co's DMT top-up tax amount = $435,000 × $10 million ÷ $14.5 million = $300,000.

Table 2 summarises Bop MNE Group's jurisdictional DMT top-up tax calculation and allocation for the 2025 fiscal year. In this case, the 'bottom-up' and 'top-down' approaches result in different allocations of the jurisdictional DMT top-up tax amounts to constituent entities including those constituent entities that subsidiary members of tax consolidated group because a constituent entity (Hop Co) that is a member of the TCG has a GloBE loss.

Regardless of whether Bop MNE Group's systems take a 'bottom-up' or 'top-down' approach, the sum of DMT top-up tax amounts for all Australian constituent entities is $435,000, which is equal to the jurisdictional DMT top-up tax for Australia. Therefore, we do not intend to devote compliance resources to test whether the MNE group has followed a 'bottom up' approach to allocate jurisdictional top-up tax to Australian CEs where one or more constituent entities are subsidiary members of a tax consolidated group.

Table 2: Summary of Bop MNE Group's DMT top-up tax calculation allocation for 2025 fiscal year

DMT top-up tax	Cop Co	Hop Co	Mop Co	To

calculation				
Adjusted covered taxes	$1.5 million	$0	$240,000	$1.74 million
GloBE income or (loss)	$5 million	($500,000)	$10 million	$14.5 million
ETR (a)÷(b)	n/a	n/a	n/a	1
top-up tax %	n/a	n/a	n/a	3%
Jurisdictional DMT top-up tax amount (b)*(c)	n/a	n/a	n/a	$435,(
Allocation of jurisdictional DMT top-up tax – bottom up	$145,000	$0	$290,000	$435,(
Allocation of jurisdictional DMT top-up tax – top down	$135,000	n/a	$300,000	$435,(

Allocating UTPR top-up tax

Under the Australian Minimum Tax Rules, the amount of an MNE group's total UTPR top-up tax amount that is allocated to Australia (the Australian allocated amount) is then further allocated to constituent entities of the MNE group located in Australia. This allocation is in proportion to each constituent entity's number of employees and the value of its tangible assets. Certain entities, such as investment entities and securitisation entities, may be excluded from the distribution of the jurisdictional UTPR top-up tax amount.

Under subsections 2-50(2) and (4) of the Australian Minimum Tax Rules, subsidiaries of tax consolidated groups that are distributed an amount of jurisdictional UTPR top-up tax must reduce their UTPR top-

up tax amount to zero. The head company must increase its UTPR top-up tax by the amount of each subsidiary's reduction. This results in a 'bottom up' approach to allocation of the jurisdictional UTPR top-up tax for tax consolidated groups.

In contrast, where an MNE group's systems are unable to determine GloBE attributes on an entity-by-entity basis, those systems might calculate the number of employees and value of tangible assets on a ‘net' basis for the tax consolidated group. This results in a single figure for these attributes for the entire tax consolidated group, leading to a ‘top-down’ distribution of jurisdictional UTPR top-up tax.

We do not intend to devote compliance resources to review how Australian UTPR top-up tax is allocated to constituent entities located in Australia where one or more constituent entities are subsidiary members of tax consolidated groups. This applies regardless of whether the MNE group allocates top-up tax using the 'bottom-up' or 'top-down' approach. As this allocation is based on employee numbers and tangible assets, the amount of UTPR top-up tax allocation for tax consolidated groups results in the same amount of top-up tax that is consistent with the rules, regardless of which approach is adopted by an MNE group.

QC 105979

Tax consolidated group reporting for Pillar Two

Pillar Two reporting simplifications for tax consolidated groups.

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GIR reporting simplifications

The aggregated reporting election (ARE) and transitional simplified reporting election (TSRE) are reporting simplifications that apply specifically to disclosures required under section 3.2.4 of the GloBE Information Return (GIR).

Broadly, section 3.2.4 of the GIR requires the multinational enterprise (MNE) group to report entity-level information supporting the effective tax rate (ETR) and top-up tax calculations. The ARE and TSRE allow this information to be provided on an aggregated basis where eligibility conditions are met:

- The ARE allows MNE groups to report information at the tax consolidated group level, effectively treating the group as a single constituent entity for reporting purposes.
- The TSRE allows MNE groups to report information at the jurisdictional level during a transitional period.

If neither election is made, the MNE group must provide top-up tax calculation information for each separate constituent entity in the MNE group.

Both elections are reporting simplifications and do not impact the actual calculations of top-up tax.

Both elections are available to the filing constituent entity. They are not mutually exclusive and can apply irrespective of the other.

OECD aggregated reporting election

The ARE allows MNE groups to elect to report GloBE computations for entities within a tax consolidated group as if they were a single constituent entity, rather than reporting information for each entity separately. This is outlined in note 3.2.4.b of the GIR explanatory guidance.

The election is made by completing relevant labels of the tax identification number (TIN) of the consolidated group and consolidating entities in section 3.2.4.b of the GIR, and the manner in which GloBE computations are disclosed in GIR.

For the Australian tax consolidation regime, the ARE is only available to TCGs and not MEC groups.

ARE eligibility criteria

The MNE group must meet all of the following conditions before the election can be made:

- the taxable profits and losses of the consolidated entities are aggregated for the purpose of computing a single tax liability
- all consolidated entities are wholly owned by the consolidating entity (the head company)
- all constituent entities or members of a deemed GloBE JV group within the tax consolidated group are GloBE located in the same jurisdiction
- an election to apply consolidated accounting treatment under section 3-200 of the Australian Minimum Tax Rules has been made.

ARE exclusions

There are a number of circumstances in which the election will not apply. The ARE is not available to:

1. **MEC groups**

The ARE is not available to MEC groups (as defined in section 719-5 of the *Income Tax Assessment Act 1997*) because they are not able to meet the condition that all consolidated entities must be wholly owned by the consolidating entity. The consolidating entity in a MEC group is the nominated provisional head company which does not wholly own other eligible tier-1 companies and their subsidiaries in the MEC group. MNE groups with MEC groups may still rely on the TSRE provided the eligibility conditions are met.

2. **Entities entering or leaving the MNE group**

The ARE is not available to entities that join or leave the MNE group during the reporting fiscal year, regardless of whether they were, or are, part of a TCG.

Any entity that joined or left the MNE group must have its information reported individually in the GIR in the fiscal year it joined or left. The ARE can still apply with respect to the other members of the TCG.

Example 1: entity entering the MNE group

Alpha MNE Group is a foreign headquartered applicable MNE group. The foreign UPE, Alpha Enterprises, wholly owns an Australian subsidiary Alpha Co, which is the head company of a TCG in Australia. Bravo Co is a wholly owned Australian subsidiary of Alpha Co and member of the TCG. Alpha MNE Group has a 30 June fiscal year end.

Charlie Co joins Alpha MNE Group and the TCG (with Alpha Co as head company) as a wholly owned subsidiary of Bravo Co on 1 January 2025. Alpha MNE Group apply the ARE to Alpha Co and Bravo Co as members of the TCG for the entire reporting fiscal year. They cannot apply the ARE to Charlie Co as it enters the MNE group during the fiscal year. The information of Charlie Co must be included in section 3.2.4 of the GIR on an individual constituent entity basis for the 1 July 2024 to 30 June 2025 fiscal year.

3. **TCGs comprising of a mix of ordinary constituent entities and entities with separate ETR computations**

The application of the ARE is limited with respect to TCGs comprising of a mix of ordinary constituent entities and entities that calculate their ETR separately to other constituent entities in the TCG. Such TCGs

could include the following types of entities, which compute their ETR separately from other constituent entities:

- investment entities and insurance investment entities
- minority owned constituent entities.

Information about these entities must be disclosed on an entity-by-entity basis in the GIR, even if the entity is part of the TCG. The ARE can still apply to the other entities in the TCG that are subject to the ordinary ETR calculations. Where a TCG consists of only one type of entity that calculates their ETR separately (for example, where the TCG consists only of entities in a GloBE JV group), the ARE applies to all entities in the TCG as they share the same ETR calculation.

Example 2: ordinary constituent entity as head entity of a TCG

Assume the same facts as Example 1 except that Charlie Co is already a member of Alpha MNE Group and the TCG at the beginning of the fiscal year ending 30 June 2025. Also assume that Alpha Co and Bravo Co are ordinary constituent entities while Charlie Co is an insurance investment entity.

Alpha MNE Group can apply the ARE to Alpha Co and Bravo Co as they share the same ETR computation. The ARE does not apply to Charlie Co because, as an insurance investment entity, it does not share the same ETR computation with ordinary constituent entities located in the same jurisdiction. The information of Charlie Co for the fiscal year ending 30 June 2025 must be included in section 3.2.4 of the GIR on an individual constituent entity basis.

OECD transitional simplified reporting election

The transitional simplified jurisdictional reporting framework election (TSRE) allows MNE groups to report GloBE computations information for entities located in the same jurisdiction on an aggregated jurisdictional basis, rather than reporting information for each constituent entity separately. This is outlined in paragraph 8 of the Introduction and note 3.2.4.a.1 of the GIR explanatory guidance.

Where the election is made under section 3.2.4.a in the GIR, disclosures of certain adjustments to financial accounting net income or loss (FANIL), current tax expense or deferred tax expense can be reported at the jurisdictional level rather than reporting information for each entity separately.

Exceptions apply to certain disclosures discussed below, irrespective of whether the MNE group has elected to apply the TSRE.

This is a transitional election that only applies to fiscal years beginning on or before 31 December 2028 but not including any fiscal year that ends after 30 June 2030. Unlike the ARE, this election is not limited to TCGs and can be made for MEC groups.

The TSRE applies to all constituent entities located in the jurisdiction, including entities that calculate their ETR separately to ordinary constituent entities located in the same jurisdiction. The TRSE is not limited to tax consolidated groups.

Applying the TSRE does not mean that your obligations to calculate ETR on an entity-by-entity basis under the Australian Minimum Tax Rules is changed. It is a reporting simplification only.

Election eligibility criteria

Under the TSRE, the disclosures of all entities located in the same jurisdiction can be aggregated in the GIR if there is no need, for reporting purposes, for the jurisdictional top-up tax to be allocated across constituent entities in the jurisdiction. For this purpose, there is no need to report how jurisdictional top-up tax is allocated across entities located in the jurisdiction if the allocation does not impact the amount of any entity's liability under a qualified income inclusion rule (IIR) or qualified domestic minimum top-up tax (QDMTT), as applicable, for the relevant jurisdiction.

First, the MNE group will need to consider whether the QDMTT liability for entities in the jurisdiction depends on entity-by-entity allocation of jurisdictional top-up tax. Entity-by-entity allocation of jurisdictional top-up tax is not needed where a single entity is liable for any top-up tax under a QDMTT imposed in that jurisdiction.

For QDMTT purposes constituent entity-level reporting is still required if there is a need, for reporting purposes, for the jurisdictional top-up tax to be allocated to individual constituent entities.

If a QDMTT does not apply in that jurisdiction, then MNE groups will need to consider whether qualified IIR liabilities depend on entity-by-entity allocation of jurisdictional top-up tax. Entity by-entity allocation of jurisdictional top-up tax is not needed, for reporting purposes, in the following circumstances:

- A single parent entity applies a qualified IIR in respect of the jurisdiction and the parent entity's allocable share of the top-up tax of each constituent entity in the jurisdiction is 100%. (In this case, the parent entity's allocable share of the top-up tax of all entities will equal the jurisdictional top-up tax.)

- The inclusion ratio of all parent entities required to apply an IIR in respect of that jurisdiction is the same with respect to each relevant entity in the jurisdiction. (In this case, the jurisdictional top-up tax can be allocated equally to those parent entities.)

For IIR purposes, the MNE group must still provide reporting for each constituent entity if the above circumstances do not apply.

Another circumstance in which the TSRE is available is where no top-up tax arises for the jurisdiction under a qualified IIR or DMT.

For Australian tax consolidated groups, the TSRE may commonly (but not exhaustively) apply where there is:

- a DMT top-up tax liability in Australia and the only constituent entities of the MNE group located in Australia are members of an Australian tax consolidated group:
  - section 2-40 of the Australian Minimum Tax Rules allocates DMT top-up tax amounts of subsidiaries of Australian tax consolidated groups to the head company, so there is a single liable entity
  - for reporting purposes, there is no need to show the allocation of jurisdictional top-up tax to individual constituent entities located in Australia because the liability for that top-up tax could only ever be placed on the head company
- an Australian IIR top-up tax liability arising in respect of foreign low-taxed constituent entities, where the head company of an Australian tax consolidated group is the only parent entity that applies the IIR in respect of the foreign constituent entities, and the head company's allocable share of the top-up tax for each such entity is 100%. There is no QDMTT applicable in the jurisdiction of the foreign constituent entities:
  - since the head company's allocable share of the top-up tax for all low-taxed constituent entities located in the foreign jurisdiction is equal to the jurisdictional top-up tax, there is no need, for reporting purposes, to allocate the jurisdictional top-up tax among those constituent entities
  - the TSRE applies for the foreign jurisdiction's ETR computation disclosures in section 3.2.4.

Example 3: DMT top-up tax and TSRE applies

Assume the same facts as Example 2. Alpha MNE Group has no constituent entities located in Australia other than the members of the TCG. There is an amount of Australian DMT top-up tax for Alpha MNE Group for the fiscal year ending 30 June 2025.

Under section 2-40 of the Australian Minimum Tax Rules, the DMT top-up tax amounts of Bravo Co and Charlie Co are reduced to zero and allocated to the head company of the TCG, Alpha Co. As Alpha Co is the only constituent entity in Australia with a top-up tax liability, there is no need, for reporting purposes, for the jurisdictional DMT top-up tax to be allocated to individual constituent entities.

Alpha MNE Group makes a TSRE, which allows it to undertake jurisdictional reporting for Australia in section 3.2.4 of the GIR.

Disclosures in section 3 of the GIR only contain information relating to the application of the Australian QDMTT and not in relation to the application of an IIR or UTPR of a foreign jurisdiction. No liabilities can arise under a foreign IIR (or UTPR) in respect of Australia because the QDMTT applies. Therefore, for the purposes of a foreign IIR, whether or not top-up tax is allocated on an entity-by-entity basis is irrelevant.

The ARE, as explained in Example 2, can also apply.

For more information, see Pillar Two top-up tax for consolidated groups.

Disclosures in section 3.2.4 not covered by the TSRE

The explanatory guidance in the GIR lists a number of disclosures in section 3.2.4 that must be reported for each constituent entity irrespective of whether the MNE group has elected to apply the TSRE.

These disclosures relate to various items relevant to determining GloBE income or loss and adjusted covered taxes. They include adjustments made in applying the arm's length principle and when entities join or leave an MNE group. Included in the list are also disclosures about entity-specific elections.

For more information, refer to note 3.2.4.a.1 of the GIR explanatory guidance.

Application of the elections

The ARE and TSRE are not mutually exclusive, and each can apply in addition to the other, provided the eligibility conditions are met. This means that where you are not eligible for the ARE, or only eligible in part, you may still be able to apply the TSRE and report data in the GIR on a jurisdictional basis. Similarly, where you are not eligible for the TSRE, you may still be able to apply the ARE and report the information relating to a TCG on an aggregated basis.

The following table outlines some common scenarios that illustrate the availability of the ARE and TSRE for constituent entities located in Australia. All scenarios assume that:

- there is an MNE group with DMT top-up tax in Australia
- where the ARE is available, all eligibility requirements (for example, the requirement to elect into consolidated accounting treatment) are satisfied.

Application of the ARE and TSRE

Scenario	ARE available? Yes or No	TSRE available? Yes or No
1. Joining entity: The only constituent entities of the MNE group located in Australia are the entities in a TCG. An entity joins the MNE group and TCG part way through the fiscal year.	No, for the joining entity. Yes, for the other members of the TCG.	Yes, as the head company of the TCG is the single liable entity for the DMT top-up tax. For reporting purposes, there is no need to allocate the jurisdictional top-up tax to constituent entities.
2. Leaving entity: The only constituent entities of the MNE group located in Australia are the entities in a TCG. A subsidiary member of the TCG leaves the TCG and MNE group part way through the fiscal year.	No, for the leaving entity. Yes, for the other members of the TCG.	Yes, as the head company of the TCG is the single liable entity for the DMT top-up tax. For reporting purposes, there is no need to allocate the jurisdictional top-up tax to constituent entities.
3. Investment entity head company: The only constituent entities of the MNE group located in Australia are the entities in a TCG. The TCG consists of an investment entity as head company and two ordinary	No, for the investment entity. Yes, for the ordinary constituent entities.	Yes, as the head company of the TCG is the single liable entity for the DMT top-up tax. For reporting purposes, there is no need to allocate the jurisdictional top-up tax to

constituent entities as subsidiary members. The investment entity is not an excluded entity under section 20 of the *Taxation (Multinational - Global and Domestic Minimum Tax) Act 2024*.		constituent entities.
4. Ordinary constituent entity head company: The only constituent entities of the MNE group located in Australia are the entities in a TCG. The TCG consists of an ordinary constituent entity as head company and 2 subsidiaries, one of which is an ordinary constituent entity and the other which is an insurance investment entity.	No, for the insurance investment entity. Yes, for the head company and the subsidiary that is an ordinary constituent entity.	Yes, as the head company of the TCG is the single liable entity for the DMT top-up tax. For reporting purposes, there is no need to allocate the jurisdictional top-up tax to constituent entities.
5. GloBE JV entities **as head company and subsidiaries:** The only entities of the MNE group located in Australia are the entities in a TCG. The head company and subsidiaries are all GloBE JV entities.	Yes, for all members of the TCG as all members share the same ETR computation.	Yes, as the head company of the TCG is the single liable entity for the DMT top-up tax. For reporting purposes, there is no need to allocate the jurisdictional top-up tax to GloBE JV entities.
6. TCG and standalone constituent entity: The MNE group has a TCG in Australia consisting of ordinary constituent entities. The MNE group	Yes, for the constituent entities that are members of the TCG as all members share the same ETR computation.	No, as the DMT top-up tax of the constituent entity outside the TCG is not allocated to the head company of the TCG. There is more than one

also has a constituent entity located in Australia that is not a member of the TCG.		constituent entity that could be liable for DMT top-up tax.
7. MEC group only: The MNE group has a MEC group in Australia consisting of ordinary constituent entities. It has no other constituent entities in Australia.	No, as the ARE does not apply to MEC groups.	Yes, as the provisional head company of the MEC group is the single liable entity for the DMT top-up tax. For reporting purposes, there is no need to allocate the jurisdictional top-up tax to constituent entities.
8. MEC group and standalone constituent entity: The MNE group has a MEC group in Australia consisting of ordinary constituent entities. The MNE group also has a constituent entity located in Australia that is not a member of the MEC group.	No, as the ARE does not apply to MEC groups.	No, as the DMT top-up tax of the constituent entity outside the MEC group is not allocated to the provisional head company of the MEC group. There is more than one constituent entity that could be liable for DMT top-up tax.
9. After TSRE transition period ends: The only constituent entities of the MNE group located in Australia are the entities in a TCG. The MNE group is lodging for the fiscal year ending 30 June 2032.	Yes.	No, as the transition period during which the TSRE applies has ended.

Where no top-up tax arises in Australia, the eligibility criteria for the TSRE would be met and the TSRE would be available in all of the above scenarios except for the final scenario.

QC 105980

Tax consolidated group restructures and transition rules

Treatment of Pillar Two tax attributes from ownership transfers for tax consolidated groups and transition rules.

Last updated 25 March 2026

Restructure rules and transition rules for tax consolidated groups

The Pillar Two rules contain specific provisions dealing with acquisitions and internal restructures. This page covers 2 categories of rules that can affect how Pillar Two attributes are treated for tax consolidated groups when calculating a jurisdiction's effective tax rate (ETR). These are the **group restructure rules** and **related transition rules**. This page does not cover every aspect of those rules in detail. It focuses on implications for tax consolidated groups where restructures have occurred.

There are other rules, including in Chapter 3 (GloBE income or loss), Chapter 4 (adjusted covered taxes and deferred tax adjustments), Chapter 5 and Chapter 8 (safe harbours) of the Australian Minimum Tax Rules that determine how Pillar Two tax attributes are recognised, measured, and taken into account for ETR purposes. For more details on these topics, refer to the Australian subordinate legislation Taxation (Multinational–Global and Domestic Minimum Tax) Rules 2024 (Australian Minimum Tax Rules).

Table 1: Overview of Pillar Two transition rules and restruc rules

Category	Application	Materials	Provision
Transition rules	Applies to group restructures that occur during pre-transition years.	Chapter 9 of the *Taxation (Multinational-Global and Domestic Minimum Tax) Rules 2024* (Australian Minimum Tax	• Section 9-5 baseline transition ru (Article 9.1.1 • Subsection 5(3) transiti year integrit

	Modify or recompute tax attributes in the transition year.	Rules), based on Chapter 9 of the Organisation for Economic Co-operation and Development (OECD) Model GloBE Rules (20 December 2021) (GloBE Rules) and accompanying commentary.	rule (Article 9.1.2) • Section 9-1 transition ye asset transf integrity rul (Article 9.1.3
Group restructure rules – transfers of ownership interests	Applies when constituent entities join or leave a multinational enterprise group (MNE group).	Chapter 6 of the Australian Minimum Tax Rules, based on Article 6.2 of the GloBE Rules and accompanying commentary.	• Section 6-3 ownership interest transfer rule (historical carrying valu rule) (Article 6.2.1 • Section 6-5 deemed ass transfer rule Article 6.2.2
Group restructure rules – asset transfers	Applies upon election of filing constituent entity when eligibility conditions are met upon a trigger event.	Chapter 6 of the Australian Minimum Tax Rules, based on Article 6.3.4 on the GloBE Rules and accompanying commentary.	• Section 6-7 fair value adjustments (Article 6.3.4

This guidance covers group restructure and related transition rules as enacted, read consistently with the GloBE Rules, commentary to the GloBE Rules, and agreed Administrative Guidance. Certain elements of that OECD guidance have not been fully incorporated into Australian law as at the date of publication, including aspects of the January 2025 Administrative Guidance Article 9.1 of the GloBE Rules (published 15 January 2025).

Interaction between accounting and Pillar Two

While the ATO does not determine how tax effect accounting is applied under accounting standards, the Pillar Two ETR calculation incorporates certain accounting concepts in the Australian Minimum Tax Rules, such as deferred tax expense, deferred tax assets, deferred tax liabilities, carrying values and tax basis. This is explained below as general background information.

In the general case, Pillar Two requires the calculation of a jurisdiction's ETR for a fiscal year. The ETR aggregates the results of constituent entities in the MNE group located in the relevant jurisdiction. The jurisdictional ETR is determined under section 5-5 and is broadly:

> *ETR = (sum of adjusted covered taxes of each constituent entity of the MNE group located in the jurisdiction ÷ net GloBE income)*

Adjusted covered taxes (Pillar Two)

The numerator aggregates the adjusted covered taxes of each constituent entity located in the jurisdiction. The adjusted covered taxes of a constituent entity is determined under section 4-5 and is broadly:

> *Adjusted covered taxes = accrued current covered tax expense + additions to covered taxes – reductions to covered taxes + total deferred tax adjustment amount + certain equity adjustments*

The adjusted covered taxes includes an adjustment for the total deferred tax adjustment amount under paragraph 4-5(b). The total deferred tax adjustment amount is determined under section 4-85 and is broadly:

> *Total deferred tax adjustment = deferred tax expense accrued in its financial accounts + / - specific adjustments (and recast if required)*

The accrued deferred tax expense will generally be the deferred tax expense amount in the accounts (to the extent it relates to covered taxes and amounts included in GloBE income or loss).

Deferred tax expense (accounting) and DTAs and DTLs

Accounting deferred tax expense is driven by movements in deferred tax assets (DTAs) and deferred tax liabilities (DTLs) for an accounting reporting period. DTAs and DTLs reflect differences between the accounting carrying value and the tax basis of assets and liabilities. In simplified terms:

> *Deferred tax expense = (closing DTL − opening DTL) − (closing DTA − opening DTA)*

DTA/DTL = (carrying value − tax basis) × tax rate

The deferred tax adjustment amount under section 4-85 will be the deferred tax expense in the accounts, adjusted in certain cases so that instead of using the movements in accounting DTA and DTLs, it takes into account the movements in GloBE DTA and DTLs:

Recast deferred tax expense = (closing GloBE DTL − opening GloBE DTL) − (closing GloBE DTA − opening GloBE DTA)

GloBE income or loss

The denominator of the jurisdictional ETR calculation is the net GloBE income of the MNE group for the jurisdiction. Net GloBE income is the GloBE income or loss (determined under section 3-5) of all constituent entities located in the relevant jurisdiction aggregated under section 5-15.

At a high-level, GloBE income or loss is derived from the profit and loss recorded in the accounts (accounting profit), subject to Pillar Two adjustments. These adjustments include, but are not limited to, adjustments under subsection 9-15(2) and section 6-30 that apply where certain acquisitions and restructures have occurred. If an acquisition or restructure has occurred, you should consider whether any depreciation, amortisation and gain or loss amounts recorded in the accounts needs to be adjusted, when calculating GloBE income or loss.

How to determine Pillar Two tax attributes

Pillar Two tax attributes can be affected by the transition rules and the group restructure rules, which affect the calculation of adjusted covered taxes and GloBE income or loss, as explained above. These Pillar Two tax attributes include:

- GloBE DTA
- GloBE DTL
- GloBE carrying value of assets and liabilities.

In explaining how these rules operate, this guidance uses the following key terms.

Table 2: Key terms

Term	Explanation
Accounting DTAs and DTLs	The DTAs and DTLs reflected or recorded in the financial accounts generally under accounting standards

	used to prepare the consolidated financial statements of the UPE.
Transition year tax attributes: • **Transition year DTAs** • **Transition year DTLs**	The opening DTA and DTL balances in the transition year as adjusted from accounting DTAs and DTLs under the transition rules and the group restructure rules.
GloBE DTAs and DTLs	The DTAs and DTLs to be taken into account for Pillar Two calculation purposes, modified from accounting DTAs and DTLs in-line with Pillar Two rules, including the transition rules and the group restructure rules.
Accounting carrying value	The asset or liability carrying value as reflected or recorded in the financial accounts under accounting standards used to prepare the consolidated financial statements of the UPE.
GloBE carrying value	The modified asset or liability carrying value taken into account for Pillar Two calculation purposes.

Transition rules and group restructure rules

The transition rules set the opening DTA and DTL balances in the transition year (transition year tax attributes), for the purpose of calculating the total deferred tax adjustment amount in that fiscal year and later fiscal years. Broadly, the transition year for a jurisdiction is the first fiscal year that the MNE group comes within the scope of the GloBE Rules in respect of the jurisdiction. OECD guidance clarifies that, for the purposes of the transition rules in Article 9.1, the transition year does not include a fiscal year to which the transitional CBC reporting safe harbour applies.

The transition rules include the following:

- Section 9-5 **baseline transition rule** – broadly, this rule allows MNE groups to take into account the accounting DTAs and DTLs reflected in the financial accounts as at the beginning of the transition year (Article 9.1.1 of the GloBE Rules). These attributes may still be subject to some adjustments, including recasting to 15% if recorded at a rate exceeding 15%
- Subsection 9-5(3) **baseline integrity rule** – disregards accounting DTAs that arise from transactions occurring between 1 December 2021 and the beginning of the transition year that relate to

permanent differences between GloBE income or loss and taxable income (Article 9.1.2 of the GloBE Rules)

- Section 9-15 **asset transfer integrity rule** – generally applies to reset the accounting carrying value of assets acquired through intra-group asset transfers that occurred after 1 December 2021 and before the transition year of the disposing entity (Article 9.1.3 of the GloBE Rules).

The group restructure rules can also have an impact on the transition year tax attributes. Those explained in this guidance are:

- Section 6-30 **ownership interest transfer rule** – limits the accounting carrying values recognised where an entity becomes a group entity of the MNE group (Article 6.2.1(c) of the GloBE Rules)
- Section 6-50 **ownership interest transfers deemed as transfers of assets and liabilities** – treats certain transfers of ownership interests in an entity as deemed transfers of underlying assets and liabilities (Article 6.2.2 of the GloBE Rules)
- Section 6-70 **fair value adjustments election** – election has the effect of recognising assets and liabilities at fair value for the purpose of GloBE computations.

Section 9-5: Baseline transition rule

As a simplification measure, the transition rule in section 9-5 allows opening accounting DTAs and DTLs to be brought into the transition year for Pillar Two purposes, subject to certain exceptions and modifications.

For these DTAs and DTLs, the transition rule sets the **transition year tax attributes** as the lower of the DTAs and DTLs recorded or disclosed in the financial accounts of the constituent entity, or these amounts re-casted to 15%.

Specific adjustments which are normally required during the transition year and subsequent fiscal years, such as dealing with recapture DTLs or excluding DTAs for items excluded from GloBE income, are not needed for transition year attributes.

Exceptions and clarifications include the following:

- tax losses – as an exception, accounting DTAs relating to eligible tax losses may be recast at 15% for Pillar Two purposes even where these are recorded at below 15% in financial accounts
- recognition standards – transition year tax attributes do not include accounting DTAs that cannot be reflected or disclosed under the acceptable or authorised financial accounting standards used to

compute financial accounting net income or loss (FANIL) of the constituent entity that is located in the jurisdiction

- unbooked DTA – transition year tax attributes include DTAs that were not recognised by the MNE group due to an accounting recognition adjustment or valuation allowance
- pre-transition year acquisitions to which section 6-30 applies – transition year tax attributes brought in under section 9-5 are determined under section 6-30
- subsection 9-5(3) and section 9-15 – baseline integrity rule and asset transfer integrity rule.

Subsection 9-5(3): Baseline integrity rule

Transition year DTAs are subject to an integrity rule contained in subsection 9-5(3), which limits the recognition of accounting DTAs that arise due to permanent differences between GloBE income or loss and taxable income.

DTAs in scope of this rule must arise in respect of items excluded from the computation of GloBE income or loss and must relate to a transaction that occurred after 30 November 2021, and before commencement of the transition year (referred to as the 'window period' hereafter).

The effect of subsection 9-5(3) is to exclude reversals of accounting DTAs from the total deferred tax adjustment amount for a fiscal year that is a transition year or a subsequent fiscal year.

Accounting DTAs that may be covered by this rule include:

- DTAs on items that would be expressly excluded under Chapter 3 of the Australian Minimum Tax Rules (for example, a DTA in respect of an excluded equity gain or loss)
- DTAs attributable to non-economic expenses or losses for tax purposes (for example, a DTA in respect of a tax loss in a fiscal year prior to the transition year with respect to tax depreciation deductions in excess of an asset's cost).

The rule has broad application. Unless the DTA relates to an item that is specifically carved out from scope, the rule applies to deny the 'bringing in' of accounting DTAs, other than those relating to a recognition of timing differences between items of income or expense that would be included in GloBE income or loss and taxable income.

The January 2025 OECD Administrative Guidance Article 9.1 of the GloBE Rules (published 15 January 2025) provides further explanation of the scope of Article 9.1.2. Among other things, the guidance:

- provides an expansive interpretation of the term 'transaction', to include certain arrangements such as an agreement, ruling, decree or grant with governments (defined as government arrangements), retroactive elections and the enactment of a corporate income tax regime
- clarifies that Article 9.1.2 does not apply to a DTA relating to a transaction that results in an entity becoming a group entity of an MNE group, to which Article 6.2.1(c) applies (section 6-30 of the Australian Minimum Tax Rules)
- clarifies that Article 9.1.2 does not apply to certain tax credits that arise independently of a government arrangement, as defined in that guidance.

Section 9-15: Asset transfer integrity rule

Pre-transition year intra-group asset transfers

Section 9-15 applies to transfers of assets (other than inventory) between members of an MNE group that occur after 30 November 2021 and before the transition year of the disposing constituent entity.

This rule requires the acquiring constituent entity to treat the transferred asset as having been acquired for an amount equal to the carrying value in the hands of the disposing constituent entity upon disposition for Pillar Two purposes.

The GloBE carrying value as at the beginning of the transition year is the accounting carrying value upon disposition, adjusted for subsequent capitalised expenditure, depreciation and amortisation amounts after the transaction and before beginning of the transition year.

As a result, the acquiring constituent entity may need to make adjustments in the calculation of GloBE income or loss, including recalculating the:

- amortisation or depreciation expenses recorded in the accounting profit using the GloBE carrying value
- gain or loss on a subsequent sale of the asset using the GloBE carrying value.

Extended scope for other transactions

The transition year asset transfer integrity rule applies to a broad range of transactions (including the transfer of rights to an item of economic value) that occur or are deemed to occur in relation to an asset, if that transaction is treated as, or in a similar manner to, a sale of assets from an accounting perspective.

The extended scope of this rule includes:

- transactions where the disposing entity recognises an amount of income reflecting the consideration for the transfer and the acquiring entity creates or increases the accounting carrying value of the transferred assets
- transactions where the acquiring entity records the accounting carrying value of the asset at cost and also recognises a DTA based on the differences between the carrying value of the asset and its tax basis. The recognition of a GloBE DTA has a similar effect as an increase to the asset's GloBE carrying value to fair value, as the eventual unwind of the GloBE DTA would shelter low taxed income of the constituent entity from top-up tax
- transfers or deemed transfers of assets within the same entity (same entity transactions). An example of a same entity transaction is a relocation or migration of an entity, where the entity records an increase in tax basis or accounting carrying value of its assets. The same entity transaction rule also applies in instances where there is a change in the method for accounting for an asset to fair value accounting, resulting in the recognition of an accounting gain or loss from fair value changes and a corresponding increase or decrease to the accounting carrying value of the asset.

Therefore, transactions and corporate restructurings that are accounted for similar to an asset transfer (that is, where the MNE group creates or increases the accounting carrying value of an asset), regardless of their form and whether they take place within an entity or between entities, may constitute a 'transfer of assets' under section 9-15. This rule applies to cross-border and domestic transfers or deemed transfers. While this rule is broad in scope, its application is limited to transactions between entities that would have been constituent entities of the same MNE group had the Australian Minimum Tax Rules applied to the MNE group immediately before the transfer. This rule does not apply to transactions that result in entities becoming group entities of MNE group.

Extended scope to DTAs – transactions accounted at cost

The transition year asset transfer integrity rule also applies to limit or exclude accounting DTAs arising as a result of transactions accounted for at cost. The GloBE DTA or DTL is calculated as the lower of:

1. the minimum rate multiplied by the difference between the tax basis of the asset and the GloBE carrying value of the asset, as determined under the asset transfer integrity rule based on the accounting carrying value of the disposing entity
2. for GloBE DTAs, the sum of the following amounts

a. tax paid by the disposing entity in respect of the transaction

b. the amount of the DTA that would have been taken into account under the transition rules but was reversed or not created because the gain of the disposing entity was included in the taxable income of the entity (other tax effects)

c. the amount of covered taxes paid in respect of the transaction that would have been allocated to the disposing entity under Part 4-3 of the Australian Minimum Tax Rules.

If the disposing entity is part of a tax consolidated group, taxes paid by that group and other tax effects of the group in relation to the transaction are to be taken into account in determining the amount of a GloBE DTA allowed under this rule.

These GloBE DTAs are recognised at the amount described above regardless of whether an accounting DTA would be recognised by the acquiring constituent entity under the relevant accounting standard. The GloBE DTA is computed irrespective of the amount reflected or recorded in the financial accounts of the acquiring entity at the beginning of the transition year.

The creation of GloBE DTAs under the transition year asset transfer integrity rule does not reduce the adjusted covered taxes of the acquiring constituent entity. GloBE DTAs are adjusted subsequently in proportion to the decrease in the GloBE carrying value of the asset due to for example depreciation, amortisation, and impairment.

Transactions accounted for at fair value

These consequences do not apply to assets for which a filing constituent entity has made an election under subsection 9-15(7). That election can be made if, after the transaction, the acquiring entity accounts for the asset at fair value and it would otherwise be entitled under the asset transfer integrity rule to take into account a DTA equal to the minimum rate multiplied by the difference between the GloBE carrying value of the asset and its tax basis.

Where an election applies, an MNE group is permitted to use the accounting carrying value of the asset of the acquiring entity for GloBE computational purposes, instead of using the disposing entity's carrying values.

In this case, there will no GloBE DTA arising from the transaction if the acquiring entity's accounting carrying value and tax basis of the asset are the same amount at the beginning of the transition year. If the tax basis varies, giving rise to an accounting DTA, the usual accounting principles apply in respect of the use of that DTA in the GloBE computations.

Examples of the interaction between the baseline integrity rule, asset transfer integrity rule and the ownership interest transfer rule follow:

- Scenario 2 – Transactions entered into between 1 December 2021 and beginning of transition year – acquisition of target entity that becomes a constituent entity
  - Example 2 – Acquisition of 100% ownership interest in an entity by Australian TCG from third party vendor during the window period.
- Scenario 3 – Transactions entered into between 1 December 2021 and beginning of transition year – group entity transaction
  - Example 3 – Acquisition of ownership interest in a group entity by Australian TCG during the window period from another group entity
  - Example 4 – Acquisition of ownership interest in a group entity by Australian TCG during window period from a third party.

Section 6-30: Ownership-interest transfer rule

Part 6-2 of the Australian Minimum Tax Rules applies where, as a result of transfer of ownership interests, an entity becomes, or ceases to be, a constituent entity of an MNE group.

Section 6-30 (Article 6.2.1(c) of the GloBE Rules) provides that, in cases where the target entity becomes a constituent entity of an acquiring MNE group, the GloBE income or loss and adjusted covered taxes of the target entity are to be determined using the target's historic accounting carrying values of assets and liabilities in accordance with the acceptable financial accounting standard (or authorised financial accounting standard, if applicable).

This rule is consistent with subsection 3-10(4) (Article 3.1.2 of the GloBE Rules) which prohibits taking into account purchase price accounting (PPA) adjustments that are recorded in the accounts of the target constituent entity, or the consolidated financial statements, in these circumstances.

The exclusion of purchase accounting adjustments in determining GloBE income and adjusted covered taxes applies to transactions occurring in any fiscal year. That is, it can apply to transactions in pre-transition years, the transition year, or in subsequent fiscal years.

There is an exception to this prohibition in certain circumstances where the transfer of ownership interests occurs prior to 1 December 2021. It is not reasonably practicable to determine the financial accounting net income or loss of the target entity in the absence of

purchase accounting adjustments because the MNE group does not have sufficient records to do so.

In these limited circumstances, the GloBE carrying value of the assets and liabilities of the target entity is to be determined taking into account purchase accounting adjustments.

Scenario 1a: Transactions entered into before 1 December 2021

Where the relevant transaction has occurred prior to 1 December 2021 and is subject to section 6-30 of the Australian Minimum Tax Rules, the relevant GloBE DTAs and DTLs of the target entity that are to be brought into the transition year under subsection 9-5(1) (Article 9.1.1) must be based on the GloBE carrying value instead of the carrying value amounts used to determine the deferred tax expense accrued in the financial accounts, unless the exception relating to not having sufficient records mentioned above applies.

A DTA or DTL calculated in this way may be taken into account for the purposes of the transition year tax attributes even in cases where none is recorded for financial accounting purposes (for instance, where the carrying value amount in the financial accounts of the constituent entity is equal to the tax basis, but where the GloBE carrying value after applying section 6-30 differs).

Therefore, where there is a transfer of ownership interests resulting in an entity becoming a constituent entity of an MNE group, section 6-30 applies to determine the GloBE income or loss and adjusted covered tax of the target entity. The adjusted covered taxes of the target entity as at the beginning of the transition year (transition year deferred taxes) are determined based on the difference between the GloBE carrying value of the assets and liabilities (historic carrying value) and the tax basis of the assets and liabilities. Where the target entity becomes a subsidiary member of a tax consolidated group as a result of the acquisition and the entry tax cost setting rules contained in Division 705 of the *Income Tax Assessment Act 1997* (ITAA 1997) apply to it, the tax basis of its assets for this purpose is determined in accordance with those tax cost setting rules.

The transition integrity rules in subsection 9-5(3) and section 9-15 do not apply to transactions that were entered into prior to 1 December 2021. Therefore, for acquisitions before 1 December 2021, any DTAs or DTLs computed under section 6-30 based on the difference between the GloBE carrying value and tax basis of the target's assets and liabilities, are included in the transition year tax attributes. Reversals of the DTAs and DTLs in the transition year and subsequent fiscal years are included in the total deferred tax adjustment amount and adjusted covered taxes.

As the creation or initial recognition of these DTAs or DTLs occurred before the commencement of the transition year, any deferred tax expense relating to their creation or recognition does not impact adjusted covered taxes in the transition year.

Key questions for Scenario 1a

- Key Question: Where a target entity becomes a constituent entity of an MNE group as a result of a transfer of ownership interests in a transaction that occurred before 1 December 2021, are the transition year DTAs and DTLs of the target entity to be computed based on the difference between GloBE carrying values, determined using historic carrying values of the target entity, excluding purchase accounting adjustments, and the tax basis of the assets and liabilities?
  - Guidance: Yes.
- Key Question: Do the transition year integrity rules in subsection 9-5(3) and section 9-15 apply to transactions entered into before 1 December 2021?
  - Guidance: No.

Therefore, for transactions occurring before 1 December 2021, including a transfer of ownership interests that results in an entity becoming a constituent entity of an MNE group, as well as a choice to form a tax consolidated group, transition year DTAs are computed based on the difference between the GloBE carrying values (determined excluding PPA adjustments) of assets and liabilities and their tax basis.

Scenario 1b: Transactions entered into after commencement of the transition year

Transactions occurring after the commencement of the transition year, in which a target entity becomes a constituent entity of an MNE group, are also subject to section 6-30 of the Australian Minimum Tax Rules. For these transactions, DTAs and DTLs are also determined based on the difference between GloBE carrying values (determined using the historical carrying value of assets of the target, excluding purchase accounting adjustments) and their tax basis.

This GloBE treatment of calculating DTAs and DTLs may lead to the recognition of DTAs and DTLs in the GloBE computations where no accounting DTA or DTL is recorded for the transaction in the financial accounts of the constituent entity used in preparing the consolidated financial statements. In some other cases, it may require adjustments to accounting DTAs and DTLs, such that the adjusted amounts of DTAs

and DTLs used for GloBE computations are based on GloBE carrying values.

The initial recognition of a GloBE DTA or DTL, or any adjustment to an accounting DTA or DTL to conform it to a GloBE DTA or DTL, is included in the total deferred tax adjustment amount determined under section 4-85 of the Australian Minimum Tax Rules. Therefore, it is included in adjusted covered taxes for the purpose of determining the ETR for the jurisdiction, for the fiscal year of transaction, subject to the usual eligibility rules and adjustments for deferred taxes. Similarly, reversals of GloBE DTAs and DTLs in the acquisition year and subsequent fiscal years under the relevant accounting standard are included in the total deferred tax adjustment amount and adjusted covered taxes.

Example 1a: Application of section 6-30 to a transfer of ownership interests before 1 December 2021

A Co is the head company of an Australian consolidated group (TCG) and a constituent entity of an MNE group. A Co acquires ownership interests in B Co from an unrelated party, X Co, on 30 June 2021. Following A Co's acquisition of the ownership interests, B Co became a subsidiary member of the TCG and a constituent entity of A Co's MNE group. The MNE group's transition year for Australia commenced 1 January 2024.

The carrying value of B Co's assets as at the beginning of the transition year, in the financial accounts of B Co used in preparing the consolidated financial statements of the UPE, was $11,000. The historic carrying value of these assets as at the beginning of the transition year, ignoring purchase accounting adjustments, was $1,000. For Australian income tax purposes, the tax basis of B Co's assets was reset to $11,000 when B Co became a subsidiary member of the TCG.

There are no DTAs or DTLs in respect of these assets in the financial accounts of B Co used in preparing the consolidated financial statements of the UPE as at beginning of transition year on 1 January 2024. However, the transition year deferred tax attributes for GloBE computations are to be based on the difference between GloBE carrying values of assets and liabilities and their tax basis, as at 1 January 2024. The GloBE carrying value of B Co's assets is $1,000 under section 6-30 (Article 6.2.1 (c)).

The transition year DTA as at 1 January 2024 is $10,000 × 15% = $1,500. The initial recognition of this GloBE DTA

does not require a corresponding adjustment to reduce the total deferred tax adjustment amount because the acquisition occurred before the transition year. Reversals of this GloBE DTA during the transition year and subsequent fiscal years will increase the total deferred tax adjustment amount in those fiscal years.

Assume the remaining depreciation period for assets for both tax and financial accounting is 10 years.

Table 3: GloBE computations for B Co

Step	Computation	Amount
GloBE basis of assets and liabilities of B Co	A	$1,000
Tax basis of assets and liabilities of B Co	B	$11,000
GloBE DTA – recast to 15 %	C = (A − B) × 15%	$1,500
Financial accounting net income or loss for fiscal year ended 31 December 2024	D	$5,000
Add: PPA adjustment	E	$1,000
GloBE income	F = D + E	$6,000
Taxable income	G = D	$5,000
Current tax expense	H = 30% × G	$1,500
Total deferred tax adjustment amount	I = E × 15% C ÷ 10	$150
Adjusted covered taxes	J = H + I	$1,650
ETR impact	J ÷ F	27.5%

Example 1b: Application of section 6-30 to a transfer of ownership interests after commencement of the transition year

The facts are the same as in Example 1a, except that A Co acquires ownership interests in B Co on 31 December 2024, being the last day of the transition year.

Table 4: GloBE computations for B Co

Step	Computation	Amount
GloBE basis of assets and liabilities of B Co	A	$1,000
Tax basis of assets and liabilities of B Co	B	$11,000
GloBE DTA – recast to 15%	C = (A - B) × 15%	$1,500
Financial accounting net income or loss for year ended 31 December 2024	D	$5,000
Add: PPA adjustment	E	$0
GloBE income	F = D + E	$5,000
Taxable income	G = D	$5,000
Current tax expense	H = 30% × G	$1,500
Total deferred tax adjustment amount	I = - C	($1,500)
Adjusted covered	J = H + I	$0

taxes		
ETR impact	J ÷ F	0%

Scenario 2: Transactions entered into between 1 December 2021 and beginning of transition year – acquisition of target entity that becomes a constituent entity

Subsection 9-5(3) of the Australian Minimum Tax Rules (Article 9.1.2 of GloBE Rules) does not apply to exclude DTAs arising from a transaction that is an acquisition of ownership interests in a target entity from a *non-group entity* that results in the target becoming a constituent entity of the MNE group. The non-application of subsection 9-5(3) in these circumstances extends to any DTAs arising under Australia's tax consolidation entry tax cost setting rules as a result of the target becoming a constituent entity of the MNE group.

Section 9-15 (Article 9.1.3) does not apply to such a transaction either. Section 9-15 applies to transfers of assets between entities that would have been constituent entities of the same MNE group assuming that MNE group had been subject to the GloBE Rules immediately before the transaction. It does not apply to a transaction with a non-group entity for the acquisition of ownership interests in a target entity that becomes a constituent entity as a result of the transaction.

Therefore, the relevant GloBE DTAs and DTLs of the target entity that are to be brought into the transition year under subsection 9-5(1) in these circumstances are to be calculated in the same manner as described in Scenario 1a (transactions entered into before 1 December 2021).

Key question for Scenario 2

- Key question: Do either of subsection 9-5(3) or section 9-15 of the Australian Minimum Tax Rules (Articles 9.1.2 and 9.1.3 of the GloBE Rules) apply to exclude DTAs at the beginning of the transition year relating to a window period transaction that is the acquisition of ownership interests in a target entity from a non-group entity that results in the target becoming a constituent entity of the MNE group?
  - Guidance: No.

Example 2: Application of the transition integrity rules to transactions between 1 December 2021 and the beginning of the transition year – acquisition of 100% ownership interest in an entity by Australian TCG from third party vendor

Assume same facts as in Example 1a, except that A Co acquires 100% of the ownership interests in B Co on 30 June 2022.

At the beginning of the transition year, B Co's assets and liabilities had the following values:

- accounting carrying value (including purchase accounting adjustments) of $11,000
- historic accounting carrying value (excluding purchase accounting adjustments) of $1,000
- tax basis of $11,000.

No accounting DTA was recorded in respect of B Co's assets and liabilities as at the beginning of the transition year. However, when performing B Co's GloBE calculations, the DTA to be brought into the transition year under subsection 9-5(1) (Article 9.1.1) is to be based on the difference between the GloBE carrying value and tax basis of those assets and liabilities as at 1 January 2024, as section 6-30 (Article 6.2.1 (c)) applies to the transaction entered into on 30 June 2022. The GloBE carrying value of the assets and liabilities is $1,000. The transition year GloBE DTA for B Co's GloBE computations as at 1 January 2024 is $10,000 multiplied by 15% = $1,500.

Subsection 9-5(3) (Article 9.1.2) does not apply to exclude a DTA resulting from a transaction subject to section 6-30. Therefore, subsection 9-5(3) doesn't apply to exclude B Co's transition year GloBE DTA of $1,500. Section 9-15 (Article 9.1.3) doesn't apply to the transaction either, as the transaction is with a non-group vendor, resulting in B Co becoming a group entity of the MNE group.

GloBE computations

As neither subsection 9-5(3) or section 9-15 apply in this scenario, the GloBE computation outcomes are the same as Example 1a.

Scenario 3: Transactions entered into between 1 December 2021 and beginning

of transition year – group entity transaction

Subsection 9-5(3) (Article 9.1.2) of the Australian Minimum Tax Rules has broad application. It can apply to exclude DTAs that arise as a result of an acquisition of ownership interests between 1 December 2021 and the beginning of the transition year (window period) by a member of a tax consolidated group in a target that was **already** a constituent entity of the applicable MNE group.

Where such a transaction occurs, the target's GloBE DTAs brought into the transition year under section 9-5 are to be determined based on the difference between the GloBE carrying value of the assets and liabilities and their tax basis. In some cases, the GloBE carrying values may differ from the accounting carrying values. This may occur if the target entity was initially acquired from a non-group entity in a transaction before the intra-group transfer, such that section 6-30 applies in respect of the initial acquisition to exclude purchase accounting adjustments.

However, the baseline integrity rule in subsection 9-5(3) will apply to exclude from the transition year tax attributes any such GloBE DTA, or part of a GloBE DTA, of the target that was created or increased as a result of the application of Australia's tax consolidation entry tax cost setting rules to the transaction.

The only carveout from Article 9.1.2 for DTAs arising from acquisitions of ownership interests is that included in the OECD's January 2025 Administrative guidance. That exception applies in respect of acquisitions of ownership interests in a non-group entity that result in that entity becoming a constituent entity of the MNE group, such that the transaction is subject to Article 6.2.1(c) (section 6-30 of the Australian Minimum Tax Rules).

Key question for Scenario 3

- Key question: Does subsection 9-5(3) of the Australian Minimum Tax Rules apply to exclude DTAs arising from a window period transaction that is the acquisition of ownership interests by a member of a tax consolidated group, in an entity that was already a constituent entity of the MNE group immediately prior to the transaction, where the transaction results in the target entity becoming a subsidiary member of a tax consolidated group?
  - Guidance: Yes.

The January 2025 OECD Administrative Guidance clarifies that the integrity rules in Article 9.1 not only apply to DTAs arising from commercial transactions but also to DTAs arising from governmental arrangements entered into in the window period and from similar

events, such as retroactive elections made during that period. Similarly, these integrity rules also apply to exclude from the transition year tax attributes any DTAs arising, or increasing, as a result of a choice to form a tax consolidated group during the window period.

Example 3: Acquisition of ownership interests in a group entity by an Australian TCG from another group entity during the window period

A Co is the head of an Australian consolidated group (TCG). A Co acquires 100% of the ownership interests in B Co from a related party, X Co, at 30 June 2022. B Co was a group entity of the same MNE group as A Co and X Co immediately before and after the transaction. X Co had acquired B Co from an unrelated party in January 2020.

The transition year commences 1 January 2024. Following A Co's acquisition of B Co, B Co becomes a subsidiary member of A Co's TCG. Assume that, due to the specific facts and circumstances, the tax consolidation entry tax cost setting rules apply.

Assume the transitional CBC reporting safe harbour does not apply in respect of Australia.

The accounting carrying value of B Co's assets as at the beginning of the transition year used in preparing the consolidated financial statements (CFS) of the UPE was $11,000. The historic carrying value of B Co's assets, excluding purchase accounting adjustments, as at the beginning of the transition year was $1,000. The tax basis of B Co's assets and liabilities at that time was $11,000, which included a 'step up' under the tax consolidation tax cost setting rules.

There is no DTA in the financial accounts of B Co used in preparing the CFS of the UPE as at the beginning of the transition year. B Co's transition year DTA for GloBE computations is to be based on the difference between the GloBE carrying value and tax basis of its assets and liabilities as at 1 January 2024. The GloBE carrying value of B Co's assets and liabilities is $1,000, as section 6-30 and Article 6.2.1 (c) of the GloBE Rules apply to the transaction entered into in January 2020. The transition year GloBE DTA, as at 1 January 2024, is $10,000 multiplied by 15% = $1,500.

However, subsection 9-5(3) (Article 9.1.2) applies to exclude this DTA as the DTA relates to a transfer of ownership interests between group entities that occurred during the window period. The DTA relates to items other than timing differences between

the payment of tax in relation to items of income that will or would be included in GloBE income or loss.

Table 5: GloBE computations for B Co

Step	Computation	Amount
GloBE basis of assets and liabilities of B Co	A	$1,000
Tax basis of assets and liabilities of B Co	B	$11,000
GloBE DTA – recast to 15 %	C = (A - B) × 15%	$1,500
Financial accounting net income or loss for year ended 31 December 2024	D	$500
Add: PPA adjustment	E	$1,000
GloBE income	F = D + E	$1,500
Taxable income	G = D	$500
Current tax expense	H = 30% × G	$150
Total deferred tax adjustment amount	I = E × 15% C ÷ 10	$150
Adjustment for subsection 9-5(3) (Article 9.1.2)	J	($150)
Adjusted covered tax	K = H + I + J	$150
ETR impact	K ÷ F	10%

Example 4: Acquisition of remaining ownership interests in group entity from third party during the window period

Assume the same facts as Example 3 above, except that A Co held 85% of the ownership interests in B Co as at beginning of fiscal year 2022, having acquired those ownership interests in 2018. On 30 June 2022, A Co acquired the remaining 15% of ownership interests in B Co from X Co. X Co is not a group entity of A Co's MNE group.

The application of subsection 9-5(3) (Article 9.1.2) and the resulting GloBE computations are the same as in Example 3 above.

Section 6-50: Transfer of controlling interest deemed transfer of assets and liabilities

Eligibility conditions

Section 6-50 treats certain transfers of ownership interests as a transfer of assets and liabilities. It applies to acquisitions or disposals of controlling interests in a constituent entity. There are two eligibility conditions that must both be met for section 6-50 to apply. These are:

1. The jurisdiction in which the target entity is located must, for tax purposes, treat the acquisition or disposal of the controlling interest in the target in the same or similar manner as an acquisition or disposal of the underlying assets and liabilities of the target.
2. That jurisdiction imposes a covered tax on the seller of the controlling interest, based on the difference between the tax basis of the underlying assets and liabilities of the target and the consideration the seller received in exchange for the controlling interest, or the difference between that tax basis and the fair value of those assets and liabilities.

In an Australian income tax context, the first eligibility condition is met where the target entity becomes a subsidiary member of an Australian tax consolidated group of the buyer as a result of the transfer of a controlling interest. That is because, for Australian income tax purposes, the assets and liabilities of a joining subsidiary member are treated as forming part of the assets and liabilities of the head company of the tax consolidated group.

The second condition is met where a target entity leaves an Australian tax consolidated group as a result of a transfer of a controlling interest in the entity, provided that for Australian income tax purposes:

- The seller is required to compute the tax cost of membership interests in the target under Division 711 of the ITAA 1997, which sets the tax cost of those interests having regard to the cost of the target's assets and its liabilities.
- The seller computes a taxable gain or loss on the disposal based on the difference between the proceeds of the sale and the tax cost setting amount of the interests worked out under Division 711.
- That taxable gain or loss is included in the calculation of the seller's Australian taxable income or loss and is not, for example, disregarded, or subject to a CGT rollover.

Meeting the section 6-50 eligibility conditions

Therefore, the conditions for section 6-50 are met where, as a result of the transfer or a controlling interest in the target, the target ceases to be a subsidiary member of an Australian tax consolidated group of the seller and becomes a subsidiary member of an Australian tax consolidated group of the buyer, subject to the requirements outlined above about the application of Division 711 to the exit and the calculation and inclusion of the taxable gain or loss for the seller.

Section 6-50 does not apply in respect of a target entity where, for example, the target leaves an Australian tax consolidated group of the seller but does not become a subsidiary member of an Australian tax consolidated group of the buyer (for example, it instead becomes a standalone entity or the head company of a tax consolidated group).

Section 6-50 does not apply where the target is a head company of an Australian consolidated group, or a head company or eligible tier-1 (ET-1) company of a MEC group, of the selling group. Similarly, where the membership interests transferred by the seller are those in a head company or ET-1 company, section 6-50 will not apply in respect of any subsidiaries of those entities that leave the tax consolidated group as a result of that transfer. That is because the cost base of the membership interests in the head company, or ET-1 company, that are transferred is not worked out under Division 711, other than in cases where an ET-1 company is partly owned by members of the MEC group. The calculation of the seller's gain or loss on those membership interests under Australian income tax law is not calculated based on the difference between the tax basis and fair value of the underlying assets and liabilities of the head company, or ET-1 company, or their subsidiaries that leave with them.

Table 6: Application of section 6-50 to Australian tax consolidated groups

Item	Scenario 1	Scenario 2	Scenario 3
Disposition	Subsidiary member (other than ET-1 company) exits from tax consolidated group	No exit from tax consolidated group	Subsidiary member (other than ET-1 company) exits from tax consolidated group
Acquisition	Entry into tax consolidated group	Entry into tax consolidated group	No entry into tax consolidated group
Section 6-50 applies	Yes, subject to conditions outlined above	No	No
Details	Target entity ceases to be a subsidiary member of an Australian tax consolidated group of the seller, other than an ET-1 company, and joins another Australian tax consolidated group of the buyer.	Target entity that is not a subsidiary of an Australian tax consolidated group of the seller joins an Australian tax consolidated group of the buyer.	Target entity ceases to be a subsidiary member of an Australian tax consolidated group of the seller, other than an ET-1 company, but does not join an Australian tax consolidated group of the buyer.

Section 6-50 only applies to transactions entered into for a fiscal year that is the transition year or a subsequent fiscal year. Therefore, it does not apply to determine the GloBE attributes for the buyer if the transaction was entered into in a pre-GloBE fiscal year. However, these pre-GloBE transactions are still within scope of section 6-30.

Section 6-50 applies to determine the GloBE attributes of the buyer's or seller's applicable MNE group irrespective of whether the counterparty is also an applicable MNE group that is in scope of the

GloBE Rules, provided the eligibility conditions mentioned above are met. Section 6-50 is not elective and applies mandatorily where the eligibility conditions are satisfied. Therefore, the normal GloBE treatment of transfers of ownership interests under section 6-30 does not apply in these cases.

Consequences of transfer treated as transfer of assets and liabilities

For the selling group

1. The financial accounting gain or loss on the transfer of the controlling interest is disregarded, as an excluded equity gain or loss.
2. The target is treated as disposing of its assets and liabilities to the acquiring MNE group. It is required to include a gain or loss, computed based on the difference between the consideration for the sale of the controlling interest and the GloBE carrying value of the target's assets and liabilities, in calculating its GloBE income and loss for the seller's MNE group.
3. The covered tax imposed on the seller's gain on the transfer that is treated as a sale of assets and liabilities of the target is included in the GloBE ETR computations of the seller's MNE group.
4. This GloBE income and adjusted covered taxes are included for the seller's MNE group in the jurisdiction of location of the target entity.

For the buying group

1. The GloBE carrying value of assets and liabilities of the target is based on the accounting carrying value determined in accordance with accounting standards after applying purchase price accounting. This means that subsection 3-10(4) and section 6-30 do not apply in this instance to disregard purchase accounting adjustments in determining the GloBE income and loss of the target in the buying group.
2. The GloBE deferred tax expense of the target will be computed based on the difference between the GloBE basis of its assets and liabilities, computed after taking into account purchase price and adjustments, and the tax basis of its assets and liabilities. The recognition and reversal of DTAs and DTLs in a fiscal year will be included in adjusted covered taxes of the buyer's MNE group.

Example 5: Section 6-50 transfer of controlling interest deemed as transfer of assets and liabilities

X Co is the head company of an Australian consolidated group and the UPE of an applicable MNE group. It acquired 100% of the ownership interests in a target entity (Y Co) on 31 December 2025, which is also the last day of X Co's 2025 fiscal year. Assume that the 2025 fiscal year is the transition year for X Co. Y Co was previously a subsidiary member of an Australian consolidated group, whose head company was Z Co, the UPE of a different applicable MNE group.

For income tax purposes, Z Co determines a capital gain on the disposal of its ownership interests in Y Co based on the proceeds it receives, and the tax cost of those interests determined under Division 711 of the ITAA 1997. That capital gain is included in the calculation of its taxable income.

The eligibility conditions for section 6-50 are satisfied.

Consequences for selling group (Z Co)

The GloBE carrying value of the assets and liabilities of Y Co before the transfer of the controlling interests was $1,000. The tax cost of Z Co's membership interests in Y Co, determined under Division 711, was also $1,000. The consideration for the sale of those ownership interests was $5,000.

A gain of $4,000, representing the difference between the sale consideration and the accounting carrying value of Y Co's assets and liabilities, will be included in Y Co's GloBE income or loss in performing the GloBE computations for the Z Co MNE group. Similarly, the Z Co MNE group includes any income tax paid on the capital gain in the adjusted covered taxes of Y Co for the 2025 fiscal year. Any accounting gain or loss determined on the basis of the difference between the cost of ownership interests held by Z Co in Y Co (assume $1,500) and sale proceeds ($5,000), is disregarded in the GloBE computations as an excluded equity gain or loss under paragraph 3-35(1)(c) of the Australian Minimum Tax Rules. The relevant GloBE computations for Z Co MNE group for the Australian jurisdiction are as follows:

Table 7: GloBE computations for Z Co MNE group

Item	Computation	Amount
Subtract: accounting gain on disposal of ownership interest (paragraph 3-35(1)(c))	X	(3,500)

Add: gain on deemed disposal of assets and liabilities (sections 6-50 and 6-55)	A	$4,000
Taxable income on the transaction	B	$4,000
Covered tax	C = 30% × B	$1,200
ETR impact	C ÷ A	30%

Consequences for buying group (X Co)

For X Co's MNE group, the GloBE carrying value of Y Co's assets and liabilities for the fiscal year of the transaction and subsequent fiscal years will be computed taking into account purchase accounting adjustments made under accounting standards used by the UPE to prepare its CFS. The post-acquisition accounting carrying values of Y Co's assets and liabilities is $5,000. Assume the tax basis of Y Co's assets and liabilities, determined under Division 705 of the ITAA 1997, is also $5,000.

The GloBE income or loss and adjusted covered taxes of Y Co to be included in the X Co MNE group's GloBE calculations will be based on a GloBE carrying value of $5,000. As the tax basis and GloBE carrying value is the same, there will be no GloBE DTA or DTL for the transaction as at 31 December 2025 for the X Co MNE group. Subsection 3-10(4) and section 6-30 of the Australian Minimum Tax Rules, which would otherwise require the historic accounting carrying values of assets and liabilities to be used in GloBE computations, don’t apply as the transaction is subject to section 6-50.

The GloBE computations for the fiscal years ended 31 December 2025 and 31 December 2026 for the X Co MNE group are shown below. Assume the useful life of assets for tax and accounting purposes is 10 years and a FANIL of $500.

Table 8a: GloBE computations for X Co MNE group – fiscal year ended 31 December 2025

Item	Computation	Amount
GloBE basis of assets and liabilities of Y Co	A	$5,000

at 31 December 25		
Tax basis of assets and liabilities of Y Co at 31 December 25	B	$5,000
GloBE DTA/DTL	C = (A − B) × 15%	$0

Table 8b: GloBE computations for X Co MNE group – fiscal year ended 31 December 2026

Item	Computation	Amount
Financial accounting net income or loss	D	$500
Add: PPA adjustment	E	$0
GloBE income	F = D + E	$500
Taxable income	G = D	$500
Current tax expense	H = 30% × G	$150
Total deferred tax adjustment amount	I = E × 15%	$0
Adjusted covered tax	J = I + H	$150
ETR impact	J ÷ F	30%

Section 6-70: Fair value adjustments election

Eligibility for fair value adjustments election for transactions involving tax consolidated groups

The filing constituent entity of an MNE group may make an annual election, or a 5-year election, to apply a fair value adjustment, if certain conditions are met. An election can be made if, because of a

triggering event, a constituent entity is required or permitted to adjust the basis of some or all of its assets, or the amount of some or all of its liabilities, to fair value for tax purposes in the jurisdiction in which it is located.

In an Australian income tax context, these eligibility conditions will be satisfied where a target entity joins an Australian tax consolidated group, and the tax basis of its assets is determined in accordance with the entry tax cost setting rules contained in Division 705 of the ITAA 1997. Similarly, those conditions will be satisfied where an election is made to form a consolidated group, or MEC group, and Division 705 applies to set the tax cost of the constituent entity's assets. In this regard, the condition in section 6-70 looks at the overall design of the tax cost allocation mechanism in a jurisdiction's tax laws. For example, it does not enquire as to whether the application of Division 705 in a particular fact pattern has, in practice, resulted in a tax basis of an asset that is equal to its fair value. Neither does section 6-70 require that the fair value determined for tax purposes is the same amount as the fair value adopted for financial reporting purposes.

Consequences of fair value adjustment election

Section 6-70 serves as a simplification for triggering events that do not meet the eligibility conditions in section 6-50. A section 6-70 election allows an MNE group to use the accounting values of assets and liabilities, determined on fair value basis, to calculate GloBE income rather than requiring GloBE attributes to be calculated using historic carrying values.

The constituent entity for which a subsection 6-70(2) election is made must include a gain or loss in its GloBE income or loss in respect of each of the constituent entity’s assets and liabilities.

That gain or loss is computed as the difference between the carrying value of the asset or liability for financial accounting purposes immediately before the triggering event, and its fair value immediately after the triggering event. If the triggering event arises from a GloBE reorganisation, the gain or loss must be adjusted to account for any non-qualifying gain or loss determined under section 6-65 of the Australian Minimum Tax Rules.

A gain or loss must be included in GloBE income or loss for all of the constituent entity’s assets and liabilities that are recognised in accordance with acceptable financial accounting standards. For example, the adjustment is not limited to the particular assets for which tax basis is adjusted under Division 705, it covers all accounting assets and liabilities.

The fair value of assets and liabilities immediately after the triggering events are determined in accordance with the applicable accounting

standards used in preparing the consolidated financial statements of the UPE, including purchase accounting adjustments.

If the election is an annual election, the entire amount of the gains and losses calculated under section 6-70 is to be included in GloBE income or loss in the fiscal year in which the triggering event occurs. If the election is a 5-year election, one-fifth of that amount is included in the fiscal year in which the triggering event occurs and in each of the subsequent 4 fiscal years.

Where a fair value adjustment election applies, the post-triggering event accounting fair values of assets and liabilities are to be used in calculating the constituent entity's GloBE income or loss after that event, including in subsequent fiscal years. Subsection 3-10(4) and section 6-30, which would otherwise require exclusion of purchase accounting adjustments, do not apply where the section 6-70 fair value adjustment election is made.

A section 6-70 election can only be made for a triggering event occurring in a transition year or a subsequent fiscal year. For instance, it can't be made for a triggering event that occurs in a pre-GloBE fiscal year, or in a fiscal year for which an MNE group has elected to apply the transitional CBC reporting safe harbour.

In relation to the deferred tax impact of the election, the June 2024 Administrative Guidance explains that:

- DTAs and DTLs of the constituent entity that existed prior to the triggering event must be fully reversed and included in adjusted covered taxes.
- Any accrual of accounting deferred tax expense as a result of the tax basis of the constituent entity's assets or liabilities being reset to fair value for tax purposes should be excluded from adjusted covered taxes.
- The total deferred tax adjustment amount for the fiscal year in which the triggering event occurs and subsequent fiscal years are also to be recalculated based on the difference, if any, between the GloBE carrying values of the assets and liabilities determined under section 6-70, including purchase accounting adjustments, and their tax basis.

As noted above, the GloBE carrying values of assets and liabilities may, on some occasions, differ from their tax basis immediately after the triggering event. These differences may lead to the recognition of DTAs and DTLs in GloBE computations to the extent permitted under acceptable financial accounting standards.

Example 6: Section 6-70 application of the fair value adjustment election

Assume the same facts in Example 5 for MNE group X Co's acquisition of Y Co, with the exception that Y Co was not previously part of an Australian tax consolidated group in Z Co's MNE group. Therefore, the conditions in section 6-50 are not satisfied. Prima facie, X Co's MNE group X is subject to section 6-30, which requires Y Co's GloBE income or loss and adjusted covered taxes to be calculated without taking into account purchase accounting adjustments.

The filing constituent entity is eligible to make a section 6-70 election. The consequences of making this election for X Co's MNE group are as follows:

- the GloBE carrying value of assets and liabilities of target Y Co from the trigger event (31 December 2025) will be computed taking into account purchase accounting adjustments as made under accounting standards used by the UPE to prepare its CFS (GloBE carrying value $5,000).
- depreciation or amortisation expenses computed for determining Y Co's GloBE income or loss for the fiscal year ending 31 December 2026 and subsequent fiscal years will be based on GloBE carrying values of those assets and liabilities ($5,000)
- the difference between the accounting carrying values of Y Co's assets and liabilities before the trigger event ($1,000) and post the trigger event ($5,000) will be included in GloBE income or loss, being $4,000. X Co's MNE group has a further choice to include the difference of $4,000 as GloBE income in the transaction year (2025), or one-fifth of the gain over 5 fiscal years.
- the amount of DTAs and DTLs for GloBE purposes, as at 31 December 2025, is nil, as the tax basis and GloBE basis of those assets and liabilities is the same. This is irrespective of any DTA or DTL recorded in the financial accounts of Y Co.

Making of section 6-70 election does not impact the GloBE computations of the seller's MNE group (Z Co). Therefore, any gain or loss of Z Co from the disposal of ownership interests in Y Co is excluded from GloBE computations under paragraph 3-35(1)(c).

The GloBE computations for X Co's MNE group for the fiscal year ended 31 December 2025, assuming a section 6-70 election is made to include the fair value adjustment over 5 fiscal years, are as follows.

Table 10: GloBE computations for X Co MNE group where a 6-70 election is made for the fiscal year ended 31 December 2025

Step	Computation	Amount
GloBE basis of assets and liabilities of Y Co	A	$5,000
Tax basis of assets and liabilities of Y Co	B	$5,000
GloBE DTA or DTL	C = (A − B) × 15%	$0
Financial accounting net income or loss for year ended 31 December 2025	D	$500
Add: PPA adjustment	E	$0
Add: Fair value adjustment	F = $4,000 ÷ 5	$800
GloBE income	G = D + E + F	$1,300
Taxable income	H = D	$500
Current tax expense	I = 30% × G	$150
Total deferred tax adjustment amount	J	$0
Adjusted covered tax	K = I + J	$150
ETR impact	K ÷ F	11.5%

If the filing constituent entity of X Co's MNE group did not make a section 6-70 election, the consequences due to the default application of Chapter 6 and Chapter 4 of the Australian Minimum Tax Rules are as follows:

- depreciation or amortisation expenses computed for determining GloBE income or loss for the fiscal year ending 31 December 2026 and subsequent fiscal years will be based on the historic carrying value of assets and liabilities of Y Co, being $1,000
- the amount of DTA for GloBE purposes as at 31 December 2025 is $600, being $4,000 (the difference between the $1,000 GloBE basis and $5,000 tax basis) × 15%.
- the recognition of the GloBE DTA is reflected as a negative adjustment in adjusted covered taxes for the fiscal year ending 31 December 2025. That DTA will reverse in 2026 and later fiscal years based on the decrease in tax basis due to tax depreciation of assets. The reversal of the DTA increases adjusted covered taxes in those fiscal years. These deferred tax expenses are reflected in Y Co's GloBE computations, irrespective of amount of deferred tax expenses recorded for the transaction in the consolidated financial statements.

The GloBE computations for the fiscal year ended 31 December 2025, assuming a section 6-70 election is not made, are as follows.

Table 11: GloBE computations for X Co MNE group where a 6-70 election is not made for fiscal year ending 31 December 2025

Step	Computation	Amount
GloBE basis of assets and liabilities of Y Co	A	$1,000
Tax basis of assets and liabilities of Y Co	B	$5,000
GloBE DTA – recast to 15%	C = (A − B) × 15%	$600
Financial accounting net income or loss for year ended 31 December 2025	D	$500
Add PPA adjustment	E	$0

Add Fair value adjustment	F	$0
GloBE income	G = D + E + F	$500
Taxable income	H = D	$500
Current tax expense	I = 30% × G	$150
Total deferred tax adjustment amount	J = C	$-600
Adjusted covered tax	K = I + J	($450)
ETR impact	K ÷ F	n/a
Excess negative tax expense carry forward*	L	$450
Top-up tax (assuming no SBIE)*	G × 15%	$75

*These implications depend on other jurisdictional attributes.

GloBE computations for the fiscal year ended 31 December 2026, assuming a section 6-70 election is not made, are as follows.

Table 12: GloBE computations for X Co MNE group where a 6-70 election is not made for the fiscal year ended 31 December 2026

Step	Computation	Amount
Financial accounting net income or loss for year ended 31 December 2026	D	$500
Add PPA adjustment	E = (A − B) ÷ 10 (per previous table)	$400

Add Fair value adjustment	F	$0
GloBE income	G = D + E + F	$900
Taxable income	H = D	$500
Current tax expense	I = 30% × G	$150
Total deferred tax adjustment amount	J = E × 15%	$60
Adjustment for use of excess negative tax expense carry forward	K	$(210)
Adjusted covered tax	L = I + J + K	$0
ETR impact	L ÷ F	n/a
Excess negative tax expense carry forward*	M	$240
Top-up tax (assuming no SBIE)*	G × 15%	$135

*These implications depend on other jurisdictional attributes.

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Specific issues for Pillar Two

Specific issues identified by stakeholders via consultation and other channels not covered in other Pillar Two content.

Last updated 12 March 2026

Misaligned fiscal years

Fiscal year

For global and domestic minimum tax purposes, the term 'fiscal year' generally refers to the accounting period for which the ultimate parent entity (UPE) of a multinational enterprise group (MNE group) prepares its consolidated financial statements.

If the UPE does not prepare consolidated financial statements, the fiscal year of the UPE will be the calendar year instead.

As such, a constituent entity's own accounting period does not determine its fiscal year for Pillar Two purposes, only the UPEs. Lodgment due dates for Australian group entities are also determined using the fiscal year of the UPE.

Example: fiscal year of subsidiary constituent entity

- Foreign UPE: Year-end 31 December 2025 (prepares consolidated financial statements for January–December).
- Australian constituent entity: Local statutory year-end 30 June.

The Australian constituent entity's GIR, foreign lodgment notification, AIUTR and DMTR lodgment obligations are for the fiscal year 1 January to 31 December 2025. The fiscal year is solely determined by reference to the UPE's fiscal year. These lodgments are due by 30 June 2026.

For Pillar Two purposes, if the accounting period of a constituent entity is different to the fiscal year of its UPE, it may impact the manner in which its information is included in GloBE computations. This is explained further in the section below.

Fiscal year misalignment and performing calculations

Some MNE groups may have constituent entities that maintain financial accounts based on a different accounting period to that of the UPE.

There are 2 different accounting conventions MNE groups use to reconcile such differences, depending on the accounting standard adopted in the preparation of the consolidated financial statements:

- **Inclusion of full fiscal year results** – some MNE groups will include the constituent entity's financial accounting results for the

accounting period that ends within the UPE's fiscal year. This may result in some income or expenses being attributed to a period before the UPE's fiscal year begins

  - for example, the UPE's consolidated financial statement for the fiscal year ended 31 December 2025 may include an Australian constituent entity's accounting results for the full accounting period ended 30 June 2025.

- **Segregation and combination of results** – other MNE groups will split the constituent entity's results to match the UPE's fiscal year, combining the parts of the constituent entity's 2 accounting periods that align with the UPE's reporting period

  - under this method, using a similar example, the UPE's consolidated financial statements for the fiscal year ended 31 December 2025 may include the Australian constituent entity's accounting results from 2 different accounting periods

    - 1 January to 30 June 2025

    - 1 July to 31 December 2025.

The top-up tax calculations for a constituent entity with a different accounting period to its UPE will be based on whichever method has been employed to include the constituent entity's results in the UPE's consolidated financial statements. The revenue of the constituent entity will also be included on this basis in determining whether the MNE group has met the revenue threshold for the purposes of the global and domestic minimum tax.

There may be instances where a constituent entity with a different accounting period to its UPE is not included in the UPE's consolidated financial statements, such as on materiality grounds. In such cases, top-up tax calculations must be based on the financial accounting period that ends during the UPE's fiscal year to ensure the necessary data to perform the top-up tax calculations is available when the GloBE Information Return (GIR) for that fiscal year is due.

In line with ordinary record keeping requirements, taxpayers are required to keep records supporting the accounting method used.

Example: ETR calculation – inclusion of full fiscal year results

Crane Inc (Crane) was incorporated in Jurisdiction A and is the UPE of the Crane MNE group. The group first became in-scope of the global and domestic minimum tax for the fiscal year ended 31 March 2025.

Emu Pty Ltd (Emu) is the only Australian constituent entity of the Crane MNE group. It maintains its financial accounts based on a calendar year accounting period ending on 31 December. Emu's accounting results for the full accounting period ended 31 December 2024 disclosed net income of $50 million and income tax expense of $10 million.

Where the accounting period of a constituent entity does not align with Crane's fiscal year, in preparing Crane's consolidated financial statements the group has adopted the method of including the constituent entity's accounting results for its full accounting period. Consequently, Crane's consolidated financial statements for the fiscal year ended 31 March 2025 includes Emu's accounting results for the full accounting period 1 January 2024 to 31 December 2024.

For Pillar Two purposes, for the fiscal year ended 31 March 2025, Emu's:

- financial accounting net income or loss (FANIL) is $50 million
- GloBE income is also $50 million, assuming no GloBE adjustments are required
- adjusted covered taxes is $10 million, assuming no adjustments to covered taxes are required.

The jurisdictional effective tax rate (ETR) for Australia is 20% (being $10 million divided by $50 million) for the fiscal year ended 31 March 2025.

Example: ETR calculation – segregation and combination of results

Swan Limited (Swan) is incorporated in Australia and is the UPE of the Swan MNE group. The group first became in-scope of the global and domestic minimum tax for the fiscal year ended 30 June 2025.

Goose Holdings (Goose) is the only constituent entity of the Swan MNE group located in Jurisdiction B. It has an accounting period ending 31 March. Where the accounting period of a constituent entity does not align with Swan's fiscal year, in preparing Swan's consolidated financial statements the group adopts the method of segregating and combining the constituent entity's accounting results. Goose's accounting results for the

periods ended 31 March 2025 and 31 March 2026, segregated in that way, are summarised in the table below.

Period	Net income ($m)	Income tax expense ($m)
1 April 2024 – 30 June 2024	12	4
1 July 2024 – 31 March 2025	36	9
1 April 2025 – 30 June 2025	20	4
1 July 2025 – 31 March 2026	40	6

Consequently, Swan's consolidated financial statement for the fiscal year ended 30 June 2025 combines Goose's accounting results as shown in the table below.

Period	Net income ($m)	Income tax expense ($m)
1 July 2024 – 31 March 2025	36	9
1 April 2025 – 30 June 2025	20	4
Total	56	13

For Pillar Two purposes, for the fiscal year ended 30 June 2025, Goose's:

- FANIL is $56 million
- GloBE income is also $56 million, assuming no adjustments are required
- adjusted covered tax is $13 million, assuming no adjustments to covered taxes are required.

The jurisdictional ETR for Jurisdiction B is 23% ($13 million ÷ $56 million) for that fiscal year.

Prior period adjustments

Certain adjustments are required to a constituent entity's top-up tax calculations when there are changes to its covered tax liability in a previous fiscal year. Adjustments depend on whether the total adjustments to covered tax liabilities for that prior year for all constituent entities located in the same jurisdiction are:

- an increase or decrease
- a material or immaterial decrease
- a decrease that relates to a pre or post-GloBE fiscal year.

Increase or immaterial decrease to prior year covered taxes

When there is an increase in total adjustments to prior fiscal year covered tax liabilities of all constituent entities located in the same jurisdiction as the relevant constituent entity, that increase is treated as an adjustment to the relevant constituent entity’s adjusted covered taxes in the current year.

When the total adjustments is an immaterial decrease, the filing constituent entity may make an annual election to treat those adjustments as an adjustment to the relevant constituent entity's adjusted covered taxes in the current year. If an election is not made, then the treatment for decreases, other than an immaterial decrease, applies.

A decrease in covered tax liabilities for a prior fiscal year is considered immaterial where the sum of the adjustments to those liabilities is less than 1 million Euro.

Decrease to prior year covered taxes

The treatment of adjustments which lead to a decrease, other than an immaterial decrease, in covered tax liabilities for a prior fiscal year depends on whether the prior fiscal year in question is a pre or post-GloBE fiscal year.

Prior fiscal year is a GloBE fiscal year

Where the sum of the adjustments to the liability for covered taxes for the prior year is a decrease, other than an immaterial decrease covered by an election, the relevant constituent entities are required to:

- reduce their adjusted covered taxes for the prior year by the amount of the decrease
- adjust their GloBE income or loss for all relevant fiscal years as necessary.

The effective tax rate and jurisdictional top-up tax for the prior year is recalculated. Any resulting increase in jurisdictional top-up tax for the prior year is treated as an addition to top-up tax in the current year rather than in the prior fiscal year.

Where, for accounting purposes, the decrease in covered tax liability has been treated as a decrease to the income tax expense of the current fiscal year, there should also be a corresponding increasing adjustment for the purposes of calculating the current year's adjusted covered tax.

The MNE group is not required to amend its GIR, or any tax returns filed in association with the GloBE Rules for the prior year in which the adjustment relates. However, the adjustment will be reflected in the current year GIR and tax return.

Example: top-up tax following prior year adjustment

Seabird Co is an Australian constituent entity of an MNE group. They first become in-scope of the global and domestic minimum tax for the fiscal year ended 30 June 2025.

In the 2026 fiscal year, Seabird Co receive a $9 million refund of income tax from an amended assessment. This is due to the initial inclusion of $30 million of income for the 2025 fiscal year which is later considered to be non-assessable. There are no adjustments to any other constituent entity's income tax liability for the 2025 fiscal year.

For Australian global and domestic minimum tax purposes, the $9 million refund represents a material decrease in covered taxes relating to a prior fiscal year. Seabird Co recalculates its adjusted covered taxes and GloBE income and loss for the 2025 fiscal year. This results in the effective tax rate for the MNE group in Australia falling below the minimum rate of 15%.

As a result, the company is liable for additional current top-up tax of $450,000. Seabird Co adds the additional current top-up tax of $450,000 in its jurisdictional top-up tax calculation for the 2026 fiscal year and records it in the GIR, and Australian DMT tax returns, for the 2026 fiscal year.

If the $9 million refund is in respect of income for the 2024 fiscal year, recalculations would not be required because Seabird Co

was not in scope of the global and domestic minimum tax in the 2024 fiscal year.

Prior fiscal year is a pre-GloBE fiscal year

Where a decrease in covered taxes relates to a fiscal year prior to the application of the global and domestic minimum tax, no adjustments in the prior year are required. This means that there should not be any additional current top-up tax arising from recalculations of effective tax rates of pre-GloBE fiscal years.

However, relevant adjustments must still be made to the current year adjusted covered taxes. For instance, where the sum of the adjustments to the liability for covered taxes for the prior year is a decrease, other than an immaterial decrease covered by an election, the relevant constituent entities are not required to recalculate the prior year adjusted covered taxes. They should still include a corresponding increasing adjustment in calculating the current year's adjusted covered taxes where there has been a decrease to the income tax expense of the current fiscal year.

Deferred taxes and pre-GloBE fiscal years

Where the prior year adjustment relates to deferred tax expense, resulting in a decrease in income tax expense relating to a pre-GloBE fiscal year, an increasing adjustment should be included in calculating the current fiscal year's adjusted covered taxes. However, this prior period adjustment and its impact on the reversal of a deferred tax liability or deferred tax asset should be taken into account when determining the amount of the deferred tax liability or asset to be recognised in the transition year and any subsequent fiscal year.

Snapshot of ATO administrative approaches

This is a condensed overview of the ATO's practical administrative approaches for Pillar Two, which are set out across various ATO web pages and, where applicable, in the relevant practical compliance guideline.

This summary should not be relied on in isolation. You should instead refer to the original ATO materials for full details.

Table: Pillar Two practical administrative approaches

Item	Description	Original location of guidance

Administering potential legislative amendments	Given Pillar Two is a new regime that the OECD continues to develop through new agreed administrative guidance, where an inconsistency arises due to an item of administrative guidance not yet incorporated into domestic law, or due to a minor drafting oversight, the ATO will not direct compliance resources to test the compliance of taxpayers' self-assessment with the existing law for taxpayer positions that anticipate OECD-aligned, retrospective legislative amendments, in filings.	Global and domestic minimum tax
Reporting of joint operations in the GIR	Joint operations that meet certain requirements may not need to be separately listed in the GIR. Refer to our lodge and pay content for further details.	Lodging, paying and other obligations for Pillar Two
Intra-group arrangements within tax consolidated groups	The ATO will not apply compliance resources to test the application of the hybrid arbitrage rule to certain intra-group financing arrangements in certain circumstances where entering into the arrangement does not lead to a beneficial impact for the MNE group in meeting the transitional CBC	Transitional CBC reporting safe harbour data

	reporting safe harbour.	
Allocation of top-up tax within tax consolidated groups	Generally, the ATO will not apply compliance resources to how DMT or UTPR top-up tax is allocated, where one or more entities to which top-up tax is allocated are subsidiary members of an Australian tax consolidated group, provided the total Australian top-up tax outcome is correct.	Top-up tax for tax consolidated groups
Penalties	The ATO's approach to the enforcement of penalties during a transition period aims to balance the need to support taxpayers to understand and comply with their global and domestic minimum tax obligations with the need to administer the legislation in a manner which is consistent with the OECD's GloBE Rules.	PCG 2025/4 *Global and domestic minimum tax lodgment obligations – transitional approach*

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