



# Transitional CBC reporting safe harbour

## Quick reference guide

### Overview

#### Timing

The transitional country-by-country (CBC) reporting safe harbour applies to fiscal years beginning on or before 31 December 2026 (not including fiscal years ending after 30 June 2028).

#### 3 tests

A multinational enterprise group (MNE group) can elect to use the CBC reporting safe harbour for a jurisdiction if it satisfies any of the following 3 tests:

- **De minimis test:** The qualified CBC report shows that for the fiscal year its (a) total revenue for jurisdiction is < €10m, and (b) profit (loss) before income tax (PBIT) for a jurisdiction is < €1m.
- **Simplified ETR test:** Simplified ETR  $\geq$  transition rate (15% (fiscal year starting in 2024), 16% (fiscal year starting in 2025), 17% (fiscal year starting in 2026)). The simplified ETR is income tax expense from qualified financial statement  $\div$  qualified CBC report (PBIT).
- **Routine profits test:** The qualified CBC report PBIT  $\leq$  substance based income exclusion amount (SBIE) for the jurisdiction, including jurisdictions in losses.

#### Highlights of Australia's transitional CBC reporting safe harbour

- Australia has income tax consolidation rules for corporate tax groups.
- MNE groups are allowed to use consolidated data on a jurisdictional basis in the CBC report in some cases under existing Australian CBC reporting. The qualified financial statement in these cases are accounts prepared on a consolidated basis for the jurisdiction.

- 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.

#### Exclusions and limitations

- **Stateless entities:** are not eligible for the CBC reporting safe harbour.
- **Flow-through UPE:** CBC reporting safe harbour eligibility requires all the direct ownership interests of the ultimate parent entity (UPE) to be held directly by qualified persons.
- **Multi-parented MNE group:** is not eligible for CBC reporting safe harbour when it does not file a single CBC report that includes all the information of the combined groups.
- **Once out always out:** if an MNE group did not apply the CBC reporting safe harbour in a jurisdiction in the previous fiscal year then that jurisdiction is excluded from the CBC reporting safe harbour (unless the current year is the fiscal year within the transition period that the MNE group has a constituent entity in the jurisdiction).

#### Adjustments and conditions

- CBC reporting safe harbour tests apply on a jurisdiction-by-jurisdiction basis. Information is to be sourced from a qualified CBC report or qualified financial statements. No adjustments are permitted unless they are expressly stated in legislation.
- Adjustment for hybrid arbitrage arrangements inflating simplified ETR by increasing simplified taxes or depressing PBIT which are to be reversed.
- Adjustments to qualified financial statements data may be required for purchase price accounting, goodwill adjustment and material distortions within the accounting standards.

### Qualified CBC report

A qualified CBC report is defined in section 8-35 of the *Taxation (Multinational—Global and Domestic Minimum Tax) Rules 2024* (Australian Minimum Tax Rules) and refers to a CBC report prepared for the jurisdiction and filed using qualified financial statements.

### Qualified financial statement

The qualified CBC report must be prepared and filed using qualified financial statements (QFS) which needs to satisfy certain standards as defined in section 8-70 of the Australian Minimum Tax Rules.

There are 4 categories of QFS which have differing applications and requirements, in general these are:

1. Financial accounts for a constituent entity used to prepare the consolidated financial statements of the UPE of the MNE group (8-70(1)(a))
2. Separate financial statements of a constituent entity of an MNE group (8-70(1)(b))
3. Separate financial accounts of a constituent entity of the MNE group not included in the consolidated financial statements on a line-by-line basis on materiality grounds (8-70(1)(c))
4. Separate financial statements prepared by the main entity in respect of the GloBE permanent establishment (8-70(1)(d))

For specific requirements, see the [Transitional CBC reporting safe harbour data](#) web page.

All data used in the safe harbour tests for each jurisdiction must be sourced from the same type or category of QFS.

The MNE group must apply this type or category of QFS consistently for all entities in the jurisdictions and for all relevant computations.

### An entity cannot access the transitional CBC reporting safe harbour when:

- ✘ CBC report required but not submitted
- ✘ Outside the transitional period
- ✘ CBC report prepared using non-qualifying accounts (i.e. management accounts)
- ✘ CBC report prepared using different accounting standards for some inputs required in calculations (i.e. PBIT or Income tax expense)
- ✘ Not all entities in a jurisdiction use the same data source
- ✘ Transitional CBC reporting safe harbour failed in the past
- ✘ Flow-through UPE entity with unqualified holders
- ✘ Stateless constituent entities
- ✘ Multi-parented MNE groups without a single qualified CBC report covering all entities
- ✘ Materially post period adjusted financial accounts used

### An entity is eligible for the transitional CBC reporting safe harbour. What's next?

- ✔ The obligation to lodge the Australian IIR/UTPR Tax Return (AIUTR) and Australian DMT Tax Return (DMTR) is not extinguished.
- ✔ Entities must still lodge the following (unless exempt by way of the [legislative instrument](#)):
  - AIUTR
  - DMTR
- ✔ The obligation to file a GloBE Information Return (GIR) also remains
- ✔ Top-up tax is deemed to be zero for the relevant jurisdiction and GloBE computations do not need to be completed in the GIR for that jurisdiction
- ✔ However, the GIR does require disclosure of the following CBC report-derived data points when applying the CBC reporting safe harbour:
  - Total revenue
  - PBIT
  - Simplified covered taxes

Decision making flow chart

