



Tax Newsflash

OECD Pillar Two: Qualified jurisdictions and further guidance 【Global Tax Reset II Series】

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On 15 January 2025, the OECD/G20 Inclusive Framework on BEPS (“inclusive framework”) [published](#) a compilation of Pillar Two-related documents including a central record of jurisdictions’ domestic Pillar Two legislation with transitional qualified status. Further administrative guidance has also been released in respect of deferred tax assets arising from tax benefits provided by governments.

The Pillar Two global minimum tax rules (“model rules”) have been agreed by more than 140 members of the inclusive framework. Jurisdictions are in the process of implementing rules in local legislation, which began to apply as from January 2024. The Pillar Two rules apply to large multinational groups with annual consolidated group revenue of at least EUR 750 million, and result in “top-up” tax amounts to bring the overall tax on profits in each jurisdiction where a group operates up to a 15% minimum effective tax rate. The key components are: qualified domestic minimum top-up taxes (QDMTTs) which allow jurisdictions to charge any top-up taxes due in respect of local profits; the income inclusion rule (IIR) under which parent company jurisdictions apply the top-up tax rules on a top-down basis; and the undertaxed profits rule (UTPR) which will apply as a secondary (backstop) rule where the other rules have not been fully applied.

Where a permanent QDMTT safe harbor applies, a business will be able to elect to prepare a single QDMTT computation for a jurisdiction, and no additional top-up tax will arise in other jurisdictions under the IIR or UTPR. For the QDMTT safe harbor to apply, the domestic minimum tax must not only be “qualified,” but the domestic legislation must also meet an additional set of QDMTT safe harbor standards. (It is therefore theoretically possible that a jurisdiction could introduce rules that are a “qualified” QDMTT but do not qualify for the QDMTT safe harbor).

Transitional qualified status under Pillar Two

The inclusive framework has [published](#) a central record of legislation with transitional qualified status which sets out lists of jurisdictions whose local implementation of the Pillar Two global minimum tax rules has been assessed as “qualified.” The lists cover jurisdictions’ implementation of the domestic minimum top-up tax rule and income inclusion rule, as well as assessing whether a jurisdiction’s QDMTT satisfies the additional criteria for the QDMTT safe harbor to apply.

The Pillar Two global minimum tax rules incorporate an agreed rule order, which prevents a jurisdiction from levying top-up tax in respect of low tax profits where those profits have already been subject to top-up tax under “qualified” rules in another jurisdiction.

Jurisdictions with a qualified IIR, QDMTT, and QDMTT safe harbor status

The central record sets out 28 jurisdictions whose domestic minimum top-up taxes are qualified (i.e., are QDMTTs) and 27 jurisdictions whose income inclusion rules are qualified. All of the QDMTTs are also considered to have met the additional standards to qualify for QDMTT safe harbor status.

Jurisdictions with a qualified IIR, QDMTT, and meeting the QDMTT safe harbor standards: Australia, Austria, Belgium, Bulgaria, Canada, Croatia, Czechia, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Norway, Romania, Slovenia, Sweden, Türkiye, United Kingdom, and Vietnam.

Jurisdictions with a qualified IIR only: Japan and South Korea. Neither Japan nor South Korea have enacted a domestic minimum top-up tax.

Jurisdictions with a QDMTT meeting the QDMTT safe harbor standards only: Barbados, Slovak Republic, and Switzerland. Neither Barbados nor the Slovak Republic have enacted an IIR, while Switzerland’s IIR is effective from 2025.

Barbados has been given “conditional QDMTT status.” Conditional QDMTT status applies where an enacted domestic top-up tax applies to a local entity only if the group is subject to Pillar Two rules in another jurisdiction. The inclusive framework has agreed that a conditional QDMTT is qualified for 2024 under certain circumstances, including that the tax will not be conditional in any other year.

The lists of qualified rules produced by the inclusive framework have been prepared in accordance with an initial simplified transitional qualification mechanism, based on self-certification by an implementing jurisdiction. Implementing jurisdictions have provided the inclusive framework with information on the main features of their (draft or enacted) legislation for consideration by other inclusive framework jurisdictions. If a jurisdiction is not included in the central record, then it does not necessarily mean that their legislation is not qualified, but rather that as at 15 January 2025, the process for qualification had not yet been initiated or completed for that legislation.

The consolidated commentary to the model rules will be updated to include the central record as an annex. The central record will be updated on a regular basis and in a timely manner, after a self-certification has been submitted to the inclusive framework. The transitional qualification mechanism is a simplified procedure to assess initial qualifying status, pending the development of a full legislative review and ongoing monitoring process.

Administrative guidance on deferred tax assets arising from tax benefits provided by governments

The model rules include transition rules that allow deferred tax assets and liabilities that arose before the group came within scope of Pillar Two (e.g., in relation to prior year losses) to be taken into account in the Pillar Two effective tax rate (ETR) calculations (article 9.1—“Tax attributes upon transition”).

The model rules exclude or limit the deferred tax assets that can be included in the Pillar Two calculations in certain circumstances. For example, deferred tax assets generated after 30 November 2021 and associated with items excluded from the computation of GloBE income or loss (i.e., tax base) are excluded, including deferred tax assets associated with non-economic expenses or losses (e.g., where depreciation deductions in excess of an asset's costs result in a local tax loss).

The [latest guidance](#) clarifies that, where a deferred tax asset arose after 30 November 2021, and it is attributable to one of the following types of governmental arrangements then any expenses arising from the reversal of the deferred tax asset will be excluded from both Pillar Two ETR calculations and transitional country-by-country (CbC) reporting safe harbor calculations (subject to a “grace period” rule):

- a. A governmental arrangement (including any agreement, ruling, decree, or grant) concluded (or amended) after 30 November 2021 that conferred a tax benefit to a business, such as an entitlement to a tax credit or other tax relief (e.g., a tax basis step-up) that did not arise independently of the arrangement;
- b. An election exercised by a business after 30 November 2021 that retroactively changed the tax treatment of a transaction in a tax year for which a tax assessment was already made/a tax return already filed; or
- c. A difference between the tax basis and the accounting carrying value of an asset or liability that was established following the introduction of a new corporate income tax after 30 November 2021 (where no corporate tax regime existed previously in the jurisdiction).

However, a “grace period” rule is available to businesses for a limited period and permits a capped amount of an excluded deferred tax asset to be included in the ETR calculation and transitional CbC reporting safe harbor calculation. The grace period allows expenses attributable to the reversal of an excluded deferred tax asset arising from a., b., and c. to be included in either calculation, subject to a cumulative maximum of 20% of the excluded deferred tax asset (subject to the 15% deferred tax asset recast rule if applicable). For a. and b., the grace period is available for deferred tax asset reversal expenses for two years, e.g., for December year ends in 2024 and 2025. For c., the grace period applies for two years as from 2025, e.g., for December year ends in 2025 and 2026. The grace period rule is not available for any deferred tax assets under a., b., or c. where the arrangement, election, or enactment occurred after 18 November 2024. The guidance provides two numerical examples illustrating the calculation of the maximum deferred tax asset reversal amounts available in 2024, 2025, and 2026 under the rule.

A separate rule applies to deferred tax assets in respect of tax losses arising from a newly-enacted corporate income tax regime. Deferred tax expenses attributable to the reversal of deferred tax assets on any tax losses that arose more than five years preceding the effective date of a newly-enacted corporate income tax will be excluded from the Pillar Two ETR calculations. Tax losses that arose within the five years preceding enactment will not be subject to these exclusions (and so will be subject to the same treatment as tax losses arising in jurisdictions with pre-existing corporate income taxes).

Interaction with qualified status

As a transitional measure, where a jurisdiction with a self-certified QDMTT does not apply this guidance, then the QDMTT safe harbor “switch-off” rule will apply, such that other Pillar Two implementing jurisdictions can deny the effect of tax expenses arising from excluded deferred tax assets.

Other clarifications

The guidance includes a number of clarifications to be made to the inclusive framework's commentary on article 9.1 ("Tax attributes upon transition"). For example, deferred tax assets not recognized/disclosed due to insufficient future taxable income may be taken into account, but this does not extend to deferred tax assets that cannot be recognized/disclosed at all under the relevant accounting standard.

Further work

The inclusive framework is currently developing guidance on how to identify any benefits provided by a jurisdiction (e.g., government grants and credits calculated by reference to income or tax) that must be treated for the purposes of Pillar Two ETR calculations under the model rules as a refund of tax that reduces a jurisdiction's adjusted covered taxes.

Further guidance will also be developed on how to identify and monitor any "related benefits" provided by governments. The guidance will also consider how such benefits affect the qualified status of a jurisdiction's rules.

Next steps

A full peer review process for determining the qualified status of a jurisdiction's IIR, QDMTT, and UTPR will be introduced. This will involve both a full legislative review of whether local legislation achieves outcomes consistent with the model rules, and ongoing monitoring to ensure that a jurisdiction's rules are in practice applied and administered consistently with the model rules. Any loss of transitional qualified status as a result of a peer review will not be retroactive but will only apply for accounting periods beginning on or after the peer review.

Deloitte comments

The Pillar Two rules have a set order of application, giving priority taxing rights to specific jurisdictions. The "qualified" status of local jurisdictions' rules is therefore a key component in determining where any top-up tax is payable, and also has implications for compliance. It is helpful that the inclusive framework has set out the initial (transitional) list of jurisdictions with qualifying regimes, starting with jurisdictions that have implemented rules to apply in 2024. The list is not complete, and it is expected that more jurisdictions (such as Spain) will be added as their legislation takes shape. The transitional qualified status for jurisdictions will remain in place unless and until it is superseded or removed after a full peer review process. If it is removed, it will cease to apply prospectively for accounting periods beginning after the removal, rather than retroactively. This means that December year end groups, for example, can rely on jurisdictions' published qualifying status for 2024 and 2025 at least.

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Hong Kong Tax Analysis / Tax Newsflash

27 December 2024	Draft legislation on the Global Minimum Tax and Hong Kong Minimum Top-up Tax published in Gazette	[English] [Simplified Chinese]
31 October 2024	Updates on implementation of Global Minimum Tax and Hong Kong Minimum Top-up Tax	[English]
21 December 2023	Hong Kong Pillar 2 QDMTT / HKMTT and GloBE Rules consultation	[English]
H113/2023 – 8 March 2023	How Global Minimum Tax implementation timelines could affect top-up tax liabilities	[English]
18 August 2022	Hong Kong defers the implementation of Pillar Two	[English]
H107/2022 – 31 May 2022	The Impact of Pillar 2 on Hong Kong's Real Estate Sector	[English]
H99/2020 – 27 November 2020	Pillar Two – Impact on Hong Kong	[English] [Simplified Chinese]

Tax Analysis / Tax Newsflash

P397/2025 - 20 January 2025	OECD 发布《支柱一金额 B》补充文件	[Simplified Chinese]
20 January 2025	OECD Pillar Two: Information return updates released	[English]
24 June 2024	OECD Pillar Two: Further guidance published	[English]
26 April 2024	Pillar Two: Consolidated commentary published	[Simplified Chinese] [English]
P386/2024 – 26 February 2024	OECD 发布《支柱一金额 B》报告	[Simplified Chinese]
21 December 2023	Pillar Two: OECD's further guidance	[English]
18 July 2023	Pillar 2 – QDMTT, UTPR & GIR developments relevant to Hong Kong, Singapore and Mainland China	[Simplified Chinese] [English]
P374/2023 - 16 March 2023	支柱一金额 A 下撤销数字服务税和相关类似措施的多边公约条款草案	[Simplified Chinese] [Japanese]
P373/2023 - 6 March 2023	全球税制重塑 2.0 系列: OECD 发布支柱二征管指南	[Simplified Chinese] [Japanese]
P372/2023 - 2 March 2023	全球税制重塑 2.0 系列: 支柱二下的信息报告表和安全港规则	[Simplified Chinese] [Japanese]
3 February 2023	OECD released administrative guidance on global minimum tax	[English]
P368/2022 - 30 December 2022	OECD 发布《支柱一金额 B 公众意见征询文件》	[Simplified Chinese]
21 December 2022	OECD Pillar Two: Information return and safe harbors published	[English]
P356/2022 - 16 June 2022	OECD 发布支柱一金额 A 立法模板系列之《支柱一金额 A 下的受监管金融服务业排除》	[Simplified Chinese] [Japanese]
P354/2022 - 24 May 2022	OECD 发布支柱一金额 A 立法模板系列之《金额 A 的适用范围立法模板草案》以及《支柱一金额 A 下的采掘业排除》	[Simplified Chinese] [Japanese]
P352/2022 - 13 April 2022	OECD 发布支柱一金额 A 立法模板系列之《税基确定立法模板草案》	[Simplified Chinese] [Japanese]
15 March 2022	OECD announces release of commentary on Pillar Two model rules for global minimum tax	[Simplified Chinese] [English]
P350/2022 – 9 March 2022	OECD 发布支柱一金额 A 立法模板系列之《联结度与收入来源规则立法模板草案》	[Simplified Chinese]
P347/2021 – 22 December 2021	支柱二 – G20/OECD 包容性框架发布全球最低税立法模板	[Simplified Chinese] [Japanese]
21 December 2021	Pillar Two – OECD Inclusive Framework global minimum tax model rules	[English]
11 October 2021	OECD inclusive framework updates political agreement on Pillar One and Pillar Two	[Simplified Chinese] [English]
P343/2021 – 12 July 2021	Global Minimum Tax Frequently Asked Questions (FAQ)	[Simplified Chinese] [English] [Japanese]
7 July 2021	OECD Inclusive Framework reaches political agreement on taxing the digitalised economy and a global minimum rate	[English]
3 July 2021	Global Endorsement on Pillar One and Pillar Two	[Simplified Chinese] [English]
P338/2021 - 20 May 2021	在不断变化的国际环境中管理和规划知识产权的注意要点	[Simplified Chinese] [Japanese]
P332/2021 – 22 January 2021	在不确定性中寻找机会 – 有关 OECD/G20 税基侵蚀和利润转移(BEPS) 计划以及全球税制重塑 2.0 的第七次年度全球调查	[Simplified Chinese] [Japanese]
P330/2021 – 11 January 2021	European Union – Mandatory Tax Reporting (DAC6) implemented	[Simplified Chinese] [English]
P327/2020 – 19 November 2020	OECD 就应对数字经济带来的税收挑战发布蓝图报告: 支柱二之详细解读	[Simplified Chinese] [Japanese]
P325/2020 – 4 November 2020	OECD 就应对数字经济带来的税收挑战发布蓝图报告: 支柱一之详细解读	[Simplified Chinese] [Japanese]
P323/2020 – 22 October 2020	变革与经济复苏下的全球税收政策导向	[Simplified Chinese]
13 October 2020	2020 年美国大选对美国企业所得税政策的影响	[Simplified Chinese]
P322/2020 – 7 October 2020	澳大利亚发布 2020-21 年预算: 政策利好复苏	[Simplified Chinese]
P317/2020 – 27 July 2020	European Union - Mandatory Tax Reporting for certain cross-border arrangements	[Simplified Chinese] [English]
P311/2020 – 14 February 2020	包容性框架成员国再次承诺将致力于解决数字化经济带来的税收挑战	[Simplified Chinese]
P309/2019 – 20 December 2019	数字经济征税方案下“统一方法”与现行转让定价规则碰撞之初探	[Simplified Chinese]
P304/2019 – 15 November 2019	OECD 发布最新意见征询文件: 全球防止税基侵蚀提案 (支柱二)	[Simplified Chinese] [Japanese]
P302/2019 – 5 November 2019	OECD's public consultation document: Secretariat Proposal for a "Unified Approach" under Pillar One	[Simplified Chinese] [English] [Japanese]



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