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Tax Newsflash

Pillar Two: Updated information return and further administrative guidance

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On 11 September 2026, the OECD/G20 Inclusive Framework on BEPS ("inclusive framework") published a collection of documents in relation to the Pillar Two global minimum tax rules. These include an updated GloBE information return (GIR) template, further administrative guidance to address (i) the treatment of "explicitly conditional taxes" and (ii) the use of local financial accounting standards under a qualified domestic minimum top-up tax (QDMTT), and the Global Minimum Tax: Terms of Reference and Assessment Methodology for the Full Legislative Review of jurisdictions' implementing legislation.

The global minimum tax rules apply to large multinational groups with annual consolidated group revenue of at least EUR 750 million. In the absence of a particular "safe harbor" applying to reduce liabilities, the rules can 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: 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 applies as a (backstop) rule where the other rules have not been fully applied.

Updated information return

An updated version of the global minimum tax information return ("GloBE information return" or "GIR") template has been published. It is intended to be used for returns in respect of years commencing on or after 31 December 2025 (i.e., the first periods using the new GIR will be years ending 31 December 2026). A revised XML schema for the filing and exchange of information returns digitally, based on the new template, is due to be released "shortly."

The information return includes a comprehensive set of data points required for a tax authority to evaluate the correctness of a business's application of the safe harbor rules and the calculation of top-up tax liabilities in each jurisdiction.

The previous version of the information return template, released in January 2025, has been updated primarily to reflect the inclusive framework's "side-by-side package" released in January 2026. This package included agreed administrative guidance introducing four new safe harbors: the simplified effective tax rate (ETR) and substance-based tax incentive (SBTI) safe harbors (both of which are capable of applying to any businesses within the global minimum tax rules), and the side-by-side (SbS) and ultimate parent entity (UPE) safe harbors (both of which can only apply where the business is headed in a jurisdiction recognized by the inclusive framework as having an eligible tax regime—currently only the US has been recognized as qualifying for the SbS safe harbor). None of the new safe harbors can apply to years commencing before 31 December 2025.

The updated return includes new boxes that will need to be completed by businesses claiming one of the new safe harbors. For example, where the SBTI safe harbor applies, a business may need to provide additional data breaking down the amount of “qualified tax incentives” utilized in a year for a jurisdiction where the amount is at least 25% of the adjusted taxes reported for the jurisdiction. It also includes guidance on which existing boxes should be omitted when one of the new safe harbors is elected. Additional guidance is also provided on how to complete existing boxes where a new safe harbor applies, for example, the boxes summarizing the calculation of a jurisdiction’s effective tax rate when the simplified ETR safe harbor applies.

The revised version of the information return also includes new guidance notes that do not relate to the side-by-side package and that provide further clarifications on how some existing data points should be completed, including clarifications related to tax identification numbers (TINs). Businesses are instructed to follow these notes when completing any information return, including returns for a year commencing before 31 December 2025.

Further administrative guidance

Further administrative guidance has been released to address the treatment of “explicitly conditional taxes” and the use of “local financial accounting standards” under a QDMTT. The new guidance will be incorporated into the consolidated commentary on the model rules.

Explicitly conditional taxes

The administrative guidance sets out that an “explicitly conditional tax” is not a “covered tax.” Explicitly conditional taxes must therefore be excluded from “adjusted covered taxes” and are not added back to the “financial accounting net income or loss” in the computation of GloBE income.

A tax is explicitly conditional if it meets one of the following conditions:

- The tax only applies to a constituent entity if a “qualified IIR” or a “qualified UTPR” of another jurisdiction applies in respect of that entity and it is not eligible for the SbS safe harbor, i.e., an inclusionary approach; or

- It does not apply to a constituent entity under the condition that a qualified IIR or a qualified UTPR does not apply in respect of that entity in another jurisdiction or that it is eligible for the SbS safe harbor, i.e., an exclusionary approach.

Where one of the conditions applies only to a separate, severable levy or surcharge, that levy or surcharge is to be treated as a separate explicitly conditional tax, while the generally applicable tax remains a covered tax. Where a conditional feature is not imposed as a separate, severable levy or surcharge, the tax as a whole is treated as an explicitly conditional tax. A tax that only applies to multinational groups whose consolidated revenues meet a certain threshold (e.g., EUR 750 million) is not an explicitly conditional tax.

The guidance includes an exception under which an “explicitly conditional tax” will still be treated as a “covered tax” for years beginning before 1 January 2025, provided that the condition resulting in the tax being explicitly conditional was enacted before 30 November 2024, and the tax is no longer conditional for any year beginning on or after 1 January 2025.

A domestic minimum top-up tax (DMTT) is not a QDMTT if it is an explicitly conditional tax, unless it was enacted before 30 November 2024 and included a “sunset” clause such that it applies on an unconditional basis to all in-scope multinational groups for all years beginning on or after 1 January 2025.

The inclusive framework will issue further guidance, to be applied prospectively, on other features of a tax (or benefits provided in respect of a tax) that would result in it being considered discriminatory and therefore not treated as a covered tax.

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

Although the Pillar Two rules generally require businesses to prepare calculations based on the group's consolidated financial statements, a QDMTT which is calculated using local GAAP can still be treated as "qualified" provided certain conditions are met. The new guidance clarifies when a QDMTT cannot be calculated using local GAAP in the context of mismatching fiscal periods.

A QDMTT must be calculated using the ultimate parent entity's financial accounting standard if the period of the constituent entities' financial accounts is different to the period used for those entities in the preparation of the consolidated financial statements. This general rule is subject to two exceptions.

Jurisdictions with a "required QDMTT fiscal period"

The local financial accounting standard is still to be used to compute the QDMTT if a jurisdiction requires its QDMTT to be computed based on a period that is determined under its QDMTT legislation (the "required QDMTT fiscal period"). This may or may not be the same as the ultimate parent entity's accounting period. (The other requirements of the "local financial accounting standard rule" must also be met.) Specific rules apply in respect of the interaction with the QDMTT safe harbor.

Cases where difference in fiscal period arises from restructuring

The local financial accounting standard applies where the difference arises due to the entity becoming or ceasing to be a constituent entity during the fiscal period, or the immediately preceding fiscal period, as a result of an acquisition, disposition, dissolution, merger, or similar restructuring, including the establishment of a permanent establishment.

Full legislative review of jurisdictions' implementing legislation

The global minimum tax rules rely on a rule order which modifies the application in a jurisdiction where another jurisdiction has implemented "qualified" rules, e.g., switching off a jurisdiction's IIR where the QDMTT safe harbor applies. As an interim measure, a transitional mechanism was agreed to temporarily recognize the qualified status of a jurisdiction's legislation. The inclusive framework has now published the terms of reference and an assessment methodology for the full legislative review of jurisdictions' implementing legislation.

As part of the review, recommendations will be given in respect of any identified "inconsistencies to be addressed." These recommendations must be implemented within a specified timeframe (to be determined on a case-by-case basis). The review will also identify "outcomes to be monitored" that do not need to be addressed unless particular circumstances materialize.

Where a significant inconsistency is identified that cannot be addressed satisfactorily with a recommendation, the qualified status of a jurisdiction's legislation may be withdrawn with immediate effect. This withdrawal would apply prospectively to accounting periods beginning on or after the effective date specified in the decision.

Once the inclusive framework has provided approval, the qualifying status of a jurisdiction's legislation will be confirmed and replace its transitional qualified status (if obtained). Where the required consensus is not reached, the document sets out the steps and timeframe for resolving outstanding issues, and the point at which a jurisdiction's transitional qualified status will automatically expire.

The inclusive framework's central record will be updated to confirm when a jurisdiction's legislation has completed the full legislative review process. Instances of a jurisdiction's legislation subsequently losing its qualified status will be recorded in a separate section. The central record will also include approved recommendations for inconsistencies to be addressed (if any).

A modular monitoring process will assess whether any recommendations are implemented within the required timeframe, and if any "items to be monitored" have become inconsistencies that need to be addressed. It will also seek to address the risks associated with subsequent legislative changes; any substantive changes made to a jurisdiction's legislation must be notified within six weeks.

Deloitte comments

The expected revised information return template incorporates the latest safe harbors from the side-by-side package and applies for 2026 year ends onward. It is helpful that this has been published, although business and tax authorities will need the XML schema (due shortly) to make the necessary systems changes for receipt of the first updated GIR due by 31 March 2028.

The inclusive framework continues to produce agreed administrative guidance on various technical aspects of the Pillar Two regimes. Areas not included in the latest package include some of particular concern to businesses, such as treatment of hyperinflationary adjustments, the rules for investment entities, and how the substance-based income exclusion should apply to mobile assets and employees in industries such as transport. The OECD continues to work on further administrative guidance covering these areas which, it is hoped, will provide much needed clarity soon.

While the OECD's peer monitoring system for reviewing jurisdictions' rules takes shape, for businesses the key consideration is that any loss of "qualifying" status will apply only prospectively, from the start of the businesses' following accounting period.

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