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Preamble

The GloBE rules provide for a coordinated system of taxation intended to ensure large MNE Groups pay a minimum level of tax on the income arising in each of the jurisdictions where they operate. It does so by imposing a top-up tax whenever the Effective Tax Rate, determined on a jurisdictional basis, is below the minimum rate.

- Chapter 1 defines the scope of the GloBE rules.
- Chapter 2 determines the constituent entities in the Group that are liable for any top-up tax and the portion of any top-up tax charged to any such entity.
- Chapters 3 and 4 set out the components of the effective tax rate calculation under the GloBE rules. Chapter 3 determines the income (or loss) for the period for each constituent entity in the MNE Group and Chapter 4 then identifies the taxes attributable to such income
- Chapter 5 aggregates the income and taxes of all constituent entities located in the same jurisdiction to determine the effective tax rate for that jurisdiction. If the effective tax rate is below the minimum rate, the difference results in a top-up tax percentage which is applied to the jurisdictional income to determine the total amount of top-up tax. The top-up tax is pro-rated amongst the constituent entities located in that jurisdiction and then charged to the constituent entities liable for any top-up tax in accordance with Chapter 2. Chapter 5 also includes an elective substance based income exclusion that may reduce the amount of income subject to any top-up tax.
- Chapter 6 contains rules relating to acquisitions, disposals and joint ventures.
- Chapter 7 deals with the application of the GloBE rules to certain tax neutrality and other distribution regimes.
- Chapter 8 covers administrative aspects of the GloBE rules including information filing requirements as well as the application of any safe-harbours.
- Chapter 9 sets out certain transitional rules.
- Chapter 10 sets out defined terms used elsewhere in the GloBE rules.

Chapter 1. Scope

Operation of the rules in this Chapter

Chapter 1 defines the scope of the rules.

- Article 1.1 determines which MNE Groups and Group Entities are subject to the GloBE Rules.
- Articles Article 1.2 to Article 1.4 set out a number of key definitions that are used to determine when an Entity or collection of Entities constitutes a Group and when that Group qualifies as an MNE Group.
- Article 1.5 specifies those Entities that are Excluded Entities and therefore outside the operative provisions of the GloBE rules.

Article 1.1. Scope of GloBE Rules

1.1.1. The GloBE Rules apply to Constituent Entities that are members of an MNE Group that reported annual revenue of €750 million or more in the Consolidated Financial Statements of the Ultimate Parent Entity in at least two of the four Fiscal Years immediately preceding the tested Fiscal Year. Further rules are set out in Article 6.1 which modify the application of the consolidated revenue threshold in certain cases.

1.1.2. If one or more of the Fiscal Years of the MNE Group taken into account for purposes of Article 1.1.1 is of a period other than 12 months, for each of those Fiscal Years the €750 million threshold is adjusted proportionally to correspond with the length of the relevant Fiscal Year.

1.1.3. Entities that are Excluded Entities are not subject to the GloBE Rules.

Article 1.2. MNE Group and Group

1.2.1. An MNE Group means any Group that includes at least one Entity that is not located in the jurisdiction of the Ultimate Parent Entity.

1.2.2. A Group means a collection of Entities that are related through ownership or control such that the assets, liabilities, income, expenses and cash flows of those Entities:

- (a) are included in the Consolidated Financial Statements of the Ultimate Parent Entity; or
- (b) would be so included if the Ultimate Parent Entity of the MNE Group was required to prepare such accounts in accordance with an Acceptable Financial Accounting Standard.

1.2.3. **MNE** Group also means a Main Entity that is not a member of a Group under Article 1.2.1 but is located in one jurisdiction and has one or more Permanent Establishments located in another jurisdiction.

1.2.4. **A-A Minority Owned Parent Entity** is treated as the Ultimate Parent Entity of a separate MNE Group in a tested Fiscal Year if the Minority-Owned Subgroup reported annual revenue of €750 million or more in the Consolidated Financial Statements of the Ultimate Parent Entity of the MNE Group in at least two of the four Fiscal Years immediately preceding the tested Fiscal Year.

Article 1.3. Constituent Entity

1.3.1. A Constituent Entity is:

- (a) any Entity that is included in the Consolidated Financial Statements of the Ultimate Parent Entity;
- (b) any Entity that is excluded from such Consolidated Financial Statements solely on size or materiality grounds or on the grounds that it is held for sale; and
- (c) any Permanent Establishment of **any Main Entity** described in the paragraphs above including a Permanent Establishment described in Article 1.2.3.

~~However a Constituent Entity does not include an Entity that is an Excluded Entity~~

1.3.2. A Permanent Establishment that is a Constituent Entity under paragraph (c) above shall be treated as separate from the Main Entity and any other Permanent Establishment of such Entity.

~~1.3.2.1.3.3. However a Constituent Entity does not include an Entity that is an Excluded Entity.~~

Article 1.4. Ultimate Parent Entity

1.4.1. Ultimate Parent Entity means either:

- (a) an Entity that:
 - i. owns directly or indirectly a sufficient Ownership Interest in any other Entity such that it is, or would be, required to include the assets, liabilities, income, expenses and cash flows of that other Entity in its Consolidated Financial Statements; and
 - ii. is not owned directly or indirectly by another Entity with an Ownership Interest described in sub-paragraph (i) above; or
- (b) the Main Entity of a **MNE** Group described in Article 1.2.3.

Article 1.5. Excluded Entity

1.5.1. An Excluded Entity is an Entity that is:

- (a) a Governmental Entity;
- (b) an International Organisation;
- (c) a Non-profit Organisation;

- (d) a Pension Fund that is the Ultimate Parent Entity; or
- (e) an Investment Fund that is the Ultimate Parent Entity; and
- (f) a Real Estate Investment Vehicle that is the Ultimate Parent Entity.

1.5.2. An Excluded Entity is also an Entity:

- (a) that is at least 95% owned (directly or through a chain of Excluded Entities) by one or more Excluded Entities referred in Article 1.5.1. and that:
 - i. operates exclusively or almost exclusively to hold assets or invest funds for the benefit of the Excluded Entity; or
 - ii. only carries out activities that are ancillary to those carried out by the Excluded Entity; or
- (b) that is wholly or mainly owned (directly or through a chain of Excluded Entities), by one or more Excluded Entities referred in Article 1.5.1 provided that substantially all of its income is Excluded Dividends or Equity Gain or Loss that is excluded from the computation of GloBE Income or Loss in accordance with Articles 3.2.1(b) or (c).

Unless that Entity elects not to be treated as an Excluded Entity under the laws of the jurisdiction where it is located.

1.5.3.

Chapter 2. Charging Provisions

Operation of the rules in this Chapter

Under this Chapter, the amount of Top-Up Tax charged to a Parent Entity or to the Constituent Entities located in a UTPR Jurisdiction is determined:

- by attributing the Top-Up Tax of each Low-Taxed Constituent Entity determined under the rules in Chapter 5 to the Parent Entity under the IIR in accordance with [Article 2.1](#) to Article 2.3; and then
- by allocating the residual Top-Up Tax, if any, to UTPR Jurisdictions in accordance with Article 2.4 to Article 2.6.

Article 2.1. Application of the IIR

2.1.1. A Constituent Entity, that is the Ultimate Parent Entity of an MNE Group, located in [insert name of implementing jurisdiction] that owns (directly or indirectly) an Ownership Interest in a Low-Taxed Constituent Entity at any time during the Fiscal Year shall pay a tax in an amount equal to its Allocable Share of the Top-Up Tax of that Low-Taxed Constituent Entity for the Fiscal Year.

2.1.2. An Intermediate Parent Entity of an MNE Group located in [insert name of implementing jurisdiction] that owns (directly or indirectly) an Ownership Interest in a Low-Taxed Constituent Entity at any time during a Fiscal Year shall pay a tax in an amount equal to its Allocable Share of the Top-Up Tax of that Low-Taxed Constituent Entity for the Fiscal Year.

2.1.3. Article 2.1.2 shall not apply if:

- (a) the Ultimate Parent Entity of the MNE Group is required to apply a Qualified IIR in that Fiscal Year; or
- (b) another Intermediate Parent Entity that owns (directly or indirectly) a Controlling Interest in the Intermediate Parent Entity is required to apply a Qualified IIR in that Fiscal Year.

2.1.4. Notwithstanding Articles 2.1.1 to 2.1.3, a Partially-Owned Parent Entity located in [insert name of implementing jurisdiction] that owns (directly or indirectly) an Ownership Interest in a Low-Taxed Constituent Entity at any time during the Fiscal Year shall pay a tax in an amount equal to its Allocable Share of the Top-up Tax of that Low-Taxed Constituent Entity for the Fiscal Year.

2.1.5. Article 2.1.4 shall not apply if the Partially-Owned Parent Entity is:

- (a) wholly owned (directly or indirectly) by another Partially-Owned Parent Entity that is required to apply a Qualified IIR for that Fiscal Year.

~~(a)~~ a Minority-Owned Parent Entity that is a widely-held Investment Entity or a Minority Owned

Subsidiary of such Minority-Owned Parent Entity.

2.1.5.2.1.6. A Parent Entity located in a jurisdiction shall apply the provisions of Articles 2.1.1 to 2.1.5 only with respect to a Low-Taxed Constituent Entity located in another jurisdiction or a Stateless Low-Taxed Constituent Entity.

Article 2.2. Allocation of Top-Up Tax under the IIR

2.2.1. A Parent Entity's Allocable Share of the Top-up Tax of a Low-Taxed Constituent Entity is an amount equal to the Top-up Tax of the Low-Taxed Constituent Entity as calculated under Chapter 5 multiplied by the Parent Entity's Inclusion Ratio for the Low-Taxed Constituent Entity for the Fiscal Year.

2.2.2. A Parent Entity's Inclusion Ratio for a Low-Taxed Constituent Entity for a Fiscal Year is the ratio of:

- (a) the amount of GloBE income of the Low-Taxed Constituent Entity that would have been included in the net income and equity of consolidated financial statements of the Parent Entity for that Fiscal Year if assets, liabilities, income, expenses and cash flows of the Low-Taxed Constituent Entity had been consolidated on a line-by-line basis with those of the Parent Entity in line with the accounting standard used in the preparation of Consolidated Financial Statements of the Ultimate Parent Entity; to
- (b) the GloBE Income of the Low-Taxed Constituent Entity for that Fiscal Year.

Article 2.3. IIR Offset Mechanism

2.3.1. ~~A Parent Entity that owns an Ownership Interest in a Low-Taxed Constituent Entity indirectly through an Intermediate Parent Entity or a Partially-Owned Parent Entity that is not eligible for an exclusion from the IIR under Article 2.1.3 or 2.1.5 shall reduce its allocable share of a Top-up Tax of a Low-Taxed Constituent Entity in accordance with Article 2.3.2.:~~

~~2.3.1.2.3.2. shall be entitled to reduce the tax otherwise payable under it in respect of its Allocable Share of the Top up Tax of that Low Taxed Constituent Entity. The reduction in Article 2.3.1 will be an amount equal to the portion of its Allocable Share of the Top-up Tax that is brought into charge by the Intermediate Parent Entity or the Partially-Owned Parent Entity under a Qualified IIR.~~

Article 2.4. Application of the UTPR

2.4.1. Constituent Entities of an MNE Group located in [insert name of implementing jurisdiction] shall be denied a deduction (or required to make an equivalent adjustment under domestic law) in an amount resulting in those Constituent Entities having an additional cash tax expense equal to the UTPR Top-up Tax Amount for the Fiscal Year allocated to that jurisdiction.

2.4.2. The adjustment mentioned in Article 2.4.1 shall apply to the extent possible for the taxable year in which the Fiscal Year ends. If this adjustment is insufficient to produce an additional cash tax expense for this taxable year equal to the UTPR Top-up Tax Amount allocated to [insert name of implementing jurisdiction] for the Fiscal Year, the difference shall be carried forward to the extent necessary to the succeeding fiscal years and be subject to the adjustment mentioned in Article 2.4.1 to the extent possible for each taxable year.

2.4.3. Article 2.4.1 shall not apply to a Constituent Entity that is an Investment Entity or a Pension Fund.

Article 2.5. UTPR Top-up Tax Amount

2.5.1. The Total UTPR Top-up Tax Amount for a Fiscal Year shall be equal to the sum of the Top-up Tax calculated for each Low-Taxed Constituent Entity of an MNE Group for that Fiscal Year (determined in accordance with Article 5.2), subject to the adjustments set out in this ~~Article~~ Article 2.5 and Article 9.3.

2.5.2. The Top-up Tax calculated for a Low-Taxed Constituent Entity that is otherwise allocable under Article 2.5.1 shall be reduced to zero if all of the Ultimate Parent Entity's Ownership Interests in such Low-Taxed Constituent Entity are held directly or indirectly by a one or more Parent Entities ~~y~~ that are ~~is~~ required to apply a Qualified IIR in the jurisdiction where it is they are ~~it is~~ located with respect to that Low-Taxed Constituent Entity for the Fiscal Year.

2.5.3. Where Article 2.5.2 does not apply, the Top-up Tax calculated for a Low-Taxed Constituent Entity that is otherwise allocable under Article 2.5.1 shall be reduced by a Parent Entity's Allocable Share of the Top-up Tax of that Low-Taxed Constituent Entity that is brought into charge under a Qualified IIR.

Article 2.6. Allocation of Top-Up Tax for the UTPR

2.6.1. Subject to Articles 2.6.2 and 2.6.3, the UTPR Top-up Tax Amount allocated to a jurisdiction shall be determined by multiplying the Total UTPR Top-up Tax Amount determined in Article 2.5.1 by the jurisdiction's UTPR Percentage. The jurisdiction's UTPR Percentage shall be determined each Fiscal Year for each MNE Group as follows:

$$50\% \times \frac{\text{Number of Employees in the jurisdiction}}{\text{Number of Employees in all UTPR jurisdictions}} + 50\% \times \frac{\text{Tangible Assets in the jurisdiction}}{\text{Tangible Assets in all UTPR jurisdictions}}$$

Where, for each Fiscal Year:

- (a) the *Number of Employees in the jurisdiction* is the total Number of Employees of all the Constituent Entities of the MNE Group located in the jurisdiction;
- (b) the *Number of Employees in all UTPR Jurisdictions* is the total Number of Employees of all the Constituent Entities of the MNE Group located in a jurisdiction that has a Qualified UTPR in force for the Fiscal Year;
- (c) the *Tangible Assets in the jurisdiction* is the sum of the Net Book Values of Tangible Assets of all the Constituent Entities of the MNE Group located in the jurisdiction;
- (d) the *Tangible Assets in all UTPR Jurisdictions* is the sum of the Net Book Values of Tangible Assets of all the Constituent Entities of the MNE Group located in a jurisdiction that has a Qualified UTPR in Force for the Fiscal Year.

2.6.2. For purposes of Article 2.6.1,

- (a) the Number of Employees employed and the Net Book Value of Tangible Assets held by an Investment Entity or a Pension Fund shall be excluded from the elements of the formula for allocating the Total UTPR Top-up Tax Amount;
- (b) the Number of Employees employed and the Net Book Value of Tangible Assets held by a Flow-

through Entity that are not allocated to Permanent Establishments shall be allocated to its Constituent Entity owners in proportion to the amount of the Financial Accounting Net Income or Loss allocated to them under Article 3.5.1(b). The Number of Employees employed and the Net Book Value of Tangible Assets held by a Flow-through Entity that are not allocated under this provision shall be excluded from the elements of the formula for allocating the Total UTPR Top-up Tax Amount.

2.6.3. Notwithstanding Article 2.6.1, a jurisdiction's UTPR Percentage for an MNE Group is deemed to be zero for a Fiscal Year as long as the Top-Up Tax Amount allocated to this UTPR Jurisdiction in a prior Fiscal Year has not resulted in the Constituent Entities of this MNE Group located in that jurisdiction having an additional cash tax expense equal, in total, to the UTPR Top-up Tax Amount for the prior Fiscal Year allocated to that jurisdiction. The Number of Employees and the Tangible Assets of the Constituent Entities of this MNE Group located in a jurisdiction with a UTPR Percentage of zero shall be excluded from the formula for allocating the Total UTPR Top-up Tax Amount. Article 2.6.3 does not apply for a Fiscal Year if all jurisdictions with a Qualified UTPR in Force for the Fiscal Year have a UTPR Percentage of zero for the MNE Group for that Fiscal Year.

Chapter 3. Computation of GloBE Income or Loss

Operation of the rules in this Chapter

Under this Chapter, the amount of GloBE Income or Loss of a Constituent Entity is determined:

- by taking the Financial Accounting Net Income or Loss determined for the Constituent Entity for the Fiscal Year in accordance with Article 3.1; and then
- by adjusting this amount under Article 3.2 to Article 3.5 to arrive at that Entity's GloBE Income or Loss.

Article 3.1. Financial Accounts

3.1.1. The GloBE Income or Loss of each Constituent Entity is the Financial Accounting Net Income or Loss determined for the Constituent Entity for the Fiscal Year adjusted for the items described in Article 3.2 [to Article 3.5](#).

3.1.2. Financial Accounting Net Income or Loss is the net income or loss determined for a Constituent Entity (before any consolidation adjustments for intra-group transactions) under the accounting standard used in preparing Consolidated Financial Statements of the Ultimate Parent Entity.

3.1.3. If it is not reasonably practicable to determine the Financial Accounting Net Income or Loss for a Constituent Entity based on the accounting standard used in the preparation of Consolidated Financial Statements of the Ultimate Parent Entity, the Financial Accounting Net Income or Loss for the Constituent Entity may be determined using another Acceptable Financial Accounting Standard or an Authorised Financial Accounting Standard if:

- (a) the financial accounts of the Constituent Entity are maintained based on that accounting standard;
- (b) the information contained in the financial accounts is reliable; and
- (c) any material permanent differences that arise from the application of a particular principle or standard to an item of income or expense or transaction that differs from the financial standard used in the preparation of the Consolidated Financial Statements of the Ultimate Parent Entity are conformed to the treatment required under the accounting standard used in the Consolidated Financial Statements of the Ultimate Parent Entity.

Article 3.2. Adjustments to determine GloBE income or loss

3.2.1. A Constituent Entity's Financial Accounting Net Income or Loss is adjusted for the following items to arrive at that Entity's GloBE Income or Loss:

- (a) Net Taxes Expense;
- (b) Excluded Dividends;
- (c) Excluded Equity Gain or Loss;
- (d) Gain or loss from disposition of assets and liabilities excluded under Article 6.3;
- (e) Asymmetric Foreign Currency Gain or Loss;
- (f) Policy Disallowed Expenses;
- (g) Prior Period Errors and Changes in Accounting Principles; and
- (h) Accrued Pension Expense.

3.2.2. At the election of the Filing Constituent Entity, a Constituent Entity may substitute the amount allowed as a deduction in the computation of its taxable income in its location for the amount expensed in its financial accounts for a cost or expense of such Constituent Entity that was paid with stock-based compensation. If the stock-based compensation expense arises in connection with an option that expires without exercise, the Constituent Entity must **increase** include the total amount previously deducted in the computation of its GloBE Income or Loss for the Fiscal Year in which the option expires. The election is irrevocable and must be applied consistently to the stock-based compensation of all Constituent Entities located in the same jurisdiction for all subsequent Fiscal Years. If the election is made in a Fiscal Year after some of the stock-based compensation of a transaction has been recorded in the financial accounts, the Constituent Entity must include in income for that Fiscal Year an amount equal to the excess of the cumulative amount allowed as an expense in the computation of its GloBE Income or Loss in previous Fiscal Years over the cumulative amount that would have been allowed as an expense if the election had been in place in those Fiscal Years.

3.2.3. Any transaction between Constituent Entities located in different jurisdictions that is not recorded in the financial accounts consistent the Arm's Length Principle must be adjusted to be consistent with that principle. Rules for allocating income or loss between a Main Entity and its Permanent Establishments are found in Article 3.4.

3.2.4. Qualified Refundable Tax Credits shall be treated as income for purposes of computing the GloBE Income or Loss of a Constituent Entity. Any refundable tax credits or partially refundable tax credits that are not Qualified Refundable Tax Credits shall not be treated as income in the computation of GloBE Income or Loss of a Constituent Entity.

3.2.5. At the election of the Filing Constituent Entity, a Constituent Entity that uses fair value or impairment accounting with respect to an asset may compute gains or losses in respect of such asset using a realisation method for purposes of computing its GloBE Income or Loss. **In this case** ~~g~~Gains or losses attributable to fair value or impairment accounting with respect to the asset must be excluded from the computation of GloBE Income or Loss. The carrying value of the asset for purposes of determining gain or loss shall be the carrying value of the asset at the beginning of the year in which the election is made.

3.2.6. Upon disposition of local tangible property subject to an election under Article 3.2.5, the Filing Constituent Entity may elect to allocate gain from the disposition of local tangible property pro rata over the period that the property was held by a Group Entity or the year of disposition and the

six preceding Fiscal Years, whichever is shorter, and recalculate the Effective Tax Rate and Top-up tax under the rules of Article 5.4.1 for each preceding Fiscal Year to which gain was allocated. Local tangible property means tangible property located in the same jurisdiction as the Constituent Entity. An election under this article shall not apply to a sale of property between Group Entities.

3.2.7. A Constituent Entity shall exclude from the computation of its GloBE Income or Loss any expenses accrued in respect of a liability to another Constituent Entity that:

- (a) do not decrease the domestic net taxable income of the Constituent Entity; and
- (b) do not increase the domestic net taxable income of the other Constituent Entity.

3.2.8. An Ultimate Parent Entity may elect to apply its consolidated accounting treatment to income, expense, gains, and losses from transactions between Constituent Entities that are located, and included in a tax consolidation group, in the same jurisdiction for purposes of computing each such Constituent Entity's Net GloBE Income or Loss.

3.2.9. An insurance company shall exclude from the computation of GloBE Income or Loss amounts charged to policy-holders for taxes paid by the insurance company in respect of returns to the policy holders. An insurance company shall include in the computation of GloBE Income or Loss any returns to policyholders that are not reflected in Financial Accounting Net Income or Loss to the extent the corresponding increase or decrease in liability to the policyholders is reflected in its Financial Accounting Net Income or Loss.

3.2.10. Amounts recognised as a decrease to the equity of a Constituent Entity in respect of Regulatory Capital issued by the Constituent Entity shall be treated as an expense in the computation of its GloBE Income or Loss. Amounts recognised as an increase to the equity of a Constituent Entity in respect of Regulatory Capital held by the Constituent Entity shall be included in the computation of its GloBE Income or Loss.

Article 3.3. International shipping income exclusion

3.3.1. For an MNE Group that has International Shipping Income, each Constituent Entity's International Shipping Income and Qualified Ancillary International Shipping Income shall be excluded from the computation of its GloBE Income or Loss under Article 3.2 for the jurisdiction in which it is located. Where the computation of a Constituent Entity's International Shipping Income and Qualified Ancillary International Shipping Income results in a loss, the loss shall be excluded from the computation of its GloBE Income or Loss.

3.3.2. International Shipping Income means the net income obtained by a Constituent Entity from:

- (a) the transportation of passengers or cargo by ships that it operates in international traffic, whether the ship is owned, leased or otherwise at the disposal of the Constituent Entity;
- (b) leasing a ship on charter fully equipped, crewed and supplied;
- (c) bareboat-chartering-out a ship to another Constituent Entity;
- (d) the participation in a pool, a joint business or an international operating agency for the transportation of passengers or cargo by ships in international traffic; and
- (e) the sale of a ship used for the transportation of passengers or cargo in international traffic provided that the ship has been held for use by the Constituent Entity for a minimum of 1 year.

International Shipping Income shall not include net income obtained from the transportation of passengers or cargo by ships via inland waterways within the same jurisdiction.

3.3.3. Qualified Ancillary International Shipping Income means net income obtained by a Constituent Entity from the following activities that are performed primarily in connection with the transportation of passengers or cargo by ships in international traffic:

- (a) bareboat-chartering-out a ship to another shipping enterprise that is not a Constituent Entity, provided that the charter does not exceed 3 years;
- (b) slot chartering arrangements;
- (c) sale of tickets issued by other shipping enterprises for the domestic leg of an international voyage;
- (d) leasing and short-term storage of containers or detention charges for the late return of containers;
- (e) provision of services to other shipping enterprises by engineers, maintenance staff, cargo handlers, catering staff, and customer services personnel; and
- (f) investment income where the investment that generates the income is made as an integral part of the carrying on the business of operating the ships in international traffic.

3.3.4. The aggregated Qualified Ancillary International Shipping Income of all Constituent Entities located in a jurisdiction shall not exceed 50% of those Constituent Entities' International Shipping Income.

3.3.5. The costs incurred by a Constituent Entity that are directly attributable to its international shipping activities listed in Article 3.3.2 and the costs directly attributable to its qualified ancillary activities listed in Article 3.3.3 shall be deducted from the Constituent Entity's revenues from such activities to compute its International Shipping Income and Qualified Ancillary International Shipping Income. Other costs incurred by a Constituent Entity that are indirectly attributable to a Constituent Entity's international shipping activities and qualified ancillary activities shall be allocated on the basis of the Constituent Entity's revenues from such activities in proportion to its total revenues. All direct and indirect costs attributed to a Constituent Entity's International Shipping Income and Qualified Ancillary International Shipping Income shall be excluded from the computation of its GloBE Income or Loss.

3.3.6. In order for a Constituent Entity's International Shipping Income and Qualified Ancillary International Shipping Income to qualify for the exclusion from its GloBE Income or Loss under this Article, the Constituent Entity must demonstrate that the strategic or commercial management of all ships concerned is effectively carried on from within the jurisdiction where the Constituent Entity is located.

Article 3.4. Allocation of Income or Loss between a Main Entity and a Permanent Establishment

3.4.1. The Financial Accounting Net Income or Loss of a Constituent Entity that is a Permanent Establishment in accordance with paragraphs (a), (b) and (c) of the definition in Article 10.1 is the net income or loss reflected in the separate financial accounts of the Permanent Establishment. If the Permanent Establishment does not have separate financial accounts, then the Financial Accounting Net Income or Loss is the amount that would have been reflected in its separate financial accounts if prepared on a standalone basis and in accordance with the accounting standard used in the preparation of the Consolidated Financial Accounts of the Ultimate Parent Entity.

3.4.2. The Financial Accounting Net Income or Loss of a Permanent Establishment referred in Article 3.4.1 shall be adjusted, if necessary:

- (a) in the case of a Permanent Establishment as defined by paragraphs (c) and (b) of the definition in Article 10.1, to reflect only the amounts and items of income and expense that are attributable to the Permanent Establishment in accordance with the applicable Tax Treaty or domestic law of the jurisdiction where it is located regardless of the amount of income subject to tax and the amount of deductible expenses in that jurisdiction;
- (b) in the case of a Permanent Establishment as defined by paragraph (c) of the definition in Article 10.1, to reflect only the amounts and items of income and expense that would have been attributed to it in accordance with Article 7 of the OECD Model Tax Convention.

3.4.3. In case of a Constituent Entity that is a Permanent Establishment in accordance with paragraph (d) of the definition in Article 10.1, its income used for computing Financial Accounting Net Income or Loss is the income being exempted in the jurisdiction where the Entity is located and attributable to the operations conducted outside that jurisdiction. The expenses used for computing Financial Accounting Net Income or Loss are those that are not deducted for taxable purposes in the jurisdiction where the Entity is located and that are attributable to such operations.

3.4.4. The Financial Accounting Net Income or Loss of a Permanent Establishment is not taken into account in determining the GloBE Income or Loss of the Main Entity, except as provided in Article 3.4.5.

3.4.5. A GloBE Loss of a Permanent Establishment shall be treated as an expense of the Main Entity (and not of the Permanent Establishment) for purposes of computing its GloBE Income or Loss to the extent that losses of the Permanent Establishment are treated as an expense in the computation of the domestic taxable income of such Main Entity. GloBE Income subsequently arising in the Permanent Establishment shall be treated as GloBE Income of the Main Entity (and not the Permanent Establishment) up to the amount of the GloBE Loss that previously was treated as an expense for purposes of computing the GloBE Income or Loss of the Main Entity.

Article 3.5. Allocation of GloBE Income or Loss from Flow-through Entity

3.5.1. The Financial Accounting Net Income or Loss of a Constituent Entity that is a Flow-through Entity is allocated as follows:

- (a) in the case of a Permanent Establishment through which the business of the Entity is wholly or partly carried out, the Financial Accounting Net Income or Loss of the Entity is allocated to that Permanent Establishment in accordance with Article 3.4;
- (b) in the case of a Tax Transparent Entity that is not the Ultimate Parent Entity, any Financial Accounting Net Income or Loss remaining after application of paragraph (a) is allocated to its Constituent Entity-owners in accordance with their Ownership Interests ; and
- (c) in the case of a Tax Transparent Entity that is the Ultimate Parent Entity or a Reverse Hybrid Entity, any Financial Accounting Net Income or Loss remaining after application of paragraph (a) is allocated to it.

3.5.2. The rules of Article 3.5.1 shall be applied separately with respect to each Ownership Interest in the Flow-through Entity.

3.5.3. Prior to the application of Article 3.5.1, the Financial Accounting Net Income or Loss of a Flow-through Entity shall be reduced by the amount attributable to its owners that are not Group Entities and that hold their Ownership Interest in the Flow-through Entity directly or through a Tax Transparent Structure. ~~This~~

3.5.4. ~~Article 3.5.3 provision~~ does not apply to:

~~an Ultimate Parent Entity that is a~~ ~~where the~~ Flow-through Entity; ~~or~~
~~any Flow-through Entity owned by such an Ultimate Parent Entity (directly or through~~ ~~is the~~
~~Ultimate Parent Entity or where it is held through a Tax Transparent Structure)~~

~~The treatment of these Entities is addressed in Article 7.1. by~~ ~~an that includes an Ultimate Parent~~
~~Entity that is a Flow through Entity.~~

~~3.5.3.3.5.5.~~ The ~~f~~Financial ~~a~~Accounting ~~n~~Net ~~i~~Income (or ~~L~~Loss) of a Flow-through Entity is reduced by the amount that is allocated to another Constituent Entity ~~or any holder of an Ownership Interest.~~

Chapter 4. Computation of Adjusted Covered Taxes

Operation of the rules in this Chapter

Under this Chapter the amount of a Constituent Entity's Covered Taxes on GloBE Income is determined:

- by taking the current taxes determined for the Constituent Entity for the Fiscal Year in accordance with [Article 4.1.-](#);
- adjusting this amount under Article 4.3 to account for Covered Taxes that are allocated from one Constituent Entity to another in certain cases; The definition of Covered Taxes is set out in Article 4.2;
- adjusting this amount to reflect under Articles 4.3 and 4.4 to address certain timing differences in the recognition of income for local tax purposes;
- by taking into account the effect of certain post-filing tax adjustments under Article 4.5.

~~The definition of Covered Taxes is set out in Article 4.6.~~

Article 4.1. Adjusted Covered Taxes

4.1.1. The Adjusted Covered Taxes of a Constituent Entity for the Fiscal Year shall be equal to the current tax expense accrued in its financial accounts with respect to Covered Taxes for the Fiscal Year adjusted by:

- (a) the net amount of its Additions to Covered Taxes for the Fiscal Year (as determined under Article 4.1.2) and Reductions to Covered Taxes for the Fiscal Year (as determined under Article 4.1.3);
- (b) the Total Deferred Tax Adjustment Amount (as determined under Article 4.4).

4.1.2. The Additions to Covered Taxes of a Constituent Entity for the Fiscal Year is the sum of:

- (a) any amount of Covered Taxes accrued as an expense in the profit before taxation in the financial accounts; ~~and~~
- (b) any amount of GloBE Loss Deferred Tax Asset used under Article 4.5.3.

4.1.3. The Reductions to Covered Taxes of a Constituent Entity for the Fiscal Year is the sum of:

- (a) the amount of current tax expense with respect to income excluded from the computation of

GloBE Income or Loss under Chapter 3;

- (b) the amount of any refundable tax credits or partially refundable tax credits included in current tax expense that are not Qualified Refundable Tax Credits;
- (c) any amount of Covered Taxes refunded to a Constituent Entity that was not treated as an adjustment to current tax expense in the financial accounts; ~~and~~
- (d) the amount of current tax expense with respect to Disallowed Accruals for the current Fiscal Year; and
- (e) the amount of current tax expense which relates to an uncertain tax position.

4.1.4. No amount of Covered Taxes may be taken into account more than once.

4.1.5. In a Fiscal Year in which there is no net GloBE Income for a jurisdiction, if the Adjusted Covered Taxes for a jurisdiction are less than zero and less than the Expected Adjusted Covered Taxes Amount the Constituent Entities in that jurisdiction shall be treated as having Additional Current amount of Top-up Tax for the jurisdiction under Article 5.4.3~~5.4.4~~ arising in the current Fiscal Year equal to the difference between these amounts. The Expected Adjusted Covered Taxes Amount is equal to the GloBE Income or Loss for a jurisdiction multiplied by the Minimum Rate.

Article 4.2. Definition of Covered Taxes

4.2.1. Covered Taxes means:

- (a) Taxes recorded in the financial accounts of a Constituent Entity with respect to its income or profits or its share of the income or profits of a Constituent Entity in which it owns an Ownership Interest;
- (b) Taxes on distributed profits, deemed profit distributions, and non-business expenses imposed under an Eligible Distribution Tax System;
- (c) Taxes imposed in lieu of a generally applicable corporate income tax; and
- (d) Taxes levied by reference to retained earnings and corporate equity, including a Tax on multiple components based on income and equity

4.2.2. Covered Taxes does not include any amount of:

- (a) Top-up Tax accrued by a Parent Entity under a Qualified IIR;
- (b) Top-up Tax accrued by a Constituent Entity under a Qualified Domestic Minimum Top-Up Tax;
- (c) Taxes attributable to an adjustment made by a Constituent Entity as a result of the application of a Qualified UTPR;
- (d) A Disqualified Refundable Tax;
- (e) Taxes paid by an insurance company in respect of returns to policyholders.

~~Article 4.2.~~ **Article 4.3. Allocation of Covered Taxes from one Constituent Entity to another Constituent Entity**

4.3.1. Article 4.3.2 applies to the allocation of Covered Taxes in respect of Permanent Establishments, Tax Transparent Entities and Hybrid Entities as well as the allocation of CFC taxes and taxes on distributions from one Constituent Entity to another.

4.2.1.4.3.2. Covered Taxes are allocated from one Constituent Entity to another Constituent Entity as follows:

- (a) the amount of any Covered Taxes included in the financial accounts of a Constituent Entity with respect to GloBE Income or Loss of a Permanent Establishment is allocated to the Permanent Establishment;
- (b) the amount of any Covered Taxes included in the financial accounts of a Tax Transparent Entity with respect to GloBE Income or Loss allocated to a Constituent Entity-owner pursuant to Article 3.5.1(b) is allocated to that Constituent Entity-owner;
- (c) in the case of a Constituent Entity whose Constituent Entity-owners are subject to a Controlled Foreign Company Tax Regime, the amount of any Covered Taxes included in the financial accounts of its direct or indirect Constituent Entity-owners under a Controlled Foreign Company Tax Regime on its share of the Controlled Foreign Company's income are allocated to the Constituent Entity;
- (d) in the case of a Constituent Entity that is a Hybrid Entity the amount of any Covered Taxes included in the financial accounts of a Constituent Entity-owner on income of the Hybrid Entity; and
- (e) the amount of any Covered Taxes accrued in the financial accounts of a Constituent Entity's direct Constituent Entity-owners on distributions from the Constituent Entity during the Fiscal Year are allocated to the distributing Constituent Entity.

4.2.2.4.3.3. Covered Taxes allocated to a Constituent Entity pursuant to Article 4.3.1(c) and (d) ~~Error! Reference source not found.~~ in respect of Passive Income are excluded from such Constituent Entity's Adjusted Covered Taxes to the extent they exceed the Top-up Tax Percentage for the Constituent Entity's jurisdiction (determined without regard to any taxes of the Constituent Entity-owner) multiplied by the amount of the Constituent Entity's Passive Income includible ~~in~~ under any Controlled Foreign Company Tax Regime or fiscal transparency rule.

4.2.3. ~~Covered Taxes described in Article 4.2.1(e) arising from a distribution in respect of Regulatory Capital that is treated as debt for local tax purposes in the payee jurisdiction shall be allocated to the Entity that is liable for the tax.~~

4.2.4.3.4. Where the GloBE income of a Permanent Establishment is treated as GloBE Income of the Main Entity pursuant with Article 3.4.5, any Covered Taxes associated with such income are treated as Covered Taxes of the Main Entity.

Article 4.3. Article 4.4. Mechanism to address temporary differences

4.3.1.4.4.1. The Total Deferred Tax Adjustment Amount for a Constituent Entity for the Fiscal Year is equal to the lower of the deferred tax expense accrued in its financial accounts or such deferred tax expense recast at the Minimum Rate, with respect to Covered Taxes for the Fiscal Year subject to the adjustments set forth in Article 4.4.2 and the following exclusions:

- (a) The amount of deferred tax expense with respect to items excluded from the computation of GloBE Income or Loss under Chapter 3;
- (b) The amount of deferred tax expense with respect to Disallowed Accruals and Unclaimed Accruals;
- ~~(c) The amount of deferred tax asset with respect to losses; and~~
- (c) The amount of deferred tax expense attributable to a valuation adjustment, or accounting

~~recognition adjustment with respect to a deferred tax asset impact of a valuation adjustment, or accounting recognition adjustment with respect to a deferred tax asset; and~~

- (d) ~~The amount of deferred tax expense arising from a re-measurement with respect to a change in the applicable domestic tax rate.-~~

~~4.3.2.4.4.2.~~ The Total Deferred Tax Adjustment Amount is adjusted as follows:

~~(a) Decreased by the amount of GloBE Loss Deferred Tax Asset generated during the Fiscal Year;~~

~~(b) Increased by the amount of GloBE Loss Deferred Tax Asset used during the Fiscal Year;~~

~~(c)(a) Increased by the amount of any Disallowed Accrual or Unclaimed Accrual paid during the Fiscal Year;~~

~~(b) Increased by the amount of any Recaptured Deferred Tax Liability determined in a preceding Fiscal Year which has been paid during the Fiscal Year; and~~

~~(c) A deferred tax asset that has been recorded at a rate lower than the Minimum Rate may be recast at the Minimum Rate if the taxpayer can demonstrate that the deferred tax asset is attributable to an economic loss.~~

~~(d)~~

~~Increased by the Transition GloBE Loss Tax Asset used during the Fiscal Year; and~~

~~Adjusted such that the inclusion of Policy Allowed Tax Lesses under Article 4.4.2(a) do not result in the use of such less more than once.~~

~~4.3.3.4.4.3.~~ To the extent a deferred tax liability, that is not a Recapture Exception Accrual, is taken into account under Article 4.3 and such amount is not paid within the seven subsequent Fiscal Years, the amount must be recaptured pursuant to this article. The Amount of the Recaptured Deferred Tax Liability determined for the current Fiscal Year shall be treated as a reduction to Covered Taxes in the seventh preceding Fiscal Year and the Effective Tax Rate and Top-up Tax of such Fiscal Year shall be recalculated under the rules of Article 5.4.1. The Recaptured Deferred Tax Liability for the current Fiscal Year is the amount of the increase in a category of deferred tax liability that was included in the Total Deferred Tax Adjustment Amount in the seventh preceding Fiscal Year that has not reversed by the end of the last day of the current Fiscal Year, unless such amount relates to a Recapture Exception Accrual as set forth in Article 4.4.4.

~~4.3.4.4.4.~~ Recapture Exception Accrual means the tax expense accrued, including the amount of tax expense attributable to changes in associated deferred tax assets or deferred tax liabilities, in respect of:

(a) Cost recovery allowances on tangible property or a licence or concession in respect of infrastructure assets;

(b) Research and development expenses;

(c) De-commissioning and remediation expenses of a natural resource extractive business;

(d) Fair value accounting on unrealised gains or losses;

(e) Foreign currency exchange;

(f) Insurance reserves and insurance policy deferred acquisition costs;

(g) Pension reserves;

(h) Gains from the sale of tangible property located in the same jurisdiction as the Constituent

Entity that are reinvested in tangible property in the same jurisdiction; and

- (i) Additional amounts accrued as a result of Accounting accounting principle changes with respect to categories (a) through (h).

~~4.3.5.4.4.5.~~ Disallowed Accrual means:

- (a) Any movement in ~~current tax expense or~~ deferred tax expense accrued in the financial accounts of a Constituent Entity which relates to an uncertain tax position; and
- (b) Any movement in deferred tax expense accrued in the financial accounts of a Constituent Entity which relates to distributions from a Constituent Entity.

4.4.6. Unclaimed Accrual means any increase in a deferred tax liability recorded in the financial accounts of a Constituent Entity for a Fiscal Year that is not expected to be paid within the time period set forth in Article 4.4.2 and the Filing Constituent Entity elects not to include in Total Deferred Tax Adjustment Amount for such Fiscal Year.

~~The operation of Article 4.3.2(f) may require the collection of additional Top up Tax for the Fiscal Year or the reduction of the GloBE Loss Deferred Tax Asset available for carry forward.~~

~~Article 4.4.~~ Article 4.5. Loss Deferred Tax Assets ~~The GloBE Loss Election~~

~~4.4.1.~~ 4.4.1. The GloBE Loss Deferred Tax Asset for a Constituent Entity for a Fiscal Year is equal to the sum of:

- (a) the Constituent Entity's share of the net GloBE Loss for a jurisdiction for the Fiscal Year multiplied by the Minimum Rate; and
- (b) the sum of the Policy Allowed Tax Losses for the Constituent Entity.

~~4.4.2.~~ 4.4.2. The Policy Allowed Tax Losses for a Constituent Entity for a Fiscal Year are:

- (a) the tax adjustment necessary such that losses arising due to temporary differences are taken into account and are exclusively used to cover the reversal of such temporary differences; and
- (b) tax losses arising from items in includible in GloBE Income or Loss but that are not offset against entities with GloBE Income in the same jurisdiction for domestic tax purposes.

~~4.4.3.~~ 4.4.3. The amount taken into account under Article 4.4.2(b) shall be recast at the Minimum Rate.

4.5.1. In lieu of applying the rules set forth in ~~Article 4.4~~ Article 4.4.1, a Filing Constituent Entity may make a GloBE Loss Election for a jurisdiction. When a GloBE Loss Election is made for a jurisdiction, a GloBE Loss Deferred Tax Asset is established in each Fiscal Year in which there is a net GloBE Loss for all of the Constituent Entities of the MNE Group in the jurisdiction. The GloBE Loss Deferred Tax Asset is equal to the net GloBE Loss Deferred Tax Asset is equal to the Net GloBE Loss in a Fiscal Year of all the Constituent Entities of the MNE Group in the jurisdiction multiplied by the Minimum Rate.

~~4.4.4.~~ 4.4.4. The GloBE Loss Election must be filed with the first GloBE return of the MNE Group that includes the jurisdiction for which the election is made.

~~A GloBE Loss Election cannot be made for a jurisdiction with an Eligible Distribution Tax System as defined in Article 7.3.~~

4.5.2. The balance of the GloBE Loss Deferred Tax Asset is carried forward to subsequent Fiscal Years, reduced by the amount of GloBE Loss Deferred Tax Asset used in a Fiscal Year.

4.5.3. The GloBE Loss Deferred Tax Asset may be used in any subsequent Fiscal Year in which there is net GloBE Income for the jurisdiction.

4.5.4. If the GloBE Loss Election is subsequently revoked, any remaining GloBE Loss Deferred Tax Asset is reduced to zero, effective as of the first day of the first Fiscal Year in which the GloBE Loss Election is no longer applicable.

4.5.5. The GloBE Loss Election must be filed with the first ~~GloBE return~~ GloBE Information Return of the MNE Group that includes the jurisdiction for which the election is made. A GloBE Loss Election cannot be made for a jurisdiction with an Eligible Distribution Tax System as defined in Article 7.3.

Article 4.5. Article 4.6. Post-filing Adjustments and Tax Rate Changes

4.6.1. An adjustment to a Constituent Entity's liability for Covered Taxes for a previous Fiscal Year recorded in the financial accounts, ~~including an adjustment due to a re measurement arising from a change in the applicable domestic tax rate,~~ shall be treated as an adjustment to Covered Taxes in the Fiscal Year in which the adjustment is made, unless the adjustment relates to a Fiscal Year in which there is a ~~material~~ decrease in Covered Taxes for the jurisdiction. In the case of a ~~material~~ decrease in Covered Taxes for a previous Fiscal Year, the Effective Tax Rate and Top-up Tax for the Fiscal Year in which the amount was claimed as a Covered Tax must be recalculated in accordance with Article 5.4.1 by reducing Adjusted Covered Taxes by the amount of the ~~material~~ decrease in Covered Taxes. A Filing Constituent Entity may elect to treat an immaterial decrease in Covered Taxes as an adjustment to Covered Taxes in the Fiscal Year in which the adjustment is made. An immaterial decrease in Covered Taxes is an aggregate decrease of ~~more~~ less than EURO {1 000 000}_in the Adjusted Covered Taxes determined for the jurisdiction for a Fiscal Year.

4.6.2. The amount of deferred tax expense resulting from a reduction to the applicable domestic tax rate shall be treated as an adjustment to a Constituent Entity's liability for Covered Taxes claimed under Article 4.3 for a previous Fiscal Year when such reduction results in the application of a rate that is less than the Minimum Rate.

4.5.1.4.6.3. If more than EURO {1 000 000}_of the amount accrued by a Constituent Entity as current tax expense and included in Adjusted Covered Taxes for a Fiscal Year is not paid within two years of the last day of such year, the Effective Tax Rate and Top-up Tax for the Fiscal Year in which the unpaid amount was claimed as a Covered Tax must be recalculated in accordance with Article 5.4.1 by excluding such unpaid amount from Adjusted Covered Taxes.

Article 4.6. Definition of Covered Taxes

4.6.4. ~~Covered Taxes means:~~

- ~~(a) Taxes recorded in the financial accounts of a Constituent Entity with respect to its income or profits or its share of the income or profits of a Constituent Entity in which it owns an Ownership Interest;~~
- ~~(b) Taxes on distributed profits, deemed profit distributions, and non business expenses imposed under an Eligible Distribution Tax System;~~

- ~~(c) Taxes imposed in lieu of a generally applicable corporate income tax; and~~
- ~~(d) Taxes levied by reference to retained earnings and corporate equity, including a Tax on multiple components based on income and equity~~

4.6.2. Covered Taxes does not include any amount of:

- ~~(a) Top up Tax accrued by a Parent Entity under a Qualified IIR;~~
- ~~(b) Top up Tax accrued by a Constituent Entity under a Qualified Domestic Minimum Top Up Tax;~~
- ~~(c) Taxes attributable to an adjustment made by a Constituent Entity as a result of the application of a Qualified UTPR;~~
- ~~(d) A Disqualified Refundable Tax;~~
- ~~(e) Taxes paid by an insurance company in respect of returns to a policy holders.~~

Chapter 5. Computation of Effective Tax Rate and Top-up Tax

Operation of the rules in this Chapter

Under this Chapter the Top-up Tax of each Low-Taxed Constituent Entity is determined:

- by aggregating each Constituent Entity's GloBE Income or Loss, determined under Chapter 3, and Adjusted Covered Taxes, determined under Chapter 4, with those of other Constituent Entities located in the same jurisdiction to determine an Effective Tax Rate for the jurisdiction;
- by identifying which jurisdiction is a Low-Tax Jurisdiction (i.e. has an Effective Tax Rate that is below the Minimum Rate);
- by computing a jurisdictional Top-Up Tax Percentage for each Low-Tax Jurisdiction;
- by applying the Substance-based Income Exclusion to the Net GloBE Income in the Low-Tax Jurisdiction to determine the Excess Profits in that jurisdiction;
- by multiplying the Top-up Tax percentage by such Excess Profit and reducing the result by the amount of any Qualified Domestic Minimum Top-up Tax to determine the Top-Up Tax for each Low-Tax Jurisdiction; and
- by allocating such Top-up Taxes to the Constituent Entities in the Low-Tax Jurisdiction in proportion to their GloBE Income.

The resulting Top-up Tax of each Low Tax Constituent Entity is then charged to a Parent Entity or to Constituent Entities located in a UTPR Jurisdiction under Chapter 2.

This Chapter also includes a de minimis exclusion for the Constituent Entities located in the same jurisdiction when their aggregated revenue and income does not exceed certain thresholds. [Special rules are provided in Article 5.6 for calculating the ETR in respect of Minority-Owned Parent Entities.](#)

Article 5.1. Determination of Effective Tax Rate

5.1.1. The Effective Tax Rate of the MNE Group for a jurisdiction with Net GloBE Income shall be calculated for each Fiscal Year. The Effective Tax Rate of the MNE Group for a jurisdiction is equal to the sum of the Adjusted Covered Taxes of each Constituent Entity located in the jurisdiction divided by the Net GloBE Income of the jurisdiction for the Fiscal Year. For purposes of Chapter 5, each Stateless Constituent Entity shall be treated as [a single the lone](#) Constituent Entity located in a separate jurisdiction.

5.1.2. The Net GloBE Income of a jurisdiction for a Fiscal Year is the positive amount, if any, computed in accordance with the following formula:

$$\text{Net GloBE Income} = \text{GloBE Income of all Constituent Entities} - \text{GloBE Losses of all Constituent Entities}$$

Where:

- (a) the GloBE Income of all Constituent Entities is the sum of the GloBE Income of all Constituent Entities located in the jurisdiction determined in accordance with Chapter 3 for the Fiscal Year; and
- (b) the GloBE Losses of all Constituent Entities is the sum of the GloBE Losses of all Constituent Entities located in the jurisdiction determined in accordance with Chapter 3 for the Fiscal Year.

5.1.3. Adjusted Covered Taxes and GloBE Income or Loss of Constituent Entities that are Pension Funds or Investment Entities are excluded from the determination of the Effective Tax Rate in Article 5.1.1 and the determination of Net GloBE Income in Article 5.1.2.

Article 5.2. Top-up Tax

5.2.1. The Top-up Tax Percentage for a jurisdiction for a Fiscal Year shall be the positive amount of percentage points, if any, computed in accordance with the following formula:

$$\text{Top up Tax Percentage} = \text{Minimum Rate} - \text{Effective Tax Rate}$$

Where the Effective Tax Rate is the Effective Tax Rate determined in accordance with Article 5.1 for the jurisdiction for the Fiscal Year.

~~(a) The Minimum Rate is the Minimum Rate; and~~

~~(b) The Effective Tax Rate is the Effective Tax Rate determined in accordance with 0 for the jurisdiction for the Fiscal Year.~~

5.2.2. The Excess Profit for the jurisdiction for the Fiscal Year is the positive amount, if any, computed in accordance with the following formula:

$$\text{Excess Profit} = \text{Net GloBE Income} - \text{Substance based Income Exclusion}$$

Where:

- (a) The Net GloBE Income is the Net GloBE Income determined under Article 5.1.2 for the jurisdiction for the Fiscal Year; and
- (b) The Substance-based Income Exclusion is the Substance-based Income Exclusion determined under Article 5.3 for the jurisdiction for the Fiscal Year (if any).

5.2.3. The Jurisdictional Top-up Tax for a jurisdiction for a Fiscal Year is equal to the positive amount, if any, computed in accordance with the following formula:

$$\text{Jurisdictional Top up Tax}$$

$$= (\text{Top up Tax Percentage} \times \text{Excess Profit}) + \text{Additional Current Top up Tax} - \text{Domestic Top up Tax}$$

Where:

- (a) The Top-up Tax Percentage is percentage point difference determined in accordance with Article 5.2.1 for the jurisdiction for the Fiscal Year;
- (b) The Excess Profit is the Excess Profit determined in accordance with Article 5.2.2 for the jurisdiction for the Fiscal Year;

- (c) The Additional Current Top-up Tax is the amount determined ~~in accordance with~~, or treated as Additional Current Top-up Tax, under Article 5.4.1 for the jurisdiction for the Fiscal Year; and
- (d) The Domestic Top-up Tax is the amount payable under a Qualified Domestic Minimum Top-Up Tax of the jurisdiction for the Fiscal Year.

5.2.4. The Top-up Tax of a Constituent Entity shall be determined for each Constituent Entity of a jurisdiction that has GloBE Income determined in accordance with Chapter 3 for the Fiscal Year included in the computation of Net GloBE Income of that jurisdiction in accordance with the following formula:

$$\text{Top up Tax of a CE} = \text{Jurisdictional Top up Tax} \times \frac{\text{GloBE Income of the CE}}{\text{Aggregate GloBE Income of all CEs}}$$

Where:

- (a) The Jurisdictional Top-up Tax is the Top-up Tax determined in accordance with Article 5.2.2 for the jurisdiction for the Fiscal Year;
- (b) The GloBE Income of the CE is the GloBE Income of the Constituent Entity determined in accordance with Article 3.2 for the jurisdiction for the Fiscal Year;
- (c) The aggregate GloBE Income of all CEs is the aggregate GloBE Income of all Constituent Entities that have GloBE Income for the Fiscal Year included in the computation of Net GloBE Income in accordance with Article 5.1.2 for the jurisdiction for the Fiscal Year.

5.2.5. If the Jurisdictional Top-up Tax is attributable to a recalculation under the Article 5.4.1 and the jurisdiction does not have Net GloBE Income for the current Fiscal Year, Top-up Tax shall be allocated using the formula in Article 5.2.4 based on the GloBE Income of the Constituent Entities in the Fiscal Years for which the recalculations under Article 5.4.1 were performed.

Article 5.3. Substance-based Income Exclusion

5.3.1. The Net GloBE Income for the jurisdiction shall be reduced by the Substance-based Income Exclusion for the jurisdiction to determine the Excess Profit for purposes of computing the Top-up Tax under Article 5.2. A Filing Constituent Entity of an MNE Group may elect not to apply the Substance-based Income Exclusion for a jurisdiction by not computing the exclusion or claiming it in the computation of Top-up Tax for the jurisdiction in the ~~GloBE return~~ GloBE Information Return(s) filed for the Fiscal Year.

5.3.2. The Substance-based Income Exclusion amount for a jurisdiction is the sum of the payroll carve-out and the tangible asset carve-out for each Constituent Entity, except for Constituent Entities that are Investment Entities, in that jurisdiction.

5.3.3. The payroll carve-out for a Constituent Entity located in a jurisdiction is equal to 5% of its Eligible Payroll Costs of Eligible Employees that perform activities for the MNE Group in such jurisdiction, except Eligible Payroll costs that are:

- (a) capitalised and included in the carrying value of Eligible Tangible Assets;
- (b) attributable to a Constituent Entity's International Shipping Income and Qualified Ancillary International Shipping Income under Article 3.3.5 that is excluded from the computation of GloBE Income or Loss for the Fiscal Year.

5.3.4. The tangible asset carve-out for a Constituent Entity located in a jurisdiction is equal to 5% of the carrying value of Eligible Tangible Assets located in such jurisdiction. Eligible Tangible Assets

means:

- (a) property, plant, and equipment located in that jurisdiction;
- (b) natural resources located in that jurisdiction;
- (c) a lessee's right of use of tangible assets located in that jurisdiction; and
- (d) infrastructure assets located in that jurisdiction that are under licence or concession.

For this purpose, the tangible asset carve-out computation shall not include the carrying value of property (including land or buildings) that is held for sale, lease or investment. The tangible asset carve-out computation shall not include the carrying value of tangible assets used in the generation of a Constituent Entity's International Shipping Income and Qualified Ancillary International Shipping Income (i.e. ships and other maritime equipment and infrastructure). The carrying value of tangible assets attributable to a Constituent Entity's excess income over the cap for Qualified Ancillary International Shipping Income under Article 3.3.4 shall be included in the tangible asset carve-out computation.

5.3.5. The computation of carrying value of Eligible Tangible Assets for purposes of Article 5.3.4 shall be based on the average of the carrying value (net of accumulated depreciation, amortisation, or depletion and including any amount attributable to capitalisation of payroll expense) at the beginning and ending of the Reporting Fiscal Year as recorded in the Consolidated Financial Statements of the Ultimate Parent Entity.

5.3.6. For purposes of Articles 5.3.3 and 5.3.4, the Eligible Payroll Costs and Eligible Tangible Assets of a Constituent Entity that is a Permanent Establishment are those included in ~~their~~ its separate financial accounts as determined by Article 3.4.1 and adjusted in accordance with 3.4.2, provided that the Eligible Employees and Eligible Tangible Assets are located in the jurisdiction where the Permanent Establishment is located. The Eligible Payroll Costs and Eligible Tangible Assets of a Permanent Establishment are not taken into account for the Eligible Payroll Costs and Eligible Tangible Assets of the Main Entity. The Eligible Payroll Costs and Eligible Tangible Assets of a Permanent Establishment whose income has been wholly or partly excluded in accordance with Article 7.1.4 are excluded from the Substance-based Income Exclusion computations of the MNE Group in the same proportion.

5.3.7. For purposes of Articles 5.3.3 and 5.3.4, Eligible Payroll Costs and Eligible Tangible Assets of a Flow-through Entity that are not allocated under Article 5.3.~~65.3.1~~ are allocated as follows:

- (a) if the Financial Accounting Net Income or Loss of the Flow-through Entity has been allocated to the Constituent Entity-owner under Article 3.5.1(b), then the Entity's Eligible Payroll Costs and Eligible Tangible Assets are allocated in the same proportion to the Constituent Entity-owner provided it is located in the jurisdiction where the Eligible Employees and Eligible Tangible Assets are located;
- (b) if the Flow-through Entity is the Ultimate Parent Entity, then Eligible Payroll Costs and Eligible Tangible Assets located in the jurisdiction where the Ultimate Parent Entity is located are allocated to it and reduced in proportion to ~~its~~ the income that is excluded under Article 7.1.1; and
- (c) all other Eligible Payroll Costs and Eligible Tangible Assets of the Flow-through Entity are excluded from the Substance-based Income Exclusion computations of the MNE Group.

Article 5.4. Additional Current Top-up Tax

5.4.1. When an article of the GloBE rules requires or permits recalculation of the Effective Tax Rate and Top-up Tax for a prior Fiscal Year due to an adjustment to Covered Taxes or GloBE Income or Loss, the Effective Tax Rate and Top-Up Tax for the prior Fiscal Year shall be recalculated in accordance with the rules of Article 5.19 through Article 5.3. Any amount of incremental Top-up Tax resulting from such recalculation shall be treated as Additional Current Top-up Tax under Article 5.2.3 arising in the current Fiscal Year.

5.4.2. If there is Additional Current Top-up Tax attributable to a recalculation under Article 5.4.1 and the jurisdiction does not have Net GloBE Income for the current Fiscal Year, the GloBE Income of each Constituent Entity located in the jurisdiction for purposes of Article 2.2.2 shall be equal to the result of the Top-up Tax allocated to such Entity under Articles 5.2.4 and 5.2.5 divided by the Minimum Rate.

5.4.3. If there is Additional Current Top-up Tax attributable to the operation of Article 4.1.5, such Top-up Tax shall be allocated based upon the amount of deferred tax asset that accrues during the Fiscal Year for each Constituent Entity. Accordingly, for purposes of assessing the Current Top-up Tax, the GloBE Income of each Constituent Entity located in the jurisdiction for purposes of Article 2.2.2 shall be equal to the result of the Top-up Tax allocated to such Entity under this Article divided by the Minimum Rate.

Article 5.5. De minimis exclusion

5.5.1. At the election of the Filing Constituent Entity, and notwithstanding the requirements otherwise provided in Chapter 5, the Top-up Tax for the Constituent Entities located in a jurisdiction shall be deemed to be zero for a Fiscal Year if, for such Fiscal Year:

- (a) the Average GloBE Revenue of such jurisdiction is less than EUR 10 million; and
- (b) the Average GloBE Income or Loss of such jurisdiction is a loss or is less than EUR 1 million.

5.5.2. For purposes of Article 5.5.1, the Average GloBE Revenue (or GloBE Income or Loss) of a jurisdiction is the average of the GloBE Revenue (or GloBE Income or Loss) of the jurisdiction for the current and the two preceding Fiscal Years. If there were no Constituent Entities with GloBE Revenue or GloBE Losses that were located in the jurisdiction in the first or second preceding Fiscal Year, such year or years shall be excluded from the calculation of the Average GloBE Revenue and the Average GloBE Income or Loss of the relevant jurisdiction.

5.5.3. For purposes of Article 5.5.2:

- (a) the GloBE Revenue of a jurisdiction for a Fiscal Year is the sum of the revenue of all Constituent Entities located in the jurisdiction for such Fiscal Year, taking into account the adjustments calculated in accordance with Chapter 3; and
- (b) the GloBE Income or Loss of a jurisdiction for a Fiscal Year is the Net GloBE Income of that jurisdiction, if any, or the Net GloBE Loss of that jurisdiction.

Article 5.6. Minority-owned Parent Entities

5.6.1. Chapters 3 to 5 shall apply for purposes of computing any Top-Up Tax in respect of the members of a Minority-~~Owned~~ Subgroup as if they were Constituent Entities of a separate MNE

Group, and ~~the~~ ~~Adjusted Covered Taxes and GloBE Income or Loss of Constituent Entities of a~~ Minority-Owned Subgroup are excluded from the determination of the remainder of the MNE Group's Effective Tax Rate in Article 5.1.1 and Net GloBE Income in Article 5.1.2.

5.6.2. Article 2.1.4 shall not apply to a Minority-Owned Subgroup where:

(a) the Ultimate Parent Entity of the MNE Group is an Excluded Entity; and

(b) the Minority-Owned Parent Entity is a widely held ~~an~~ Investment Entity. ~~;~~ and

(c) the Minority Owned Parent Entity is owned by 50 or more unconnected persons, none of which owns more than 50% of its Ownership Interests.

5.6.1.

Chapter 6. Mergers and Acquisitions

Operation of the rules in this Chapter

Chapter 6 contains rules relating to acquisitions, disposals and joint ventures.

- Article 6.1 supplements Article 1.1.1 by providing further rules for calculating the consolidated revenue threshold in the case of merger transactions that took place in the prior four year period.
- Article 6.2 provides special rules for the application of the GloBE rules that apply when a Constituent Entity that enters or leaves an MNE Group during the Fiscal Year.
- Article 6.3 provides special rules for the treatment of reorganisations.
- Article 6.4 brings certain Joint Ventures within the scope of the GloBE rules.
- Article 6.5 provides special rules for Dual-listed MNE Groups.

Article 6.1. Application of Consolidated Revenue Threshold to Group Mergers and Demergers

6.1.1. For the purposes of Article 1.1.1:

- (a) If two or more Groups merge to form a single Group in any of the four Fiscal Years prior to the tested Fiscal Year, then the consolidated revenue threshold of the MNE Group for any Fiscal Year prior to the merger is deemed to be met for that year if at least one of those Groups reported revenue of €750 million or more in its Consolidated Financial Statements of the Ultimate Parent Entity in that year.
- (b) Where an Entity that is not a member of any Group (target) merges with an Entity or Group (acquirer) in the tested Fiscal Year and the target or acquirer does not have consolidated financial statements in any of the four Fiscal Years prior to the tested Fiscal Year because it was not a member of any Group in that year, the consolidated revenue threshold of the MNE Group is deemed to be met for that year if the target or acquirer reported revenue of €750 million or more in its financial statements for that year.
- (c) Where a single MNE Group within the scope of the GloBE rules demerges into two or more different Groups, the consolidated revenue threshold is deemed to be met by one of these Groups in any of the four tested Fiscal Years following the year of the demerger if that Group reports annual revenues of €750 million or more in that year.

6.1.2. For the purposes of Article 6.1.1. a merger is any arrangement where

- (a) all or substantially all of the Group Entities of two or more separate Groups are brought under common control such that they constitute Group Entities of a combined Group; or

- (b) an Entity that is not a member of any Group is brought under common control with another Entity or Group such that they constitute Group Entities of a combined Group.

For the purposes of Article 6.1.1 a demerger is ~~any arrangement where all or substantially all of the Group Entities of a single Group are separated into different Groups that are no longer consolidated by the same Ultimate Parent Entity.~~ any arrangement where the Group Entities of a single Group are separated into two or more Groups that are no longer consolidated by the same Ultimate Parent Entity.

6.1.3.

Article 6.2. Constituent Entities joining and leaving an MNE Group

6.2.1. The following provisions apply where an Entity (the target) becomes or ceases to be a Constituent Entity of an MNE Group as a result of a transfer of direct or indirect Ownership Interests in such Entity during the Fiscal Year (the acquisition year):

- (a) If the target joins or leaves a Group or the target becomes the Ultimate Parent Entity of a new Group, the target will be treated as a member of the Group for the purposes of the GloBE rules if any portion of its assets, liabilities, income, expenses or cash flows are included on a line-by-line basis in the Consolidated Financial Statements of the Ultimate Parent Entity in the acquisition year;
- (b) In the acquisition year, an MNE Group shall take into account only the Financial Accounting Net Income or Loss and Adjusted Covered Taxes of the target that are taken into account in the Consolidated Financial Statements of the Ultimate Parent Entity for purposes of applying the GloBE rules;
- (c) In the acquisition year and each succeeding year, the determination of GloBE Income or Loss and Adjusted Covered Taxes shall be determined using the historical carrying value of the assets and liabilities of the target;
- (d) the computation of the target's Eligible Payroll Costs under Article 5.3.3 shall take into account only those costs reflected in the Consolidated Financial Statements of the Ultimate Parent Entity;
- (e) the computation of carrying value of the target's Eligible Tangible Assets for purposes of Article 5.3.4 shall be adjusted proportionally to correspond with the length of the relevant Fiscal Year that the target was a member of the MNE Group;
- (f) with the exception of the GloBE Loss Deferred Tax Asset, the deferred tax assets and deferred tax liabilities of a Constituent Entity that are transferred between MNE Groups shall be taken into account under the GloBE rules by the acquiring MNE Group in the same manner and to the same extent as if the acquiring MNE Group controlled the Constituent Entity when such assets and liabilities arose;
- (g) deferred tax liabilities of a target that have previously been included in its Total Deferred Tax Adjustment Amount shall be treated as reversed for purposes of applying Article 4.4.2 by the disposing MNE Group; and
- (h) if the target is a Parent Entity and it is a Group Entity of two or more MNE Groups during the same Fiscal Year, it shall apply separately the provisions of the Income Inclusion Rule to its Allocable Shares of the Top-up Tax of Low-Taxed Constituent Entities determined for each MNE Group.

6.2.2. For purposes of the GloBE Rules, the acquisition or disposal of a Controlling Interest in a

Constituent Entity will be treated as an acquisition or disposal of the assets and liabilities of a going concern if the jurisdiction in which the target Constituent Entity is located treats the acquisition or disposal of that Controlling Interest as a deemed acquisition and disposal of assets and liabilities for tax purposes and imposes a Covered Tax on the gain or loss from the deemed disposition of assets by the seller or the Constituent Entity.

Article 6.3. Transfer of Assets and Liabilities

6.3.1. In the case of a transfer of assets and liabilities that constitute a going concern, the disposing Constituent Entity will include the gain or loss on disposition in the computation of its GloBE Income or Loss and the acquiring Constituent Entity will determine its GloBE Income or Loss using the adjusted carrying value of the acquired assets and liabilities determined under the accounting standard used in preparing Consolidated Financial Statements of the Ultimate Parent Entity. .

6.3.2. Subject to Article 6.3.3, ~~where~~ where the disposition or acquisition of assets and liabilities that constitute a going concern is part of a Reorganisation ~~without Non-qualifying Consideration~~, Article 6.3.1 shall not apply and:

- (a) the disposing Constituent Entity will exclude any gain or loss on the disposition of the going concern from the computation of its GloBE Income or Loss; and
- (b) the acquiring Constituent Entity will determine its GloBE Income or Loss after the acquisition -starting with the disposing Entity's carrying values of the acquired assets and liabilities upon disposition.

6.3.3. To the extent the consideration for the transfer of ~~Where the disposition or acquisition of~~ assets and liabilities that constitute a going concern is part of a Reorganisation in which the disposing Constituent Entity receives Non-qualifying Consideration, Article 6.3.~~2~~1 shall not apply and:

- (a) the disposing Constituent Entity will include gain or loss on the disposition in its GloBE Income or Loss computation to the extent of the Non-qualifying Consideration Gain or Loss; and
- (b) the acquiring Constituent Entity will determine its GloBE Income or Loss after the acquisition starting with the disposing Entity's carrying value of the acquired assets and liabilities upon disposition adjusted consistent with local tax rules to account for the Non-qualifying Consideration Gain or Loss.

6.3.4. Where the location of a Constituent Entity changes during a Fiscal Year, the Filing Constituent Entity may elect.:

- (a) to include gains in respect of the Constituent Entity's assets in the computation of its GloBE Income or Loss to the extent of the difference between the carrying value of the assets at the time of the change in location and the tax basis of those assets in the arrival jurisdiction and to adjust the carrying value of the assets and liabilities to their tax basis in the arrival jurisdiction for GloBE purposes; or
- (b) to include gains and losses in respect of the Constituent Entity's assets in the computation of its GloBE Income or Loss to the extent such gains and losses are subject to tax as a consequence of the change in location and to adjust the carrying value of the assets and liabilities by the amount of such gains or losses for GloBE purposes.
- (a) shall adjust ~~to the extent that the jurisdiction of arrival~~

Article 6.4. Joint Ventures

6.4.1. The GloBE Rules shall apply to a Joint Venture and its JV Subsidiaries as follows for each Fiscal Year:

- (a) a Parent Entity that hold directly or indirectly Ownership Interests in the Joint Venture or a JV Subsidiary shall apply the Income Inclusion Rule with respect to its Allocable Share of the Top-up Tax of a member of the JV Group in accordance with Articles 2.1 to 2.3, except for the split-ownership rules in Articles 2.1.4 to 2.1.5;
- (b) the JV Group Top-up Tax shall be reduced by each Parent Entity's Allocable Share of the Top-up Tax of each member of the JV Group that is brought into charge under a Qualified IIR under paragraph (a), and any remaining amount shall be added to the Total UTPR Top-up Tax Amount allocated under Article 2.5.1; and
- (c) Chapters 3 to 8 shall apply for purposes of computing any Top-Up Tax of the Joint Venture and its JV Subsidiaries as if they were Constituent Entities of a separate MNE Group and as if the Joint Venture was the Ultimate Parent Entity of that Group.

Article 6.5. Dual-listed MNE Groups

6.5.1. The following provisions apply to Dual-listed MNE Groups:

- (a) the Constituent Entities of each MNE Group are treated as members of a single MNE Group for the purposes of Chapters 1 to 5;
- (a)(b) An Entity, including a Joint Venture and a JV Subsidiary, shall be treated as a Constituent Entity if they are consolidated on a line-by-line basis by the Dual-listed MNE Group or its Controlling Interests are held by the MNE Groups;
- (b)(c) the Consolidated Financial Statements of the Dual-listed MNE Group shall be the combined Consolidated Financial Statements prepared under an Acceptable Financial Accounting Standard, which is deemed to be the accounting standard of the Ultimate Parent Entity;
- (e)(d) the Dual-listed MNE Group shall have two Ultimate Parent Entities for each MNE Group and the arrangement under which they operate as a single MNE Group shall not be considered as the Ultimate Parent Entity ~~or a Constituent Entity~~ of the Group;
- (d)(e) the Parent Entities of the Dual-listed MNE Group (including each Ultimate Parent Entity) shall apply the Income Inclusion Rule in accordance with Articles 2.1 to 2.3 with respect to its Allocable Share of the Top-up Tax of the Low-Taxed Constituent Entity;
- (e)(f) all of the Constituent Entities of the Dual-listed MNE Group located in [implementing jurisdiction] shall apply the UTPR in accordance with Articles 2.4 to 2.6 taking into account the Top-up Tax of each Low-Taxed Constituent Entity that is a member of the Dual-listed MNE Group; and
- (f)(g) both Ultimate Parent Entities are required to submit the ~~GloBE return~~ GloBE Information Return in accordance with Article 8.1, unless they appoint a single Designated Filing Entity and that return shall include the information concerning both MNE Groups.

Chapter 7. Tax neutrality and other distribution regimes

Operation of the rules in this Chapter

Chapter 7 deals with the application of the GloBE rules to certain tax neutrality and other distribution regimes.

- Article 7.1 and Article 7.2 provide special rules in relation to Ultimate Parent Entities that are subject to a tax neutrality regime (such as a tax transparency regime or a deductible dividend regime).
- Article 7.3 provides special rules in relation to certain tax regimes that subject an Entity to tax on its earnings when those earnings are distributed or deemed distributed.
- Article 7.4 to Article 7.6 provides special rules in relation to controlled Investment Entities that seek to preserve the tax neutrality of these Entities without giving rise to any leakage under the GloBE rules.

Article 7.1. Ultimate Parent Entity that is a Flow-through Entity

7.1.1. The GloBE Income for a Fiscal Year of a Flow-through Entity that is the Ultimate Parent Entity of an MNE Group shall be reduced by the amount of GloBE Income attributable to each Ownership Interest to the extent the holder of the Ownership Interest is subject to tax on such income for a taxable period that ends within 12 months of the end of the MNE Group's Fiscal Year and:

- (a) the holder of the Ownership Interest is subject to tax on the full amount of such income at a nominal rate that equals or exceeds the Minimum Rate; ~~or~~
- (b) it can be reasonably expected that the aggregate amount of Covered Taxes and taxes paid by the holder of the Ownership Interest on such income equals or exceeds the amount that results from multiplying the full amount of such income by the Minimum Rate; or
- (c) the holder is a natural person that:
 - (i) is resident in the UPE Jurisdiction; and
 - (ii) holds Ownership Interests that in the aggregate are a right to 5% or less of the profits and assets of the Ultimate Parent Entity.-

7.1.2. In computing its GloBE Loss for a Fiscal Year, a Flow-through Entity that is the Ultimate Parent Entity of an MNE Group shall reduce its financial accounting net loss for such Fiscal Year to

the extent that the UPE Jurisdiction allows the Flow-through Entity to deduct such loss in subsequent taxable years under a loss carry-forward provision and holders of Ownership Interests are not allowed to use the loss in computing their separate taxable income.

7.1.3. A Flow-through Entity that reduces its financial accounting income pursuant to Article 7.1.1 shall reduce its Covered Taxes proportionally.

7.1.4. Articles 7.1.1 **Error! Reference source not found.** through 7.1.3 shall apply to a Permanent Establishment:

- (a) through which a Flow-Through Entity that is the Ultimate Parent Entity of an MNE Group wholly or partly carries out its business; or
- (b) through which the business of a Tax Transparent Entity is wholly or partly carried out if the Ultimate Parent Entity's Ownership Interest in that Tax Transparent Entity is held directly or **exclusively** through a Tax Transparent ~~Entities~~Structure.
- (a) ~~A holder of an Ownership Interest in the Ultimate Parent Entity is treated as satisfying the requirements of Article 7.1.1 if its Ownership Interest is a right to 5% or less of the profits and assets of the Ultimate Parent Entity, and the full amount of the dividend GloBE Income attributable to the Ownership Interest can be reasonably expected to be subject to tax at a nominal rate that equals or exceeds the Minimum Rate.~~

Article 7.2. Ultimate Parent Entity subject to Deductible Dividend Regime

7.2.1. For purposes of computing its GloBE Income or Loss for a Fiscal year, an Ultimate Parent Entity that is subject to a Deductible Dividend Regime shall further reduce (but not below zero) its GloBE Income for such Fiscal Year by the amount that is distributed as a Deductible Dividend within 12 months of the end of the Fiscal Year and that is subject to tax in the hands of the dividend recipient for a taxable period that ends within 12 months of the end of the MNE Group's Fiscal Year, if:

- (a) the dividend recipient is subject to tax on such dividend at a nominal rate that equals or exceeds the Minimum Rate; ~~for a taxable period that ends within 12 months of the end of the MNE Group's Fiscal Year; and~~
- (b) it can be reasonably expected that the aggregate amount of Covered Taxes and taxes paid by the dividend recipient on the dividend income equals or exceeds the amount that results from multiplying the full amount of such income by the Minimum Rate; ~~or dividend recipient will be subject to tax on the full amount of such dividend at a rate that equals or exceeds the Minimum Rate.~~
- (c) the holder is a natural person and the dividend is a patronage dividend from a supply Cooperative; or
- (d) the holder is a natural person that:
 - (i) is a resident of the UPE Jurisdiction; and
 - (ii) holds Ownership Interests that, in the aggregate, are a right to 5% or less of the profits and assets of the Ultimate Parent Entity,

7.2.2. An Ultimate Parent Entity that reduces its financial accounting income pursuant to Article 7.2.1 shall reduce its Covered Taxes (other than the Taxes for which the dividend deduction was allowed) proportionally and shall reduce its GloBE Income by the same amount.

7.2.3. If the Ultimate Parent Entity holds an Ownership Interest in another Constituent Entity subject to the Deductible Dividend Regime (directly or through a chain of such Constituent Entities), Articles 7.2.1 and 7.2.2 shall apply to each other Constituent Entity in the UPE Jurisdiction that is subject to the Deductible Dividend Regime to the extent that its GloBE Income is further distributed by the Ultimate Parent Entity to recipients that meet the requirements of Article 7.2.1.

7.2.4. Patronage dividends from a supply Cooperative are subject to tax to the extent they reduce an expense or cost that is deductible in the computation of the recipient's taxable income.

~~7.2.5. A dividend recipient is treated as satisfying the requirements of Article 7.2.1-if:~~

- ~~(a) its Ownership Interest is a right to 5% or less of the profits and assets of the Ultimate Parent Entity, and the full amount of the dividend can be reasonably expected to be subject to tax at a nominal rate that equals or exceeds the Minimum Rate; or~~
- ~~(b) it is a natural person and the dividend is a patronage dividend from a supply cooperative.~~

Article 7.3. Eligible Distribution Tax Systems

7.3.1. A Filing Constituent Entity may make an annual election with respect to a Constituent Entity that is subject to an Eligible Distribution Tax System to treat the amount of Deemed Distribution Tax determined under Article 7.3.2 for the Fiscal Year as Domestic Top-up Tax under Article 5.2.3. An election under this Article shall apply to all Constituent Entities located in the jurisdiction. The outstanding balance, if any, of a Deemed Distribution Tax Recapture Account (maintained in accordance with Article 7.3.3) on the last day of the fourth Fiscal Year after the Fiscal Year for which such account was established is treated as Additional Current Top-up Tax of the jurisdiction under Article 5.4.1 for the fourth Fiscal Year.

7.3.2. The amount of Deemed Distribution Tax is the amount necessary to reduce the Top-up Tax computed under Article 5.2.3 for the jurisdiction for the Fiscal Year to zero or the amount of tax that would have been paid if the total amount of the Constituent Entity's undistributed GloBE Income for the Fiscal Year had been distributed on the last day of such Fiscal Year, whichever is less.

7.3.3. An annual Deemed Distribution Tax Recapture Account is established for each Fiscal Year in which the election in Article 7.3.1 applies. A Deemed Distribution Tax Recapture Account is increased by the amount of the Deemed Distribution Tax for the jurisdiction for the Fiscal Year for which it was established. At the end of each succeeding Fiscal Year, the outstanding balances of Deemed Distribution Tax Recapture Accounts established for prior Fiscal Years are reduced in chronological order and to the extent thereof by:

- (a) taxes paid by the Constituent Entities during the Fiscal Year in relation to actual or deemed distributions; and
- (b) the amount of any GloBE Loss of the Constituent Entities multiplied by the tax rate that ~~was used to determine the Deemed Distribution Tax in the annual account~~ would be applicable to distributions of current income in the Fiscal Year in which the GloBE loss arises.

7.3.4. Taxes paid during the Fiscal Year in relation to actual or deemed distributions are not included in Adjusted Covered Taxes to the extent they reduce a Deemed Distribution Tax Recapture Account under Article 7.3.3.

7.3.5. When a Constituent Entity subject to an election under Article 7.3.1 leaves the MNE Group or substantially all of the assets of the Constituent Entity are transferred to a person that is not a Constituent Entity of the same MNE Group located in the same jurisdiction, the Disposition Recapture Amount of each Deemed Distribution Tax Recapture Account is treated as Additional

Current Top-up Tax of the jurisdiction under Article 5.4.1. The Disposition Recapture Amount is determined for each Constituent Entity using the following formula:

$$\text{Disposition Recapture Amount} = \text{Outstanding balance of Distribution Tax Recapture Accounts} \times \frac{\text{GloBE Income of the CE}}{\text{Net Income of the jurisdiction}}$$

Where:

- (a) Outstanding balance of Distribution Tax Recapture Accounts is the sum of Outstanding Balance of All Deemed Distribution Tax Recapture Accounts determined in accordance with Article 7.3.3 for the jurisdiction at the end of the Fiscal Year preceding the Fiscal Year of the transfer;
- (b) GloBE Income of the CE is the sum of GloBE Income of the Constituent Entity determined in accordance with Chapter 3 for each Fiscal Year corresponding to the Deemed Distribution Tax Recapture Accounts for the jurisdiction; and
- (c) Net Income of the jurisdiction is the sum of the Net GloBE Income of the jurisdiction determined in accordance with Article 5.1.2 for each Fiscal Year corresponding to the Deemed Distribution Tax Recapture Accounts for the jurisdiction.

~~7.3.6. When substantially all of the assets of the Constituent Entity are transferred to a person that is not a Constituent Entity located in the same jurisdiction, the outstanding balance of each Deemed Distribution Tax Recapture Account is treated as Additional Top up Tax of the jurisdiction under Article 5.4.~~

Article 7.4. Effective Tax Rate Computation for Investment Entities

7.4.1. The rules of Article 7.4 apply to Constituent Entities that meet the definition of an Investment Entity and that are not Tax Transparent Entities and that are not subject to an election under Article 7.5 or Article 7.6.

7.4.2. The Effective Tax Rate of the MNE Group for an Investment Entity that is a Constituent Entity shall be calculated separately from the Effective Tax Rate of the jurisdiction in which it is located (~~as determined under 7~~). The Effective Tax Rate for each such Constituent Entity is equal to the Investment Entity's Adjusted Covered Taxes divided by the MNE Group's Allocable Share of the Investment Entity's GloBE Income determined under Chapter 3. If there is more than one Constituent Entity located in the jurisdiction that is an Investment Entity, the Adjusted Covered Taxes and the MNE Group's Allocable Share of each Investment Entity's GloBE Income or Loss determined for each such Constituent Entity are combined to compute the Effective Tax Rate of all such Constituent Entities. An election under Article 5.5 shall not apply to a Constituent Entity that is an Investment Entity and the revenue and GloBE Income or Loss of an Investment Entity shall be excluded from the computations in Article 5.5.3.

7.4.3. The Investment Entity's Adjusted Covered Taxes is the sum of the Adjusted Covered Taxes determined for the Investment Entity under ~~9~~Article 4.1 attributable to the MNE Group's Allocable Share of the Investment Entity's GloBE Income. The Investment Entity's Adjusted Covered Taxes does not include any Covered Taxes accrued by the Investment Entity attributable to income that is not part of the MNE Group's Allocable Share.

7.4.4. The MNE Group's Allocable Share of the Investment Entity's GloBE Income or Loss is equal to the Allocable Share of the Investment Entity's GloBE Income or Loss that would be determined for the Ultimate Parent Entity in accordance with the rules of Article 6.4. taking into

account only interests that are not subject to an election under Article 7.5 or Article 7.6.

7.4.5. The Top-up Tax of a Constituent Entity that is an Investment Entity shall be an amount equal to the Top-up Tax Percentage for the Investment Entity multiplied by the excess of the MNE Group's Allocable Share of the Investment Entity's GloBE Income over the Substance-based Income Exclusion for the Investment Entity. The Top-up Tax Percentage for an Investment Entity shall be the percentage point excess, if any, of the Minimum Rate over the Effective Tax Rate of the Investment Entity. If there is more than one Constituent Entity located in the jurisdiction that is an Investment Entity, the MNE Group's Allocable Share of the Investment Entity's GloBE Income or Loss and the Substance-based Income Exclusion determined for each such Constituent Entity are combined to compute the Effective Tax Rate of all such Constituent Entities.

7.4.6. The Substance-based Income Exclusion for an Investment Entity shall be determined in accordance with the principles in Article Article 5.3 without regard to the exception in Article 5.3.2, and by taking into account only Eligible Tangible Assets and Eligible Payroll Costs of Eligible Employees of the Investment Entities reduced in proportion to the MNE Group's Allocable Share of the Investment Entity's GloBE Income to the Investment Entity's total GloBE Income.

Article 7.5. Investment Entity Tax Transparency Election

7.5.1. A Filing Constituent Entity may elect to treat a Constituent Entity that is an Investment Entity or an Insurance Investment Entity as a Tax Transparent Entity if ~~all of the~~ Constituent Entity-owners ~~of such Investment Entity are~~ is subject to tax in ~~their respective~~its locations under a mark-to-market or similar regime based on the annual changes in the fair value of ~~their-its~~ Ownership Interests in the ~~Investment~~ Entity and the tax rate applicable to the Constituent Entity-owners with respect to such income equals or exceeds the Minimum Rate. For this purpose, a Constituent Entity that indirectly owns an Ownership Interest in an Investment Entity or Insurance Investment Entity through a direct Ownership Interest in another Investment Entity or Insurance Investment Entity is considered to be subject to tax under a mark-to-market or similar regime with respect to the indirect Ownership Interest in the first-mentioned ~~Investment~~ Entity if it is subject to a mark-to-market or similar regime with respect to the direct Ownership Interest in the second-mentioned ~~Investment~~ Entity.

Article 7.6. Taxable Distribution Method Election

7.6.1. At the election of the Filing Constituent Entity, a Constituent Entity-owner that is not an Investment Entity may apply the Taxable Distribution Method with respect to its Ownership Interest in a Constituent Entity that is an Investment Entity if the Constituent Entity-owner can be reasonably expected to be subject to tax on distributions from the Investment Entity at a tax rate that equals or exceeds the Minimum Rate.

7.6.2. Under the Taxable Distribution Method,

(a) distributions and deemed distributions of the Investment Entity's GloBE Income are included in the GloBE Income of the Constituent Entity-owner (other than an Investment Entity) that received the distribution;

(a)(b) the Local Creditable Tax Gross-up is included in the GloBE Income and Adjusted Covered Taxes of the Constituent Entity-owner (other than an Investment Entity) that received the distribution;

~~(b)~~(c) the Constituent Entity-owner's proportionate share of the Investment Entity's Undistributed Net GloBE Income for the Tested Year is treated as Low-Taxed Income and subject to Top-up Tax at the full Minimum Rate in the Reporting Fiscal Year; and

~~(e)~~(d) the Investment Entity's GloBE Income or Loss for the Fiscal Year and any Adjusted Covered Taxes attributable to such income are excluded from all Effective Tax Rate computations under Chapter 5 and Articles 7.4.1 and 7.4.5, except as provided in paragraph (b);

7.6.3. The Undistributed Net GloBE Income for a Fiscal Year is the amount of the Investment Entity's GloBE Income, if any, for the Fiscal-Tested Year reduced (but not below zero) by:

(a) any Covered Taxes of the Investment Entity;

(b) distributions and deemed distributions to shareholders other than Constituent Entities that are Investment Entities in the Testing Period;

~~(a)~~(c) GloBE Losses arising in the Testing Period; and

~~(b)~~(d) Investment Loss Carry-forwards.

7.6.4. Undistributed Net GloBE Income for the Tested Year cannot be reduced by distributions or deemed distributions to the extent that such distributions were treated as a reduction to Undistributed Net GloBE Income of a previous Tested Year. For purposes of computing Undistributed Net GloBE Income, a GloBE Loss is reduced to the extent it reduced Undistributed Net GloBE Income at the end of a previous Fiscal Year. If a GloBE Loss for a Fiscal Year is not reduced to zero before the end of the last Tested Period that includes such Fiscal Year, the remainder becomes an Investment Loss Carry-forward and is reduced in the same manner as a GloBE Loss in subsequent Fiscal Years.

7.6.5. For purposes of Article 7.6,

(a) the Tested Year is the third year preceding the Reporting Fiscal Year;

(b) the Testing Period is the period beginning with the first day of the Tested Year and ending with the last day of the Reporting Fiscal Year that the Ownership Interest was held by a Group Entity; and

(c) a deemed distribution arises when a direct or indirect Ownership Interest in the Investment Entity is transferred to a non-Group Entity and is equal to the proportionate share of the Undistributed Net GloBE Income attributable to such Ownership Interest on the date of such transfer (determined without regard to the deemed distribution).

(d) The Local Creditable Tax Gross-up is the amount of Covered Taxes incurred by the Investment Entity that is allowed as a credit against the Constituent Entity-owner's tax liability arising in connection with a distribution from the Investment Entity.

Chapter 8. Administration

Operation of the rules in this Chapter

Chapter 8 addresses certain administrative aspects of the GloBE Rules.

- Article 8.1 sets out an MNE Groups obligation to file a standardised information return in each jurisdiction that has introduced the GloBE rules in order to provide information on the tax calculations made by the MNE under the GloBE Rules.
- Article 8.2 allows for the development of certain safe harbours .
- Article 8.3 facilitates co-ordination between tax administrations in the application of the GloBE Rules through the development Agreed Administrative Guidance.

Article 8.1. Filing obligation

8.1.1. A Constituent Entity located in [implementing jurisdiction] shall file a GloBE Information Return conforming to the requirements of Articles 8.1.4 to 8.1.6 with the tax administration of [implementing jurisdiction] if the Constituent Entity is part of an MNE Group subject to the GloBE Rules ~~in accordance with Article 4.1.4 and related provisions.~~ The return may be filed by either the Constituent Entity itself or by a Designated Local Entity located in [implementing jurisdiction] on its behalf.

~~8.1.4. However, a Constituent Entity located in [implementing jurisdiction] is not obligated to file a GloBE return if it is filed by a Designated Filing Domestic Entity located in [implementing jurisdiction].~~

8.1.2. A Constituent Entity and ~~Designated Filing Domestic Entity~~ Designated Local Entity is not obligated to file a ~~GloBE return~~ GloBE Information Return with the tax administration of [implementing jurisdiction] if a ~~GloBE return~~ GloBE Information Return conforming to the requirements of Articles 8.1.4 to 8.1.6 has been filed by either:

- (a) the Ultimate Parent Entity located in [implementing jurisdiction] or a jurisdiction that has a Qualifying Competent Authority Agreement in effect with [implementing jurisdiction] for the Reporting Fiscal Year; or
- (b) the Designated Filing Entity located in ~~[implementing jurisdiction]~~ or a jurisdiction that has a Qualifying Competent Authority Agreement in effect with [implementing jurisdiction] for the Reporting Fiscal Year.

8.1.3. A Constituent Entity or ~~Designated Filing Domestic Entity~~ Designated Local Entity located in [implementing jurisdiction] that is neither the Ultimate Parent Entity nor the Designated Filing Entity shall notify the tax administration of [implementing jurisdiction] of the identity of the Ultimate Parent Entity or the Designated Filing Entity that is filing the ~~GloBE return~~ GloBE Information Return

pursuant to Article 8.1.2 (a) or (b) and the jurisdiction in which it is located. A ~~Designated Filing Domestic Entity~~ Designated Domestic Filing Entity located in [implementing jurisdiction] shall notify the tax administration of [implementing jurisdiction] of the identity of the Constituent Entities on whose behalf it files the ~~GloBE return~~ GloBE Information Return.

8.1.4. A ~~GloBE return~~ GloBE Information Return shall include the following information concerning the MNE Group:

- (a) identification of the ~~Ultimate Parent Entity, Designated Filing Entity (if any), Designated Filing Domestic Entities (if any), Designated Local Entities and all other~~ Constituent Entities and their status, including their tax identification numbers (if they exist), and the jurisdiction in which they are located, as well as the overall corporate structure of the MNE group and the Ownership Interests in the Constituent Entities;
- ~~(b) the information required for purposes of applying the de minimis exclusion elected under Article 5.5.1, or a GloBE Safe Harbour elected under Article 8.2;~~
- ~~(b)~~ (b) the information required for purposes of computing the Effective Tax Rate for each jurisdiction and the Top-up Tax of each Constituent Entity and members of a JV Group in accordance with the relevant provisions of the GloBE Rules;
- (c) the allocation of Top-Up Tax under the Income Inclusion Rule and the UTPR Top-Up Tax Amount to each jurisdiction under Chapter 2; and
- (d) other information that is agreed as part of the GloBE Implementation Framework and is necessary to carry out the administration of the GloBE Rules.

8.1.5. The ~~GloBE return~~ GloBE Information Return and the notifications pursuant to this Article shall be filed with the tax administration of [implementing jurisdiction] no later than 12 months after the last day of the Reporting Fiscal Year.

8.1.6. The ~~GloBE return~~ GloBE Information Return shall be filed in a standard form that is identical to and applies the definitions and instructions contained in the standard template that is developed in accordance with Agreed Administrative Guidance.

8.1.7. The tax administration of [implementing jurisdiction] may modify the filing and notification requirements regarding the information contained within the ~~GloBE return~~ GloBE Information Return to align those requirements with any Agreed Administrative Guidance (including the development of simplified reporting procedures).

8.1.8. The laws of [implementing jurisdiction] with respect to confidentiality of returns and return information shall apply to the ~~GloBE return~~ GloBE Information Return.

Article 8.2. Safe Harbours

8.2.1. At the election of the Filing Constituent Entity, and notwithstanding Chapter 5, the Top-up Tax for a jurisdiction shall be deemed to be zero for a Fiscal Year when the Constituent Entities located in this jurisdiction are eligible for a GloBE Safe Harbour, pursuant to the conditions provided under the GloBE Implementation Framework in the Agreed Administrative Guidance and applicable for that Fiscal Year.

8.2.2. An election made for a jurisdiction under Article 8.2.1 shall not apply in circumstances where:

- (a) [insert name of implementing jurisdiction] would be allocated top-up tax under the GloBE rules if the Effective Tax Rate for this jurisdiction computed in accordance with Chapter 5 was below

the Minimum Rate; and

- (b) [insert name of implementing jurisdiction's tax administration] notifies the Designated Local Entity within 36 months after the filing of the ~~GloBE return~~ GloBE Information Return of specific facts and circumstances that may have materially affected the eligibility of the Constituent Entities for the relevant safe harbour and invites the Designated Local Entity to clarify the effect of those facts and circumstances on the eligibility of the Constituent Entities for the relevant safe harbour for this jurisdiction within 6 months; and
- (c) the Designated Local Entity fails to demonstrate within the response period that those facts and circumstances did not affect materially the eligibility of the Constituent Entities for the relevant safe harbour of this jurisdiction.

Article 8.3. **Administrative Guidance**

8.3.1. The tax administration of [implementing jurisdiction] will apply the GloBE rules in accordance with any Agreed Administrative Guidance.

Chapter 9. Transition rules

Operation of the rules in this Chapter

Chapter 9 sets out certain Transitional Rules.

- Article 9.1 provides the transition rules that apply where an MNE Group enters within the scope of the GloBE rules.
- Article 9.2 modifies the percentages to be applied in the calculation of the substance-based income exclusion under Article 5.3 during a transitional period.
- Article 9.3 provides an exclusion from the UTPR for MNE Groups that are in the initial phase of their international activity.
- Article 9.4 provides transitional relief for filing obligations.
- Article 9.5 provides transitional relief for Portfolio Shareholding.

Article 9.1. Tax Attributes Upon Transition

9.1.1. When determining the Effective Tax Rate for a jurisdiction in a Transition Year, and for each subsequent year, the MNE Group shall take into account all of the deferred tax assets and deferred tax liabilities reflected or disclosed in the financial accounts of all of the Constituent Entities in a jurisdiction for the Transition Year. Such deferred tax assets and liabilities must be taken into account at the lower of the Minimum Rate or the applicable domestic tax rate. A deferred tax asset that has been recorded at a rate lower than the Minimum Rate may be taken into account at the Minimum Rate if the taxpayer can demonstrate that the deferred tax asset is attributable to an economic loss. For purposes of applying this Article, the impact of any valuation adjustment, or accounting recognition adjustment with respect to a deferred tax asset is disregarded. ~~Deferred tax assets with respect to transition tax losses, referred to as Transition GloBE Loss Deferred Tax Assets, must be applied prior to the use of the GloBE Loss Deferred Tax Asset and must be used on the same basis as reflected in the financial accounts of the relevant Constituent Entity. Adjusted to align with the treatment of the GloBE Loss Deferred Tax Asset in Articles and .~~

9.1.2. Deferred tax assets arising from ~~items~~ items excluded from the computation of GloBE Income or Loss under Chapter 3 ~~must be excluded from a Transition GloBE Loss~~ the Article 9.1.1 computation when such deferred tax assets that arises with respect to are generated in a transaction that takes place tax year ending after 30 November 2021.

9.1.3. In the case of a transfer of assets between Constituent Entities after 30 November 2021 and before the commencement of a Transition Year, the basis in the acquired assets shall be based upon the disposing Entity's carrying value of the transferred assets upon disposition with the transition deferred tax assets and liabilities brought into GloBE determined on that basis.

Article 9.2. Transitional relief for the substance-based income exclusion

9.2.1. For the purposes of applying Article 5.3.3, the value of 5% shall be replaced with 10% for the first Fiscal Year of a MNE Group that begins on or after 1 January 2023. In each of the ten subsequent Fiscal Years, the 10% value shall be reduced by 0.2 percentage points per year for the first five Fiscal Years and 0.8 percentage points per year for the last five Fiscal Years.

9.2.2. For the purposes of applying Article 5.3.4, the value of 5% shall be replaced with ~~840~~% for the first Fiscal Year of a MNE Group that begins on or after 1 January 2023. In each of the ten subsequent Fiscal Years, the ~~840~~% value shall be reduced by 0.2 percentage points per year for the first five Fiscal Years and 0.4 percentage points per year for the last five Fiscal Years.

Article 9.3. Exclusion from the UTPR of MNE Groups in the initial phase of their international activity

9.3.1. During the initial phase of an MNE Group's international activity, the Top-up Tax that would otherwise be allocable under Article 2.5.1 shall be reduced to zero, notwithstanding the requirements otherwise provided in Chapter 5.

9.3.2. For the purposes of Article 9.3.1, an MNE Group is in its initial phase of its international activity if, for that Fiscal Year:

- (a) it has Constituent Entities in no more than six jurisdictions;
- (b) the sum of the Net Book Values of Tangible Assets of all Constituent Entities located in five of those jurisdictions does not exceed EUR 50 million; and
- (c) it has been within the scope of the GloBE Rules for no more than five Fiscal Years.

Article 9.4. Transitional relief for filing obligations

9.4.1. Notwithstanding Article 8.1.4, the ~~GloBE return~~GloBE Information Return and the notifications pursuant to Article 8.1 shall be filed with the tax administration of [implementing jurisdiction] no later than 18 months after the last day of the Reporting Fiscal Year that is the Transitional Year.

Article 9.5. Transitional relief for Portfolio Shareholding

9.5.1. With respect to the definition of Portfolio Shareholding in Article 10, the value of 10% shall be replaced with 5% for the first Fiscal Year of a MNE Group that begins on or after 1 January 2023 and in each of the two subsequent Fiscal Years.

9.4.1.

Chapter 10. Definitions

Operation of the rules in this Chapter

Chapter 10 sets out defined terms used elsewhere in the ~~Model~~ GloBE Rules.

- Article 10.1 sets out general definitions that are used in the GloBE Rules.
- Article 10.2 sets out certain definitions in respect of Flow-through Entities.
- Article 10.3 sets out definitional ~~the~~ rules for determining the location of an Entity for the purposes of applying the GloBE rules.

Article 10.1. Defined Terms

10.1.1. The terms set out below have the following definitions:

Acceptable Financial Accounting Standard means International Financial Reporting Standards (IFRS) and the generally accepted accounting principles of Australia, Brazil, Canada, Member States of the European Union, Hong Kong (China), Japan, New Zealand, the People's Republic of China, the Republic of India, the Republic of Korea, Russia, Singapore, Switzerland, the United Kingdom, and the United States of America.

Accrued Pension Expense means the difference between the amount of expense included in the Financial Accounting Net Income or Loss and the amount contributed to the pension plan for the Fiscal Year.

Additional Current Top-up Tax is ~~the amount of tax determined~~ defined in Article 5.4 and any amount treated as Additional Current Top-up Tax determined under Article 5.4, such as the amount determined under Article 4.1.5 or Article 7.3).

Additions to Covered Taxes is defined in Article 4.1.2.

Adjusted Covered Taxes is defined in Article 4.1.1

Agreed Administrative Guidance means guidance on the interpretation or administration of the ~~Model~~ GloBE Rules issued by the Inclusive Framework.

Allocable Share of the Top-up Tax is defined in Article 2.2.1.

Arm's Length Principle means the principle under which transactions between Constituent Entities must be recorded by reference to the conditions that would have been obtained between independent enterprises in comparable transactions and under comparable circumstances.

Asymmetric Foreign Currency Gains or Losses ~~means include~~ foreign currency gains and losses to the extent included in the computation of the Constituent Entity's taxable income (or loss) for a Covered Tax in the jurisdiction in which it is located and not reflected in the computation of the Constituent Entity's

Financial Accounting Net Income or Loss or vice-versa.

Authorised Accounting Body is the body with legal authority in a jurisdiction to prescribe, establish, or accept accounting standards for financial reporting purposes.

Authorised Financial Accounting Standard, –in respect of any Entity, means a set of generally acceptable accounting principles permitted by an Authorised Accounting Body in the jurisdiction where that Entity is located.

Average GloBE Income is defined in Article 5.5.2.

Average GloBE Revenue is defined in Article 5.5.2.

Commentary means the Commentary to the GloBE rules as developed by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting.

Consolidated Financial Statements means:

- (a) the financial statements prepared by –an Entity in accordance with an Acceptable Financial Accounting Standard, in which the assets, liabilities, income, expenses and cash flows of that Entity and the Entities in which it has a Controlling Interest are presented as those of a single economic unit;
- (b) where an Entity meets the definition of an MNE Group under Article 1.2.3, the financial statements of the Entity that are prepared in accordance with an Acceptable Financial Accounting Standard; and
- (c) where the Ultimate Parent Entity does not prepare financial statements described in paragraph (a) or (b) above, the Consolidated Financial Statements of the Ultimate Parent Entity are the consolidated financial statements that are prepared (or would have been prepared if the Entity were required to prepare such statements) in accordance with an Authorised Financial Accounting Standard that is either an Acceptable Financial Accounting Standard or is adjusted to prevent any Material Competitive Distortions.–

Constituent Entity is defined in Article 1.3.1.

Constituent Entity-owner means a Constituent Entity that directly or indirectly owns an Ownership Interest in another Constituent Entity of the same MNE Group.

Controlled Foreign Company Tax Regime means a set of tax rules (other than an Income Inclusion Rule or a Qualified Domestic Minimum Top-up Tax) under which a direct or indirect shareholder of a foreign entity (the controlled foreign company or CFC) is subject to current taxation on its share of part or all of the income earned by the CFC, irrespective of whether that income is distributed currently to the shareholder.

Controlling Interest means an Ownership Interest that includes the right to control the decisions of an Entity such that the interest holder is required or would have been required to consolidate the assets, liabilities, income, expenses and cash flows of the Entity on a line-by-line basis in accordance with an Acceptable Financial Accounting Standard. A Main Entity is deemed to have the Controlling Interests of its Permanent Establishments.

Cooperative means an Entity that collectively markets or acquires goods or services on behalf of its members and that is subject to a tax regime in the jurisdiction in which it is located that is designed to ensure tax neutrality in respect of members' property or services sold through the cooperative and property or services acquired by members through the cooperative.

Covered Taxes is defined in Article 4.2 .

Deductible Dividend means, with respect to a Constituent Entity that is subject to a Deductible Dividend Regime,

- (a) a distribution of profits to the holder of an Ownership Interest that is deductible from taxable income of the Constituent Entity under the laws of the jurisdiction in which it is located; or
- ~~(b) a distribution or allocation of income to a beneficiary of a trust that is deductible or excludible from the taxable income of the trust and includible in the income of the beneficiary; or~~
- ~~(c)~~ (b) a patronage dividend to a member of a Cooperative.

Deductible Dividend Regime means a tax regime designed to yield a single level of taxation on the owners ~~or beneficiaries~~ of an Entity through a deduction ~~or exclusion~~ from the income of the Entity for distributions of profits to the owners ~~or beneficiaries~~. For this purpose, patronage dividends of a Cooperative are treated as distributions to owners. A Deductible Dividend Regime also includes a regime applicable to Cooperatives that exempts the Cooperative from taxation.

Deemed Distribution Tax is defined in Article 7.3.2.

Deemed Distribution Tax Recapture Account means an account maintained in accordance with Article 7.3.1.

~~**Designated Filing Domestic Entity** means a Constituent Entity that is located in [insert name of implementing jurisdiction] that has been appointed by other Constituent Entities located in [insert name of implementing jurisdiction] to file the GloBE return on their behalf.~~

Designated Filing Entity means the Constituent Entity, other the Ultimate Parent Entity, that has been appointed by the MNE Group to file the ~~GloBE return~~ GloBE Information Return on behalf of the MNE Group.

~~**Designated Local Entity** means a Constituent Entity that is located in [insert name of implementing jurisdiction] that has been appointed by other Constituent Entities located in [insert name of implementing jurisdiction] to file the GloBE Information Return on their behalf and / or to receive the notifications provided in Article 8.2.2(b) on behalf of the MNE Group.~~

~~**Designated Local Entity** means the Constituent Entity that is located in [insert name of implementing jurisdiction] and that has been appointed by the MNE Group to receive the notifications provided in Article 8.2.2(b) 8.1.4 on behalf of the MNE Group.~~

Disallowed Accrual is defined in Article 4.4.5.

Disposition Recapture Amount is defined in Article 7.3.5.

Disqualified Refundable Tax means any amount of tax, other than a Qualified Imputation Tax, accrued or paid by a Constituent Entity that is:

- (a) refundable to the beneficial owner of a dividend distributed by such Constituent Entity in respect of that dividend or creditable by the beneficial owner against a tax liability other than a tax liability in respect of such dividend; or
- (b) refundable to the distributing corporation upon distribution of a dividend to a shareholder.

Dual-listed MNE Group means two MNE Groups that combine their Consolidated Financial Statements based on an arrangement between their Ultimate Parent Entities that allows them to operate as if they were a single MNE Group.

Effective Tax Rate is defined in Article 5.1.1.

Eligible Distribution Tax System means a corporate income tax system that

- (a) imposes an income tax on the corporation with the tax generally payable only when the

corporation distributes profits to shareholders, is deemed to distribute profits to shareholders, or incurs certain non-business expenses;

- (b) imposes tax at a rate equal to or in excess of the Minimum Rate; and
- (c) was in force on or before 1 July 2021.

Eligible Employees means employees, including part-time employees, of a Constituent Entity that is a member of the MNE Group and independent contractors participating in the ordinary operating activities of the MNE Group under the direction and control of the MNE Group.

Eligible Payroll Costs means employee compensation expenditures (including salaries, wages, and other expenditures that provide a direct and separate personal benefit to the employee, such as health insurance and pension contributions), payroll and employment taxes, and employer social security contributions.

Eligible Tangible Assets is defined in Article 5.3.4.

Entity means:

- (a) any legal person (other than a natural person); or
- (b) an arrangement that prepares separate financial accounts, such as a partnership or trust.

Excess Profit is defined in Article 5.2.2.

Excluded Dividends means dividends or other distributions received or accrued in respect of an Ownership Interest, except for a Portfolio Shareholding and a distribution from an Investment Entity that is subject to an election under Article 7.6.

Excluded Entity is defined in Article 1.5.1 and Article 1.5.2.

Excluded Equity Gain or Loss means the net gain or loss included in the Financial Accounting Net Income or Loss of the Constituent Entity arising from:

- (a) gains and losses from changes in fair value of an Ownership Interest, except for a Portfolio Shareholding; and
- (b) profit or loss in respect of an Ownership Interest included under the equity method of accounting.
- (c) gains and losses from disposition of an Ownership Interest, except for:
 - i. a disposition of a Portfolio Shareholding; or
 - ii. a disposition that is treated as a disposition of assets and liabilities of a going concern pursuant to Article 6.2.2.

Filing Constituent Entity is an entity filing the GloBE Information Return in accordance with Article 8.1

Financial Accounting Net Income or Loss is defined in Article 3.1.2.

Fiscal Year means an accounting period with respect to which the Ultimate Parent Entity of the MNE Group prepares its Consolidated Financial Statements. In the case of an Ultimate Parent Entity that does not prepare Consolidated Financial Statements, Fiscal Year means the calendar year.

GloBE Implementation Framework means the administrative rules, guidance, processes and agreed administrative procedures to be developed by the Inclusive Framework on BEPS in order to facilitate the co-ordinated implementation of the GloBE rules.

GloBE Income of all Constituent Entities is defined in Article 5.1.2(a)

GloBE Income or Loss of a Constituent Entity is defined in Article 3.1.1.Chapter 3

GloBE Loss Deferred Tax Asset is defined in Article 1.1.1.

GloBE Loss Election is defined in Article 4.5.1.

GloBE Losses of all Constituent Entities is defined in Article 5.1.2 (b).

GloBE Revenue is defined in Article 5.5.3 (a) for the purposes of Article 5.5.1 and Article 5.5.2.

GloBE Rules means this set of rules as developed by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting.

GloBE Safe Harbour means the exception provided in Article 8.2.1 to facilitate compliance by MNEs and administration by tax authorities. The conditions under which the Constituent Entities of an MNE Group located in a jurisdiction are eligible to the GloBE Safe Harbour will be established in accordance with a common and agreed process to be defined as part of the work undertaken by the Inclusive Framework on BEPS to develop the GloBE Implementation Framework.

Governmental Entity means an Entity that meets all of the following criteria set out in paragraphs (a) to (d) below:

- (a) it is part of or wholly-owned by a government (including any political subdivision or local authority thereof);
- (b) it has the principal purpose of:
 - (i) fulfilling a government function; or
 - (ii) managing or investing that government's or jurisdiction's assets through the making and holding of investments, asset management, and related investment activities for the government's or jurisdiction's assets;

and does not carry on a trade or business;

- (c) it is accountable to the government on its overall performance, and provides annual information reporting to the government; and

- (d) its assets vest in such government upon dissolution and to the extent it distributes net earnings, such net earnings are distributed solely to such government with no portion of its net earnings inuring to the benefit of any private person.

Group is defined in Articles 1.2.2 and 4.2.3.

Group Entity, in respect of any Entity or Group, means an Entity that is a member of the same Group.

IFRS means the International Financial Reporting Standards.

Income Inclusion Rule (IIR) means the rules set out in Article 2.1 to Article 2.3.

Insurance Investment Entity means an Entity that would meet the definition of an Investment Fund or a Real Estate Investment Vehicle except that it is established in relation to liabilities under an insurance or annuity contract and is wholly-owned by an Entity that is subject to regulation in its location as an insurance company.

Intermediate Parent Entity means a Constituent Entity (other than a Ultimate Parent Entity, Partially-Owned Parent Entity, Permanent Establishment, Investment Fund, Real Estate Investment Vehicle, or Pension Fund) that owns (directly or indirectly) an Ownership Interest in another Constituent Entity in the same MNE Group.

International Organisation means any intergovernmental organisation (including a supranational organisation) or wholly-owned agency or instrumentality thereof that meets all of the criteria set out in paragraphs (a) to (c) below:

- (a) it is comprised primarily of governments;
- (b) it has in effect a headquarters or substantially similar agreement (for example, arrangements that entitle the organisation's offices or establishments in the jurisdiction (e.g. a subdivision, or a local, or regional office) to privileges and immunities) with the jurisdiction in which it is established; and
- (c) law or its governing documents prevent its income inuring to the benefit of private persons.

International Shipping Income is defined in Article 3.3.2

Investment Entity means:

- (a) an Investment Fund or a Real Estate Investment Vehicle; ~~and~~
- (b) an Entity that is at least 95% owned directly by an Entity described in paragraph (a) or through a chain of such Entities and that operates exclusively or almost exclusively to hold assets or invest funds for the benefit of such Investment Entities; and
- (b)(c) an Entity that is wholly or mainly owned by an Entity referred to in paragraph (a) provided that substantially all of its income is Excluded Dividends or Equity Gain or Loss that is excluded from the computation of GloBE Income or Loss in accordance with Articles 3.2.1(b) or (c).

Investment Fund means an Entity that meets all of the criteria set out in paragraphs (a) to (g) below:

- (a) it is designed to pool assets (which may be financial and non-financial) from a number of investors (some of which are not connected);
- (b) it invests in accordance with a defined investment policy;
- (c) it allows investors to reduce transaction, research, and analytical costs, or to spread risk collectively;
- (d) it is primarily designed to generate investment income or gains, or protection against a particular or general event or outcome;
- (e) investors have a right to return from the assets of the fund or income earned on those assets, based on the contributions made by those investors;
- (f) the Entity or its management is subject to a regulatory regime ~~for investment funds~~ in the jurisdiction in which it is established or managed (including appropriate anti-money laundering and investor protection regulation); and
- (g) it is managed by investment fund management professionals on behalf of the investors.

Joint Venture means an Entity whose financial results are reported under the equity method in the Consolidated Financial Statements of the MNE Group provided that the Ultimate Parent Entity holds directly or indirectly at least 50% of its Ownership Interests. A Joint Venture does not include:

- (a) an Ultimate Parent Entity of an MNE Group that is subject to the GloBE rules;
- (b) an Excluded Entity as defined by Article 1.5.1;
- (c) an Entity whose Ownership Interest held by the MNE Group are held directly through an Excluded Entity referred in Article 1.5.1 and the Entity:
 - (i) operates exclusively or almost exclusively to hold assets or invest funds for the benefit of its investors;
 - (ii) carries out activities that are ancillary to those carried out by the Excluded Entity; or
 - (iii) substantially all of its income is excluded from the computation of GloBE Income or Loss in accordance with Articles 3.2.1 (b); or

(d) an Entity that is held by an MNE Group composed exclusively of Excluded Entities.

JV Group means a Joint Venture and its JV Subsidiaries.

JV Group Top-up Tax means the Ultimate Parent Entity's Allocable Share of the Top-up Tax of all members of the JV Group.

JV Subsidiary means an Entity whose assets, liabilities, income, expenses and cash flows are consolidated by a Joint Venture under an Acceptable Financial Accounting Standard (or would have been required had it been required to consolidate such items in accordance with an Acceptable Financial Accounting Standard). A Permanent Establishment whose Main Entity is the Joint Venture or a JV Subsidiary shall be treated as a separate JV Subsidiary.

Low-Taxed Constituent Entity means a Constituent Entity of the MNE Group that is located in a Low-Tax Jurisdiction or a Stateless Constituent Entity that, in respect of a Fiscal Year, has GloBE Income and is subject to an Effective Tax Rate (as determined under Chapter 5) in that Fiscal Year is lower than the Minimum Rate.

Low-Tax Jurisdiction, in respect of an MNE Group in any Fiscal Year, means a jurisdiction where the MNE Group has Net GloBE Income and is subject to an Effective Tax Rate (as determined under Chapter 5) in that period that is lower than the Minimum Rate.

Main Entity, in respect of a Permanent Establishment, is the Entity with an Ownership Interest in that Permanent Establishment. A Flow through Entity is the Main Entity if the that includes GloBE Net Income or Less the Financial Accounting Net Income or Loss of the a-Permanent Establishment in its financial statements is included in the financial statements of a Flow through Entity.

Material Competitive Distortion in respect of the application of a specific principle or procedure under a set of generally accepted accounting principles means an application that results in a variation of greater than 10% of revenue or EUR 75 million as compared to the amount that would have been determined by applying the corresponding IFRS principle or procedure. Where the application of a specific principle or procedure results in a material competitive distortion, the accounting treatment of any item or transaction subject to that principle or procedure must be adjusted to conform to the treatment required for the item or transaction under IFRS in accordance with any Agreed Administrative Guidance.

Minimum Rate means fifteen percent (15%).

Minority-Owned Parent Entity means a Partially-Owned Parent Entity where the Ultimate Parent Entity has a direct or indirect Ownership Interest in that Entity of less than 50%.

Minority-Owned Subgroup means a Minority-Owned Parent Entity and its Minority-Owned Subsidiaries.

Minority-Owned Subsidiary, in respect of a Minority-Owned Parent Entity, means a Constituent Entity:

- (a) whose results are included in the Consolidated Financial Statements of the Ultimate Parent Entity of an MNE Group; and
- (b) where the Ultimate Parent Entity has an Ownership Interest in that Entity of less than 50% and all those Ownership Interest are indirectly held through the Minority-Owned Parent Entity.

MNE Group is defined in Articles 1.2.1, Article 1.2.2 and 1.2.3.

MNE Group's Allocable Share of the Investment Entity's GloBE Income is defined in Article 7.4.4.

Net Book Value of Tangible Assets means the average of the beginning and end values of Tangible Assets after taking into account accumulated depreciation, depletion, and impairment, as recorded in the financial statements.

Net GloBE Income of a jurisdiction is defined in Article 5.1.2.

Net GloBE Loss of a jurisdiction is the nil or negative amount, if any, computed in accordance with the following formula:

$$\text{Net GloBE Loss} = \text{GloBE Income of all Constituent Entities} - \text{GloBE Losses of all Constituent Entities}$$

Where:

- (a) the GloBE Income of all Constituent Entities is the sum of the GloBE Income of all Constituent Entities located in the jurisdiction determined in accordance with Chapter 3 for the Fiscal Year; and
- (b) the GloBE Losses of all Constituent Entities located in the jurisdiction determined in accordance with Chapter 3 for the Fiscal Year.

Net Taxes Expense means the net amount of:

- (a) any Covered Taxes ~~(except taxes described in Article 4.1.3 (a))~~ accrued as an expense;
- (b) any deferred tax asset attributable to a loss for the Fiscal Year;
- (c) any Qualified Domestic Minimum Top-up Tax accrued as an expense;
- ~~(e)~~(d) any taxes arising pursuant to the GloBE rules; and
- ~~(d)~~(e) any Disqualified Refundable Tax accrued as an expense.

Non-profit Organisation means an Entity that meets all of the following criteria:

- (a) it is established and operated in its jurisdiction of residence:
 - (i) exclusively for religious, charitable, scientific, artistic, cultural, athletic, educational, or other similar purposes; or
 - (ii) as a professional organisation, business league, chamber of commerce, labour organisation, agricultural or horticultural organisation, civic league or an organisation operated exclusively for the promotion of social welfare;
- (b) substantially all of the income from the activities mentioned in subparagraph (i) is exempt from income tax in its jurisdiction of residence;
- (c) it has no shareholders or members who have a proprietary or beneficial interest in its income or assets;
- (d) the income or assets of the non-profit organisation may not be distributed to, or applied for the benefit of, a private person or non-charitable entity other than:
 - (i) pursuant to the conduct of the entity's charitable activities;
 - (ii) as payment of reasonable compensation for services rendered or for the use of property or capital; or as payment representing the fair market value of property which the entity has purchased, and
 - (iii) upon termination, liquidation or dissolution of the Entity, all of its assets must be distributed or revert to a Non-profit Organisation or to the government or any Governmental Entity of the entity's jurisdiction of residence or any political subdivision thereof;

but does not include any Entity carrying on a trade or business that is not directly related to the purposes for which it was established.

Non-qualifying Consideration means any consideration received in connection with a Reorganisation by the shareholders of the target Constituent Entity that results in taxable gain or loss to the target Constituent Entity or the shareholders of the target Constituent Entity.

Non-qualifying Consideration Gain or Loss means the lesser of the financial accounting gain or loss arising from a disposition of assets and liabilities that constitute a going concern and the gain or loss arising from a disposition of such assets that is subject to tax in the disposing Constituent Entity's location because of Non-qualifying Consideration.

Number of Employees, for the purposes of the UTPR percentage jurisdiction, means the total number of employees on a full-time equivalent (FTE) basis of all the Constituent Entities resident for tax purposes in the relevant tax jurisdiction. With regard to Permanent Establishments, employees should be allocated to the tax jurisdiction in which the Permanent Establishment is located when the payroll costs of such employees are included in the separate financial accounts of that Permanent Establishment as determined by Article 3.4.1 and adjusted in accordance with 3.4.2.. The Number of Employees attributed to the tax jurisdiction of a Permanent Establishment shall not be taken into account for the Number of Employees of the tax jurisdiction of the Main Entity. The Number of Employees may be reported as of the year-end, on the basis of average employment levels for the year, or on any other basis consistently applied across tax jurisdictions and from year to year. For this purpose, independent contractors participating in the ordinary operating activities of the Constituent Entity are reported as employees.

OECD Model Tax Convention means the OECD (2017), Model Tax Convention on Income and on Capital: Condensed Version 2017, OECD Publishing, Paris, https://doi.org/10.1787/mtc_cond-2017-en.

Ownership Interest means any right to the profits or assets of an Entity, including the profits or assets of a Main Entity's Permanent Establishments.

Parent Entity means an Ultimate Parent Entity that is not an Excluded Entity, an Intermediate Parent Entity, or a Partially-Owned Parent Entity.

Parent Entity's Inclusion Ratio is defined in Article 2.2.1.

Partially-Owned Parent Entity. A Partially-Owned Parent Entity is a Constituent Entity (other than a Ultimate Parent Entity, Permanent Establishment, Investment Fund, Real Estate Investment Vehicle or Pension Fund) that:

- (a) owns (directly or indirectly) an Ownership Interest in another Constituent Entity of the same MNE Group; and
- (b) more than 20% of its Ownership Interests are held directly or indirectly by persons that are not Constituent Entities of the MNE Group.

Passive income means income included in GloBE Income that is:

- (a) a dividend or dividend equivalents;
- (b) interest or interest equivalent;
- (c) rent;
- (d) royalty;
- (e) annuity; or
- (f) net gains from property of a type that produces income described in paragraphs (a) to (e),

but only to the extent a Constituent Entity-owner is subject to tax on such income ~~is subject to tax~~ under a Controlled Foreign Company Tax Regime or as a result of an Ownership Interest in a Hybrid Entity.

Pension Fund means an Entity that is established and operated in a jurisdiction exclusively or almost exclusively to administer or provide retirement benefits and ancillary or incidental benefits to individuals; and

- (a) regulated as such by that jurisdiction or one of its political subdivisions or local authorities; or
- (b) those benefits are secured or otherwise protected by national regulations and funded by a pool of assets held through a fiduciary agent or trustor to secure the fulfilment of the corresponding pension obligations against a case of insolvency of the MNE;

A Pension Fund also includes an Entity that is established and operated exclusively or almost exclusively to invest funds for the benefit of Entities referred to above.

Permanent Establishment means:

- (a) a place of business (including a deemed place of business) situated in a jurisdiction and treated as a permanent establishment in accordance with an applicable Tax Treaty in force provided that such jurisdiction taxes the income attributable to it in accordance with a provision equivalent to Article 7 of the OECD Model Tax Convention on Income and on Capital;
- (b) if there is no applicable Tax Treaty in force, a place of business (including a deemed place of business) in respect of which a jurisdiction taxes under its domestic law the income attributable to such place of business on a net basis similar to the manner in which it taxes its own tax residents;
- (c) if a jurisdiction has no corporate income tax system, a place of business (including a deemed place of business) situated in that jurisdiction that would be treated as a permanent establishment in accordance with the OECD Model Tax Convention on Income and on Capital provided that such jurisdiction would have had the right to tax the income attributable to it in accordance with Article 7 of that model; or
- (d) a place of business (or a deemed place of business) that is not already described in paragraphs (a) to (c) through which operations are conducted outside the jurisdiction where the Entity is located provided that such jurisdiction exempts the income attributable to such operations.

Policy Disallowed Expenses means:

- (a) expenses accrued by the Constituent Entity for illegal payments, including bribes and kickbacks; and
- (b) expenses accrued by the Constituent Entity for fines and penalties that equal or exceed €50,000 (or an equivalent in the functional currency in which the Constituent Entity's Financial Accounting Net Income or Loss was calculated).

Portfolio Shareholding means a corporation in which the MNE Group owns less than 10% of the issued share capital or voting rights or share in profit or reserve at the date of the distribution or disposition.

Prior Period Errors and Changes in Accounting Principles means all changes in the opening equity at the beginning of the Fiscal Year of a Constituent Entity attributable to a correction of a prior period error, except to the extent such error correction resulted in a material decrease to a liability for Covered Taxes subject to Article 4.6, or change in accounting principle or policy that affect income or expenses includible in the computation of GloBE Income or Loss.

Qualified Ancillary International Shipping Income is defined in Article 3.3.3.

Qualified Domestic Minimum Top-up Tax means a minimum tax that is included in the domestic law of another jurisdiction and that:

- (a) determines the Excess Profits of the Constituent Entities located in the jurisdiction (domestic Excess Profits) in accordance with the GloBE Rules;
- (b) operates to increase domestic tax liability with respect to domestic Excess Profits to the Minimum Rate for the jurisdiction or Constituent Entities for a Fiscal Year; and
- (c) is implemented and administered in a way that is consistent with the outcomes provided for under the GloBE ~~Model~~ Rules and their Commentary, provided that such jurisdiction does not provide any benefits that are related to such rules.

A Qualified Domestic Minimum Top-up Tax may compute domestic Excess Profits based on an Acceptable Financial Accounting Standard permitted by the Authorised Accounting Body or an Authorised Financial Accounting Standard adjusted to prevent any Material Competitive Distortions-, rather than the financial accounting standard used in the Consolidated Financial Statements.

Qualified IIR means a set of rules equivalent to Article 2.1~~0~~ and to Article 2.3 of the GloBE Rules (including any provisions of the GloBE Rules associated with those articles) that are included in the domestic law of another jurisdiction and that are implemented and administered in a way that is consistent with the outcomes provided for under the GloBE Rules and the Commentary provided that such jurisdiction does not provide any benefits that are related to such rules. ~~A Qualified IIR may be applied only to foreign Low Taxed Constituent Entities.~~

Qualified Imputation Tax means a Covered Tax accrued or paid by a Constituent Entity that is refundable or creditable to the beneficial owner of a dividend distributed by such Constituent Entity (or, in the case of a Covered Tax accrued or paid by a Permanent Establishment, a dividend distributed by the Main Entity) to the extent that the refund is payable, or the credit is provided:

- (a) by a jurisdiction other than the jurisdiction which imposed the Covered Taxes under a foreign tax credit regime;
- (b) to a corporate beneficial owner of the dividend that is subject to tax at a nominal rate that equals or exceeds the Minimum Rate on the dividend on a current basis under the domestic law of the jurisdiction which imposed the Covered Taxes on the Constituent Entity;
- (c) to an individual beneficial owner of the dividend who is tax resident in the jurisdiction which imposed the Covered Taxes on the Constituent Entity and who can be reasonably expected to be subject to tax at a nominal rate that equals or exceeds the Minimum Rate; or
- (d) to a Governmental Entity, an International Organisation, a resident Non-profit Organisation, a resident Pension Fund, or a resident Investment Entity that is not a Group Entity.

For purposes of paragraph (d), a Non-Profit Organisation or Pension Fund is resident in a jurisdiction if it is created and managed in that jurisdiction, and an Investment Entity is resident in a jurisdiction if it is created and regulated in the jurisdiction.

Qualified Refundable Tax Credit means a refundable tax credit designed in a way such that it must be paid as cash or available as cash equivalents within 4 years from when a Constituent Entity satisfies the conditions for receiving the credit under the laws of the jurisdiction granting the credit. A tax credit that is refundable in part is a Qualified Refundable Tax Credit to the extent it must be paid as cash or available as cash equivalents within 4 years from when a Constituent Entity satisfies the conditions for receiving the credit under the laws of the jurisdiction granting the credit. A Qualified Refundable Tax Credit does not include any amount of tax creditable or refundable pursuant to a Qualified Imputation Tax.

Qualified UTPR means a set of rules equivalent to Article 2.4 to Article 2.6 of the GloBE Rules (including any provisions of the GloBE Rules associated with those articles) that are included in the domestic law of another jurisdiction and that are implemented and administered in a way that is consistent with the

outcomes provided for under the GloBE Rules and the Commentary provided that such jurisdiction does not provide any benefits that are related to such rules.

Qualifying Competent Authority Agreement means a bilateral or multilateral agreement or arrangement between Competent Authorities that provides for the automatic exchange of annual ~~GloBE return~~GloBE Information Returns.

Real Estate Investment Vehicle means an Entity the taxation of which achieves a single level of taxation either in its hands or the hands of its interest holders (with at most one year of deferral), provided that that person holds predominantly immovable property and is itself widely held.

Recaptured Deferred Tax Liability is defined in Article 4.4.3.

Recapture Exception Accrual is defined in Article 4.4.4.

Reductions to Covered Taxes is defined in Article 4.1.3.

Regulatory Capital means an instrument issued by a Constituent Entity pursuant to financial regulatory requirements applicable to the banking sector that is convertible to equity or written down if a pre-specified trigger event occurs and that has other features which are designed to aid loss absorbency in the event of a financial crisis, commonly referred to as Additional Tier One Capital.

Reorganisation means a transfer of assets where the consideration for the transfer is, in whole or in significant part, shares issued by the acquiring Constituent Entity or by a person connected with the acquiring Constituent Entity and the disposing Constituent Entity's gain or loss on those assets is not subject to tax, in whole or in part, and the location of the acquiring Constituent Entity requires the acquiring Constituent Entity to continue using its historical basis in the assets, adjusted for any taxable gain or loss on the transfer, to compute taxable income after the transfer.

Reporting Fiscal Year means the Fiscal Year that is the subject of the ~~GloBE return~~GloBE Information Return.

Stateless Constituent Entity means a Constituent Entity described in Article 10.3.2(b) and Article 10.3.3(d).

Substance-based Income Exclusion is defined in Article **Error! Reference source not found.**

Tangible Assets, ~~for the purposes of the UTPR percentage and for Article 9.3 for a jurisdiction~~, means the tangible assets of all the Constituent Entities resident for tax purposes in the relevant tax jurisdiction. Tangible Assets do not include cash or cash equivalents, intangibles, or financial assets. With regard to Permanent Establishments, Tangible Assets should be allocated to the tax jurisdiction in which the Permanent Establishment is located provided those Tangible Assets are included in the separate financial accounts of that Permanent Establishment as determined by Article 3.4.1 and adjusted in accordance with 3.4.2. The Tangible Assets allocated to the tax jurisdiction of a Permanent Establishment shall not be taken into account for the Tangible Assets of the tax jurisdiction of the Main Entity.

Tax means a compulsory unrequited payment to general government.

Tax Administrative Guidance Safe Harbour is defined in Article 8.2.1.

Taxable Distribution Method is defined in Article 7.6.2.

Tax Treaty means an agreement for the avoidance of double taxation with respect to taxes on income and on capital.

Tested Year is defined in Article 7.6.5.

Testing Period is defined in Article 7.6.5.

Top-up Tax means the top-up tax computed for the jurisdiction or Constituent Entity pursuant to Article 5.2.

Top-up Tax Percentage is defined in Article 5.2.1.

Total Deferred Tax Adjustment Amount is defined in Article 4.4.1.

Total UTPR Top-up Tax Amount means the total amount of Top-up Tax that is allocable under the UTPR as defined in Article 2.4.1.

Transition GloBE Loss Deferred Tax Asset means deferred tax assets with respect to transition tax losses.

Transition Year, for a jurisdiction, means the first Fiscal Year that the MNE Group comes within the scope of the GloBE Rules in respect of that jurisdiction.

Ultimate Parent Entity is defined in Article 1.4.

Undistributed Net GloBE Income is defined in Article 7.6.3.

UPE Jurisdiction means the jurisdiction where the Ultimate Parent Entity is located.

UTPR means the rules set out in Article 2.4 to Article 2.6.

UTPR Jurisdiction means a jurisdiction that has a Qualified UTPR in force.

UTPR Percentage means the percentage of Total UTPR Top-up Tax Amount that is allocated to a UTPR Jurisdiction in accordance with the formula provided in 2.6.1.

UTPR Top-up Tax Amount means the amount of Top-up Tax allocated to a UTPR Jurisdiction under the UTPR.

Article 10.2. Definitions of Flow-through Entity, Tax Transparent Entity, Reverse Hybrid Entity, and Hybrid Entity

10.2.1. An Entity is a **Flow-through Entity** to the extent it is fiscally transparent with respect to its income, expenditure, profit or loss in the jurisdiction where it was created unless it is tax resident and subject to a Covered Tax on its income or profit in another jurisdiction.

(a) A Flow-Through Entity is a **Tax Transparent Entity** with respect to its income, expenditure, profit or loss to the extent that it is fiscally transparent in the jurisdiction in which its owner is located.

(b) A Flow-Through Entity is a **Reverse Hybrid Entity** with respect to its income, expenditure, profit or loss to the extent that it is not fiscally transparent in the jurisdiction in which the owner is located.

10.2.2. An Entity is treated as fiscally transparent under the laws of a jurisdiction, if that jurisdiction treats the income, expenditure, profit or loss of that Entity in the same manner as if it were derived or incurred directly by the owner of that Entity in proportion to its Ownership Interest in that Entity.

10.2.3. An Ownership Interest in an Entity or a Permanent Establishment that is a Constituent Entity shall be treated as held through a **Tax Transparent Structure** if that Ownership Interest is held indirectly through a chain of Tax Transparent Entities.

10.2.4. A Constituent Entity that is not a tax resident and not subject to a Covered Tax or a Qualified Domestic Minimum Top-up Tax based on its place of management, place of creation, or similar criteria shall be treated as a Flow-Through Entity and a Tax Transparent Entity in respect of its income, expenditure, profit or loss to the extent that:

- (a) its owners are located in a jurisdiction that treats the Entity as fiscally transparent;
- (b) it does not have a place of business in the jurisdiction where it was created; and
- (c) the income, expenditure, profit or loss is not attributable to a Permanent Establishment.

10.2.5. An Entity that is treated as a separate taxable person for income tax purposes in the jurisdiction where it is located is a **Hybrid Entity** with respect to its income, expenditure, profit or loss to the extent that it is fiscally transparent in the jurisdiction in which its owner is located.

Article 10.3. Location of an Entity and a Permanent Establishment

10.3.1. The location of an Entity that is not a Flow-through Entity is determined as follows:

- (a) if it is a tax resident in a jurisdiction based on its place of management, place of creation or similar criteria, it is located in that jurisdiction; and
- (b) in other cases, it is located in the jurisdiction in which it was created.

10.3.2. The location of an Entity that is a Flow-through Entity is determined as follows:

- (a) if it is the Ultimate Parent Entity of the MNE Group or it is required to apply an Income Inclusion Rule in accordance with ~~Article 2.1-9~~, it is located in the jurisdiction where it was created; and
- (b) in other cases, it shall be treated as a stateless Entity.

10.3.3. The location of a Permanent Establishment is determined as follows:

- (a) if it is described in paragraph (a) of the definition in Article 10.1, is located in the jurisdiction where it is treated as a permanent establishment and could be taxed under the applicable Tax Treaty in force;
- (b) if it is described in paragraph (b) of the definition in Article 10.1, is located in the jurisdiction where it is subject to net basis taxation based on its business presence;
- (c) if it is described in paragraph (c) of the definition in Article 10.1, is located in the jurisdiction where it is situated; and
- (d) if it is described in paragraph (d) of the definition in Article 10.1, is considered as a stateless Permanent Establishment.

10.3.4. Where by reason of ~~Article 10.3.1~~, a Constituent Entity is located in more than one jurisdiction (a dual-location Entity), then its status for purposes of the GloBE rules shall be determined as follows:

- (a) if it is located in two jurisdictions that have an applicable Tax Treaty in force:
 - (i) it shall be located in the jurisdiction where it is considered as a deemed resident for purposes of the Tax Treaty;
 - (ii) if the Tax Treaty requires the competent authorities to reach a mutual agreement on the deemed residence of the Constituent Entity for purposes of the Tax Treaty and no agreement exists, then paragraph (b) shall apply;
 - (iii) if the Tax Treaty does not provide relief or exemption from tax because the Constituent Entity is a tax resident of both Contracting Parties, then paragraph (b) shall apply;
- (b) if no Tax Treaty applies, then its location shall be determined as follows:
 - (i) it shall be located in the jurisdiction where it paid the greater amount of Covered Taxes

for the fiscal year, without considering the ones paid in accordance with a Controlled Foreign Company Tax Regime;

- (ii) if the amount of Covered Taxes paid in both jurisdiction is the same or zero, it shall be located in the jurisdiction where it has the greater amount of substance-based income exclusion computed on an entity basis in accordance with Article 5.3;
- (iii) if the amount of the substance-based income exclusion in both jurisdictions is the same or zero, then it is considered as Stateless Constituent Entity unless it is the Ultimate Parent Entity of the MNE Group in which case it shall be located in the jurisdiction where it was created.

10.3.5. Where a dual-location Entity —it is determined, under Article 10.3.4, to be located in a jurisdiction where it is not subject to a Qualified IIR, then the other jurisdiction can require such Parent Entity to apply its Qualified IIR unless the applicable Tax Treaty in force prohibits the first-mentioned jurisdiction from applying the Income Inclusion Rule..

~~10.3.6. Article 10.3.5 shall not apply if an applicable Tax Treaty in force prohibits the first-mentioned jurisdiction from applying the Income Inclusion Rule.~~

~~10.3.7.~~ 10.3.6. Where an Entity has changed its location during the Fiscal Year, it shall be located in the jurisdiction where it was located at the beginning of that year.

~~10.3.8.~~ 10.3.7. The location of an Entity for purposes of the definition of a Group in Article 4.2 shall be determined in accordance with Articles ~~Error! Reference source not found.~~ 10.3.1. and 10.3.1-