

Pillar Two: GloBE Information Return

July 2023

The OECD / G20 Inclusive Framework on BEPS (“IF”) on 17 July 2023, released a [standard template](#) for the Global anti-Base Erosion Rules (“GloBE”) Information Return (“GIR”). The GIR is a standardized information return to facilitate compliance with and administration of the GloBE Rules. It comprises 28 pages and about 480 data points covering all areas of the GloBE Rules. A draft of the GIR was first released in December 2022 and was the subject of a public consultation held in March 2023. This final GIR responds to some of the concerns stakeholders had raised as part of the consultation process, most notably through transitional simplified reporting requirements that allow MNEs to report their GloBE calculations at a jurisdictional level.

Summary

What is included in the standard template for the GIR?

- *Section 1: MNE Group Information* provides general information on the Multinational Enterprise (“MNE”) Group as a whole, and a summary table with a high-level overview of the application of the GloBE Rules in every jurisdiction in which the MNE Group operates.
- *Section 2: Jurisdictional Safe Harbors and Exclusions* contains information on the safe harbors or exclusions relevant for a jurisdiction.
- *Section 3: GloBE Computation* includes details on the GloBE Computation on a jurisdictional basis (as part of a transitional simplified reporting framework) and, where relevant, a Constituent Entity (“CE”) basis.

What information will jurisdictions receive (“dissemination approach”)?

- Each UPE jurisdiction receives the GIR in its entirety.
- Jurisdictions with taxing rights under the GloBE Rules are provided with the sections of the GIR that relate to the Effective Tax Rate (“ETR”) and Top-up Tax computation for the jurisdictions with respect to which they have a taxing right (irrespective of whether Top-up Tax is due).
- All other implementing jurisdictions where CEs of the MNE Group are located are provided with general information on the MNE Group.

Where will MNE Groups need to file?

- An MNE Group will be required to file a GIR with each tax administration that adopts the GloBE Rules (“local filing”), unless the Ultimate Parent Entity (“UPE”) or Designated Filing Entity files the GIR with another tax administration (“central filing”) that can exchange the GIR with other tax administrations under a Qualifying Competent Authority Agreement (“QCAA”).
- The obligation to prepare a GIR is separate from the obligation to file a local tax return and pay any Top-Up Tax due, which is left to each implementing jurisdiction.

When is it due?

- The GIR is due 15 months after the last day of the relevant fiscal year, extended to 18 months for the first fiscal year. For example, for a calendar year company that is subject to the GloBE Rules in 2024, the GIR relating to the 2024 year would be due in June 2026.

Overview of the principles underpinning an MNE Group’s GIR obligations

Detailed information and not just foundational information

Many tax returns require taxpayers to report what they owe, not how their liability is calculated. This is not how the GIR operates. While each GIR that is filed includes a summary of the GloBE obligations for the MNE Group, the GIR is intended to provide detailed information to enable tax authorities to perform a risk assessment and evaluate whether a CE’s tax liability has been calculated correctly.

Obligation to prepare a GIR is separate from the requirement to declare and pay taxes

The operation of a tax return filing and payment obligation in each implementing jurisdiction is generally expected to be in line with current requirements. Jurisdictions can request additional information beyond the GIR but are not encouraged to do so as part of a standard process.

What is included in the standard template for the GIR?

The GIR comprises three sections: (1) MNE Group Information; (2) Jurisdictional Safe Harbors and Exclusions and (3) GloBE Computations.

1. MNE Group Information

The MNE Group Information includes more than 50 data points. It includes details on the identification of the Filing CE and other general group information, such as the Financial Accounting standard used to prepare the Consolidated Financial Statements (“CFS”). It requires a group to identify each entity in its corporate structure, including its status for GloBE purposes, where the entity is required to apply a Qualifying Income Inclusion Rule (“QIIR”), and information on the applicability of the Undertaxed Profit Rule (“UTPR”). The group also must report any changes to its corporate structure that have occurred during the year.

An important new addition to the MNE Group Information section, is a High-Level Summary of the GloBE Information Return. This section of the return contains nine fields and will include by jurisdiction: the name of the jurisdiction(s) with taxing right over a jurisdiction under the GloBE Rules; whether a safe harbor or de minimis exclusion has been applied; the jurisdiction’s ETR (in bands of 2.5% increments); and the amount of Top-Up Tax paid under with a QDMTT or the GloBE Rules.

The table below provides an illustrative view of what the High-Level Summary of the GloBE Information Return could look like for six jurisdictions.

Name of jurisdiction	Type of subgroup (if any)	Identification of subgroup	Jurisdiction (s) with taxing rights	Safe Harbour or Exclusion applied	ETR Range%	SBIE resulted in no Top-up Tax arising?	Top-up Tax Payable (QDMTT) €	Top-up Tax Payable (GloBE) €
Jurisdiction A	UPE	AAA123	A	No	22.5 - 25.0	No	-	-
Jurisdiction B	POPE	BBB456	A, B	No	20.0 - 22.5	No	-	-
Jurisdiction C	CE	CCC789	A, B	Yes	12.5 - 15.0	No	5m to 25m	
Jurisdiction D	CE	DDD123	A, B	Yes, TSH	17.5 - 20.0	No	-	-
Jurisdiction E	MOCE	EEE456	A, B	No	5.0 - 7.5	Yes	-	-
Jurisdiction F	CE	FFF789	A, B	No	0.0 - 2.5	No	-	25m to 50m

KPMG observation: The High-Level Summary of GloBE Information is a new addition to the GIR and could be seen as a compromise to avoid providing every implementing jurisdiction with the full GIR. The High-Level Summary will still enable every implementing jurisdiction to identify the jurisdictions where an MNE Group has Top-up Tax Liability.

KPMG observation: In light of recent initiatives to implement public country-by-country reporting (“CbCR”), notably in Australia, it is easy to see how elements of this High-Level Summary table could ultimately be made public. The OECD is considering aggregating and anonymizing this data to facilitate the peer reviewing and monitoring process that is being developed by the IF.

2. Jurisdictional Safe Harbors and Exclusions

The Jurisdictional Safe Harbors and Exclusions section has nearly 40 data points. This section deals with safe harbor elections, the de minimis exclusion and the rules concerning the initial phase of international activity. After providing characteristics of the jurisdiction, including the type of subgroup (UPE, Minority-Owned Subgroup etc.), the form deals with simplified calculations for non-material Constituent Entities, the Transitional CbCR Safe Harbor, and a new Transitional UTPR Safe Harbor which allows MNE groups to ignore the UTPR when the nominal rate of the jurisdiction of the UPE is 20% or more. Work on Permanent Safe Harbors is continuing, so this section may expand as these rules are determined.

KPMG observation: Importantly, where a safe harbor reduces the top-up tax to zero for CEs or members of JV Groups, the Filing CE does not complete any tables in Section 3 of the GIR with respect to those CEs or members of JV Groups

3. GloBE Computations

The GloBE Computation has nearly 400 data points, and the amount of data required increases with each additional jurisdiction where an MNE Group operates and with each CE it has.

Transitional simplified jurisdictional reporting framework

In the earlier consultation, it had been suggested that an MNE Group would need to prepare its GloBE Computation (and the equivalent part of the GIR on a CE-by-CE basis). Many consultation respondents expressed concern with this approach, highlighting the difficulty of prepare such information and observing that in many cases it was not required to ensure that a group has calculated its GloBE ETR accurately.

In response to these concerns, the IF developed a transitional simplified jurisdictional reporting framework where, for all Fiscal Years beginning before December 31, 2028 (excluding those ending after 30 June 2030), MNE Groups will only be required to file jurisdictional information for jurisdictions where either no Top-up Tax arises or there is no need to allocate the Top-up Tax. For groups with calendar year Fiscal Years; this transitional period will cover 2024 through 2028.

This simplification is not available – and will not apply – for jurisdictions in respect of which a Top-up Tax liability arises and needs to be allocated on a CE-by-CE basis. Thus, in jurisdictions where a group has a Top-up Tax liability and more than one CE, it is likely to be required to report information on a CE-by-CE basis.

The guidance notes that MNE groups will be expected to prepare on a contemporaneous basis supporting information which would include the documentation of the process by which accounting information is allocated to each jurisdiction (and to each CE where this is needed) and aggregated in the Consolidated Financial Statements, as well as the process by which the relevant adjustments are identified and calculated.

Unlike for other transitional rules, the guidance does not state that this simplified jurisdictional reporting framework cannot be extended, but notes that its intention is to provide MNE Groups will time to develop their accounting systems and processes such that they can collect and report their GloBE computation on a CE-by-CE basis.

The guidance acknowledges that tax authorities may request information, including CE-by-CE information, as part of a follow-up information request, and that the IF is exploring a process for coordinated information reporting and risk assessment as part of a coordinated and consistent compliance framework.

KPMG observation: The transitional simplified jurisdictional reporting framework is a helpful simplification, even if it only applies for a limited period. The guidance leaves open the possibility that this framework could be made permanent, something taxpayers are likely to support.

KPMG observation: It is interesting to note that the IF is exploring a coordinated compliance framework. A question that many stakeholders ask is “who will actually review the GIR” and will “tax authorities have the resources necessary to undertake this review.” A coordinated process could reduce the additional burden the GloBE Rules place on tax administration and reduce the uncoordinated, likely duplicative, information requests received by taxpayers.

Structure of the GloBE Computation

The GloBE Computation, whether completed on a jurisdictional or entity basis, has three sub-sections:

- 1. ETR Computation.** This deals with the computation of GloBE Income and Adjusted Covered Taxes which amount to about 50 data points. It also deals with deferred tax adjustments and loss carry backs including the recapture mechanism. This amounts to more than 50 additional data points. There are also data points relating to the transitional provisions which exceed 20. There is a section on elections which are cover nearly 40 data points. There are also miscellaneous adjustments which cover nearly 120 data points, and nearly 20 covering the international shipping exclusion.
- 2. Top-up Tax computation.** This section contains about 40 data points including the computation of the Substance Based Income Exclusion (“SBIE”) and additional current top-up tax as well as the QDMTT.
- 3. Top-up Tax allocation and attribution.** This section has approximately 20 data points dealing with the allocation of the IIR and UTPR (including information on the location of employees and tangible assets).

What information will jurisdictions receive (“dissemination approach”)?

The IF has adopted a dissemination approach that is intended to provide jurisdictions with information that is relevant to them, avoiding an MNE Group needing to provide the full GIR to every jurisdiction that implements the GloBE Rules.

The table below summarizes the information that a group will be expected to provide to different types of jurisdictions. The jurisdictions with taxing rights under the GloBE Rules order will be determined on a jurisdiction and / or CE basis.

Jurisdiction	What does this mean in practice?	Information Provided
1. UPE Jurisdiction	<ul style="list-style-type: none"> The UPE jurisdiction 	<ul style="list-style-type: none"> The GIR in its entirety (i.e., all three sections).
2. Jurisdiction with taxing rights under the GloBE rule order	<ul style="list-style-type: none"> Intermediate Parent Entities where the UPE jurisdiction has not introduced a QIIR. Partially-Owned Parent Entity (“POPE”) required to apply the IIR to a CE located in a third jurisdiction. QDMTT jurisdictions / jurisdictions with a domestic IIR in respect of the domestic jurisdiction. UTPR jurisdictions, where jurisdictions are not subject to a QDMTT / QIIR. 	<ul style="list-style-type: none"> Section 1 of the GIR, MNE Group Information. Section 2 and 3 of the GIR (Jurisdictional Safe Harbors and Exclusions and GloBE Computation) that relate to ETR and Top-up Tax including allocation and attribution for relevant jurisdictions.
3. All implementing jurisdictions	<ul style="list-style-type: none"> Any jurisdiction that has implemented an IIR / UTPR, where the jurisdiction does not have a taxing right. 	<ul style="list-style-type: none"> Section 1 of the GIR, MNE Group Information only.

KPMG observation: In light of the QDMTT Safe Harbor, which effectively deactivates the IIR in the presence of a QDMTT in certain circumstances, it may be the case that the relevant parent jurisdictions with an IIR do not in fact have taxing rights with respect to a jurisdiction with a QDMTT that is eligible for the QDMTT Safe Harbor. The GIR notes that the Inclusive Framework will consider providing guidance on the taxing rights arising in respect of a QDMTT Safe Harbor.

The guidance notes that it does not consider the position of non-implementing jurisdictions in respect of the receipt or exchange of GIR information. The treatment of such jurisdictions will be considered further by the IF as part of the administrative framework.

KPMG observation: Given the current expectation that the U.S. does not implement the GloBE Rules, this additional guidance will be of particular interest to U.S.-based MNE Groups, as it will determine whether they are able to file their GIR with the U.S. tax administration to satisfy the central filing requirement (more details below).

Where will MNE Groups need to file?

The guidance states that an MNE Group will be required to file a GIR with each tax administration in jurisdiction that adopts the GloBE Rules (local filing).

However, where a UPE or Designated Filing Entity files the GIR with the tax administration where it is located and there is a QCAA in effect by the filing deadline to exchange GloBE Information, this will remove the obligation to file the GIR locally. These QCAAs could be existing exchange of information agreements, but the IF is also developing bilateral and multilateral models for QCAAs. The IF is also working on IT-solutions and a dedicated XML schema that will support the exchange of information.

KPMG observation: The guidance does not include a clear commitment that the IF will develop and adopt a Multilateral Instrument (“MLI”) to facilitate the exchange of GIRs between all implementing jurisdictions. In the absence of such an agreement, it is likely that MNE Groups will face some requirements to file GIRs locally. Groups may also want to consider the jurisdictions with which they file their GIR, as there may be a benefit in selecting a jurisdiction with a broad treaty network.

Going forward

The Transitional CbCR Safe Harbor should simplify the compliance burden that the GloBE Rules create for most groups for the next three years, although where a group is not eligible for this (or other) safe harbors it will need to perform a more detailed GloBE computation and complete the relevant aspects of the GIR. Even after the end of the Transitional CbCR Safe Harbor period, the transitional simplified jurisdictional reporting framework for the GIR should help to simplify compliance in 2027 and 2028.

However, groups should not underestimate the task ahead. The guidance on the GIR is clear that the transitional simplified reporting framework is intended to “buy time” for groups to revisit, revise and update their accounting systems – and this is a task that many companies have already started.

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