Building agility into Pillar Two compliance

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Overview of Pillar Two in Malaysia

Enacted in Malaysia by virtue of gazette of Finance (No. 2) Act on 29 December 2023

Multinational Top-up Tax (MTT)

Income Inclusion Rule (IIR) equivalent – Top-up Tax (TuT) collection mechanism for Malaysian parent entities on low-taxed entities outside Malaysia.

Domestic Top-up Tax (DTT)

Qualified Domestic Top-up Tax (QDMTT) equivalent – TuT collection mechanism for low-taxed entities in Malaysia.

Scope and Effective Date

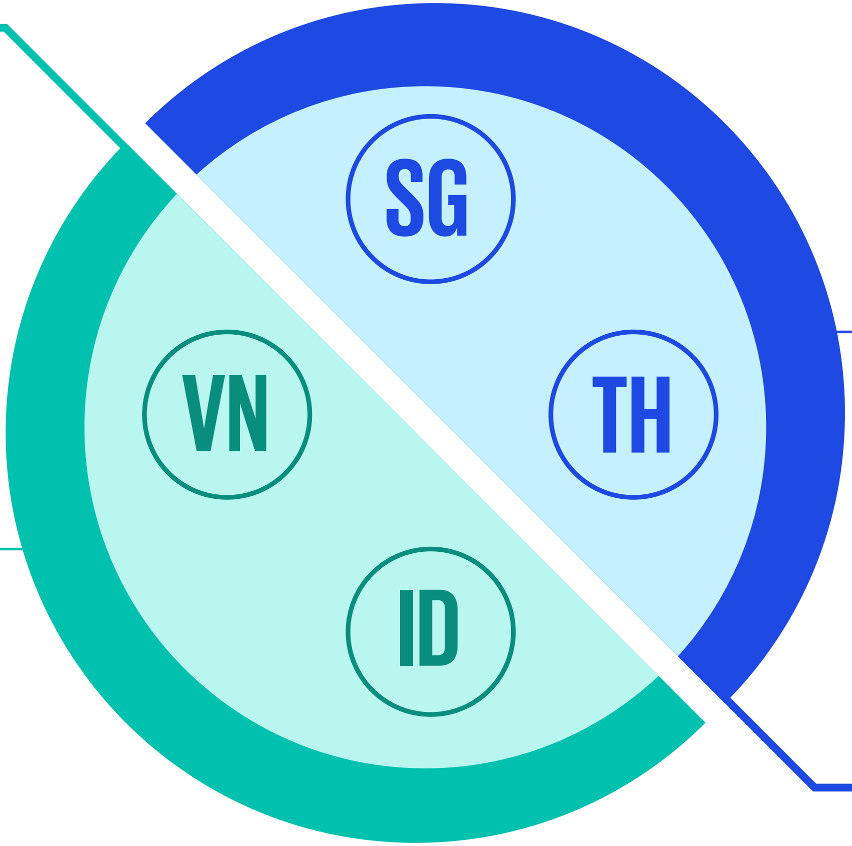
- Applicable to MNE Groups with annual revenue exceeding EUR 750 million threshold.
- Effective from Financial Year (FY) beginning on or after 1 January 2025

No announcement on Undertaxed Profits Rule (UTPR)

Other Players in ASEAN

Vietnam

- IIR and DMTT applicable to FYs starting on or after 1 January 2024
- No announcement on UTPR



Singapore

- IIR and DMTT applicable to FYs starting on or after 1 January 2025
- UTPR deferred

Thailand

- IIR and DMTT applicable to FYs starting on or after 1 January 2025
- UTPR applicable to FYs starting on or after 1 January 2025

Indonesia

- IIR and DMTT applicable to FYs starting on or after 1 January 2025
- UTPR applicable to FYs starting on or after 1 January 2026

A Glimpse at BEPS Pillar Two Compliance

Form / Return	Frequency	Number of filings	Due date
Registration Form	One time	Once per jurisdiction that has implemented Pillar Two	To be determined depending on each jurisdiction's requirements
GloBE Information Return (GIR)	Annual	One central filing (elective), generally filed by UPE, but can be filed by designated filing entity. In Malaysia, local CEs to file Notification if GIR is filed by UPE / designated filing entity of jurisdiction with QCAA with Malaysia.	15-18 months after close of fiscal year
TUT Returns	Annual	To be determined, but expected to have some filing in each jurisdiction with Pillar Two. E.g. In Malaysia, each and every CE has to file a TuT return (certain jurisdictions allows filing on behalf of other CEs)	To be determined depending on each jurisdiction's requirements, but likely between local filing deadlines and when the GIR is due. E.g. In Vietnam, TuT due within 12 months as opposed to usual 15-18 months).
Notification of Filing	Annual	Filed annually per jurisdiction	To be determined, but likely with local GloBE filing requirements

Sections of GIR

3 GloBE Computations

GloBE Computations – Jurisdictional schedules

The Filing Constituent Entity shall complete Section 3 on a jurisdictional basis, for each jurisdiction (or subgroup, where relevant) where exceptions to the GloBE computation do not apply.

3.1 Characteristics of the jurisdiction

1. Name of the jurisdiction	
2. Type of subgroup (if any)	
3. Identification of subgroup (if any) for the ETR and Top-up Tax computation	

3.2 ETR computation

3.2.1 ETR

a. Financial Accounting Net Income or Loss	b. Net GloBE Income or Loss	c. Income tax expense	d. Adjusted Cover
	[A]		

2 Jurisdictional Safe Harbours and Exclusions

Jurisdictional safe harbours an

The Filing Constituent Entity shall complete Section 2 on a ju computation apply.

2.1 Characteristics of the jurisdiction

1. Name of the jurisdiction	
2. Type of subgroup (if any)	
3. Identification of subgroup (if any)	

1 MNE Group Information

1.1 Identification of the Filing Constituent Entity

1. UPE is the Filing Constituent Entity	2. Name of the Filing Constituent Entity	3. Tax identification number	4. Role	5. Jurisdiction where the Filing CE is located	6. Recipient Jurisdictions for Exchange of Information (if relevant)
Yes/No					

1.2 MNE Group General Information

1.2.1 MNE Group and Reporting Fiscal Year

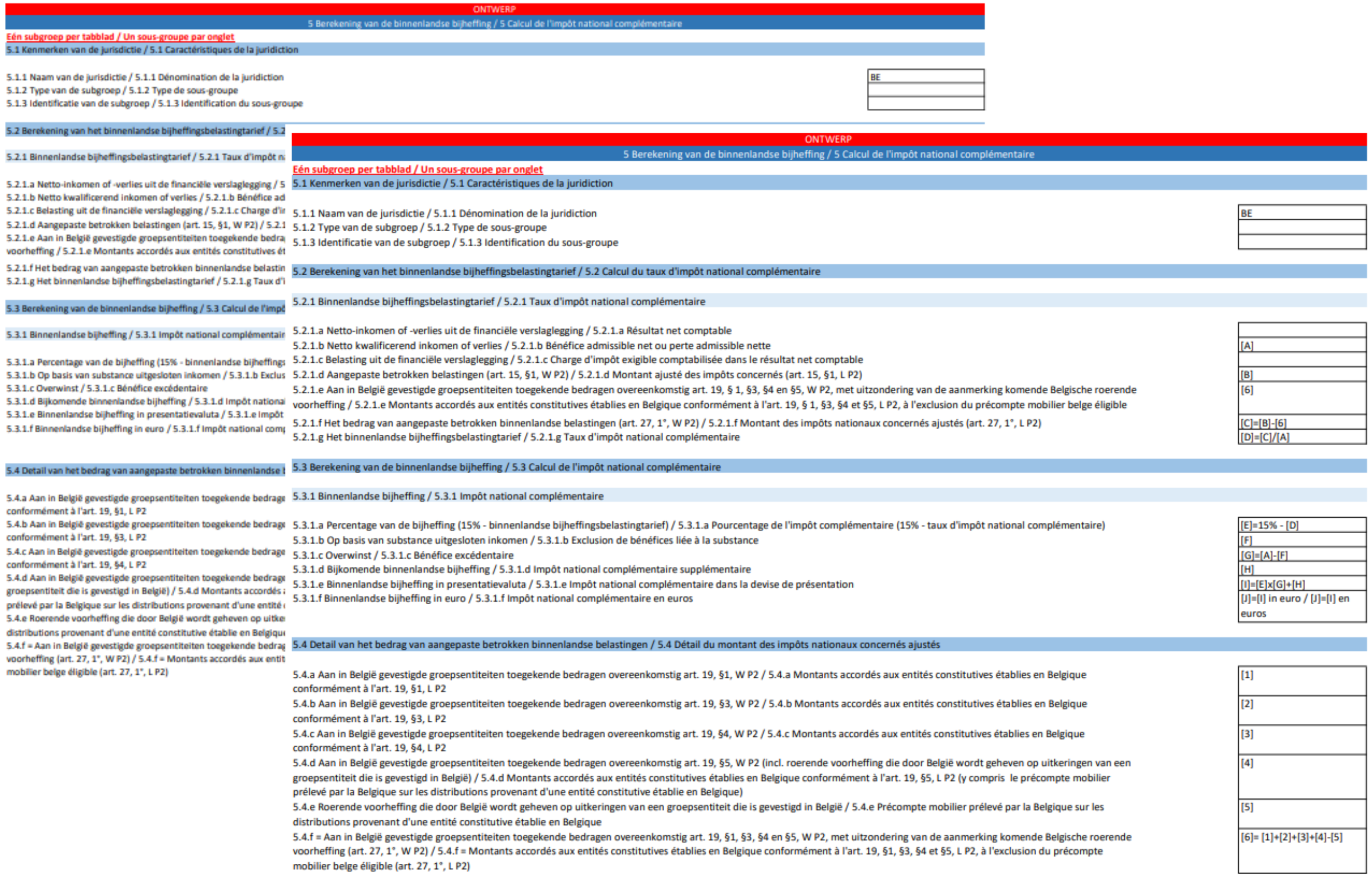
1. Name of the MNE Group	2. Start date of the Reporting Fiscal Year	3. End date of the Reporting Fiscal Year	4. Amended Return
			Yes/No

1.2.2 MNE General accounting information

1. Consolidated Financial Statements of the UPE (type)	2. Financial Accounting standard used for the CFS of the UPE	3. Presentation currency used for the CFS of the UPE (ISO code)

Source: GloBE Information Return released by the OECD

Sample TuT Returns (Belgium)



ONTWERP

5 Berekening van de binnenlandse bijheffing / 5 Calcul de l'impôt national complémentaire

Eén subgroep per tabblad / Un sous-groupe par onglet

5.1 Kenmerken van de jurisdictie / 5.1 Caractéristiques de la juridiction

5.1.1 Naam van de jurisdictie / 5.1.1 Dénomination de la juridiction	BE
5.1.2 Type van de subgroep / 5.1.2 Type de sous-groupe	
5.1.3 Identificatie van de subgroep / 5.1.3 Identification du sous-groupe	

5.2 Berekening van het binnenlandse bijheffingsbelastingtarief / 5.2 Calcul du taux d'impôt national complémentaire

5.2.1 Binnenlandse bijheffingsbelastingtarief / 5.2.1 Taux d'impôt national complémentaire

5.2.1.a Netto-inkomen of -verlies uit de financiële verslaglegging / 5.2.1.a Résultat net comptable	
5.2.1.b Netto kwalificerend inkomen of verlies / 5.2.1.b Bénéfice admissible net ou perte admissible nette	[A]
5.2.1.c Belasting uit de financiële verslaglegging / 5.2.1.c Charge d'impôt exigible comptabilisée dans le résultat net comptable	
5.2.1.d Aangepaste betrokken belastingen (art. 15, §1, W P2) / 5.2.1.d Montant ajusté des impôts concernés (art. 15, §1, L P2)	[B]
5.2.1.e Aan in België gevestigde groepsentiteiten toegekende bedragen overeenkomstig art. 19, § 1, §3, §4 en §5, W P2, met uitzondering van de aanmerking komende Belgische roerende voorheffing / 5.2.1.e Montants accordés aux entités constitutives établies en Belgique conformément à l'art. 19, § 1, §3, §4 et §5, L P2, à l'exclusion du précompte mobilier belge éligible	[6]
5.2.1.f Het bedrag van aangepaste betrokken binnenlandse belastingen (art. 27, 1°, W P2) / 5.2.1.f Montant des impôts nationaux concernés ajustés (art. 27, 1°, L P2)	[C]=[B]-[6]
5.2.1.g Het binnenlandse bijheffingsbelastingtarief / 5.2.1.g Taux d'impôt national complémentaire	[D]=[C]/[A]

5.3 Berekening van de binnenlandse bijheffing / 5.3 Calcul de l'impôt national complémentaire

5.3.1 Binnenlandse bijheffing / 5.3.1 Impôt national complémentaire

5.3.1.a Percentage van de bijheffing (15% - binnenlandse bijheffingsbelastingtarief) / 5.3.1.a Pourcentage de l'impôt complémentaire (15% - taux d'impôt national complémentaire)	[E]=15% - [D]
5.3.1.b Op basis van substance uitgesloten inkomen / 5.3.1.b Exclusion de bénéfices liée à la substance	[F]
5.3.1.c Overwinst / 5.3.1.c Bénéfice excédentaire	[G]=[A]-[F]
5.3.1.d Bijkomende binnenlandse bijheffing / 5.3.1.d Impôt national complémentaire supplémentaire	[H]
5.3.1.e Binnenlandse bijheffing in presentatievaluta / 5.3.1.e Impôt national complémentaire dans la devise de présentation	[I]=[E]x[G]+[H]
5.3.1.f Binnenlandse bijheffing in euro / 5.3.1.f Impôt national complémentaire en euros	[J]=[I] in euro / [J]=[I] en euros

5.4 Detail van het bedrag van aangepaste betrokken binnenlandse belastingen / 5.4 Détail du montant des impôts nationaux concernés ajustés

5.4.a Aan in België gevestigde groepsentiteiten toegekende bedragen overeenkomstig art. 19, §1, W P2 / 5.4.a Montants accordés aux entités constitutives établies en Belgique conformément à l'art. 19, §1, L P2	[1]
5.4.b Aan in België gevestigde groepsentiteiten toegekende bedragen overeenkomstig art. 19, §3, W P2 / 5.4.b Montants accordés aux entités constitutives établies en Belgique conformément à l'art. 19, §3, L P2	[2]
5.4.c Aan in België gevestigde groepsentiteiten toegekende bedragen overeenkomstig art. 19, §4, W P2 / 5.4.c Montants accordés aux entités constitutives établies en Belgique conformément à l'art. 19, §4, L P2	[3]
5.4.d Aan in België gevestigde groepsentiteiten toegekende bedragen overeenkomstig art. 19, §5, W P2 (incl. roerende voorheffing die door België wordt geheven op uitkeringen van een groepsentiteit die is gevestigd in België) / 5.4.d Montants accordés aux entités constitutives établies en Belgique conformément à l'art. 19, §5, L P2 (y compris le précompte mobilier prélevé par la Belgique sur les distributions provenant d'une entité constitutive établie en Belgique)	[4]
5.4.e Roerende voorheffing die door België wordt geheven op uitkeringen van een groepsentiteit die is gevestigd in België / 5.4.e Précompte mobilier prélevé par la Belgique sur les distributions provenant d'une entité constitutive établie en Belgique	[5]
5.4.f = Aan in België gevestigde groepsentiteiten toegekende bedragen overeenkomstig art. 19, §1, §3, §4 en §5, W P2, met uitzondering van de aanmerking komende Belgische roerende voorheffing (art. 27, 1°, W P2) / 5.4.f = Montants accordés aux entités constitutives établies en Belgique conformément à l'art. 19, §1, §3, §4 et §5, L P2, à l'exclusion du précompte mobilier belge éligible (art. 27, 1°, L P2)	[6]= [1]+[2]+[3]+[4]-[5]

Snapshots of Belgium's draft QDMTT returns (in Dutch and in French)

- Eleven (11) pages in total
- Information requested amongst others:-
  - ➢ Details on designated local entity;
  - ➢ Identification of MNE Group;
  - ➢ Corporate structure;
  - ➢ Details on UPE;
  - ➢ Details on JVs / entity type;
  - ➢ Safe harbour;
  - ➢ Elections;
  - ➢ Calculation of QDMTT

Transitional CbCR Safe Harbour

Safe harbor tests

01 De minimis test

CbCR Revenue of less than €10 million and Simplified GloBE Income of less than €1 million for the Fiscal Year

02 Simplified ETR test

Simplified ETR calculation for a jurisdiction by referring to the Simplified Covered Taxes divided by the Simplified GloBE Income. The applicable minimum rates are **15%** (2023 and 2024), **16%** (2025) and **17%** for fiscal years beginning in 2026.

03 Routine profits test

The amount of the Substance-based Income Exclusion is greater than the Simplified GloBE Income.

Definitions

Qualified CbC Report

CbC Report filed using the Consolidated Financial Statements of the UPE or separate financial statements of each Constituent Entity provided, in broad terms, they are prepared under an authorized accounting standard and are reliable (Qualified Financial Statement).

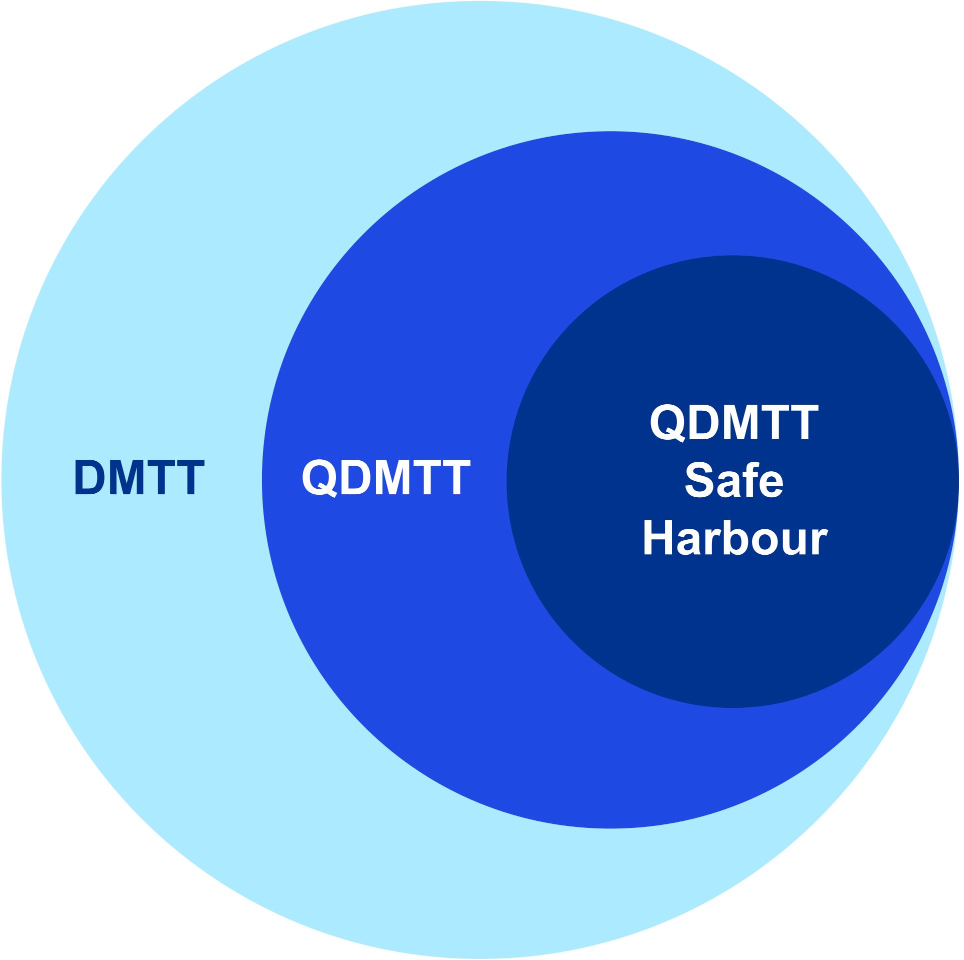
Simplified GloBE Income

Profit (Loss) before Income Tax from the MNE's Qualified CbC Report.

Simplified Covered Taxes

Income Tax Expense from the MNE's Qualified Financial Statements subject to certain adjustments to exclude taxes that are not Covered Taxes as defined in the Model Rules and uncertain tax positions.

QDMTT Safe Harbour



QDMTT Safe Harbour

- Deem the top-up tax in a jurisdiction to be final where the respective jurisdiction has introduced a QDMTT, essentially eliminating the need for a separate ETR calculation for that jurisdiction.
- Malaysia – listed under Central Record of Legislation with Transitional Qualified Status as QDMTT Safe Harbour jurisdiction

G7 Statement on global minimum taxes

G7 Statement

On 28 June 2025, the G7 (comprising Canada, France, Germany, Italy, Japan, the United Kingdom and the United States) released a statement which outlines a shared understanding of a “side-by-side” solution to US concerns on Pillar 2

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