



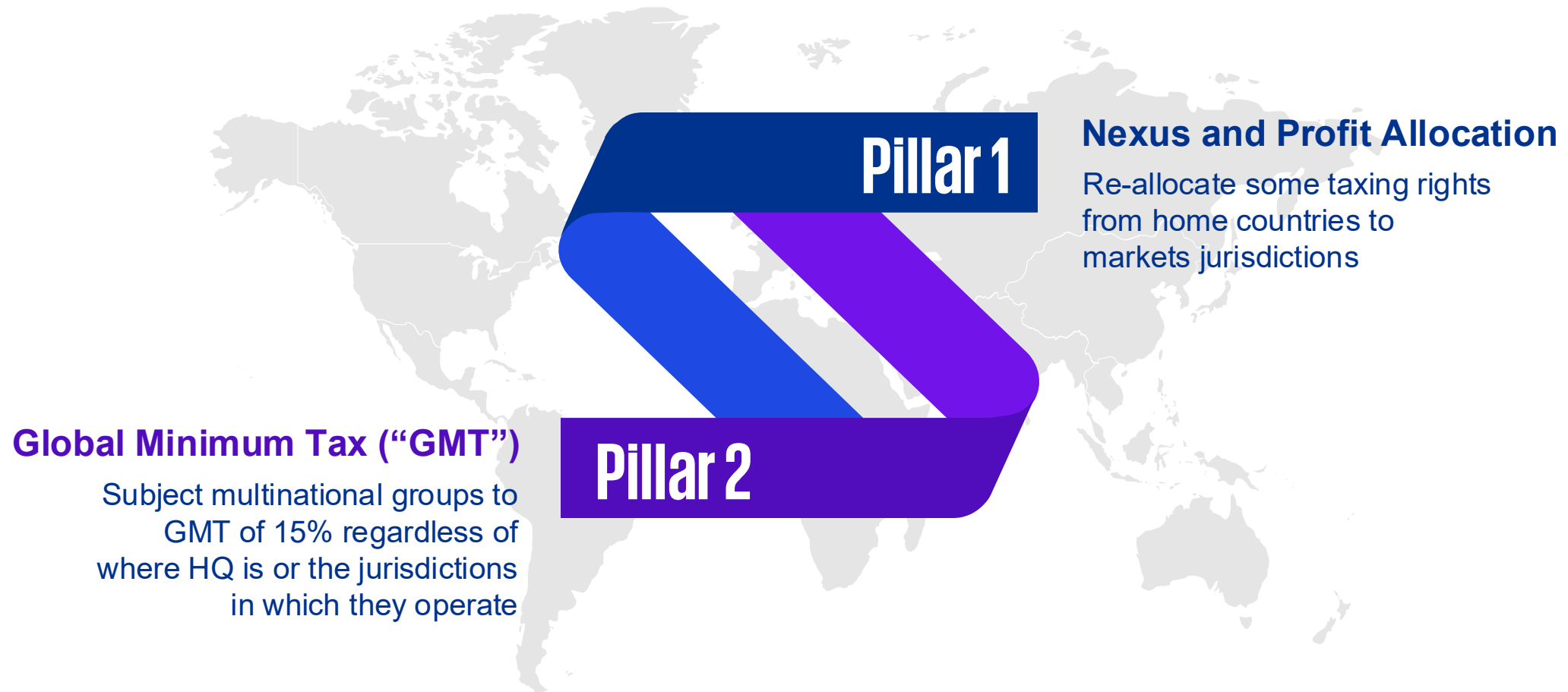
Global Minimum Tax: Prepare, adapt, comply

Jessica Yap

Associate Director, Corporate Tax – BEPS 2.0 Specialist Group
| KPMG in Malaysia



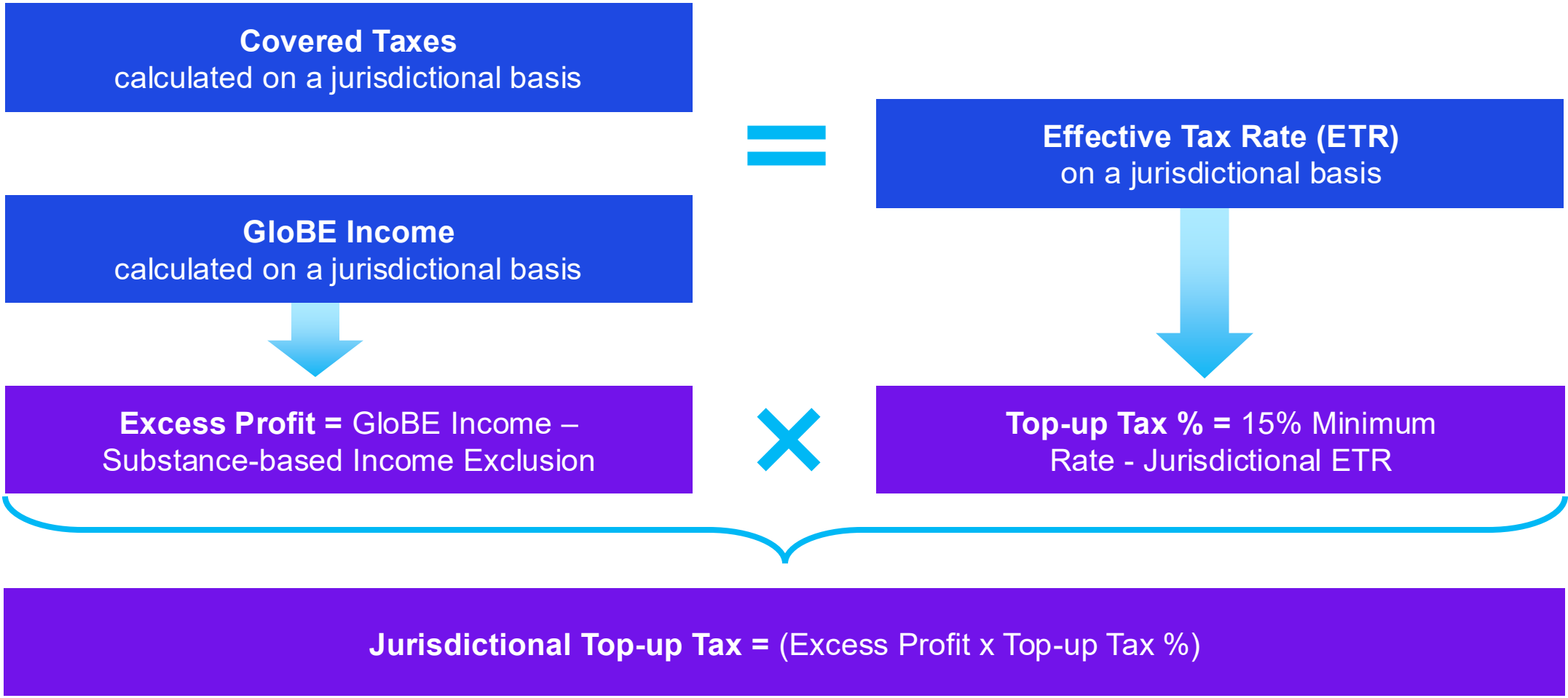
BEPS 2.0 Two-Pillar Approach



Overview of Pillar 2 – Global Minimum Tax



Top-up Tax Calculation



Substance-based Income Exclusion (SBIE)



Top-up Tax Calculation - Example

Fact pattern

- An in-scope MNE Group has 3 wholly owned subsidiaries in Malaysia, A Co, B Co and C Co
- Financial details as follows:-

MNE Group (in Malaysia)	A Co	B Co	C Co	Total
Covered Taxes	2,500	2,500	0	5,000
GloBE Income / Loss	10,000	40,300	-300	50,000
Substance-based Income Exclusion	400	1,000	100	1,500

What is the jurisdictional top-up tax in Malaysia ?

GloBE calculations		
	Formula	
Effective Tax Rate	5,000 / 50,000	10%
Top-up tax %	15% - 10%	5%
Excess Profit	50,000 – 1,500	48,500
Top-up Tax	48,500 x 5%	2,425

Top-up tax allocation to each Constituent Entity (i.e. in-scope entity) in a jurisdiction

$$\text{Top-up Tax for a jurisdiction} \times \frac{\text{GloBE Income of a CE}}{\text{Aggregate GloBE Income of all CEs}}$$

	GloBE Income / Loss	Top-up Tax of CE
A Co	10,000	482.11 (10,000 / 50,300 x 2,425)
B Co	40,300	1,942.89 (40,300 / 50,300 x 2,425)
C Co	-300	0
Total	50,000	2,425.00

Overview of Pillar 2 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.

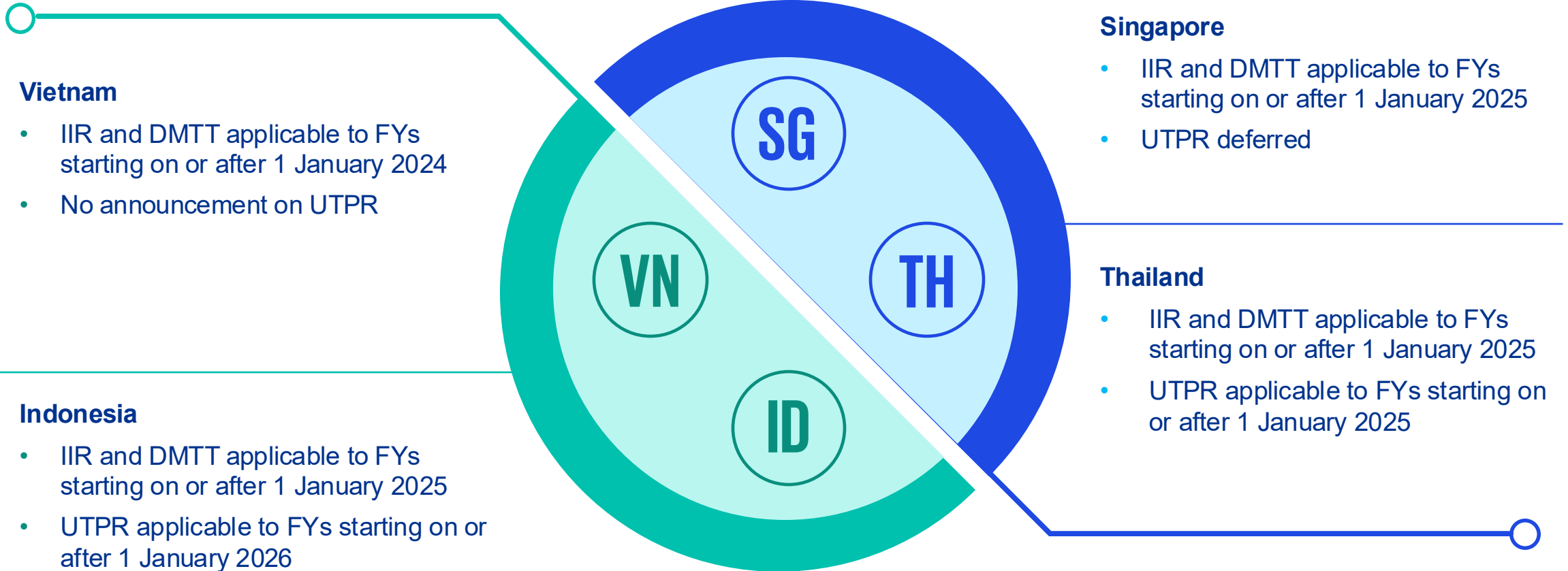


Scope and Effective Date

- 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



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

Pillar 2 compliance

A Glimpse at Pillar 2 Compliance

Form / Return	Frequency	Number of filings	Due date
Registration Form	One time	Once per jurisdiction that has implemented Pillar 2	To be determined depending on each jurisdiction's requirements
GloBE Information Return (GIR)	Annual	<p>One central filing (elective), generally filed by UPE, but can be filed by designated filing entity.</p> <p>In Malaysia, local CEs to file Notification if GIR is filed by UPE / designated filing entity of jurisdiction with QCAA with Malaysia.</p>	15-18 months after close of fiscal year
Top-up Tax (TuT) Returns	Annual	<p>To be determined, but expected to have some filing in each jurisdiction with Pillar 2.</p> <p>E.g. In Malaysia, each and every CE has to file a TuT return (certain jurisdictions allows filing on behalf of other CEs)</p>	<p>To be determined depending on each jurisdiction's requirements, but likely between local filing deadlines and when the GIR is due.</p> <p>E.g. In Vietnam, TuT due within 12 months as opposed to usual 15-18 months.</p>
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 and exclusions

The Filing Constituent Entity shall complete Section 2 on a jurisdictional basis, for each jurisdiction (or subgroup, where relevant) where exceptions to the GloBE 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)

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

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

BE

ONTWERP

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

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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

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)

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

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)

5.2.1.g Het binnenlandse bijheffingsbelastingtarief / 5.2.1.g Taux d'impôt national complémentaire

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 Netto-inkomen of -verlies uit de financiële verslaglegging / 5.3.1.a Résultat net comptable

5.3.1.b Netto kwalificerend inkomen of verlies / 5.3.1.b Bénéfice admissible net ou perte admissible nette

5.3.1.c Belasting uit de financiële verslaglegging / 5.3.1.c Charge d'impôt exigible comptabilisée dans le résultat net comptable

5.3.1.d Aangepaste betrokken belastingen (art. 15, §1, W P2) / 5.3.1.d Montant ajusté des impôts concernés (art. 15, §1, L P2)

5.3.1.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 / 5.3.1.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

5.3.1.f Het bedrag van aangepaste betrokken binnenlandse belastingen (art. 27, 1°, W P2) / 5.3.1.f Montant des impôts nationaux concernés ajustés (art. 27, 1°, L P2)

5.3.1.g Het binnenlandse bijheffingsbelastingtarief / 5.3.1.g Taux d'impôt national complémentaire

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, L P2 / 5.4.a Montants accordés aux entités constitutives établies en Belgique conformément à l'art. 19, §1, L P2

5.4.b Aan in België gevestigde groepsentiteiten toegekende bedragen overeenkomstig art. 19, §3, L P2 / 5.4.b Montants accordés aux entités constitutives établies en Belgique conformément à l'art. 19, §3, L P2

5.4.c Aan in België gevestigde groepsentiteiten toegekende bedragen overeenkomstig art. 19, §4, L P2 / 5.4.c Montants accordés aux entités constitutives établies en Belgique conformément à l'art. 19, §4, L P2

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, W P2 (y compris le précompte mobilier prélevé par la Belgique sur les distributions provenant d'une entité constitutive établie en Belgique)

5.4.e Aan in België gevestigde groepsentiteiten toegekende bedragen overeenkomstig art. 27, 1°, W P2 / 5.4.e Montants accordés aux entités constitutives établies en Belgique conformément à l'art. 27, 1°, L P2

[A]

[B]

[6]

[C]=[B]-[6]

[D]=[C]/[A]

[E]=15% - [D]

[F]

[G]=[A]-[F]

[H]

[I]=[E]x[G]x[H]

[J]=[I] in euro / [J]=[I] en euros

[1]

[2]

[3]

[4]

[5]

[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



Safe harbour

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.

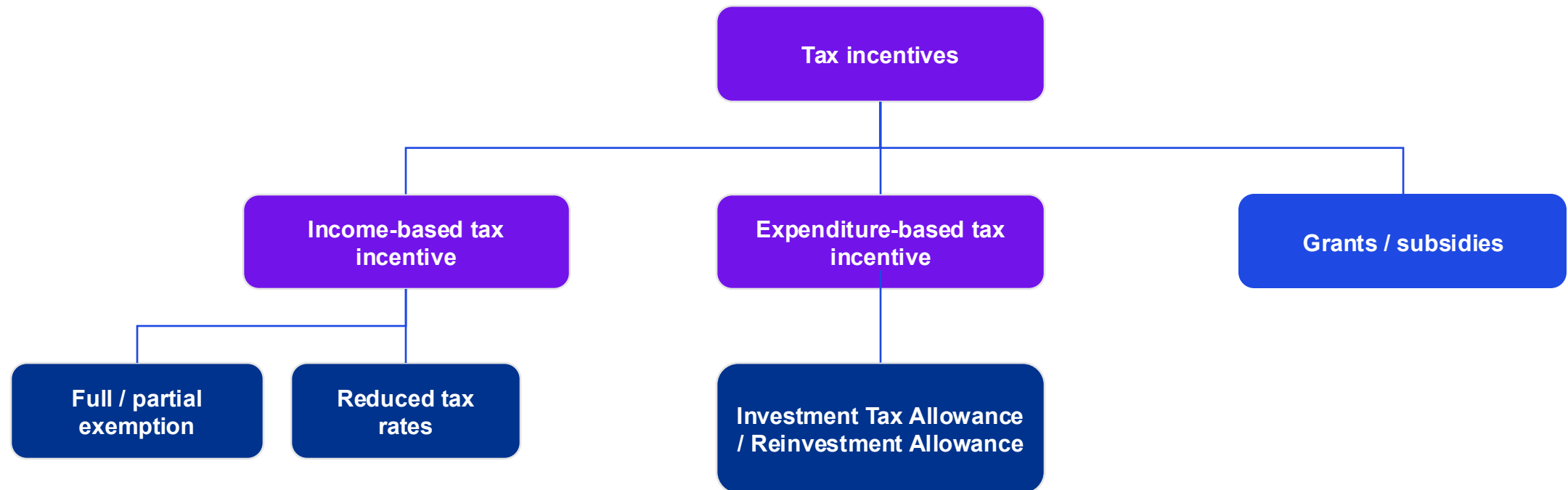
Simplified Covered Taxes

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.



Future of incentives

To what extent an incentive may contribute to Top-up Tax?



Malaysia's State of Play for Incentives

Survey form

Investment Promotion Agencies (“IPAs”)

A Global Minimum Tax Survey Form has been shared by IPAs in Q1 2024, completed by Q4, 2024.

The survey form has three (3) parts, i.e.:-

- General survey;
- Group information; and
- Company information.

Main objective: to assess the impact of Global Minimum Tax and the survey form will serve as a basis for renegotiation of incentives with taxpayers

CONFIDENTIAL

GMT GENERAL SURVEY FORM

1. How well do you understand the implementation of the GloBE Rules?
- | | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1 | 2 | 3 | 4 | 5 |
| (Not understand) | | | | (Fully Understand) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
2. Is your company/group within the scope of GloBE Rules?
- ☐ **Yes** *Please fill in GMT Group Form and/or GMT Company Form*
- ☐ **No**
3. The Government of Malaysia through the National Budget 2024 has announced the implementation of GMT in 2025. How well has your company/group prepared for GMT?

Background											
Name of Ultimate Parent Entity (UPE)	:										
Country of UPE	:										
Name of Companies within the same group operating in Malaysia	:	<table><thead><tr><th>Name of company</th><th>No. ROC & Tax Reference No</th><th>Tax Incentive status (Y/N) <i>*If yes, please indicate type</i></th></tr></thead><tbody><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr></tbody></table> <p><i>*Each Company that has been granted tax incentives to fill in Form GMT Company Form</i></p>	Name of company	No. ROC & Tax Reference No	Tax Incentive status (Y/N) <i>*If yes, please indicate type</i>						
Name of company	No. ROC & Tax Reference No	Tax Incentive status (Y/N) <i>*If yes, please indicate type</i>									
Is the company required to	:	Yes / No									

Incentives around the region



National Competitiveness Enhancement for Targeted Industries Act

- Board of Investment (BOI)-promoted companies subject to Pillar 2 will be entitled to tax credits 30-50% for qualifying expenditure
- BOI-promoted companies can use the tax credits to offset their tax liabilities.



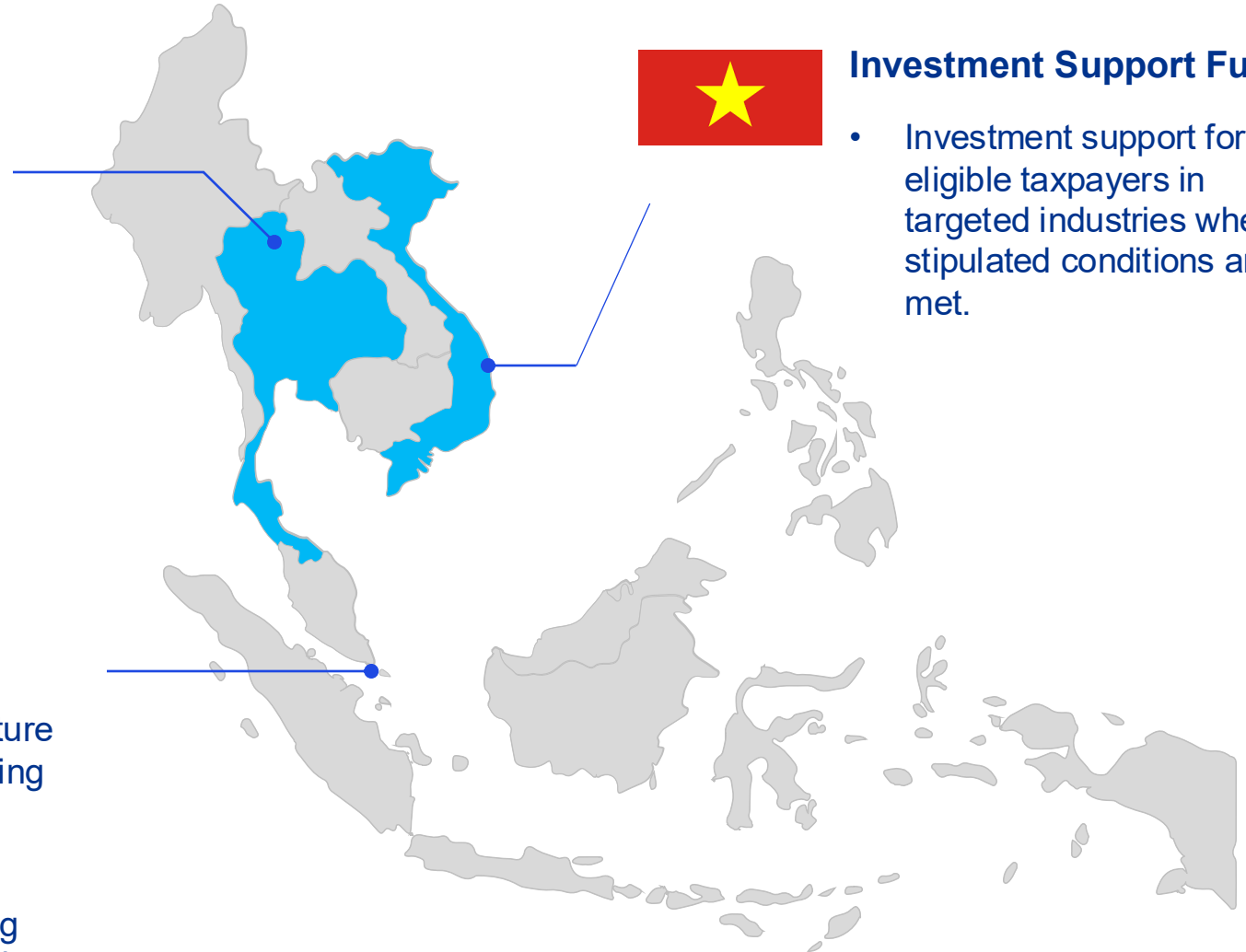
Refundable Investment Credit (RIC)

- Awarded on qualifying expenditure incurred for carrying out qualifying activities
- RIC may be used to offset Corporate Income Tax, including Domestic TuT and Multinational Enterprise TuT



Investment Support Fund

- Investment support for eligible taxpayers in targeted industries where stipulated conditions are met.





Next steps

Next Steps







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