

# Pillar Two: GloBE Information Return

July 2023

On July 17 2023, the OECD released a [standard template](#) for the GloBE Information Return (GIR). It comprises 28 pages and potentially about 480 data points covering all areas of the GloBE rules. Whilst all data points would not be relevant to all MNEs, the number of data points would expand based on the number of jurisdictions in a group. Moreover the number of returns that need to be lodged would be based on the number of Jurisdictions, unless the MNE appoints a Designated Filing Entity. In any event, parts of the GIR are completed on a jurisdiction by jurisdiction or a Constituent Entity by Constituent Entity basis depending on the circumstances. Thus an MNE with 100 Constituent Entities could have tens of thousands of data points of information to provide.

## Overview of the principles underpinning the GIR obligations

### *Detailed information and not just foundational information*

Many corporate income tax returns require lodgement of the foundational information only with detailed information provided in the supporting workpapers. This is not how the GIR operates. While there is a summary of the GloBE obligations for the MNE group contained in each GIR lodged discussed below, the GIR is based on the inclusion of detailed information being provided for each Constituent Entity or Jurisdiction for a transitional period. MNEs will also be required to retain supporting workpapers, which revenue authorities may request.

### *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 is left to the determination of a local jurisdiction. This is expected to be in line with existing tax filing and payment procedures. This will also enable local jurisdictions to require additional data points.

### *Election to adopt a simplified disclosure on jurisdictional basis for a transition period*

For a transitional period there is an election to adopt simplified jurisdictional reporting framework. The Fiscal Years covered by this are those beginning on or before 31 December 2028, but not including a Fiscal Year that ends after 30 June 2030.

This election is limited and only applies where for a jurisdiction where there is either no Top-up Tax liability or if there is a Top-up Tax Liability it does not need to be allocated on a Constituent Entity by Constituent Entity basis.

Where the election applies information can be provided at an aggregated level, although in some cases the GloBE rules still may require a calculation at the Constituent Entity level although it can be reported at the jurisdictional level.

### *Level of precision required*

The GIR is based on the full provision of information subject to the simplification mechanisms involved in the safe harbours, de minimis and other elections. This is the case even where it is clear that the 15% ETR threshold is reached. That is, there is no mechanism whereby MNEs can rely on a 'reasonable to assume' position even though it is clear that no top-up tax would apply in the circumstance.

### *Which Revenue Authorities get to see the GIR data*

There is sensitivity surrounding the dissemination of the GIR to all jurisdictions in which an MNE is located.

The approach adopted by the Inclusive Framework is broadly as follows:

- All implementing jurisdictions are provided with:
  - General information relating to the identification of the MNE Group including the Filing Constituent Entity, the Reporting Fiscal Year and details of the Consolidated Financial Statements of the UPE
  - The corporate structure including any changes specifying the status of each Constituent Entity under the GloBE rules (eg. as an Excluded Entity or a JV etc)
  - High level information summary including information on the ETR disclosed by ranges in increments of 2.5% from 0% to 30% (shown below) and whether a Qualifying Domestic Minimum Top-up Tax (QDMTT) applies or an Income Inclusion Rule (IIR) or UTPR applies;
  - Details of where the Substance-based Income Exclusion (SBIE) exceeds Net GloBE Income
- A jurisdiction with taxing rights in addition obtains:
  - Sections of the GIR that relate to ETR and Top-up Tax including allocation and attribution to those jurisdictions
  - Applicable safe harbours and exceptions
- The jurisdiction of the UPE is provided with the whole GIR (described below);

The document states that there is further work to be done in relation to the potential information to be provided to non-implementing jurisdictions.

#### *How is the information provided to revenue authorities*

In most cases a Designated Filing Entity will be appointed by the MNE Group who will lodge the GIR. In this circumstance the jurisdiction of the Designated Filing Entity will distribute the relevant sections to all implementing jurisdictions, jurisdictions with taxing rights and the jurisdiction of the UPE (if different) as above. This however is subject to an important proviso. The Designated Filing Entity must be located in a jurisdiction which has a Qualifying Competent Authority Filing Agreement with the jurisdiction of the Constituent Entity and which is operational for that reporting year.

If there is no operative Qualifying Competent Authority Filing Agreement in place between the UPE or Designated Filing Entity jurisdiction and the local jurisdiction of the Constituent Entity, then the Constituent Entity will be required to file a GIR with the local revenue authorities.

Where there is Designated Filing Entity, a Constituent Entity is required to notify the local revenue authority that such a Designated Filing Entity has been appointed.

A Multilateral Instrument will need to be developed for the exchange of information between revenue authorities.

#### *When does a GIR need to be lodged?*

The GIR needs to be lodged up to 15 months after the last day of the reporting period.

#### *What about payment times, amendments, penalties and sanctions?*

Jurisdictions have broad flexibility to apply domestic rules for the administration of GIRs including payments, penalties and amendments. This may lead to a divergence of procedures which MNEs may need to manage on a case by case basis.

## **What is included in the standard template for the GIR?**

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

### **1. MNE Group Information**

The first is MNE Group Information which contains more than 50 data points as base information which increases with an increased number of Constituent Entities. In this section, there is information for identification of the filing entity, but mainly information for the MNE as a whole. This includes details of the Reporting Fiscal Year and general accounting information including the accounting standards used in the MNE Group and the presentation currency.

This section also asks what is the corporate structure at year end and any changes in corporate structure that have occurred during the year. The corporate structure is not based on a structure diagram, but rather asks of each entity how they are classified either as UPE, Qualifying Income Inclusion Rule (QIIR), Qualifying Domestic Minimum Top-up Tax (QDMTT), Excluded Entity, Flow through reverse hybrid entity and a number of other categories. This is addressed for each entity in the group including permanent establishments. Changes in corporate structure including changes in sub-group are required to be disclosed.

Importantly this section contains a High Level Summary of the GloBE Information return, noted above.

#### High Level Summary of the GloBE Information Return

This contains nine (9) fields and is likely to form the main summary of the GIR. An example for 6 jurisdictions is outlined below. Broadly it identifies each Jurisdiction or Constituent Entity and sub-group. It requests identification of the jurisdictions with taxing rights. Where a QDMTT Safe Harbour applies this would be the entity itself; where there is a UPE and a Partially Owned Parent Entity (POPE) the instructions ask to note both. For the UTPR, identification of jurisdictions would only apply where the Top-up Tax is not reduced to zero through the QDMTT or IIR.

The High-level summary asks for a banding of the ETR and whether a Safe Harbour or exclusion applies based on 2.5% increments from 0 to above 30%. It also asks whether the Substance-based Income Exclusion (SBIE) has resulted in Top-up Tax being reduced to nil.

Finally it asks for the amount of Top-up Tax payable either by (i) QDMTT or (ii) the IIR or UTPR based on bands. There are 9 options which vary from no Top-up Tax payable to €250m or above.

## Example High Level Summary of GloBE Information — 6 Country Group

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) €
Germany (DE)	UPE	AAA123	DE	No	22.5 - 25.0	No	-	-
Netherlands (NL)	POPE	BBB456	NL, DE	No	20.0 - 22.5	No	-	-
Singapore	CE	CCC789	NL, DE	Yes	12.5 - 15.0	No	5m to 25m	
Brazil (BR)	CE	DDD123	NL, DE	Yes, TSH	17.5 - 20.0	No	-	-
Philippines (PH)	MOCE	EEE456	NL, DE	No	5.0 - 7.5	Yes	-	-
Cayman Is.	CE	FFF789	NL, DE	No	0.25	No	-	25m to 50m

## 2. Jurisdictional Safe Harbours and Exclusions

Section 2 deals with safe harbour 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, POPE etc), the form deals with simplified calculations for non-material Constituent Entities, the Transitional CBCR safe harbour, and a new Transitional UTPR Safe Harbour which allows MNE groups to ignore the UTPR where the nominal rate of the jurisdiction of the UPE is 20% or more. As work on Permanent Safe Harbours is continuing one can expect this section to expand as these rules are determined. Section 2 has nearly 40 data points.

### 3. **GloBE Computation**

This is the main section of the GIR and has nearly 400 data points.

#### *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 covering nearly 40 data points. There are also miscellaneous adjustments which cover nearly 120 data points and nearly 20 covering the international shipping exclusion.

#### *Top-up Tax computation*

This section contains about 40 data points including the computation of the SBIE and additional current top-up tax as well as the QDMTT.

#### *Top-up Tax allocation*

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).

### **Going forward**

Whilst the Transitional Safe Harbor will provide a basis for a reduction of compliance for most MNEs, it is unlikely to eliminate the need to put in place very significant processes for the GloBE calculations for most MNEs. Given the information required is now known through this release, it is time for MNEs to accelerate their GloBE projects to ensure systems are in place for data collection in many cases from January 1 2024. MNEs should not underestimate the task ahead.

MNEs will be required to make a decision on whether they will prepare data on a Constituent Entity by Constituent Entity basis or a Jurisdictional basis knowing that lodgement based on a Jurisdictional basis is likely to be available only for the first 5 years.

## **Contributors**

### **Grant Wardell-Johnson**

E: [grant.wardelljohnson@kpmg.co.uk](mailto:grant.wardelljohnson@kpmg.co.uk)

### **Vinod Kalloe**

E: [kalloe.vinod@kpmg.com](mailto:kalloe.vinod@kpmg.com)

### **Danielle Rolfes**

E: [drolfes@kpmg.com](mailto:drolfes@kpmg.com)

### **Conrad Turley**

E: [conrad.turley@kpmg.com](mailto:conrad.turley@kpmg.com)

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