

# PILLAR TWO



# What is Pillar Two?

Pillar Two is designed to ensure that large internationally operating businesses pay a minimum level of tax regardless of where they are headquartered or the jurisdictions they operate in.

Pillar Two consists of:

## The Global anti-Base Erosion ("GloBE") Rules

### Income Inclusion Rule ("IIR")

Imposes top-up tax on a parent entity in respect of the low-tax income of a constituent entity ("CE") up to the minimum rate.

15% minimum rate

### Undertaxed Payment Rule ("UTPR")

Denies deductions or requires an equivalent adjustment to the extent the low-tax income of a CE is not subject to tax under an IIR.

## Subject to Tax Rule ("STTR")

A treaty-based rule that allows source jurisdictions to impose additional taxation on certain related party payments including interest and royalties up to the agreed minimum rate.

9% minimum rate

## TO WHOM DO THE GLOBE RULES APPLY?

The GloBE Rules apply to MNE Groups with annual revenue of EUR 750 million or more in at least two of the four immediately preceding fiscal years.

An MNE Group means any Group that includes at least one entity or permanent establishment ("PE") that is not located in the jurisdiction of the ultimate parent entity ("UPE").

### Excluded entities:

- Governmental entities
- International organisations
- Non-profit organisations
- Pension funds
- Investment fund that is an UPE
- Real estate investment vehicle that is an UPE



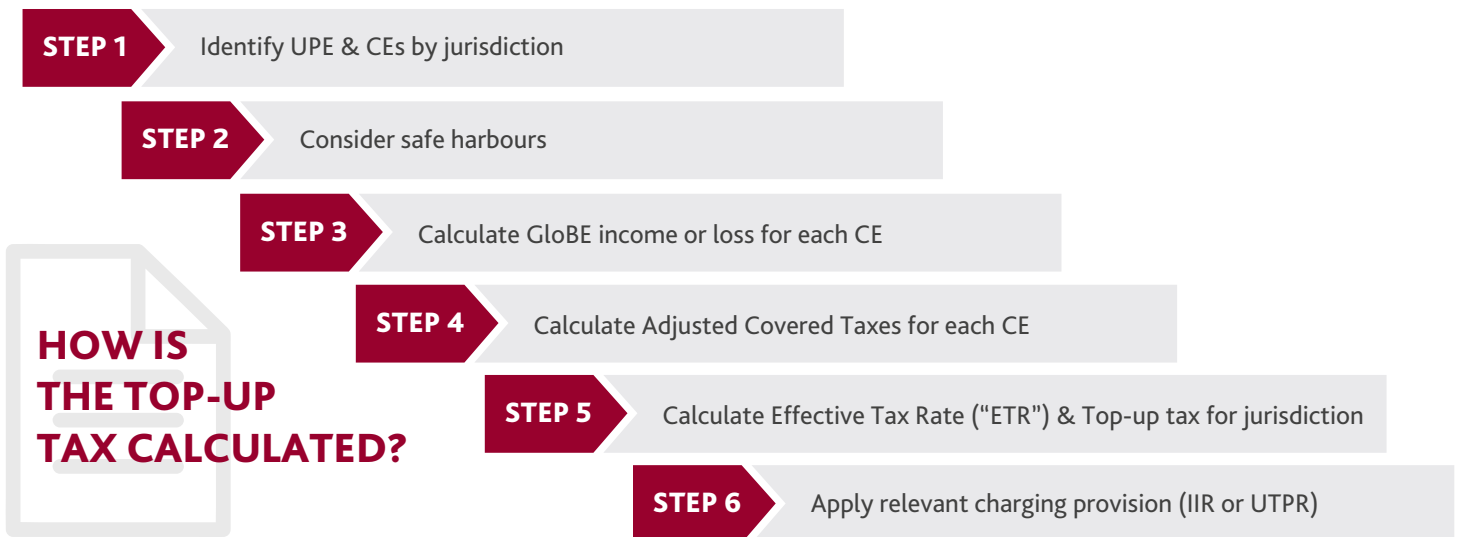
## WILL MALAYSIA IMPLEMENT THE GLOBE RULES?

As announced in the Budget 2024 speech on 13 October 2023,

Malaysia will introduce the global minimum tax (“GMT”) of **15%** under Pillar Two and plans to implement the Qualified Domestic Minimum Top-up Tax (“QDMTT”) in 2025.

QDMTT means a minimum tax that is included in the domestic law of a jurisdiction and takes priority over the GloBE Rules. This reduces the amount of top-up tax that may otherwise be applicable under the GloBE rules and payable in another jurisdiction.

The key operative rules set out in the GloBE Model Rules issued by the OECD are as follows:



## HOW CAN WE HELP YOU?



Safe harbour review



Impact assessment



Data & design  
requirements  
mapping



Reporting and  
compliance system  
evaluation



System  
implementation



Documentation  
and training



Compliance and  
reporting

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