# Ministry of Finance

## Pillar Two Guidance Document

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Issue Date
08/02/2025

Effective From
01/01/2025

Applicable To
MNE Groups with Consolidated Revenue ≥ EUR 750 Million

The UAE Ministry of Finance has issued a Pillar Two Guidance Document outlining the UAE's approach to implementing the **OECD Global Minimum Tax (GloBE Rules) under the BEPS 2.0 framework.**

Objective: Provide clarity on the mechanics, scope, and interaction of Pillar Two rules.

### 1 SCOPE OF PILLAR TWO

- Applies to MNE Groups with consolidated revenue ≥ EUR 750 million.
- Ensures a minimum effective tax rate of 15% across jurisdictions.

### 2 CORE MECHANISM OF PILLAR TWO

- Introduction of a 15% Global Minimum Effective Tax Rate (ETR) for MNE Groups.
- If the jurisdictional ETR is below 15%, a Top-up Tax will apply.
- Top-up Tax collected through: QDMTT-Qualified Domestic Minimum Top-up Tax (collected in UAE); IIR-Income Inclusion Rule (at Parent level); UTPR-Undertaxed Profits Rule (back-stop rule).
- ETR calculated using GloBE Income and Covered Taxes. Adjustments required for: Permanent differences, Temporary differences, Deferred tax, Excluded dividends and capital gains.
- Substance-Based Income Exclusion (SBIE) reduces Top-up Tax exposure.

### 3 UAE POLICY POSITION

- UAE has introduced QDMTT to ensure top-up tax is collected within UAE instead of other jurisdictions.
- This protects the UAE tax base and prevents foreign jurisdictions from applying IIR/UTPR on UAE entities.
- UAE remains a competitive jurisdiction while aligning with OECD BEPS Pillar Two framework.
- Free Zone 0% regime does not automatically mean no Pillar Two tax-ETR must still be tested under GloBE rules

### 4 ADDITIONAL RULE-SUBJECT TO TAX RULE (STTR)

- Applies to cross-border payments such as: Interest, Royalties, and Certain service payments.
- If such income is taxed below 9% in the recipient jurisdiction, the source country may impose additional withholding tax

### 5 COMPLIANCE REQUIREMENTS

- Filing of GloBE Information Return (GIR).
- Maintenance of Pillar Two calculations and documentation.
- Transitional Safe Harbour rules may apply: De-minimis test; Simplified ETR test; Routine profits test.
- Groups must perform jurisdiction-wise ETR computation annually.

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