Chapter 7.4: Permanent Safe Harbours

Learning Objective

After completing this chapter, you will be able to distinguish between transitional and permanent safe harbours, apply the QDMTT Safe Harbour to eliminate residual IIR liability, understand the framework for the Simplified Calculations Safe Harbour, and identify which jurisdictions qualify for permanent safe harbour relief.

1. Overview: Transitional vs Permanent Safe Harbours

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│ SAFE HARBOUR COMPARISON                             │
│                                                     │
│ TRANSITIONAL SAFE HARBOURS:                         │
│ ├── Transitional CbCR Safe Harbour                  │
│ │    → Expires: FY ending 30 June 2028              │
│ │    → Based on CbCR data                           │
│ │    → Transition rates: 15% → 16% → 17%            │
│ │                                                   │
│ └── Transitional UTPR Safe Harbour                  │
│      → Expires: FY ending 31 Dec 2026               │
│      → UPE jurisdiction ≥20% CIT only               │
│                                                     │
│ PERMANENT SAFE HARBOURS:                            │
│ ├── QDMTT Safe Harbour                              │
│ │    → No expiry                                    │
│ │    → Qualified QDMTT jurisdictions                │
```

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| |     → IIR Top-Up Tax = €0                                            |
| |                                                                       |
| └── Simplified Calculations Safe Harbour                                |
|       → No expiry (subject to 2028 review)                              |
|       → Based on simplified calculations                                |
|       → ETR threshold: 15% (permanent)                                  |
└                                                                         ┘
```

2. QDMTT Safe Harbour

2.1 Purpose

The QDMTT Safe Harbour **eliminates residual IIR liability** for jurisdictions that
have implemented a Qualified Domestic Minimum Top-Up Tax. When the safe
harbour applies, the Top-Up Tax under the GloBE Rules is deemed to be **zero**.

2.2 How It Works

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 WITHOUT QDMTT SAFE HARBOUR:


 Step 1: Calculate QDMTT under local rules
        → Ireland QDMTT = €426,394


 Step 2: Calculate GloBE Top-Up Tax
        → GloBE calculation = €432,000 (slightly different methodology)


 Step 3: IIR Top-Up Tax = GloBE − QDMTT
        → €432,000 − €426,394 = €5,606 residual IIR


 Result: MNE pays QDMTT locally + €5,606 IIR to UPE jurisdiction


 WITH QDMTT SAFE HARBOUR:


 Step 1: Calculate QDMTT under local rules
        → Ireland QDMTT = €426,394
```

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Step 2: GloBE Top-Up Tax = €0 (Safe Harbour applies)


Step 3: IIR Top-Up Tax = €0


Result: MNE pays QDMTT locally only — no residual IIR
```

2.3 Three Qualification Standards

For a jurisdiction's QDMTT to qualify for the Safe Harbour, it must meet **three standards**:

Standard	Description	Assessment
Accounting Standard	QDMTT computed using an Acceptable Financial Accounting Standard (same as or equivalent to GloBE)	Jurisdictional
Consistency Standard	QDMTT rules are consistent with the GloBE Model Rules and Commentary	Jurisdictional
Administration Standard	Jurisdiction applies QDMTT in a manner consistent with Administrative Guidance	Jurisdictional

2.4 Jurisdictional vs Entity-Level

The QDMTT Safe Harbour qualification is determined at the **jurisdictional level**, not entity-by-entity:

```
 QDMTT SAFE HARBOUR ASSESSMENT


 Ireland:
 ├── Accounting Standard: Uses IFRS → Meets standard
 ├── Consistency Standard: Irish rules align with GloBE → Meets standard
 ├── Administration Standard: Revenue applies consistently → Meets standa
 └── Result: Ireland QDMTT qualifies for Safe Harbour
```

```
ALL Stratos Irish entities benefit:
├── SG Ireland Ltd → QDMTT Safe Harbour applies
└── Atlas Ireland Ltd (MOCE) → QDMTT Safe Harbour applies
```

Qualifying Jurisdictions

Jurisdictions with Qualified QDMTT that generally meet the three standards include:

Region	Jurisdictions
EU	All EU Member States implementing Pillar Two Directive (Ireland, Germany, France, Netherlands, Luxembourg, etc.)
UK	UK Domestic Minimum Tax
Other	Various jurisdictions adopting GloBE-aligned QDMTT

Note: The OECD maintains a central record of legislation with transitional qualified status. Check this register for current qualifying jurisdictions.

Effect on Compliance

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 QDMTT SAFE HARBOUR COMPLIANCE IMPACT


When Safe Harbour applies:
□ Calculate QDMTT under local rules only
□ File local QDMTT return
□ Report Safe Harbour status in GIR
□ No separate GloBE calculation needed for that jurisdiction
□ No residual IIR liability


When Safe Harbour does NOT apply:
□ Calculate QDMTT under local rules
□ Calculate GloBE Top-Up Tax separately
```

```
☐ Pay difference via IIR (if GloBE > QDMTT)
☐ Dual calculation burden
```

3. Simplified Calculations Safe Harbour

2.1 Purpose

The Simplified Calculations Safe Harbour is a **permanent** framework allowing MNEs to use simplified calculations instead of full GloBE computations for qualifying jurisdictions.

Framework Status

As of 2025, the Simplified Calculations Safe Harbour framework has been agreed in principle, with detailed methodology subject to ongoing refinement and a **2028 review**.

The Three Tests (Simplified)

Like the Transitional CbCR Safe Harbour, the Simplified Calculations Safe Harbour uses three tests, but with **simplified calculation methodologies**:

```
 SIMPLIFIED CALCULATIONS SAFE HARBOUR TESTS

Test 1: SIMPLIFIED DE MINIMIS TEST
├── Simplified Revenue < €10 million, AND
└── Simplified Income < €1 million


Test 2: SIMPLIFIED ETR TEST
├── Simplified Covered Taxes ÷ Simplified Income ≥ 15%
└── Note: Permanent 15% rate (not transitional rates)


Test 3: SIMPLIFIED ROUTINE PROFITS TEST
└── Simplified Income ≤ SBIE
```

```
Pass ANY ONE test → Safe Harbour applies → Top-Up Tax = €0
```

Simplified Calculations Defined

Calculation	Description
Simplified Income	Alternative to GloBE Income, using financial accounting data with limited adjustments
Simplified Revenue	Alternative to GloBE Revenue, based on CbCR or financial statements
Simplified Tax	Alternative to Adjusted Covered Taxes, using financial statement tax expense with limited adjustments

Key Differences from Transitional CbCR Safe Harbour

Aspect	Transitional CbCR	Simplified Calculations
Time limit	Expires 30 June 2028	**Permanent**
ETR threshold	15% → 16% → 17%	**15%** (fixed)
Data source	CbCR Report	Financial statements with adjustments
"Once out" rule	Yes	TBD
Methodology	Fixed	Subject to 2028 review

2028 Methodology Review

The Inclusive Framework has committed to reviewing the Simplified Calculations methodology **no later than 2028** to evaluate: - Whether the integrity of the GloBE
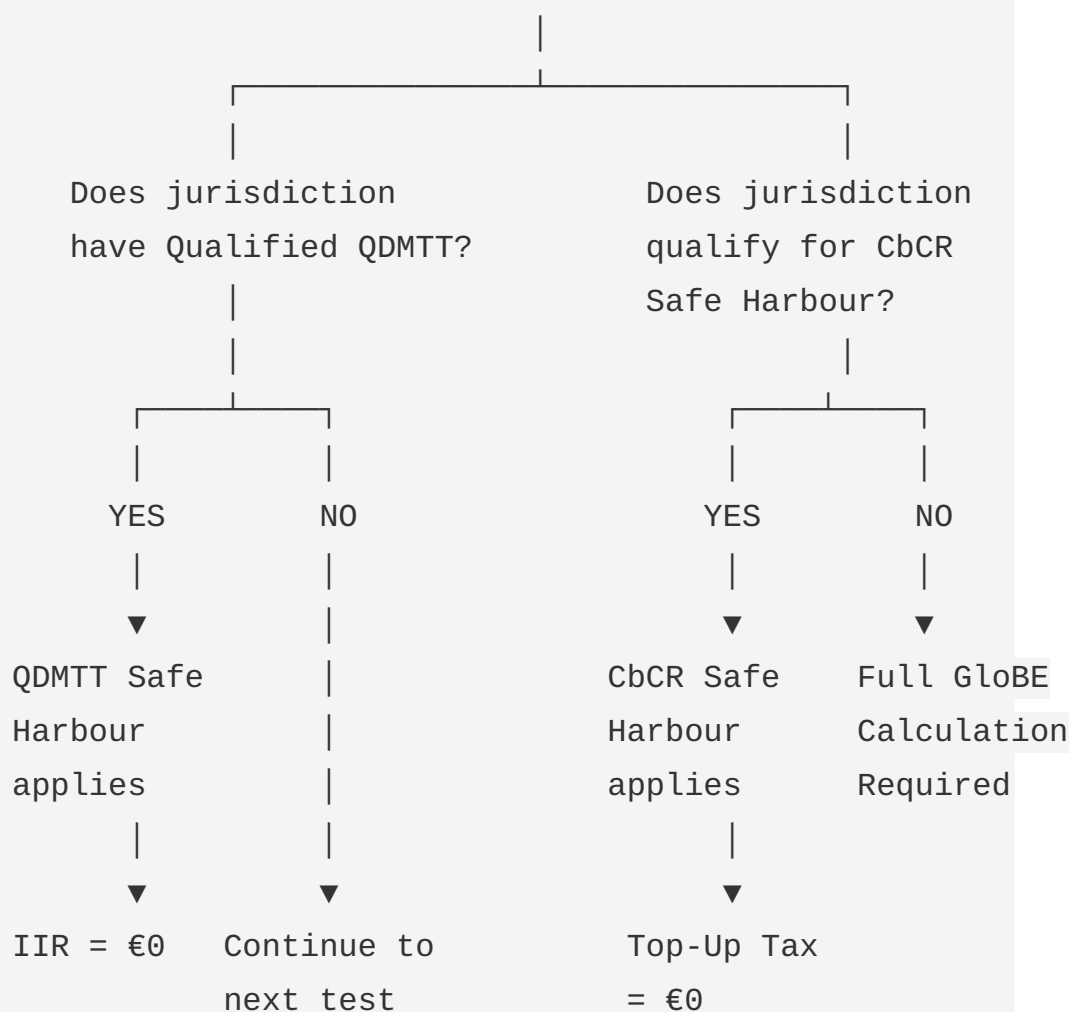
Rules is undermined - Potential adjustments to simplified calculation definitions - Ongoing suitability of the safe harbour approach

Interaction Between Safe Harbours

Decision Tree

```
 SAFE HARBOUR DECISION TREE


 For each jurisdiction:
                            |
                  ┌─────────┴─────────┐
                  |                   |
          Does jurisdiction    Does jurisdiction
          have Qualified QDMTT?  qualify for CbCR
                  |              Safe Harbour?
                  |                   |
              ┌───┴───┐           ┌───┴───┐
              |       |           |       |
             YES      NO         YES      NO
              |       |           |       |
              ▼       |           ▼       ▼
          QDMTT Safe  |       CbCR Safe  Full GloBE
          Harbour     |       Harbour    Calculation
          applies     |       applies    Required
              |       |           |
              ▼       ▼           ▼
          IIR = €0  Continue to  Top-Up Tax
                    next test    = €0
```

Priority and Stacking

Scenario	Safe Harbour Applied	Result
QDMTT jurisdiction + CbCR qualifies	QDMTT Safe Harbour (primary)	IIR = €0; QDMTT paid locally
QDMTT jurisdiction + CbCR fails	QDMTT Safe Harbour	IIR = €0; QDMTT paid locally
No QDMTT + CbCR qualifies	CbCR Safe Harbour	Top-Up Tax = €0
No QDMTT + CbCR fails	None	Full GloBE calculation

Stratos Worked Example: Permanent Safe Harbour Analysis

4.1 Background

Stratos Holdings plc analyses permanent safe harbour eligibility for FY 2025.

QDMTT Status by Jurisdiction

Jurisdiction	Has QDMTT?	Meets 3 Standards?	QDMTT Safe Harbour?
UK	Yes	Yes	**Yes**
Germany	Yes	Yes	**Yes**
Ireland	Yes	Yes	**Yes**
Luxembourg	Yes	Yes	**Yes**
Singapore	No	N/A	No

Jurisdiction	Has QDMTT?	Meets 3 Standards?	QDMTT Safe Harbour?
USA	No	N/A	No
Cayman	No	N/A	No

Safe Harbour Strategy

Jurisdiction	QDMTT SH?	CbCR SH?	Result
UK	**Yes**	(Not needed)	IIR = €0; UK DMT applies
Germany	**Yes**	(Not needed)	IIR = €0; German QDMTT applies
Ireland	**Yes**	(Not needed)	IIR = €0; Irish QDMTT applies
Luxembourg	**Yes**	(Yes - De Minimis)	IIR = €0; Lux QDMTT applies
Singapore	No	No (failed tests)	**Full GloBE calculation**
USA	No	Yes (Simplified ETR)	**Top-Up Tax = €0**
Cayman	No	No (failed tests)	**Full GloBE calculation**

Compliance Impact

Jurisdiction	Safe Harbour	Full GloBE Calc?	Top-Up Tax Outcome
UK	QDMTT	No	IIR = €0

Jurisdiction	Safe Harbour	Full GloBE Calc?	Top-Up Tax Outcome
Germany	QDMTT	No	IIR = €0
Ireland	QDMTT	No	IIR = €0 (QDMTT €426,394 local)
Luxembourg	QDMTT + CbCR	No	IIR = €0
Singapore	None	**Yes**	€197,498 IIR
USA	CbCR	No	Top-Up Tax = €0
Cayman	None	**Yes**	€280,480 IIR

Result: Only 2 jurisdictions require full GloBE calculation (Singapore, Cayman).

Ireland Deep Dive: QDMTT Safe Harbour

Item	QDMTT Calculation	GloBE Calculation (if done)
GloBE Income	€15,000,000	€15,000,000
Covered Taxes	€1,770,000	€1,770,000
ETR	11.80%	11.80%
SBIE	€1,675,200	€1,675,200
Excess Profit	€13,324,800	€13,324,800
Top-Up Tax	€426,394	€426,394

With QDMTT Safe Harbour: - Ireland collects €426,394 via QDMTT - GloBE Top-Up Tax = €0 (Safe Harbour) - IIR to UK = €0

Without QDMTT Safe Harbour (hypothetical): - If GloBE calculation differed (e.g., €432,000 due to methodology differences) - IIR to UK = €432,000 − €426,394 = €5,606 residual

Safe Harbour benefit: Eliminates €5,606 residual and avoids dual calculation.

Central Record of Qualified Status

OECD Central Register

The OECD maintains a **Central Record of Legislation with Transitional Qualified Status**, which identifies: - Jurisdictions with Qualified QDMTT - Jurisdictions with transitional qualified status - Implementation dates and scope

How to Use the Register

```
 CHECKING QDMTT SAFE HARBOUR ELIGIBILITY

 Step 1: Access OECD Central Record
         → www.oecd.org/tax/beps/

 Step 2: Identify jurisdiction
         → Check if QDMTT is listed

 Step 3: Verify standards met
         → Accounting Standard
         → Consistency Standard
         → Administration Standard

 Step 4: Confirm effective dates
         → QDMTT must be in force for relevant fiscal year

 Step 5: Apply Safe Harbour
         → Report in GIR
```

Switch-Off Mechanism

The QDMTT Safe Harbour includes a **switch-off mechanism**: - If a jurisdiction's QDMTT no longer meets the three standards - The Safe Harbour is "switched off" for that jurisdiction - MNEs must then perform full GloBE calculations

5. GIR Reporting for Safe Harbours

Safe Harbour Disclosure

Even when safe harbours apply, the GIR must be filed with appropriate disclosures:

Safe Harbour	GIR Disclosure Required
QDMTT Safe Harbour	Identify jurisdiction; confirm QDMTT paid
CbCR Safe Harbour	Identify jurisdiction; identify test passed
Simplified Calculations	Identify jurisdiction; simplified calculation details

Reduced Reporting Burden

When Safe Harbours apply, certain GIR sections are **simplified**:

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 GIR REPORTING WITH SAFE HARBOURS


Jurisdiction with QDMTT Safe Harbour:
├── Report Safe Harbour claim: YES
├── ETR Computation section: Simplified (QDMTT data)
├── Top-Up Tax section: Top-Up Tax = €0
└── Full GloBE adjustments: NOT required


Jurisdiction with CbCR Safe Harbour:
├── Report Safe Harbour claim: YES
├── ETR Computation section: NOT required
```

```
├── Top-Up Tax section: Top-Up Tax = €0
└── Test passed: Identify which test (De Minimis / ETR / Routine)
```

6. Common Pitfalls

Pitfall 1: Assuming All QDMTT Jurisdictions Qualify

Error: Assuming any jurisdiction with a domestic minimum tax qualifies for QDMTT Safe Harbour.

Correct approach: Verify the jurisdiction's QDMTT meets all three standards (Accounting, Consistency, Administration). Check the OECD Central Record.

Pitfall 2: Confusing CbCR and QDMTT Safe Harbours

Error: Applying CbCR Safe Harbour to a QDMTT jurisdiction and missing the QDMTT benefit.

Correct approach: QDMTT Safe Harbour is the primary relief for QDMTT jurisdictions. CbCR Safe Harbour is for non-QDMTT jurisdictions.

Pitfall 3: Ignoring the Switch-Off Mechanism

Error: Continuing to apply QDMTT Safe Harbour after a jurisdiction's QDMTT is disqualified.

Correct approach: Monitor OECD updates for any switch-off announcements. Adjust calculations accordingly.

Pitfall 4: Omitting Safe Harbour Disclosure in GIR

Error: Not reporting Safe Harbour elections in the GIR.

Correct approach: Always disclose Safe Harbour claims in the GIR Summary section, even though detailed calculations are not required.

Pitfall 5: Assuming No GIR Filing When Safe Harbours Apply

Error: Believing that Safe Harbour eligibility eliminates the GIR filing requirement.

Correct approach: GIR must still be filed. Safe Harbours reduce the content/ complexity of the GIR, not the filing obligation itself.

7. Permanent Safe Harbour Checklist

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 PERMANENT SAFE HARBOUR CHECKLIST
MNE Group: _____
Fiscal Year: _____


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SECTION A: QDMTT SAFE HARBOUR ASSESSMENT
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Jurisdiction: _____

□ Does jurisdiction have QDMTT?                           YES / NO

    If NO: QDMTT Safe Harbour not available.
           Check CbCR / Simplified Calculations Safe Harbour.

□ Check OECD Central Record:
    □ Jurisdiction listed?                                YES / NO
    □ Transitional qualified status?                      YES / NO
    □ Full qualified status?                              YES / NO

□ Three Standards Assessment:
    □ Accounting Standard met?                            YES / NO
    □ Consistency Standard met?                           YES / NO
    □ Administration Standard met?                        YES / NO

□ **QDMTT Safe Harbour applies?**                         YES / NO
```

```
   If YES:
   ☐ GloBE Top-Up Tax = €0
   ☐ IIR liability = €0
   ☐ QDMTT paid locally: €_____
   ☐ Report in GIR: Safe Harbour claimed


(Repeat for each jurisdiction with QDMTT)
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SECTION B: SIMPLIFIED CALCULATIONS SAFE HARBOUR (POST-TRANSITION)

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Note: Framework subject to 2028 review. Apply transitional CbCR Safe Harbour during transition period; monitor for finalised permanent rules

Jurisdiction: _____

☐ Does CbCR Safe Harbour apply (if within transition period)? YES / NO

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   If transition period ended:
   ☐ Apply Simplified De Minimis Test                     PASS / FAIL
   ☐ Apply Simplified ETR Test (15% threshold)            PASS / FAIL
   ☐ Apply Simplified Routine Profits Test                PASS / FAIL
```

☐ **Simplified Calculations Safe Harbour applies?**   YES / NO

(Repeat for each non-QDMTT jurisdiction)

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SECTION C: SUMMARY

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Jurisdiction	QDMTT SH?	CbCR/Simplified SH?	Full GloBE?
	YES/NO	YES/NO	YES/NO

| | YES/NO | YES/NO | YES/NO |
| | YES/NO | YES/NO | YES/NO |

☐ Total jurisdictions with Safe Harbour relief: _____

☐ Total jurisdictions requiring full GloBE: _____

☐ GIR filing required?   YES

☐ Safe Harbour disclosures prepared?   YES / NO