Chapter 5.4: Qualified Domestic Minimum Top-Up Tax (QDMTT)

Learning Objective

After completing this chapter, you will be able to identify jurisdictions with a Qualified Domestic Minimum Top-Up Tax (QDMTT), understand the QDMTT priority rule, apply the QDMTT Safe Harbour, and determine when QDMTT eliminates IIR/UTPR liability.

Key References

OECD GloBE Model Rules: - Article 10.1 — QDMTT definition - Article 5.2.3(d) — QDMTT offset against Jurisdictional Top-Up Tax

QDMTT Administrative Guidance: - July 2023: QDMTT design requirements and Safe Harbour framework - February 2023: Functional equivalence criteria - January 2025: Central Record of Legislation with Transitional Qualified Status

OECD Resources: - Central Record of Qualified Status: oecd.org/en/topics/sub-issues/global-minimum-tax/central-record-of-legislation-with-transitional-qualified-status.html

1. What Is QDMTT?

A **Qualified Domestic Minimum Top-Up Tax (QDMTT)** is a domestic tax that a jurisdiction imposes on its own low-taxed entities to bring them up to the 15% minimum rate—before any IIR or UTPR can apply.

1.1 The Core Concept

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│                      WITHOUT QDMTT                               │
│                                                                  │
│   Low-taxed subsidiary          →    Parent jurisdiction         │
│   (e.g., Singapore 10%)                collects Top-Up Tax       │
│                                        under IIR                 │
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│                       WITH QDMTT                                 │
│                                                                  │
│   Low-taxed subsidiary          →    Source jurisdiction         │
│   (e.g., Ireland 11.8%)                collects QDMTT            │
│                                                                  │
│   Parent jurisdiction           →    No Top-Up Tax (already      │
│                                        covered by QDMTT)         │
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1.2 Why Jurisdictions Implement QDMTT

Reason	Explanation
Preserve taxing rights	Retain the Top-Up Tax revenue domestically rather than losing it to parent jurisdictions
Simplify compliance	Single calculation under domestic law rather than multiple GloBE calculations
Protect incentives	Coordinate with existing tax incentives while meeting minimum tax requirements
Competitive positioning	Demonstrate commitment to global tax framework while maintaining investment attractiveness

2. QDMTT Priority Rule

QDMTT applies **first** in the rule order:

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 1. QDMTT (source jurisdiction) — Applies first
            ↓
2. IIR (parent jurisdiction) — Applies to remaining Top-Up Tax
            ↓
3. UTPR (sister jurisdictions) — Backstop for uncollected Top-Up Tax
```

2.1 Practical Effect

Scenario	QDMTT	IIR/UTPR
QDMTT covers 100% of Top-Up Tax	Full liability	€0
QDMTT covers 80% of Top-Up Tax	80%	20%
No QDMTT in jurisdiction	€0	Full liability

2.2 Stratos Example: Ireland

Item	Amount
Jurisdictional Top-Up Tax	€426,394
Ireland QDMTT	(€426,394)
IIR Liability (UK)	**€0**

Ireland retains the full Top-Up Tax through its QDMTT. No IIR charge to Stratos Holdings plc.

3. Qualifying Criteria (Article 10.1)

For a domestic minimum tax to be a "Qualified" DMTT, it must meet three requirements:

3.1 Requirement 1: Functional Equivalence

The QDMTT must determine Excess Profits in a manner **equivalent to the GloBE Rules**:

Element	Must Be Equivalent
GloBE Income calculation	Same adjustments as Articles 3.1-3.5
Covered Taxes calculation	Same as Articles 4.1-4.6
ETR calculation	Same formula as Article 5.1
SBIE calculation	Same payroll/asset carve-outs
Excess Profit determination	Same as Article 5.2

Permitted variations: - Apply to MNEs below €750M threshold (voluntary extension) - Apply to purely domestic groups - Use domestic accounting standards (if consistent outcomes)

3.2 Requirement 2: Top-Up to Minimum Rate

The QDMTT must increase domestic tax liability on Excess Profits to the **15% minimum rate**:

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QDMTT = (15% − Domestic ETR) × Domestic Excess Profits
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Key point: The QDMTT must result in tax **equal to or greater than** what would arise under GloBE Rules. A QDMTT that systematically produces less tax will not qualify.

3.3 Requirement 3: Consistent Administration

The QDMTT must be implemented and administered **consistently with GloBE outcomes**:

Must Avoid	Explanation
Related benefits	Tax benefits that offset the QDMTT effect
Systematic shortfalls	Design features that consistently reduce QDMTT below GloBE amount
Cherry-picking	Selective application to certain MNEs or income types

4. QDMTT Safe Harbour

The **QDMTT Safe Harbour** is a permanent simplification mechanism introduced in July 2023.

4.1 How It Works

When a jurisdiction has QDMTT Safe Harbour status:

1. **Single calculation:** MNE only needs to calculate Top-Up Tax under domestic QDMTT rules
2. **Deemed nil Top-Up Tax:** GloBE Top-Up Tax is deemed to be zero for that jurisdiction
3. **No duplicate computation:** No need to run parallel GloBE calculations

4.2 Eligibility for Safe Harbour

Criterion	Requirement
Qualified QDMTT	Domestic law meets Article 10.1 requirements
	Listed on OECD Central Record

Criterion	Requirement
Inclusive Framework recognition	
No related benefits	No tax incentives that reduce QDMTT effectiveness
Transitional or permanent status	Either transitional qualified status or full peer review

4.3 Benefits of Safe Harbour

Benefit	Description
Reduced compliance burden	One calculation instead of two
Administrative simplicity	No reconciliation between QDMTT and GloBE calculations
Certainty	Clear outcome based on domestic rules

5. QDMTT Implementation Status

5.1 Jurisdictions with QDMTT (as of 2025)

European Union (22 of 27 Member States):

Country	QDMTT Status	IIR Status	Notes
Austria	✅ 2024	✅ 2024	
Belgium	✅ 2024	✅ 2024	
Czech Republic	✅ 2024	✅ 2024	

Country	QDMTT Status	IIR Status	Notes
Denmark	✅ 2024	✅ 2024	
Finland	✅ 2024	✅ 2024	
France	✅ 2024	✅ 2024	
Germany	✅ 2024	✅ 2024	
Hungary	✅ 2024	✅ 2024	
Ireland	✅ 2024	✅ 2024	Safe Harbour status
Italy	✅ 2024	✅ 2024	
Luxembourg	✅ 2024	✅ 2024	
Netherlands	✅ 2024	✅ 2024	
Sweden	✅ 2024	✅ 2024	

Non-EU Europe:

Country	QDMTT Status	IIR Status	Notes
United Kingdom	✅ 2024	✅ 2024	Safe Harbour status
Switzerland	✅ 2024	✅ 2025	IIR from 2025
Norway	✅ 2024	✅ 2024	
Liechtenstein	✅ 2024	✅ 2024	

Asia-Pacific:

Country	QDMTT Status	IIR Status	Notes
South Korea	✅ 2024	✅ 2024	
Japan	✅ 2024	✅ 2024	Safe Harbour status
Australia	✅ 2024	✅ 2024	Based on draft legislation
Singapore	❌ No QDMTT	❌ No IIR	Subject to other jurisdictions' IIR
Hong Kong	✅ 2025	❌ Pending	QDMTT only initially

Other Key Jurisdictions:

Country	QDMTT Status	Notes
Canada	✅ 2024	Safe Harbour status
UAE	✅ 2025	15% corporate tax from 2025
Isle of Man	✅ 2025	Safe Harbour status
Jersey	✅ 2025	
Guernsey	✅ 2025	

5.2 Checking Current Status

OECD Central Record: The OECD maintains an updated list of jurisdictions with transitional qualified status for both QDMTT and IIR. Always verify current status before relying on QDMTT offset:

[Central Record of Legislation with Transitional Qualified Status]

6. Transitional Qualified Status

6.1 What Is Transitional Status?

During the initial implementation period, the Inclusive Framework allows **transitional qualified status** for jurisdictions that have enacted QDMTT legislation but have not yet completed full peer review.

4.1 How It Works

Status	Meaning	Duration
Transitional Qualified	Self-certified compliance; full peer review pending	Until peer review complete
Fully Qualified	Peer review completed; confirmed compliance	Permanent
Conditional DMTT	Applies only when MNE is subject to GloBE elsewhere	2024 only (must become unconditional)

6.3 Elective DMTT Special Rule

Some jurisdictions implemented **Elective DMTTs** in 2024 (where MNEs could choose whether to apply). These can qualify for transitional status if:

1. The DMTT becomes non-elective in subsequent years
2. MNEs cannot claim Safe Harbour if they elected out

7. Stratos QDMTT Analysis

7.1 Jurisdiction Assessment

Jurisdiction	QDMTT Status	Impact on Stratos
Germany	✅ QDMTT	Not applicable (ETR 23% > 15%)

Jurisdiction	QDMTT Status	Impact on Stratos
Singapore	❌ No QDMTT	Full Top-Up Tax via IIR
Ireland	✅ QDMTT (Safe Harbour)	Ireland retains Top-Up Tax
UK	✅ QDMTT (Safe Harbour)	Not applicable (parent; high-tax)

7.2 Detailed Analysis: Ireland

Without QDMTT: - Jurisdictional Top-Up Tax: €426,394 - IIR applies: UK collects €426,394

With QDMTT: - Ireland collects QDMTT: €426,394 - IIR liability: €0 - **Revenue stays in Ireland**

7.3 Detailed Analysis: Singapore

Current status: Singapore has not implemented QDMTT.

Impact: - Jurisdictional Top-Up Tax: €197,498 - No QDMTT offset available - IIR applies: UK collects €197,498

Future consideration: If Singapore implements QDMTT, the Top-Up Tax would be collected in Singapore rather than the UK.

8. QDMTT Calculation Mechanics

When applying QDMTT, the source jurisdiction typically follows GloBE-equivalent calculations:

8.1 Step 1: Determine Domestic GloBE Income

Using domestic implementation of GloBE Income adjustments (same as Chapter 3).

8.2 Step 2: Determine Domestic Covered Taxes

Using domestic implementation of Covered Tax adjustments (same as Chapter 4).

8.3 Step 3: Calculate Domestic ETR

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Domestic ETR = Domestic Covered Taxes ÷ Domestic GloBE Income
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8.4 Step 4: Calculate Domestic SBIE

Using domestic implementation of payroll and tangible asset carve-outs.

8.5 Step 5: Calculate QDMTT

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QDMTT = (15% − Domestic ETR) × (Domestic GloBE Income − Domestic SBIE)
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8.6 Potential Variations

QDMTT calculations may differ slightly from GloBE calculations due to:

Variation	Effect
Domestic accounting standards	May produce different GloBE Income
Rounding differences	Minor computational variations
Local elections	Different election choices than group-wide

Key principle: Any variation must result in QDMTT **equal to or greater than** GloBE Top-Up Tax. If domestic calculation produces less, the jurisdiction loses qualified status.

9. Interaction with IIR and UTPR

9.1 Offset Mechanics

Scenario	QDMTT Effect	IIR/UTPR Amount
QDMTT = Full Top-Up Tax	Full offset	€0

Scenario	QDMTT Effect	IIR/UTPR Amount
QDMTT < Top-Up Tax	Partial offset	Difference
QDMTT > Top-Up Tax	Full offset	€0 (excess not refunded)

9.2 Example: Partial QDMTT Coverage

Hypothetical: A jurisdiction's QDMTT covers only 80% of the GloBE Top-Up Tax due to calculation differences.

Item	Amount
GloBE Jurisdictional Top-Up Tax	€100,000
QDMTT Paid	€80,000
IIR Liability	**€20,000**

Note: This scenario is rare. Properly designed QDMTTs should cover the full GloBE amount.

10. Common Pitfalls

10.1 Pitfall 1: Assuming All Domestic Minimum Taxes Are QDMTTs

Error: Treating any domestic minimum tax as qualifying for GloBE offset.

Correct approach: Verify the jurisdiction is listed on the OECD Central Record with transitional or permanent qualified status.

10.2 Pitfall 2: Ignoring Transitional Status Conditions

Error: Relying on QDMTT offset without checking if transitional conditions are met.

Correct approach: Confirm the jurisdiction's status is current and any conditions (e.g., non-elective requirement) are satisfied.

10.3 Pitfall 3: Forgetting Safe Harbour Election

Error: Running full GloBE calculations for a QDMTT Safe Harbour jurisdiction.

Correct approach: If Safe Harbour applies, deem GloBE Top-Up Tax as zero and rely on domestic QDMTT calculation.

10.4 Pitfall 4: Overlooking Related Benefits

Error: Assuming QDMTT qualifies when jurisdiction offers offsetting tax benefits.

Correct approach: Check for "related benefits" that may disqualify the QDMTT from qualified status.

10.5 Pitfall 5: Not Updating Jurisdiction Lists

Error: Using outdated information on which jurisdictions have implemented QDMTT.

Correct approach: Regularly check the OECD Central Record for updates, especially for new fiscal years.

11. QDMTT Assessment Checklist

Use this checklist when analysing QDMTT impact:

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 QDMTT ASSESSMENT CHECKLIST
Jurisdiction: _________________________
Fiscal Year: _________________________

STEP 1: QDMTT STATUS
□ Check OECD Central Record for current status
□ Confirm transitional or permanent qualified status
□ Verify Safe Harbour eligibility

Status: □ No QDMTT  □ Transitional Qualified  □ Fully Qualified
Safe Harbour: □ Yes  □ No

STEP 2: TOP-UP TAX EXPOSURE
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Is this jurisdiction low-taxed (ETR < 15%)?    □ Yes  □ No

If NO: QDMTT analysis not required (no Top-Up Tax)

If YES: Continue to Step 3

STEP 3: QDMTT OFFSET
Jurisdictional Top-Up Tax (from Ch. 5.3):      €__________________

QDMTT Amount:
□ QDMTT covers full Top-Up Tax                 €__________________
□ QDMTT covers partial amount                  €__________________
□ No QDMTT (jurisdiction has not implemented)  €0

STEP 4: NET IIR/UTPR LIABILITY
Jurisdictional Top-Up Tax:                     €__________________
Less: QDMTT Offset:                            (€__________________)
                                               ___________________
NET IIR/UTPR LIABILITY:                        €__________________

STEP 5: DOCUMENTATION
□ OECD Central Record screenshot saved
□ Domestic QDMTT legislation reviewed
□ QDMTT calculation documented (if applicable)
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