

Chapter 8.4: QDMTT Qualification Standards

Learning Objective

After completing this chapter, you will be able to apply the three qualification standards (Accounting, Consistency, Administration) that determine whether a jurisdiction's QDMTT qualifies for Safe Harbour status, understand the peer review process for QDMTT qualification, identify jurisdictions with qualified QDMTT status, and monitor for ongoing qualification changes.

QDMTT QUALIFICATION FRAMEWORK

QDMTT = Domestic minimum top-up tax on low-taxed profits

QUALIFIED QDMTT = QDMTT that meets three standards:

- 1. Accounting Standard
- 2. Consistency Standard
- 3. Administration Standard

QDMTT SAFE HARBOUR = Qualified QDMTT that prevents residual IIR

EFFECT OF QUALIFICATION:

- QDMTT applies first (priority in rule order)
- IIR Top-Up Tax = €0 (Safe Harbour applies)
- No dual calculation burden

| — Revenue stays in source jurisdiction

Why Qualification Matters

Scenario	Effect on MNE
Qualified QDMTT + Safe Harbour	Pay QDMTT locally; no IIR to UPE jurisdiction
Qualified QDMTT, no Safe Harbour	Pay QDMTT; may have residual IIR if calculations differ
Non-qualified QDMTT	QDMTT may not reduce IIR; potential double payment risk
No QDMTT	Full IIR applies; revenue flows to UPE jurisdiction

2. The Three Qualification Standards

2.1 Standard 1: Accounting Standard

The Accounting Standard ensures the QDMTT is based on **acceptable financial accounts**.

ACCOUNTING STANDARD REQUIREMENTS

The QDMTT must be computed using:

OPTION A: Consolidated Financial Statements

- Accounts used for UPE's consolidated reporting
- IFRS, US GAAP, or equivalent standard
- Subject to external audit

OPTION B: Local Statutory Accounts

- └ Required under domestic corporate/tax law
- └ Prepared using acceptable accounting standard
- └ Subject to external financial audit

OPTION C: Authorised Financial Accounting Standard

- └ Elected by MNE Group
- └ Listed as acceptable by Inclusive Framework
- └ Applied consistently

KEY REQUIREMENT:

Financial accounts must be:

- ☐ Required under domestic law, OR
- ☐ Subject to external financial audit

If neither condition is met:

- QDMTT may still be "qualified"
- But QDMTT Safe Harbour does NOT apply

2.2 Standard 2: Consistency Standard

The Consistency Standard requires QDMTT computations to **align with GloBE Rules**.

CONSISTENCY STANDARD REQUIREMENTS

The QDMTT must produce outcomes consistent with GloBE Rules:

REQUIRED ALIGNMENT:

- ☐ GloBE Income calculation methodology
- ☐ Covered Taxes definition and adjustments
- ☐ ETR calculation formula
- ☐ SBIE computation (transition rates)
- ☐ Top-Up Tax calculation
- ☐ Allocation rules

PERMITTED VARIATIONS:

- ☐ Variations explicitly permitted in Commentary
- ☐ Variations approved by Inclusive Framework
- ☐ Local currency instead of EUR

NOT PERMITTED:

- ✗ Omitting GloBE adjustments
- ✗ Using different income definitions
- ✗ Applying different tax base
- ✗ Excluding certain taxes from Covered Taxes
- ✗ Modifying SBIE percentages

ASSESSMENT:

- Jurisdictional evaluation (not entity-specific)
- Conducted through peer review
- Switch-off applies if standard not met

2.3 Standard 3: Administration Standard

The Administration Standard ensures the QDMTT is **applied consistently in practice**.

ADMINISTRATION STANDARD REQUIREMENTS

The jurisdiction must:

APPLY RULES CONSISTENTLY:

- ☐ Tax administration follows GloBE methodology
- ☐ Assessments align with QDMTT legislation
- ☐ Guidance consistent with GloBE Commentary
- ☐ No administrative practices that undermine rules

AVOID PILLAR TWO-RELATED BENEFITS:

- ☐ No tax incentives tied to Pillar Two status

- ☐ No rebates of QDMTT paid
- ☐ No credits that effectively offset QDMTT
- ☐ No rulings that circumvent QDMTT

ONGOING MONITORING:

- ☐ Inclusive Framework monitors administration
- ☐ Issues may trigger review
- ☐ Continued qualification requires compliance

Summary: Three Standards

Standard	Focus	Key Test
Accounting	Financial data source	Acceptable accounts, audited or required by law
Consistency	Calculation methodology	Aligns with GloBE Rules
Administration	Practical application	Applied consistently, no circumvention

QDMTT Safe Harbour

What Is the QDMTT Safe Harbour?

The QDMTT Safe Harbour **eliminates residual IIR liability** when a jurisdiction's QDMTT meets all three standards.

QDMTT SAFE HARBOUR MECHANISM

WITHOUT SAFE HARBOUR:

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

Step 2: Calculate GloBE Top-Up Tax under GloBE Rules	
→ GloBE calculation = €432,000 (methodology differences)	
Step 3: IIR = GloBE Top-Up Tax – QDMTT paid	
→ €432,000 – €426,394 = €5,606 residual IIR	
Result: MNE pays QDMTT (€426,394) + IIR (€5,606) = €432,000	

WITH SAFE HARBOUR:

Step 1: Calculate QDMTT under local rules	
→ Ireland QDMTT = €426,394	
Step 2: QDMTT Safe Harbour applies	
→ GloBE Top-Up Tax deemed = €0	
Step 3: IIR = €0	
Result: MNE pays QDMTT only (€426,394)	
No dual calculation required	

Safe Harbour Requirements

For QDMTT Safe Harbour to apply:

Requirement	Description
Qualified QDMTT	Meets all three standards
Accounting Standard	Financial accounts audited or required by law
No MNE exclusion	MNE must actually be subject to the QDMTT

Requirement	Description
Central Record listing	Jurisdiction listed on OECD Central Record

Peer Review Process

Transitional Qualification Mechanism

For the initial implementation period (2024-2026), the Inclusive Framework uses a **simplified self-certification process**:

TRANSITIONAL QUALIFICATION PROCESS

Step 1: SELF-CERTIFICATION

- └ Jurisdiction confirms legislation meets standards
- └ Provides key features of QDMTT legislation
- └ Submits to Inclusive Framework

Step 2: CIRCULATION TO MEMBERS

- └ Information shared with all IF members
- └ 60-day review period

Step 3: MEMBER QUESTIONS

- └ IF members may raise questions
- └ Questions must relate to qualified status
- └ Jurisdiction must respond

Step 4: RESOLUTION

- └ Questions discussed and resolved
- └ Clarifications provided
- └ Amendments made if necessary

Step 5: DETERMINATION

- └ If no questions OR questions resolved:
 - | → Transitional Qualified Status GRANTED

- |
 - └─ If questions unresolved:
 - Consensus-minus-one decision
 - May deny qualified status

Step 6: PUBLICATION

- └─ Listed on Central Record

Full Legislative Review

The **full peer review** (to replace transitional mechanism) involves:

FULL LEGISLATIVE REVIEW PROCESS

Phase 1: LEGISLATION ASSESSMENT

- └─ Detailed examination of QDMTT legislation
- └─ Line-by-line comparison to GloBE Rules
- └─ Identification of any deviations
- └─ Assessment against three standards

Phase 2: IMPLEMENTATION REVIEW

- └─ How legislation is applied in practice
- └─ Tax administration guidance reviewed
- └─ Rulings and interpretations examined
- └─ No Pillar Two-related benefits check

Phase 3: OUTCOME DETERMINATION

- └─ Full qualified status, OR
- └─ Qualified with conditions, OR
- └─ Not qualified

Phase 4: ONGOING MONITORING

- └─ Continuous assessment of application

- └─ Review of legislative amendments
- └─ Status can be changed if issues arise

Switch-Off Rule

If a QDMTT loses qualified status:

SWITCH-OFF MECHANISM

TRIGGER:

- Peer review identifies non-compliance
- Legislation amended inconsistently
- Administrative practices undermine QDMTT
- Pillar Two-related benefits provided

PROCESS:

1. IF identifies concern with jurisdiction's QDMTT
2. Jurisdiction notified and given opportunity to remedy
3. If unresolved, IF may determine QDMTT not qualified

EFFECT OF SWITCH-OFF:

- └─ QDMTT Safe Harbour no longer applies
- └─ IIR calculations required for that jurisdiction
- └─ Potential residual IIR payable to UPE jurisdiction
- └─ Revenue loss for switched-off jurisdiction

NOTE: Switch-off is jurisdictional, not entity-specific
All MNEs in that jurisdiction affected

Central Record of Qualified Jurisdictions

Current Status (As of August 2025)

The OECD maintains the **Central Record of Legislation with Transitional Qualified Status**:

Jurisdictions with QDMTT Safe Harbour Status

Effective 1 January 2024:

Jurisdiction	Region
Austria	Europe
Belgium	Europe
Bulgaria	Europe
Croatia	Europe
Czech Republic	Europe
Denmark	Europe
Finland	Europe
France	Europe
Germany	Europe
Gibraltar	Europe
Greece	Europe
Hungary	Europe
Ireland	Europe

Jurisdiction	Region
Italy	Europe
Liechtenstein	Europe
Lithuania	Europe
Luxembourg	Europe
Netherlands	Europe
North Macedonia	Europe
Norway	Europe
Poland	Europe
Portugal	Europe
Romania	Europe
Slovakia	Europe
Slovenia	Europe
South Africa	Africa
Spain	Europe
Sweden	Europe
Switzerland	Europe
United Kingdom	Europe

Effective 1 January 2025:

Jurisdiction	Region
Brazil	Americas
Indonesia	Asia-Pacific
Isle of Man	Europe
Japan	Asia-Pacific
Malaysia	Asia-Pacific
Singapore	Asia-Pacific
Thailand	Asia-Pacific
United Arab Emirates	Middle East

Checking Current Status

HOW TO CHECK QDMTT QUALIFIED STATUS

Step 1: Access OECD Central Record

- www.oecd.org/tax/beps/
- Central Record of Legislation with Transitional Qualified Sta

Step 2: Locate jurisdiction in QDMTT Safe Harbour list

- Confirm jurisdiction is listed
- Note effective date

Step 3: Verify no switch-off

- Check for any announcements
- Review latest AG updates

Step 4: Document status

- Record in compliance file
- Note date of verification

MONITORING:

- ☐ Check Central Record monthly (minimum)
- ☐ Subscribe to OECD tax alerts
- ☐ Review after each IF plenary meeting

6. Stratos Worked Example: QDMTT Qualification Assessment

6.1 Background

Stratos Holdings plc verifies QDMTT qualified status for its operating jurisdictions.

Step 1: Identify Jurisdictions with QDMTT

Jurisdiction	Has QDMTT?	Effective Date
UK	Yes	1 January 2024
Germany	Yes	1 January 2024
Ireland	Yes	1 January 2024
Luxembourg	Yes	1 January 2024
Singapore	Yes	1 January 2025
USA	No	—
Cayman	No	—

Step 2: Verify Three Standards

Ireland Assessment:

Standard	Assessment	Met?
Accounting	IFRS required for listed companies; statutory accounts audited	✓ Yes
Consistency	Irish QDMTT mirrors GloBE Rules; uses same definitions	✓ Yes
Administration	Revenue applies rules consistently; no circumvention benefits	✓ Yes

Result: Ireland QDMTT qualifies for Safe Harbour

Step 3: Check Central Record

Jurisdiction	On Central Record?	Safe Harbour?	Verified Date
UK	✓ Yes	✓ Yes	15 Jan 2025
Germany	✓ Yes	✓ Yes	15 Jan 2025
Ireland	✓ Yes	✓ Yes	15 Jan 2025
Luxembourg	✓ Yes	✓ Yes	15 Jan 2025
Singapore	✓ Yes	✓ Yes	18 Aug 2025

Step 4: Document Compliance Impact

STRATOS QDMTT SAFE HARBOUR IMPACT

Jurisdictions with QDMTT Safe Harbour (5):

- └─ UK: No Top-Up Tax (ETR ≥ 15%)
- └─ Germany: No Top-Up Tax (ETR ≥ 15%)
- └─ Ireland: QDMTT €426,394; IIR = €0
- └─ Luxembourg: De Minimis applies
- └─ Singapore: QDMTT replaces IIR from 2025

Jurisdictions without QDMTT (2):

- └─ USA: No Top-Up Tax (ETR 15.49% \geq 15%)
- └─ Cayman: IIR €280,480 to UK

FY 2025 IMPACT:

- Ireland: Pay QDMTT locally (€426,394)
 - No residual IIR to UK
 - Safe Harbour eliminates dual calculation
- Singapore (from 2025):
 - Once QDMTT effective, no IIR to UK
 - For FY 2024: Still IIR (€197,498)
 - For FY 2025+: QDMTT Safe Harbour applies

Step 5: Ongoing Monitoring

STRATOS QDMTT MONITORING ACTIONS

Quarterly:

- ☐ Check Central Record for updates
- ☐ Verify continued qualified status
- ☐ Track Singapore QDMTT implementation

Annually:

- ☐ Document qualified status for each jurisdiction
- ☐ Update compliance procedures
- ☐ Brief Audit Committee on any changes

Ad hoc:

- ☐ Monitor IF plenary outcomes
- ☐ Track legislative amendments in operating jurisdictions
- ☐ Review any switch-off announcements

7. Common Pitfalls

Pitfall 1: Assuming All Domestic Minimum Taxes Qualify

Error: Treating any domestic minimum tax as a QDMTT.

Correct approach: Only taxes that meet all three standards (Accounting, Consistency, Administration) qualify. Verify on Central Record.

Pitfall 2: Ignoring Accounting Standard for Safe Harbour

Error: Assuming QDMTT Safe Harbour applies if QDMTT is qualified.

Correct approach: QDMTT Safe Harbour has an additional requirement—financial accounts must be audited or required by law. A QDMTT can be "qualified" but not eligible for Safe Harbour.

Pitfall 3: Not Monitoring for Switch-Off

Error: Assuming qualified status is permanent.

Correct approach: Qualified status can be withdrawn if a jurisdiction's QDMTT is amended inconsistently or administered improperly. Monitor Central Record updates.

Pitfall 4: Overlooking Effective Dates

Error: Applying QDMTT Safe Harbour before the jurisdiction's QDMTT is effective.

Correct approach: Check the effective date on the Central Record. Singapore QDMTT, for example, is effective from 1 January 2025, not 2024.

Pitfall 5: Forgetting Elective QDMTT Limitations

Error: Claiming Safe Harbour when not subject to an elective QDMTT.

Correct approach: If a jurisdiction's QDMTT is elective for a transition year, MNEs can only claim Safe Harbour if they are actually subject to that QDMTT.

8. QDMTT Qualification Checklist

QDMTT QUALIFICATION CHECKLIST

MNE Group: _____

Fiscal Year: _____

Review Date: _____

SECTION A: JURISDICTION IDENTIFICATION

List all jurisdictions where group has low-taxed entities:

Jurisdiction	ETR < 15%?	Has QDMTT?	Effective Date
-----	-----	-----	-----

SECTION B: THREE STANDARDS ASSESSMENT

For each jurisdiction with QDMTT:

Jurisdiction: _____

ACCOUNTING STANDARD:

- ☐ Financial accounts used are IFRS/US GAAP/equivalent?
- YES / NO
- ☐ Accounts required by law OR subject to external audit?
- YES / NO
- ☐ Accounting Standard MET?
- YES / NO

CONSISTENCY STANDARD:

- ☐ QDMTT uses GloBE Income definition?
- YES / NO
- ☐ Covered Taxes aligned with GloBE?
- YES / NO

- ☐ ETR and SBIE calculations match GloBE?
- YES / NO
- ☐ No material deviations from GloBE Rules?
- YES / NO
- ☐ Consistency Standard MET?
- YES / NO

ADMINISTRATION STANDARD:

- ☐ Tax administration applies rules consistently?
- YES / NO
- ☐ No Pillar Two-related benefits provided?
- YES / NO
- ☐ Administration Standard MET?
- YES / NO

ALL THREE STANDARDS MET?

YES / NO

SECTION C: CENTRAL RECORD VERIFICATION

Jurisdiction	Listed on Central Record?	Safe Harbour Status?	Ver.
-----	-----	-----	-----

Central Record URL checked: _____

Date of Central Record version: _____

SECTION D: SAFE HARBOUR APPLICATION

Jurisdiction	QDMTT Qualified?	Safe Harbour Applies?	IIR Result
-----	-----	-----	-----

SECTION E: COMPLIANCE IMPACT

Total QDMTT payable locally: €_____

Total IIR payable to UPE jurisdiction: €_____

☐ QDMTT returns required in: _____

☐ IIR/UTPR exposure remains for: _____

Next review date: _____