

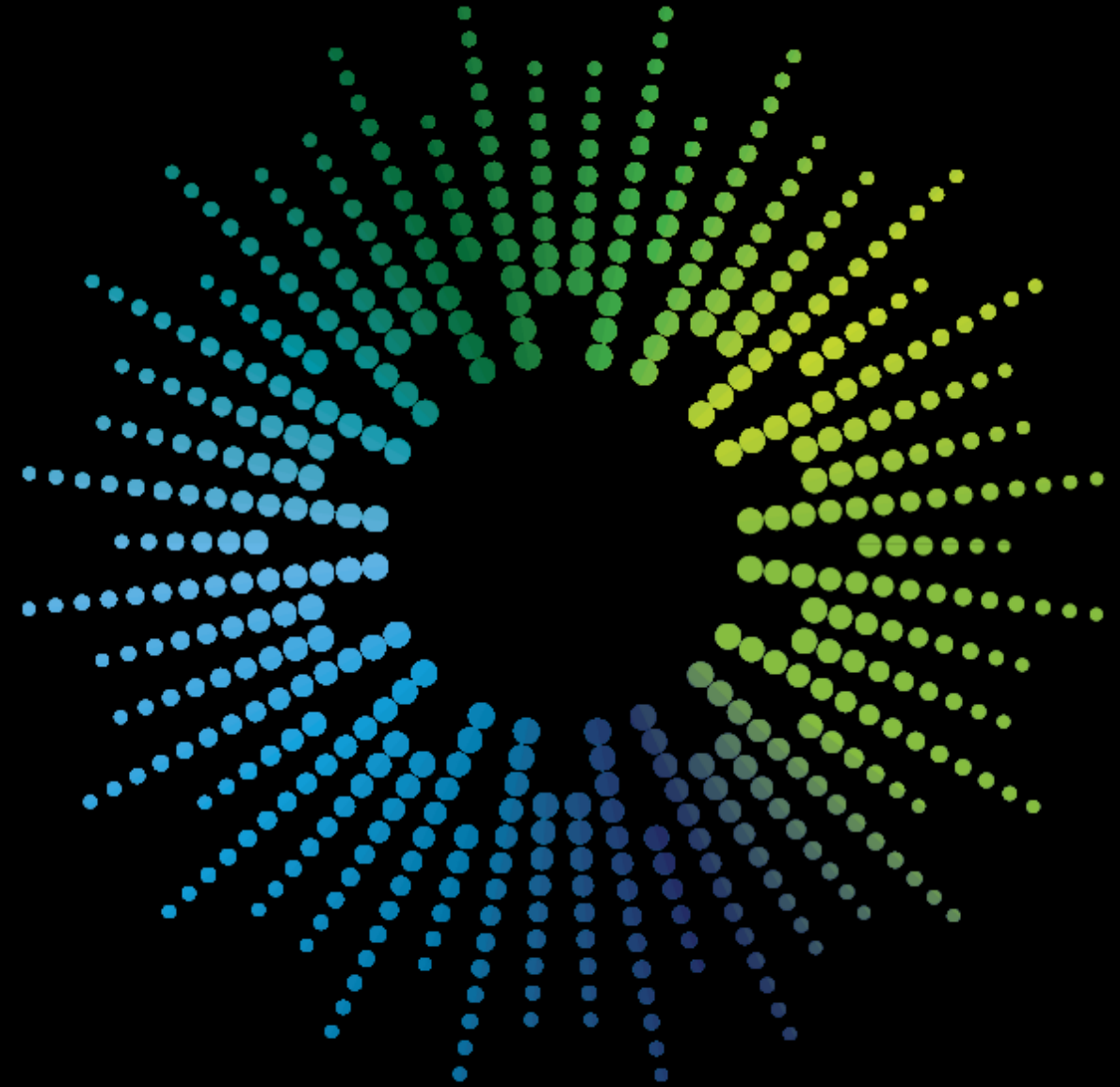
Global Minimum Tax
What do we need to do?



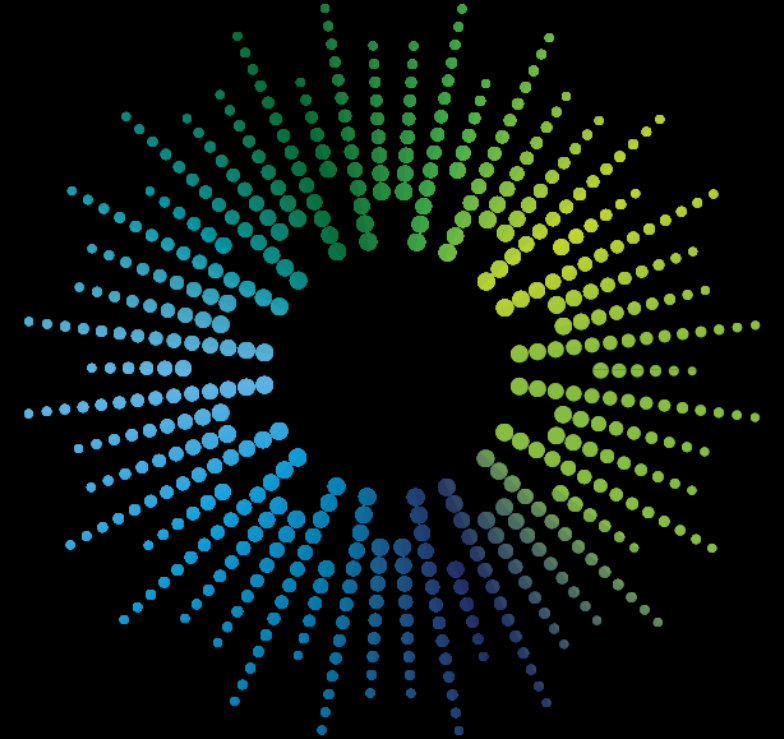
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Global Minimum Tax

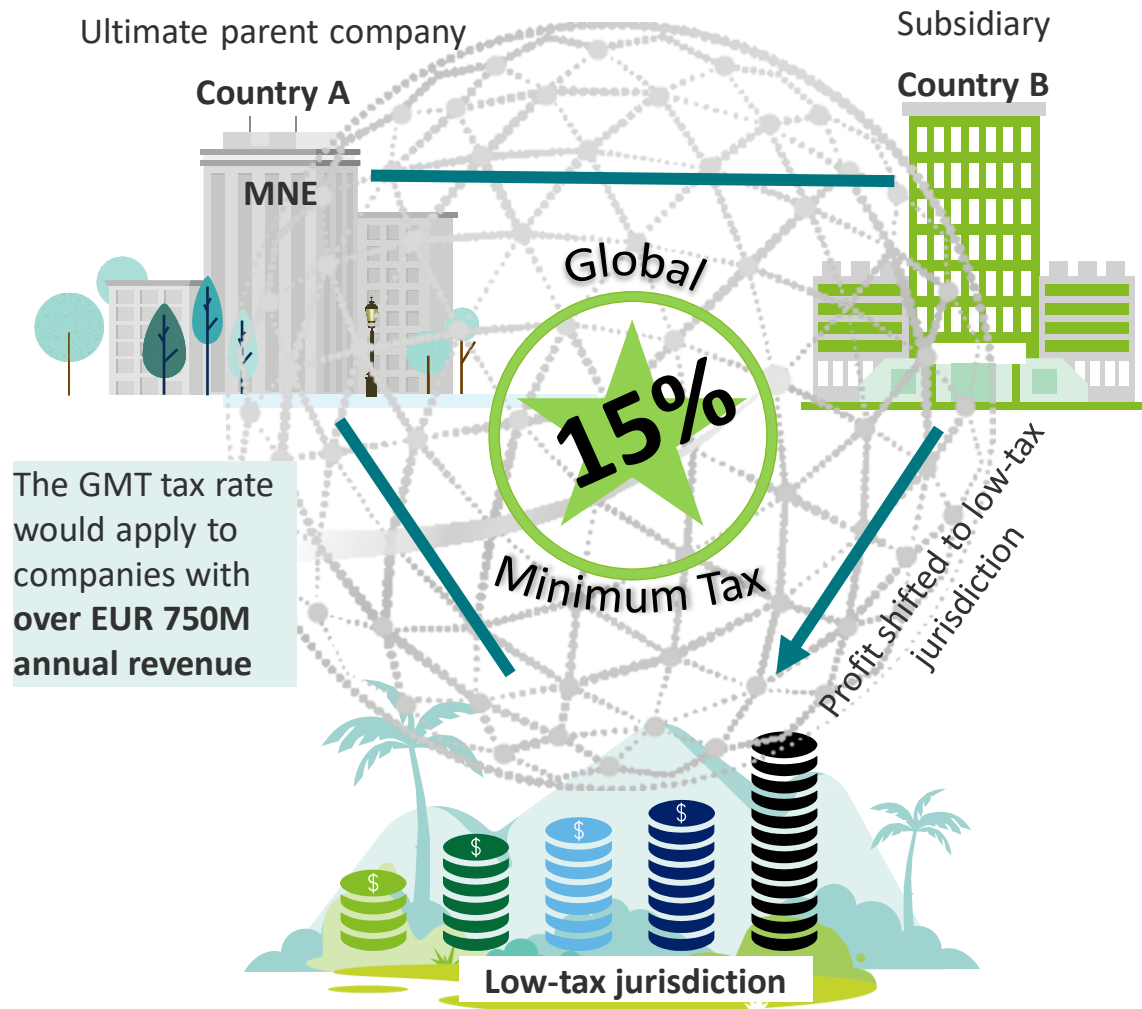
- Overview of Global Minimum Tax
- What are the Latest Development on Global Minimum Tax
- Key Elements of Global Minimum Tax
- What is the Impact on Businesses?



Overview of Global Minimum Tax



Overview of Global Minimum Tax



Source – OECD brochure July 2021 – Addressing the tax challenges arising from the digital economy

With Global Minimum Tax (GMT), **wherever you operate** (be it in the high tax country, low tax country, tax haven or country that offers tax holiday), **you will need to pay a minimum tax of 15%!**

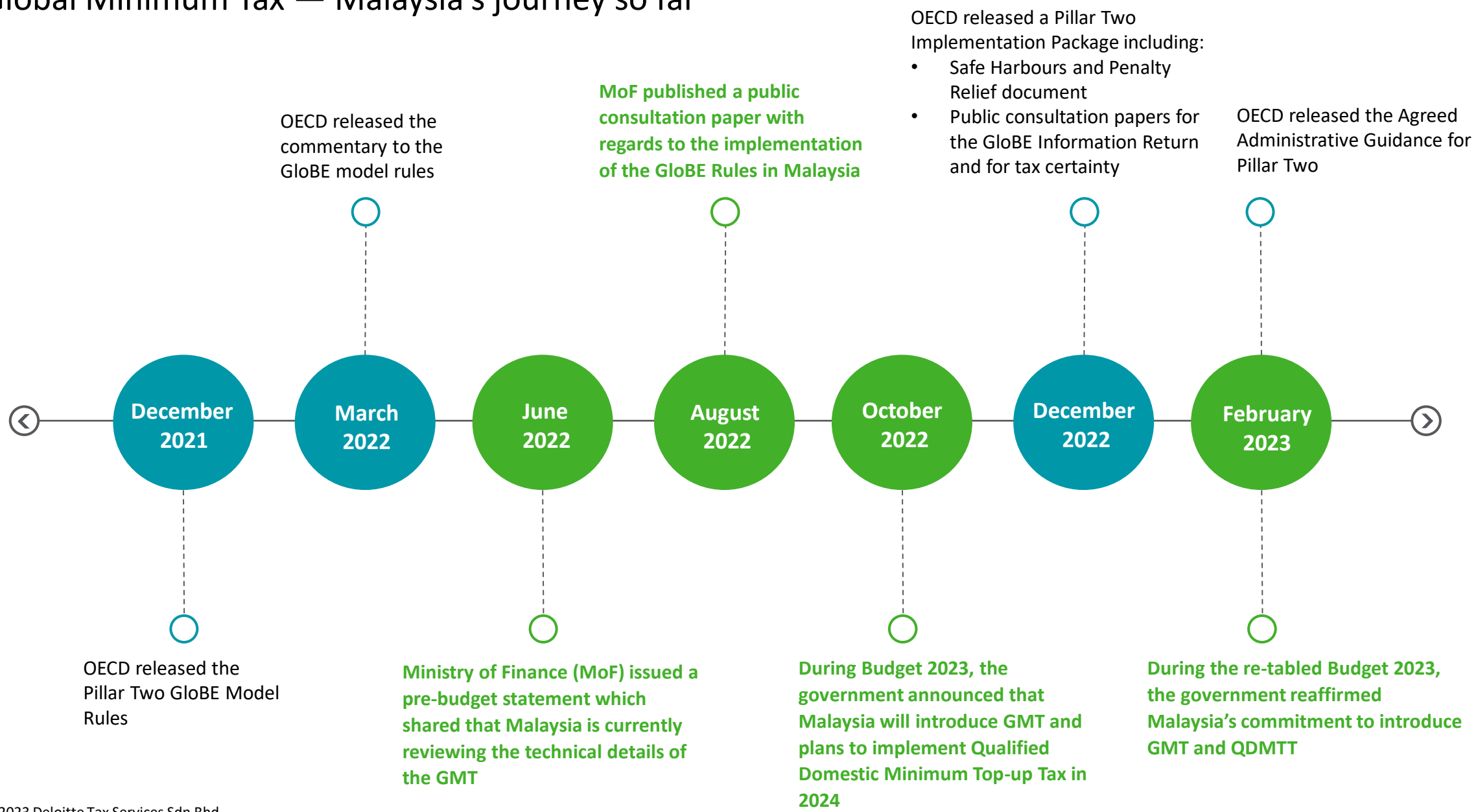
Top up to 15% if effective tax rate (ETR) in a country is below 15%.

ETR is calculated with a very **complex formula**.

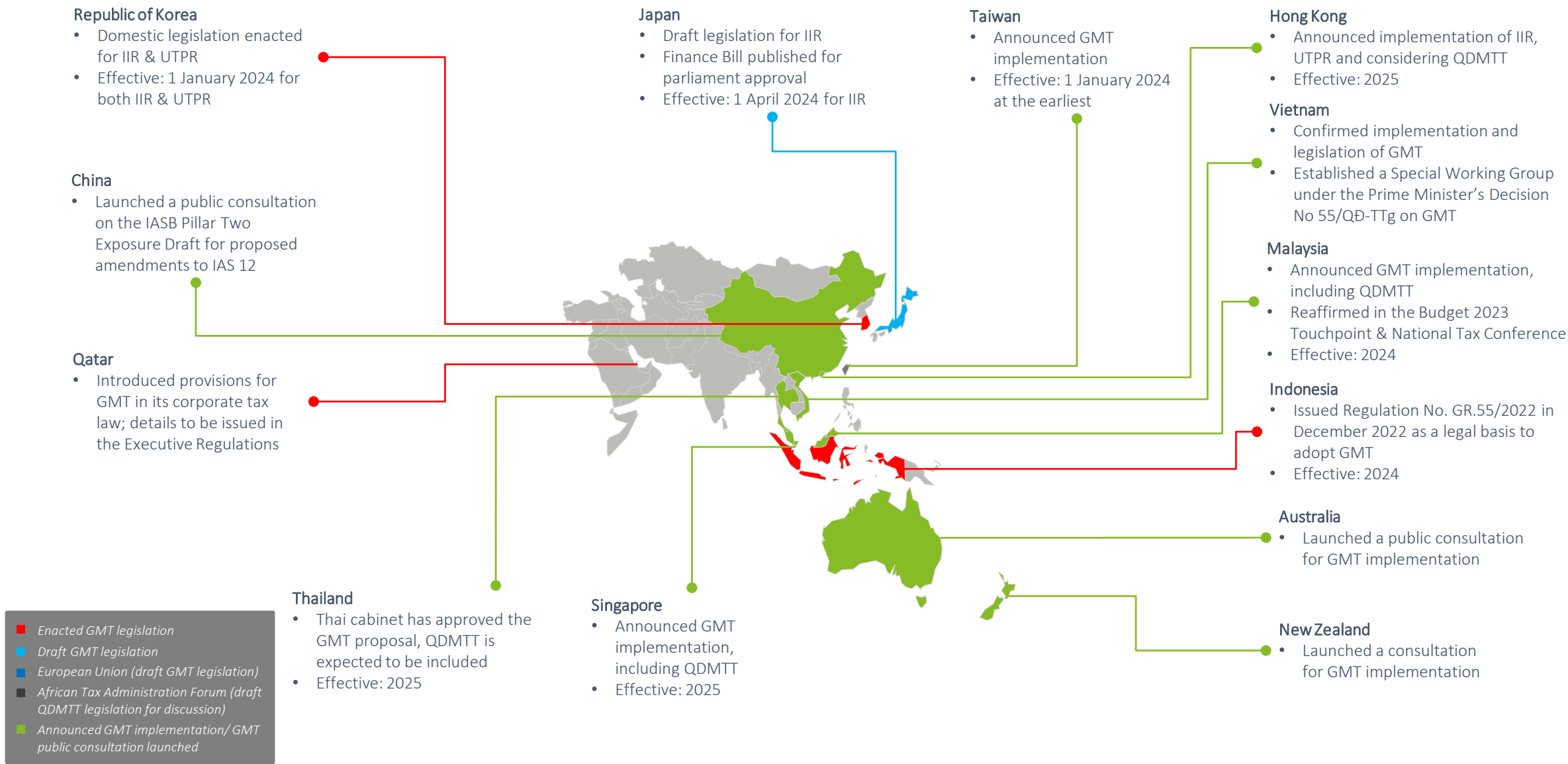
What are the Latest Developments on Global Minimum Tax?



Global Minimum Tax — Malaysia’s journey so far



Global Minimum Tax Implementation in Asia and Oceania



Global Minimum Tax Implementation in Europe and Africa

United Kingdom

- Draft legislation for IIR
- Announced implementation for QDMTT
- Effective: 31 December 2023, UTPR 1 year later

European Union (EU)

- The 27 EU member states reached agreement to implement GMT
- Effective: 31 December 2023

Jersey

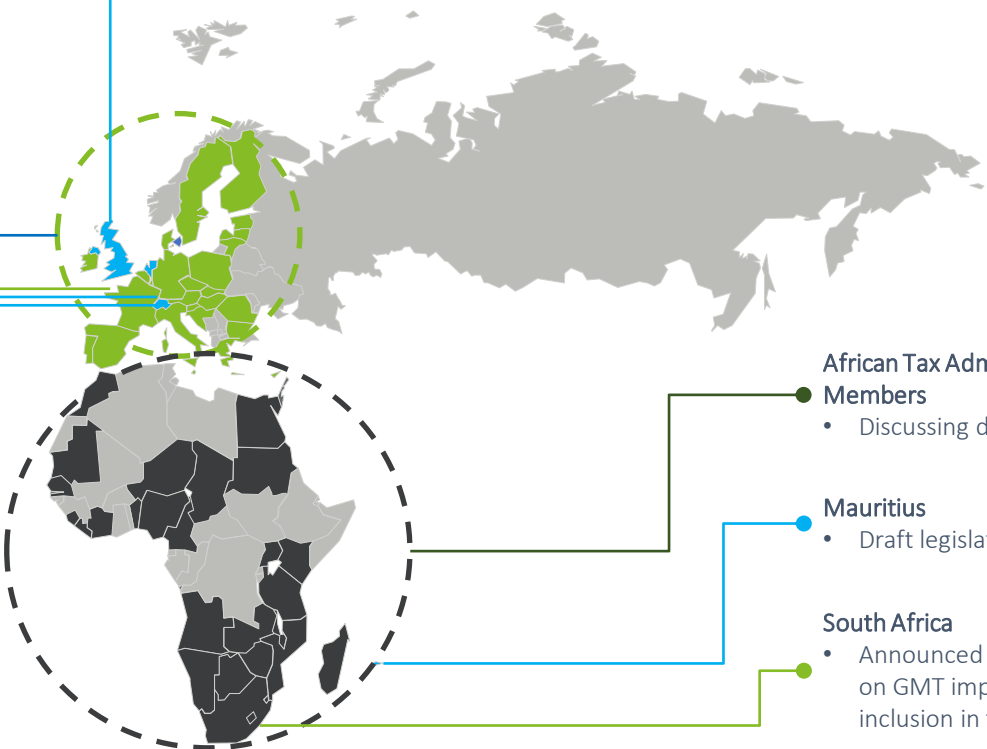
- Issued a policy paper to inform their study of GMT and launched a public consultation

Switzerland

- Parliament approved the constitutional amendment to implement GMT
- Effective: 1 January 2024

Liechtenstein

- Announced GMT implementation
- Effective: 1 January 2024



African Tax Administration Forum (ATAF) Members

- Discussing draft legislation for QDMTT

Mauritius

- Draft legislation for QDMTT

South Africa

- Announced during Budget 2023 that a draft position on GMT implementation will be published for inclusion in the 2024 Taxation Laws Amendment Bill

Enacted GMT legislation

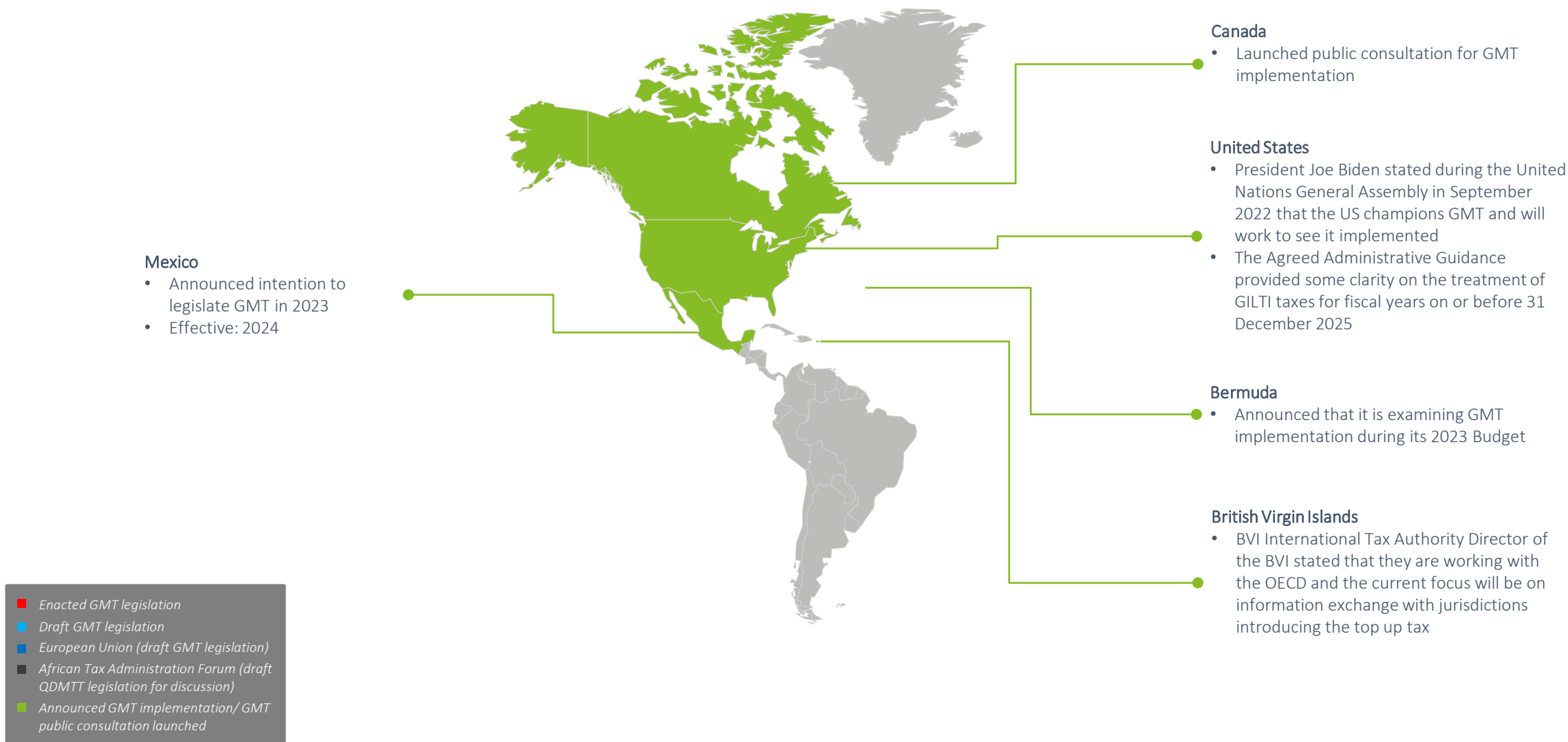
Draft GMT legislation

European Union (draft GMT legislation)

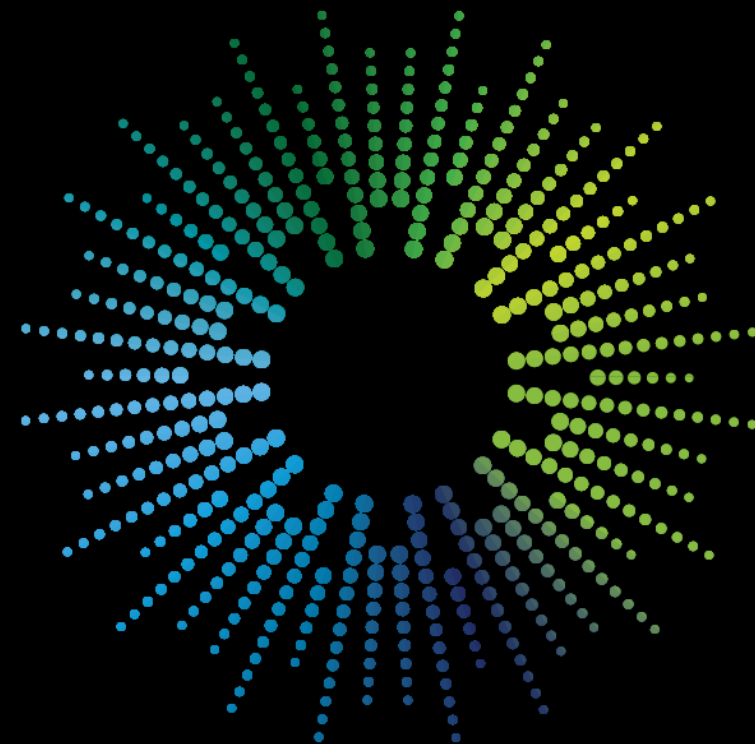
African Tax Administration Forum (draft QDMTT legislation for discussion)

Announced GMT implementation/ GMT public consultation launched

Global Minimum Tax Implementation in the Americas



Key Elements of Global Minimum Tax



Pillar Two – Scope

WHO ARE IN SCOPE?

Groups that:

- Operate in at least 2 jurisdictions
- Has annual consolidated group revenue of at least €750 million in at least two of the four immediately preceding fiscal years



ANY EXCLUDED ENTITIES?

Entities being:

- Investment funds/real estate investment vehicles which are ultimate parent entities
- Pension funds, governmental entities, international organisations, non-profit organisations

Rules may apply to other entities/sub-groups within the MNE Group



DE MINIMIS EXCLUSION?

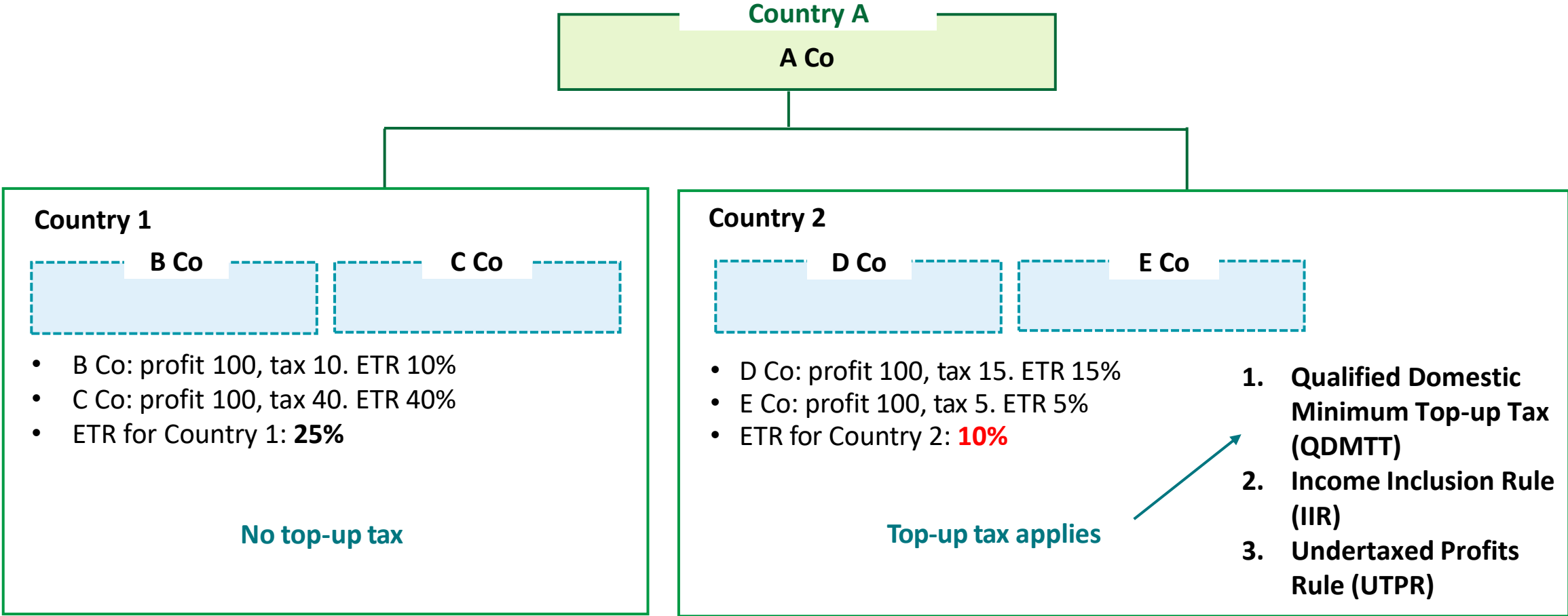
Jurisdictions having:

- Less than €10 million Average GloBE Revenue; and
- Less than €1 million Average GloBE Income or Loss

“Average” referring to a period of 3 years, which is the current and two previous fiscal years

Jurisdictional Blending

Minimum tax rate of 15% on a jurisdictional basis



EURO 750m, MNEs

Countries can apply rules to smaller businesses headquartered in their country

Effective Tax Rate Formula

Jurisdictional ETR

=

A

Adjusted Covered Taxes for all Constituent Entities in the jurisdiction (Covered Taxes)

B

Net GloBE Income for all Constituent Entities in the jurisdiction (GloBE Income)

Top-Up Tax Formula

Top-up Tax
(for a jurisdiction)

=

Top-up Tax
Percentage

×

Excess
Profits

+

Additional
Current
Top-up Tax

-

Domestic Top-
up Tax

Top-up tax Percentage	15% (minimum rate) – ETR	Substance-based income exclusion	Exclusion of a fixed return on tangible assets and payroll expenses. <ul style="list-style-type: none">Payroll: 10% (to be reduced to 5% over the years). Includes salaries, health insurance, pension contributions, employment taxes and employer social security contributions. Eligible employees include independent contractors.Tangible assets: 8% (to be reduced to 5%). Includes property, plant and equipment, and natural resources.
Excess profit	Net GloBE Income – Substance-based income exclusion		
Additional current top up tax	Additional top-up tax in respect of a prior period		
Domestic top-up tax	Amount payable domestically, calculated as per the model rules, provided that the country ‘does not provide any benefits that are related to such rules’		

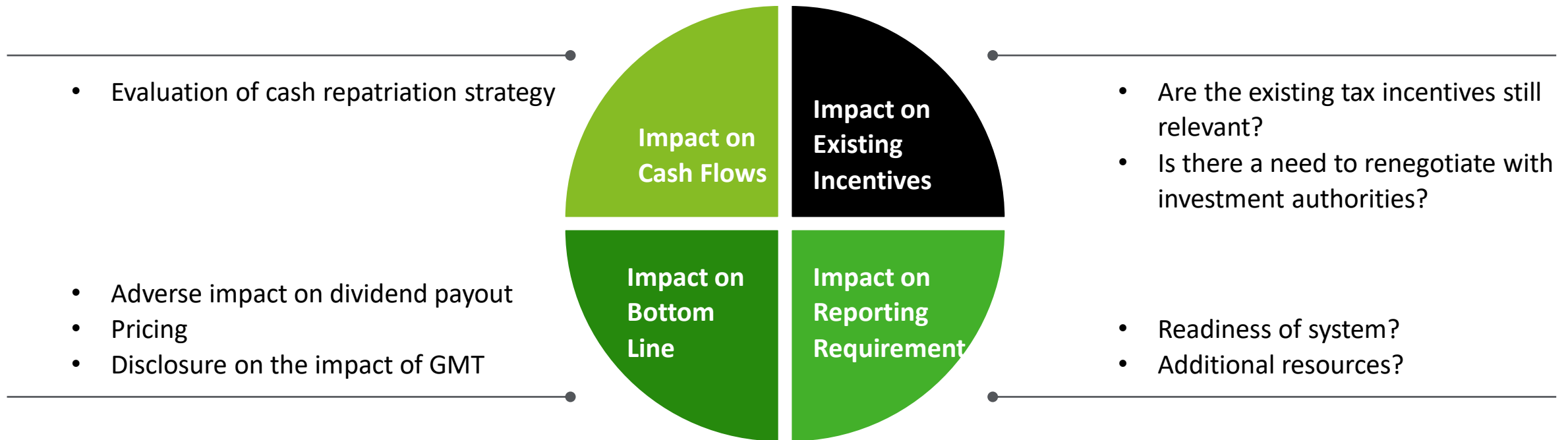
Jurisdictional
ETR

A	Adjusted Covered Taxes for all Constituent Entities in the jurisdiction (Covered Taxes)
B	Net GloBE Income for all Constituent Entities in the jurisdiction (GloBE Income)

What is the Impact on Businesses?

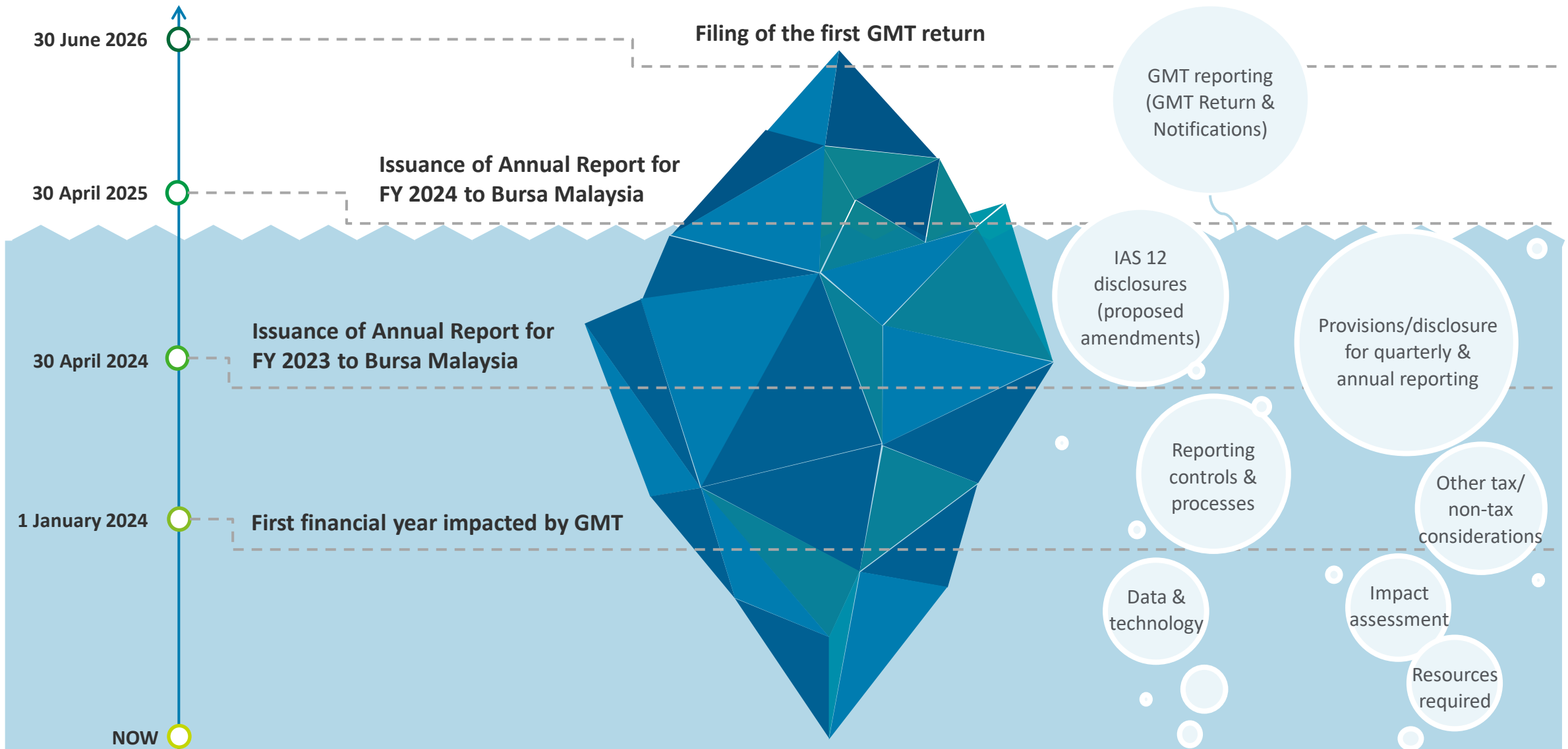


Why Impact Assessment on Global Minimum Tax is Crucial



What is Next for Business?

Timeline for December Year-Ended Companies



Client Service Team

Our Lead Service Team



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Hooi Beng is the International Tax Leader of Deloitte Malaysia. He has more than 20 years of experience in corporate and international tax.

He has vast experience in advising multinational corporations on corporate structuring and restructuring, mergers and acquisitions, international offshore financial centres, business model optimization, tax treaties and cross-border taxation generally.

He has extensive experience in advising Malaysia and multinational companies in particular in technology, telecommunication, manufacturing, pharmaceutical, chemical, automotive industries as well as retail / wholesale / direct selling companies.

In recent years, he has been very much involved in BEPS (“Base Erosion & Profit Shifting”) 1.0 and BEPS 2.0 related projects.

Hooi Beng is a Chartered Accountant of the Malaysian Institute of Accountants, a member of The Malaysian Institute of Certified Public Accountants as well as a licensed tax agent under the Malaysian Income Tax Act, 1967. He holds a Bachelor of Accounting from the University of Malaya. Hooi Beng has been listed in the current edition of “The World’s Leading Tax Advisers” (Euromoney).



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Kelvin has more than 10 years of tax experience in providing tax advisory services for local and multi-national corporations in the manufacturing, services, real estate, oil and gas, financial institution, hotel, retail, telecommunication and information technology industry.

Kelvin has vast experience in due diligence exercise, group restructuring, stamp duty exemption application and tax incentive application.

He also has experience in advising clients on general tax issues, cross-border transactions, Labuan tax matters, stamp duty issues and real property gains tax matters.

He has advised various clients on OECD Base Erosion and Profit Shifting-related projects including assignments related to Global Minimum Tax.

Kelvin is a fellow member of the Association of Chartered Certified Accountants and a Chartered Accountant of the Malaysian Institute of Accountants.



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