الـهـيـئـة الاتحـاديـة لـلـضـرائـب
FEDERAL TAX AUTHORITY

Scope and Registration

Top-up Tax Guide| TTGREG1

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الـهـيـئـة الاتحادية لـلـضـرائـب
FEDERAL TAX AUTHORITY

Contents

1. Glossary

Acceptable Financial Accounting Standard: means IFRS and the generally accepted accounting principles of Australia, Brazil, Canada, Member States of the European Union, Member States of the European Economic Area, Hong Kong (China), Japan, Mexico, New Zealand, the People's Republic of China, the Republic of India, the Republic of Korea, Russia, Singapore, Switzerland, the United Kingdom, and the United States of America.

Administrative Penalty: Monetary amounts imposed upon the Person by the FTA for breaching the provisions of the Tax Procedures Law, the Corporate Tax Law or decisions issued by the Cabinet for execution thereof.

AED: The United Arab Emirates dirham.

Authorised Financial Accounting Standard: in respect of any Entity, means a set of generally acceptable accounting principles permitted by an Authorised Accounting Body in the Jurisdiction where that Entity is located.

BEPS Inclusive Framework: OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting.

Business: Any activity conducted regularly, on an ongoing and independent basis by any Person and in any location, such as industrial, commercial, agricultural, vocational, professional, service or excavation activities or any other activity related to the use of tangible or intangible properties.

Business Activity: Any transaction or activity, or series of transactions or series of activities conducted by a Person in the course of its Business.

Commentary: means any commentary to the Pillar Two Model Rules as developed by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting as amended from time to time.

Consolidated Financial Statements: means

a. the financial statements prepared by an Entity in accordance with an Acceptable Financial Accounting Standard, in which the assets, liabilities, income, expenses and cash flows of that Entity and the Entities in which it has a Controlling Interest are presented as those of a single economic unit;

b. where an Entity meets the definition of a Group under Article 1.2.3 of the QDMTT Legislation, the financial statements of the Entity that are prepared in accordance with an Acceptable Financial Accounting Standard;
c. where the UPE has financial statements described in paragraph (a) or (b) that are not prepared in accordance with an Acceptable Financial Accounting Standard, the financial statements are those that have been prepared in accordance with another Authorised Financial Accounting Standard subject to adjustments to prevent any Material Competitive Distortions; and
d. where the Entity does not prepare financial statements described in the paragraphs above, the Consolidated Financial Statements of the Entity are those that would have been prepared by the Entity if such financial statements were compulsory in accordance with law or regulations and were prepared in accordance with an Authorised Financial Accounting Standard that is either an Acceptable Financial Accounting Standard or another Authorised Financial Accounting Standard that is adjusted to prevent any Material Competitive Distortions.

Constituent Entity: is defined in Article 1.3.1. of the QDMTT Legislation.

Controlling Interest: means an Ownership Interest in an Entity such that the interest holder:
a. is required to consolidate the assets, liabilities, income, expenses and cash flows of the Entity on a line-by-line basis in accordance with an Acceptable Financial Accounting Standard; or
b. would have been required to consolidate the assets, liabilities, income, expenses and cash flows of the Entity on a line-by-line basis if the interest holder had prepared Consolidated Financial Statements.

A Main Entity is deemed to have the Controlling Interests of its Permanent Establishments.

Corporate Tax: The tax imposed by the Corporate Tax Law on juridical persons and Business income.

Corporate Tax Law: Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, and its amendments.

Corporate Tax, Tax Registration Number (Corporate Tax TRN): A unique number issued by the FTA to each Person who is registered for Corporate Tax purposes in the UAE.

Covered Taxes: is defined in Article 4.2 of the QDMTT Legislation.

Designated Filing Entity: means the Constituent Entity, other than the UPE, that has been appointed by the MNE Group to file the Pillar Two Information Return on behalf of the MNE Group.

Designated Local Entity: means the Constituent Entity of an MNE Group that is located in the UAE and that has been appointed by the other Constituent Entities located in the UAE of the MNE Group to file the Pillar Two Information Return, or to submit the notifications under Article 15.4.

Domestic Designated Filing Entity ("DDFE"): means

a. a Constituent Entity that files the Top-up Tax Return and pays the Top-up Tax on behalf of all members of a Domestic Main Group, a Domestic Minority-owned Subgroup or a Reverse Hybrid Entity; or
b. a Joint Venture or JV Subsidiary that files the Top-up Tax Return and pays the Top-up Tax on behalf of all members of a Domestic JV Group.

Domestic Group: means

a. one or more Constituent Entities of an MNE Group located in the UAE (Domestic Main Group);
b. one or more Constituent Entities, located in the UAE, of the same Minority-Owned Subgroup (Domestic Minority-owned Subgroup): or
c. a Joint Venture, a Joint Venture and one or more JV Subsidiaries, or one or more JV Subsidiaries, located in the UAE, of the same JV Group (Domestic JV Group).

Entity: means

a. any juridical person; or
b. an arrangement that prepares separate financial accounts, such as a partnership or trust;

but does not include natural person, central, state, or local government or their administration or agencies that carry out government functions.

EUR: means the currency of the European Monetary Union.

Excluded Entity: is defined in Article 1.5.1 and Article 1.5.2 of the QDMTT Legislation.

Exempt Person: A Person exempt from Corporate Tax under Article 4 of the Corporate Tax Law.

Extractive Business: The Business or Business Activity of exploring, extracting, removing, or otherwise producing and exploiting the Natural Resources of the UAE or any interest therein as determined by the Minister.

Filing Constituent Entity: is an Entity filing the Top-up Tax Return in accordance with Article 8.1 of the QDMTT Legislation.

Financial Accounting Net Income or Loss: is defined in Articles 3.1.2 and 3.1.3 of the QDMTT Legislation.

Fiscal Year: means an accounting period with respect to which the Constituent Entities prepare their standalone financial statements or the UPE of the MNE Group prepares its Consolidated Financial Statements, as the context requires. In the case of Consolidated Financial Statements as defined in paragraph (d) of its definition, Fiscal Year means the calendar year.

Five-Year Election: means an election made by a Filing Constituent Entity with respect to a Fiscal Year (the election year) that cannot be revoked with respect to the election year or the four succeeding Fiscal Years. If a Five-Year Election is revoked with respect to a Fiscal Year (the revocation year), a new election cannot be made with respect to the four Fiscal Years succeeding the revocation year.

Flow-through Entity: An Entity is a Flow-through Entity to the extent it is fiscally transparent with respect to its income, expenditure, profit or loss in the Jurisdiction where it was created unless it is tax resident and subject to a Covered Tax on its income or profit in another Jurisdiction.

Free Zone: A designated and defined geographic area within the UAE that is specified in a decision issued by the Cabinet at the suggestion of the Minister.

Free Zone Person: A juridical person incorporated, established or otherwise registered in a Free Zone, including a branch of a Non-Resident Person registered in a Free Zone.

FTA: Federal Tax Authority, being the Authority in charge of the administration, collection and enforcement of federal taxes in the UAE.

Governmental Entity: means an Entity that meets all of the following criteria set out in paragraphs (a) to (d) below:

a. it is part of or wholly-owned by a government (including any political subdivision or local authority thereof);
b. it has the principal purpose of:
    i. fulfilling a government function; or

ii. managing or investing that government's or Jurisdiction's assets through the making and holding of investments, asset management, and related investment activities for the government's or Jurisdiction's assets;

and does not carry on a trade or business;

c. it is accountable to the government on its overall performance, and provides annual information reporting to the government; and
d. its assets vest in such government upon dissolution and to the extent it distributes net earnings, such net earnings are distributed solely to such government with no portion of its net earnings inuring to the benefit of any private person.

Group: is defined in Article 1.2.2 and 1.2.3 of the QDMTT Legislation.

Group Entity: in respect of any Entity or Group, means an Entity that is a member of the same Group.

IFRS: The International Financial Reporting Standards.

Income Inclusion Rule ("IIR"): means the rules equivalent to Article 2.1 to 2.3 of the Pillar Two Model Rules.

Insurance Investment Entity: means an Entity that

a. would meet the definition of an Investment Fund or a Real Estate Investment Vehicle except that it is established in relation to liabilities under an insurance or annuity contract; and
b. is wholly-owned by an Entity or by a number of Entities which are all members of the same MNE Group, that are subject to regulation in its location as an insurance company.

The Entities referred to in paragraph (b) of this definition also include Flow-through Entities provided that they are subject to regulations in the same manner as an insurance company.

Intermediate Parent Entity: means a Constituent Entity (other than a UPE, Partially-Owned Parent Entity, Permanent Establishment, or Investment Entity) that owns (directly or indirectly) an Ownership Interest in another Constituent Entity in the same MNE Group.

International Organisation: means any intergovernmental organisation (including a supranational organisation) or wholly-owned agency or instrumentality thereof that meets all of the criteria set out in paragraphs (a) to (c) below:

a. it is comprised primarily of governments;

b. it has in effect a headquarters or substantially similar agreement (for example, arrangements that entitle the organisation's offices or establishments in the Jurisdiction (for example, a subdivision, or a local, or regional office) to privileges and immunities) with the Jurisdiction in which it is established; and
c. law or its governing documents prevent its income inuring to the benefit of private persons.

Investment Entity: means
a. an Investment Fund, a Real Estate Investment Vehicle or Insurance Investment Entity;
b. an Entity that is at least 95% owned directly by an Entity described in paragraph (a) or through a chain of such Entities and that operates exclusively or almost exclusively to hold assets or invest funds for the benefit of such Investment Entities; and
c. an Entity where at least 85% of the value of the Entity is owned by an Entity referred to in paragraph (a) provided that substantially all of the Entity's income is Excluded Dividends or Excluded Equity Gain or Loss that is excluded from the computation of Pillar Two Income or Loss in accordance with Articles 3.2.1 (b) or (c) of the QDMTT Legislation.

Investment Fund: means an Entity that meets all of the criteria set out in paragraphs (a) to (g) below:
a. it is designed to pool assets (which may be financial and non-financial) from a number of investors (some of which are not connected);
b. it invests in accordance with a defined investment policy;
c. it allows investors to reduce transaction, research, and analytical costs, or to spread risk collectively;
d. it is primarily designed to generate investment income or gains, or protection against a particular or general event or outcome;
e. investors have a right to return from the assets of the fund or income earned on those assets, based on the contributions made by those investors;
f. the Entity or its management is subject to a regulatory regime in the Jurisdiction in which it is established or managed (including appropriate anti-money laundering and investor protection regulation); and
g. it is managed by investment fund management professionals on behalf of the investors.

Joint Venture ("JV"): means an Entity whose financial results are reported under the equity method in the Consolidated Financial Statements of the UPE provided that the UPE holds directly or indirectly at least 50% of its Ownership Interests. A Joint Venture does not include:

a. a UPE of an MNE Group that is subject to the Pillar Two Rules;
b. an Excluded Entity as defined by Article 1.5.1 of the QDMTT Legislation;
c. an Entity whose Ownership Interest held by the MNE Group are held directly through an Excluded Entity referred to in Article 1.5.1 of the QDMTT Legislation and the Entity:
   i. operates exclusively or almost exclusively to hold assets or invest funds for the benefit of its investors;
   ii. carries out activities that are ancillary to those carried out by the Excluded Entity; or
   iii. substantially all of its income is excluded from the computation of Pillar Two Income or Loss in accordance with Articles 3.2.1(b) and (c) of the QDMTT Legislation.
d. an Entity that is held by an MNE Group composed exclusively of Excluded Entities, or
e. a JV Subsidiary.

JV Group: means a Joint Venture and its JV Subsidiaries.

JV Subsidiary: means an Entity whose assets, liabilities, income, expenses and cash flows are consolidated by a Joint Venture under an Acceptable Financial Accounting Standard (or would have been consolidated had it been required to consolidate such items in accordance with an Acceptable Financial Accounting Standard). A Permanent Establishment whose Main Entity is the Joint Venture or a JV Subsidiary shall be treated as a separate JV Subsidiary.

Jurisdiction: means any state or jurisdiction with fiscal autonomy, which may include the UAE, as the context may require.

Legal Representative: The guardian or custodian of an incapacitated Person or minor, or the bankruptcy trustee appointed by the court for a company that is in bankruptcy, or any other Person legally appointed to represent another Person.

Main Entity: in respect of a Permanent Establishment, is the Entity that includes the Financial Accounting Net Income or Loss of the Permanent Establishment in its financial statements.

Material Competitive Distortion: in respect of the application of a specific principle or procedure under a set of generally accepted accounting principles means an application that results in an aggregate variation greater than EUR 75 million in a Fiscal Year as compared to the amount that would have been determined by applying the corresponding IFRS principle or procedure. Where the application of a specific principle or procedure results in a Material Competitive Distortion, the accounting treatment of any item or transaction subject to that principle or procedure must be adjusted to conform to the treatment required for the item or transaction under IFRS in accordance with any Agreed Administrative Guidance.

Minority-Owned Constituent Entity: means a Constituent Entity where the UPE has a direct or indirect Ownership Interest in that Entity of 30% or less.

Minority-Owned Parent Entity: means a Minority-Owned Constituent Entity that holds, directly or indirectly, the Controlling Interests of another Minority-Owned Constituent Entity, except where the Controlling Interests of the first-mentioned Entity are held, directly or indirectly, by another Minority-Owned Constituent Entity.

Minority-Owned Subgroup: means a Minority-Owned Parent Entity and its Minority-Owned Subsidiaries.

Minority-Owned Subsidiary: means a Minority-Owned Constituent Entity whose Controlling Interests are held, directly or indirectly, by a Minority-Owned Parent Entity.

MNE Group: is defined in Article 1.2.1. of the QDMTT Legislation.

Multinational Enterprise: An entity and/or one or more of its member entities located in the UAE or in a foreign jurisdiction, as specified in Cabinet Decision No. 142 of 2024.

Natural Resources: Water, oil, gas, coal, naturally formed minerals, and other non-renewable, non-living natural resources that may be extracted from the UAE's Territory.

Non-profit Organisation: means an Entity that meets all of the following criteria:

a. it is established and operated in its Jurisdiction of residence:
    i. exclusively for religious, charitable, scientific, artistic, cultural, athletic, educational, or other similar purposes; or
    ii. as a professional organisation, business league, chamber of commerce, labour organisation, agricultural or horticultural organisation, civic league or an organisation operated exclusively for the promotion of social welfare;
b. substantially all of the income from the activities mentioned in paragraph (a) is exempt from income tax in its Jurisdiction of residence;
c. it has no shareholders or members who have a proprietary or beneficial interest in its income or assets;

d. the income or assets of the Entity may not be distributed to, or applied for the benefit of, a private person or non-charitable Entity other than:
   i. pursuant to the conduct of the Entity's charitable activities;
   ii. as payment of reasonable compensation for services rendered or for the use of property or capital; or
   iii. as payment representing the fair market value of property which the Entity has purchased, and
e. upon termination, liquidation or dissolution of the Entity, all of its assets must be distributed or revert to a Non-profit Organisation or to the government (including any Governmental Entity) of the Entity's Jurisdiction of residence or any political subdivision thereof;

but does not include any Entity carrying on a trade or business that is not directly related to the purposes for which it was established.

Non-Resident Person: The Taxable Person specified in Article 11(4) of the Corporate Tax Law.

OECD: Organisation for Economic Co-operation and Development

OECD Model Tax Convention: means the OECD (2017), Model Tax Convention on Income and on Capital: Condensed Version 2017.

Ownership Interest: means any equity interest that carries rights to the profits, capital or reserves of an Entity (including a Flow-through Entity), including the profits, capital or reserves of a Main Entity's Permanent Establishment(s). For purposes of this definition:
a. an equity interest is an interest that is accounted for as equity under the financial accounting standard used in the preparation of the Consolidated Financial Statements of the UPE; and
b. where different types of equity interests are issued by an Entity, equal regard should be given to each equity interest that carries rights to profits, capital or reserves, unless otherwise provided by a provision of the QDMTT Legislation.

Pension Fund: means
a. an Entity that is established and operated in a Jurisdiction exclusively or almost exclusively to administer or provide retirement benefits and ancillary or incidental benefits to individuals:
   i. regulated as such by that Jurisdiction or one of its political subdivisions or local authorities; or
   ii. those benefits are secured or otherwise protected by national regulations and funded by a pool of assets held through a fiduciary arrangement or trustor to

secure the fulfilment of the corresponding pension obligations against a case of insolvency of the MNE Group; and

b. a Pension Services Entity.

Pension Services Entity: means an Entity that is established and operated exclusively or almost exclusively:

a. to invest funds for the benefit of Entities referred to in paragraph (a) of the definition of Pension Fund; or
b. to carry out activities that are ancillary to those regulated activities carried out by the Entities referred to in paragraph (a) of the definition of Pension Fund provided that they are members of the same Group.

Permanent Establishment:

- **Under QDMTT Legislation:** means:
  a. a place of business (including a deemed place of business) situated in a Jurisdiction and treated as a permanent establishment in accordance with an applicable Tax Treaty in force provided that such Jurisdiction taxes the income attributable to it in accordance with a provision similar to Article 7 of the OECD Model Tax Convention on Income and on Capital;
  b. if there is no applicable Tax Treaty in force, a place of business (including a deemed place of business) in respect of which a Jurisdiction taxes under its domestic law the income attributable to such place of business on a net basis similar to the manner in which it taxes its own tax residents;
  c. if a Jurisdiction has no corporate income tax system, a place of business (including a deemed place of business) situated in that Jurisdiction that would be treated as a permanent establishment in accordance with the OECD Model Tax Convention on Income and on Capital provided that such Jurisdiction would have had the right to tax the income attributable to it in accordance with Article 7 of that model; or
  d. a place of business (or a deemed place of business) that is not already described in paragraphs (a) to (c) through which operations are conducted outside the Jurisdiction where the Entity is located provided that such Jurisdiction exempts the income attributable to such operations.
- **Under Corporate Tax Law:** A place of Business or other form of presence in the UAE of a Non-Resident Person in accordance with Article 14 of the Corporate Tax Law.

For the purpose of the guide, the definition under QDMTT Legislation is applicable, unless stated otherwise.

Person: Any natural person or juridical person.

Pillar Two Information Return: means the GloBE Information Return developed in accordance with the Pillar Two Implementation Framework that contains the information described in Article 15.

Pillar Two Model Rules: means the model rules set out in the document entitled Tax Challenges Arising from the Digitalisation of the Economy — Global Anti-Base Erosion Model Rules (Pillar Two) published by the OECD on 20 December 2021.

Pillar Two Rules: means a Qualified IIR, Qualified UTPR or Qualified Domestic Minimum Top-up Tax including the provisions of the QDMTT Legislation.

Pillar Two Top-up Tax Registration Number ("Pillar Two Top-up Tax TRN"): A unique number issued by the FTA to each Person who is registered for Top-up Tax purposes in the UAE.

QDMTT Legislation: Top-up Tax imposed on Multinational Enterprises in accordance with the cases, provisions, conditions, rules, controls, and procedures set out in the annexure of Cabinet Decision No. 142 of 2024 on the Imposition of Top-up Tax on Multinational Enterprises.

Qualifying Competent Authority Agreement: means a bilateral or multilateral agreement or arrangement between Competent Authorities that provides for the automatic exchange of annual Pillar Two Information Returns.

Qualified Domestic Minimum Top-up Tax: means a tax under the law of a Jurisdiction that has the status of a qualified domestic minimum top-up tax for the Fiscal Year as determined by the BEPS Inclusive Framework and published on the OECD's website in accordance with the definition of a Qualified Domestic Minimum Top-up Tax in Article 10.1 of the Pillar Two Model Rules.

Real Estate Investment Vehicle: means an Entity the taxation of which achieves a single level of taxation either in its hands or the hands of its interest holders (with at most one year of deferral), provided that the Entity holds predominantly immovable property and is itself widely held. A tax neutral vehicle that holds Ownership Interest in a Real Estate Investment Vehicle is treated as being subject to a single level of taxation.

Reporting Fiscal Year: means the Fiscal Year that is the subject of the Pillar Two Information Return or Top-up Tax Return.

Resident Person: The Taxable Person specified in Article 11(3) of the Corporate Tax Law.

Reverse Hybrid Entity: A Flow-Through Entity is a Reverse Hybrid Entity with respect to its income, expenditure, profit or loss to the extent that it is not fiscally transparent in the Jurisdiction in which the owner is located.

State: United Arab Emirates

Stateless Constituent Entities: means a Constituent Entity described in Article 18.3.2(b) and Article 18.3.3(d) of the QDMTT Legislation.

Substance-based Income Exclusion: is defined in Article 5.3 of the QDMTT Legislation.

Tax Agent: Any Person registered with the FTA who is appointed on behalf of another Person to represent him before the FTA and assist him in the fulfilment of his obligations and the exercise of his associated Tax rights.

Tax Transparent Entity: An Entity to the extent that its income, expenditure, profit or loss is fiscally transparent in the Jurisdiction in which its owner is located.

Tax Treaty: means an agreement for the avoidance of double taxation with respect to taxes on income and on capital.

Top-up Tax: means the top-up tax computed for the UAE, the Jurisdiction or Constituent Entity pursuant to Article 5.2 of the QDMTT Legislation, as the context requires.

Top-up Tax Return: is the tax return referred to in Article 8.1 of the QDMTT Legislation.

UAE: United Arab Emirates.

Ultimate Parent Entity ("UPE"): is defined in Article 1.4 of the QDMTT Legislation.

Undertaxed Profits Rule ("UTPR"): means the provisions of a Jurisdiction that are equivalent to Article 2.4 to Article 2.6 of the Pillar Two Model Rules.

Unincorporated Partnership: A relationship established by contract between two Persons or more, such as a partnership or trust or any other similar association of Persons, in accordance with the applicable legislation of the UAE.

2. Introduction

2.1. Overview

Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses was issued on 3 October 2022. This Decree-Law, together with its amendments, is referred to as the "Corporate Tax Law".

The Corporate Tax Law provides the legislative basis for imposing a federal tax on corporations and Business profits in the UAE. The Corporate Tax Law was amended by Federal Decree-Law No. 60 of 2023 on Amending Certain Provisions of the Corporate Tax Law to facilitate the imposition of the Top-up Tax on Multinational Enterprises and was issued on 2 October 2023.

Cabinet Decision No. 142 of 2024 on the Imposition of Top-up Tax on Multinational Enterprises was issued on 31 December 2024, and the attachment to the Cabinet Decision No. 142 of 2024 provides the cases, provisions, conditions, rules, controls and procedures for the imposition of Top-up Tax on Multinational Enterprises in the UAE ("QDMTT Legislation").

The amendment to the Corporate Tax Law together with the QDMTT Legislation provides the legislative basis for the imposition of Top-up Tax on Multinational Enterprises in the UAE and shall apply to Fiscal Years beginning on or after 1 January 2025.

2.2. Purpose of this Guide

This guide is designed to provide guidance to determine whether an MNE Group is within scope of the QDMTT Legislation. The guide also explains the registration process for Entities that are members of an in-scope MNE Group and are subject to Top-up Tax under the QDMTT Legislation.

The guide provides readers with an overview of:

- the conditions to be in scope of the QDMTT Legislation,
- types of Entities that are subject to Top-up Tax and Entities that are not subject to Top-up Tax, and
- the registration process and timelines for Entities that are members of an in-scope MNE Group and that are subject to Top-up Tax under the QDMTT Legislation.

2.3. Who should read this Guide?

This guide should be read by anyone responsible for the tax affairs of any Entities that may be members of an MNE Group, as well as Tax Agents.

2.4. How to use this Guide

The relevant articles of the QDMTT Legislation are indicated in each section of the guide.

The QDMTT Legislation closely follows the provisions of the Global Anti-Base Erosion Model Rules as published by the OECD. Ministerial Decision No. 96 of 2026 formally adopts the Consolidated Commentary to the Global Anti Base Erosion Model Rules (2026) as published by the OECD ("Commentary to GloBE Rules"). The relevant paragraphs of the Commentary to GloBE Rules are indicated where appropriate in this guide.

It is recommended that the guide be read in its entirety to provide a complete understanding of the definitions and interactions of the different rules.

In some instances, simple examples are used to illustrate the principles relating to the scope and the registration requirements under the QDMTT Legislation. The examples in the guide:

- show how these requirements operate in isolation and do not show the interactions with other provisions of the QDMTT Legislation that may occur. They do not, and are not intended to, cover the full facts of the hypothetical scenarios used and all aspects of the QDMTT Legislation, and should not be relied upon as legal, regulatory, accounting or tax advice, and
- are only meant for providing the readers with general information on the subject matter of this guide. They are exclusively intended to explain the rules related to the subject matter of this guide and do not relate at all to the legal, regulatory, accounting or tax position of any specific juridical person.

2.5. Legislative References

In this guide:

- Federal Decree Law No. 32 of 2021 on Commercial Companies is referred to as "Federal Decree Law No. 32 of 2021",
- Federal Decree by Law No. 31 of 2023 On Concerning Trust is referred to as "Federal Decree by Law No. 31 of 2023",

- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, and its amendments, is referred to as “Corporate Tax Law”,
- Cabinet Decision No. 75 of 2023 on the Administrative Penalties for Violations Related to the Application of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, and its amendments, is referred to as “Cabinet Decision No. 75 of 2023’’,
- Cabinet Decision No. 142 of 2024 on the Imposition of Top-up Tax on Multinational Enterprises is referred to as “Cabinet Decision No. 142 of 2024”,
- Cases, Provisions, Conditions, Rules, Controls, and Procedures on the Imposition of Top-up Tax on Multinational Enterprises Attached to Cabinet Decision No. 142 of 2024 is referred to as “QDMTT Legislation”,
- Cabinet Decision No. 63 of 2025 on an Unincorporated Partnership that is treated as a Taxable Person in its own right for the Purposes of Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as “Cabinet Decision No. 63 of 2025”,
- Ministerial Decision No. 43 of 2023 Concerning Exception from Tax Registration for the Purpose of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as “Ministerial Decision No. 43 of 2023”,
- Ministerial Decision No. 84 of 2025 on Audited Financial Statements for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as “Ministerial Decision No. 84 of 2025”,
- Ministerial Decision No. 96 of 2026 on the Commentary and Agreed Administrative Guidance for the Purposes of Cabinet Decision No. 142 of 2024 on the Imposition of Top-Up Tax On Multinational Enterprises is referred to as “Ministerial Decision No. 96 of 2026”,
- Ministerial Decision No. 133 of 2026 on the Entities Required to File the Pillar Two Information Return for the Purposes of Cabinet Decision No. 142 of 2024 on the Imposition of Top-Up Tax on Multinational Enterprises is referred to as “Ministerial Decision No. 133 of 2026”, and
- FTA Decision No. 12 of 2026 on the requirements for Registration and Deregistration of Entities for the purposes of Cabinet Decision No. 142 of 2024 on the Imposition of Top-Up Tax on Multinational Enterprises is referred to as “FTA Decision No. 12 of 2026”.

2.6. Status of the Guide

This guide is not a legally binding document but is intended to aid in understanding the provisions relating to the scope and registration under the QDMTT Legislation. The information provided in this guide should not be interpreted as legal, regulatory, accounting or tax advice. It is not meant to be comprehensive and does not provide a definitive answer to every practical scenario. It is based on the legislation as it stood when the guide was published. Each taxpayer's specific circumstances should be considered when analysing the requirements under the QDMTT Legislation.

The QDMTT Legislation and the implementing decisions referred to in this document set out the principles and rules that govern the application of Top-up Tax on MNE Groups in the UAE. Nothing in this publication modifies or is intended to modify the requirements of any legislation.

This document is subject to change without prior notice.

3. What is the Top-up Tax on Multinational Enterprises and why was it introduced in the UAE?

3.1. Background

In October 2021, members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting ("BEPS Inclusive Framework"), including the UAE, reached a landmark agreement on a two-pillar solution to address the tax challenges of the digitalisation of the economy.

The two-pillar solution agreed by the BEPS Inclusive Framework is based on two main components:

- Pillar One which aims to ensure a fairer distribution of profits and taxing rights among jurisdictions with respect to large Multinational Enterprises.
- Pillar Two includes the Global Anti-Base Erosion Rules ("GloBE Rules") that ensure that MNE Groups are subject to a minimum level of tax in each jurisdiction where they operate, essentially by the operation of a "top-up tax" mechanism. Pillar Two also includes a "subject to tax" rule which is a treaty-based rule that allows source jurisdictions to "tax back" where certain defined categories of cross-border intra-group covered income are subject to adjusted nominal corporate income tax rates below 9%. The subject to tax rule is not further considered within this guide.

The GloBE Rules under Pillar Two ensures that the global minimum tax of 15% is charged through two interlocking rules, the Income Inclusion Rule ("IIR") and the Undertaxed Profits Rule ("UTPR"), which are together referred to as the GloBE Rules.

The IIR is the primary rule that applies a top-down approach. It generally requires the Ultimate Parent Entity ("UPE") of an MNE Group to collect and pay to its tax authority the total Top-up Tax due by the MNE Group across all jurisdictions that have not taxed the profits at a minimum rate of 15%. If the jurisdiction of the UPE has not implemented an IIR, then the next Intermediate Parent Entity down the ownership chain is required to collect the Top-up Tax of the Constituent Entities of that Intermediate Parent Entity. This would continue down the group chain, as appropriate.

Any Top-up Tax remaining after the application of an IIR is collected by means of a UTPR. Where UTPR applies, the Top-up Tax is levied across the group, based on the proportion of tangible assets and employees in each jurisdiction that has implemented a UTPR.

To preserve its own taxing right, a jurisdiction may also consider imposing a Domestic Minimum Top-up Tax (“DMTT”). If a jurisdiction implements a DMTT that is consistent with the outcomes of the GloBE Rules and does not provide any benefits that are related to the rules, such a DMTT will qualify as a Qualified Domestic Minimum Top-up Tax (“QDMTT”) and can be deducted from the Top-up Tax liability under the GloBE Rules in respect of that jurisdiction. This agreed rule order allows a jurisdiction to preserve its primary taxing right over profits derived by Entities located in its own jurisdiction.

The UAE has introduced a QDMTT for Fiscal Years beginning on or after 1 January 2025 under the “QDMTT Legislation” (see section 3.2).

Currently, the UAE does not have an IIR or UTPR.

3.2. Implementation of Top-up Tax on Multinational Enterprises in the UAE

The UAE has implemented the QDMTT Legislation as part of its commitment to implement the OECD/G20 two-pillar solution, aimed at establishing a fair and transparent tax system aligned with global standards.

The UAE amended its Corporate Tax Law through Federal Decree-Law No. 60 of 2023 to facilitate the imposition of a DMTT. Subsequently, Cabinet Decision No. 142 of 2024 was issued introducing detailed rules for the DMTT.

On 18 August 2025, the UAE was listed in the OECD central record of the legislation with transitional qualified status. This means that the DMTT in the UAE has secured transitional “qualified” status to be considered a QDMTT. Consequently, the cases, provisions, conditions, rules, controls, and procedures on the imposition of Top-up Tax attached to Cabinet Decision No. 142 of 2024 are referred to as the QDMTT Legislation across this guide.

The QDMTT Legislation closely follows the provisions of the Global Anti-Base Erosion Model Rules (Pillar Two) as published by the OECD. Ministerial Decision No. 96 of 2026 was issued, formally adopting the following guidance published by the OECD for the purposes of the QDMTT Legislation:

- OECD (2026), Tax Challenges Arising from the Digitalisation of the Economy – Consolidated Commentary to the Global Anti-Base Erosion Model Rules (2026): Inclusive Framework on BEPS, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris.
- OECD (2026), Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar

Two), Central Record for Purposes of the Global Minimum Tax: Inclusive Framework on BEPS, OECD.

- OECD (2025), Tax Challenges Arising from the Digitalisation of the Economy – GloBE Information Return (January 2025), OECD/G20 Inclusive Framework on BEPS, OECD, Paris.

4. Scope of the QDMTT Legislation

4.1. Overview

The QDMTT Legislation applies to Constituent Entities that are members of an MNE Group that has annual revenue of EUR 750 million or more in the Consolidated Financial Statements of the UPE in at least two of the four Fiscal Years immediately preceding the tested Fiscal Year.[1]

For an MNE Group to be in-scope for the QDMTT Legislation, the following conditions must be satisfied:

- **MNE Group condition:** The application of the QDMTT Legislation is limited to Constituent Entities that are members of an MNE Group. This is further discussed in section 4.2.
- **Consolidated revenue threshold condition:** The application of the QDMTT Legislation is confined to MNE Groups that have annual revenue of EUR 750 million or more in the Consolidated Financial Statements of the MNE Group in at least two of the four preceding Fiscal Years. This is further discussed in section 4.3.

The consolidated revenue threshold considers the revenue of Excluded Entities regardless that such Entities are not subject to the charging provision of the QDMTT Legislation (see section 4.3.3). Furthermore, the threshold is modified in instances of mergers and demergers (see section 4.4).[2]

4.2. MNE Group condition

The QDMTT Legislation applies to Constituent Entities of an in-scope MNE Group, where such Constituent Entities are located in the UAE.

The definition of an MNE Group requires two key criteria:

1. two or more Entities need to meet the definition of a "Group". See section 4.2.1 for meaning of the term "Group", and
2. the Group should operate through at least one Entity or Permanent Establishment that is not located in the Jurisdiction in which the UPE of the Group is located.[3] See section 4.2.4 for meaning of MNE Group.

[1] Article 1.1.1 of the QDMTT Legislation.
[2] Article 1.1.1 read with 6.1 of the QDMTT Legislation.
[3] Article 1.2.1 of the QDMTT Legislation.

Section 4.2.3 explains the meaning of a UPE and Group in the context of a sovereign wealth fund structure.

A Group that only has Entities or Permanent Establishments in one Jurisdiction is not within scope of the QDMTT Legislation, regardless of its revenue. It follows that purely domestic UAE groups, i.e. with Entities located exclusively within the UAE, do not fall within the scope of the QDMTT Legislation even if their annual revenue that is recorded in the Consolidated Financial Statements exceeded the EUR 750 million threshold in two of the four previous Fiscal Years. For the meaning of "location", refer to section 6.

After identifying an in-scope MNE Group, the Constituent Entities of such Group need to be identified. The meaning of Constituent Entity is further discussed in section 5.3.

4.2.1. Meaning of Group

The QDMTT Legislation covers two types of Groups.[4]

The first type of Group is a collection of Entities that are related through ownership or control such that the assets, liabilities, income, expenses and cash flows of those Entities:[5]

- are included in the Consolidated Financial Statements of the UPE (see section 4.2.1.1), or
- are excluded from the Consolidated Financial Statements of the UPE solely on size or materiality grounds, or on the grounds that the Entity is held for sale (see section 04.2.1.2).

This type of Group follows consolidated financial accounting rules. It relies on Consolidated Financial Statements to determine the existence of a Group and applies a deemed consolidation test to determine whether a Group exists even if such statements have not been prepared.

The second type of Group exists where an Entity is located in one Jurisdiction and has one or more Permanent Establishments located in other Jurisdictions, and the Entity is not part of another Group.[6] See section 4.2.1.3.

[4] Article 1.2 of the QDMTT Legislation.
[5] Article 1.2.2 of the QDMTT Legislation.
[6] Article 1.2.3 of the QDMTT Legislation.

4.2.1.1. Entities included in Consolidated Financial Statements

The definition of Consolidated Financial Statements depends on the relevant scenario:[7]

No.	Scenario	The Consolidated Financial Statements referred to by the QDMTT Legislation
A.	General Rule: an Entity preparing consolidated financial statements in accordance with an Acceptable Financial Accounting Standard.	The Consolidated Financial Statements are those financial statements prepared by the Entity in accordance with an Acceptable Financial Accounting Standard in which the assets, liabilities, income, expenses and cash flows of that Entity and the Entities in which it has a Controlling Interest are presented as those of a single economic unit.
B.	A standalone Entity with financial statements prepared in accordance with an Acceptable Financial Accounting Standard that has one or more Permanent Establishments located in other Jurisdictions.	The Consolidated Financial Statements are the financial statements of the standalone Entity that are prepared in accordance with an Acceptable Financial Accounting Standard.
C.	An Ultimate Parent Entity (UPE) has financial statements as referred to in the scenarios A and B that are not prepared in accordance with an Acceptable Financial Accounting Standard.	The Consolidated Financial Statements are the consolidated financial statements (or in the case of a standalone entity, the financial statements) that have been prepared in accordance with another Authorised Financial Accounting Standard that is not an Acceptable Financial Accounting Standard. These financial statements need to be adjusted to prevent any Material Competitive Distortions.
D.	An Entity that does not prepare financial statements referred to in the scenarios A, B and C.	In this scenario, a deemed consolidation test applies. The Consolidated Financial Statements Financial would be those statements that would have been prepared by the Entity if such financial statements were compulsory in accordance with law or regulations and were prepared in

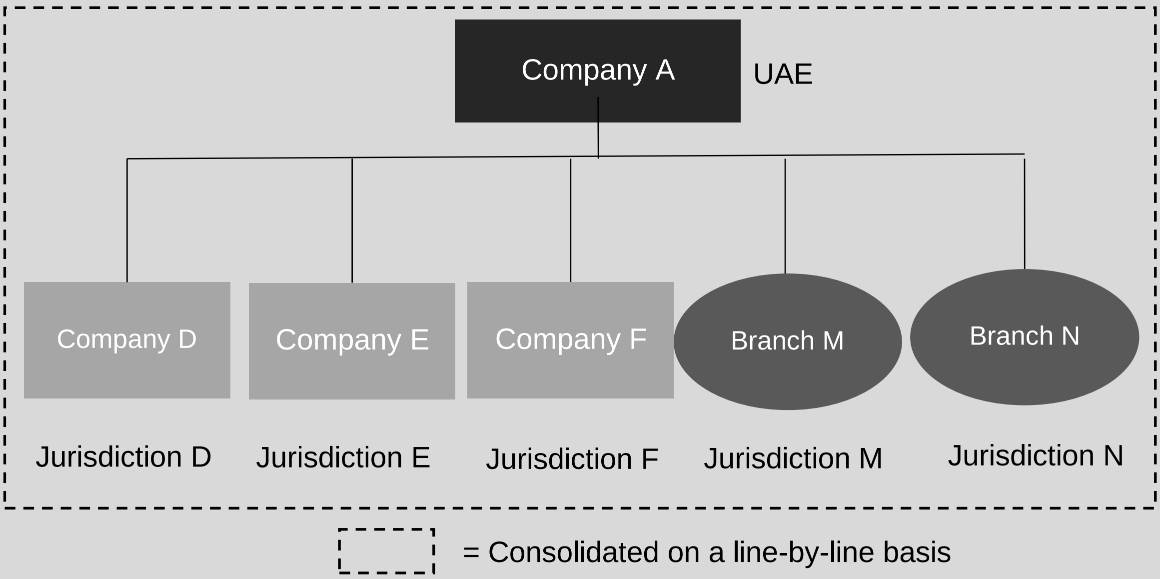
[7] Definition of Consolidated Financial Statements in Article 18.1 of the QDMTT Legislation.

		accordance with an Authorised Financial Accounting Standard that is either an Acceptable Financial Accounting Standard or another Authorised Financial Accounting Standard that is adjusted to prevent any Material Competitive Distortions. (See note 1 below.)

Note 1: With respect to scenario D in the table above, which is referred to as the deemed consolidated test, the content of accounting standards is not changed. For example, if the Authorised Financial Accounting Standard permits an Entity that qualifies as an investment entity in the accounting standard to reflect some of its investments (including majority ownership interests in other Entities) in the financial statements based on the fair value of those investments, the deemed consolidation test will not require that those investments be consolidated on a line-by-line basis.[8]

The relevant Consolidated Financial Statements described in the table above are not the same as the audited special purpose aggregated financial statements that are required for a Tax Group under the Corporate Tax Law.[9]

Example 1: Entities included in the Consolidated Financial Statements



Company A is located in the UAE, with three wholly owned subsidiaries and two Permanent Establishments, in different Jurisdictions.

[8] Paragraph 8.3 of the Commentary on Article 10 of the GloBE Rules.
[9] Article 2(2) of Ministerial Decision No. 84 of 2025.

The financial results of the two Permanent Establishments (Branches M and N) are included in the financial statements of Company A.

The assets, liabilities, income, expenses, and cash flows of Companies A, D, E and F are consolidated on a line-by-line basis in the Consolidated Financial Statements of Company A in accordance with IFRS 10.

Thus, the definition of “Group” is met given that an Entity (Company A) prepares financial statements in accordance with an Acceptable Financial Accounting Standard in which the assets, liabilities, income, expenses and cash flows of that Entity (Company A) and the Entities in which it has a Controlling Interest (Companies D, E and F) are presented as those of a single economic unit.

4.2.1.2. Entities excluded from the Consolidated Financial Statements

Entities that are excluded from the Consolidated Financial Statements of a UPE solely on size or materiality grounds, or on the grounds that the Entity is held for sale, can still be part of a Group.[10]

When preparing Consolidated Financial Statements, discontinued operations of an Entity may be presented separately from continuing operations. In such case, the discontinued operations are nonetheless considered to have been consolidated on a line-by-line basis for the purposes of the QDMTT Legislation, even where the discontinued operations are presented as a single line item in the Consolidated Financial Statements. Hence, such an Entity is also part of the Group.

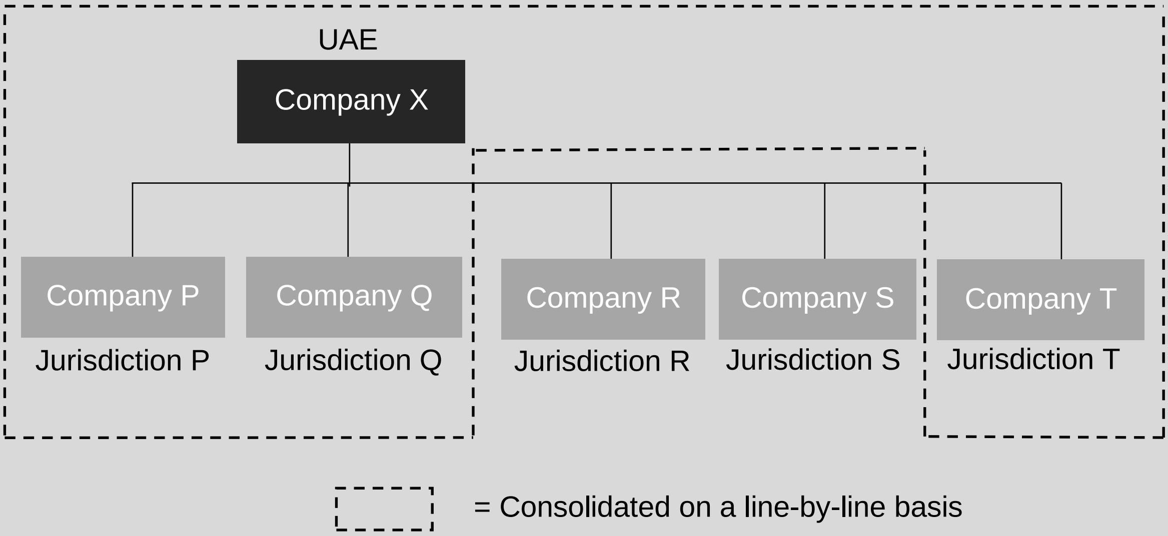
Example 2: Entities excluded from the Consolidated Financial Statements on the basis that they are held for sale

Company X is established in the UAE with wholly owned subsidiaries shown in the diagram below.

The assets, liabilities, income, expenses, and cash flows of Companies P, Q and T are consolidated on a line-by-line basis in the Consolidated Financial Statements prepared by Company X.

[10] Article 1.2.2(b) of the QDMTT Legislation.

However, the assets, liabilities, income, expenses, and cash flows of Companies R and S are excluded from the Consolidated Financial Statements of Company X on the grounds that Companies R and S are held for sale.



Companies X, P, Q, R, S and T constitute a Group under the QDMTT Legislation. Companies R and S are part of a Group even though they are excluded from the Consolidated Financial Statements of Company X on the grounds that they are held for sale.

4.2.1.3. Group comprised of standalone Entity with foreign Permanent Establishment

A Group also means an Entity that is located in one Jurisdiction and has one or more Permanent Establishments located in other Jurisdictions, if the Entity does not form part of another Group.[11]

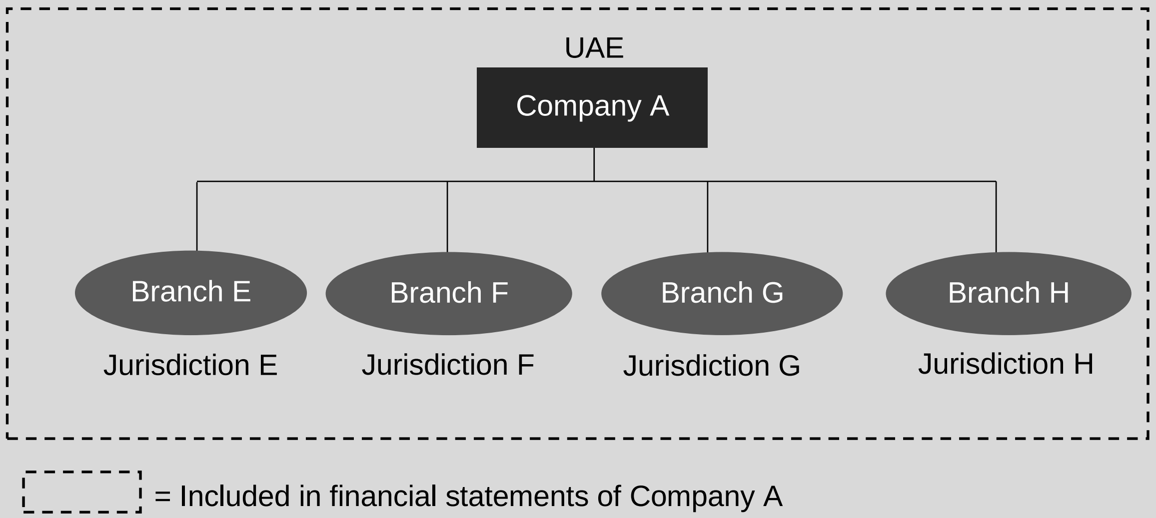
Thus, a Group exists under the following scenarios:

- a standalone Entity located in the UAE, with one or more Permanent Establishments located outside the UAE, or
- a standalone Entity located outside the UAE, with one or more Permanent Establishments located within the UAE.

Example 3: Standalone UAE Entity with foreign Permanent Establishments

Company A is located in the UAE with four branches located in different Jurisdictions as shown in the diagram below.

[11] Article 1.2.3 of the QDMTT Legislation.



A Group exists because an Entity (Company A) is located in one Jurisdiction (the UAE) with Permanent Establishments located in other Jurisdictions (Jurisdictions E, F, G and H), and Company A is not part of another Group.

4.2.2. Ultimate Parent Entity (UPE)

The definition of UPE is essential for determining the composition of a "Group" and for other provisions of the QDMTT Legislation.

In simple terms, the UPE is the Entity that prepares the Consolidated Financial Statements of the Group. In the case of a Group consisting of a standalone Entity (i.e. Main Entity) and its Permanent Establishments, it is the Main Entity. As an exception, please see the case of sovereign wealth funds in section 4.2.3.

The QDMTT Legislation contemplates two types of UPEs, as explained below.

4.2.2.1. First type of UPE

The first type of UPE is an Entity that:[12]

- owns, directly or indirectly, a Controlling Interest in any other Entity, and
- is not owned, with a Controlling Interest, directly or indirectly by another Entity.

This ensures that the Entity that is the ultimate or highest Entity in the ownership chain, in accordance with the financial accounting consolidation rules, can qualify as the

[12] Article 1.4.1(a) of the QDMTT Legislation.

UPE. This is done by reference to the definition of Controlling Interests as explained below.

Only an Entity can be a UPE. A natural person cannot be a UPE. Thus, where an Entity is wholly owned by a natural person, the Entity shall be the UPE, if the conditions are met. This is regardless of whether such Entity is a tax resident or fiscally transparent.

A Controlling Interest means an Ownership Interest in an Entity such that the interest holder:[13]

1. is required to consolidate the assets, liabilities, income, expenses and cash flows of the Entity on a line-by-line basis in accordance with an Acceptable Financial Accounting Standard, or
2. would have been required to consolidate the assets, liabilities, income, expenses and cash flows of the Entity on a line-by-line basis if the interest holder had prepared Consolidated Financial Statements.

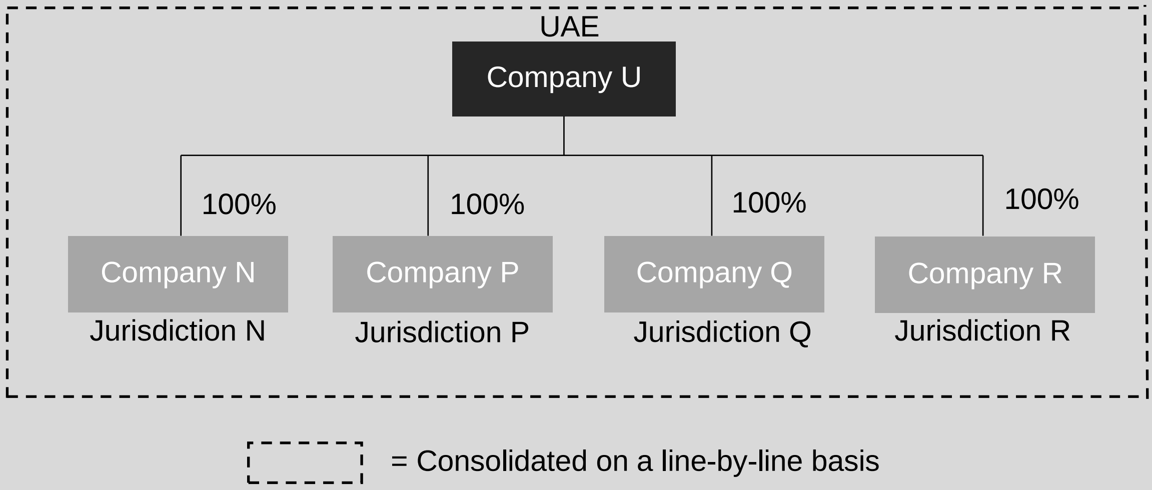
An Ownership Interest means any equity interest that carries rights to the profits, capital or reserves of an Entity (including a Flow-through Entity), including the profits, capital or reserves of a Main Entity's Permanent Establishment(s). For the purposes of this definition:[14]

1. an equity interest is an interest that is accounted for as equity under the financial accounting standard used in the preparation of the Consolidated Financial Statements of the UPE, and
2. where different types of equity interests are issued by an Entity, equal regard should be given to each equity interest that carries rights to profits, capital or reserves, unless otherwise provided by a provision of the QDMTT Legislation.

Example 4: UAE headquartered MNE Group

Company U, located in the UAE, is the parent company of Group U, with four subsidiaries in different jurisdictions.

[13] Definition of Controlling Interest in Article 18.1 of the QDMTT Legislation.
[14] Definition of Ownership Interest in Article 18.1 of the QDMTT Legislation.

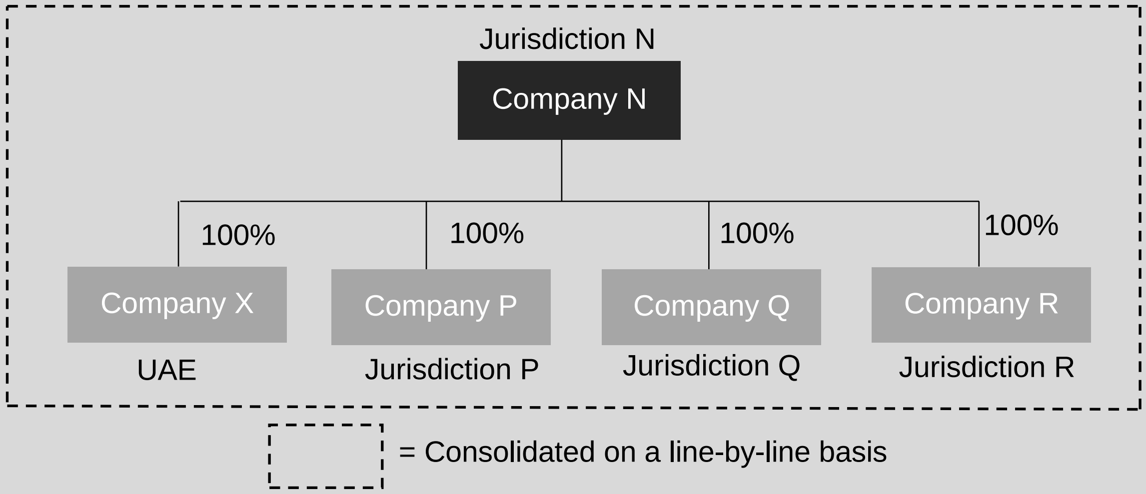


Company U consolidates the assets, liabilities, income, expenses and cash flows of Company N, Company P, Company Q and Company R on a line-by-line basis under IFRS. Company U is not consolidated by any other Entity.

Since Company U is not consolidated by another Entity, and consolidates at least one Entity, it qualifies as the UPE under the QDMTT Legislation. Group U is considered a UAE headquartered MNE Group since the UPE is located in the UAE.

Example 5: Foreign headquartered MNE Group

Company N (located in Jurisdiction N) is the parent company of Group N which has four subsidiaries in different jurisdictions, including the UAE.



Company N consolidates the assets, liabilities, income, expenses and cash flows of Company X, Company P, Company Q and Company R on a line-by-line basis under IFRS.

Company N qualifies as the UPE of Group N because it is not consolidated by another Entity, and it consolidates at least one Entity. Group N is considered a foreign headquartered MNE Group since the UPE is located outside the UAE.

4.2.2.2. Second type of UPE

The second type of UPE arises where there is a Main Entity (that is not part of a Group) in one Jurisdiction with one or more Permanent Establishments in other Jurisdictions.[15]

A Main Entity, in respect of a Permanent Establishment, is an Entity that includes the Financial Accounting Net Income or Loss of the Permanent Establishment in its financial statements.[16]

A Main Entity is deemed to have the Controlling Interests of its Permanent Establishments.[17]

This means that a standalone Entity in the UAE with foreign Permanent Establishments may fall within the scope of the QDMTT Legislation.

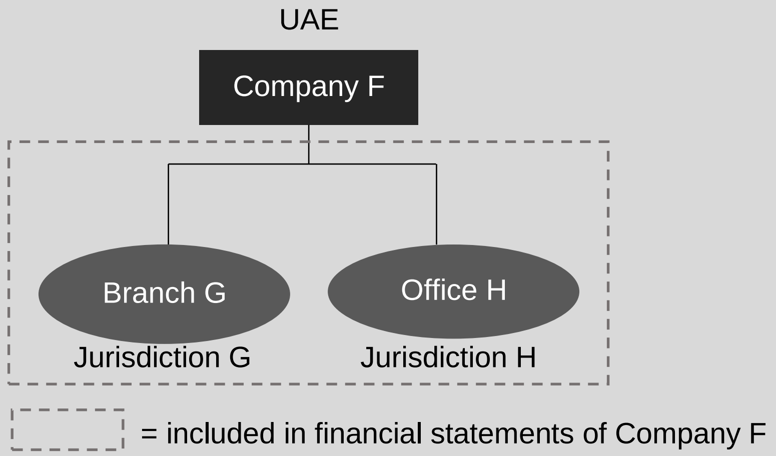
Whether a Permanent Establishment exists depends on how it is defined under Article 18.1 of the QDMTT Legislation and not necessarily under the corporate tax law of a Jurisdiction - see section 5.3.1.

Example 6: Main Entity located in the UAE with foreign Permanent Establishments

A standalone company, Company F, is located in the UAE with Permanent Establishments in Jurisdiction G (Branch G) and Jurisdiction H (Office H).

Company F includes the financial results of Branch G and Office H in its financial statements. Branch G and Office H are considered as Permanent Establishments in accordance with the QDMTT Legislation.

15 Article 1.4.1(b) of the QDMTT Legislation.
16 Definition of Main Entity in Article 18.1 of the QDMTT Legislation.
17 Definition of Controlling Interest in Article 18.1 of the QDMTT Legislation.



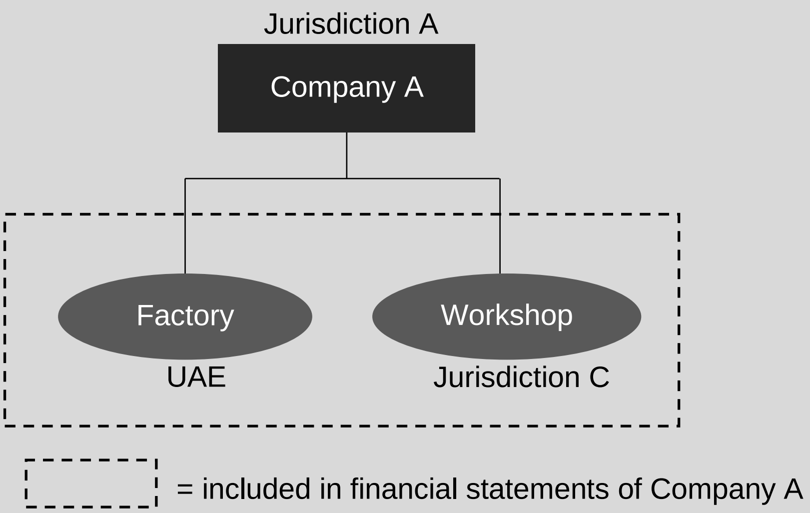
Company F is a Main Entity since it includes the Financial Accounting Net Income or Loss of Branch G and Office H in its financial statements.

Company F is a UPE since it is an Entity located in one Jurisdiction (UAE) and has one or more Permanent Establishments located in other Jurisdictions (Jurisdictions G and H), and Company F is not part of another Group.

Example 7: Main Entity located in foreign Jurisdiction with Permanent Establishment in the UAE

A standalone company, Company A, is located in Jurisdiction A with two Permanent Establishments, namely a factory located in the UAE and a workshop located in Jurisdiction C.

Company A includes the Financial Accounting Net Income or Loss of the factory and the workshop in its financial statements.



Company A is the Main Entity since it includes the Financial Accounting Net Income or Loss of the factory and workshop in its financial statements. Company A is a UPE because it is located in one Jurisdiction (Jurisdiction A) with Permanent Establishments in other Jurisdictions (the UAE and Jurisdiction C), and Company A is not part of another Group.

4.2.3. Meaning of UPE and Group: sovereign wealth fund structures

Sovereign wealth funds ("SWFs") are commonly established by governments to hold and manage their investments for the Jurisdiction's future fiscal needs, stabilising the Jurisdiction's balance of payments, and to strike an appropriate balance between domestic consumption and savings. They hold or manage the assets on behalf of the government or Jurisdiction. In addition, governments may choose to hold or manage their investments through an SWF rather than directly by the government itself in order to reduce or eliminate potential conflicts between the government's role as an investor and a business regulator. An SWF is, thus, akin to an investment company or an asset management company, wholly-owned by the government, that consolidates the government's investment activities. It is unlike the headquarters company of a conglomerate business.[18]

It is expected that an SWF meets the definition of a Governmental Entity, thereby qualifying as an Excluded Entity under the QDMTT Legislation.[19] Generally, an Excluded Entity can be a UPE of an MNE Group, if it meets the definition of UPE. However, the QDMTT Legislation contains a specific provision that states that an SWF that meets the definition of a Governmental Entity is not considered to be a UPE.[20] In this regard, an SWF shall be the primary investment fund as well as any Entity wholly owned by the investment fund that holds and manage investments for a government akin to an investment company or an asset management company.

This has a direct effect on the composition of a Group as explained below.

[18] Paragraph 36.3 of the Commentary on Article 1 of the GloBE Rules. See also paragraph 30 of the Commentary on Article 10 of the GloBE Rules.
[19] Article 1.5.1(a) of the QDMTT Legislation.
[20] Article 1.6.1 of the QDMTT Legislation.

4.2.3.1. Who will be the UPE of an SWF structure?

The UPE of an MNE Group is determined without regard to any Ownership Interest held by an SWF that is a Governmental Entity.[21]

Where an SWF (that is a Governmental Entity) holds a direct Controlling Interest in an Entity, this last-mentioned Entity will be considered as the UPE of the Group provided that it:[22]

1. owns directly or indirectly a Controlling Interest in another Entity, or
2. is a Main Entity located in one Jurisdiction with one or more Permanent Establishments located in other Jurisdictions provided that the Main Entity is not a part of another Group.

Furthermore, where an SWF (that is a Governmental Entity) holds a Controlling Interest in an Entity through a wholly owned holding company, the SWF and the wholly owned holding company cannot be the UPE. Instead, the Entity in which the SWF holds a Controlling Interest (directly or indirectly) will be considered as the UPE of the Group provided either of the conditions mentioned above are met.

4.2.3.2. What is the meaning of Group in an SWF structure?

Based on the UPE determined under section 4.2.3.1, the composition of the Group would be altered. In some cases, this could break the SWF structure into separate Groups to which the provisions of the QDMTT Legislation would apply separately (e.g., the revenue threshold).

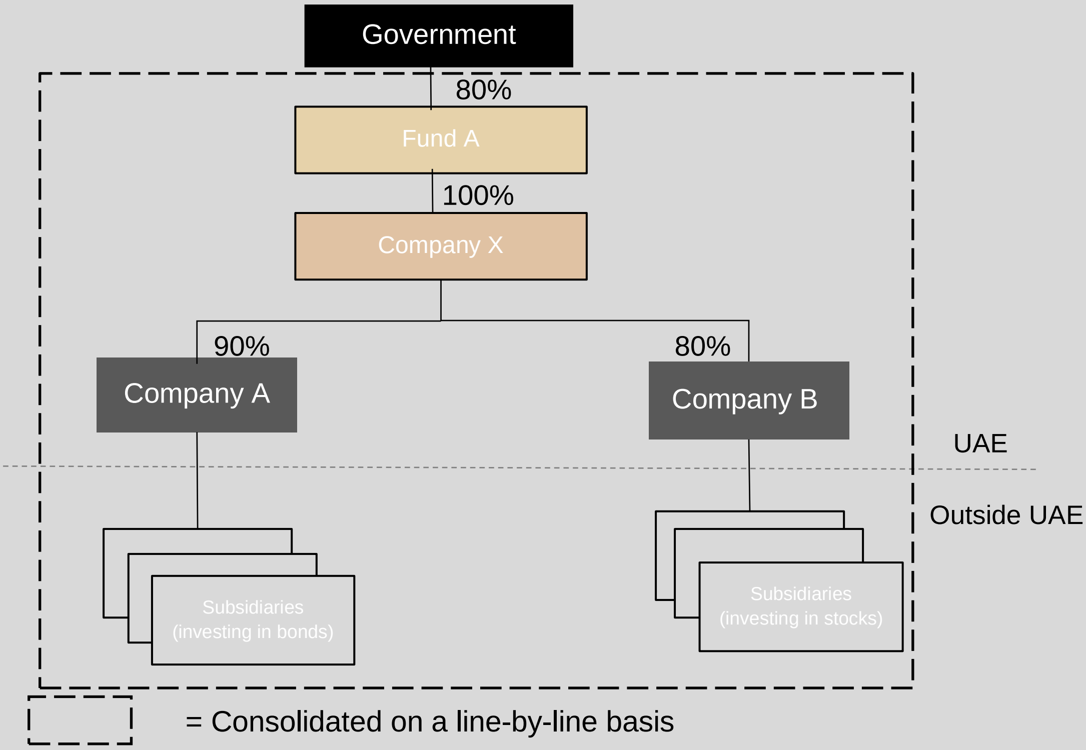
Example 8: SWF structure

The UAE Federal Government has set up Fund A in the UAE to hold and manage its investments. Fund A is part of the Federal Government, and the UAE Federal Government holds 80% of the ownership interest of Fund A, which is considered to be an SWF. The balance of 20% is held by external third-party investors. Fund A also meets the definition of a Governmental Entity.[23]

Fund A wholly owns and controls Company X, a juridical person that functions as an asset management company. Company X owns 90% of Company A, with third

[21] Paragraph 36.4 of the Commentary on Article 1 of the GloBE Rules.
[22] Article 1.6.2 of the QDMTT Legislation.
[23] By virtue of Article 1.5.1(a) of the QDMTT Legislation.

parties holding the other 10%. Company X also owns 80% of Company B, with third parties holding the other 20%.



Fund A is a long-term investor with no definite exit time frame for some of its investments and, thus, does not meet the definition of an Investment Entity. In accordance with IFRS, Fund A is required to consolidate the assets, liabilities, income and expenses of Company A, Company B and their subsidiaries on a line-by-line basis. Therefore, Fund A owns, directly or indirectly, a Controlling Interest in other Entities (Company A, Company B and their subsidiaries).

The definition of an Entity does not include central government and, therefore, UAE Federal Government is not considered to be an Entity.

Fund A, therefore, meets the definition to be a UPE because it owns directly or indirectly a Controlling Interest in another Entity, and is not owned by another Entity. However, since Fund A is an SWF that meets the definition of a Governmental Entity, it is not considered to be a UPE.[24]

Given that Fund A owns a direct Controlling Interest in Company X, and Company X owns directly or indirectly a Controlling Interest in other Entities, Company X meets the definition of a UPE.[25] In this case, the Group will be comprised of Companies X, A and B and its subsidiaries.

However, if Company X is an SWF on the basis that it holds and manages investments and also meets the definition of a Governmental Entity,[26] it will not be considered a UPE. In this scenario, Company A and Company B will be considered the UPEs of two separate Groups since they own Controlling Interests in different Entities.

4.2.4. Meaning of MNE Group

The QDMTT Legislation applies to Constituent Entities that are members of an MNE Group. An MNE Group is defined as any Group that includes at least one Entity or Permanent Establishment that is not located in the Jurisdiction in which the UPE of the MNE Group is located.[27]

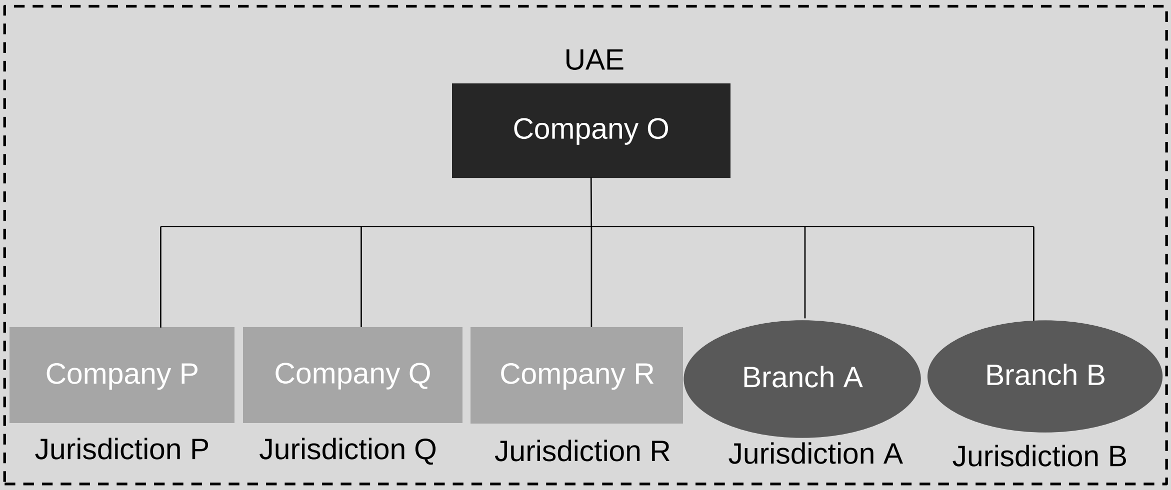
Therefore, an MNE Group exists where a UPE is located:

- in the UAE, with at least one Entity or Permanent Establishment located outside the UAE, or
- in a foreign Jurisdiction, with at least one Entity or Permanent Establishment located in the UAE.

Example 9: UAE headquartered MNE Group

Group O consists of Entities and Permanent Establishments located in multiple Jurisdictions as shown in the diagram below.

[24] Article 1.6.1 of the QDMTT Legislation.
[25] Article 1.6.2 of the QDMTT Legislation.
[26] Definition of Governmental Entity in Article 18.1 of the QDMTT Legislation.
[27] Article 1.2.1 of the QDMTT Legislation.



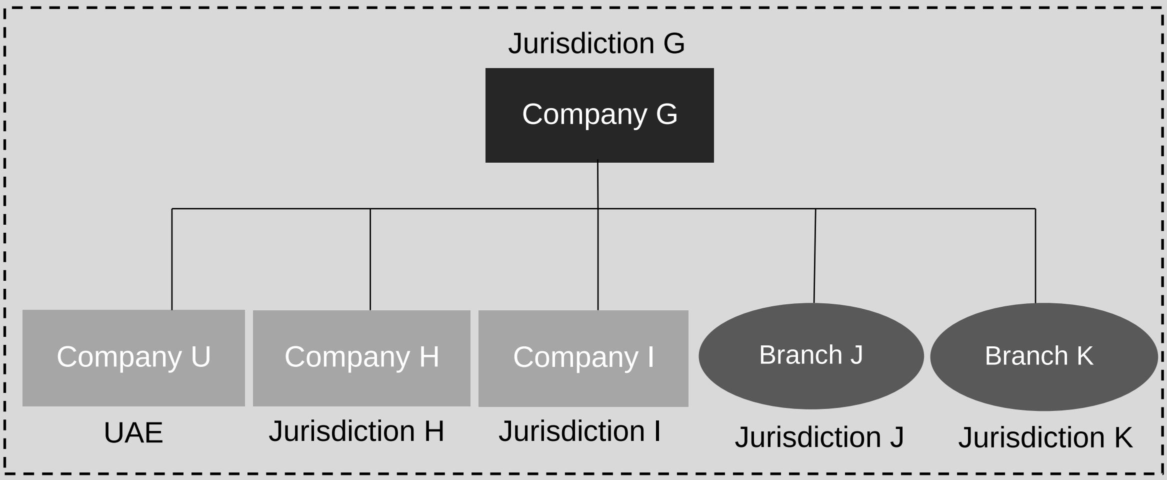
= Consolidated on a line-by-line basis. Branch A and Branch B are included in financial statements of Company O

Company O is the UPE because it owns directly or indirectly a Controlling Interest in other Entities and it is not owned, with a Controlling Interest, by another Entity.

Group O is an MNE Group because at least one Entity or Permanent Establishment is not located in the Jurisdiction in which the UPE (Company O) is located.

Example 10: Foreign headquartered MNE Group

Group G consists of Entities and Permanent Establishments located in multiple Jurisdictions as shown in the diagram below.



= Consolidated on a line-by-line basis. Branch J and Branch K are included in financial statements of Company G

Company G is not owned by another Entity, with a Controlling Interest, but it directly owns Controlling Interests in Companies U, H, and I. Hence, Company G is the UPE of Group G.

Group G is an MNE Group because it includes at least one Entity or Permanent Establishment that is not located in the Jurisdiction in which the UPE (Company G) is located.

4.3. Consolidated Revenue Threshold Condition

The QDMTT Legislation applies to Constituent Entities that are members of an MNE Group that has annual revenue of EUR 750 million or more in the Consolidated Financial Statements of the UPE, in at least two of the four Fiscal Years immediately preceding the tested Fiscal Year.[28]

This section considers how this test, referred to as the consolidated revenue threshold condition, is to be calculated. The meaning of Constituent Entities is considered in section 5 and the meaning of MNE Group is considered in section 4.2.4.

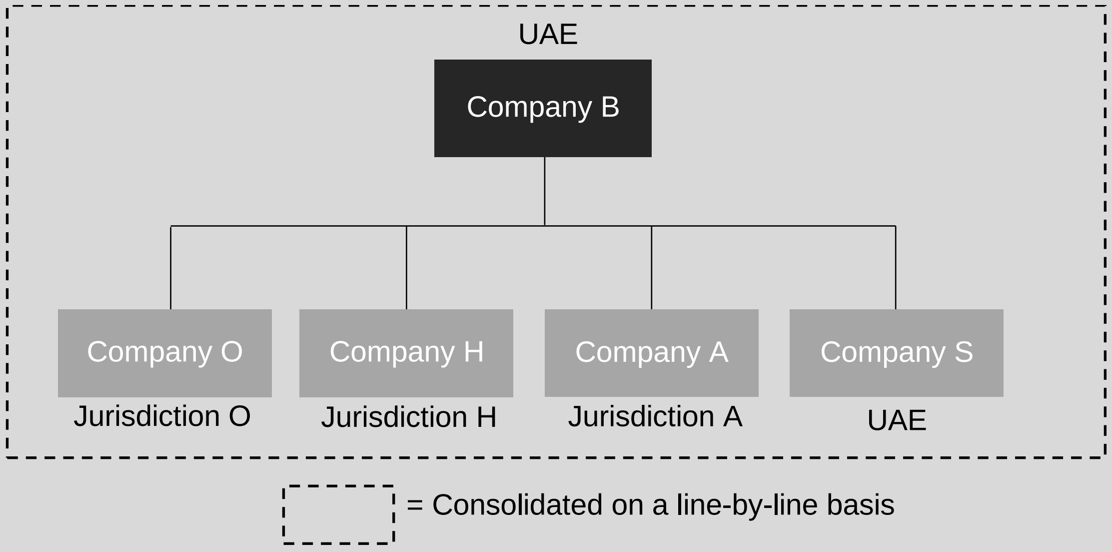
For the purposes of the consolidated revenue threshold condition, the consolidated revenue for the tested Fiscal Year is not considered.[29]

Given that revenues may be presented in different ways in the Consolidated Financial Statements, the following sub-sections of this guide (sections 4.3.1 to 4.3.5) clarify the definition of revenue in certain situations.[30] Section 4.4 then explains how the rules are modified in instances of mergers and demergers.

Example 11: Testing revenue in two of four preceding Fiscal Years

Company B is located in the UAE and is the UPE of an MNE Group as shown in the diagram below.

[28] Article 1.1.1 of the QDMTT Legislation.
[29] Paragraph 6 of the Commentary on Article 1 of the GloBE Rules.
[30] Paragraph 10.2 of the Commentary on Article 1 of the GloBE Rules.



According to the Consolidated Financial Statements of Company B, the consolidated revenue is as follows:

FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
EUR 720 million	EUR 770 million	EUR 710 million	EUR 800 million	EUR 720 million

To assess whether the MNE Group is in scope for the QDMTT Legislation in Fiscal Year 2025, the consolidated revenue in the previous four Fiscal Years should be considered. The amount of revenue of the tested Fiscal Year (2025) is not relevant.

The consolidated revenue is above the EUR 750 million threshold in two of four prior Fiscal Years, namely in 2024 and in 2022. Accordingly, the MNE Group satisfies the consolidated revenue threshold test, and is in scope for the QDMTT Legislation in Fiscal Year 2025.

4.3.1. Revenue for the purposes of the consolidated revenue threshold

The consolidated revenue figure that is used for the consolidated revenue threshold is taken from the relevant MNE Group's Consolidated Financial Statements (see section 4.2.1.1). This means that the calculation of revenue is based on the financial accounting standard used in the MNE Group's Consolidated Financial Statements.

Different financial accounting standards have different requirements for how revenue must be presented in the consolidated profit and loss statement. For example, depending on the financial accounting standard applied, some items (such as extraordinary or non-recurring items or investment income for insurance companies) might be separated and shown separately from revenues by some MNE Groups, while other MNE Groups may include and present them as part of revenues. These different standards and practices for presenting revenues in the consolidated profit and loss statement can lead to inconsistencies in the application of the consolidated revenue threshold.[31] Hence, to ensure uniformity in application of the QDMTT Legislation, the guidance in the OECD Commentary is relevant in determining the consolidated revenue figure.[32]

Since the consolidated revenue figure is taken from the Consolidated Financial Statements, it will include the revenue of all members of the Group, including members that are not wholly owned by the UPE. No adjustment should be made for any amounts that may be attributable to minority interest holders.[33]

Furthermore, since the consolidated revenue threshold is based on the consolidated revenue of the MNE Group, and not on the aggregate of revenues of each Group Entity, the revenues from transactions with other Group Entities that are eliminated in the consolidation process are excluded from the revenue threshold test.

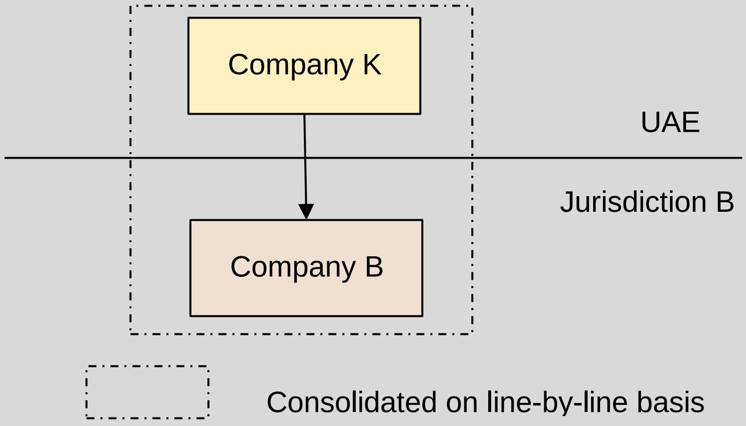
4.3.2. MNE Group exclusively comprised of recently created Entities

Consolidated Financial Statements for prior years will not be available in those cases where all the Entities that are part of the MNE Group were recently created (for example, incorporated). In these cases, the third Fiscal Year is the first Fiscal Year in which the QDMTT Legislation is potentially applicable. This is because by that time, there should be two prior Fiscal Years available to test the consolidated revenue threshold. If that threshold is met for the two prior Fiscal Years, the MNE Group will be subject to the QDMTT Legislation in the third Fiscal Year.[34]

Recently created Groups comprised of pre-existing Entities are discussed in section 4.4.

[31] Paragraph 10.2 of the Commentary on Article 1 of the GloBE Rules.
[32] Paragraph 10.3 to 10.7 of the Commentary on Article 1 of the GloBE Rules.
[33] Paragraph 11 of the Commentary on Article 1 of the GloBE Rules.
[34] Paragraph 8 of the Commentary on Article 1 of the GloBE Rules.

Example 12: Revenue threshold test for an MNE Group exclusively comprised of recently created Entities



Company K, located in the UAE, was incorporated in January 2026, with Fiscal Years that follow the Gregorian calendar year. In March 2026, it established a wholly owned subsidiary, Company B, located in Jurisdiction B. The Consolidated Financial Statements show the following consolidated revenue amounts for the Fiscal Years 2026, 2027, and 2028:

FY 2026	FY 2027	FY 2028
EUR 755 million	EUR 760 million	EUR 740 million

From 2026 onwards, Company K and Company B constitute a Group, and an MNE Group (because Company K and Company B are located in different Jurisdictions). The consolidated revenue threshold test cannot be applied before the third Fiscal Year and, therefore, the MNE Group cannot be in scope of the QDMTT Legislation before 2028.

The MNE Group is in scope of the QDMTT Legislation in Fiscal Year 2028 because the consolidated revenue of the MNE Group exceeded EUR 750 million in the two Fiscal Years (2026 and 2027) preceding the tested Fiscal Year 2028.

The fact that the MNE Group was created part way through the Fiscal Year 2026 (from 1 March 2026) is not relevant – the Fiscal Year 2026 is still counted.

4.3.3. Revenue of an Excluded Entity

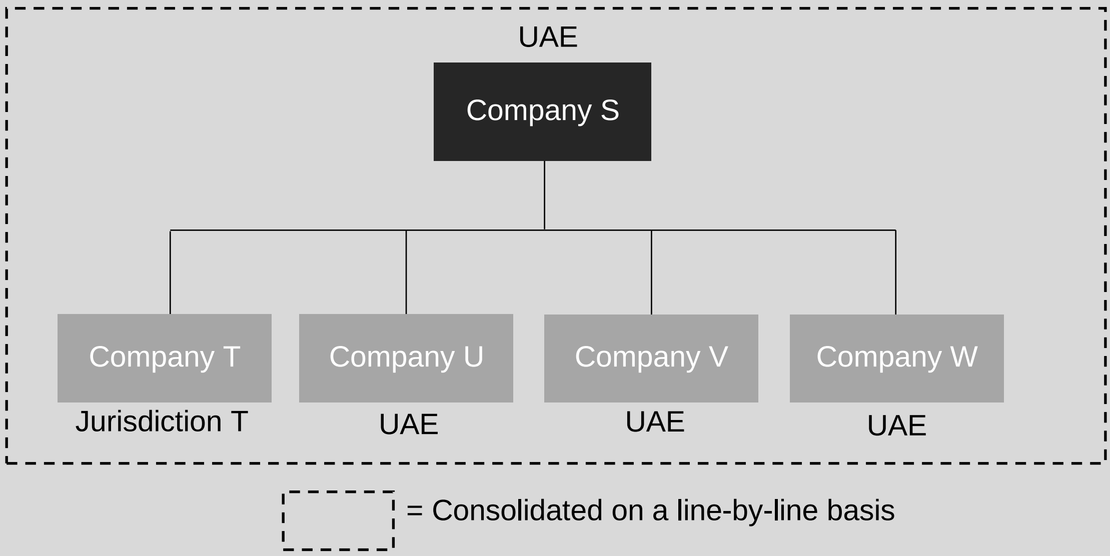
An Excluded Entity is not considered to be a Constituent Entity.[35]

[35] Article 1.3.3 of the QDMTT Legislation.

However, an Excluded Entity will qualify as a Group Entity for the purposes of determining the revenue threshold to the extent its income is consolidated with the rest of the Group in the Consolidated Financial Statements. Thus, the revenue of that Excluded Entity must be taken into account in applying the consolidated revenue threshold.[36]

Example 13: MNE Group consisting of Excluded Entities

Group S is an MNE Group. Members of Group S include: Company S (UPE of the Group), Company T, Company U, Company V and Company W. Company U, V and W are located in the UAE. Company W qualifies as an Excluded Entity under the QDMTT Legislation and accordingly, is not subject to Top-up Tax in the UAE.



Group S is evaluating whether it is within scope of the QDMTT Legislation for Fiscal Year 2025 (i.e. tested Fiscal Year). In this regard, the consolidated revenue of Group S for the previous four Fiscal Years (including revenue of Company W) is as follows:

Description	**All amounts in EUR**			
	FY 2021	**FY 2022**	**FY 2023**	**FY 2024**
Consolidated revenue of the Group (including revenue of Company W)	720 million	780 million	710 million	760 million

[36] Paragraph 12 of the Commentary on Article 1 of the GloBE Rules.

Revenue of Company W included in the consolidated revenue of the Group	15 million	16 million	12 million	20 million

An MNE Group falls within scope of the QDMTT Legislation if the annual consolidated revenue exceeded EUR 750 million in at least two of the four preceding Fiscal Years. The revenue of Excluded Entities is taken into account when determining the consolidated revenue threshold. Therefore, no adjustment is required in respect of revenue of Company W.

As the revenues of Group S exceeded EUR 750 million in Fiscal Year 2022 and 2024, Group S falls within scope of the QDMTT Legislation.

4.3.4. Fiscal Year shorter or longer than 12 months

For the purposes of determining whether an MNE Group is in scope of the QDMTT Legislation, the Fiscal Year is defined as the accounting period for which the UPE of the MNE Group prepares its Consolidated Financial Statements.[37]

Where the UPE has deemed Consolidated Financial Statements where the deemed consolidation test applies (see scenario D of the table in section 4.2.1.1), the Fiscal Year is the calendar year.[38]

If one or more Fiscal Years of the MNE Group is of a period other than 12 months, for each of those Fiscal Years, the EUR 750 million threshold is adjusted proportionally to correspond with the length of the relevant Fiscal Year.[39] Therefore, the revenue of the period needs to be compared to the adjusted revenue threshold.

Example 14: Fiscal Year shorter than 12 months

Group A followed the Gregorian calendar year as its Fiscal Year. However, in the year 2024, it decided to change its Fiscal Year from 1 October to 30 September. Hence, for 2024, the Consolidated Financial Statements is prepared for the period from 1 January 2024 to 30 September 2024. Accordingly, the Fiscal Year 2024 is a short period of 9 months.

[37] Paragraph 14 of the Commentary on Article 1 of the GloBE Rules.
[38] Definition of Fiscal Year in Article 18.1 of the QDMTT Legislation.
[39] Article 1.1.2 of the QDMTT Legislation.

The QDMTT Legislation applies to Fiscal Years commencing on or after 1 January 2025. Accordingly, the Group is evaluating whether it is within scope of the QDMTT Legislation for its first Fiscal Year commencing on or after 1 January 2025, i.e. the tested Fiscal Year in this case will be 1 October 2025 to 30 September 2026.

In this regard, the consolidated revenue of Group A for the previous four Fiscal Years is as follows:

Fiscal Year	**Amount of consolidated revenue (in EUR millions)**	**Length of period**
2022	400	12 months
2023	600	12 months
2024 (1 January 2024 to 30 September 2024)	550	9 months
2025 (1 October 2024 to 30 September 2025)	760	12 months

For the purposes of determining whether the Fiscal Year beginning on 1 October 2025 (tested Fiscal Year) meets the consolidated revenue threshold, the Group has to test the consolidated revenue for the previous four Fiscal Years. However, since the Fiscal Year beginning in January 2024 is less than 12 months (i.e. 9 months), the consolidated revenue threshold needs to be adjusted proportionally.

Accordingly, the consolidated revenue threshold for the Fiscal Year beginning in January 2024 is adjusted to reflect the nine-month period (EUR 750 million x [9/12] = EUR 562.5 million). In this respect, the consolidated revenue threshold for that Fiscal Year has not been met since EUR 550 is below EUR 562.5 million.

Consequently, Group A does not satisfy the consolidated revenue threshold condition for the 2025 Fiscal Year as the consolidated revenue threshold was satisfied only in respect of the 2025 Fiscal Year, i.e. only in one of the preceding four Fiscal Years.

4.3.5. Currency Conversion

It is possible that the UPE of an MNE Group prepares its Consolidated Financial Statements in a currency other than EUR. For example, it is likely that a UAE headquartered MNE Group prepares its Consolidated Financial Statements in UAE Dirhams (“AED”).

For the purposes of determining whether a threshold in the QDMTT Legislation, including the consolidated revenue threshold, is met, the relevant amounts expressed in a currency other than EUR have to be converted into EUR using the average of the daily reference rates of the month of December prior to the commencement of the relevant Fiscal Year as quoted by:[40]

1. the European Central Bank,
2. where the European Central Bank does not provide a foreign exchange reference rate for the local currency of a Jurisdiction, the average foreign exchange rate will be determined by that quoted by the Central Bank of the UAE, and
3. if neither the European Central Bank nor the Central Bank of the UAE quotes a daily rate of exchange in respect of the two currencies, the foreign exchange rate shall be determined by another source acceptable by the FTA.

With respect to 3, the foreign exchange rate to be used is one that appears, on a just and reasonable basis, to reflect the average exchange rate for the month. For example, the rates published by the central bank that issues the currency in which the Consolidated Financial Statement is prepared, may be used.

Example 15: Currency conversion – from AED

Group P is an MNE Group headquartered in the UAE, with subsidiaries in Jurisdictions A, B and C.

The Consolidated Financial Statements of the MNE Group are presented in AED. However, the QDMTT Legislation sets the consolidated revenue threshold in EUR. To determine whether Group P is in scope in Fiscal Year 2025, the consolidated revenue for the Fiscal Years 2021 to 2024 must be converted from AED to EUR.

Given that AED is not part of the standard European Central Bank reference rate set, the exchange rate used for the conversion should be based on the average of the daily reference rates of December prior to the commencement of the relevant Fiscal Year, as quoted by the Central Bank of the UAE.

Currency	**Consolidated Revenue**			
	FY 2021	**FY 2022**	**FY 2023**	**FY 2024**
AED	2,700 million	3,500 million	2,800 million	3,200 million
Exchange Rate	4.47	4.15	3.89	4.01

[40] Article 10.6 of the QDMTT Legislation.

	(average of the daily reference rates of December 2020)	(average of the daily reference rates of December 2021)	(average of the daily reference rates of December 2022)	(average of the daily reference rates of December 2023)
EUR	604 million	843 million	720 million	798 million

Since the revenue of Group P exceeded the EUR 750 million threshold in Fiscal Years 2022 and 2024, i.e. two of the preceding four Fiscal Years, Group P will be in scope of the QDMTT Legislation in Fiscal Year 2025.

4.4. Consolidated revenue threshold for Mergers and Demergers

The consolidated revenue threshold condition is modified in instances of mergers and demergers.[41] The definitions of "merger" and "demerger" under the QDMTT Legislation may differ from their commonly understood meanings. In the case of mergers, the QDMTT Legislation sets out special rules for measuring the consolidated revenue of the Entities or Groups involved in the merger for the purposes of the four-year consolidated revenue threshold. In the case of demergers, the QDMTT Legislation includes an additional rule that supplements the consolidated revenue threshold.[42]

4.4.1. Mergers

A merger refers to any arrangement where:[43]

1. all or substantially all of the Group Entities of two or more separate Groups are brought under common control such that they constitute Group Entities of a combined Group, or
2. an Entity that is not a member of any Group is brought under common control with another Entity or Group such that they constitute Group Entities of a combined Group.

How the consolidated revenue threshold applies to these two types of mergers is considered separately in section 4.4.1.1 and section 4.4.1.2 below.

[41] Article 1.1.1 read with 6.1 of the QDMTT Legislation.
[42] Paragraph 2 of the Commentary on Article 6 of the GloBE Rules.
[43] Article 6.1.2 of the QDMTT Legislation.

4.4.1.1. Merger of two or more Groups into a single Group

When two or more Groups merge into a single Group in any of the four Fiscal Years before the tested Fiscal Year, the consolidated revenue threshold of the MNE Group for any Fiscal Year prior to the merger is deemed to be met for that year if the sum of the revenue included in each of their Consolidated Financial Statements for that year is equal to or greater than EUR 750 million.[44]

Neither Group's pre-merger revenues are adjusted for transactions that occurred between the Groups in the preceding year, notwithstanding that transactions between Entities will be eliminated in consolidation after the merger. The assessment relating to the pre-merger revenues is required for each of the Fiscal Years that are tested under the consolidated revenue test. [45]

Example 16: Computation of revenue for merged groups

Group P and Group Q merged into Group R, a UAE headquartered MNE Group, with effect from 1 January 2025.

Prior to the merger, the two groups were unrelated but there were a number of transactions between various Entities of the two groups.

Group P and Group Q reported consolidated revenue as detailed in the table below:

Year	Consolidated revenue (Amount in EUR millions)		
	Group P	Group Q	Merged Group R
2021	300	520	820
2022	200	400	600
2023	300	300	600
2024	500	300	800

The consolidated revenue of Group P and Group Q are added together, with no adjustments made for any transactions that occurred between the two Groups.

Since, the sum of the consolidated revenue exceeded the EUR 750 million threshold in two out of the four preceding Fiscal Years, specifically in 2021 and 2024, the merged Group R is in scope of the QDMTT Legislation in Fiscal Year 2025.

[44] Article 6.1.1(a) of the QDMTT Legislation.
[45] Paragraph 22 of the Commentary on Article 6 of the GloBE Rules.

4.4.1.2. Entity merged or acquired by another Entity or Group

The QDMTT Legislation provides that where an Entity that is not a member of any Group (Acquirer) acquires or merges with an Entity or Group (Target) in the tested Fiscal Year and the Acquirer or Target does not have Consolidated Financial Statements in any of the four Fiscal Years prior to the tested Fiscal Year because it was not a member of any Group in that year, the consolidated revenue threshold of the MNE Group is deemed to be met for that year if the sum of the revenue included in each of their Financial Statements or Consolidated Financial Statements for that year is equal to or greater than EUR 750 million.[46]

Mergers contemplated by this rule include where:[47]

- two single Entities that are not part of a Group are brought together to form a Group, and prior to this merger, only individual (i.e. not consolidated) financial statements were prepared by these Entities,
- an Entity that does not prepare consolidated financial statements is acquired by a Group,
- an Entity that is not a member of a Group acquires another Entity or a Group,
- two or more Groups merge with one Entity,
- a Group merges with two or more Entities, and
- two or more Groups merge with two or more Entities.

In these cases, the consolidated revenue threshold condition is modified such that the revenue of the acquirer Entity/Group and target Entity/Group is combined for the years prior to the merger or acquisition and if the combined revenue exceeds EUR 750 million, the threshold is considered to be met.

Effectively, in the context of a merger, the consolidated revenue threshold condition is a backward aggregation test where the revenues of the merging parties are combined for the Fiscal Years before the merger took place.

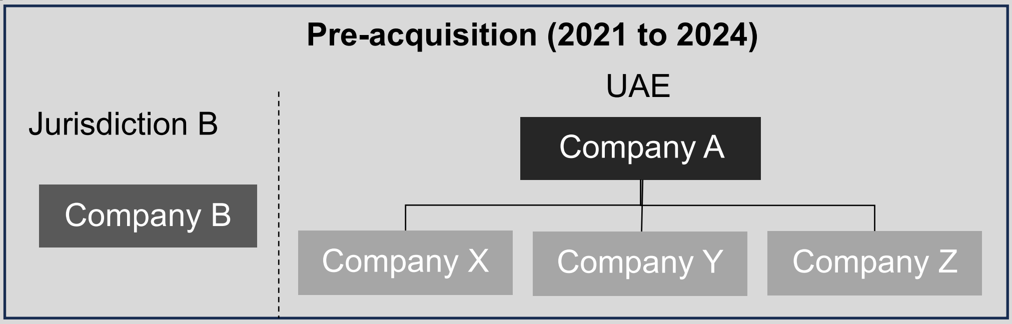
Example 17: Domestic Group acquired by foreign Entity

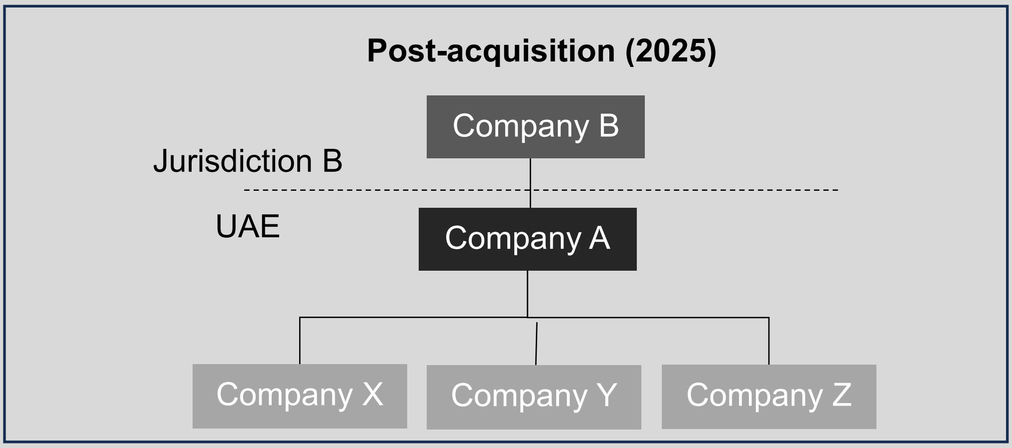
In Fiscal Years 2021 to 2024, Group A was a purely domestic Group, with the UPE (Company A) and all its subsidiaries (Company X, Y and Z), located in the UAE.

[46] Article 6.1.1(b) of the QDMTT Legislation.

[47] Paragraphs 24, 25 and 26 of the Commentary on Article 6 of the GloBE Rules.

In Fiscal Year 2025, Company A was acquired by Company B, creating Group C. Since Company B is located outside the UAE, in Jurisdiction B, Group C is an MNE Group.





The consolidated revenue threshold of newly formed Group C is calculated using the following figures:

Year	Revenue (Amount in EUR millions)		
	Group A	**Company B**	**New Group C**
2021	300	520	820
2022	200	400	600
2023	300	300	600
2024	500	300	800

Group C will be subject to the QDMTT Legislation in 2025 (i.e. the tested Fiscal Year) because the combined revenue meets the consolidated revenue threshold in at least two of the four prior Fiscal Years, that is in 2021 and 2024.

Example 18: An Entity joins a Group

Group A is a UAE headquartered MNE Group. On 1 January 2025, Group A acquired a standalone company located in the UAE, Company P.

The consolidated revenue of Group A is calculated using the following figures:

Year	Revenue (Amount in EUR millions)		
	Group A (Consolidated revenue)	Company P	Combined revenue
2021	600	100	700
2022	500	200	700
2023	700	300	1,000
2024	900	400	1,300

Group A meets the consolidated revenue threshold in 2025 (i.e. the tested Fiscal Year) since after combining the revenue of Group A with Company P, Group A's revenue exceeded EUR 750 million in at least two of the preceding four Fiscal Years, i.e. in 2023 and 2024.

4.4.1.3. Mismatched Fiscal Years of Target and Acquirer

Where an Entity joins a Group, but the Fiscal Years of the Entity and the Group do not align, for the purposes of the consolidated revenue threshold condition, the revenues of the Fiscal Years should be combined by taking the revenues of periods that end with or are within the Fiscal Year that the Group uses after the merger or acquisition.[48]

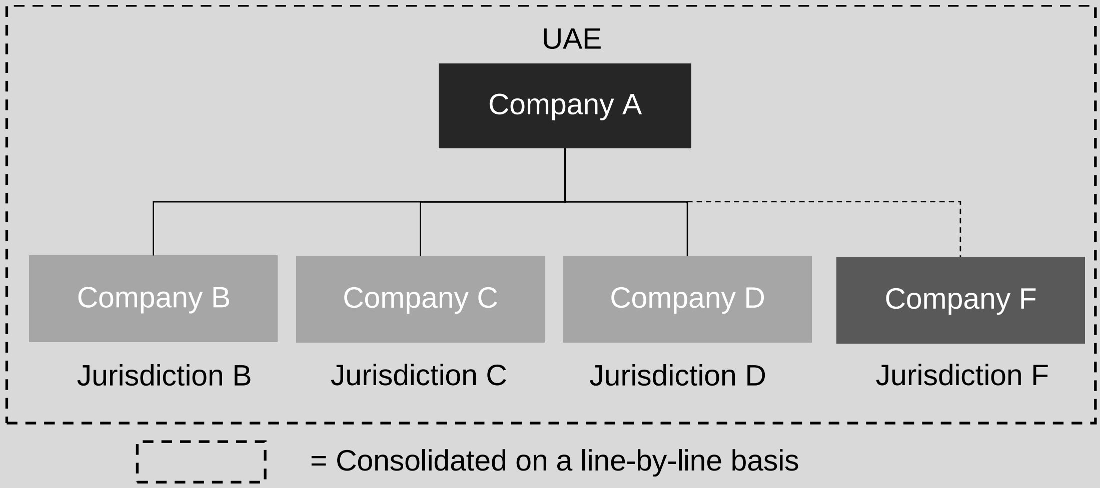
Example 19: Mismatched Fiscal Years

Group A is headquartered in the UAE, with a Fiscal Year that runs from 1 January to 31 December. The UPE is Company A, which has three wholly owned subsidiaries, Companies B, C, and D, located in different jurisdictions.

On 1 January 2025, Company A acquired Company F (located in Jurisdiction F), which traditionally followed a Fiscal Year that runs from 1 October to 30 September.

After the acquisition, Company F changes its Fiscal Year to align to Group A's Fiscal Year.

[48] Paragraph 27 of the Commentary on Article 6 of the GloBE Rules.



For the purposes of calculating the consolidated revenue, Group A combines its own revenues for Fiscal Years ending 31 December 2021 to 2024 with the revenues of Company F for its Fiscal Years ending on 30 September 2021 to 2024.

The revenue of Company F for the period from 1 October 2024 to 31 December 2024 is not included in the revenue computation for Group A for the calendar year ending 31 December 2024. This is because this revenue would have been recorded in Company F's financial statements for the following year (Fiscal Year ending 30 September 2025) if the acquisition had not taken place.

4.4.2. Demergers

A demerger is any arrangement where the Group Entities of a single Group are separated into two or more Groups that are no longer consolidated by the same UPE.[49]

After a demerger, the disposed Group Entities are no longer consolidated on a line-by-line basis by the same UPE but continue to be consolidated on a line-by-line basis by two or more UPEs of different MNE Groups from the date of the demerger.[50]

A disposal of a single Constituent Entity is not a demerger because after the disposal, it would become a standalone Entity and not a Group. However, where the disposed Constituent Entity has a Permanent Establishment in another Jurisdiction, then the standalone Entity and its Permanent Establishment are considered a Group and, therefore, a new Group would exist. This is different from the situation in which an MNE Group disposes of one or more Constituent Entities, and the Acquirer is another

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[49] Article 6.1.3 of the QDMTT Legislation.
[50] Paragraph 41 of the Commentary on Article 6 of the GloBE Rules.

Group. In these cases, the disposed Entities are joining an existing Group, not creating a new one. A sale of one or more Constituent Entities to another MNE Group may, however, fall within the definition of a merger with respect to the acquiring MNE Group – see section 4.4.1.2.[51]

4.4.2.1. Application of the consolidated revenue threshold to demergers

Where a single MNE Group within the scope of the QDMTT Legislation demerges into two or more Groups (each a demerged Group), the consolidated revenue threshold is deemed to be met by a demerged Group:[52]

1. With respect to the first tested Fiscal Year ending after the demerger, if the demerged Group has annual revenues of EUR 750 million or more in that year: This means that instead of applying a test that considers previous Fiscal Years, this rule is triggered for each demerged Group that has annual revenue of EUR 750 million or more in the Fiscal Year that is being tested.
2. With respect to the second to fourth tested Fiscal Years ending after the demerger, if the demerged Group has annual revenues of EUR 750 million or more in at least two of the Fiscal Years following the year of the demerger: Similar to point 1 above, this rule takes into account the annual revenue of the Fiscal Year that is being tested. For example, a demerged Group meets the test in the second Fiscal Year (i.e. the tested Fiscal Year), if it has consolidated revenue of EUR 750 million or more in the Fiscal Year 1 and 2 following the demerger.

This special rule applies separately to each of the demerged Group. The special demerger rule applies even if an MNE Group had revenue exceeding EUR 750 million in two of the four Fiscal Years preceding the period of demerger and the QDMTT Legislation applied to the MNE Group prior to the demerger. In such a case, the demerger rule applies instead of the general rule of two out of four preceding Fiscal Years.[53]

[51] Paragraph 43 of the Commentary on Article 6 of the GloBE Rules.
[52] Article 6.1.1(c) of the QDMTT Legislation.
[53] Paragraph 31 of the Commentary on Article 6 of the GloBE Rules.

Example 20: Application of the consolidated revenue threshold to demergers

Group P is an MNE Group engaged in the manufacturing of both cars and aircraft.

On 1 January 2026, Group P is demerged into two Groups, with Group P continuing to be engaged in manufacturing of cars, and new Group Q taking on the manufacturing of aircraft.

The revenue amounts of Group P and Group Q (in EUR millions) are shown below:

Description	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
	Consolidated revenue (Amount in EUR million)							
Group P	1,400	1,600	1,400	1,300	1,200	850	900	450
Group Q	n/a	n/a	n/a	n/a	n/a	650	800	850

Tested Year	Group P	Group Q
2025	The annual revenue in the Consolidated Financial Statements is more than EUR 750 million in at least two of the four Fiscal Years immediately preceding 2025, therefore, Group P will be **in scope** of the QDMTT Legislation.	Not applicable since Group Q did not exist.
2026 (first year of demerger – consider 2026)	Group P was in scope of the QDMTT Legislation in 2025 Fiscal Year (i.e. before demerger) based on the general consolidated revenue threshold rule. However, post demerger, the special demerger rule applies instead of the general rule of two out of four preceding Fiscal Years. Group P will pass the revenue threshold test if it exceeds the revenue threshold of EUR 750 million	Under the “demerger rule” it will **not be within the scope** of the QDMTT Legislation because the annual revenue in 2026 (i.e. EUR 650 million) is less that EUR 750 million.

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	in the first period ending after the demerger. In this case, Group P has annual revenue of EUR 750 million or more in 2026 (i.e. EUR 850 million), therefore, it is **in scope** of the QDMTT Legislation.	
2027 (second year after demerger – consider years 2026 and 2027)	The Group has annual revenues of EUR 750 million or more in at least two of the Fiscal Years following the year of the demerger (i.e. EUR 850 for 2026 and EUR 900 for 2027), therefore, it is **in scope** of the QDMTT Legislation.	Under the “demerger rule” it will **not be within the scope** of the QDMTT Legislation because it does not have annual revenues of EUR 750 million or more in at least two of the Fiscal Years following the year of the demerger (i.e. EUR 650 for 2026 and EUR 800 for 2027).
2028 (third year after demerger – consider years 2026, 2027 and 2028)	The Group has annual revenues of EUR 750 million or more in at least two of the Fiscal Years following the year of the demerger (i.e. for 2026 and 2027 as above), therefore, it is **in scope** of the QDMTT Legislation. It does not matter that the annual revenue for 2028 (the tested year) is below EUR 750 million.	Under the “demerger rule” it is **in scope** of the QDMTT Legislation because it has annual revenues of EUR 750 million or more in at least two of the Fiscal Years following the year of the demerger (i.e. EUR 800 for 2027 and EUR 850 for 2028). It does not matter that the annual revenue for 2026 is below EUR 750 million.

5. Entities in scope of the QDMTT Legislation

5.1. Overview

The following Entities are covered under the charging provision of the QDMTT Legislation:[54]

- Constituent Entities located in the UAE during the Fiscal Year, including those that are members of a Minority-owned Subgroup,
- Joint Ventures and JV Subsidiaries located in the UAE during the Fiscal Year, and
- Stateless Constituent Entities created in accordance with the laws of the UAE and that are Reverse Hybrid Entities, with respect to any of their Pillar Two Income or Loss as allocated and computed in accordance with the QDMTT Legislation.

Only an Entity can fall into any of the above-mentioned categories. See section 5.2 for the meaning of the term “Entity” for the purposes of the QDMTT Legislation.

Further, the definition of the following types of Entities is explained in this section:

- Meaning of Constituent Entity – see section 5.3,
- Minority-Owned Constituent Entity – see section 5.4,
- Joint Ventures and JV Subsidiaries – see section 5.5,
- Flow-through Entity – see section 5.6, and
- Hybrid Entity – see section 5.7.

The rules for determining the location of these Entities are outlined in section 6.

The registration requirements for these Entities are covered in section 8.

5.2. Meaning of Entity

The term Entity means:[55]

- any juridical person, or
- an arrangement that prepares separate financial accounts, such as a partnership or trust,

but does not include natural person, central, state, or local government or their administration or agencies that carry out government functions.

[54] Article 2.1 of the QDMTT Legislation. Guidance on how to calculate Top-up Tax will be available in the Top-up Tax Guides on Computation of Top-up Tax.

[55] Definition of Entity in Article 18.1 of the QDMTT Legislation.

A juridical person refers to an entity incorporated or otherwise established or recognised under the laws and regulations of the UAE, or under the laws of a foreign jurisdiction, that has a separate legal personality from its founders, owners, and directors. A separate legal personality means that the entity has its own rights, obligations and liabilities distinct from its founders or owners.

Examples of juridical persons that are incorporated or otherwise established or recognised in the UAE include Joint Liability Companies,[56] Limited Partnership Companies,[57] Limited Liability Companies,[58] Public Joint Stock Companies,[59] Private Joint Stock Companies,[60] foundations,[61] trusts[62] that have been established under the UAE mainland legislation, and other entity types that have a separate legal personality under the applicable UAE mainland legislation or Free Zone regulations.[63]

A partnership or trust or similar arrangement (that does not have a separate legal personality) would be considered an Entity where it prepares separate financial accounts, or where it is required to do so for regulatory or other reasons.[64] This includes an Unincorporated Partnership that is not considered to be a separate Taxable Person under the Corporate Tax Law.[65]

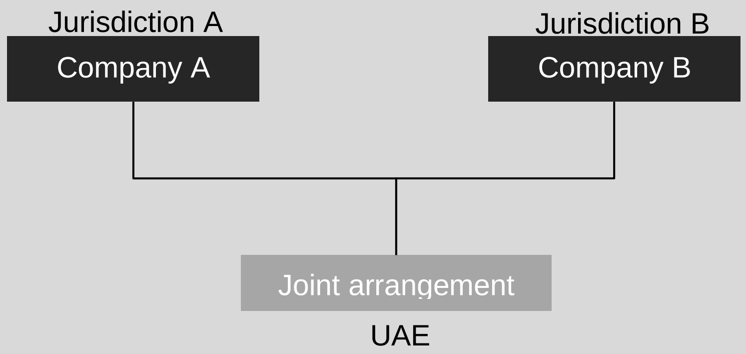
An Unincorporated Partnership that is approved to be a separate Taxable Person under the Corporate Tax Law[66] is required to prepare separate financial accounts and will, therefore, be considered an Entity.

[56] Federal Decree Law No. 32 of 2021 on Commercial Companies.
[57] Federal Decree Law No. 32 of 2021 on Commercial Companies.
[58] Federal Decree Law No. 32 of 2021 on Commercial Companies.
[59] Federal Decree Law No. 32 of 2021 on Commercial Companies.
[60] Federal Decree Law No. 32 of 2021 on Commercial Companies.
[61] Dubai International Financial Centre Foundations Law No. 3 of 2018, Abu Dhabi Global Market Foundations Regulations 2017, Ras Al Khaimah International Corporate Centre Foundations Regulations 2019.
[62] Federal Decree by Law No. 31 of 2023 On Concerning Trust.
[63] Federal Law No. 8 of 2004 Regarding the Financial Free Zones, Cabinet Resolution No. 28 of 2007 On the Implementing Regulations of Federal Law No. 8 of 2004. The Emirates of Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah, Umm Al Quwain and Fujairah have laws, regulations or rules regulating different free zones.
[64] Definition of Entity in Article 18.1 of the QDMTT Legislation.
[65] Article 16(1) of the Corporate Tax Law.
[66] By virtue of an application under Article 16(8) of the Corporate Tax Law.

Example 21: An arrangement that prepares separate financial accounts in the UAE

Company A and Company B enter into a joint arrangement to develop and manage a technology park for the UAE government. Both Company A and Company B belong to different Groups but both Entities have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. The joint arrangement qualifies as a "joint operation" under IFRS 11. Accordingly, Company A and Company B are joint operators of the project and account for the assets, liabilities, revenues and expenses relating to their respective interest in the joint operation in their respective Consolidated Financial Statements.

The joint operation is not a juridical person but prepares separate financial statements.



Given that the joint operation prepares separate financial statements, it will be considered as an Entity under the QDMTT Legislation.

The definition of an Entity expressly excludes natural persons, which means that natural persons are not within the scope of the QDMTT Legislation.

Furthermore, central, state, and local governments, as well as their administrations or agencies, that carry out government functions, are not considered Entities under the QDMTT Legislation. This treatment ensures that such bodies are not within the scope of the QDMTT Legislation.

Note that a dormant Entity or an Entity that ceases its Business or Business Activity would still be considered an Entity.

5.3. Definition of Constituent Entity

A Constituent Entity is defined as any of the following:[67]

(a) any Entity that is included in a Group (see section 4.2.1), or

(b) any Permanent Establishment of a Main Entity that is within (a) above (see section 5.3.1).

In simple terms, a Constituent Entity of a Group is an Entity whose assets, liabilities, income, expenses and cash flow are consolidated on a line-by-line basis in the Consolidated Financial Statements of the UPE of that Group.[68] Constituent Entities also include Entities that are excluded from the Consolidated Financial Statements of the UPE of the Group solely on size or materiality grounds, or on the grounds that the Entity is held for sale.[69]

Permanent Establishments, as defined by the QDMTT Legislation, are treated as separate Constituent Entities provided that the Main Entity (i.e. the Entity that includes the Financial Accounting Net Income or Loss of the Permanent Establishment in its financial statements) is considered a Constituent Entity of the Group.[70] See section 5.3.1 for the meaning of Permanent Establishment.

A Constituent Entity does not include an Entity that is an Excluded Entity (see section 7.2).[71]

The QDMTT Legislation distinguishes between the Domestic Main Group (i.e. the Constituent Entities located in the UAE) and the Domestic Minority-owned Subgroup (i.e. the Constituent Entities located in the UAE that are members of a Minority-owned Subgroup).[72] This distinction between different types of Domestic Groups is important for registration purposes – see section 8. Accordingly, where there is a Constituent Entity located in the UAE, it should be further evaluated whether it is a Minority-owned Constituent Entity, see section 5.4.

[67] Article 1.3.1 of the QDMTT Legislation.
[68] Article 1.3.1(a) and 1.2.2(a) of the QDMTT Legislation.
[69] Article 1.3.1(a) and 1.2.2(b) of the QDMTT Legislation.
[70] Article 1.3.1(b) and 1.3.2 of the QDMTT Legislation.
[71] Article 1.3.3 of the QDMTT Legislation.
[72] See paragraph (a) of the definition of Domestic Group in Article 18.1 of the QDMTT Legislation.

5.3.1. Permanent Establishments of a Main Entity

As discussed above, a Constituent Entity includes any Permanent Establishment of a Main Entity that is included in a Group.[73]

Under the QDMTT Legislation, a Permanent Establishment is defined to include any of the following four types:[74]

- a Permanent Establishment as defined by an applicable Tax Treaty (see section 5.3.1.1),
- a Permanent Establishment as established by domestic law of the source Jurisdiction (see section 5.3.1.2),
- a Permanent Establishment in accordance with the OECD Model Tax Convention where the source Jurisdiction has no corporate tax system (see section 0), and
- a Permanent Establishment where the source Jurisdiction exempts income attributable to operations conducted in that Jurisdiction (see section 5.3.1.4).

The rules for determining the location of a Permanent Establishment are discussed in section 6.4.

For the registration requirements of a Permanent Establishment under the QDMTT Legislation, see section 8.1.4.

A Permanent Establishment that is a Constituent Entity is treated as separate from the Main Entity and any other Permanent Establishment of that Main Entity.[75] For example, a Main Entity that has two Permanent Establishments will be treated as three Constituent Entities.

5.3.1.1. Permanent Establishment in accordance with an applicable Tax Treaty

The first type of Permanent Establishment is a place of business (including a deemed place of business) situated in a Jurisdiction, and treated as a permanent establishment in accordance with an applicable Tax Treaty in force provided that the Jurisdiction taxes the income attributable to it in accordance with a provision similar to Article 7 OECD Model Tax Convention on Income and on Capital.[76]

The UAE has many applicable Tax Treaties in force. Accordingly, where a foreign Main Entity has a permanent establishment in the UAE under an applicable Tax Treaty, and

[73] Article 1.3.1(b) of the QDMTT Legislation.
[74] Definition of Permanent Establishment in Article 18.1 of the QDMTT Legislation.
[75] Article 1.3.2 of the QDMTT Legislation.
[76] Paragraph (a) of the definition of Permanent Establishment in Article 18.1 of the QDMTT Legislation.

that Tax Treaty is aligned with Article 7 of the OECD Model Tax Convention, the Main Entity will be considered to have a Permanent Establishment in the UAE for the purposes of the QDMTT Legislation.

5.3.1.2. Permanent Establishment established by domestic law of source Jurisdiction

The second type of Permanent Establishment arises where there is no applicable Tax Treaty in force. In this case, a Permanent Establishment means a place of business (including a deemed place of business) in respect of which a Jurisdiction taxes under its domestic law the income attributable to that place of business on a net basis similar to the manner in which it taxes its own tax residents.[77]

In the UAE context, Article 14 of the Corporate Tax Law will be the relevant domestic law for determining whether there is a Permanent Establishment located in the UAE. In accordance with that provision, a Non-Resident Person having a Permanent Establishment in the UAE is taxed on income attributable to the Permanent Establishment on a net basis similar to the manner in which it taxes its own tax residents. Accordingly, if a Main Entity is resident in a foreign Jurisdiction with which the UAE does not have a Tax Treaty, the Main Entity is considered to have a Permanent Establishment under the QDMTT Legislation if that Entity has a Permanent Establishment under the Corporate Tax Law.

Example 22: Agency Permanent Establishment in the UAE

Company X, located in Jurisdiction X, is engaged in the pharmaceutical business. Company X has a wholly-owned subsidiary in the UAE (Company Y).

Company Y regularly meets potential customers of Company X in the UAE and convinces them to purchase medicines of Company X and negotiates all the essential terms of the contracts (including the price, place of delivery, terms of payments). However, Company Y does not have the authority to conclude contracts with UAE customers on behalf of Company X. Company Y passes the sales leads to Company X, and any contracts are concluded and executed directly by Company X with the UAE customers.

Jurisdiction X and the UAE do not have a Tax Treaty in place.

[77] Paragraph (b) of the definition of Permanent Establishment in Article 18.1 of the QDMTT Legislation.

Analysis under the Corporate Tax Law

The activities of Company Y give rise to an agency Permanent Establishment in the UAE under the Corporate Tax Law for Company X (due to its negotiation activities) even though Company Y does not have the authority to conclude contracts on behalf of Company X with UAE customers. Company X is a Non-Resident Person under the Corporate Tax Law and income attributable to its Permanent Establishment in the UAE is taxable under the Corporate Tax Law.[78]

Analysis under the QDMTT Legislation

There is a place of business for Company X in the UAE and the income attributable to the place of business is taxable under the Corporate Tax Law. Accordingly, the place of business qualifies as a Permanent Establishment for the purposes of the QDMTT Legislation and accordingly, it is a Constituent Entity.

Example 23: Extractive Business in the UAE

Company D, located in Jurisdiction D, has set up an installation structure for exploration of Natural Resources in the UAE.

Jurisdiction D and the UAE do not have a Tax Treaty in place.

Analysis under the Corporate Tax Law

The activities of Company D give rise to a Permanent Establishment in the UAE.[79] However, a Person engaged in Extractive Business is an Exempt Person, subject to certain conditions[80]. Accordingly, if those conditions are met, the income from an Extractive Business is not taxable.[81]

Analysis under the QDMTT Legislation

There is a place of business in the UAE but the income attributable to that place of business is not taxable under the Corporate Tax Law. However, the exemption applies in a similar manner to UAE tax residents (i.e. to a Resident Person under the Corporate Tax Law). Hence, the place of business qualifies as a Permanent Establishment, and accordingly, is a Constituent Entity.

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[78] Article 14(5) of the Corporate Tax Law.
[79] Article 14(2)(h) of the Corporate Tax Law.
[80] Article 7 of the Corporate Tax Law
[81] Article 4(1)(c) of the Corporate Tax Law.

Example 24: Exemption for income from operation of aircraft in international transportation

Company E, located in Jurisdiction E, is engaged in the international transport of goods and parcels by air. Company E has set up a branch office in the UAE that is engaged in the operation of aircraft in international transportation. The branch office meets the conditions of a fixed place Permanent Establishment, and accordingly, Company E is a Non-Resident Person under the Corporate Tax Law.[82]

Jurisdiction E and the UAE do not have a Tax Treaty in place.

<u>Exemption under the Corporate Tax Law</u>
Income derived by a Non-Resident Person from the operation of aircraft in international transportation is not subject to Corporate Tax, subject to certain conditions.[83] Accordingly, the income attributable to the Permanent Establishment is not taxable.

<u>Analysis under the QDMTT Legislation</u>
There is a place of business in the UAE but the income attributable to that place of business is not taxable under the Corporate Tax Law. However, the exemption only applies to a Non-Resident Person, i.e. a Resident Person does not have a similar income exemption. Hence, the place of business does not fit within paragraph (b) of the definition of Permanent Establishment (section 5.3.1.2) and it has to be evaluated whether it fits within paragraph (d) of the definition of Permanent Establishment (section 5.3.1.4).

5.3.1.3. Permanent Establishment in a Jurisdiction without a corporate tax system

A Jurisdiction with no corporate income tax system is likely not to have provisions dealing with Permanent Establishments for corporate income tax purposes. In that case, a Permanent Establishment means a place of business (including a deemed place of business) situated in that Jurisdiction that would be treated as a permanent establishment in accordance with the OECD Model Tax Convention on Income and Capital provided that the Jurisdiction would have had the right to tax the income attributable to it in accordance with Article 7 of that model convention.[84]

[82] Article 14(1) of the Corporate Tax Law.
[83] Article 25 of the Corporate Tax Law.
[84] Paragraph (c) of the definition of Permanent Establishment in Article 18.1 of the QDMTT Legislation.

Given that the UAE has a corporate income tax system, this definition is only relevant for considering whether a UAE Main Entity has a Permanent Establishment in another Jurisdiction.

5.3.1.4. Permanent Establishment where the source Jurisdiction exempts income attributable to operations conducted in the jurisdiction

In a situation where none of the above-mentioned definitions of a Permanent Establishment applies, a Permanent Establishment means a place of business (or a deemed place of business) through which operations are conducted outside the Jurisdiction where the Entity is located provided that the Jurisdiction exempts the income attributable to such operations.[85] Accordingly, this rule creates a Permanent Establishment for the purposes of the QDMTT Legislation in situations where the Jurisdiction in which a Constituent Entity is located exempts the income attributable to the operations conducted outside the Jurisdiction.[86]

This is considered a stateless Permanent Establishment and is not subject to Top-up Tax– see section 6.4.

Where the Main Entity is located outside the UAE and has operations in the UAE, a Stateless Permanent Establishment is created where all of the following conditions are met:

- there is no Tax Treaty between the UAE and the Jurisdiction where the Main Entity is located,
- the income attributable to the place of business in the UAE is not taxed in the UAE on a net basis under the Corporate Tax Law, and
- the Jurisdiction where the Main Entity is located exempts the income attributable to the operations conducted in the UAE.

Example 25: Exemption for income from operation of aircraft in international transportation

The facts are the same as for Example 24. Additionally, Jurisdiction E follows a territorial taxation system and accordingly, exempts the income attributable to operations conducted outside Jurisdiction E.

The place of business in the UAE qualifies as a Stateless Permanent Establishment since:

[85] Paragraph (d) of definition of Permanent Establishment in Article 18.1 of the QDMTT Legislation.
[86] Paragraph 111 of the Commentary on Article 10 of the GloBE Rules.

- there is no Tax Treaty between the UAE and Jurisdiction E,
- the income attributable to the place of business is exempt under Article 25 of the Corporate Tax Law (as explained in Example 24), and
- under the domestic law of Jurisdiction E, the income attributable to operations carried out in the UAE is exempt.

A Stateless Permanent Establishment is not subject to the Top-up Tax.

5.4. Minority-Owned Constituent Entities

A Minority-owned Constituent Entity is a Constituent Entity where the UPE has a direct or indirect Ownership Interest in that Entity of 30% or less.[87] Despite the small ownership percentage, the Entities are Constituent Entities because the UPE holds their Controlling Interests (i.e. the assets, liabilities, income, expenses and cash flow of these Entities is consolidated on a line-by-line basis in the Consolidated Financial Statements of the UPE of the Group).[88]

A Group may have a Minority-owned Constituent Entity as a standalone Entity. Alternatively, the Constituent Entity can be a member of a Minority-owned Subgroup, which is a subgroup within the MNE Group comprised of a Minority-owned Parent Entity and its Minority-owned Subsidiaries.[89]

- Minority-owned Parent Entity: A Minority-Owned Parent Entity means a Minority-Owned Constituent Entity that holds, directly or indirectly, the Controlling Interests of another Minority-Owned Constituent Entity, except where the Controlling Interests of the first-mentioned Entity are held, directly or indirectly, by another Minority-Owned Constituent Entity.[90] The meaning of the term Controlling Interest is explained in section 4.2.2.1.
- Minority-owned Subsidiaries: A Minority-Owned Subsidiary means a Minority-Owned Constituent Entity whose Controlling Interests are held, directly or indirectly, by a Minority-Owned Parent Entity.[91]

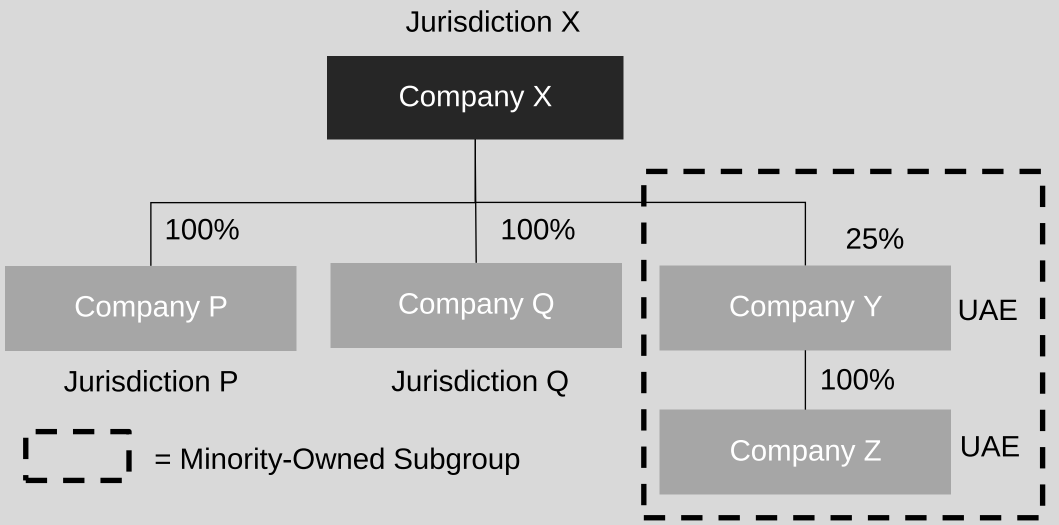
Under the QDMTT Legislation, one or more Minority-owned Constituent Entities, located in the UAE, of the same Minority-owned Subgroup create a Domestic Minority-owned Subgroup.[92] Members of a Domestic Minority-owned Subgroup are subject to

[87] Definition in Article 18.1 of the QDMTT Legislation.
[88] Paragraph 97 of the Commentary on Article 5 of the GloBE Rules.
[89] Paragraph 99 of the Commentary on Article 5 of the GloBE Rules.
[90] Definition of Minority-Owned Parent Entity in Article 18.1 of the QDMTT Legislation.
[91] Definition of Minority-Owned Subsidiary in Article 18.1 of the QDMTT Legislation.
[92] Definition in Article 18.1 of the QDMTT Legislation.

the Top-up Tax,[93] however, the QDMTT Legislation provides special rules for computing the Effective Tax Rate and Top-up Tax of Minority-Owned Constituent Entities.[94]

For the registration requirements for Constituent Entities of a Domestic Minority-Owned Subgroup, see section 8.1.6.

Example 26: Minority-Owned Subgroup



Company X is located in Jurisdiction X and is the UPE of an MNE Group.

Company X holds all the shares in Company P (located in Jurisdiction P) and Company Q (located in Jurisdiction Q). Company X consolidates Companies P and Q on a line-by-line basis.

Company X also holds 25% of the shares in Company Y (located in the UAE). The remaining 75% is owned by numerous unrelated third parties. Company X is the largest shareholder of Company Y, and exercises control over Company Y.

Company Y holds all the shares in Company Z (located in the UAE).

Entity classification under the QDMTT Legislation

Company X (the UPE) holds a direct Ownership Interest of 30% or less in Company Y, therefore, Company Y is a Minority-Owned Constituent Entity.

[93] Article 2.1(a) of the QDMTT Legislation.
[94] Article 5.6 of the QDMTT Legislation.

Company X (the UPE) holds an indirect Ownership Interest of 30% or less in Company Z, therefore, Company Z is also a Minority-Owned Constituent Entity.

Company Y holds directly a Controlling Interest of another Minority-Owned Constituent Entity (Company Z). Therefore, Company Y is a Minority-Owned Parent Entity.

Company Z's Controlling Interests are held directly by a Minority-Owned Parent Entity (Company Y). Therefore, Company Z is a Minority-Owned Subsidiary.

Collectively, Company Y and Company Z form a Minority-Owned Subgroup.

Company Y and Company Z are Constituent Entities located in the UAE that are members of the same Minority-Owned Subgroup and accordingly, constitute a Domestic Minority-owned Subgroup under the QDMTT Legislation and are covered within the charging provision of the QDMTT Legislation.

5.5. Joint Venture and JV Subsidiary

Joint Ventures (see section 5.5.1) and any JV Subsidiaries (see section 5.5.25.5.2) located in the UAE are subject to Top-up Tax.[95] Together a Joint Venture and its JV Subsidiaries form a JV Group.[96]

Typically, the financial results of a joint venture, as defined by IFRS, are reported under the equity method of accounting and not on a line-by-line basis. Therefore, these Entities do not meet the definition of a Constituent Entity. However, the QDMTT Legislation provides special rules for computing the Top-up Tax of the Joint Venture and its JV Subsidiaries as if they were Constituent Entities of a separate MNE Group and as if the Joint Venture was the UPE of that Group.[97]

Accordingly, the QDMTT Legislation distinguishes between the Domestic Main Group (i.e. the Constituent Entities located in the UAE) and the Domestic JV Subgroup (i.e. a Joint Venture, a Joint Venture and one or more JV Subsidiaries, or one or more JV Subsidiaries, located in the UAE, of the same JV Group).[98] This distinction between different types of Domestic Groups is important for registration purposes. For the registration requirements of a Joint Venture and JV Subsidiary, see section 8.1.7.

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[95] Articles 2.1(b) of the QDMTT Legislation.
[96] Definition of JV Group Article 18.1 of the QDMTT Legislation.
[97] Articles 6.4.1 of the QDMTT Legislation.
[98] See definition of Domestic Group in Article 18.1 of the QDMTT Legislation.

5.5.1. Meaning of Joint Venture

A Joint Venture means an Entity whose financial results are reported under the equity method in the Consolidated Financial Statements of the UPE, provided that the UPE holds directly or indirectly at least 50% of its Ownership Interests.[99]

Thus, where there is a joint venture arrangement between two MNE Groups, in which one joint venturer holds 51% of the Ownership Interests and the other joint venturer holds 49% of the Ownership Interests, the Entity could only be considered a Joint Venture for one of the MNE Groups, i.e. the MNE Group with the 51% of the Ownership Interests.

The definition of Joint Venture sets out a list of Entities that cannot be a Joint Venture:[100]

- a UPE of an MNE Group that is subject to the Pillar Two Rules,
- an Entity that qualifies as a primary Excluded Entity (as explained in section 7.2),
- an Entity whose Ownership Interest held by the MNE Group is held directly through a primary Excluded Entity (see section 7.2) and the Entity:
    - operates exclusively or almost exclusively to hold assets or invest funds for the benefit of its investors,
    - carries out activities that are ancillary to those carried out by the Excluded Entity, or
    - substantially all of its income is Excluded Dividends and Excluded Equity Gains or Losses.
- an Entity held by an MNE Group composed exclusively of Excluded Entities, or
- a JV Subsidiary.

5.5.2. Meaning of JV Subsidiary

A JV Subsidiary means an Entity whose assets, liabilities, income, expenses and cash flows are consolidated by a Joint Venture under an Acceptable Financial Accounting Standard (or would have been consolidated had it been required to consolidate such items in accordance with an Acceptable Financial Accounting Standard).[101]

A Permanent Establishment whose Main Entity is a Joint Venture or JV Subsidiary shall be treated as a separate JV Subsidiary.[102]

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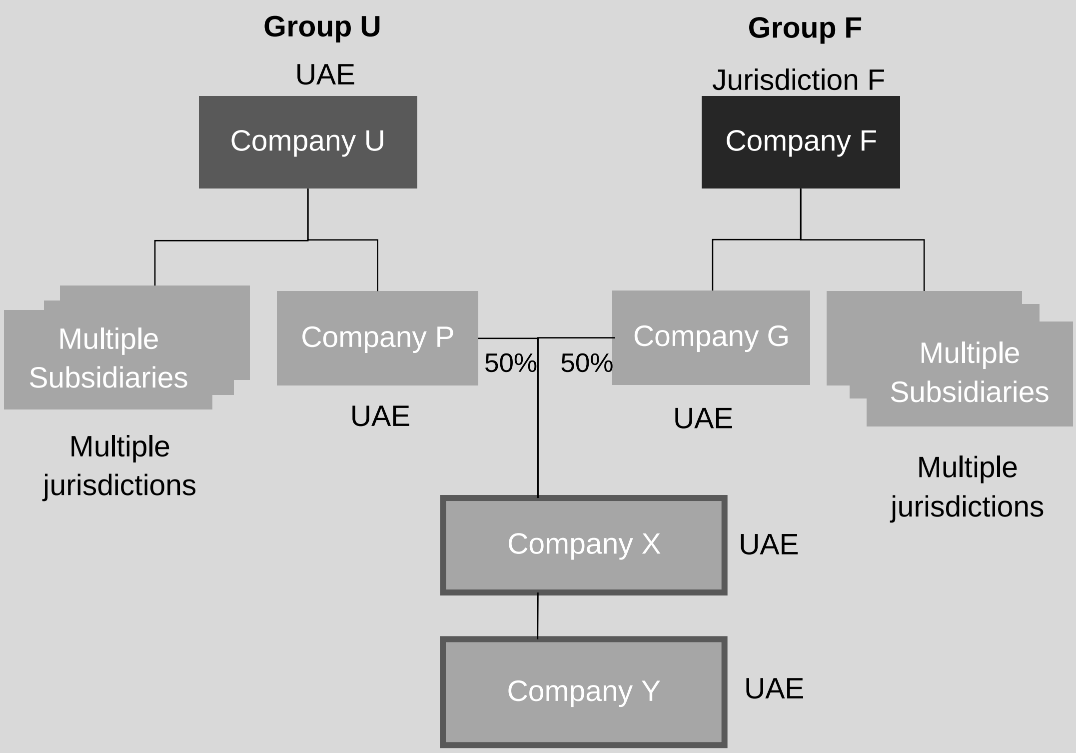
[99] Definition of Joint Venture Article 18.1 of the QDMTT Legislation.
[100] Definition of Joint Venture in Article 18.1 of the QDMTT Legislation.
[101] Definition of a JV Subsidiary in Article 18.1 of the QDMTT Legislation.
[102] Definition of a JV Subsidiary in Article 18.1 of the QDMTT Legislation.

Example 27: Joint Ventures



Group U and Group F are MNE Groups. Group U has annual revenues exceeding EUR 750 million and accordingly, is an in-scope MNE Group under the QDMTT Legislation. Group F does not meet the in-scope threshold under the QDMTT Legislation.

The UPE of Group U, Company U, is located in the UAE. Company U has a wholly owned subsidiary, Company P, also located in the UAE.

The UPE of Group F, Company F, is located in Jurisdiction F. Company F has a wholly owned subsidiary, Company G, located in the UAE.

Company P and Company G enter into a joint venture agreement. They establish Company X in the UAE, with both holding 50% of the Ownership Interests. The financial results of Company X are reported under the equity method in the Consolidated Financial Statements of Company U. Company X is, therefore, considered to be a Joint Venture.

Company X wholly owns Company Y, located in the UAE. Company Y is an Entity whose assets, liabilities, income, expenses and cash flows are consolidated by a Joint Venture under IFRS (or would have been consolidated had it been required to consolidate such items in accordance with IFRS). Company Y is, therefore, considered to be a JV Subsidiary.

Together, Company X and Company Y form a JV Group. While Group U has three Entities located in the UAE, Company X and Company Y are treated as if they are Constituent Entities of a separate MNE Group (separate from Company U and P), and as if Company X is the UPE of that Group.

5.6. Flow-through Entity

An Entity is a Flow-through Entity where it is fiscally transparent with respect to its income, expenditure, profit, or loss in the Jurisdiction where it was created unless it is tax resident and subject to a Covered Tax on its income or profit in another Jurisdiction.[103]

An Entity is treated as fiscally transparent under the laws of a Jurisdiction, if that Jurisdiction treats the income, expenditure, profit or loss of that Entity as if it were derived or incurred by the direct owner of that Entity in proportion to its interest in that Entity.[104]

An example of a fiscally transparent Entity under the Corporate Tax Law is an Unincorporated Partnership that is not treated as a Taxable Person under Article 16 of the Corporate Tax Law.

Example 28: Not a Flow-through Entity

Company A and Company B (both located in Jurisdiction A) set up an Unincorporated Partnership in the UAE. The key management and commercial decisions related to the Unincorporated Partnership are taken by Company A and Company B (the partners) in Jurisdiction A.

In the UAE, the Unincorporated Partnership is fiscally transparent and, therefore, it is not considered a Taxable Person under the Corporate Tax Law. Instead, the partners are treated as individual Taxable Persons.[105]

However, under the domestic tax law of Jurisdiction A, the Unincorporated Partnership is considered to be fiscally opaque, rather than fiscally transparent.

[103] Article 18.2.1 of the QDMTT Legislation.
[104] Article 18.2.2 of the QDMTT Legislation.
[105] Article 16(1) of the Corporate Tax Law.

Additionally, the Unincorporated Partnership is considered to be tax resident in Jurisdiction A because it has a place of effective management in Jurisdiction A. Accordingly, Jurisdiction A taxes the income of the Unincorporated Partnership as a tax resident.

Since the Unincorporated Partnership is a tax resident and subject to a Covered Tax on its income or profit in Jurisdiction A, it is not considered to be a Flow-through Entity in the UAE under the QDMTT Legislation.

A Flow-through Entity is a type of Constituent Entity that could be subject to Top-up Tax, depending on the type of Flow-through Entity and location rules.

There are two types of Flow-through Entity, shown in the table below.

Entity characterisation under the QDMTT Legislation		Tax treatment of the Entity in the Jurisdiction in which the **Entity** is established	Tax treatment of the Entity in the Jurisdiction in which the **owner** is located
Flow-through Entities	**Tax Transparent Entity** (section 5.6.1)	fiscally transparent	fiscally transparent
	Reverse Hybrid Entity (section 5.6.2)	fiscally transparent	fiscally opaque

The location rules for Flow-through Entities are set out in section 6.3.

For the registration requirements of Flow-through Entities, see section 8.1.5.

5.6.1. Flow-through Entity: Tax Transparent Entity

A Flow-through Entity is a Tax Transparent Entity with respect to its income, expenditure, profit or loss if it is fiscally transparent in the Jurisdiction in which its owner is located.[106]

[106] Article 18.2.1(a) of the QDMTT Legislation.

Example 29: Flow-through Entity that is a Tax Transparent Entity

Company C and Company D (both located in Jurisdiction C) set up an Unincorporated Partnership in the UAE.

In the UAE, the Unincorporated Partnership is fiscally transparent and, therefore, it is not considered a Taxable Person under the Corporate Tax Law. Instead, the partners (Company C and Company D) are treated as individual Taxable Persons.[107]

Under the domestic tax law of Jurisdiction C, the Unincorporated Partnership is also considered to be fiscally transparent and, therefore, the partners (Company C and Company D) are subject to tax on the income generated by the Unincorporated Partnership in accordance with their Ownership Interests in the partnership.

On the basis that the Unincorporated Partnership is fiscally transparent in the UAE (the jurisdiction where it was created) and also fiscally transparent in Jurisdiction C (where the owners are located), the Unincorporated Partnership is a Flow-Through Entity that is a Tax Transparent Entity.

5.6.2. Flow-through Entity: Reverse Hybrid

A Flow-through Entity is a Reverse Hybrid Entity with respect to its income, expenditure, profit or loss to the extent that it is not fiscally transparent in the Jurisdiction in which the owner is located.[108]

Where a Reverse Hybrid Entity is a stateless Entity (see section 6.3), the income of the Reverse Hybrid Entity would be characterised as “stateless income”. This is due to the fact that neither the Jurisdictions where the Entity is created nor where the owners are located recognises the income as income of a resident taxpayer.[109]

Example 30: Flow-through Entity that is a Reverse Hybrid Entity

The facts are same as Example 29, except that under the domestic tax law of Jurisdiction C, the Unincorporated Partnership is considered to be fiscally opaque rather than fiscally transparent. Thus, the partners (Company C and Company D)

[107] Article 16(1) of the Corporate Tax Law.
[108] Article 18.2.1(b) of the QDMTT Legislation.
[109] Paragraph 176 of the Commentary on Article 10 of the GloBE Rules.

are subject to tax in Jurisdiction C only when the Unincorporated Partnership makes a distribution of profits to the partners.

On the basis that the Unincorporated Partnership is fiscally transparent in the UAE (the jurisdiction where it was created) but not considered fiscally transparent in Jurisdiction C (where the owners are located), the Unincorporated Partnership is a Flow-Through Entity that is a Reverse Hybrid Entity.

5.7. Hybrid Entity

An Entity is treated as a Hybrid Entity with respect to its income, expenditure, profit or loss if it is a separate taxable person for income tax purposes in the Jurisdiction where it is located, but treated as fiscally transparent in the Jurisdiction in which its owner is located.[110]

Example 31: Hybrid Entity - Unincorporated Partnership that is treated as a separate Taxable Person

Company E and Company F (located in Jurisdiction E) set up an Unincorporated Partnership in the UAE.

Under the domestic tax law of Jurisdiction E, the Unincorporated Partnership is considered to be fiscally transparent.

In the UAE, the partners have made an application to treat the Unincorporated Partnership as a separate Taxable Person under Article 16(8) of the Corporate Tax Law, and that application has been accepted by the FTA.

The Unincorporated Partnership prepares separate financial statements and, hence, is an Entity for the purposes of the QDMTT Legislation.[111] Furthermore, on the basis that the Unincorporated Partnership is treated as a separate taxable person for income tax purposes in the Jurisdiction where it is located (UAE) but is treated as fiscally transparent in the Jurisdiction in which its owner is located (Jurisdiction E), the Unincorporated Partnership is a Hybrid Entity.

[110] Article 18.2.5 of the QDMTT Legislation.
[111] Definition of Entity under Article 18.1 of the QDMTT Legislation.

6. Location of an Entity and a Permanent Establishment

6.1. Overview

The following Entities are covered within the charging provision of the QDMTT Legislation:[112]

- Constituent Entities located in the UAE during that Fiscal Year, including those that are members of a Minority-owned Subgroup,
- Joint Ventures and JV Subsidiaries located in the UAE during that Fiscal Year,
- Stateless Constituent Entities created in accordance with the laws of the UAE and that are Reverse Hybrid Entities.

Thus, the location of an Entity is highly important to determine whether it is subject to the QDMTT Legislation.

The QDMTT Legislation provides specific rules for determining the location of:

- Entities that are not Flow-through Entities (section 6.2),
- Flow-through Entities (section 6.3),
- Permanent Establishments (section 6.4), and
- Dual-located entities (section 6.5).

The rules in respect of a change of location during a Fiscal Year are considered in section 6.6.

These location rules are specific only to the QDMTT Legislation, and do not apply in respect of the Corporate Tax Law or any Tax Treaties.

6.2. Location of an Entity that is not a Flow-through Entity

The location of an Entity that is not a Flow-through Entity is determined as follows:[113]

1. if it is a tax resident in a Jurisdiction based on its place of management, place of creation or similar criteria, it is located in that Jurisdiction, and
2. in other cases, it is located in the Jurisdiction in which it was created.

In respect of the first point above, whether an Entity is a resident of a Jurisdiction depends on the domestic law of each Jurisdiction.[114] Accordingly, an Entity is

[112] Article 2.1 of the QDMTT Legislation.

[113] Article 18.3.1(a) and (b) of the QDMTT Legislation.

[114] Paragraph 179 of the Commentary on Article 10 of the GloBE Rules.

considered resident in the UAE if it is a Resident Person under the Corporate Tax Law. A juridical person is a Resident Person where it is:[115]

- incorporated or otherwise established or recognised under the applicable legislation of the UAE, including a Free Zone Person, or
- incorporated or otherwise established or recognised under the applicable legislation of a foreign jurisdiction and is effectively managed and controlled in the UAE.

There is no requirement for an Entity to be a legal person for it to be considered as located in a Jurisdiction, provided that it is considered a tax resident of that Jurisdiction. For example, a partnership that is considered a tax resident in a Jurisdiction is considered as located in that Jurisdiction for the purposes of the QDMTT Legislation.[116]

An Unincorporated Partnership that is considered to be a separate Taxable Person pursuant to an application made to the FTA under Article 16(8) of the Corporate Tax Law is treated as a Resident Person[117] and, therefore, is considered to be tax resident in the UAE for the purposes of the QDMTT Legislation.

The second point above applies to all other cases where an Entity is created in a Jurisdiction without a corporate income tax system.[118]

6.3. Location of a Flow-through Entity

For the meaning of a Flow-through Entity, see section 5.6.

The location of an Entity that is a Flow-through Entity (Tax Transparent Entity or Reverse Hybrid Entity) is determined as follows:[119]

- if it is the UPE of the MNE Group or it is required to apply an IIR in accordance with an equivalent provision to Article 2.1 of the Pillar Two Model Rules, it is located in the Jurisdiction where it was created, and
- in other cases, it shall be treated as a stateless Entity.

[115] Article 11(3)(a) and (b) of the Corporate Tax Law.
[116] Paragraph 180 of the Commentary on Article 10 of the GloBE Rules.
[117] Article 2 of Cabinet Decision No. 63 of 2025.
[118] Paragraph 184 of the Commentary on Article 10 of the GloBE Rules.
[119] Article 18.3.2 of the QDMTT Legislation.

Example 32: Reverse Hybrid Entity that is a UPE of an MNE Group

Two natural persons, Mr A and Mr B, are resident in Jurisdiction Z.

Mr A and Mr B enter into an Unincorporated Partnership to conduct business in the UAE. The UAE business holds various subsidiaries, some are located in the UAE while others are located in other Jurisdictions. The Unincorporated Partnership prepares Consolidated Financial Statements, consolidating the financial results of its subsidiaries.

Under the UAE Corporate Tax Law, if there is no application under Article 16(8) of the Corporate Tax Law, the Unincorporated Partnership is fiscally transparent and the assets, liabilities, income and expenditure of the Unincorporated Partnership are allocated to the partners (Mr A and Mr B) in proportion to their distributive share in the Unincorporated Partnership.

Under the domestic tax law of Jurisdiction Z, even though the Unincorporated Partnership is not conducted through a juridical person, the partnership is considered to be fiscally opaque. It is not, however, considered to be tax resident in Jurisdiction Z.

Under the QDMTT Legislation, on the basis that the Unincorporated Partnership is fiscally transparent in the Jurisdiction where it was created (UAE), and not tax resident and subject to tax on its income or profit in another Jurisdiction, and it is not considered fiscally transparent in the Jurisdiction in which the owners (Mr A and Mr B) are located, the Unincorporated Partnership is a Reverse Hybrid Entity.

Since the Unincorporated Partnership prepares separate financial accounts, it is an Entity. And since it owns directly a Controlling Interest in another Entity (its subsidiaries) and is not owned, with a Controlling Interest, directly or indirectly by another Entity, it is a UPE. (Mr A and Mr B, being natural persons, are not considered to be Entities.)

Furthermore, the Unincorporated Partnership is a UPE of an MNE Group because it owns subsidiaries located in other Jurisdictions.

The Unincorporated Partnership that is a UPE of an MNE Group is considered to be located in the Jurisdiction in which it was created, being the UAE.

Example 33: Flow-through Entity that is a stateless Entity
Company P is located in Jurisdiction P, and is the UPE of an MNE Group. Company P is a partner in an Unincorporated Partnership created in the UAE. It holds 60% of the distributive share of the Unincorporated Partnership. Under both the Corporate Tax Law, and the domestic tax law of Jurisdiction P, the Unincorporated Partnership is considered to be fiscally transparent with respect to its income, expenditure, and profit or loss. It is, therefore, considered to be a Tax Transparent Entity. The Unincorporated Partnership is not considered to be a UPE of the MNE Group, nor is it required to apply an IIR. Therefore, it is considered to be a stateless Entity. A stateless Entity that is a Tax Transparent Entity, i.e. not a Reverse Hybrid Entity, is not covered under the charging provision of the QDMTT Legislation and, hence, is not required to pay Top-up Tax.[120]

6.4. Location of a Permanent Establishment

There are four types of Permanent Establishments[121] – see section 5.3.1.

The location rules applicable for each type are set out below:

Type of Permanent Establishment	Location of a Permanent Establishment
Permanent Establishment in accordance with an applicable Tax Treaty	Jurisdiction where it is treated as a Permanent Establishment and is taxed under the applicable Tax Treaty in force[122]
Permanent Establishment under domestic law	Jurisdiction where it is subject to net basis taxation based on its business presence[123]
Permanent Establishment in the absence of a corporate tax system	Jurisdiction where it is situated[124]
Permanent Establishment where a Jurisdiction exempts income	Considered a stateless Permanent Establishment[125] (see section 7.4)

[120] Article 2.1(c) of the QDMTT Legislation.
[121] Definition of Permanent Establishment in Article 18.1 of the QDMTT Legislation.
[122] Article 18.3.3(a) of the QDMTT Legislation.
[123] Article 18.3.3(b) of the QDMTT Legislation.
[124] Article 18.3.3(c) of the QDMTT Legislation.
[125] Article 18.3.3(d) of the QDMTT Legislation.

attributable to operations conducted in the Jurisdiction	

6.5. Dual-located Entity

Where a Constituent Entity (that is not a Flow-through Entity) is located in more than one Jurisdiction, it is a dual-located Entity.[126]

To determine the location of a dual-located Entity, the QDMTT Legislation provides tie-breaker rules, which depend on whether or not the two Jurisdictions have an applicable Tax Treaty in force – see section 6.5.1 and section 6.5.2.

6.5.1. Both Jurisdictions have an applicable Tax Treaty

Where the two relevant Jurisdictions have an applicable Tax Treaty in force, the dual-located Entity is located in the Jurisdiction where it is considered to be deemed resident for the purposes of the Tax Treaty.[127] For example, Company X was incorporated in Jurisdiction X but is effectively managed and controlled in the UAE. Under the Tax Treaty between Jurisdiction X and the UAE, Company X is deemed to be tax resident in the UAE. Company X is, therefore, considered to be located in the UAE under the QDMTT Legislation.

In some cases, however, the treaty may not resolve the issue of dual-residency. These would be cases where:

- the treaty requires the competent authorities to reach a mutual agreement on the deemed residence of the Constituent Entity for the purposes of the Tax Treaty and no agreement exists,[128] or
- the treaty does not provide relief or exemption from tax because the Constituent Entity is a tax resident of both Contracting Parties.[129]

In this scenario, the location shall be determined in accordance with the rules outlined in section 6.5.2 below.

[126] Article 18.3.4 of the QDMTT Legislation.
[127] Article 18.3.4(a)(i) of the QDMTT Legislation.
[128] Article 18.3.4(a)(ii) of the QDMTT Legislation.
[129] Article 18.3.4(a)(iii) of the QDMTT Legislation.

6.5.2. Tax Treaty does not apply

If there is no Tax Treaty applicable between two Jurisdictions or the Tax Treaty does not solve the issue of dual-residency, then the location of a dual-located Entity is determined in accordance with the following tie-breaker rule:

- It is located in the Jurisdiction where it paid the greater amount of Covered Taxes for the Fiscal Year, without considering the ones paid in accordance with a Controlled Foreign Company Tax Regime.[130]
  - Since only the amount of Covered Taxes paid in the Jurisdictions where the dual-located Entity is located is considered, no account is taken of any foreign taxes paid outside these Jurisdictions (including withholding taxes and the amount of tax that may have benefitted from a foreign tax credit) and taxes paid in accordance with a Controlled Foreign Company Tax Regime.[131]
  - The amount of Covered Taxes that are paid or due to be paid in each Jurisdiction should be taken from the tax returns that the Entity files or will file in each Jurisdiction.[132]
  - Where the taxable year is different to the Fiscal Year, then the amount of taxes should be prorated and assigned to the number of months that correspond to the Fiscal Year.[133]
- If the amount of Covered Taxes paid in all Jurisdictions is the same or zero, the dual-located Entity is located in the Jurisdiction where it has the greater amount of Substance-based Income Exclusion computed on an Entity basis in accordance with Article 5.3 of the QDMTT Legislation.[134]
  - The Substance-based Income Exclusion should be computed on a stand-alone basis rather than on a jurisdictional basis as provided under Article 5.3 of the QDMTT Legislation.
- If the amount of Substance-based Income Exclusion in all Jurisdictions is the same or zero, the dual-located Entity is considered a Stateless Constituent Entity, unless it is the UPE of the MNE Group, in which case it is located in the Jurisdiction where it was created.[135]

6.6. Change of location during a Fiscal Year

An Entity may relocate during the Fiscal Year by undertaking a re-domiciliation, or changing its place of effective management. In these cases, it shall be located in the

130 Article 18.3.4(b)(i) of the QDMTT Legislation.
131 Paragraph 203 of the Commentary on Article 10 of the GloBE Rules.
132 Paragraph 204 of the Commentary on Article 10 of the GloBE Rules.
133 Paragraph 204 of the Commentary on Article 10 of the GloBE Rules.
134 Article 18.3.4(b)(ii) of the QDMTT Legislation.
135 Article 18.3.4(b)(iii) of the QDMTT Legislation.

Jurisdiction where it was located at the beginning of that year.[136] For the next Fiscal Year, the Entity would be located in the Jurisdiction of arrival.[137]

An Entity that is a member of an in-scope MNE Group, and is located in the UAE, may change its location to another Jurisdiction during a Fiscal Year, after which it no longer has a Business or Business Activity in the UAE. For that Fiscal Year, the Entity is still considered to be located in the UAE, and within the scope of the QDMTT Legislation. In the following Fiscal Year, the Entity is considered to be located in the other Jurisdiction from the start of that Fiscal Year, taking the Entity out of scope of the QDMTT Legislation.

Alternatively, an Entity that is a member of an in-scope MNE Group, and is located outside the UAE, may change its location to the UAE during a Fiscal Year. For that Fiscal Year, the Entity is still considered to be located outside the UAE, and outside the scope of the QDMTT Legislation. In the following Fiscal Year, the Entity is considered to be located in the UAE from the start of that Fiscal Year. If that Entity was the only Entity within the MNE Group previously located outside the UAE, the MNE Group would then become a purely domestic UAE group, and would fall outside the scope of the QDMTT Legislation. See section 4.2.

[136] Article 18.3.6 of the QDMTT Legislation.

[137] Paragraph 210 of the Commentary on Article 10 of the GloBE Rules.

7. Entities not subject to Top-up Tax

7.1. Overview

Any Entity that is subject to the Top-up Tax (i.e. an Entity that falls within the charging provision of the QDMTT Legislation), including an Domestic Designated Filing Entity ("DDFE"), is required to register with the FTA.[138]

The following types of Entities are not subject to Top-up Tax:
- Excluded Entity (section 7.2),
- Investment Entity (section 7.3), and
- Stateless Constituent Entity created under the laws of the UAE that is not a Reverse Hybrid Entity (section 7.4).

7.2. Excluded Entity

The QDMTT Legislation provides a list of primary Excluded Entities. This includes the following Entities:[139]
1. a Governmental Entity,
2. an International Organisation,
3. a Non-profit Organisation,
4. a Pension Fund,
5. an Investment Fund that is a UPE, or
6. a Real Investment Vehicle that is a UPE.

Additionally, the definition of Excluded Entity is "extended" to other Entities that are owned by primary Excluded Entities, hereafter referred to as "secondary Excluded Entities", where certain conditions are met. The conditions can be categorised into two types:[140]
- First type: An Entity where at least 95% of the value of the Entity is owned (directly or through a chain of Excluded Entities) by one or more primary Excluded Entities listed above (other than a Pension Services Entity) and where that Entity:
  - operates exclusively or almost exclusively to hold assets or invest funds for the benefit of the Excluded Entity or Entities, and/or
  - only carries out activities that are ancillary to those carried out by the Excluded Entity or Entities.

[138] Article 13.1 of the QDMTT Legislation.
[139] Article 1.5.1 of the QDMTT Legislation. Further guidance on Excluded Entities will be available in the Top-up Tax Guide on Excluded Entities and Investment Entities TTGEIE1.
[140] Article 1.5.2 of the QDMTT Legislation.

- Second type: An Entity where at least 85% of the value of the Entity is owned (directly or through a chain of Excluded Entities), by one or more primary Excluded Entities listed above (other than a Pension Services Entity), provided that substantially all of the Entity's income is Excluded Dividends or Excluded Equity Gains or Losses that are excluded from the computation of Pillar Two Income or Losses.

An Entity owned by a Non-profit Organisation is treated as an Excluded Entity where the following conditions are met:[141]

1. 100% of the value of the Entity is owned directly or indirectly by one or more Non-profit Organisations,
2. the aggregate revenue of the Group of which the Entity is a member is less then EUR 750 million if the revenue of the Non-profit Organisations and secondary Excluded Entities were ignored, and
3. the revenue of the Entity and all other Entities that are not Non-profit Organisations or are not secondary Excluded Entities is less than 25% of the revenue of the MNE Group.

An Entity owned by a Non-profit Organisation and that meets the above-mentioned conditions is hereafter referred to as an "excluded non-profit subsidiary".

Where a Main Entity is an Excluded Entity, its Permanent Establishments will also be treated as Excluded Entities.[142]

Note that an Excluded Entity under the QDMTT Legislation is not the same as an Exempt Person[143] under the Corporate Tax Law. Although there may be some crossover, it is not the case that an Exempt Person under the Corporate Tax Law will automatically be an Excluded Entity under the QDMTT Legislation.

7.2.1. Election to not treat an Entity as an Excluded Entity

A Filing Constituent Entity may elect not to treat an Entity as an Excluded Entity in the case of Entities that fall under the category of secondary Excluded Entities or in the case of excluded non-profit subsidiaries as described in section 7.2 above.

Where such an election is made, it is a Five-Year Election[144] and the Entity will be treated as a Constituent Entity, and will be subject to Top-up Tax.

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[141] Article 1.9 of the QDMTT Legislation.
[142] Article 1.7 of the QDMTT Legislation.
[143] Article 4 of the Corporate Tax Legislation.
[144] Article 1.5.3 of the QDMTT Legislation.

7.3. Investment Entity

An Investment Entity located in the UAE is not subject to the Top-up Tax.[145]

Investment Entity means:[146]
1. an Investment Fund, a Real Estate Investment Vehicle or Insurance Investment Entity,
2. an Entity that is at least 95% owned directly by an Entity described in (1) above, or through a chain of such Entities and that operates exclusively or almost exclusively to hold assets or invest funds for the benefit of such Investment Entities, and
3. an Entity where at least 85% of the value of the Entity is owned by an Entity referred to in (1) above, provided that substantially all of the Entity's income is Excluded Dividends or Excluded Equity Gains or Losses that are excluded from the computation of the Pillar Two Income or Loss.

7.4. Stateless Constituent Entity (that is not a Reverse Hybrid Entity)

The charging provision under the QDMTT Legislation covers only a Stateless Constituent Entity that is a Reverse Hybrid Entity provided that Entity was created under the laws of the UAE.[147] Accordingly, a stateless Permanent Establishment or a stateless Tax Transparent Entity or a stateless dual-located Entity is not subject to the Top-up Tax.

[145] Article 2.3 of the QDMTT Legislation.
[146] Definition of Investment Entity in Article 18.1 of the QDMTT Legislation. Further guidance on Investment Entity will be available in the Top-up Tax Guide on Excluded Entities and Investment Entities TTGEIE1.
[147] Article 2.1(c) of the QDMTT Legislation.

8. Registration for Top-up Tax

8.1. Who is required to register?

Any Entity that is subject to Top-up Tax under the QDMTT Legislation (i.e. Entities that are covered by the charging provision of the QDMTT Legislation), including any Domestic Designated Filing Entity ("DDFE"), if appointed, is required to register with the FTA.[148] For registration timelines, see section 8.4.

8.1.1. Entity-by-Entity approach

Each Entity of an in-scope MNE Group that is subject to Top-up Tax under the QDMTT Legislation can submit a registration application separately.

Upon registration, a Pillar Two Top-up Tax TRN (Tax Registration Number) will be issued by the FTA to each Entity that makes a valid application.

8.1.2. DDFE approach

As an alternative to the Entity-by-Entity approach, to alleviate administrative burden, a DDFE may be appointed for the following Domestic Groups:[149]

- a Domestic Main Group, Domestic Minority-owned Subgroup (or Subgroups) and a Reverse Hybrid Entity/ Entities (if any), or
- a Domestic JV Group.

The DDFE that is appointed must be a member of the relevant Domestic Group.

Once appointed, the DDFE should submit a registration application on behalf of all the members of the relevant Group. The DDFE will also be responsible for filing the Top-up Tax Return and paying the Top-up Tax on behalf of the Entities it represents.[150]

Upon registration by a DDFE, a Pillar Two Top-up Tax TRN will be issued to every Entity (as for the Entity-by-Entity approach). A group-level TRN will also be issued to:

- the DDFE representing the Domestic Main Group, Domestic Minority-owned Subgroup and a Reverse Hybrid Entity (if any), or
- the DDFE representing the Domestic JV Group.

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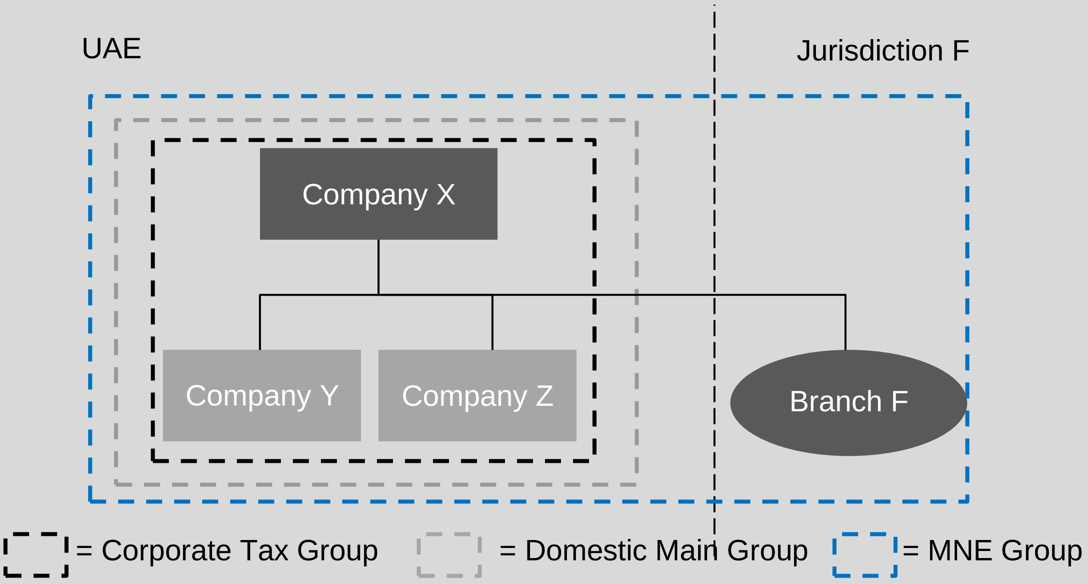
148 Article 13.1 of the QDMTT Legislation.
149 Definition of DDFE in Article 18.1 of the QDMTT Legislation.
150 Article 2.2 of the QDMTT Legislation.

8.1.3. Interaction with Corporate Tax Law

The imposition of Top-up Tax under the QDMTT Legislation is part of the Corporate Tax legislative framework in the UAE. However, the QDMTT Legislation has its own registration requirements for Entities that are subject to Top-up Tax. Consequently, Entities that are subject to Top-up Tax under the QDMTT Legislation (i.e. fall within the charging provision of the QDMTT Legislation) must register for Top-up Tax regardless of whether they are registered for Corporate Tax purposes.

For Entities that are already registered for any type of tax with FTA, the Pillar Two Top-up Tax TRN should include the same Tax Identification Number (i.e. the first 10 digits of the TRN) as existing registrations.

Example 34: Constituent Entities in the UAE already registered for Corporate Tax as a Tax Group



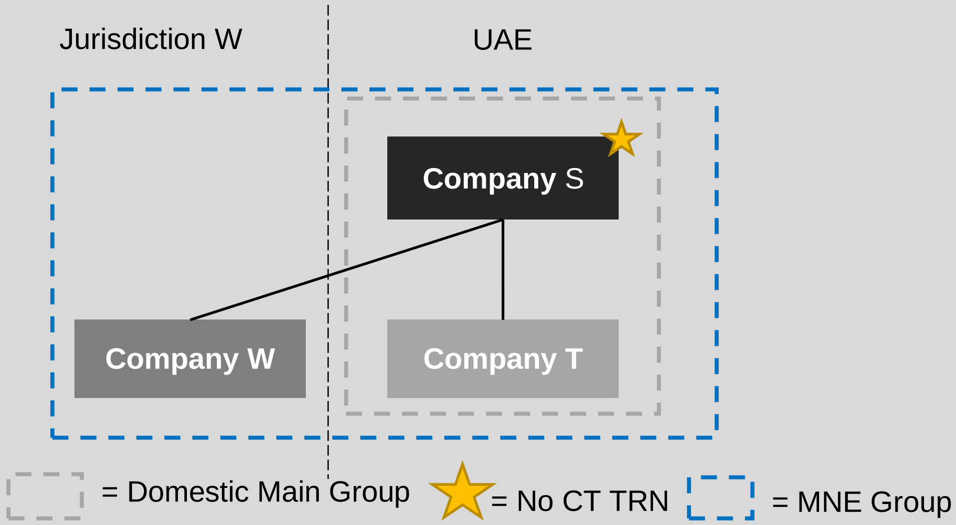
- Companies X, Y and Z are located in the UAE, while Branch F is located in Jurisdiction F.
- For Corporate Tax purposes, Companies X, Y and Z form a Tax Group, and Company X is the Parent Company of the Tax Group. Accordingly, all companies in the UAE have a Corporate Tax TRN and the Tax Group has a separate Corporate Tax TRN.
- The annual revenue of these Entities recorded in the Consolidated Financial Statements of Company X (the UPE) exceeded EUR 750 million in two of four previous Fiscal Years.

- Companies X, Y, and Z in the UAE and the Branch F (a Permanent Establishment located in Jurisdiction F) qualify as Constituent Entities of an MNE Group that falls within the scope of the QDMTT Legislation.
- Companies X, Y and Z, which are located in the UAE, form a Domestic Main Group.

Registration under the QDMTT Legislation

- The QDMTT Legislation requires any Entity (i.e. Companies X, Y and Z) that is subject to it and a DDFE (if appointed), to register with the FTA.
- Accordingly, Companies X, Y and Z can each submit an application to register for QDMTT purposes. Alternatively, one of them can be appointed as a DDFE to file the registration application on behalf of all three members. For example, Company X, the UPE, can apply to be appointed as the DDFE.
- Upon registration, Companies X, Y and Z will each be given a Pillar Two Top-up Tax TRN by the FTA. If a DDFE is appointed, the FTA will also issue a Pillar Two Top-up Tax TRN to the DDFE for the Domestic Main Group.

Example 35: Constituent Entity not registered for Corporate Tax



- Company S (located in the UAE) operates an Extractive Business[151] and qualifies as an Exempt Person for Corporate Tax purposes.[152] Company S is, therefore, not required to register for Corporate Tax purposes.[153]

151 Meets conditions of Article 7 of the Corporate Tax Law.
152 Article 4(1)(c) of the Corporate Tax Law.
153 Article 2(1)(c) of Ministerial Decision No. 43 of 2023.

- Company S holds 100% of the shares of Company T (located in the UAE) and Company W (located in Jurisdiction W).
- The annual revenue recorded in the Consolidated Financial Statements of Company S (the UPE) exceeded EUR 750 million in two of the four previous Fiscal Years. Accordingly, Company S, T and W qualify as Constituent Entities of an MNE Group that falls within scope of the QDMTT Legislation.
- Companies S and T, that are located in the UAE, form a Domestic Main Group.

Registration under the QDMTT Legislation

- The QDMTT Legislation requires any Entity (i.e. Companies S and T) that is subject to it, and a DDFE (if appointed), to register with the FTA.
- Accordingly, Companies S and T can each submit an application to register for QDMTT purposes. Alternatively, one of them can be appointed as a DDFE to file the registration application on behalf of both the Entities.
- Upon registration, Companies S and T will each be given a Pillar Two Top-up Tax TRN by the FTA. If a DDFE is appointed, the FTA will also issue a Pillar Two Top-up Tax TRN to the DDFE for the Domestic Main Group.

8.1.4. Permanent Establishment

The definition of a Constituent Entity includes a Permanent Establishment (section 5.3.1). Accordingly, a Permanent Establishment located in the UAE that is subject to Top-up Tax is required to register with the FTA.

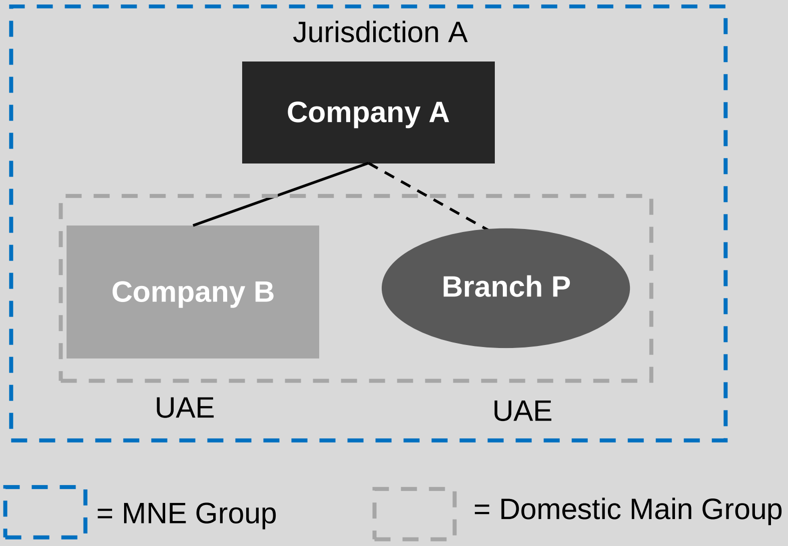
There are, however, two exceptions:

- Where a Main Entity is an Excluded Entity (section 7.2), its Permanent Establishment is also treated as an Excluded Entity,[154] and is not required to register with the FTA.
- A Permanent Establishment that is stateless is not required to register with the FTA.[155] See section 6.4.

For QDMTT registration purposes, it would not make a difference if a Permanent Establishment is considered to be a Qualifying Free Zone Person for Corporate Tax purposes.

[154] Article 1.7.1 of the QDMTT Legislation.
[155] Article 18.3.3(d) of the QDMTT Legislation.

Example 36: An MNE Group with a Permanent Establishment and subsidiary in the UAE



- Company A (UPE of the MNE Group), located in Jurisdiction A, operates in the UAE through a subsidiary (Company B) and a Permanent Establishment (Branch P).
- Since Company A has a Permanent Establishment (Branch P) in the UAE under Article 14 of the Corporate Tax Law, it is registered for Corporate Tax purposes in the UAE as a Non-Resident Person.[156] Company B is also registered for Corporate Tax purposes in the UAE as a Resident Person.
- The annual revenue recorded in the Consolidated Financial Statements of Company A exceeded EUR 750 million in two of four previous Fiscal Years and hence, the MNE Group is within the scope of the QDMTT Legislation.
- For the purposes of the QDMTT Legislation, Company B and Branch P are Constituent Entities that are located in the UAE and are members of an in-scope MNE Group. Accordingly, Company B and Branch P are subject to the charging provisions of the QDMTT Legislation.
- Company B and Branch P form a Domestic Main Group.

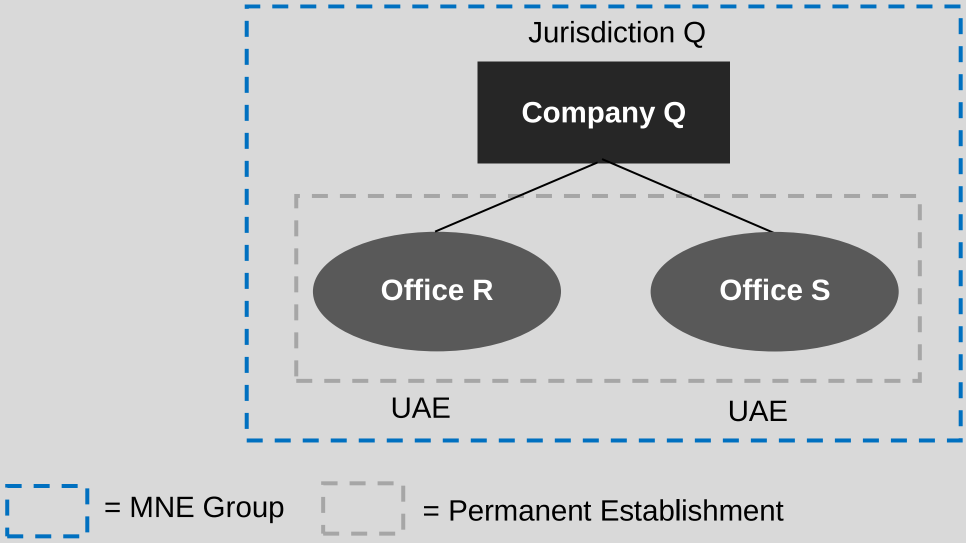
Registration under the QDMTT Legislation

- The QDMTT Legislation requires any Entity (i.e. Company B and Branch P) that is subject to it, and a DDFE (if appointed), to register with the FTA.
- Accordingly, Company B and Branch P can each submit an application to register for QDMTT purposes. Alternatively, one of them can be appointed as a DDFE to file the application for registration on behalf of both Constituent Entities.

[156] Branch P is not registered for Corporate Tax as a Taxable Person separate to Company A.

- Upon registration, Company B and Branch P will each be given a Pillar Two Top-up Tax TRN. If a DDFE is appointed, the FTA will also issue a Pillar Two Top-up Tax TRN to the DDFE for the Domestic Main Group.

Example 37: A Main Entity with two offices in the UAE but one PE



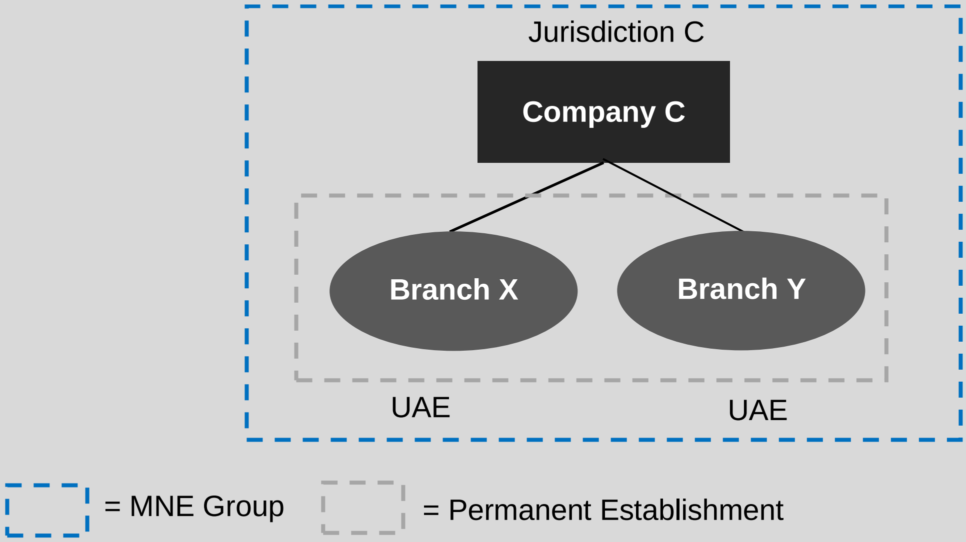
- Company Q is an Entity located in Jurisdiction Q and conducts Business Activity in the UAE through two offices, Office R (located in Dubai) and Office S (located in Abu Dhabi). Since both offices conduct the same Business, together they create a single Permanent Establishment in the UAE for Company Q under Article 14 of the Corporate Tax Law.
- Company Q is registered for Corporate Tax purposes in the UAE as a Non-Resident Person.
- Since Company Q has a Permanent Establishment outside Jurisdiction Q, an MNE Group exists. The annual revenue recorded in the Consolidated Financial Statements of Company Q exceeded EUR 750 million in two of four previous Fiscal Years. Hence, Company Q and the Permanent Establishment is within scope of the QDMTT Legislation.
- For the purposes of the QDMTT Legislation, the Permanent Establishment is a Constituent Entity located in the UAE.

Registration under the QDMTT Legislation

- The Permanent Establishment is a Constituent Entity that is located in the UAE and is subject to the QDMTT Legislation and accordingly, is required to register for QDMTT purposes.

- Upon registration, the Permanent Establishment will be given a Pillar Two Top-up Tax TRN by the FTA.
- No DDFE can be appointed since only one Entity is required to be registered.

Example 38: A Main Entity with two branches in the UAE



- Company C is an Entity located in Jurisdiction C. Company C conducts two separate types of Business in the UAE through two branches - Branch X sells insurance policies, while Branch Y provides investment advisory services to clients.
- Under both the Corporate Tax Law and QDMTT Legislation, Branch X and Branch Y are each considered to be a Permanent Establishment.
- In accordance with the Corporate Tax Law, Company C is registered for Corporate Tax purposes in the UAE as a Non-Resident Person (with two Permanent Establishments).
- However, under the QDMTT Legislation, Branch X and Branch Y are considered to be two separate Constituent Entities located in the UAE.
- Since Company C is located in one Jurisdiction and has two Permanent Establishments located in another Jurisdiction, an MNE Group exists. The annual revenue recorded in the Consolidated Financial Statements of Company C exceeded EUR 750 million in two of four previous Fiscal Years, thus, the MNE Group is within scope of the QDMTT Legislation. Accordingly, Branch X and Branch Y are considered to be Constituent Entities within a Domestic Main Group.

- Branch X and Branch Y can each submit a separate application to register for QDMTT purposes. Alternatively, one of them can be appointed as a DDFE to file the application for registration on behalf of both the Constituent Entities.
- Upon registration, each Permanent Establishment will be assigned a separate Pillar Two Top-up Tax TRN by the FTA. If a DDFE is appointed, the FTA will also issue a Pillar Two Top-up Tax TRN to the DDFE for the Domestic Main Group.

8.1.5. Flow-through Entity

A Flow-through Entity created under the laws of the UAE (a Tax Transparent Entity or a Reverse Hybrid Entity) that is the UPE of the MNE Group and is, therefore, located in the UAE, is required to register with the FTA.

In addition, a Flow-through Entity created under the laws of the UAE that is a Reverse Hybrid Entity and that is not a UPE of an MNE Group is considered to be stateless under the location rules.[157] A Stateless Constituent Entity created under the laws of the UAE and that is a Reverse Hybrid Entity is subject to Top-up Tax (i.e. covered under the charging provision of the QDMTT Legislation).[158] Hence, the Entity is required to register with the FTA.

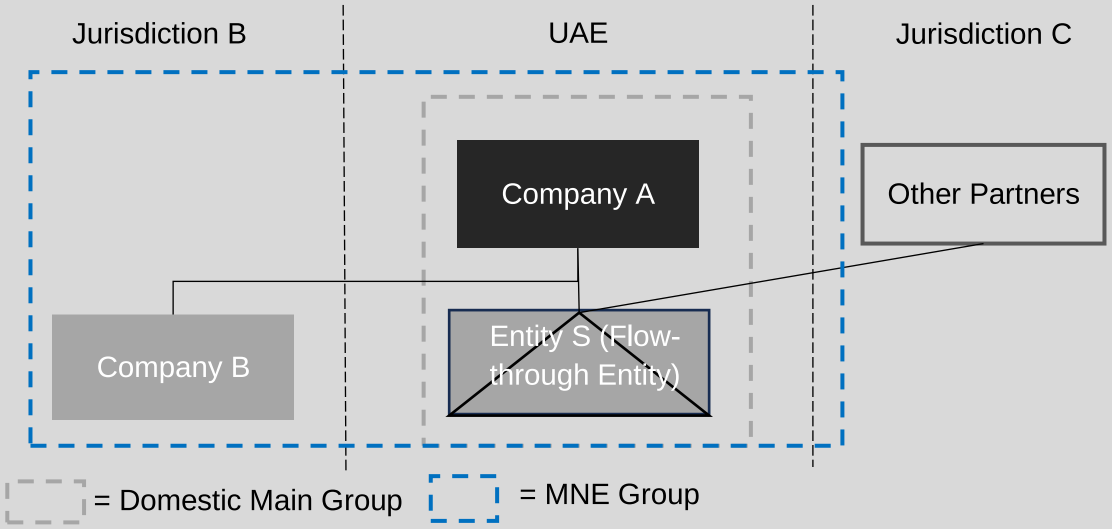
A Flow-through Entity that is a Tax Transparent Entity created under the laws of the UAE that is not a UPE of an MNE Group is a Stateless Constituent Entity.[159] Stateless Constituent Entities are not covered within the charging provision of the QDMTT Legislation and, accordingly, are not required to register with the FTA.

Where a Flow-through Entity that was created in the UAE is both a Reverse Hybrid Entity and a Tax Transparent Entity, it will need to register with the FTA.

For the meaning of a Flow-through Entity, see section 5.6. For the location rules of Flow-through Entities, see section 6.3.

[157] Article 18.3.2 of the QDMTT Legislation.
[158] Article 2.1(c) of the QDMTT Legislation.
[159] Article 18.3.2 of the QDMTT Legislation.

Example 39: A Flow-through Entity in the UAE



- Company A (the UPE of the MNE Group) is located in the UAE and has a wholly owned subsidiary (Company B) located in Jurisdiction B. Company A is also a partner in Entity S, a partnership that prepares separate financial statements.
- Entity S is an Unincorporated Partnership under the Corporate Tax Law and, hence, it is not a Taxable Person. Instead, its partners are treated as individual Taxable Persons under the Corporate Tax Law. Furthermore, Jurisdiction C also considers Entity S to be fiscally transparent.
- Therefore, Entity S is a Flow-through Entity that is a Tax Transparent Entity. Entity S is considered to be a Stateless Constituent Entity (section 5.6.1 and 6.3).
- The annual revenue recorded in the Consolidated Financial Statements of Company A (including financial results of Entity S) exceeded EUR 750 million in two of four previous Fiscal Years and, hence, is within scope of the QDMTT Legislation.
- For the purposes of the QDMTT Legislation, Company A is the only Constituent Entity that is located in the UAE and is subject to Top-up Tax.

<u>Registration under the QDMTT Legislation</u>

- Company A is a Constituent Entity that is subject to Top-up Tax under the QDMTT Legislation and, accordingly, is required to register with the FTA.
- Upon registration, Company A will be given a Pillar Two Top-up Tax TRN by the FTA.
- No DDFE can be appointed since only one Entity is required to be registered.

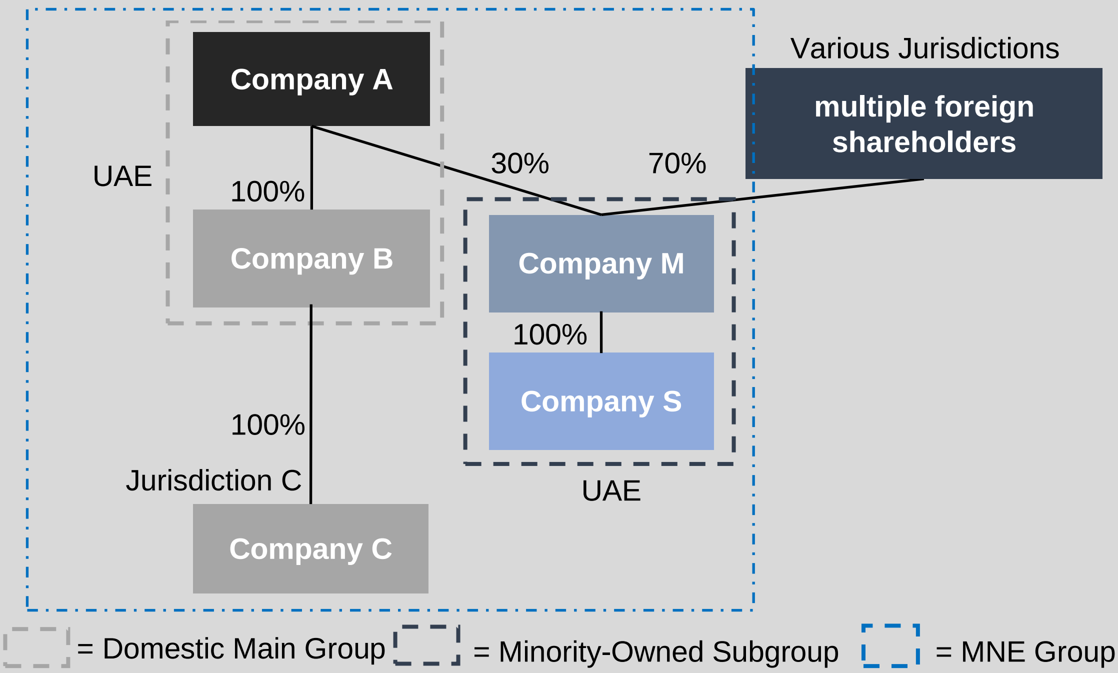
- Entity S is not required to register with the FTA since it is not covered under the charging provision of the QDMTT Legislation.

8.1.6. Constituent Entity of a Domestic Minority-Owned Subgroup

Minority-Owned Constituent Entities located in the UAE are subject to Top-up Tax under the QDMTT Legislation (i.e. are covered under the charging provision of the QDMTT Legislation).[160] Hence, these Entities are required to register with the FTA for Top-up Tax purposes. The registration can be under an Entity-by-Entity approach or the DDFE approach as discussed in section 8.1.

See section 5.4 for the meaning of a Minority-Owned Constituent Entity.

Example 40: Domestic Minority-Owned Subgroup



- Company A, located in the UAE, is the UPE of an MNE Group. Company A has a directly wholly owned subsidiary, Company B (located in the UAE), and an indirectly wholly owned subsidiary, Company C (located in Jurisdiction C).
- Company A holds 30% of the Ownership Interest in Company M, an entity located in the UAE. The remaining 70% of shares of Company M is owned by third parties. Company M holds 100% of the Ownership Interest in Company S (also located in the UAE).

[160] Article 2.1(a) of the QDMTT Legislation.

- Notwithstanding that Company A holds only 30% of the Ownership Interests of Company M, Company A consolidates financial results of Company M and S on a line-by-line basis because it holds the Controlling Interests (i.e. it unilaterally controls Company M). Therefore, Company A is the UPE of an MNE Group that includes Company M and Company S.
- The annual revenue recorded in the Consolidated Financial Statements of Company A exceeded EUR 750 million in two of four previous Fiscal Years, hence, the MNE Group is within scope of the QDMTT Legislation.
- Company A and Company B are Constituent Entities that form a Domestic Main Group.
- Company M and Company S are Constituent Entities that form a Domestic Minority-Owned Subgroup because Company A holds 30% or less of the Ownership Interests of Company M and Company S (indirectly), where Company M is the Minority-Owned Parent Entity and Company S is the Minority-Owned Subsidiary.

<u>Registration under the QDMTT Legislation</u>

- Companies A, B, M and S are subject to Top-up Tax and accordingly, are required to register with the FTA.
- These Entities may choose to register individually or one of them can be appointed as a DDFE to file the application for registration on behalf of all the Entities.
- If the DDFE approach is adopted, the same Entity should be appointed as the DDFE of the Domestic Main Group and Minority-Owned Subgroup. For example, if Company A is appointed as the DDFE, it should submit the registration application for Companies A, B, M and S.
- Upon registration, Companies A, B, M and S will each be issued with a Pillar Two Top-up Tax TRN by the FTA. If a DDFE is appointed, another Pillar Two Top-up Tax TRN will be issued to the DDFE for the Domestic Main Group and the Minority-Owned Subgroup combined.

8.1.7. Members of JV Group

A Joint Venture and JV Subsidiaries located in the UAE are subject to Top-up Tax under the QDMTT Legislation (i.e. are covered under the charging provision of the QDMTT Legislation)[161] and hence, are required to register with the FTA. The registration can be under an Entity-by-Entity approach or the DDFE approach as discussed in section 8.1.

[161] Article 2.1(b) of the QDMTT Legislation.

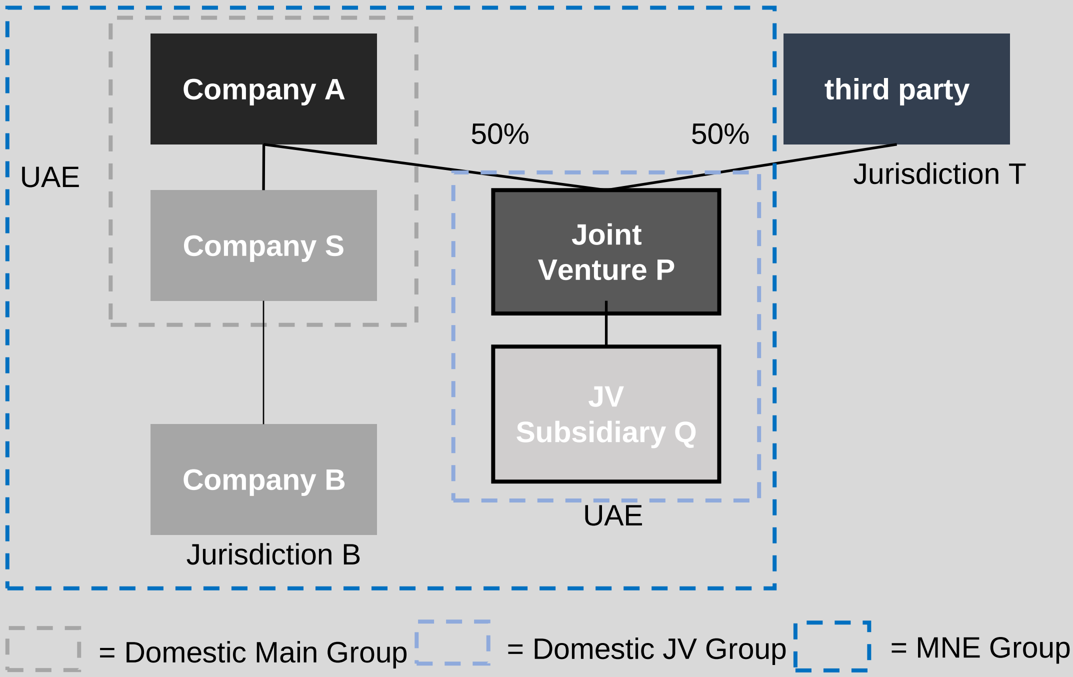
Where the DDFE approach is adopted, the appointed DDFE should be a member of the Domestic JV Group. Accordingly, if an in-scope MNE Group has a Domestic Main Group and a Domestic JV Group, and it adopts a DDFE approach for both groups, it must appoint two DDFEs:

- one DDFE for the Domestic Main Group that is a Constituent Entity of that Group, and
- another DDFE that is a Constituent Entity of the Domestic JV Group.

Each DDFE should submit a separate application for registration for the group it represents. The FTA will issue a Pillar Two Top-up Tax TRN for all the Constituent Entities, as well as one Pillar Two Top-up Tax TRN for the DDFE of the Domestic Main Group, and one Pillar Two Top-up Tax TRN for the DDFE of the Domestic JV Group.

See section 5.5 for the meaning of a Joint Venture and JV Subsidiary.

Example 41: Registration of a JV Group in the UAE



- Company A, located in the UAE, is the UPE of an MNE Group. Company A has a directly wholly owned subsidiary, Company S (located in the UAE), and an indirectly wholly owned subsidiary, Company B (located in Jurisdiction B).
- Company A also holds a 50% Ownership Interest in Joint Venture P (located in the UAE), with the remaining 50% held by a third party.

- Joint Venture P holds 100% Ownership Interest in a subsidiary (JV Subsidiary Q) that is also located in the UAE.
- The annual revenue recorded in the Consolidated Financial Statements of Company A exceeded EUR 750 million in two of four previous Fiscal Years and, hence, the MNE Group is within scope of the QDMTT Legislation.
- Company A and Company S are Constituent Entities that form a Domestic Main Group.
- Joint Venture P and JV Subsidiary Q form a Domestic JV Group.

Registration under the QDMTT Legislation

- Company A, Company S, Joint Venture P and JV Subsidiary Q are subject to Top-up Tax. Hence, they are required to register for QDMTT purposes.
- These Entities may choose to register individually or under the DDFE approach.
- If the DDFE approach is adopted, a separate DDFE should be appointed for the Domestic JV Group and for the Domestic Main Group.
- For the Domestic Main Group, the DDFE can be either Company A or Company S. For the Domestic JV Group, the DDFE can be either Joint Venture P or JV Subsidiary Q.
- Upon registration, Company A, Company S, Joint Venture P and JV Subsidiary Q will each be assigned a Pillar Two Top-up Tax TRN.
- If the DDFE approach is adopted, a Pillar Two Top-up Tax TRN will be issued to the DDFE of the Domestic Main Group and another Pillar Two Top-up Tax TRN will be issued to the DDFE of the Domestic JV Group.

8.1.8. Registration on acquisition of an Entity by in-scope MNE Group

When an in-scope MNE Group (that is already registered under the QDMTT Legislation) acquires another Entity that is located in the UAE, the acquiring Group should consider whether the Entity being acquired is already registered with a Pillar Two Top-up Tax TRN.

Where the acquired Entity is not already registered for Top-up Tax, the Entity is required to submit an application for registration within the registration timelines provided in section 8.4.[162]

If the MNE Group that acquired the Entity follows the DDFE approach, the appointed DDFE should submit the registration application on behalf of the newly acquired Entity. The registration process is explained in section 9.

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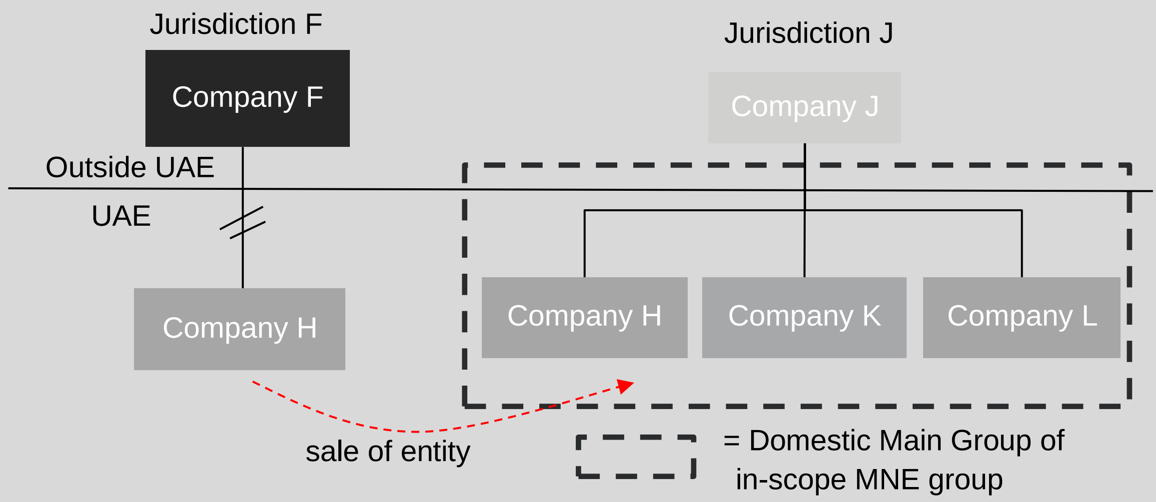
[162] Article 2(1) of FTA Decision No. 12 of 2026.

Example 42: Acquisition of an Entity by an in-scope MNE Group



Company F (located in Jurisdiction F) is the parent company of Group F, an out-of-scope MNE. Company F sells its wholly owned subsidiary, Company H (located in the UAE), to Company J on 30 June 2026.

Company J (located in Jurisdiction J) is the UPE of Group J, which is an in-scope MNE. Company J has two wholly owned subsidiaries located in the UAE, Company K and Company L. Prior to the acquisition of Company H by Company J, Companies K and L registered in accordance with the QDMTT Legislation.

Company H's financial results for the period 1 July 2026 to 31 December 2026 are consolidated in the Consolidated Financial Statements of Company J for Fiscal Year 2026. Accordingly, Company H becomes a member of an in-scope MNE Group in Fiscal Year 2026. Thus, Company H should be registered within 7 months from the end of Fiscal Year 2026 (i.e. by 31 July 2027).

If either Company K or Company L had previously been appointed as a DDFE, that company should register Company H by amending its registration data and including Company H. If there is no DDFE, Company H should register by itself.

8.2. Registration requirements where Top-up Tax is deemed to be zero

Under the QDMTT Legislation, the Top-up Tax is deemed to be zero under the following provisions:[163]

[163] Further guidance on these provisions will be available in the Top-up Tax Guide on Transitional CbCR Safe Harbour and Other Simplification Measures TTGSHO1.

- De-minimis exclusion[164],
- Transitional Country by Country Reporting (CbCR) Safe Harbour[165],
- Simplified Calculations Safe Harbour[166], and
- Initial phase of international activities[167].

Where any of those provisions apply to an Entity of an in-scope MNE Group, the Entity is still considered to be "subject to Top-up Tax" (i.e. the Entity still remains within the charging provision of the QDMTT Legislation), and as such, it is still required to register with the FTA.[168]

Where a DDFE is appointed, the DDFE should submit a registration application on behalf of all the members of an in-scope MNE Group it represents, even if the Top-up Tax of any of the members is deemed to be zero.

8.3. Entities not required to register

Under the QDMTT Legislation, any Entity that is subject to Top-up Tax (i.e. subject to the charging provision of the QDMTT Legislation) including a DDFE is required to register for QDMTT purposes.[169] Thus, an Entity that is not subject to the charging provision of the QDMTT Legislation is not required to register.

For example:

- An Excluded Entity is not a Constituent Entity[170] and, consequently, is not within the scope of the QDMTT Legislation.[171] Accordingly, an Excluded Entity is not required to register for QDMTT purposes. However, where an election has been made not to treat an Entity as an Excluded Entity,[172] the Entity will be subject to Top-up Tax and, hence, will be required to register for QDMTT purposes.
- An Investment Entity located in the UAE is not subject to the Top-up Tax.[173] Accordingly, it is not required to register for QDMTT purposes.

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164 Article 5.5 of the QDMTT Legislation.
165 Article 8.2.1 of the QDMTT Legislation.
166 Article 8.2.2 of the QDMTT Legislation.
167 Article 9.3 of the QDMTT Legislation.
168 Article 13.1 of the QDMTT Legislation.
169 Article 13.1 of the QDMTT Legislation.
170 Article 1.3.3 of the QDMTT Legislation.
171 Article 1.1.1 of the QDMTT Legislation.
172 Article 1.5.3 of the QDMTT Legislation.
173 Article 2.3 of the QDMTT Legislation.

- A stateless Permanent Establishment is not located in the UAE and, thus, not subject to Top-up Tax. It is, therefore, not required to register for QDMTT purposes.
- A stateless Tax Transparent Entity is also not located in the UAE and, thus, not subject to Top-up Tax. It is, therefore, not required to register for QDMTT purposes.

8.4. Registration timelines

For a Fiscal Year ending before 30 April 2026, the Entity (or the DDFE representing the Entity) should submit the application to register for Top-up Tax to the FTA on or before 30 November 2026.[174] For all other cases, the application to register for Top-up Tax should be submitted to the FTA within 7 months from the end of the first Fiscal Year in which the Entity is in scope of the QDMTT Legislation.[175]

An Administrative Penalty will apply where a registration application is not submitted by the relevant timeline (see section 8.5).

Where an Entity is required to register for QDMTT purposes but neither the Entity, nor a DDFE representing the Entity, submits a registration application by the relevant timeline, the FTA has the discretion, based on information available to it, to register the Entity. This registration will be effective from the date the Entity was originally obliged to register under the QDMTT Legislation.[176]

8.5. Administrative Penalty for failure to register

An Administrative Penalty of AED 10,000 will apply where an Entity fails to submit an application for registration within the relevant timeline (section 8.4).[177]

Where a DDFE fails to submit a registration application in accordance with the prescribed timelines, an Administrative Penalty of AED 10,000 will apply in respect of each Entity that the DDFE failed to submit the registration application for.

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[174] Article 2(2) of FTA Decision No. 12 of 2026.
[175] Article 2(1) of FTA Decision No. 12 of 2026.
[176] Article 13.2 of the QDMTT Legislation.
[177] Article 14.1(d) of the QDMTT Legislation and Article 60(3) of the Corporate Tax Law and Violation No. 14 in Cabinet Decision No. 75 of 2023.

9. Registration process

9.1. How to register?

An application to register for Top-up Tax should be made on the EmaraTax portal.

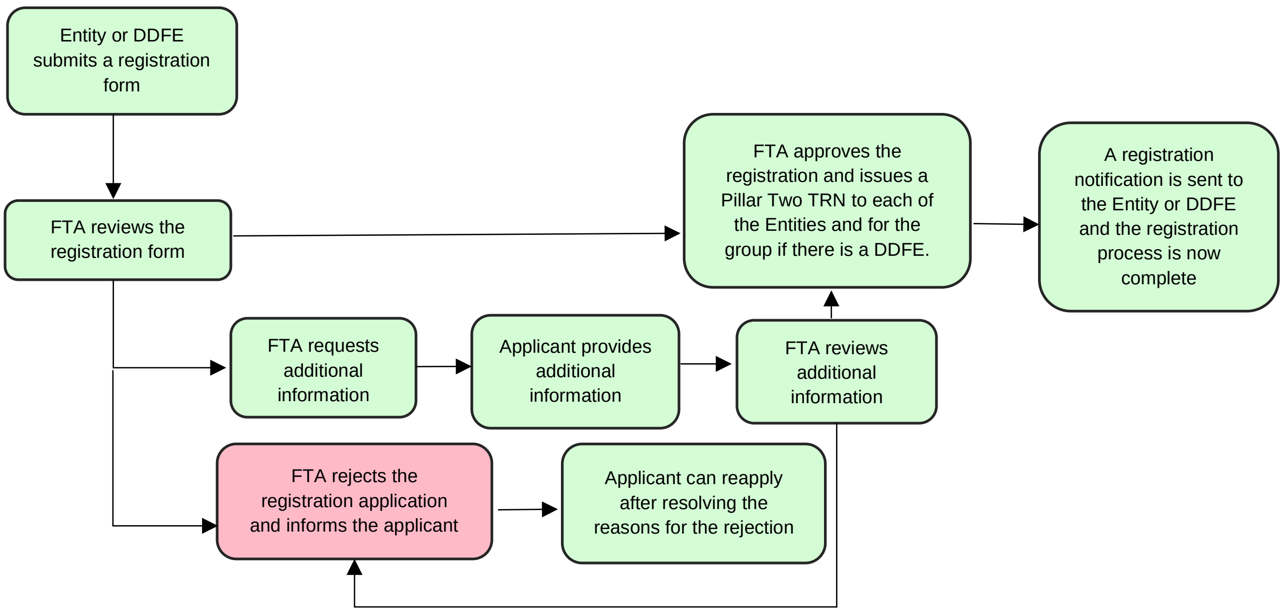
Where the Entity is already registered for another type of tax with the FTA, it should use the same "Taxable Person" in the EmaraTax portal in order to register for Top-up Tax. If the Entity has not previously registered for any type of tax with the FTA, it will be required to create a "Taxable Person" and create a Tax Identification Number ("TIN") on the EmaraTax portal before registering for Top-up Tax. This also applies where the Entity is the DDFE.

Where the DDFE is appointed and is already registered but a member of its Domestic Group is not previously registered with the FTA, the DDFE or the relevant member must create a TIN for that entity, in order to register it for Top-up Tax.

9.2. Registration application process

Once a registration form has been submitted, the FTA will review it, and if approved, will issue a Pillar Two Top-up Tax TRN, or multiple TRNs where the DDFE registers its Domestic Group. Before the FTA approves a registration, it may request additional information from the applicant.

Figure 1: Registration application process



9.3. Documentation requirement for the Top-up Tax registration process

The following supporting documents will be required when registering for Top-up Tax:

- document(s) that verifies the name and TIN of the UPE, where the UPE is located outside UAE,
- document(s) that verifies the name and TIN of the Designated Filing Entity (if applicable), where the Designated Filing Entity is located outside the UAE, and
- document(s) providing an overview of corporate structure of the MNE group.

The FTA reserves the right to request other documents it deems necessary to decide whether or not to accept or reject the application.

9.3.1. Documentation requirement for the appointment of a DDFE

For a DDFE to be appointed, each Entity to be represented by the DDFE must authorise the appointment of the DDFE. This authorisation can be provided by each Entity acknowledging the DDFE on the EmaraTax portal directly. Alternatively, the DDFE can upload a signed letter of authorisation from each Entity within the registration application.

9.4. Tax Agents and Legal Representatives

9.4.1. Tax Agents

If an Entity wishes to be represented by a Tax Agent for Top-up Tax purposes, the Tax Agent it appoints must be listed with the FTA as a Tax Agent for Corporate Tax purposes.

The Entity may appoint the same Tax Agent for Corporate Tax purposes and Top-up Tax purposes or it may appoint a different Tax Agent for each type of tax.

9.4.2. Legal Representatives

Where an Entity is represented by a Legal Representative, the Legal Representative should first register on the EmaraTax portal in order to then register the Entity.

9.5. Entities filing the Pillar Two Information Return

The QDMTT Legislation sets out requirements for the filing of a Pillar Two Information Return with the FTA.[178] The Pillar Two Information Return means the GloBE

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[178] Article 15 of the QDMTT Legislation.

Information Return developed in accordance with the Pillar Two Implementation Framework.[179]

The GloBE Information Return is a return in a standardised template form that provides a tax administration with the information it needs to evaluate the correctness of a Constituent Entity's tax liability under the Pillar Two Rules.[180]

The Entity that will file the Pillar Two Information Return should be provided to the FTA at the time of registration for Top-up Tax purposes.

Ministerial Decision No. 133 of 2026 provides for the following options to file the Pillar Two Information Return:

- option 1: Each Constituent Entity (excluding any Investment Entity), Joint Venture and JV Subsidiary located in the UAE[181] and each Stateless Constituent Entity that is a Reverse Hybrid Entity created in accordance with the laws of the UAE is required to file a Pillar Two Information Return with the FTA.[182]
- option 2: A Designated Local Entity is appointed to file a single Pillar Two Information Return with the FTA on behalf of Constituent Entities, Joint Ventures and JV Subsidiaries located in the UAE (see section 9.5.1).[183]
- option 3: The Pillar Two Information Return is filed by the UPE located in a Jurisdiction that has a Qualifying Competent Authority Agreement in effect with the UAE for the Reporting Fiscal Year.[184]
- option 4: The Pillar Two Information Return is filed by the Designated Filing Entity located in a Jurisdiction that has a Qualifying Competent Authority Agreement in effect with the UAE for the Reporting Fiscal Year.[185]

Where any of the options 2, 3 or 4 applies, the obligation of all Constituent Entities, Joint Ventures and JV Subsidiaries located in the UAE to file their own Pillar Two Information Return is discharged.[186]

[179] Definition of Pillar Two Information Return in Article 18.1 of the QDMTT Legislation.
[180] Paragraph 1 of the Commentary on Article 8 of the GloBE Rules.
[181] Article 2(1)(a) and (b) of Ministerial Decision No. 133 of 2026.
[182] Article 2(1)((c) of Ministerial Decision No. 133 of 2026.
[183] Article 2(2) of Ministerial Decision No. 133 of 2026.
[184] Article 3(a) of Ministerial Decision No. 133 of 2026.
[185] Article 3(b) of Ministerial Decision No. 133 of 2026.
[186] Paragraph 5 of the Commentary on Article 8 of the GloBE Rules.

9.5.1. Designated Local Entity

A Designated Local Entity means the Constituent Entity of an MNE Group that is located in the UAE, and that has been appointed by all the other Constituent Entities located in the UAE of the MNE Group to file the Pillar Two Information Return.[187]

The role of a Designated Local Entity is different from a DDFE since a Designated Local Entity is only responsible for filing the Pillar Two Information Return in the UAE whereas a DDFE is responsible for other compliance obligations under the QDMTT Legislation. Accordingly, an MNE Group may appoint two separate Constituent Entities located in the UAE – one as DDFE, and one as Designated Local Entity. Alternatively, a Constituent Entity located in the UAE, and that is appointed as a DDFE, may also be appointed as a Designated Local Entity. In this case, the same Entity would be responsible for all compliance obligations in the UAE.

The appointment of the Designated Local Entity can be made at the time of registration.

For a Designated Local Entity to be appointed, each Entity to be represented by the Designated Local Entity must authorise the appointment of the Designated Local Entity. This authorisation can be provided by each Entity acknowledging the Designated Local Entity on the EmaraTax portal directly. Alternatively, the Entity or DDFE, if applicable, can upload a signed letter of authorisation from each Entity within the registration application.

[187] Definition of Designated Local Entity in Article 18.1 of the QDMTT Legislation.

10. Updates and amendments

Date of amendment	Amendments made
August 2026	• First version