KPMG

Global Minimum Tax Framework

KPMG Analysis and Observations

New Guidance on Global Minimum Tax Framework

On September 11, 2026, the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (“IF”) issued three documents on the Global Minimum Tax (“GMT”):

- **Updated Global Anti-base Erosion (“GloBE”) Information Return (“GIR”)**, reflecting the Side-by-Side (“SbS”) Package and providing clarifications on various issues under the existing template.
- **Administrative Guidance (“AG7”)** on Explicitly Conditional Taxes and the use of Local Financial Accounting Standard (“LFAS”) under a Qualified Domestic Minimum Top-up Tax (“QDMTT”) in case of mismatching fiscal periods.
- **Terms of Reference and Assessment Methodology for the Full Legislative Review (“Terms of Reference”)** for the qualification status of jurisdiction’s GMT regimes.

This release is the first set of substantive GMT guidance issued by the IF since January 2026, with more expected towards the end of this year.

This KPMG report highlights key technical points, includes observations on what these developments mean for in-scope Multinational Enterprises (“MNEs”), and outlines other practical considerations.

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1. Updated GIR

The updated GIR, applicable for fiscal years commencing on or after December 31, 2025, incorporates simplifications to reflect the agreement on the SbS Package in January 2026 (see KPMG summary). The update also introduces new reporting requirements for “Benefits” provided by QDMTT jurisdictions. The term “Benefit” is not clearly defined but may be best understood as referring to “Related Benefits,” which has long been cited as an area for future AG. There are also several clarifications on existing data points in the current GIR template. An updated XML schema (the standardized format used for exchanging GIR filing data) is expected to be released shortly.

1.1. SbS Safe Harbor

The SbS Package introduced a SbS Safe Harbor which turns off the Income Inclusion Rule (“IIR”) and the Undertaxed Profit Rule (“UTPR”) for U.S. parented groups, but with these groups continuing to subject to QDMTTs.

The updated GIR will limit the information U.S. parented groups are required to report in their GIR for fiscal years beginning on or after January 1, 2026. U.S. parented groups will include all information relevant for QDMTT jurisdictions and will reduce (but not eliminate) the reporting required in respect of other jurisdictions, for example, in respect of Section 1.

KPMG observation

U.S. parented groups will still need to monitor and comply with potential additional local filing obligations. In 2024, some jurisdictions, such as Belgium and Vietnam, required extensive local filings, similar in some aspects of content to the GIR. However, it should be noted that the Terms of Reference document seeks to address this (discussed further below).

KPMG observation

Despite the introduction of the SbS Safe Harbor, the updated GIR provides that U.S. parented groups will continue to be able to rely on the GIR Multilateral Competent Authority Agreement (“MCAA”) for FY26 and beyond. This is welcome confirmation that will ensure U.S. parented groups continue to benefit from this compliance simplification.

KPMG observation

The SbS Safe Harbor currently only applies to U.S. parented groups. It remains to be seen whether other jurisdictions may be assessed as having an eligible SbS regime—Brazil has previously been reported as a potential candidate.

1.2. Other Safe Harbors

The Updated GIR includes new data points for the three other safe harbors:

- **Ultimate Parent Entity ("UPE") Safe Harbor** – The UPE Safe Harbor operates in a similar manner to the Transitional UTPR Safe Harbor, reducing the UTPR Top-up Tax of the UPE jurisdiction to zero. The safe harbor election is included in Section 2 (Safe Harbors and Exclusions).
- **Substance-based Tax Incentive ("SBTI") Safe Harbor** – The SBTI Safe Harbor allows the add-back of Qualified Tax Incentive ("QTI") amounts in the Effective Tax Rate ("ETR") calculation. Where the SBTI Safe Harbor is applied, a detailed ETR calculation will always be required, and hence groups will need to complete all three sections of the GIR.
- **Simplified ETR Safe Harbor ("SESH")** – Under the SESH, Top-up Tax is deemed to be zero for jurisdictions that pass the test (i.e., Simplified ETR equals or exceeds 15%, or where the jurisdiction has a Simplified Loss) and no detailed calculation is required. The Simplified ETR calculation and mandatory SESH adjustments are reflected in Section 2 of the GIR, with optional adjustments reflected in Section 3 (Detailed Calculations).

KPMG observation

Commentators have questioned whether the SESH meaningfully simplifies the GMT, given the greater number of required adjustments as compared to the Transitional CbCR Safe Harbor ("TSH"). The emerging consensus is that the approach delivers simplification for jurisdictions which can access the SESH every year but may create additional complexity for jurisdictions that cannot. The SESH reporting requirements reemphasizes this conclusion and again highlights that the SESH is more complex than the TSH.

1.3. Reporting of Benefits

The updated GIR introduces new reporting requirements for certain government-provided benefits:

- benefits treated as a refund or credit of Covered Tax;
- deferred tax assets arising from benefits provided by a General Government after November 30, 2021; and
- other benefits provided by the QDMTT jurisdiction that shall be treated as a reduction of the QDMTT payable.

Disclosures are required at two levels. First, the aggregate amount of relevant benefits must be disclosed (in given ranges) in Section 1 (General Information) of the GIR, with an indication of whether such benefits have been fully neutralized in the QDMTT jurisdiction. Second, detailed information on each benefit must be reported in the relevant data fields in Section 3.

KPMG observation

It is notable that the aggregate benefit amount needs to be reported along with a summary of the total QTIs in Section 1. This means that this information will be shared with all implementing jurisdictions (other than QDMTT-only jurisdictions). Jurisdictions with taxing rights will also receive a more detailed breakdown of QTIs where this is considered significant. The information on benefits, as well as information on QTIs, is intended to support risk assessment by providing jurisdictions with sufficient information to determine their taxing rights. It is conceivable that this information will be used as part of the ongoing GMT monitoring process (discussed further below).

KPMG observation

The updated GIR includes two boxes (in Sections 1 and 3) asking: “were the benefits fully neutralized in the QDMTT jurisdictions,” without defining “benefit” or “fully neutralized”. This could imply that the IF will issue future guidance defining certain benefits, which QDMTT jurisdictions would either be required to neutralize through additional top-up tax or that could be exposed to top-up tax in other jurisdictions. Other than the deferred tax assets arising from benefits provided by General Government after November 30, 2021 (as defined in the January 2025 AG), other data points appear to be placeholders for forthcoming AG on benefits.

1.4. Other Clarifications

The guidance also provides several clarifications on the existing data points such as:

- Tax Identification Number (“TIN”): Recognition of Government Verification Service (“GVS”) identifier as an alternative to TIN; guidance on how to report TIN for subgroups; and additional requirements to report TIN of Investment Entity owner where Articles 7.5 or 7.6 apply.
- Additional disclosure (on the Election Year) in case of five-year elections for each Fiscal Year that the election remains in force.
- Removal of the "wholly-owned" condition for Tax Consolidated Group aggregation, aligning the GIR with the GMT Rules.

2. Administrative Guidance

2.1. Explicitly Conditional Taxes

The SbS Package provided that conditional or discriminatory taxes would not be treated as Covered Taxes under the GMT, with further work to be undertaken to define said taxes. AG7 provides that “explicitly conditional taxes,” including DMTTs, IIRs and UTPRs, will not be treated as Covered Taxes. AG7 is not the end. The IF has committed to issue further guidance by December 2026, identifying ‘other features’ of a tax or benefits provided in respect of a tax, which could lead to their treatment as discriminatory and hence not a Covered Tax. Relevant existing taxes will be examined as part of this exercise.

AG7 guidance is focused on conditional or “soak-up taxes” that are designed to absorb local entity tax liabilities that would otherwise arise under foreign IIR or UTPR, without imposing additional tax cost on entities with no such liabilities. The guidance covers exclusionary drafting, when a DMTT or Corporate Income Tax (“CIT”) appears to apply broadly but is turned off for entities that are not subject to an IIR or UTPR, including due to the SbS Safe Harbor. It also covers inclusionary drafting, where a DMTT or CIT is only turned on for entities that are subject to an IIR or UTPR. An allowance is made for DMTTs and CITs that were only conditional for 2024, so long as tax regimes are amended to be non-conditional for 2025 and onwards.

The guidance also deals with cases where DMTTs and CITs apply to both types of groups (i.e., not a complete turn off) but in a discriminatory manner, for example, with a surcharge for groups that are subject to an IIR or UTPR. In such cases, taxpayers will be required to separate the tax into discriminatory and non-discriminatory elements, and the discriminatory element will not be treated as a Covered Tax.

In addition to not being treated as Covered Taxes, a DMTT that is an Explicitly Conditional Tax would not be QDMTT.

KPMG observation

The effect of this guidance, if a jurisdiction were to introduce an explicitly conditional tax, would be that entities within scope of an IIR or UTPR would suffer double tax, once at the level of the local DMTT or CIT and again through an applicable IIR or UTPR. This seems unlikely to be the intended effect, as it penalizes MNE Groups that are subject to the GMT.

Instead, the intention is to induce jurisdictions to remove or not introduce explicitly conditional taxes. This leaves jurisdictions with a low or no corporate tax regime a choice to: (1) impose additional taxes on local entities broadly, including those not subject to the IIR or UTPR; or (2) not impose additional taxes, leaving the profits of some entities subject to top-up tax in other jurisdictions through the IIR or UTPR

KPMG observation

Bahamas and Barbados introduced DMTTs that were conditional for 2024. These taxes were given qualified status based on the understanding that they would cease to be conditional from 2025. The IF has not identified jurisdictions that applied explicitly conditional taxes for 2025, implying the primary effect of this provision will be to prevent jurisdictions amending their DMTT or CIT regimes to make them explicitly conditional.

KPMG observation

Separately, Poland's DMTT was elective for 2024 and was similarly given qualified status on the understanding that it becomes mandatory from 2025. AG7 does not provide further guidance on elective taxes—it remains to be seen if more will be forthcoming on this topic.

KPMG observation

Some commentators have asked whether there is a risk that CIT regimes that permit the pushdown of CFC taxes, adopted by several jurisdictions, could be deemed to be conditional, at least in some circumstances, and hence not treated as Covered Taxes. This is something that businesses should continue to monitor, as entities in such jurisdictions that are subject to an IIR or UTPR, could be potentially exposed to double taxation.

2.2. Use of local financial accounting standard under a QDMTT in case of mismatching fiscal periods

The QDMTT Safe Harbor permits jurisdictions to require MNE Groups to compute their top-up tax exposure using local financial accounts rather than relying on the accounts used to prepare the Consolidated Financial Statements ("CFS") of the UPE, providing the local accounts meet a Local Financial Accounting Standard ("LFAS") Rule. One part of the original LFAS Rule, including in AG released in July 2023, is that the fiscal year of the local financial accounts must be the same as the fiscal year of the CFS. If this condition is not satisfied, then the calculations must be prepared (as a default) on the basis of the entity-level accounts used to prepare the CFS. A significant number of QDMTT jurisdictions have opted for the use of local financial accounts in their rules.

MNE Groups have raised a variety of practical questions about how they should compute QDMTTs for jurisdictions that have adopted the LFAS Rule where there is a difference between the fiscal period of the local financial accounts and the fiscal year of the CFS, for example, due to mid-year mergers and acquisitions ("M&A") or mid-year liquidations.

In addition, some jurisdictions have adopted a QDMTT that requires the use of local financial accounts, even when the fiscal year does not align to the CFS. This brought into question whether these jurisdictions' QDMTTs were eligible for the QDMTT Safe Harbor.

AG7 seeks to address these issues by clarifying the general principle for the LFAS Rule to apply and then providing two exceptions.

General principle

Some MNE Groups have a recurring mismatch between the fiscal year of the CFS and the fiscal year of the entity-level accounts used to prepare the CFS. The December 2023 AG clarified that where this is the case, the entity-level accounts are still the starting point for the GloBE Rules.

AG7 addresses how the LFAS should apply in this scenario. It clarifies that local financial accounts may be used provided that the fiscal period of the CE's local financial accounts and the entity-level accounts used to prepare the CFS align.

This ensures that, for example, where a UPE has a fiscal year ended January 31, but for a given jurisdiction prepares both local financial accounts and entity level accounts used to prepare the CFS for the calendar year, then the local financial accounts can be used to compute top-up tax under a QDMTT that adopts the LFAS.

Exceptions – Restructuring Exception

MNE Groups had found that the fiscal period for a CE's local financial accounts and the UPE's fiscal year could be misaligned due to restructuring. In such scenarios, it was unclear whether the MNE Group should compute the QDMTT based on local financial accounts or would be made to use the accounts used to prepare the CFS (in effect, the default rule), creating a risk that groups would be forced to adopt different approaches in different years, i.e., a "flip-flop" effect.

AG7 addresses this uncertainty by permitting jurisdictions to require the use of local financial accounts where an acquisition, disposition, dissolution, merger, or similar restructuring results in a misalignment between the fiscal year of the CFS and the fiscal year of an entity's local financial accounts. This grace period applies for the fiscal year the restructuring occurs and the prior fiscal period, giving businesses a limited amount of time to start preparing local financial accounts that align with the fiscal year of the CFS.

KPMG observation

We understand that some jurisdictions (e.g., Ireland and the Netherlands) have already introduced legislative amendments or guidance to ensure that groups were not required to "flip-flop" between using different accounting standards when computing their QDMTT. The approach adopted by AG7 appears to be consistent with such guidance.

Exceptions – QDMTT Legislation Exception

AG7 waives the requirement for alignment between the fiscal years of the local financial accounts and accounts used to prepare the CFS, where a jurisdiction's QDMTT legislation specifies the fiscal period (the "Required QDMTT Fiscal Period") for which the QDMTT must be computed.

In jurisdictions that adopt this approach, the QDMTT Safe Harbor will only be applicable for an MNE Group if both the Required QDMTT Fiscal Periods that start and end in UPE's fiscal year are eligible for the QDMTT Safe Harbour. However, as a transitional rule, for UPE fiscal years that beginning on December 31, 2023, or in 2024, a jurisdiction will be covered by the QDMTT Safe Harbor if a Required QDMTT Fiscal Period begins during the UPE's fiscal year, even if the QDMTT Safe Harbor did not apply to each day of the fiscal year[1].

This means that an MNE Group with a UPE fiscal year running from October 1, 2024, to September 30, 2025, could be eligible for the QDMTT Safe Harbor in respect of Brazil for the full fiscal year, even though Brazil's QDMTT only applies for fiscal years beginning on or after January 1, 2025.

KPMG observation

This guidance confirms that QDMTTs that mandate the use of LFAS with specified fiscal year (the Required QDMTT Fiscal Period), for example Brazil and Bulgaria, can still qualify for the QDMTT Safe Harbor.

There remain practical questions about how QDMTTs that do not apply to the same fiscal year as the CFS should be reported in the GIR as well as for local QDMTT filing, including the applicable filing deadlines. These issues will likely need to be addressed by the further IF guidance, as well as guidance from the relevant local tax authorities.

[1] The guidance on this point is confusing, and it could be read that the Required QDMTT Fiscal Period must begin on December 31, 2023, or in 2024. However, our understanding is this is not the intent of the guidance as it is then unclear which jurisdiction this rule would be relevant for.

3. Full Legislative Review

3.1. Qualified Rule Status and Peer Review Process

The GMT operates as a coordinated system of domestic rules. Coordination is achieved through an agreed rule order, where the application of a qualified rule by one jurisdiction impacts the potential application by another jurisdiction.

The IF agreed to establish a peer review process to determine whether jurisdictions' IIRs, UTPRs, DMTTs are "qualified" for the purposes of the GMT rule order. It was also agreed that this process would review eligibility for the QDMTT Safe Harbor, which has the effect of switching off other jurisdictions' IIRs or UTPRs.

3.2. Transitional Qualification Mechanism

The IF recognized that completing a detailed peer review process takes time and has therefore relied on a transitional qualification mechanism where jurisdictions self-assess eligibility for "qualified" status alongside a high-level review of key features of the legislation.

The transitional qualification mechanism was intended to be an interim measure and thus over time jurisdictions' legislation and practice will be required to undergo a more comprehensive peer review.

Transitional qualification status could cease to apply where a jurisdiction's legislation took effect on or before April 1, 2025, and the jurisdiction does not initiate a full legislative review (discussed further below) within three years of the effective date (or if later the enactment date). This means that jurisdictions that introduced the GMT in 2024 would be expected to initiate a full legislative review by 2027.

KPMG observation

The rules dictating when jurisdictions need to initiate a full legislative review have multiple variables and include what is, in effect, a six-month grace period that can be extended by the IF on a consensus minus one basis. It would be surprising if a jurisdiction were to lose its qualified status simply because it missed a deadline. However, the timeline does show that full legislative reviews are expected to proceed over the next 12 to 18 months.

3.3. Peer Review Process

The permanent peer review process has two parts:

1. Full legislative review to confirm that a jurisdiction's domestic legislation is consistent with the GloBE Model Rules.
2. Ongoing monitoring to ensure that a jurisdiction is applying its rules consistently with the GloBE Model Rules, that the items identified during the legislative review are addressed—including where the jurisdiction's legislation requires updates for Administrative Guidance, that subsequent changes to the jurisdiction's

domestic legislation are consistent with the Model Rules, and that the jurisdiction does not provide benefits related to the GMT.

KPMG observation

As most jurisdictions have either elected to align with the GloBE Model Rules or not to align with those rules, the full legislative review seems most likely to identify unintended differences or areas where jurisdictions' legislation has not been updated for the most recent round of Administrative Guidance.

The ongoing monitoring process has the potential to be more impactful to the extent that jurisdictions adopt practices that are viewed to be inconsistent with the GloBE Model Rules, e.g., in relation to related benefits.

The Terms of Reference and Assessment Methodology for the Full Legislative Review sets out what the peer review process will review and how the review will be conducted.

3.4. Full Legislative Review – Terms of Reference

The Terms of Reference include a few key features that shape the full legislative review:

- Drafting style: Jurisdictions are not required to adopt a specific drafting style in their domestic legislation, provided they deliver outcomes that are consistent with or functionally equivalent to the GloBE Model Rules.
- Administratie Guidance: The full legislative review will consider Administrative Guidance that was: (1) released more than 24 months before the review was initiated; or (2) released less than 24 months before the review was initiated but where the IF has approved an effective date that has passed.
- Reporting requirements: Jurisdictions will be assessed to ensure they do not request more information than they would be entitled to receive under the agreed GIR dissemination process.
- Related benefits: Related benefit will initially be assessed as part of the full legislative review but will pass to the ongoing monitoring process once further guidance on this topic has been developed.

KPMG observation

There had been significant uncertainty about whether, where businesses file the GIR locally, they were required to file the full GIR or only the information that the local jurisdiction was entitled to. This guidance brings clarity to that question.

KPMG is aware that some jurisdictions have been requesting additional information as part of the GIR or local return filing, including financial statements or accounting reconciliations. The guidance issued by the OECD suggests that jurisdictions may face pressure to remove such requests in future.

3.5. Full Legislative Review – Assessment Methodology

The assessment methodology has three phases:

1. Initiation of the full legislative review, where a jurisdiction submits a comparison of its legislation with the GloBE Model Rules, self-assessment form and a copy of its legislation for review.
2. Peer input and stakeholder input, where the Secretariat collects information from peers and stakeholders (including businesses) to identify potential inconsistencies in the legislation.
3. Conduct of full legislative review, where the Secretariat submits a report, concluding with recommendations and items to be monitored for approval on a consensus-minus-one basis by Working Party 11 (i.e., the Working Party responsible for the GMT).

The methodology provides four possible outcomes:

1. Qualified status approved, with no changes required.
2. Items to be monitored, covering items that would be subject to monitoring but would not require immediate action.
3. Inconsistencies to be addressed, identifying specific items where updates to domestic legislation are required, for example, to reflect new Administrative Guidance. By default, these inconsistencies will be identified in the OECD's central record on qualified rule status.
4. Qualified status revoked, with revocation typically effective for fiscal years beginning after the date the status is revoked.

The methodology observes that the legislative review process may prioritize jurisdictions that have been identified as having inconsistencies in their rules as part of the transitional qualification mechanism, for example, were DMTTs were conditional or elective.

KPMG observation

While the assessment methodology provides that qualified status can be revoked, this step is likely to be treated as last resort. Instead, it seems much more likely that as part of the peer review process, jurisdictions commit to updating their legislation such that their domestic rules achieve or retain qualified status.

KPMG observation

The assessment methodology holds open the possibility that Working Party 11 may conclude that variances from the GloBE Model Rules should be permitted, where they are consistent with the outcome of those rules. This means that feasibly variance could be addressed by accepting the differences (potentially with corresponding updates to the Commentary to the GloBE Model Rules), rather than by requiring jurisdictions to change their rules.

KPMG observation

The consensus-minus one approval process means outcomes will be approved unless more than one jurisdiction objects. However, it appears to mean that two IF members could block another jurisdiction's legislation from being granted qualified status. It also appears that IF members that have not implemented the GMT will have a role in reviewing and approving the status of those that have adopted the legislation.

3.6. Application to non-IF members

Jurisdictions that are not IF members (e.g., Cyprus) would not, prima facie, be eligible for the peer review process. However, the Terms of Reference hold open the possibility that non-IF members could be involved as a "jurisdiction of relevance".

4. Next steps and matters to watch

The new OECD releases provide useful clarity for MNEs on some aspects of GMT application.

With the 2026 financial year end approaching rapidly for calendar year end MNEs, release of the updated GIR is crucial to updating GMT compliance systems, and information collection protocols and arrangements. AG7 helps to address a longstanding uncertainty on QDMTT operation for the frequently seen cases where entities are acquired, disposed of, or liquidated in the course of a year. The full legislative terms of reference clarify the path forward to permanent qualified status, and the manner in which stakeholders can provide input to this assessment.

At the same time, several matters are left open. The fact that the benefits data fields in the updated GIR are placeholders emphasizes the point that the related benefits rules are yet to be clarified, with the result that the GMT treatment of tax incentives remains to some degree uncertain. As the conditional taxes guidance remains to be completed, it also leaves open questions as to whether taxes in some jurisdictions will be regarded as Covered Taxes.

In previous public statements, OECD officials have indicated that work is underway on various additional items of guidance. These include clarifications on the GMT treatment of real estate investment vehicles, insurance, and mobile assets, guidance on hyperinflationary economies, integrity rules, and the finalization of aspects of the permanent safe harbors. It remains to be seen over what timeframe these and other elements of the GMT framework, such as the dispute resolution framework, will be finalized.

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