Government Notice No. 135 of 2026

THE INCOME TAX ACT

Regulations made by the Minister under section 161 of the Income Tax Act

1. Short title

These regulations may be cited as the Income Tax (Qualified Domestic Minimum Top-up Tax) Regulations 2026.

2. Interpretation and application

(1) In these regulations –

"accounting functional currency" means the functional currency used to determine the covered person's financial accounting net income or loss;

"accrued pension expense" means the difference between the amount of pension liability expense of pension plans which are provided through a pension fund included in the financial accounting net income or loss and the amount contributed to a pension fund for the fiscal year;

"additional tier one capital" means an instrument issued by a covered person pursuant to prudential regulatory requirements applicable to the banking sector which is convertible to equity or written down if a pre-specified trigger event occurs and which has other features which are designed to aid loss absorbency in the event of a financial crisis;

"adjusted asset gain", in respect of the aggregate asset gain which is subject to an election under regulation 11, means an amount equal to the aggregate asset gain in the election year, reduced by any amount of such gain which has been applied against the net asset loss in a prior loss year under regulation 11(1)(b) or (c);

"aggregate asset gain", in respect of an election under regulation 11, means the net gain in the election year from the disposal of local tangible assets by all covered persons located in Mauritius, excluding the gain or loss on a transfer of assets between group entities;

"allocated asset gain", in respect of an election under regulation 11, means the adjusted asset gain which is allocated to a fiscal year in the look-back period under regulation 11(1)(d);

"annual election" means an election made by the designated person under section 50W(1) of the Act and which applies only for the fiscal year for which the election is made;

"asymmetric foreign currency gains or losses" means foreign currency gains or losses of a covered person whose accounting and tax functional currencies are different and which are –

(a) included in the computation of a covered person's taxable income or loss and attributable to fluctuations in the exchange rate between its accounting functional currency and its tax functional currency;

(b) included in the computation of a covered person's financial accounting net income or loss and attributable to fluctuations in the exchange rate between its tax functional currency and its accounting functional currency;

(c) included in the computation of a covered person's financial accounting net income or loss and attributable to fluctuations in the exchange rate between a third foreign currency and its accounting functional currency; and

(d) attributable to fluctuations in the exchange rate between a third foreign currency and its tax functional currency, whether or not such foreign currency gain or loss is included in taxable income;

"carrying value of eligible tangible assets" means the average of the carrying value, net of accumulated depreciation, amortisation, or depletion and including any amount attributable to capitalisation of payroll expense, at the beginning and end of the fiscal year as recorded for the purpose of preparing the consolidated financial statements of the ultimate parent entity;

"commentary" means the commentary to the GloBE Rules;

"controlled foreign company tax regime" means a set of tax rules, other than an income inclusion rule, under which a direct or indirect shareholder of a foreign entity which is the controlled foreign company is subject to current taxation on its share of part or all of the income earned by the controlled foreign company, irrespective of whether that income is distributed currently to the shareholder;

"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,

and, for the purpose of this definition, a main entity shall be deemed to have a controlling interest in its permanent establishments;

"covered person-owner" means a covered person which directly or indirectly owns an ownership interest in another covered person of the same multinational enterprise group;

"disallowed accrual" means any movement in deferred tax expense accrued in the financial accounts of a covered person which relates to an uncertain tax position and distributions from a covered person;

"dual-listed arrangement" means an arrangement entered into by 2 or more ultimate parent entities of separate groups under which –

(a) the ultimate parent entities agree to combine their business by contract alone;

(b) subject to contractual arrangements, the ultimate parent entities will make distributions of dividends and in liquidation to their shareholders based on a fixed ratio;

(c) their activities are managed as a single economic entity under contractual arrangements while retaining their separate legal identities;

(d) the ownership interests in the ultimate parent entities comprising the agreement are quoted, traded or transferred independently in different capital markets; and

(e) the ultimate parent entities prepare consolidated financial statements in which the assets, liabilities, income, expenses and cash flows of all the entities of the groups are presented together as those of a single economic unit and which are required by a regulatory regime to be externally audited;

"election year", in relation to an annual election, means the year for which the election is made;

"eligible employees" means employees, including part-time employees, of a covered person which is a member of a multinational enterprise group and independent contractors participating in the ordinary operating activities of the multinational enterprise group under the direction and control of the multinational enterprise group;

"eligible payroll costs" means employee compensation expenditures, including salaries, wages, and other expenditures which provide a direct and separate personal benefit to the employee, payroll and employment taxes and employer social security contributions;

"eligible tangible assets" means –

(a) property, plant and equipment located in Mauritius;

(b) natural resources located in Mauritius;

(c) a lessee's right of use of intangible assets located in Mauritius; and

(d) a licence or similar arrangement from the Government of Mauritius for the use of immovable property or exploitation of natural resources which entails significant investment in intangible assets;

"excluded dividends" means dividends or other distributions received or accrued in respect of an ownership interest, except for –

(a) a short-term portfolio shareholding; and

(b) an ownership interest in an investment entity which is subject to an election under section 50V(7) of the Act;

"excluded equity gain or loss" means the gain, profit or loss included in the financial accounting net income or loss of the covered person arising from –

(a) gains and losses from changes in fair value of an ownership interest, except for a portfolio shareholding;

(b) profit or loss in respect of an ownership interest included under the equity method of accounting; and

(c) gains and losses from disposal of an ownership interest, except for a disposal of a portfolio shareholding;

"fiscally transparent" means that an entity's income, expenditure, profit or loss is treated under the laws of a jurisdiction as if it were derived or incurred by the direct owner of that entity in proportion to its interest in that entity;

"five-year election" means an election made by a covered person with respect to a fiscal year, which is the election year, and –

(a) which cannot be revoked with respect to that election year or the four succeeding fiscal years; or

(b) which can be revoked with respect to a fiscal year, which is the revocation year, and where a new election cannot be made with respect to the 4 fiscal years succeeding the revocation year;

"flow-through entity" means an 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 and includes a reverse hybrid entity and a tax transparent entity;

"GloBE income or loss", in relation to a fiscal year, means the net GloBE income of all covered persons located in Mauritius, if any, or the net GloBE loss of all covered persons located in Mauritius;

"GloBE reorganisation" means a transformation or transfer of assets and liabilities such as in a merger, demerger, liquidation, or similar transaction where –

(a) the consideration for the transfer is, in whole or in significant part, equity interests issued by the acquiring member or by a person connected with the acquiring member, or, in the case of a liquidation, equity interests of the target or, when no consideration is provided, where the issuance of an equity interest would have no economic significance;

(b) the disposing member's gain or loss on those assets is not subject to tax, in whole or in part; and

(c) the tax laws of the jurisdiction in which the acquiring member is located require the acquiring member to compute taxable income after the disposal or acquisition using the disposing member's tax basis in the assets, adjusted for any non-qualifying gain or loss on the disposal or acquisition;

"group entity", in respect of any entity or group, means an entity which is a member of the same group;

"high-tax counterparty" means a member which is not located in Mauritius and is located in a jurisdiction which has net GloBE income and is subject to an effective tax rate in that period, that is, at least 15 per cent, or that would have an effective tax rate, that is, at least 15 per cent, if it were determined without regard to any income or expense accrued by that entity in respect of an intragroup financing arrangement;

"hybrid entity" means an entity which is treated as a separate taxable person for income tax purposes in the jurisdiction where it is located, with respect to its income, expenditure, profit or loss, to the extent that it is fiscally transparent in the jurisdiction in which its owner is located;

"included revaluation method gain or loss" means the net gain or loss, increased or decreased by any associated covered taxes, for the fiscal year in respect of all property, plant and equipment which arises under an accounting method or practice which –

(a) periodically adjusts the carrying value of such property to its fair value;

(b) records the changes in value in other comprehensive income; and

(c) does not subsequently report the gains or losses recorded in other comprehensive income through profit and loss;

“intermediate parent entity” means a member, other than an ultimate parent entity, partially-owned parent entity, permanent establishment, or investment entity, which owns directly or indirectly an ownership interest in another member in the same multinational enterprise group;

“international shipping income” means the net income derived by a covered person from –

(a) the transportation of passengers or cargo by ships which it operates in international traffic, whether the ship is owned, leased or otherwise at the disposal of the covered person;

(b) the transportation of passengers or cargo by ships operated in international traffic under slot-chartering arrangements;

(c) leasing a ship, to be used for the transportation of passengers or cargo in international traffic, on charter fully equipped, crewed and supplied;

(d) leasing a ship on a bare boat charter basis, for the use of transportation of passengers or cargo in international traffic, to another covered person;

(e) the participation in a pool, a joint business or an international operating agency for the transportation of passengers or cargo by ships in international traffic; and

(f) the sale of a ship used for the transportation of passengers or cargo in international traffic provided that the ship has been held for use by the covered person for a minimum of one year;

"intragroup financing arrangement" means any arrangement entered into between 2 or more members of the multinational enterprise group whereby a high tax counterparty directly or indirectly –

(a) provides credit; or

(b) makes an investment in a covered person which has a combined effective tax rate below 15 per cent for the fiscal year, unless shown otherwise by the covered person;

"investment fund" means an entity which –

(a) is designed to pool financial and non-financial assets from a number of investors (some of which are not connected);

(b) invests in accordance with a defined investment policy;

(c) allows investors to reduce transaction, research and analytical costs, or to spread risk collectively;

(d) is primarily designed to generate investment income or gains, or protection against a particular or general event or outcome;

(e) allows investors to 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) is or whose 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) is managed by investment fund management professionals on behalf of the investors;

"joint venture" –

(a) means an entity whose financial results are reported under the equity method in the consolidated financial statements of the ultimate parent entity provided that the ultimate parent entity holds directly or indirectly at least 50 per cent of its ownership interests; but

(b) does not include –

(i) an ultimate parent entity of a multinational enterprise group which is subject to the GloBE Rules;

(ii) an excluded person as defined in section 50P of the Act;

(iii) an entity whose ownership interest held by the multinational enterprise group is held directly through an excluded person referred to in section 50P of the Act and –

(A) the entity operates exclusively or almost exclusively to hold assets or invest funds for the benefit of its investors;

(B) the entity carries out activities which are ancillary to those carried out by the excluded person; or

(C) substantially all of the entity's income is excluded from the computation of GloBE income or loss;

(iv) an entity which is held by a multinational enterprise group composed exclusively of excluded persons; or

(v) a joint venture subsidiary;

"joint venture subsidiary" means an entity whose assets, liabilities, income, expenses and cash flows are consolidated by a joint venture under an acceptable financial accounting standard, and, for the purpose of this definition, a permanent establishment whose main entity is the joint venture or a joint venture subsidiary shall be treated as a separate joint venture subsidiary;

"local tangible assets" means an immovable property located in Mauritius;

"look-back period", in respect of an election under regulation 11, means the election year and the 4 prior fiscal years;

"loss year", in respect of an election under regulation 11, means a fiscal year in the look-back period for which there is a net asset loss for a covered person located in Mauritius and the total amount of net asset loss of all such covered persons exceeds the total amount of their net asset gain;

"low-tax jurisdiction", in respect of a multinational enterprise group in any fiscal year, means a jurisdiction where the multinational enterprise group has net GloBE income and is subject to an effective tax rate in that period which is lower than the minimum rate;

"marketable price floor" means 80 per cent of the net present value of the tax credit, where the net present value is determined based on the yield to maturity on a debt instrument issued by the Government which issued the tax credit with equal or similar maturity, and up to five year maturity, issued in the same fiscal year as the tax credit which is transferred or, if not transferred, the origination year;

"marketable transferable tax credit" means a tax credit which can be used by the holder of the credit to reduce its liability for a covered tax in the jurisdiction which issued the tax credit provided that the following conditions are met –

(a) in the case of the originator of the tax credit –

(i) the tax credit regime needs to be designed in a way that the originator can transfer the credit to an unrelated party in the origination year or within 15 months of the end of the origination year; and

(ii) the tax credit is transferred to an unrelated party within 15 months of the end of the origination year (or, if not transferred or transferred between related parties, similar tax credits trade between unrelated parties within 15 months of the end of the origination year) at a price that equals or exceeds the marketable price floor;

(b) in the case of the purchaser of the tax credit –

(i) the tax credit regime needs to be designed in a way that the originator can transfer the credit to an unrelated party in the fiscal year in which it purchased the tax credit;

(ii) the legal framework under which the tax credit is provided allows the purchaser to transfer the tax credit to an unrelated party and subjects the purchaser to the same or less stringent legal restrictions on the transfer of the credit than the ones applicable to the originator; and

(iii) the purchaser acquires the credit from an unrelated party at a price which equals or exceeds the marketable price floor;

and, for the purpose of this definition, an originator and purchaser shall be treated as related parties if –

(A) one owns, directly or indirectly, at least 50 per cent of the ownership interest in the other (or, in the case of a company at least 50 per cent of the aggregate vote and value of the company's shares) or another person owns, directly or indirectly, at least 50 per cent of the ownership interest (or, in the case of a company at least 50 per cent of the aggregate vote and value of the company's shares) in each of the originator and purchaser;

(B) based on all the relevant facts and circumstances, one has control of the other or both are under the control of the same person or persons;

"multi-parented group" means 2 or more groups where –

(a) the ultimate parent entities of those groups enter into an arrangement which is a stapled structure or a dual-listed arrangement; and

(b) at least one entity or permanent establishment of the combined group is located in a different jurisdiction with respect to the location of the other entities of the combined group;

"net asset gain", in respect of an election under regulation 11, means the net gain from the disposal of local tangible assets by a covered person located in Mauritius, excluding the gain or loss on a transfer of assets to another group entity;

"net asset loss", in respect of a covered person and a fiscal year, means the net loss from the disposal of local tangible assets by that covered person in that year, excluding the gain or loss on a transfer of assets to another group entity and reduced by the amount of net asset gain or adjusted asset gain which is set-off against such loss pursuant to the application of regulation 11(1)(b) or (c), as a result of a previous election made under regulation 11;

"net taxes expense" means the net amount of –

(a) any covered taxes accrued as an expense and any current and deferred covered taxes included in the income tax expense, including covered taxes on income which is excluded from the GloBE income or loss computation in this regulation;

(b) any deferred tax asset attributable to a loss for the fiscal year;

(c) any QDMT Tax accrued as an expense; and

(d) any taxes arising pursuant to the GloBE Rules accrued as an expense;

"non-marketable transferable tax credit" means a tax credit which –

(a) if held by the originator, is transferable but is not a marketable transferable tax credit, or

(b) if held by the purchaser, is not a marketable transferable tax credit;

"non-qualified refundable tax credit" means a tax credit which is not a qualified refundable tax credit but which is refundable in whole or in part;

"non-qualifying gain or loss" means the lesser of the gain or loss of the disposing member arising in connection with a GloBE reorganisation which is subject to tax in the disposing member's location and the financial accounting gain or loss arising in connection with the GloBE reorganisation;

"OECD Pillar Two guidance" means the following documents developed and published by the Organisation for Economic Cooperation and Development –

(a) the document entitled OECD (2022), Safe Harbours and Penalty Relief: Global Anti-Base Erosion Rules (Pillar Two), OECD/G20 Inclusive Framework on BEPS, OECD, Paris published on 20 December 2022;

(b) the document entitled OECD (2023), Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), OECD/G20 Inclusive Framework on BEPS, OECD, Paris published on 2 February 2023;

(c) the document entitled OECD (2023), Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), OECD/G20 Inclusive Framework on BEPS, OECD, Paris published on 17 July 2023;

(d) the document entitled OECD (2023), Tax Challenges Arising from the Digitalisation of the Economy – GloBE Information Return (Pillar Two), OECD/G20 Inclusive Framework on BEPS, OECD, Paris published on 17 July 2023;

(e) the document entitled OECD (2023), Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), OECD/G20 Inclusive Framework on BEPS, OECD, Paris published on 18 December 2023;

(f) the document entitled OECD (2024), Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two) Examples, OECD, Paris, published on 25 April 2024;

(g) the document entitled OECD (2024), Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), OECD/G20 Inclusive Framework on BEPS, OECD, Paris published on 17 June 2024;

(h) the document entitled OECD (2025), Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on Article 8.1.4 and 8.1.5 of the Global Anti-Base Erosion Model Rules, OECD/G20 Inclusive Framework on BEPS, OECD, Paris published on 15 January 2025;

(i) the document entitled OECD (2025), Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on Article 9.1 of the Global Anti-Base Erosion Model Rules, OECD/G20 Inclusive Framework on BEPS, OECD, Paris published on 15 January 2025;

(j) the document entitled OECD (2025), Tax Challenges Arising from the Digitalisation of the Economy – Consolidated Commentary to the Global Anti-Base Erosion Model Rules (2025): Inclusive Framework on BEPS, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris published on 9 May 2025;

(k) the document entitled OECD (2026), Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two), Side-by-Side Package: Inclusive Framework on BEPS, OECD published on 5 January 2026; and

(l) such additional subsequent guidance published by the OECD, as may be specified in further amendments to these regulations;

"originator" means the constituent entity which engages in the activities generating the tax credit concerned;

"origination year" means the fiscal year in which the eligibility criteria for a tax credit is met by a constituent entity;

"other comprehensive income" means items of income and expense which –

(a) are not recognised in profit or loss as required or permitted by the authorised financial accounting standard used in the consolidated financial statements; and

(b) are usually reported as an adjustment to equity in the statement of financial position;

“owner” means a member which directly or indirectly owns an ownership interest in another member of the same multinational enterprise group;

“ownership interest” means any equity interest which carries rights to the profits, capital or reserves of an entity, including the profits, capital or reserves of a main entity’s permanent establishment;

“parent entity” means an ultimate parent entity which is not an excluded entity, an intermediate parent entity or a partially-owned parent entity;

“partially-owned parent entity” means a member, other than an ultimate parent entity, permanent establishment, or investment entity, which –

(a) owns directly or indirectly an ownership interest in another member of the same multinational enterprise group; and

(b) has more than 20 per cent of the ownership interests in its profits held directly or indirectly by persons who are not members of the multinational enterprise group;

“pension fund” means –

(a) an entity which 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) where 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 multinational enterprise group;

(b) a pension services entity;

“pension services entity” means an entity which 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 which 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 multinational enterprise group;

“policy disallowed expenses” means –

(a) expenses accrued by the covered person for illegal payments, including bribes and kickbacks; and

(b) expenses accrued by the covered person for fines and penalties which equal or exceed EUR 50,000;

“portfolio shareholding” means ownership interests in an entity which are held by the multinational enterprise group and which carry rights to less than 10 per cent of the profits, capital, reserves, or voting rights of that entity at the date of the distribution or disposal;

"prior period errors and changes in accounting principles" means all changes in the opening equity at the beginning of the fiscal year of a covered person attributable to –

(a) a correction of an error in the determination of financial accounting net income in a previous fiscal year which affected the income or expenses included in the computation of GloBE income or loss for such fiscal year, except to the extent such error correction resulted in a material decrease to a liability for covered taxes subject to section 50T of the Act; or

(b) a change in accounting principle or policy which affects income or expenses included in the computation of GloBE income or loss;

"qualified ancillary international shipping income" means net income derived by a covered person from the following activities which are performed primarily in connection with the transportation of passengers or cargo by ships in international traffic –

(a) leasing a ship on a bare boat charter basis to another shipping enterprise which is not a covered person, provided that the charter does not exceed 3 years;

(b) sale of tickets issued by other shipping enterprises for the domestic leg of an international voyage;

(c) leasing and short-term storage of containers or detention charges for the late return of containers;

(d) provision of services to other shipping enterprises by engineers, maintenance staff, cargo handlers, catering staff and customer services personnel; and

(e) investment income where the investment which generates the income is made as an integral part of the carrying on the business of operating the ships in international traffic;

"qualified refundable tax credit" –

(a) means a refundable tax credit designed in such a way that it shall be paid as cash or available as cash equivalents within four years from when a covered person satisfies the conditions for receiving the credit under the laws of the jurisdiction granting the credit; and

(b) includes a tax credit which is refundable in part, provided it meets the requirements of paragraph (a);

"real estate investment vehicle" means an entity the taxation of which achieves a single level of taxation either in its hands or in the hands of its interest holders, with a deferral of at most one year, provided that that person holds predominantly immovable property and is itself widely held;

"recapture exception accrual" means the tax expense accrued attributable to changes in associated deferred tax liabilities, in respect of –

(a) cost recovery allowances on tangible assets;

(b) the cost of a licence or similar arrangement from the Government for the use of immovable property or exploitation of natural resources which entails significant investment in tangible assets;

(c) research and development expenses;

(d) decommissioning and remediation expenses;

(e) fair value accounting on unrealised net gains;

(f) foreign currency exchange net gains;

(g) insurance reserves and insurance policy deferred acquisition costs;

(h) gains from the sale of tangible property located in the same jurisdiction as the covered person which are reinvested in tangible property in the same jurisdiction; and

(i) additional amounts accrued as a result of changes in accounting principles with respect to categories (a) to (h);

"reverse hybrid entity" means a flow-through entity to the extent its income, expenditure, profit or loss is not fiscally transparent in the jurisdiction in which the owner is located;

"stapled structure" means an arrangement entered into by 2 or more ultimate parent entities of separate groups, under which –

(a) 50 per cent or more of the ownership interests in the ultimate parent entities of the separate groups are by reason of form of ownership, restrictions on transfer, or other terms or conditions combined with each other, and cannot be transferred or traded independently and, where the combined ownership interests are listed, they are quoted at a single price; and

(b) one of those ultimate parent entities prepares consolidated financial statements in which the assets, liabilities, income, expenses and cash flows of all the entities of the groups are presented together as those of a single economic unit and which are required by a regulatory regime to be externally audited;

"short-term portfolio shareholding" means a portfolio shareholding which has been economically held by the covered person which receives or accrues the dividends or other distributions for less than one year at the date of the distribution;

"Sub-part AF" means Sub-part AF of Part IV of the Act;

"tax functional currency" means the functional currency used to determine the covered person's taxable income or loss for a covered tax in the jurisdiction in which it is located;

"tax transparent entity" means that the laws of the jurisdiction in which the entity is created and the laws of the jurisdiction in which the owner is located treat the income, expenditure, profit or loss of that entity as if they were derived or incurred by the direct owner of the entity in proportion to its interest;

"third foreign currency" means a currency which is not the covered person's tax functional currency or accounting functional currency;

"transition year" means the first fiscal year that the multinational enterprise group comes within the scope of the QDMT tax;

"unclaimed accrual" means any increase in a deferred tax liability recorded in the financial accounts of a covered person for a fiscal year which is not expected to be paid within the five subsequent fiscal years and for which the covered person makes an annual election not to include in total deferred tax adjustment amount for such fiscal year.

(2) In applying these regulations, consideration shall be given to guidance issued by the Organisation for Economic Cooperation and Development, in particular OECD Pillar Two guidance.

3. Excluded person

(1) For the purpose of section 50P of the Act, an excluded person includes an entity where –

(a) at least 95 per cent of the value of the entity is owned, directly or through a chain of excluded persons, by one or more excluded persons referred to in section 50P of the Act and where that entity –

(i) operates exclusively or almost exclusively to hold assets or invest funds for the benefit of the excluded person or persons; or

(ii) only carries out activities that are ancillary to those carried out by the excluded person or persons; or

(b) at least 85 per cent of the value of the entity is owned, directly or through a chain of excluded persons, by one or more excluded persons referred to in section 50P of the Act provided that substantially all of the entity's income is excluded dividends or excluded equity gain or loss which is excluded from the computation of

GloBE income or GloBE loss in accordance with section 50S of the Act.

(2) The designated person under section 50W(1) of the Act may elect not to treat an entity as an excluded entity under paragraph (1).

(3) An election under paragraph (2) shall be a five-year election.

(4) An investment fund and a real estate investment vehicle referred to in section 50P of the Act shall be treated as an excluded person only where it is the ultimate parent entity of a multinational enterprise group.

4. Computation of GloBE income or GloBE loss

(1) For the purpose of section 50S of the Act, the financial accounting net income or loss shall be adjusted for the following items –

(a) net taxes expense;

(b) excluded dividends;

(c) excluded equity gain or loss;

(d) included revaluation method gain or loss;

(e) gain or loss from disposal of assets and liabilities excluded under regulation 21;

(f) asymmetric foreign currency gains or losses;

(g) policy disallowed expenses;

(h) prior period errors and changes in accounting principles; and

(i) accrued pension expense.

(2) Where, in a fiscal year, a transaction occurs between a covered person and –

(a) a member which is not resident in Mauritius;

(b) a member which is not a permanent establishment situated in Mauritius;

(c) another covered person which is a minority-owned covered person; or

(d) a covered person which is a joint venture or a subsidiary of a joint venture,

and such transaction is either not recorded at the same amount in the financial statements of both parties or is not consistent with the arm's length principle, the transaction shall be adjusted so as to reflect an arm's length amount in accordance with section 75 of the Act.

(3) (a) Qualified refundable tax credits and marketable transferable tax credits shall be treated as income in the computation of GloBE income or GloBE loss.

(b) Tax credits which are non-qualified refundable tax credits and non-marketable transferable tax credits shall not be treated as income in the computation of GloBE income or GloBE loss.

(4) Where the combined effective tax rate applicable to the covered persons under section 50U of the Act is less than 15 per cent for a fiscal year, the GloBE income or GloBE loss of such covered persons shall be adjusted to exclude any expense arising from an intragroup financing arrangement which –

(a) is reasonably expected to increase deductible expenses of the covered person over the term of the arrangement; and

(b) does not correspond to an equivalent increase in the taxable income of the high-tax counterparty.

(5) An insurance company shall, in a fiscal year –

(a) exclude from its GloBE income any amounts charged to policyholders for taxes paid on behalf of policyholder returns; and

(b) include in its GloBE income any returns to policyholders not otherwise recognised in its financial accounting net income or loss, provided such liability is recognised in its accounts.

(6) Where a covered person issues additional tier one capital –

(a) any amount recognised, in a fiscal year, as a decrease in its equity which is attributable to a distribution paid or payable in respect of that capital shall, for the purpose of computing its GloBE income or GloBE loss, be treated as an expense;

(b) any amount recognised, in a fiscal year, as an increase in its equity which is attributable to a distribution received or receivable in respect of that capital shall, for the purpose of computing its GloBE income or GloBE loss, be treated as an income.

5. Computation of GloBE income or GloBE loss for permanent establishment

(1) The financial accounting net income or loss of a covered person which is a permanent establishment shall be the net income or loss as reported in the separate financial accounts of the permanent establishment.

(2) Where the permanent establishment does not maintain separate financial accounts, the financial accounting net income or loss shall be the amount which would have been reported in such accounts had they been prepared –

(a) on a standalone basis; and

(b) in accordance with the accounting standard used in the preparation of the consolidated financial accounts of the ultimate parent entity.

(3) The financial accounting net income or loss of a permanent establishment determined under paragraphs (1) or (2) shall be adjusted, where necessary, to reflect only such amounts and items of income and expense as are attributable to the permanent establishment –

(a) in accordance with the applicable tax treaty; or

(b) in accordance with Article 7 of the OECD Model Tax Convention on Income and on Capital.

(4) The financial accounting net income or loss of a permanent establishment shall not be taken into account in determining the GloBE income or GloBE loss of the main entity unless –

(a) the loss of the permanent establishment is treated as an expense in computing the domestic taxable income of the main entity; and

(b) such loss is not set off against an item of income which is subject to tax under the laws of both the jurisdiction of the main entity and that of the permanent establishment.

(5) Where paragraph (4) applies, any GloBE income which subsequently arises in the permanent establishment shall be treated

as GloBE income of the main entity, up to the amount of the GloBE loss previously treated as an expense for the purpose of computing the GloBE income or GloBE loss of the main entity.

6. Allocation of GloBE income or loss from a flow-through entity

Financial accounting net income or loss shall be allocated between members as follows –

(a) the financial accounting net income or loss of a flow-through entity, other than an ultimate parent entity which is a flow-through entity or flow-through entity owned directly or indirectly through one or more tax transparent entities by that ultimate parent entity, shall be reduced by the amount allocable to its owners which are not members of the group and which hold their ownership interest in the flow-through entity directly or indirectly through one or more other tax transparent entities;

(b) after the application of paragraph (a), income or loss which is attributable to a permanent establishment of a flow-through entity through which the business of the flow-through entity is wholly or partly carried out shall be allocated to the permanent establishment;

(c) after the application of paragraphs (a) and (b), income or loss attributable to an ownership interest in a tax transparent entity shall be allocated to its owners in accordance with their ownership interests;

(d) after the application of paragraphs (a) and (b), in the case of a tax transparent entity which is the ultimate parent entity or a reverse hybrid entity, any financial accounting net income or loss remaining shall be allocated to it;

(e) the financial accounting net income or loss of a flow-through entity shall be reduced by the amount which is allocated to another member under this regulation.

7. GloBE income of an ultimate parent entity that is a flow-through entity

(1) Where a flow-through entity is the ultimate parent entity of a multinational enterprise group, the GloBE income for any fiscal year shall be reduced by the amount of GloBE income attributable to each ownership interest if –

(a) the holder of the ownership interest is liable to tax on such income for a taxable period ending within twelve months after the end of the fiscal year of the multinational enterprise group, and –

(i) such holder is liable to tax on the full amount of such income at a nominal rate equal to or exceeding 15 per cent; or

(ii) it is reasonably expected that the aggregate amount of adjusted covered taxes of the ultimate parent entity and the taxes payable by the holder of the ownership interest on such income is equal to or exceeds the amount obtained by multiplying the full amount of such income by 15 per cent; or

(b) the holder is a natural person who –

(i) is a tax resident in the jurisdiction of the ultimate parent entity; and

(ii) holds ownership interests which, in aggregate, confer a right to 5 per cent or less of the profits and assets of the ultimate parent entity; or

(c) the holder is a governmental entity, international organisation, non-profit organisation, or pension fund which –

(i) is resident in the jurisdiction of the ultimate parent entity; and

(ii) holds ownership interests which, in aggregate, confer a right to 5 per cent or less of the profits and assets of the ultimate parent entity.

(2) In computing its GloBE loss for a fiscal year, a flow-through entity which is the ultimate parent entity of a multinational enterprise group shall reduce its GloBE loss for such fiscal year by the amount of GloBE loss attributable to each ownership interest, except where the holders of such ownership interests are not entitled to apply such loss in the computation of their separate taxable income.

(3) Where a flow-through entity reduces its GloBE income pursuant to paragraph (1), it shall reduce its covered taxes proportionally.

(4) Paragraphs (1) to (3) shall apply to a permanent establishment –

(a) through which a flow-through entity which is the ultimate parent entity of a multinational enterprise group wholly or partly carries on its business; or

(b) through which the business of a tax transparent entity is wholly or partly carried on where the ownership interest of the ultimate parent entity in that tax transparent entity is held directly or through a tax transparent structure.

8. Multi-parented multinational enterprise group

(1) For multi-parented multinational enterprise groups –

(a) the members of each group shall be treated as members of a single multinational enterprise group for QDMT tax purposes;

(b) an entity, other than an excluded entity, shall be treated as a member of the multi-parented multinational enterprise group provided that –

(i) it is consolidated on a line-by-line basis by the multi-parented multinational enterprise group; or

(ii) its controlling interests are held by entities within the multi-parented multinational enterprise group.

(2) The consolidated financial statements of the multi-parented multinational enterprise group shall be the consolidated financial statements referred to in the definition of stapled structure or dual-listed arrangement, as applicable, prepared in accordance with an acceptable financial accounting standard which is deemed to be the accounting standard of the ultimate parent entity;

(3) The ultimate parent entities of the separate groups which comprise the multi-parented multinational enterprise group shall be the ultimate parent entities of the multi-parented multinational enterprise group.

9. Election in respect of stock-based compensation

(1) If the designated person under section 50W(1) of the Act so elects, a covered person may substitute in the computation of its GloBE income or GloBE loss the amount of stock-based

compensation allowed as a deduction in the computation of its taxable income in Mauritius for the amount expensed in its financial accounts for a cost or expense of such covered person which was paid with stock-based compensation, to the extent that such deduction is allowed under the Act.

(2) If the stock-based compensation expense arises in connection with an option which expires without exercise, the covered person shall include the total amount previously deducted in the computation of its GloBE income or GloBE loss for the fiscal year in which the option expires.

(3) The election is a five-year election and shall be applied consistently to the stock-based compensation of all covered persons located in Mauritius for the year in which the election is made and all subsequent fiscal years.

(4) If the election is made in a fiscal year after some of the stock-based compensation of a transaction has been recorded in the financial accounts, the covered person shall include in the computation of its GloBE income or GloBE loss for that fiscal year an amount equal to the excess of the cumulative amount allowed as an expense in the computation of its GloBE income or GloBE loss in previous fiscal years over the cumulative amount which would have been allowed as an expense if the election had been in place in those fiscal years.

(5) If the election is revoked, the covered person shall include in the computation of its GloBE income or GloBE loss for the revocation year the amount deducted pursuant to the election which exceeds financial accounting expense accrued in respect of the stock-based compensation which has not been paid.

10. Election where assets and liabilities adjusted to fair value

(1) With respect to assets and liabilities which are subject to fair value or impairment accounting in the calculation of the financial accounting net income or loss, the designated person under section 50W(1) of the Act may elect to determine gains and losses using the realisation principle for the purpose of computing GloBE income or GloBE loss.

(2) An election under paragraph (1) –

(a) is a five-year election;

(b) applies to all covered persons in Mauritius; and

(c) applies to all the assets and liabilities of those covered persons,

unless the designated person under section 50W(1) of the Act chooses to limit the election to tangible assets of those covered persons, or to covered persons which are investment entities.

(3) If the election under paragraph (1) applies –

(a) all gains or losses attributable to fair value or impairment accounting with respect to an asset or liability shall be excluded from the computation of GloBE income or GloBE loss; and

(b) the carrying value of an asset or liability for the purpose of determining gain or loss shall be its carrying value at the later of –

(i) the first day of the election year; or

(ii) the date the asset was acquired or liability was incurred.

(4) If the election is revoked, the GloBE income or GloBE loss of the covered persons shall be adjusted by the difference at the beginning of the revocation year between the fair value of the asset or liability and the carrying value of the asset or liability determined pursuant to the election.

11. Election in respect of aggregate asset gain

(1) Where there is aggregate asset gain in Mauritius in a fiscal year, the designated person under section 50W(1) of the Act may elect to adjust the GloBE income or GloBE loss with respect to each previous fiscal year in the look-back period as follows –

(a) covered taxes with respect to any net asset gain or net asset loss in the election year shall be excluded from the computation of adjusted covered taxes;

(b) the aggregate asset gain in the election year shall be carried back to the earliest loss year and set-off in a ratable manner against any net asset loss of any constituent entity located in Mauritius;

(c) if, for any loss year, the adjusted asset gain exceeds the total amount of net asset loss of all constituent entities located in that jurisdiction, the adjusted asset gain shall be carried forward to the following loss year, if any, and applied in a ratable manner against any net asset loss of any covered person located in Mauritius;

(d) any adjusted asset gain which remains after the application of paragraphs (b) and (c) shall be allocated evenly to each fiscal year in the look-back period.

(2) (a) The allocated asset gain for the relevant year shall be included in the computation of GloBE income or GloBE loss for a

covered person located in Mauritius in that year in accordance with the following formula –

$$\text{Allocated asset gain for the relevant year} \times \frac{\text{The specified covered person's net asset gain in the election year}}{\text{The net asset gain of all specified covered persons in the election year}}$$

(b) For the purpose of the formula in subparagraph (a) –

(i) a specified covered person is a covered person which has net asset gain in the election year and was located in Mauritius in the relevant year;

(ii) if there is no specified covered person for a relevant year, the adjusted asset gain allocated to that year shall be allocated equally to each covered person in Mauritius in that year.

(3) If an election is made under paragraph (1), the effective tax rate and the QDMT tax, if any, for any previous fiscal year shall be recalculated.

(4) An election under paragraph (1) shall be an annual election.

12. Election to apply consolidated accounting treatment to covered persons in Mauritius

(1) The designated person under section 50W(1) of the Act may elect to apply the consolidated accounting treatment of the ultimate parent entity to eliminate income, expense, gains and losses from transactions between covered persons which are located in Mauritius and are included in a tax consolidation group.

(2) Where an election under paragraph (1) is effective for a fiscal year, the financial accounting net income or loss of each covered person in respect of that fiscal year shall be adjusted accordingly.

(3) Where an election is made under paragraph (1), or is subsequently revoked, the financial accounting net income or loss of each of the covered persons to which the election applies shall be adjusted in the first fiscal year for which the election has effect, or the first fiscal year for which the election has been revoked, to ensure that there are no duplications or omissions of items of income, expenses, gains or losses arising from the making of the election.

(4) For the purpose of paragraph (1), the covered persons located in Mauritius are included in a tax consolidation group if, under the law of Mauritius, the income, expenses, gains or losses of those covered persons may, for tax purposes, be aggregated, surrendered to each other or otherwise shared or transferred between them as a result of a connection between those covered persons.

(5) An election under paragraph (1) shall be a five-year election.

13. Adjusted covered taxes

(1) For the purpose of section 50T of the Act, the adjusted covered taxes of a covered person for a fiscal year shall be adjusted by –

(a) the net amount of additions to covered taxes for a fiscal year as determined under paragraph (2);

(b) the net amount of reductions to covered taxes for a fiscal year as determined under paragraph (3);

(c) the total deferred tax adjustment amount and other adjustments as determined under regulation 15; and

(d) any increase or decrease in covered taxes recorded in equity or other comprehensive income relating to amounts included in the computation of GloBE income or GloBE loss under section 50S of the Act which will be subject to tax under the Act.

(2) The additions to covered taxes of a covered person for a fiscal year shall be the sum of –

(a) any amount of covered taxes accrued as an expense in the profit before tax in the financial accounts;

(b) any amount of covered taxes which is paid in a fiscal year and which relates to an uncertain tax position where that amount has been treated for a previous fiscal year as a reduction to covered taxes under paragraph (3)(d); and

(c) any amount of credit or refund in respect of a qualified refundable tax credit which is recorded as a reduction to the current tax expense.

(3) The reductions to covered taxes of a covered person for the fiscal year is the sum of –

(a) the amount of current tax expense with respect to income excluded from the computation of GloBE income or GloBE loss under regulation 4;

(b) any amount of credit or refund in respect of a non-qualified refundable tax credit or a non-marketable transferable tax credit which is not recorded as a reduction to the current tax expense;

(c) any amount of covered taxes refunded or credited, except for any qualified refundable tax credit or marketable transferable tax credit, to a covered person which was not treated as an adjustment to current tax expense in the financial accounts;

(d) the amount of current tax expense which relates to an uncertain tax position;

(e) any amount of current tax expense which is not expected to be paid within three years of the last day of the fiscal year.

(4) (a) Where an adjustment is made to a covered person's liability for covered taxes relating to a previous fiscal year, such adjustment shall be treated as an adjustment to covered taxes for the fiscal year in which the adjustment is made.

(b) Notwithstanding subparagraph (a), where the adjustment results in a decrease in covered taxes relating to a prior fiscal year, and such decrease was previously included in the covered person's adjusted covered taxes for that fiscal year, the effective tax rate and the QDMT tax, if applicable, for that fiscal year shall be recalculated in accordance with section 50U of the Act.

(c) For the purpose of subparagraph (b), the recalculation shall –

(i) reduce the adjusted covered taxes determined for that fiscal year by the amount of the decrease; and

(ii) require an adjustment to the GloBE income determined for that fiscal year and any prior fiscal year, as may be necessary.

(d) A covered person may elect, in respect of each fiscal year, to treat a decrease in covered taxes as an adjustment to covered taxes in the fiscal year in which the adjustment is made, where such decrease is immaterial.

(e) For the purpose of subparagraph (d), a decrease shall be considered immaterial where the aggregate amount of the decrease in adjusted covered taxes does not exceed EUR one million for the relevant fiscal year.

(5) Where a deferred tax expense arises as a result of a reduction in the domestic tax rate and such reduction results in the application of a rate which is lower than 15 per cent, the amount of the deferred tax expense shall be treated as an adjustment to the covered person's liability for covered taxes claimed under section 50T of the Act in respect of a prior fiscal year.

(6) (a) Where a deferred tax expense arises from an increase in the domestic tax rate, and such amount has been paid, that amount shall be treated as an adjustment under paragraph (4) to the covered person's liability for covered taxes claimed under this regulation for a prior fiscal year, if the amount was originally recorded at a rate lower than 15 per cent.

(b) The adjustment shall be limited to the amount representing the increase in deferred tax expense, up to the amount of the deferred tax expense recalculated at 15 per cent.

(7) Where an amount exceeding EUR 1 million, accrued by a covered person as current tax expense and included in the adjusted covered taxes for a fiscal year, remains unpaid for a period of more than three years after the last day of that fiscal year, the combined effective tax rate and the QDMT tax for the fiscal year in which the unpaid amount was claimed as covered tax shall be recalculated in accordance with Article 5.4.1 of the GloBE Rules, excluding the unpaid amount from the adjusted covered taxes.

14. Allocation of covered taxes from one member to another member

(1) This regulation shall apply to the allocation of covered taxes in respect of permanent establishment, tax transparent entities and hybrid entities and controlled foreign company taxes from one member to another.

(2) Covered taxes shall be allocated from one member to another member as follows –

(a) the amount of any covered taxes included in the financial accounts of a member with respect to GloBE income or GloBE loss of a permanent establishment shall be allocated to the permanent establishment;

(b) the amount of any covered taxes included in the financial accounts of a tax transparent entity with respect to GloBE income or GloBE loss, allocated to the covered person-owner pursuant to regulation 6(1)(c) shall be allocated to that covered person-owner;

(c) where a covered person whose covered person-owners are subject to a controlled foreign company tax regime, the amount of any covered taxes included in the financial accounts of its direct or indirect covered person-owners under a controlled foreign company tax regime on their share of the controlled foreign company's income shall be allocated to the covered person;

(d) where a covered person is a hybrid entity, the amount of any covered taxes included in the financial accounts of a covered person-owner on income of the hybrid entity shall be allocated to the hybrid entity; and

(e) the amount of any covered taxes accrued in the financial accounts of a covered person's direct covered person-owners on distributions from the covered person during the fiscal year shall be allocated to the distributing covered person.

(3) Where covered taxes are allocated to a covered person pursuant to paragraph (2)(c) and (d) in respect of passive income, such covered taxes shall be included in the covered person's adjusted covered taxes in an amount equal to the lesser of –

(a) the covered taxes allocated in respect of such passive income; or

(b) the top-up tax percentage for the covered person, determined without regard to the covered taxes incurred with respect to such passive income by the covered person-owner, multiplied by the amount of the covered person's passive income included under any controlled foreign company tax regime or fiscal transparency rule.

(3A) Any covered taxes of the covered person-owner incurred with respect to such passive income which remain after the application of paragraphs (2) and (3) shall not be allocated under paragraph (2)(c) or (d).

(4) Where the GloBE income of a permanent establishment is treated as GloBE income of the main entity under regulation 6(4) and (5), any covered taxes arising in the location of the permanent establishment and associated with such income shall be treated as covered taxes of the main entity up to an amount not exceeding such income multiplied by the highest corporate tax rate on ordinary income in the jurisdiction where the main entity is located.

15. Mechanism to address temporary differences

(1) For the purpose of regulation 13(1)(c), the total deferred tax adjustment amount for a covered person for a fiscal year shall be –

(a) the deferred tax expense accrued in its financial accounts if the applicable tax rate is below 15 per cent; or

(b) in any other case, the deferred tax expense recast at 15 per cent.

(2) Subject to paragraphs (3) and (4), the total deferred tax adjustment amount for the fiscal year determined under paragraph (1) shall exclude the following –

(a) the amount of deferred tax expense with respect to items excluded from the computation of GloBE income or GloBE loss under regulation 4;

(b) the amount of deferred tax expense with respect to disallowed accruals and unclaimed accruals;

(c) the impact of a valuation adjustment or accounting recognition adjustment with respect to a deferred tax asset;

(d) the amount of deferred tax expense arising from a re-measurement with respect to a change in the applicable domestic tax rate; and

(e) the amount of deferred tax expense with respect to the generation and use of tax credits.

(3) The total deferred tax adjustment amount, in a fiscal year, shall be adjusted as follows –

(a) increased by the amount of any disallowed accrual or unclaimed accrual paid during the fiscal year;

(b) increased by the amount of any recaptured deferred tax liability determined in a preceding fiscal year which has been paid during the fiscal year; and

(c) reduced by the amount which would be a reduction to the total deferred tax adjustment amount due to recognition of a loss deferred tax asset for a current year tax loss, where a loss deferred tax asset has not been recognised because the recognition criteria are not met.

(4) (a) Where a deferred tax asset is recognised at a rate lower than 15 per cent, that asset shall be remeasured at a rate of 15 per cent in the income year in which it is recognised, provided that such deferred tax asset arises from the covered person's GloBE loss, as calculated in accordance with regulation 4.

(b) The total amount of the deferred tax adjustment shall be reduced by the amount by which the deferred tax asset is increased as a result of the remeasurement referred to in subparagraph (a).

(5) (a) Where a deferred tax liability, other than a recapture exception accrual, has been taken into account under this regulation and such amount remains unpaid within the five subsequent fiscal years, that liability shall be recaptured in accordance with subparagraphs (b) and (c).

(b) The amount of the deferred tax liability to be recaptured in the current fiscal year shall –

(i) be treated as a reduction of covered taxes in the fifth preceding fiscal year; and

(ii) require a recalculation of the combined effective tax rate and the QDMT tax, in accordance with Article 5.4.1 of the GloBE Rules.

(c) The amount of the deferred tax liability to be recaptured in a current fiscal year shall be the amount of any increase in a category of deferred tax liability which –

(i) was included in the total deferred tax adjustment amount in the fifth preceding year;

(ii) has not been reversed by the end of the last day of the current fiscal year; and

(iii) does not relate to a recapture exception accrual.

16. Substance-based income exclusion

(1) The substance-based income exclusion shall be the sum of payroll carve-out and tangible asset carve-out for each covered person, except for covered persons which are investment entities, in Mauritius.

(2) Subject to paragraph (6), the payroll carve-out for a covered person shall be equal to 5 per cent of its eligible payroll costs of eligible employees who perform activities for the multinational enterprise group in Mauritius, except eligible payroll costs which are –

(a) capitalised and included in the carrying value of eligible tangible assets;

(b) attributable to the covered person's international shipping income and qualified ancillary international shipping income under section 50S of the Act which is excluded from the computation of GloBE income or loss for the fiscal year.

(3) Subject to paragraph (6), the tangible asset carve-out for a covered person shall be equal to 5 per cent of the carrying value of eligible tangible assets located in Mauritius.

(4) For the purpose of paragraph (3), the tangible asset carve-out computation shall –

(a) exclude the carrying value of property (including land or buildings) which is held for sale, lease or investment;

(b) exclude the carrying value of tangible assets used in the generation of a covered person's international shipping income and qualified ancillary international shipping income;

(c) include the carrying value of tangible assets attributable to a covered person's excess income over the cap specified in regulation 17(6).

(5) (a) Where a covered person is a permanent establishment, the eligible payroll costs and eligible tangible assets shall be those included in its separate financial accounts as determined by and adjusted in accordance with regulation 5, provided that the eligible employees and eligible tangible assets are located in Mauritius where the permanent establishment is located.

(b) Where subparagraph (a) applies, the eligible payroll costs and eligible tangible assets of the permanent establishment shall not be taken into account for the eligible payroll costs and eligible tangible assets of the main entity.

(c) Eligible payroll costs and eligible tangible assets of a flow-through entity that are not allocated under subparagraph (a) shall be –

(i) allocated to the covered person who is an owner in the same proportion as the income was allocated to that owner regulation 6(c), provided that the eligible employees and eligible tangible assets are located in Mauritius and the owner is located in Mauritius; or

(ii) where the flow-through entity is the ultimate parent entity, allocated to the ultimate parent entity the eligible payroll costs and eligible tangible assets located in the jurisdiction where the ultimate parent entity is situated, and such allocation shall be reduced in proportion to the income excluded under regulation 7; or

(iii) where sub subparagraphs (i) and (ii) do not apply, excluded from the substance-based income exclusion computations of the multinational group enterprise.

(6) (a) For the purpose of applying paragraph (2), the value of 5 per cent shall be replaced by the value set out in the table below for each fiscal year beginning in each of the following calendar years –

Fiscal year beginning in	**Rate**
2025	9.6 per cent
2026	9.4 per cent
2027	9.2 per cent
2028	9.0 per cent
2029	8.2 per cent
2030	7.4 per cent
2031	6.6 per cent
2032	5.8 per cent

(b) For the purpose of applying paragraph (3), the value of 5 per cent shall be replaced by the value set out in the table below for each fiscal year beginning in each of the following calendar years –

Fiscal year beginning in	Rate
2025	7.6 per cent
2026	7.4 per cent
2027	7.2 per cent
2028	7.0 per cent
2029	6.6 per cent
2030	6.2 per cent
2031	5.8 per cent
2032	5.4 per cent

17. International shipping income exclusion

(1) A covered person shall exclude international shipping income or qualified ancillary international shipping income from its computation of GloBE income or loss under section 50S of the Act provided that the covered person can satisfactorily demonstrate to the Director-General that the strategic or commercial management of all ships generating that income is effectively conducted from within Mauritius.

(2) The costs incurred by a covered person which are directly attributable to its international shipping activities listed in this regulation and the costs directly attributable to its qualified ancillary activities listed in this regulation shall be deducted from the covered person's revenues arising from such activities to compute its

international shipping income and qualified ancillary international shipping income.

(3) Other costs incurred by a covered person which are indirectly attributable to a covered person's international shipping activities and qualified ancillary activities shall be allocated on the basis of the covered person's revenues from such activities in proportion to its total revenues.

(4) All direct and indirect costs attributed to a covered person's international shipping income and qualified ancillary international shipping income shall be excluded from the computation of its GloBE income or loss.

(5) International shipping income shall not include net income derived from the transportation of passengers or cargo by ships via inland waterways within the same jurisdiction.

(6) The aggregated qualified ancillary international shipping income of all covered persons shall not exceed 50 per cent of those covered persons' international shipping income.

18. De minimis exclusion

(1) The designated person under section 50W(1) of the Act may, for each fiscal year, elect for the combined QDMT tax of all covered persons to be deemed to be nil for that fiscal year where –

(a) the average GloBE revenue of the covered persons is less than EUR 10 million; and

(b) the average GloBE income or GloBE loss of the covered persons is either a loss or is less than EUR one million.

(2) For the purpose of paragraph (1) –

(a) the average GloBE revenue or average GloBE income or GloBE loss shall be calculated as the average of the GloBE revenue or GloBE income or loss of the covered persons for the current fiscal year and the two preceding fiscal years;

(b) where no GloBE revenue or GloBE income or loss is recorded for the covered persons in either of the two preceding fiscal years, such year or years shall be excluded from the calculation of the average GloBE revenue or average GloBE income or loss.

(3) An election under this regulation shall be an annual election.

(4) (a) An election under this regulation shall not apply to a stateless covered person or an investment entity.

(b) The revenue and GloBE income or loss of a stateless covered person or of an investment entity shall be excluded from the calculation of the average GloBE revenue or average GloBE income or loss.

(5) In this regulation –

"GloBE revenue", in relation to a fiscal year, is the sum of the revenue of all covered persons located in Mauritius taking into account the adjustments referred to in regulation 4.

19. Investment entities

(1) A member under section 50V of the Act may elect to treat a covered person which is an investment entity as a tax transparent entity, provided that –

(a) the covered person-owner is subject to tax in its jurisdiction under a mark-to-market or similar regime based on the annual changes in the fair value of its ownership interest in the entity; and

(b) the tax rate applicable to the covered person-owner with respect to such income equals or exceeds 15 per cent.

(2) For the purpose of paragraph (1), a covered person which indirectly owns an ownership interest in an investment entity through a direct ownership interest in another investment entity is considered to be subject to tax under a mark-to-market or similar regime with respect to the indirect ownership interest in the first-mentioned entity if it is subject to a mark-to-market or similar regime with respect to the direct ownership interest in the second-mentioned entity.

(3) The election under this regulation shall be a five-year election, which if revoked, gain or loss from the disposal of an asset or liability held by the investment entity shall be determined based on the fair value of the assets or liabilities on the first day of the revocation year.

20. Members joining and leaving a multinational enterprise group

(1) For the purpose of section 161 of the Act, notwithstanding paragraph (2), where in a fiscal year, an entity joins or leaves a multinational enterprise group –

(a) that entity shall be treated as a member of the multinational enterprise group for the purpose of QDMT tax, provided that any portion of its assets, liabilities, income, expenses or cash flows are included on a line-by-line basis in the consolidated financial statements of the ultimate parent entity in the acquisition year;

(b) in the acquisition year, the multinational enterprise group shall take into account only the financial accounting net income or loss and adjusted covered taxes of that entity which are taken into account in the consolidated financial statements of the ultimate parent entity for the purpose of QDMT tax;

(c) in the acquisition year and each succeeding year, that entity shall determine its GloBE income or GloBE loss and adjusted covered taxes using its historical carrying value of the assets and liabilities;

(d) for the purpose of the substance-based income exclusion under regulation 16 for that entity, the computation of the eligible payroll costs shall take into account only those costs reflected in the consolidated financial statements of the ultimate parent entity;

(e) for the purpose of the substance-based income exclusion under regulation 16 for that entity, the computation of the carrying value of the eligible tangible assets shall be adjusted proportionally to correspond with the length of the relevant fiscal year that that entity was a member of the multinational enterprise group;

(f) deferred tax assets and deferred tax liabilities of a member which are transferred between multinational enterprise groups shall be taken into account for the purpose of QDMT tax by the acquiring multinational enterprise group in the same manner and to the same extent as if the acquiring multinational enterprise group controlled the member when such assets and liabilities arose;

(g) deferred tax liabilities of that entity which have previously been included in its total deferred tax adjustment amount shall be treated as reversed for the purpose of regulation 15(5) by the disposing multinational enterprise group and treated as arising in the acquisition year for the purpose of regulation 15(5) by the acquiring multinational enterprise group, except that in such cases any subsequent reduction to covered taxes under regulation 15(5) shall have effect in the year in which the amount is recaptured.

(2) For the purpose of QDMT tax, the acquisition or disposal of a controlling interest in a member shall be treated as an acquisition or disposal of the assets and liabilities if –

(a) the jurisdiction in which the entity referred to in paragraph (1) is located; or

(b) in the case of a tax transparent entity, the jurisdiction in which the assets are located,

treats the acquisition or disposal of that controlling interest in the same or similar manner as an acquisition or disposal of the assets and liabilities and imposes a covered tax on the seller based on the difference between the tax basis and the consideration paid in exchange for the controlling interest or the fair value of the assets and liabilities.

(3) In this regulation –

"acquisition year" means the fiscal year in which the entity becomes or ceases to be a member of a multinational enterprise group as a result of a transfer of direct or indirect ownership interests in such entity.

21. Transfer of assets and liabilities

(1) For the purpose of section 161 of the Act, where a member –

(a) disposes of an asset or liability, the gain or loss arising from the disposal of the asset and liability shall be included in the computation of its GloBE income or GloBE loss;

(b) acquires any asset or liability, the GloBE income or loss of that member shall be computed on the basis of the carrying value of the acquired asset or liability, as determined in accordance with the accounting standard used in the preparation of the consolidated financial statements of the ultimate parent entity.

(2) Where the disposal or acquisition of assets and liabilities forms part of a GloBE reorganisation, paragraph (1) shall not apply and –

(a) the disposing member shall exclude any gain or loss on the disposal from the computation of its GloBE income or loss; and

(b) the acquiring member shall determine its GloBE income or loss after the acquisition using the carrying values of the acquired assets and liabilities as determined by the disposing entity at the time of disposal.

(3) Where the disposal or acquisition of assets and liabilities forms part of a GloBE reorganisation in which a disposing member

recognises non-qualifying gain or loss, paragraphs (1) and (2) shall not apply and –

(a) the disposing member shall include any gain or loss on the disposal in its computation of GloBE income or loss to the extent of the non-qualifying gain or loss; and

(b) the acquiring member shall determine its GloBE income or loss after the acquisition using the disposing member's value of the acquired assets and liabilities upon disposal, as adjusted to account for the non-qualifying gain or loss.

(4) Where a designated person under section 50W of the Act makes an election, a member of a multinational enterprise group which is required or permitted to adjust the basis of its assets and liabilities to fair value for tax purposes in the jurisdiction in which it is located shall –

(a) include in the computation of its GloBE income or loss an amount of gain or loss in respect of each of its assets and liabilities, equal to –

(i) the difference between the carrying value for financial accounting purposes of the asset or liability immediately before, and the fair value of the asset or liability immediately after, the date of the event which triggered the tax adjustment;

(ii) the decreased or increased by the non-qualifying gain or loss, if any, arising in connection with the event which triggered the tax adjustment;

(b) use the fair value for financial accounting purposes of the asset or liability immediately after the event which triggered the tax adjustment to determine GloBE income or GloBE loss in fiscal years ending after the event which triggered the tax adjustment; and

(c) include the net total of the amounts determined under subparagraph (a) in the member's GloBE income or loss in one of the following ways –

(i) the net total of the amounts shall be included in the fiscal year in which the event which triggered the tax adjustment occurs; or

(ii) an amount equal to the net total of the amounts divided by five shall be included in the fiscal year in which the event which triggered the tax adjustment occurs and in each of the immediate four subsequent fiscal years, unless the member leaves the multinational enterprise group in a fiscal year within this period, in which case the remaining amount shall be wholly included in that fiscal year.

22. Minority-owned covered persons

(1) Section 50U of the Act shall apply to members of a minority-owned subgroup as follows –

(a) the GloBE income or GloBE loss and the adjusted covered taxes of members of a minority-owned subgroup shall be computed as if they were members of a separate multinational enterprise group;

(b) the GloBE income or GloBE loss and the adjusted covered taxes of the members of a minority-owned subgroup shall be excluded from the determination of the remainder of the multinational enterprise group's combined effective tax rate and net GloBE income under section 50U of the Act.

(2) Section 50U of the Act shall apply to a minority-owned covered person which is not a member of a minority-owned subgroup as follows –

(a) the GloBE income or GloBE loss and the adjusted covered taxes of minority-owned covered person which is not a member of a minority-owned subgroup shall be computed separately;

(b) the GloBE income or GloBE loss and the adjusted covered taxes of the members of a minority-owned subgroup shall be excluded from the determination of the remainder of the multinational enterprise group's combined effective tax rate and net GloBE income under section 50U of the Act.

(3) Paragraph (2) shall not apply to an investment entity which is a minority-owned covered entity.

(4) In this regulation –

"minority-owned covered person" means a covered person where the ultimate parent entity has a direct or indirect ownership interest in that entity of 30 per cent or less;

"minority-owned parent entity" means a minority-owned covered person which holds, directly or indirectly, the controlling interests of another minority-owned covered person, except where the controlling interests of the first-mentioned entity are held, directly or indirectly, by another minority-owned covered person;

"minority-owned subgroup" means a minority-owned parent entity and its minority-owned subsidiaries;

"minority-owned subsidiary" means a minority-owned covered person whose controlling interests are held, directly or indirectly, by a minority-owned parent entity.

23. Joint ventures

Section 50U of the Act shall apply to a joint venture and its joint subsidiaries as follows –

(a) the GloBE income or GloBE loss and the adjusted covered taxes of a joint venture and its joint subsidiaries shall be computed as if they were members of a separate multinational enterprise group;

(b) the GloBE income or GloBE loss and the adjusted covered taxes of a joint venture and its joint subsidiaries shall be excluded from the determination of the remainder of the multinational enterprise group's combined effective tax rate and net GloBE income under section 50U of the Act.

24. Taxable distribution method election

(1) For the purpose of section 161 of the Act, a covered person-owner, other than an investment entity, may, at the election of the person designated under section 50W of the Act, apply the taxable distribution method in respect of its ownership interest in a covered person which is an investment entity, provided that the covered person-owner may reasonably be expected to be liable to income tax on distributions received from that investment entity at a rate which is equal to or exceeds 15 per cent.

(2) For the purpose of the taxable distribution method referred to in paragraph (1) –

(a) any distribution or deemed distribution of the investment entity's GloBE income shall be included in the GloBE income of the covered person-owner, other than an investment entity, which receives such distribution;

(b) any amount in respect of a local creditable tax gross-up shall be included in the GloBE income and in the adjusted covered taxes of the covered person-owner, other than an investment entity, which receives such distribution;

(c) the proportionate share of the covered person-owner in the investment entity's undistributed net GloBE income for the tested year shall be treated as GloBE income of the investment entity for the reporting fiscal year, and the amount obtained by multiplying such GloBE income by 15 per cent shall be treated as the top-up tax of a low-tax covered person for the purpose of section 50R of the Act; and

(d) the GloBE income or GloBE loss of the investment entity for the fiscal year and any adjusted covered taxes attributable to such income shall be excluded from the computation of the effective tax rate under sections 50U and 50V of the Act, other than as provided under subparagraph (b).

(3) The undistributed net GloBE income for a fiscal year shall be the amount of the investment entity's GloBE income, if any, for the tested year, reduced, but not below zero, by the following amounts –

(a) any covered taxes of the investment entity for the tested year;

(b) any distributions and deemed distributions to shareholders, other than covered persons which are investment entities, made in the testing period;

(c) any GloBE losses arising in the testing period; and

(d) any investment loss carry-forwards.

(4) (a) The undistributed net GloBE income for the tested year shall not be reduced by distributions or deemed distributions to the extent that such distributions have already been treated as a reduction to the undistributed net GloBE income in a previous tested year.

(b) For the purpose of computing undistributed net GloBE income, a GloBE loss shall be reduced to the extent that it has previously reduced undistributed net GloBE income at the end of a prior fiscal year.

(c) Where a GloBE loss for a fiscal year is not fully reduced to zero by the end of the last tested period which includes such fiscal year, the remaining amount shall become an investment loss carry-forward, and shall be reduced in the same manner as a GloBE loss in subsequent fiscal years.

(5) For the purpose of this regulation –

(a) the tested year shall be the third year preceding the reporting fiscal year;

(b) the testing period shall be the period beginning with the first day of the tested year and ending with the last day of the reporting fiscal year that the ownership interest was held by a group entity;

(c) a deemed distribution shall arise when a direct or indirect ownership interest in the investment entity is transferred to a non-group entity and is equal to the proportionate share of the undistributed net GloBE income attributable to such ownership interest on the date of such transfer, determined without regard to the deemed distribution; and

(d) the local creditable tax gross-up shall be the amount of covered taxes incurred by the investment entity which is allowed as a credit against the covered person-owner's tax liability arising in connection with a distribution from the investment entity.

(6) (a) The election under this regulation shall be a five-year election.

(b) Where an election is revoked, the proportionate share of the investment entity's undistributed net GloBE income attributable to the covered person-owner for the tested year, at the end of the fiscal year immediately preceding the revocation year, shall be treated as GloBE income of the investment entity for the revocation year and the GloBE income multiplied by 15 per cent shall be treated as top-up tax of a low-tax covered person in the revocation year.

25. Location of an entity and a permanent establishment

(1) For the purpose of section 161 of the Act, the location of an entity which is not a flow-through entity shall be determined as follows –

(a) if it is a tax resident in a jurisdiction based on its place of management, place of creation or similar criteria, it shall be located in that jurisdiction;

(b) in other cases, it shall be located in the jurisdiction in which it was created.

(2) The location of an entity which is a flow-through entity shall be determined as follows –

(a) if it is the ultimate parent entity of the multinational enterprise group, it shall be located in the jurisdiction where it was created;

(b) in other cases, it shall be treated as a stateless entity.

(3) The location of a permanent establishment shall be determined as follows –

(a) if it is described in paragraph (a) of the definition of "permanent establishment" in section 50P of the Act, it shall be located in the jurisdiction where it is treated as a permanent establishment and shall be taxed under the applicable tax treaty in force;

(b) if it is described in paragraph (b) of the definition of "permanent establishment" in section 50P of the Act, it shall be located in the jurisdiction where it is subject to net basis taxation based on its business presence;

(c) if it is described in paragraph (c) of the definition of "permanent establishment" in section 50P of the Act, it shall be located in the jurisdiction where it is situated; and

(d) if it is described in paragraph (d) of the definition of "permanent establishment" in section 50P of the Act, it shall be considered as a stateless permanent establishment.

(4) Where an entity referred to in paragraph (1) is located in more than one jurisdiction, its status for the purpose of Sub-part AF of the Act shall be determined as follows –

(a) if it is located in two jurisdictions which have an applicable tax treaty in force –

(i) it shall be located in the jurisdiction where it is considered as a deemed resident for the purpose of the tax treaty;

(ii) if the tax treaty requires the competent authorities to reach a mutual agreement on the deemed residence of the entity for the purpose of the tax treaty and no agreement exists, then subparagraph (b) shall apply;

(iii) if the tax treaty does not provide relief or exemption from tax because the entity is a tax resident of both contracting parties, then subparagraph (b) shall apply;

(b) if no tax treaty applies, then its location shall be determined as follows –

(i) it shall be located in the jurisdiction where it paid the greater amount of covered taxes for the fiscal year, without considering the covered taxes paid in accordance with a controlled foreign company tax regime;

(ii) if the amount of covered taxes paid in both jurisdiction is the same or zero, it shall be located in the jurisdiction where it has the greater amount of substance-based income exclusion computed on an entity basis in accordance with regulation 16;

(iii) if the amount of the substance-based income exclusion in both jurisdictions is the same or zero, then it shall be considered a stateless constituent entity unless it is the ultimate parent entity of the multinational group, in which case, it shall be located in the jurisdiction where it was created.

(5) Where an entity has changed its location during the fiscal year, it shall be located in the jurisdiction where it was located at the beginning of that year.

26. Transitional safe harbour

(1) For the purpose of section 161 of the Act, during the transition period, the QDMT tax for a fiscal year shall be deemed to be zero where –

(a) the multinational enterprise group reports total revenue of less than EUR 10 million and profit or loss before income tax of less than EUR one million on its qualified CbC report for the fiscal year;

(b) the multinational enterprise group has a simplified effective tax rate which is equal to or greater than the transition rate for the fiscal year; or

(c) the multinational enterprise group's profit or loss before income tax is equal to or less than the substance-based income exclusion amount for entities resident in Mauritius under the CbCR.

(2) The provisions of the transitional CbCR safe harbour shall apply to the joint venture and joint venture subsidiaries as if they were members of a separate multinational enterprise group, except that the GloBE income or loss and total revenue would be those reported in qualified financial statements.

(3) (a) The transitional CbCR safe harbour shall not apply in the ultimate parent entity jurisdiction where the ultimate parent entity is a flow-through entity unless all the ownership interests in the ultimate parent entity are held by qualified persons.

(b) Subject to subparagraph (a), where an ultimate parent entity is a flow-through entity, the profit or loss before income tax and any associated taxes of the ultimate parent entity shall be reduced to the extent where such amount is attributable to or distributed as a result of an ownership interest held by a qualified person.

(c) For the purpose of subparagraphs (a) and (b), a qualified person refers, in respect of an ultimate parent entity which is a flow-through entity, to a holder described in regulation 7(1).

(4) (a) Where an investment entity is resident in a jurisdiction for CbCR –

(i) subject to sub subparagraph (ii), the investment entity shall be required to make a separate calculation as provided for under section 50V of the Act;

(ii) the investment entity jurisdiction and the jurisdiction of residence of any covered person owner may continue to benefit from the transitional CbCR safe harbour; and

(iii) the profit or loss before income tax and total revenue of the investment entity and any associated taxes shall be reflected only in the jurisdictions of its direct covered person-owners in proportion to their ownership interest.

(b) The investment entity is not required to make a separate calculation where an election has not been made under section 50V of the Act and all the covered person owners are resident in the investment entity jurisdiction.

(c) For the purpose of paragraphs 4(a)(i) and (ii), an investment entity includes an insurance investment entity.

(5) (a) A net unrealised fair value loss shall be excluded from profit or loss before income tax if that loss exceeds EUR 50 million.

(b) In this paragraph –

"net unrealised fair value loss" means the sum of all losses, as reduced by any gains, which arise from changes in fair value of ownership interests, except for portfolio shareholdings.

(6) The following are excluded from the transitional CbCR safe harbour –

(a) multi-parented multinational enterprise groups, if a single qualified CbC report does not include the information of the combined groups;

(b) covered persons which did not apply the transitional CbCR safe harbour in a previous fiscal year in which the multinational enterprise group is subject to this top-up tax, unless the multinational enterprise group did not have any members in that jurisdiction in the previous year.

(7) In this regulation –

"insurance investment entity" means an entity which 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 is wholly-owned by an entity which is subject to regulation in its location as an insurance company;

"investment entity jurisdiction" means the jurisdiction in which the investment entity is resident;

"profit or loss before income tax" means a multinational enterprise group's profit or loss before income tax in a jurisdiction as reported on its qualified CbC report;

"qualified CbC report" means a country by country report prepared and filed using qualified financial statements;

"qualified financial statements" means –

(a) the accounts used to prepare the consolidated financial statements of the ultimate parent entity;

(b) separate financial statements of each entity, provided they are prepared in accordance with either an acceptable financial accounting standard or an authorised financial accounting standard if the information contained in such statements is maintained based on that accounting standard and it is reliable; or

(c) in the case of an entity which is not included in a multinational group's consolidated financial statements on a line-by-line basis solely due to size or materiality grounds, the financial accounts of that entity which are used for preparation of the multinational group's country by country report;

"simplified effective tax rate" –

(a) means a jurisdiction's income tax expense as reported in the multinational enterprise group's qualified financial statements, after eliminating any taxes which are not covered taxes and uncertain tax positions reported in the multinational enterprise group's qualified financial statements; and

(b) is calculated by dividing the jurisdiction's simplified covered taxes by its profit or loss before income tax as reported on the multinational enterprise group's qualified CbC report;

"total revenue" means an multinational enterprise group's total revenues in a jurisdiction as reported on its qualified CbC report;

"transition period" covers all of the fiscal years beginning on or before 31 December 2026 but not including a fiscal year which ends after 30 June 2028;

"transition rate" means –

(a) 15 per cent for fiscal years beginning in 2023 and 2024;

(b) 16 per cent for fiscal years beginning in 2025;

(c) 17 per cent for fiscal years beginning in 2026.

27. Tax attributes upon transition

(1) For the purpose of section 161 of the Act, for determining the effective tax rate in a transition year and for each subsequent year, the multinational enterprise group shall take into account all deferred tax assets and deferred tax liabilities disclosed in the financial accounts of all members for the transition year.

(2) A deferred tax asset which has been recorded at a rate lower than 15 per cent may be taken into account at 15 per cent, provided the member can demonstrate that the deferred tax asset is attributable to a GloBE Loss.

(3) For the purpose of this regulation, the impact of any valuation adjustment or accounting recognition adjustment with respect to a deferred tax asset shall be not be taken into account.

(4) Any deferred tax asset arising from an item which is excluded from the computation of GloBE income or loss under section 50S of the Act shall not be taken into account in determining the amount referred to in paragraphs (1), (2) and (3) when such deferred tax asset is generated in respect of a transaction taking place on or after 30 November 2021.

(5) Where a transfer of assets between members is made after 30 November 2021 and before the commencement of a transition year –

(a) the basis of the acquired asset, other than inventory, shall be the carrying value of the transferred asset recognised in the books of the disposing entity at the time of the transfer; and

(b) the deferred tax assets and deferred tax liabilities relating to such transfer shall be brought into the QDMT tax computation on that basis.

(6) Where QDMT tax applies to a member in a fiscal year which begins on or before the fiscal year that the GloBE rules first become applicable to that member –

(a) the fiscal year that the GloBE rules came into effect for that member shall be the new transition year; and

(b) the attributes of that member shall be reset as follows –

(i) any excess negative tax expense carry-forward under section 50T(3) of the Act or section 50U(3) of the Act shall be eliminated at the beginning of the new transition year;

(ii) regulation 15(5) shall not apply to any deferred tax liability which was taken into account in computing the effective tax rate under section 50U of the Act and which was not recaptured prior to the new transition year, but it shall apply to deferred tax liabilities which are taken into account in and after the new transition year;

(iii) the deferred tax items previously determined shall be eliminated and paragraphs (1), (2) and (3) shall be applied at the beginning of the new transition year;

(iv) paragraph (4) shall apply to transactions occurring after 30 November 2021 and before the beginning of the new transition year;

(v) where QDMT tax was payable due to the application of section 50T(3) of the Act in respect of a deferred tax asset attributable to a tax loss, such deferred tax asset shall not be treated as arising from items excluded from the computation of GloBE income or GloBE loss under section 50S of the Act.

28. GloBE loss election

(1) A designated person under section 50W(1) of the Act may, in each fiscal year, make a GloBE loss election.

(2) Where a GloBE loss election is made under paragraph (1), a GloBE loss deferred tax asset shall be established in each fiscal year in which there is a net GloBE loss.

(3) The GloBE loss deferred tax asset shall be equal to the net GloBE loss in a fiscal year, multiplied by 15 per cent.

(4) The balance of the GloBE loss deferred tax asset shall be carried forward to subsequent fiscal years, reduced by the amount of GloBE loss deferred tax asset used in a fiscal year.

(5) The GloBE loss deferred tax asset shall be used in any subsequent fiscal year in which there is net GloBE income in an amount equal to the lower of the net GloBE income, multiplied by 15 per cent or the amount of available GloBE loss deferred tax asset.

(6) Where the GloBE loss election is subsequently revoked, any remaining GloBE loss deferred tax asset shall be reduced to zero, effective as of the first day of the first fiscal year in which the GloBE loss election is no longer applicable.

(7) Where an election is made under paragraph (1) in respect of a flow-through entity which is an ultimate parent entity of a multinational enterprise group, the GloBE loss deferred tax asset shall be calculated in accordance with paragraphs (2) to (6), after making the adjustments specified in regulation 7(2).

29. Commencement

These regulations shall be deemed to have come into operation on 1 July 2025.

Made by the Minister on 28 July 2026.