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Pillar Two: Cyprus consents to QDMTT and Transitional UTPR Safe Harbours

In brief

On October 30, 2023, the Cyprus Ministry of Finance (**MoF**) issued an [announcement](#) assuring that Cyprus consents to the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (**Inclusive Framework**) QDMTT (Qualified Domestic Minimum Top-up Tax) and Transitional UTPR (Undertaxed Profit Rule) Safe Harbours.

Under the relevant EU Directive on Pillar Two (Council Directive (EU) 2022/2523) (**Directive**), a 'qualifying international agreement of safe harbours' is one which all EU Member States have consented to.

In detail

As Cyprus is not a member of the Inclusive Framework, the Cyprus MoF issued the above announcement to provide full assurance that Cyprus consents to the said safe harbours.

For more detailed information on the said Safe Harbours, we refer you to our previous [newsletter](#).

Article 32 of the Directive stipulates that the top-up tax due by a group in a jurisdiction shall be deemed to be zero if the effective level of taxation of the constituent entities located in that jurisdiction fulfils the conditions of a "*qualifying international agreement on safe harbours*". For an agreement to be considered as "*qualifying international agreement on safe harbours*" all EU Member States need to have consented to it.

The said Safe Harbours were agreed by the Inclusive Framework on July 13, 2023. Cyprus, as an EU Member State that is not a member of the Inclusive Framework, did not have the opportunity to consent to the said Safe Harbours at the level of the Inclusive Framework.

In a similar manner Cyprus had earlier in 2023 consented to the Inclusive Framework's Transitional CbCR Safe Harbour agreed by the Inclusive Framework on 15 December 2022; see our relevant [newsletter](#).

The takeaway

This is a welcome development as regards the application of the Directive itself in all EU Member States and reflects Cyprus' consistent commitment to respect and follow all OECD and EU driven international tax developments.

Lets talk

For a deeper discussion of how this issue might affect your business, please contact:

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