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# Cyprus votes the Global Minimum Tax of MNE Groups and Large-Scale Domestic Groups Law (“Pillar Two”)

## In brief

Today, December 12, 2024, the Cyprus House of Representatives voted the Global Minimum Tax of MNE Groups and Large-Scale Domestic Groups Law (the “**Law**”), transposing into Cyprus national law the relevant EU Directive issued on December 14, 2022, on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups (the “[Directive](#)”). In order for the legislative process to be completed the Law will need to be published in the Government Gazette, which is expected imminently. The Directive itself was developed from the OECD/G20 Inclusive Framework on BEPS Pillar Two Model Rules (the “[Model Rules](#)”); more details with respect to the Directive and the Model Rules can be found in [PwC Cyprus’ dedicated Pillar 2 website](#).

The Law aligns with the Directive, including additional text to cater for certain elements of the OECD/G20 Inclusive Framework on BEPS Administrative Guidance (the “**AG**”) that has been released to date.

The Law provides that the main rule named as the Qualified Income Inclusion Rule (“**QIIR**”) is practically effective as from 2024, the secondary rule named as the Qualified Undertaxed Profits Rule (“**QUTPR**”) is practically effective as from 2025, and the Cyprus domestic minimum top-up tax also practically effective as from 2025 (“**DMTT**”).

The adoption of the Law does not modify Cyprus’ corporate income tax (“**CIT**”) legislation; rather the Law introduces an additional tax legislation which is only to be applied in parallel to the CIT legislation for the groups within scope.

## In detail

### Key provisions of the Law

We highlight below certain notable elements of the Law:

- **QIIR**

The Law introduces the QIIR as provided for in the Directive, which more broadly to the Model Rules, provides for application of the QIIR by a local parent on its own results as well as on its local subsidiaries.

The Law provides for the introduction of the QIIR practically as from 2024.

- **QUTPR**

The Law specifies that the QUTPR will be applied in such a way to be imposing an additional top-up tax, rather than charged under CIT via a denial of deduction mechanism.

The Law provides for the introduction of the QUTPR practically as from 2025.

- **DMTT**

Aligning with the QUTPR, the Law provides for the introduction of a Cyprus DMTT practically as from 2025. It applies to constituent entities and joint venture entities located in Cyprus and will be applied in priority to the QIIR and QUTPR.

In the same manner as the QIIR and the QUTPR, the DMTT includes the same provisions with respect to the specific allocation of covered taxes incurred by other constituent entities, such as for the so-called 'push-down' of Controlled Foreign Company ("CFC"), Head Office as well as Hybrid Entity taxes unlike a QDMTT does.

Further, the DMTT respects the safe harbor provisions (such as the Transitional CbCR Safe Harbour) and clarifies the initial phase of the international activities exemption will also be applicable in full alignment to the QIIR.

- **General Anti-abuse Rules (GAAR)**

The Law does not explicitly feature a GAAR. This is also in line with the Directive/Model Rules which also do not explicitly provide for a GAAR.

- **Interaction of the Law and the AG**

The Law makes direct reference to AGs issued to date by the OECD/G20 Inclusive Framework on BEPS as a means of interpretation of the provisions of the Law provided that such is consistent with the Law and additionally gives the ability to the Minister of Finance, through a decree, to also directly refer to any additional AGs issued in the future by the OECD/G20 Inclusive Framework on BEPS.

Nonetheless, certain elements of the AGs issued to date are detailed in the Law itself.

- **Administrative Provisions of the Law**

*Notification of being in scope:* All Cyprus constituent and joint venture entities of in-scope groups have an obligation to notify the Cyprus tax authorities (CTA) no later than 15 months after the last day of the relevant fiscal year, or 18 months in case of the transition year (i.e. first year of being in scope), e.g. for 2024 by 30 June 2026.

*Top-up tax local return filing and payment:* In addition to the GloBE Information Return all in-scope Cyprus constituent entities must annually submit their local self assessment filing and make any payments due within 30 days of the due date for the submission of the GloBE Information Return which per the Law is as described above.

*Penalties:* The Law outlines penalties for late filings and delayed payments and other infringements. These penalty amounts are in line with those imposed by the Cyprus Assessment and Collection Laws for notification and returns as well as those related to Country-by-Country Reporting. With respect to fiscal years beginning on or before December 31, 2026 but not including any fiscal year that ends after June 30, 2028, no administrative fines and penalties shall be imposed, provided that the CTA is satisfied that the relevant MNE/Large-scale domestic Group has taken all necessary actions to comply with the provisions of the Law. The CTA shall consider that the MNE/Large-scale domestic Group has taken all necessary actions if it can evidence that it acted in good faith aiming to understand and apply the provisions of the Law.

## The takeaway

Given the effective application of the Cyprus QIIR, practically as from the beginning of 2024, and the imminent application of the Cyprus QUTPR and DMTT it is imperative for in-scope groups to take measures immediately.

In-scope groups should analyse the potential impact and implications of the Law for them and assess whether their existing data, systems, technology, and processes can adequately support the requirements of the Law to ensure full compliance.

Our [dedicated Pillar 2 website](#) provides a wealth of information with respect to both the rules themselves as well as the actions that in-scope groups need to take to ensure readiness.

## Lets talk

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

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