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Safe harbours

Under the OECD Pillar Two initiative, **in-scope MNE groups** are subject to a 15% global minimum corporate tax under the GloBE[1] rules. Performing detailed GloBE calculations for every jurisdiction may involve extensive calculations and may cause substantial administrative burden to some companies. As such, there are **safe harbour rules**, which are simplification measures, that may provide relief from performing the full GloBE calculations.

The top-up tax for a jurisdiction (the safe harbour jurisdiction) shall be deemed to be zero for a fiscal year when the constituent entities located in this jurisdiction are eligible for a GloBE safe harbour, subject to fulfilment of certain conditions and election by the filing constituent entity.[2]

The Safe Harbour Rules provided under Part 3, Schedule 61 of the Inland Revenue Ordinance ("**IRO**") include:

- Division 2 – Transitional CbCR[3] Safe Harbour
- Division 3 – Transitional UTPR[4] Safe Harbour
- Division 4 – QDMTT[5] Safe Harbour
- Division 5 – Simplified Calculations Safe Harbour

Transitional CbCR Safe Harbour

Application

Applicable for a fiscal year beginning on or before 31 December 2026 but does not include a fiscal year ending after 30 June 2028.

Conditions

Check ALL (a) to (d)	
(a) Either (i) a qualified CbC report for the MNE group has been filed for the jurisdiction for the fiscal year; or	☐
(ii) if the MNE group is not required to file a CbC report, the filing constituent entity- (A) has filed a GloBE information return for the MNE group for the fiscal year, and has completed section 2.2.1.3(a) of the return for the jurisdiction for the fiscal year; and (B) for the purposes of (A) above, has used the data from qualified financial statements that would have been reported as total revenue, and profit or loss before income tax, in a qualified CbC report had the MNE group been required to file a CbC report;	☐
(b) the filing constituent entity has made an election for the jurisdiction for the fiscal year;	☐

[1] Global Anti-Base Erosion
[2] Article 8.2.1 of Schedule 61, Inland Revenue Ordinance
[3] Country-by-country reporting
[4] Undertaxed Profits Rule
[5] Qualified minimum top-up tax

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(c) the MNE group meets one of the following tests for the jurisdiction for the fiscal year- (i) the **de minimis** test; (ii) the **simplified ETR** test (iii) the **routine profits** test; and	 ☐ ☐ ☐
(d) all of the data used to perform the computations for (i)(ii)(iii) under (c) above comes from: - the accounts used to prepare the consolidated financial statements of the UPE of the MNE group (***reporting package***); or - separate financial statements of each constituent entity of the MNE group if— (i) they are prepared in accordance with either an acceptable financial accounting standard or an authorised financial accounting standard; and (ii) the information contained in such statements is maintained based on that accounting standard and is reliable.	☐

Note

- A filing constituent entity may not make an election for transitional CbCR safe harbour for a jurisdiction for a fiscal year if it has made an election for transitional UTPR safe harbour for the jurisdiction for the fiscal year.

- If the transitional CbCR safe harbour did NOT apply to an MNE group for the jurisdiction for a *previous* fiscal year and there was a constituent entity of the MNE group located in that jurisdiction in the *previous* fiscal year, the transitional CbCR safe harbour does NOT apply to the MNE group for the jurisdiction in the *current* fiscal year, i.e. “once out, always out”.

Transitional UTPR Safe Harbour

Application

Applicable for a fiscal year not exceeding 12 months that begins on or before 31 December 2025 and ends before 31 December 2026.

Conditions

Check ALL (a) to (b)	
(a) the jurisdiction has a corporate income tax rate that is equal to, or greater than, 20%; and	☐
(b) the filing constituent entity has made an election for the jurisdiction for the fiscal year.	☐

Note

- A filing constituent entity may not make an election for transitional UTPR safe harbour for a jurisdiction for a fiscal year if it has made an election for transitional CbCR safe harbour for the jurisdiction for the fiscal year.

QDMTT Safe Harbour

Conditions

Check ALL (a) to (d)	
(a) the MNE group is subject to a qualified domestic minimum top-up tax of the jurisdiction for the fiscal year;	☐
(b) the jurisdiction is determined to have met the QDMTT safe harbour standards under an OECD peer review process for that fiscal year;	☐
(c) a filing constituent entity has made an election for the jurisdiction for the fiscal year; and	☐
(d) none of the disqualifying conditions applies.	☐

Simplified Calculations Safe Harbour

Check ALL (a) to (b)	
(a) the MNE group meets one of the following tests for the jurisdiction for the fiscal year-	
(i) the **SC de minimis** test;	☐
(ii) the **SC ETR** test	☐
(iii) the **SC routine profits** test; and	☐
(b) a filing constituent entity has made an election for the MNE group for the jurisdiction for the fiscal year; and	☐

Tests

Transitional CbCR safe harbour		Simplified calculations safe harbour	
De minimis test	MNE group's total revenue for the jurisdiction for the fiscal year is less than EUR 10 million; and MNE group's profit before income tax for the jurisdiction for the fiscal year is less than EUR 1 million or the MNE group has a loss for the jurisdiction for the year.	SC de minimis test	MNE group's average GloBE revenue for the jurisdiction is less than EUR 10 million; and MNE group's average GloBE income for the jurisdiction is less than EUR 1 million or the MNE group has a loss for the jurisdiction.
Simplified ETR test	MNE group's simplified ETR for the jurisdiction for the fiscal year is equal to or greater than: - 16% if the fiscal year starts in the 2025 calendar year; or - 17% if the fiscal year starts in the 2026 calendar year.	SC ETR test	MNE group's effective tax rate for the jurisdiction for the fiscal year is at least 15%.

Transitional CbCR safe harbour		Simplified calculations safe harbour	
Routine profits test	MNE group’s profit or loss before income tax for the jurisdiction for the fiscal year is equal to or less than the MNE group’s substance-based income exclusion amount for the jurisdiction.	SC Routine profits test	MNE group’s GloBE income for the jurisdiction for the fiscal year is equal to or less than the MNE group’s substance-based income exclusion amount for the jurisdiction.

Next step

Please reach out to your usual contact at Russell Bedford Hong Kong or contact Ms. Erica Xiong at ericaxiong@russellbedford.com.hk for more information.

10 October 2025