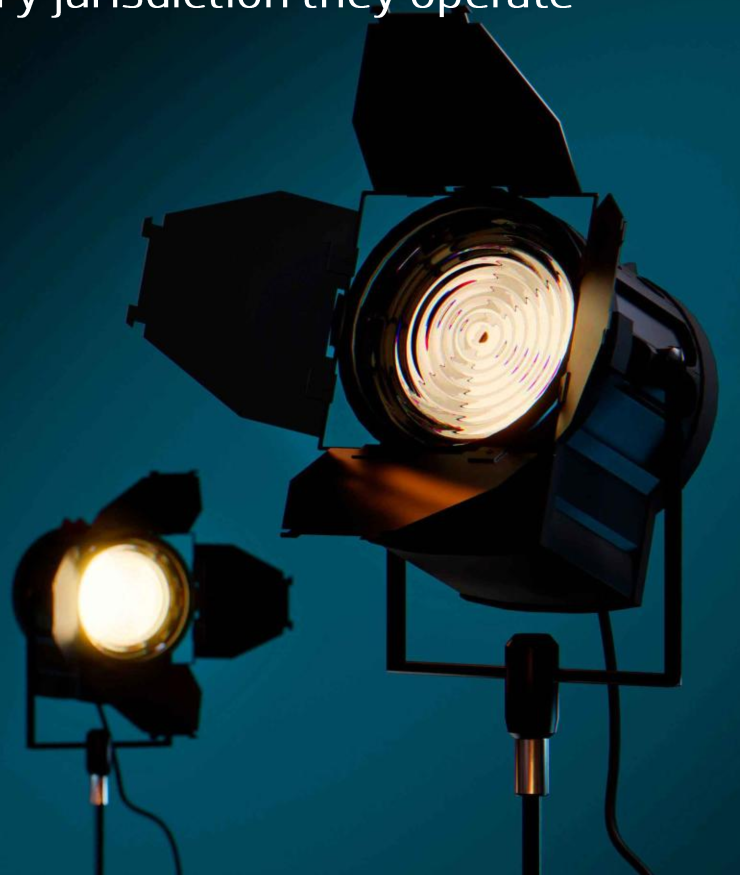
10 August 2026

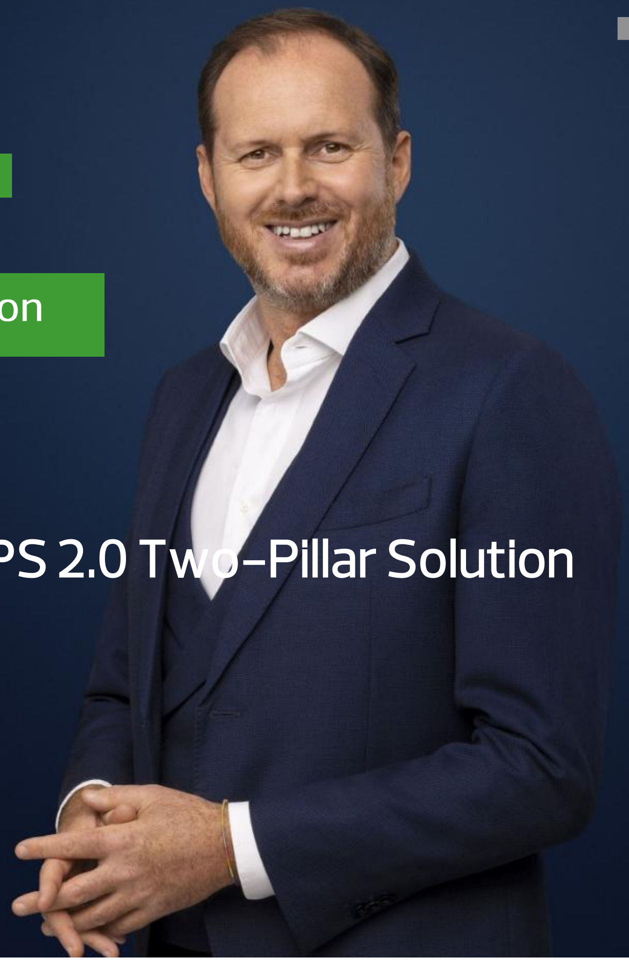
Legislation Driving BEPS 2.0 Two-Pillar Solution

In July 2021, the OECD announced its landmark two-pillar international tax reform framework to address base erosion and profit shifting risks arising from the digitalisation of the economy. Pillar Two (GloBE Rules) — the Global Minimum Tax — targets MNE Groups with annual consolidated revenue of EUR 750 million or above, ensuring they pay a minimum effective tax of 15% on excess profits derived from every jurisdiction they operate in.



THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

Pillar Two
A New Era of Global Taxation



Legislation Driving BEPS 2.0 Two-Pillar Solution

Drivers

- Reduced Complexity and Lower Risk of Double Taxation
- Strengthened International Credibility
- Greater Certainty for Businesses

What Does "Transitional Qualified Status" Mean?

The UAE's tax landscape has taken an important step forward. The Ministry of Finance announced that the Domestic Minimum Top-up Tax (DMTT) has been granted "Transitional Qualified Status" by the OECD. This recognition is more than just a technical milestone. It confirms the UAE's commitment to international minimum tax rules, strengthens its reputation as a transparent and trusted jurisdiction, and sets the stage for the rollout of Pillar Two rules from 1 January 2025.

Under Cabinet Decision No. (142) of 2024, the UAE introduced a DMTT effective for financial years starting on or after 1 January 2025. The rule applies a 15% top-up tax to multinational groups with annual consolidated revenues of EUR 750 million or more in at least two of the four years before 2025.

The OECD's transitional endorsement means that, during the initial phase, the UAE's DMTT will be treated as a Qualified DMTT (QDMTT). This recognition provides legal certainty while the OECD completes its full review.

Key Challenges

1 **Data Fragmentation & Technology Gaps -** Pillar Two requires granular, jurisdiction-level financial data that most legacy ERP systems are not built to provide.

2 **Supply Chain & Structural Inefficiencies** -Historically, businesses structured their operations, IP holdings, and supply chains to optimize local tax rates. Pillar Two neutralizes these benefits if the effective tax rate falls below 15%

3 **Cash Flow Volatility & Financial Forecasting-** The introduction of Top-Up Taxes introduces new variables into financial modelling. Currency fluctuations, changes in local incentives, and the phasing of Safe Harbours can cause the Effective Tax Rate (ETR) to fluctuate year over year.

4 **Heightened Regulatory & Reputational Risk** -Pillar Two comes with stringent reporting requirements, tight deadlines, and severe penalties for non-compliance. Furthermore, public transparency regarding tax practices is increasing globally.

5 **The Global Talent Shortage -** The complexity of the GloBE Rules has created a global shortage of tax professionals equipped to handle Pillar Two. Internal tax teams are already stretched thin by existing compliance demands.

> *The GloBE Rules have the status of a common approach, jurisdictions are not required to adopt the rules, but those that have chosen to do so, should implement and administer them in a way consistent with the outcomes provided for under the GloBE Model Rules, Commentary and Administrative Guidance.*
>
> OECD GLOBE RULES — GENERAL OVERVIEW

Key Design consideration

Data Architecture & Technology Design

Data granularity, you must be able to trace top-up tax back to the specific entity and jurisdiction.

Tax Accounting & Calculation Engine Design

The math behind Pillar Two is highly complex and requires a dedicated calculation methodology..

Process, Governance & Reporting Design

Pillar Two introduces strict, non-negotiable deadlines and new reporting formats.

Strategic & Business Impact Design

Pillar Two will alter the effective tax rate of your global footprint. Implementation design must include a strategic feedback loop.

Change Management & Resourcing

The sheer volume of new rules requires a shift in organizational capability.

Who Needs to Comply with UAE Pillar 2?

Multinational Enterprise operating in ≥ 2 jurisdictions

Ultimate Parent Entity report ≥ €750 million in consolidated revenue in at least two of the last four fiscal years

The group not wholly owned by an excluded entity (e.g., a Government, Non-profit, Pension Fund, or UPE Investment Fund

Exemptions from BEPS 2.0 Two-Pillar

Government, Non-profit, Pension Fund, or UPE Investment Fund

Stakeholders

Primary Stakeholders
The Multinational Enterprise (MNE), Tax Department, Finance & Accounting,

Regulatory Authorities
The OECD & Inclusive Framework (IF), The European Union (EU), Domestic Tax Authorities

Advisory & Enabling
Accounting & Audit Firms, Legal & Compliance Advisors, Technology & Software Vendors

Know Your Pillar Two Compliance Dates

1 January 2025 — UAE DMTT takes effect — 15% top-up tax applies to in-scope MNE Group with fiscal years starting on or after this date.

30 Nov 2026 — DMTT registration deadline for fiscal years ending before 30 April 2026. Standard deadline – 7 months from the end of the fiscal year.

31 Dec 2026 — DMTT deregistration deadline if entity ceases to exist before 30 June 2026. Standard deadline – 6 months from the date the entity ceases to exist or leaves the MNE Group.

31 March 2027 — GloBE Information Return filing deadline for 2025 fiscal year.

30 June 2027 — Transitional DMTT Return filing deadline. Standard deadline — 15 months from year end.

> **Compliance is the floor, not the ceiling**
>
> **RSM UAE**

Non-Compliance Penalties

AED 10,000
Failure to register for DMTT within the deadline

AED 500
For an incorrect DMTT Return or GloBE Information Return, with a note that it's waived if corrected before the deadline or via voluntary disclosure. Everything else checks out.

AED 500 — 1,000
Late filing of the DMTT / GloBE Information Return

14% per annum (monthly)
Late payment of the Top-up Tax liability itself

AED 1,000 – 10,000 (monthly)
Failure to deregister within the deadline

Role of the UAE Filing Entity

The UAE filing entity is central to Pillar Two compliance. It:

- Registers the MNE Group for DMTT with the FTA via EmaraTax
- Consolidates GloBE Income and Covered Taxes data across UAE entities
- Securely files the DMTT Return and GloBE Information Return
- Enables reporting and correspondence with the FTA
- Supports ongoing ETR monitoring and safe harbour tracking

Pillar Two Compliance Process

RSM have prepared these steps and tools to ease your Pillar Two compliance journey

1. Complete the RSM assessment tool to understand your Pillar Two scope and compliance deadlines.
2. Assess GloBE data readiness across your ERP and reporting systems, with RSM gap assessment support.
3. Engage your finance and IT teams on system upgrades; RSM supports data-mapping and technical requirement documents where needed.
4. Build your jurisdictional GloBE Income and Covered Taxes model, including:
   - GloBE Income & Covered Taxes
   - Substance-Based Income Exclusion (SBIE)
5. RSM can support you to determine the applicability of safe harbours.
6. Where required, integrate ETR modelling and reporting tools with your consolidation and tax systems.
7. RSM will work with you to register for DMTT and file returns via the FTA EmaraTax platform.
8. RSM will support you to prepare and review the DMTT Return and GloBE Information Return before submission.
9. RSM will help optimise your Pillar Two position to manage cash tax cost and compliance burden.
10. RSM will ensure accurate DMTT and Top-up Tax reporting is filed with the FTA via EmaraTax.

RSM Capabilities

RSM UAE provides end-to-end support, including:

Pillar Two Assessment

- Determine GloBE scope and revenue threshold testing
- Identify UAE Constituent Entities and data gaps

GloBE Data & ETR Modelling Support

- Model Effective Tax Rate (ETR) and Top-up Tax by jurisdiction
- Assess eligibility for Safe Harbours (CbCR, QDMTT, Simplified Calculations)
- Support GloBE Information Return data preparation

Safe Harbour Advisory

- Evaluate Transitional CbCR Safe Harbour and minimize your immediate compliance burden
- Advise on the optimal Safe Harbour and reliefs

DMTT Registration & Return Preparation

- Incorrect ETR or Top-up Tax calculations can result in penalties for inaccurate filings.
- DMTT registration, data mapping, and return preparation
- Unresolved Top-up Tax exposure may lead to double taxation across jurisdictions.

Post-Filing Review & Monitoring

- Higher risk of FTA audits, leading to increased costs and legal risks.

Contact RSM UAE

Use our support email at Tax-inquiry@rsm.ae for all your Pillar Two inquiries.

> Adopting UAE Pillar Two compliance is no longer optional—it's a regulatory imperative.
>
> **RSM UAE**

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