

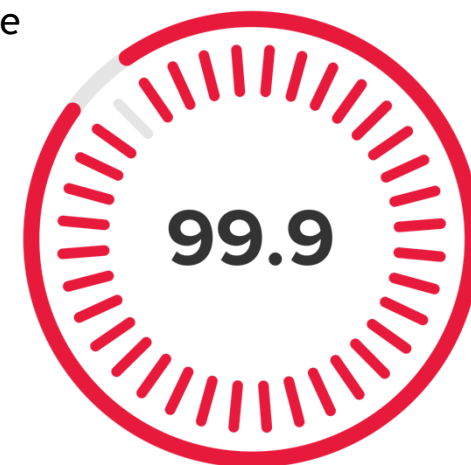


# Global Top-Up Tax (IIR) and Qualified Domestic Minimum Top-up Tax

# INTRODUCTION OF THE TOP-UP TAX (PILLAR II)

The top-up tax is not a regime introduced unilaterally by Türkiye. Rather, it forms part of **the OECD's "Base Erosion and Profit Shifting" (BEPS) Action Plan**, designed to prevent harmful tax competition arising from the mobility of large multinational enterprises operating across multiple jurisdictions.

The rules have already been enacted or are planned to be enacted in nearly **100** countries. You may follow the current status of countries under **Pillar II** at this [link](#).



## What is the Top-up Tax?

The top-up tax is a tax safeguard mechanism that ensures the effective tax rate (ETR) is brought up to **15%** in jurisdictions where members of a **Multinational Enterprise (MNE)** Group with annual consolidated revenue exceeding **EUR 750 million** are located and subject to an ETR below **15%**.

The **EUR 750 million** threshold is determined based on whether this revenue level has been met in **at least two** of the four fiscal years preceding the relevant fiscal period.

# What is the **Global Top-up Tax**?

The Global Top-Up Tax will be applied through two mechanisms: the Income Inclusion Rule (IIR) and the Undertaxed Payments Rule (UTPR).

The filing deadline for the Global Top-Up Tax for the 2024 fiscal year is **30 June 2026**.

## **The Income Inclusion Rule (IIR)**

The Ultimate Parent Entity (UPE) of an MNE Group will determine the jurisdictional Effective Tax Rate (ETR) for the countries in which the group entities operate. If the jurisdictional ETR is below **15%**, the UPE will collect the top-up tax required to bring the rate up to **15%**, and will file and pay this tax in its own jurisdiction.

If the jurisdiction in which the UPE is located has not implemented the top-up tax rules, the obligation to file and pay the top-up tax will shift down the ownership chain. In this case, an intermediate parent entity or a partially owned parent entity will be required to file and pay the top-up tax in its own jurisdiction.

These rules apply to income earned on or after 1/1/2024 (or for taxpayers with a special accounting period, to accounting

## **The Undertaxed Payments Rule (UTPR)**

If Pillar II is not in effect in the jurisdiction of the UPE or in any other jurisdiction within the ownership chain, the Turkish constituent entity of the MNE Group will be required to file and pay the top-up tax in Türkiye for the difference between the jurisdictional ETR and the **15%** minimum rate. In other words, this mechanism ensures the collection of the top-up tax in cases where the Income Inclusion Rule (IIR) is not applied.

These rules apply to income earned on or after 1/1/2025 (or, for taxpayers with a special accounting period, to accounting periods beginning in 2025).

# What is the QDMTT (Qualified Domestic Minimum Top-up Tax)?

Under the specified mechanisms, the fact that the top-up tax will be brought up to **15%** in other jurisdictions has encouraged countries to ensure that their own domestic ETR is also at least **15%**. Otherwise, taxes not collected from their own tax residents would be collected by other countries.

In this context, Turkish resident entities of MNE Groups that meet the Top-up Tax filing requirements will calculate the jurisdictional ETR in Türkiye, and if this rate falls below **15%**, they will apply QDMTT to bring it up to **15%**. Once the QDMTT has increased the rate to **15%**, no further Top-up Tax will be imposed by other jurisdictions meaning Türkiye will not surrender tax revenues in favour of other countries.

The filing deadline the QDMTT is 31/12/2025, and this period has been extended until 15 January 2026.

## How will the Top-Up Tax be Calculated?

The difference between the statutory **15%** rate and the jurisdictional ETR constitutes the **Top-up Tax rate**. The jurisdictional ETR is calculated as follows:

$$\text{ETR: } \frac{\text{Total Adjusted Covered Taxes on a Jurisdictional Basis}}{\text{Total Entity-Level GloBE Income in the Relevant Jurisdiction (Jurisdictional GloBE Income)}}$$

**Total Adjusted Covered Taxes on a Jurisdictional Basis:** Covered taxes + deferred tax adjustment + additions under Article 4/3-a of the Corporate Income Tax Law - deductions under Article 4/3-b

**Entity-Level GloBE Income:** IFRS profit or loss + additions under Article 5/1-a of the Corporate Tax Law - deductions under Article 5/1-b



# Safe Harbour Mechanism

## Transitional Safe Harbour Mechanism

### CbCR-based Safe Harbour Mechanism

**De Minimis Test:** The total jurisdictional revenue must be less than EUR 10 million, and the jurisdictional profit (loss) before income tax must be less than EUR 1 million; or,

**Simplified ETR Test:** The simplified ETR must be at least 15% for the 2024 fiscal year, 16% for the 2025 fiscal year, and 17% for the 2026 fiscal year; or,

**Routine Profit Test:** The jurisdictional profit before income tax reported in the CbCR must be equal to or less than the substance-based income exclusion.

- ▶ **The calculations** will be based on the Country-by-Country Report (CbCR) data, which is prepared in accordance with internationally accepted financial accounting standards.
- ▶ **If any of the three conditions is met**, the Top-up Tax for the relevant jurisdiction will be deemed to be zero until the end of 2026.

# Permanent Safe Harbour Mechanism

## Substance-Based Income Exclusion

In order to encourage profitability derived from investment and employment in the jurisdictions where in-scope MNEs operate, a portion of payroll costs and tangible assets is excluded from the GloBE income. By exempting these amounts, the corresponding portion of income is protected from any additional top-up tax.

The rate applied to payroll costs:

**5%**

The rate applied to tangible assets:

**5%**

- ▶ According to Law No. 7524, for the 2024 fiscal year, **7.8%** of the net book value of tangible fixed assets and **9.8%** of the gross payroll of the constituent entities' employees shall be taken into account.
- ▶ These percentages will be reduced over the following four fiscal years by **0.2%** each year, and from the 2029 fiscal year onwards, they will be reduced for four additional fiscal years by **0.8%** per year for payroll and **0.4%** per year for tangible assets.

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Payroll	9,8	9,6	9,4	9,2	9	8,2	7,4	6,6	5,8	5	5
Tangible Assets	7,8	7,6	7,4	7,2	7	6,6	6,2	5,8	5,4	5	5

## De Minimis Test

In a jurisdiction where;

- the average revenue is less than **EUR 10 million**, and
- the average profit is less than **EUR 1 million**,

the minimum top-up tax for the constituent entities located in that jurisdiction may be treated as zero for the relevant fiscal year.

- ▶ Average revenue or average profit refers to the average of the revenue or profit amounts reported in the financial accounts of that jurisdiction for the fiscal year in question and the two preceding fiscal years.

# Filing Deadline

Tax Type	Filing Deadline	Filing Deadline for Transitional Period	Taxation Period
Global Top-up Tax	It must be filed and paid by the last day of the fifteenth month following the month in which the fiscal year ends.	It must be filed and paid by the last day of the eighteenth month following the month in which the fiscal year ends.	Fiscal year
QDMTT	It must be filed and paid between the first and last day of the twelfth month following the month in which the fiscal year ends.		Fiscal year

## ATTENTION!

The fact that no qualified income arises in the relevant fiscal year as a result of the calculations performed in accordance with the GloBE rules, or that the taxpayer benefits from the safe harbour rules, **does not eliminate the obligation to file the Global Top-up Tax or QDMTT Returns.**

Accordingly, even in cases where no qualified income exists or where the safe harbour rules are applied, the QDMTT Return must still be filed.



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