

DAC9 Implementation and the Safe Harbours of Pillar 2

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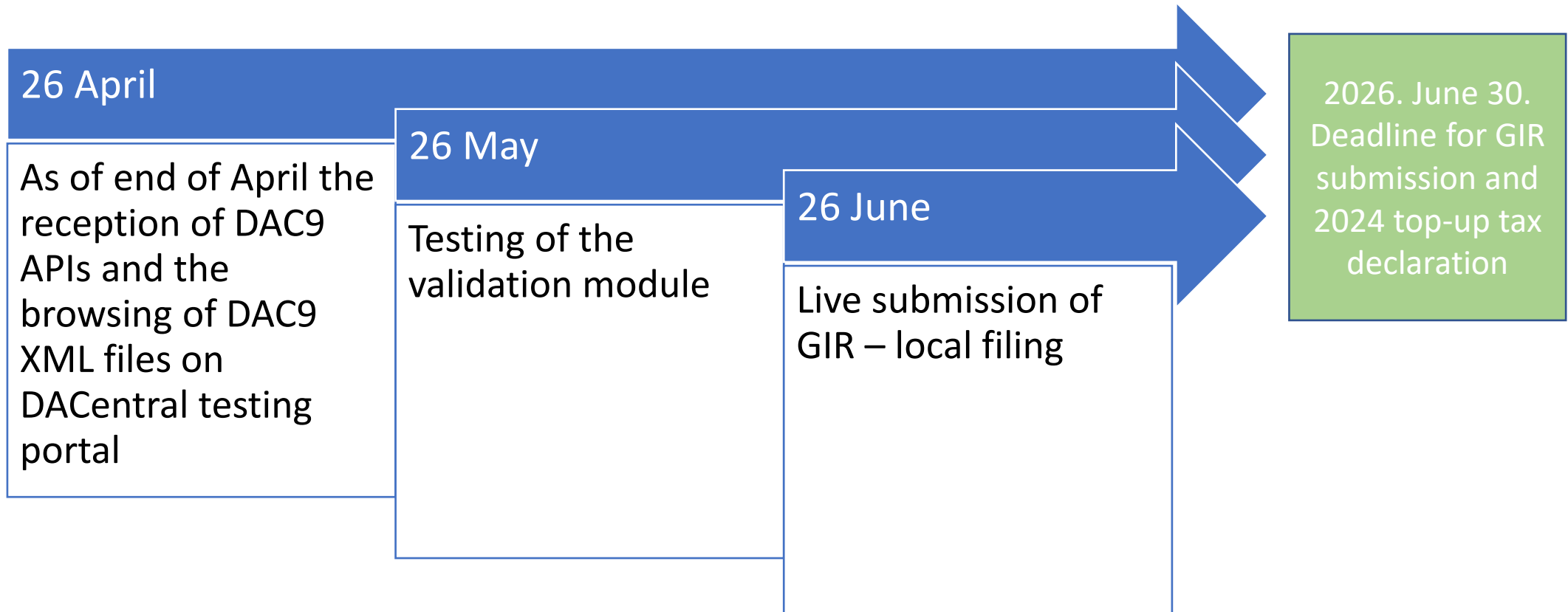
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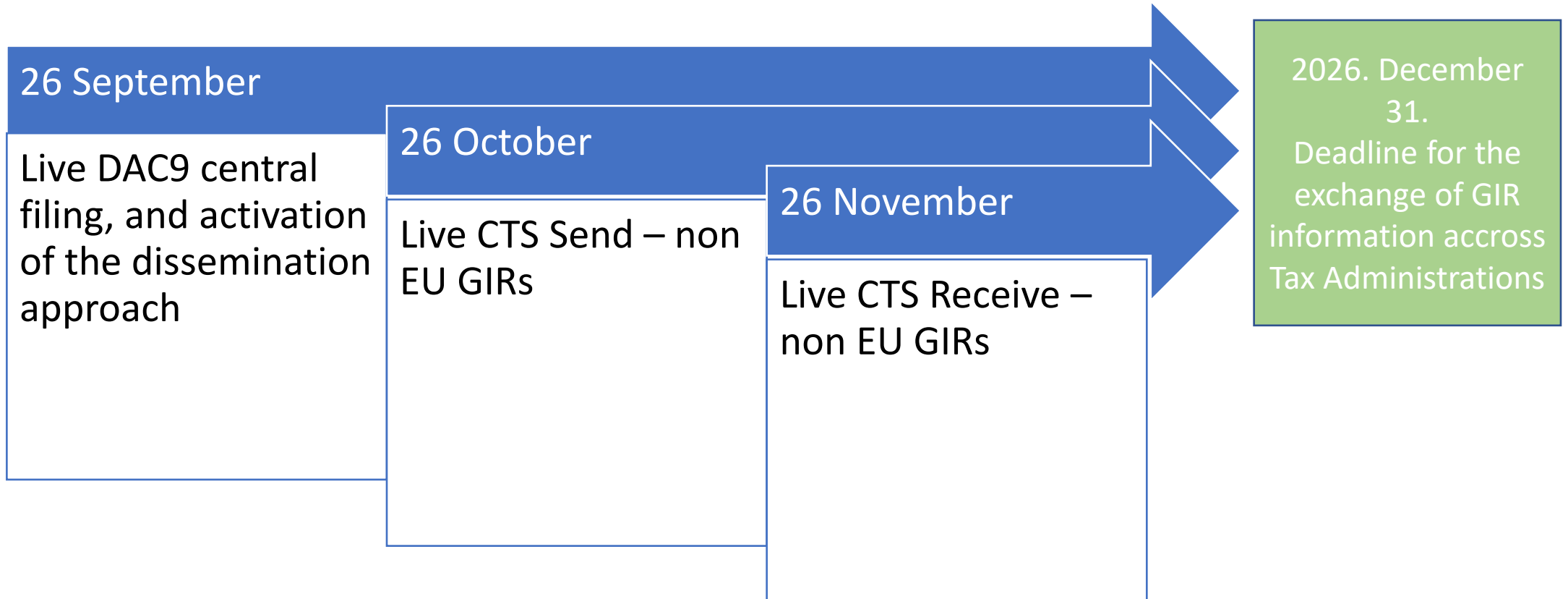
DAC9 Implementation – overall structure

- ❑ The electronic data exchange will take place in the IT framework named **ZENIT** a system developed by the Hungarian Tax Authority.
- ❑ It is a common platform with open source code to receive any data from anywhere in the future software to software.
- ❑ Built on the ZENIT system is DACentral – the common platform for data exchange between National Tax Authorities for data of any kind.
- ❑ DACentral receives DAC9 data in form of API software to software, or via XML import in case of local filing (GIR submission of local constituent entities and domestic UPEs to the National Tax Authority)

DAC9 – DACentral development timeline



DAC9 – DACentral development timeline



Challenges of DAC9 Implementation

- ❑ Administration burden on taxpayers

Challenging communication with tax payers, they are not willing to invest resources in compliance with DAC9

- ❑ Slow alignment of legal framework

How do you define DAC9 in the local legislation, given the M2M reporting

- ❑ Lack of IT resources

Difficulty to find the right IT Experts to involve on the project

- ❑ Lack of IT specification for the dissemination approach

The coding of the dissemination approach is challenging, a common solution is required

Challenges of DAC9 Implementation continued

❑ Introduction of new CTS 3.0

Different form of data sending and receiving of non-EU countries came into the picture relatively late causing an IT challenge

❑ Slow international communication

For a country being outside the TSI project, international communication is difficult

❑ New local IT software architecture and infrastructure

We have recently developed a new local IT software infrastructure and we have to harmonize DAC9 with this infrastructure

Application of the CbCR Safe Harbour

- ❑ Extension of the application of the CbCR SH to Fiscal Years beginning on or before 31 December 2027 but not including a Fiscal Year that ends after 30 June 2029. The Transition Rate for 2026 Fiscal Year will also apply to 2027 Fiscal Year.
- ❑ CbC Reporting data of the fiscal year 2024 are available in April 2026. This allows the auditing of the reported CbCR Safe Harbours for the fiscal year 2024 after 30 of June 2026.
- ❑ It is possible to cross-check the number of MNE Groups reported as well as the revenue figures they have applied for the CbCR Safe Harbour.

New Safe Harbours - Final Package of the Side-by-Side System 2026. January 5.

Side-by-Side System

a. Side-by-Side Safe Harbour

A jurisdiction has a Qualified SbS Regime if it

- i. has an eligible domestic tax system (at least a 20% statutory nominal corporate income tax (CIT) rate, there is a QDMTT or a corporate alternative minimum tax that is based on financial statement income at a nominal rate of at least 15%, no material risk that in-scope MNE Groups headquartered in the jurisdiction will be subject to an effective rate of tax below 15%)
- ii. has an eligible worldwide tax system has a comprehensive tax regime applicable to all resident corporations on foreign income and has no material risk that in-scope MNE Groups headquartered in the jurisdiction will be subject to an effective rate of tax below 15%
- iii. provides a foreign tax credit for QDMTTs on the same terms as any other creditable Covered Tax
- iv. enacted its eligible domestic tax system and eligible worldwide tax system prior to 1 January 2026 or the IF will assess the eligibility as a Qualified SbS Jurisdiction of any other IF jurisdiction once that jurisdiction initiates such a request to the IF in 2027 or 2028

New Safe Harbours - Final Package of the Side-by-Side System 2026. January 5.

b. UPE Safe Harbour

At the election of the Filing Constituent Entity, the Top-up Tax for the UPE Jurisdiction for a Fiscal Year shall be deemed to be zero for purposes of the UTPR where the Constituent Entities located in the UPE Jurisdiction are eligible for the UPE Safe Harbour. A jurisdiction has a Qualified UPE Regime if it has an eligible domestic tax system which was enacted and in effect as at 1 January 2026.

- i. at least a 20% statutory nominal corporate income tax (CIT) rate
- ii. a QDMTT or a corporate alternative minimum tax based on financial statement income, subject to appropriate adjustments consistent with the policy objectives of minimum taxation, at a nominal rate of at least 15%
- iii. no material risk that in-scope MNE Groups headquartered in the jurisdiction will be subject to an effective rate below 15%

Impact of the SbS Safe Harbour on the Pillar 2 System

- It is required to extend the GIR form with the SbS Safe Harbour for the fiscal year 2026
- GIR will have to be submitted also in case the SbS Safe Harbour applies
- The SbS Safe Harbour does not impact the QDMTT introduced locally in a specific jurisdiction
 - The GIR in this case will have to contain the calculations for the QDMTT

How does the GMT affect tax incentives after the Side-by-Side package?

- Role of QTIs** is to shift certain expenditure-based incentives from “more affected” to “less affected” status (subject to cap)
- MNE can elect to treat QRTCs or MTTCs as QTIs, where eligible
- QTIs are **expenditure-based** and certain **production-based** tax incentives that meet certain conditions. QTIs do not include income-based incentives.

How does the GMT affect tax incentives after the Side-by-Side package?

Expenditure-based QTIs:

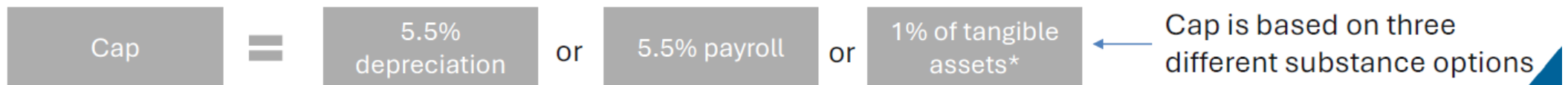
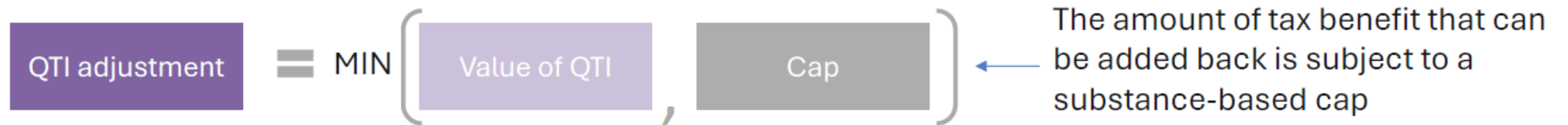
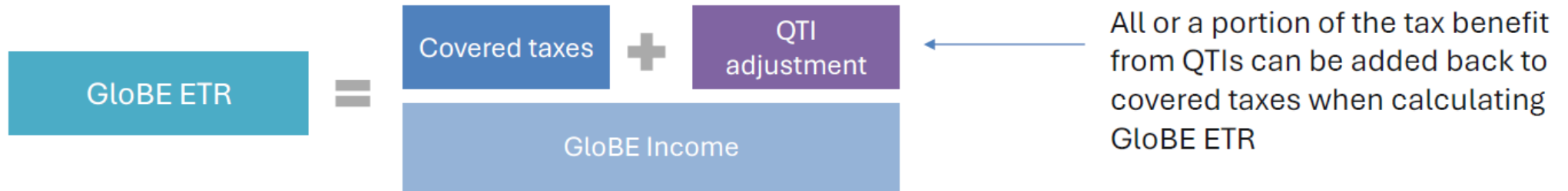
1. Tax relief expressed as a function of expenditure
2. Based on expenditure incurred (not planned)
3. Value of benefit does not exceed expenditure

Production-based QTIs:

1. Tax relief based on volume of production of tangible property (not value)
2. Or based on reduction in industrial by-products created during the production
3. Based on actual level of activity in jurisdiction (not outside, and not planned)

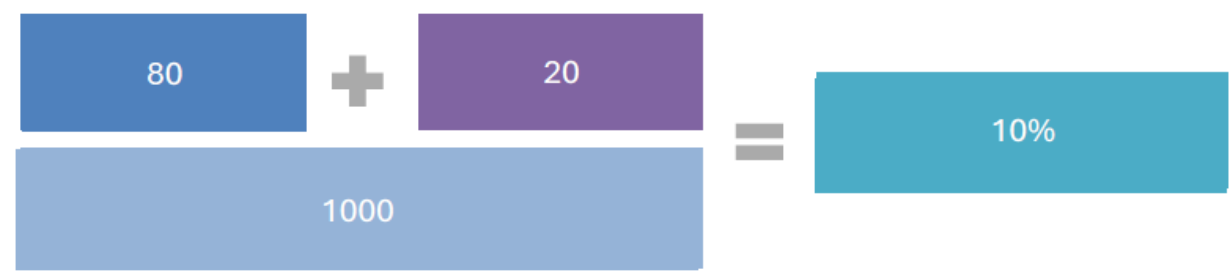
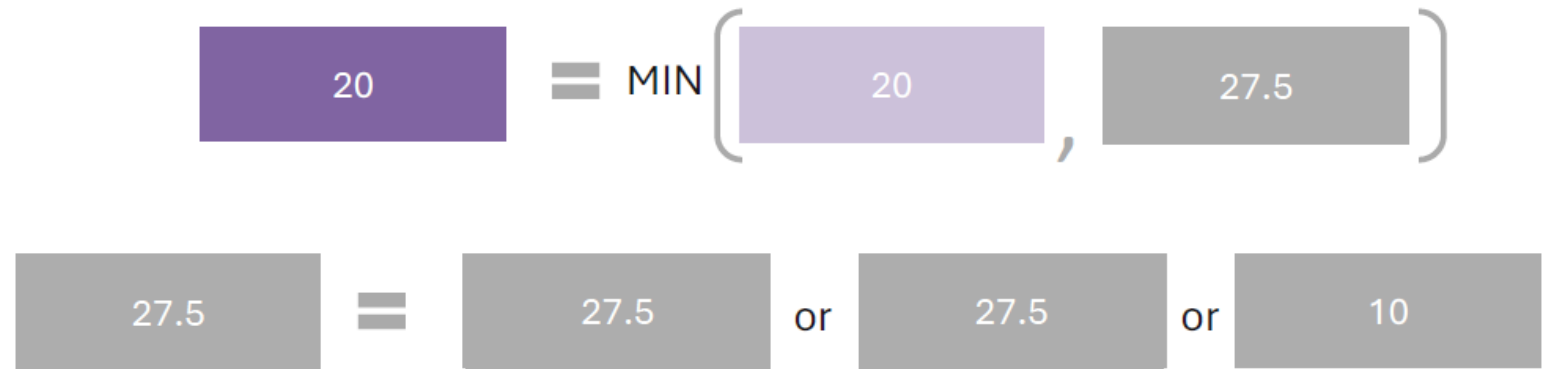
Both are related to covered tax and are generally available (not provided on a discretionary basis)

Calculation of the Top-up taxes with QTIs



Example for the calculation of Top-up taxes with QTI where there is a high substance

GloBE Income	1 000
CIT rate	10%
QTI	20
Covered taxes (pre-SH)	80
Tangible assets	1 000
Depreciation	500
Payroll costs	500



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Conclusion:

- ✓ Certain types of tax incentives, **such as tax holidays and reduced CIT rates, will be strongly affected by the GMT**, while other incentives will be unaffected
- ✓ Many aspects of **tax incentive design may nuance GloBE impacts** - Tax incentives linked to expenditure, production and substance are less affected
- ✓ May prompt **better tax incentive policy**



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Thank you for your attention!