



International Tax Update

Katy Wintle | 15 October 2026

Agenda

1. Background (Pillar Two)
2. Entity classification
3. Administrative Processes
4. Transitional CbC Safe Harbour
5. Side by Side Package
6. Other updates
7. Pillar Two – key takeaways

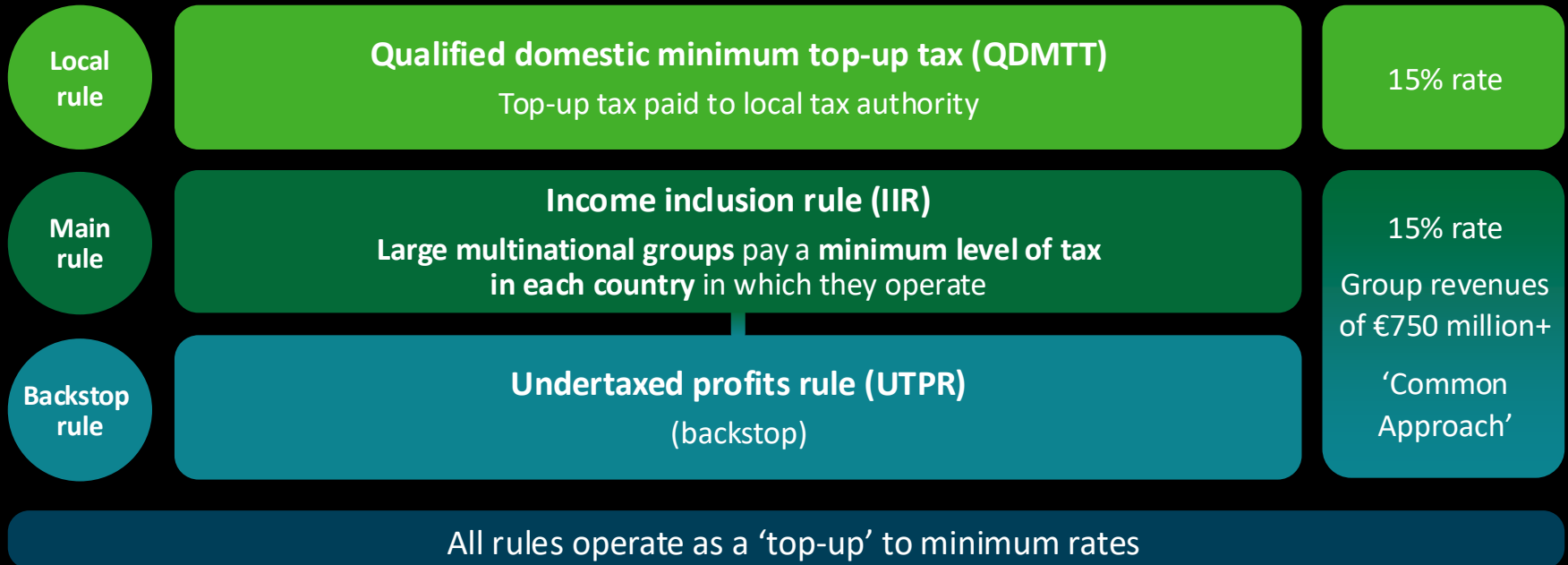
Background

- Pillar Two



Pillar Two Refresh

Key elements



Pillar Two - local implementation

Jersey and Guernsey comparison

Applicable for accounting periods commencing on or after 1 January 2025

Determines 'excess profits' by reference to the OECD Model Rules

Applies a 'top-up tax' to excess profits to apply a minimum rate of 15%

Acts in addition to Guernsey's zero-ten regime



Guernsey QDMTT
– applies to Guernsey entities of an MNE Group that is over the Pillar Two threshold



Jersey MCIT – applies to Jersey entities of an MNE Group that is over the Pillar Two threshold

Applicable for accounting periods commencing on or after 1 January 2025

15% rate of tax on GloBE income by reference to OECD Model Rules

Credits available for basic covered taxes and creditable blended CFC amount

Not a 'top-up' tax or QDMTT – entities are taken outside the scope of Jersey's zero-ten regime



Income Inclusion Rule (IIR) also introduced by both jurisdictions with effect from 1 January 2025

Entity Classification



Specific types of trust – Jersey MCIT

EBT concession (per TO website):

'Where an MNE group within the scope of the Multinational Corporate Income Tax (Jersey) Law 2025, has registered its Jersey constituent entities and all of these are Employee Benefit Trusts, the Comptroller's assumption is that the group will annually qualify for, and claim the de minimis exemption.

On this basis, and as an administrative easement, the Comptroller will not require these groups to file MCIT returns in cases where there will not be MCIT liability, and for the avoidance of doubt will not require them to file returns for income tax purposes as regards their own income either.'

JPUT exclusion (per TO website):

We are aware of difficulties which may arise due to, among other things, the categorisation of JPUTs as opaque or flow through entities under the laws of investor jurisdictions. To mitigate these complications, amongst others, Jersey intends to legislate to exclude JPUTs from the MCIT, effective January 2027.

Until this point, the Comptroller, by concession, will allow Groups to adopt this treatment for the MCIT for fiscal years ending before 31 December 2026.

A JPUT for the purposes of this exclusion, is:

1. A unit trust in which the unit holders are entitled to the income as it arises; and
2. A unit trust wherein at least 75% of its gross assets by value, held directly or indirectly, are immovable property, acquired to rent, or to be used for services ancillary to the trust's rental business.

As JPUTs are treated as excluded entities under the MCIT, MCIT registration is not required.

Administrative Processes



MCIT Compliance Processes



MCIT Portal now open – all MCIT compliance completed via this.



First MCIT returns due 31 December 2026



MCIT returns now available to be completed via the MCIT portal

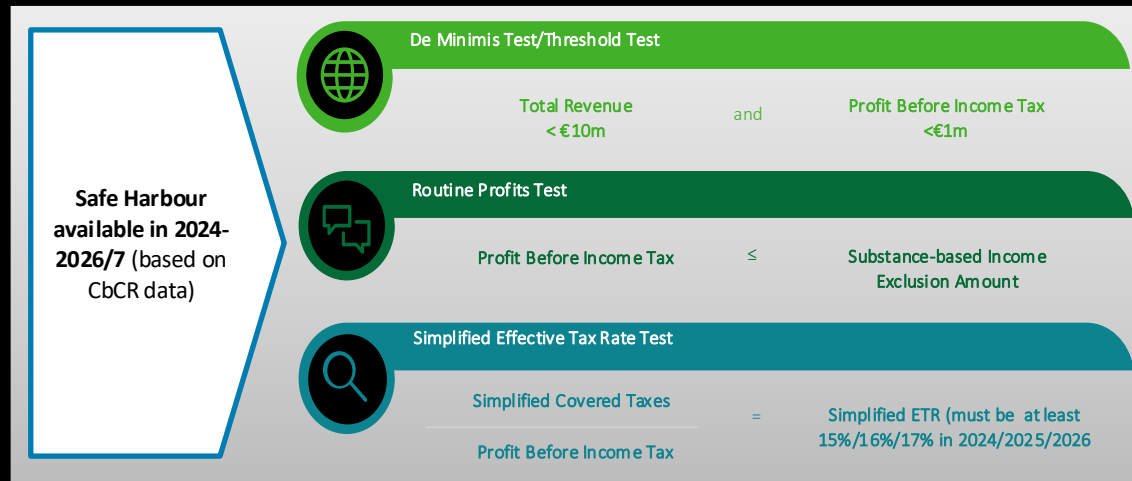


First IIR / GIR returns due 30 June 2027 – return to be released in due course.

Safe Harbours



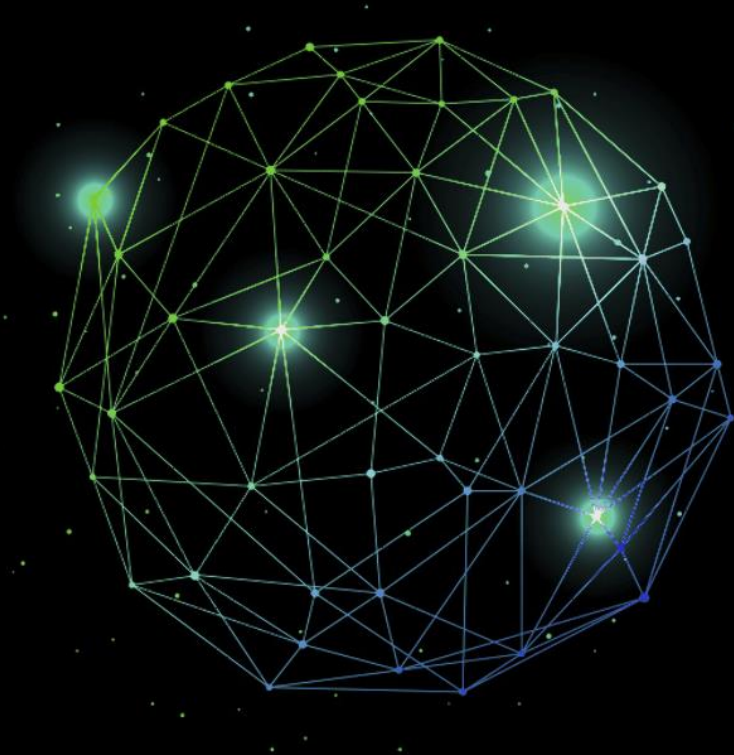
Transitional CbC Safe Harbour



Framework for further (permanent) safe harbours released in June 2024 – includes framework for QDMTT safe harbour.

Side by Side Package

- Released 5 January 2026 by the
OECD/G20 Inclusive Framework on BEPS



Side by Side Package

Seeks to reduce the compliance burden of the full GloBE rules where the calculation of a simplified ETR for a tested jurisdiction is at least 15%.

Simplified ETR Safe Harbour



Simplified ETR = simplified taxes / simplified income

Amounts based on financial data used to prepare the group's CFS.

Calculation rules include a small number of mandatory adjustments, plus other adjustments that are circumstance dependent / at the discretion of the group.

Side by Side Package

Side by Side Safe Harbour



No top-up tax payable under an IIR or UTPR if the UPE is located in a jurisdiction with a qualified SbS regime.



Does not apply to restrict QDMTTs or MCIT.



Qualified SbS regime:

- Eligible domestic tax system (minimal risk of tax below 15%);
- Eligible worldwide system (tax regime applicable to overseas income);
- Provides a foreign tax credit for QDMTTs on the same terms as other taxes;
- Enacted this system prior to 1 January 2026 (later enactments to be assessed with reference to a later date).

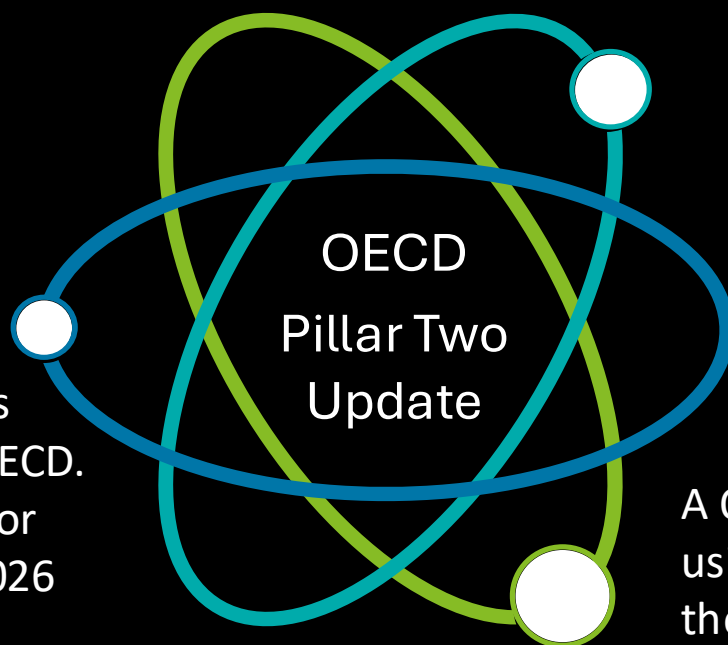
Inclusive framework will maintain a central record of jurisdictions with a qualified SbS regime. This currently confirms that the US has a qualified SbS regime.

Other Updates



OECD Release – September 2026

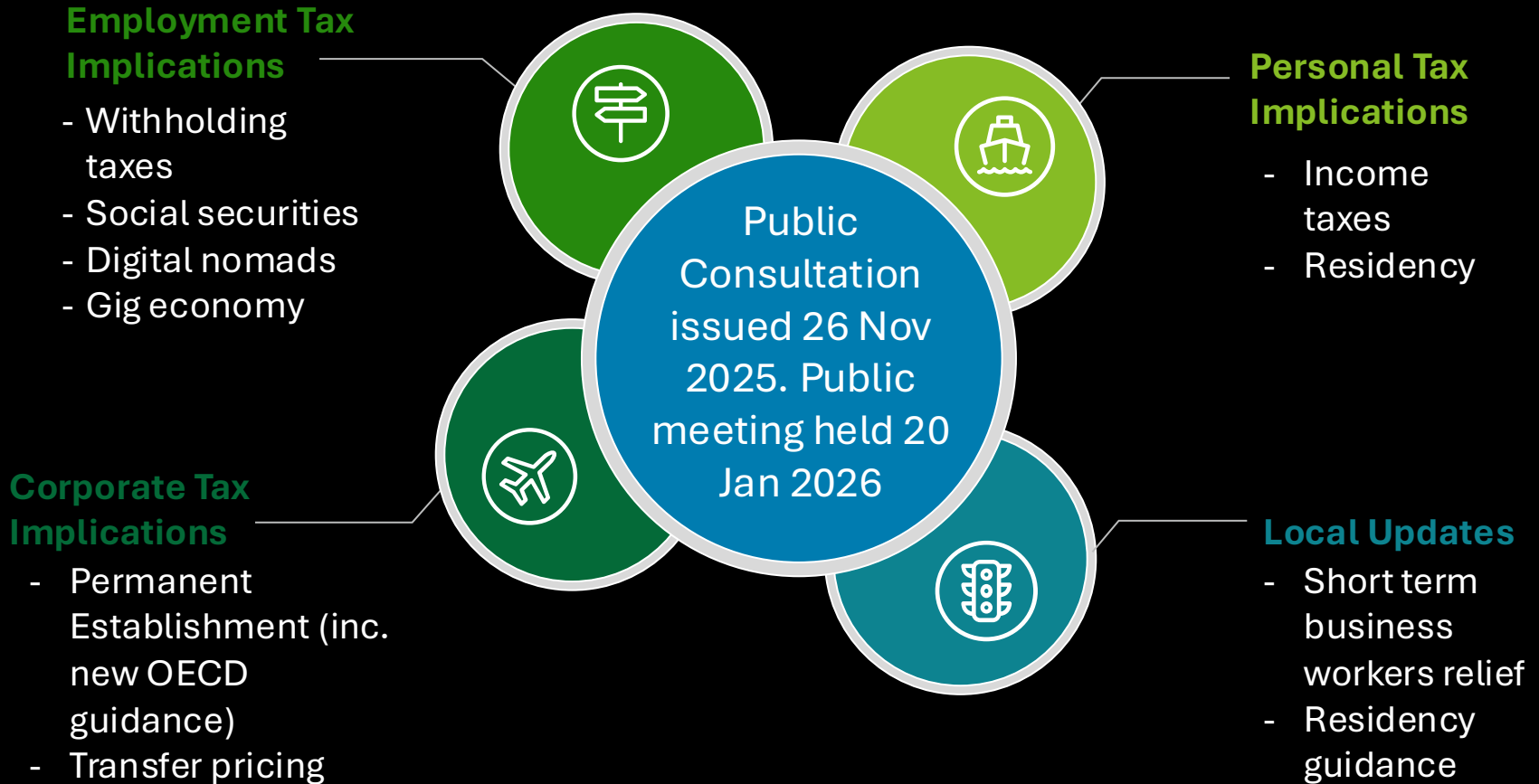
Guidance on ‘explicitly conditional taxes’ (e.g. only applicable if the group is subject to IIR / QDMTT), which should not be treated as covered taxes.



A new GIR template has been released by the OECD. This will be applicable for fiscal years ending in 2026 onwards.

A QDMTT can be calculated using local GAAP (instead of the UPE's financial accounting standard) provided certain conditions are met. Guidance on when local GAAP can be used if mismatching fiscal periods.

Global mobility – where are we now?



Tax Residence

UK First Tier Tribunal – 4 August 2026

Cogefin (Bermuda) Limited & Giuseppe Ciardi v HMRC

- Place of tax residence found to be UK due to central management and control.
- Key strategic decisions found not to have been made by the Bermudan resident directors.
- Indicators included settlor giving effective instructions, decisions being rubber stamped, and directors / third parties seeking approval from settlor for actions.

UK Company Distributions

HMRC published a consultation on 23 June 2026 entitled 'Modernising the taxation of distributions and repayments of capital from companies'

Key inclusions:

- Changes to treatment of reductions of capital and extension of the statutory demerger provisions.
- Alignment of treatment of distributions from UK and non-UK resident companies.
- Review of interactions between debt, loans and the distributions legislation.
- Treatment of loans from non-UK resident companies to UK individuals.
- Updated 'transactions in securities' rules.

Consultation closed on 14 September.

Pillar Two – key takeaways



Pillar Two - Key takeaways

01

New deadlines / processes for tax filing in both Jersey and Guernsey need to be considered

02

Local transactions may have wider group implications

03

Consistency of group data - new software / processes may need to be navigated

04

Transitional safe harbours may not be available – new rules may need to be navigated

05

New ways of working need monitoring to ensure tax implications fully understood.



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