Split ownership and minority shareholding under Pillar Two

The introduction of the GloBE rules under Pillar Two has forced groups with split ownership chains and partially owned intermediaries to reconsider long-settled assumptions about how much low-taxed income can, in principle, be drawn into a global minimum tax base. While the core mechanics of the Income Inclusion Rule (IIR) and the Qualified Domestic Minimum Top-up Tax (QDMTT) are relatively straightforward at the level of wholly-owned subsidiaries, the position becomes considerably less transparent where low-taxed entities are held through partially owned intermediate companies. In such cases, the interaction between the GloBE Model Rules and the ownership structure raises two central questions:

- to what extent may an implementing jurisdiction that hosts a Partially Owned Parent Entity (POPE) collect Top-up Tax on a low-taxed constituent entity's income; and
- does a residual "minority slice" of top-up tax remain structurally outside the Pillar Two net?

The present case study addresses this question in a stylized group involving an Omani intermediate parent, a low-taxed entity in Panama, and external minority investors, and seeks to reconcile the literal wording of the Model Rules with the approach suggested in the OECD Commentary and illustrative examples.

Facts

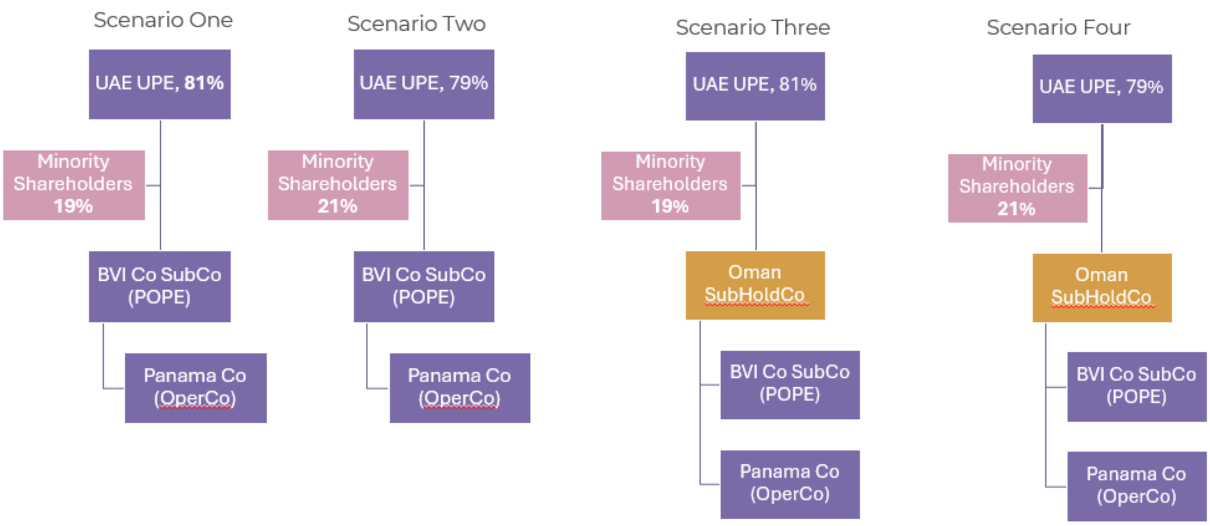
An MNE group is ultimately owned by UAE HoldCo, resident in the United Arab Emirates (UAE). The UAE has implemented a QDMTT that applies only to UAE-jurisdiction income and has not implemented an IIR. By contrast, Oman has implemented an IIR that follows the GloBE Model Rules structure.[1]

The group prepares consolidated financial statements under an Acceptable Financial Accounting Standard (assume IFRS) and consolidates all entities over which UAE HoldCo has control. The group's structure involves a low-taxed entity in Panama ("PanamaCo") with GloBE Income of 100 and zero Covered Taxes in the relevant Fiscal Year. Absent any DMTT or IIR, PanamaCo would give rise to a **jurisdictional top-up tax of 15** (100 × 15%).

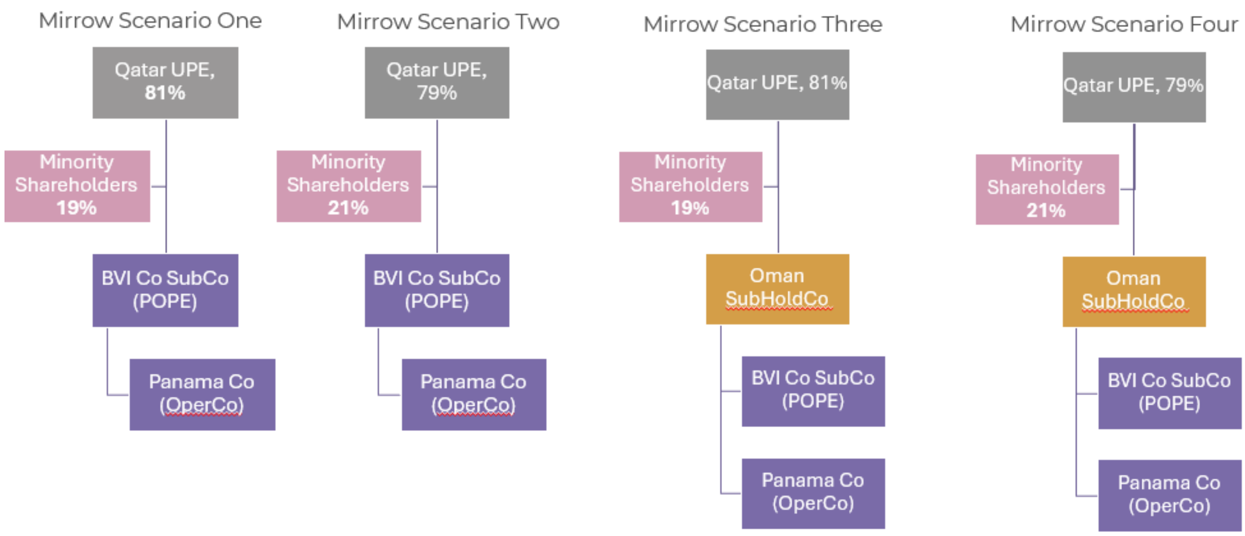
[1] Oman Sultani Decree No. 70/2024 On the Promulgation of the Law of the Top-Up Tax on Constituent Entities of Multinational Groups

Four ownership structures are examined:

- Scenario 1: UAE HoldCo (UPE) directly owns 81% of BVI Co, an entity in a no-tax jurisdiction with no Pillar Two implementation. The remaining 19% of BVI Co is held by an external, non-Group investor. BVI Co owns 100% of PanamaCo. Neither BVI nor Panama has IIR or DMTT.
- Scenario 2: UAE HoldCo owns 81% of OmanCo. An external investor holds 19% of OmanCo. OmanCo owns 100% of BVI Co, and BVI Co owns 100% of PanamaCo. Oman has implemented a Qualified IIR; BVI and Panama have not.
- Scenario 3: UAE HoldCo owns 79% of BVI Co; an external investor holds 21%. BVI Co owns 100% of PanamaCo. Because more than 20% of its equity is held by non-Group persons and it has a subsidiary. BVI's jurisdiction has not implemented an IIR.
- Scenario 4: UAE HoldCo owns 79% of OmanCo. An external investor holds the remaining 21%. OmanCo owns 100% of BVI Co. BVI Co owns 100% of PanamaCo. OmanCo is a POPE (more than 20% of its equity is held by non-Group persons and it indirectly owns an LTCE). Oman has implemented a Qualified IIR; BVI and Panama have not.



For comparative purposes, four mirror scenarios are also should be considered in which UAE HoldCo is replaced by Qatar HoldCo as the Ultimate Parent Entity. Qatar HoldCo is assumed to be resident in Qatar that has implemented an IIR, while all other elements of the structure (OmanCo, BVI Co, PanamaCo, percentage holdings and the absence of IIR in BVI and Panama) remain unchanged. These mirror cases (Scenarios 1Q–4Q) allow us to contrast the outcomes where the UPE is located in a jurisdiction that has not introduced an IIR (UAE) with those where the UPE is located in a jurisdiction that has introduced an IIR (Qatar), and to illustrate how much of the Top-up Tax on PanamaCo is collected at the UPE level versus at the level of intermediate parents.



Question

How should the potential Top-up Tax of 15 on the low-taxed income of PanamaCo be allocated and collected under the GloBE Model Rules across Scenarios 1–4 and the mirror Scenarios 1Q–4Q, having regard to:

1) the absence (UAE) or presence (Qatar) of a Qualified IIR in the jurisdictions of the UPE and introduction of IIR in Oman,
2) the classification of BVI Co and OmanCo as Parent Entities or Partially-Owned Parent Entities (POPEs), and the resulting Inclusion Ratios, and
3) the extent to which the portion of Top-up Tax economically attributable to external minority investors (the "minority slice") can be brought within, or remains structurally outside, the Pillar Two net in each of the ownership splits (81/19 and 79/21).

Executive Summary

1) In the absence of any IIR in the ownership chain (UAE as UPE, Scenarios 1 and 3), the potential Top-up Tax of 15 on PanamaCo remains entirely uncollected, even though PanamaCo is fully consolidated. Both the group's share and the "minority slice" lie outside any effective Pillar Two charge.
2) Where only Oman has implemented a Qualified IIR (UAE as UPE, Scenarios 2 and 4), Oman's IIR collects the full 15 of Top-up Tax, drawing external minority investors in OmanCo into the Pillar Two net indirectly regardless of which is an ownership split (79/21 of 81/19).
3) When the UPE itself is in an IIR jurisdiction (Qatar as UPE, mirror Scenarios 1Q and 3Q), but there is no intermediate IIR, the UPE pays IIR only on the group's proportional share (12.15 or 11.85), and the external "minority slice" (2.85 or 3.15) remains permanently outside the GloBE system.
4) The critical structural distinction arises once both the UPE and an intermediate Parent are in IIR jurisdictions and the intermediate Parent qualifies as a POPE (79/21 split, mirror Scenario 4Q):

- The POPE's jurisdiction is allowed to levy IIR on 100% of PanamaCo's Top-up Tax, with any UPE-level IIR fully offset. In the corresponding 81/19 configuration (mirror Scenario 2Q), where OmanCo is not a POPE, only the group's 81% share is charged at the UPE level and the minority slice remains untaxed.
- Accordingly, the movement from 81/19 to 79/21 does not change the group's economic interest in PanamaCo, but it deprives OmanCo of POPE status. This change converts what would otherwise be an uncollectable "minority slice" of Top-up Tax into an amount that is actually collected in the POPE's jurisdiction.

ANALYSIS

The conclusions set out above are not asserted axiomatically but follow from a sequential application of the GloBE Model Rules to the fact patterns described. In the bellow analysis, we first outline the relevant legal framework governing Parent Entities, Partially-Owned Parent Entities, Inclusion Ratios and Allocable Shares, as well as the interpretative guidance contained in the OECD Commentary and Examples. We then apply these provisions to the four scenarios at hand, showing step by step how the interaction between ownership structure, the presence or absence of an IIR in particular jurisdictions, and the POPE rules leads to the outcomes summarized above, including the circumstances in which a "minority slice" of Top-up Tax remains outside the Pillar Two net and those in which it is effectively triggered at the level of an intermediate parent.

Legal background

Article 2.1.1 of the GloBE Model Rules sets out the basic IIR, under which "*the Ultimate Parent Entity of an MNE Group… that owns (directly or indirectly) an Ownership Interest in a Low Taxed Constituent Entity [LTCE] … shall pay a tax in an amount equal to its Allocable Share of the Top-Up Tax of that LTCE*". Articles 2.1.2 and 2.1.3 introduce a top-down allocation rule, which ordinarily requires the IIR to be applied first by the UPE and then, where the UPE's jurisdiction does not implement an IIR, by intermediate parents in a jurisdiction that does.

Article 2.1.4 then provides a special rule for Partially-Owned Parent Entities (POPEs). It states that, notwithstanding Articles 2.1.1–2.1.3, a POPE located in the implementing jurisdiction that owns, directly or indirectly, an Ownership Interest in an LTCE "*shall pay a tax in an amount* ***equal to its Allocable Share*** *of the Top-Up Tax of that Low-Taxed Constituent Entity*". A POPE is defined in Article 10.1.1 as a Constituent Entity that:

(a) "*owns (directly or indirectly) an Ownership Interest in another Constituent Entity of the same MNE Group; and*

(b) *has* ***more than 20%*** *of the Ownership Interests in its profits* ***held*** *directly or indirectly* ***by persons that are not Constituent Entities of the MNE Group***".

The OECD Commentary[2] to Article 2 explains that these provisions "*apply to so-called "split-ownership structures", where some of the LTCEs have a significant (i.e. more than 20%) minority interest holder outside the MNE Group. In this case, the GloBE Rules depart from the top-down approach and instead require a POPE to apply the IIR notwithstanding that it is in a lower-tier of the ownership chain*".[3] Pursuant to para 9 of this Commentary "*The split-ownership rules operate as an exception to the top-down approach, in that the POPE has priority to apply the IIR irrespective of whether the UPE is also applying a Qualified IIR. This means that the Qualified IIR can apply more than once with respect to the same LTCE. To avoid double taxation, the UPE (or next tier Intermediate Parent Entity, if the UPE is not applying the IIR) will then reduce its Top up Tax liability with respect to any portion of the Top-up Tax that would be charged to the POPE under a Qualified IIR in accordance with Article 2.3*". So, the IIR is an attribution rule applied at the level of Parent Entities, with POPEs treated as "priority parents" in their own jurisdictions where local law so provides.

Paragraph 8 of the Commentary emphasises that "*the rules applicable to split-ownership structures are designed to address the potential for leakage under the GloBE Rules without imposing a disproportionate tax burden on the MNE Group in respect of the low-taxed income that is beneficially owned by the minority*". To illustrate this point, the Commentary offers a simple example. Suppose the UPE owns 60% of a Parent Entity, while 40% is held by external minority investors, and this Parent Entity in turn owns 100% of an LTCE. If only the basic IIR in Article 2.1.1 were applied, the UPE would be required to pay IIR on 60% of the LTCE's Top-up Tax, consistent with its economic interest. However, the remaining 40%, economically attributable to the minority, would fall entirely outside the IIR, even though the LTCE's income is fully consolidated for financial accounting purposes. This "minority slice" would therefore escape the GloBE charge altogether.

The Commentary notes that such leakage is not merely a theoretical concern. In the absence of further rules, an MNE Group could deliberately create or expand minority interests (e.g., by partially spinning off subsidiaries to existing shareholders) to reduce the portion of the LTCE's income that is subject to the UPE's IIR. This would undermine the integrity of the minimum-tax framework by allowing structures to be engineered in a way that shields substantial amounts of low-taxed income from the GloBE Rules.

To counteract this, the GloBE architecture introduces the POPE rule in Article 2.1.4. Rather than requiring the UPE to pay Top-up Tax on income beneficially owned by minority investors, Article 2.1.4 requires the POPE itself (if located in an IIR jurisdiction) to apply the IIR to its Allocable Share of the LTCE's Top-up Tax. In the 60/40 example, this means the POPE would be liable for the

[2] OECD (2025), *Tax Challenges Arising from the Digitalisation of the Economy – Consolidated Commentary to the Global Anti-Base Erosion Model Rules (2025): Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, https://doi.org/10.1787/a551b351-en.
[3] Paragraph 7.

remaining 40%, ensuring that the overall GloBE burden is borne proportionately by the economic owners. The rule thereby neutralizes the leakage and prevents distortions, while respecting the economic split between the majority and minority owners.

Allocable Share and Inclusion Ratio

Article 2.2.1 defines "*a Parent Entity's Allocable Share*" of the LTCE's Top-up Tax as the Top-up Tax of the LTCE "*multiplied by the Parent Entity's Inclusion Ratio for that LTCE*".

Article 2.2.2 defines the Inclusion Ratio as the ratio of:

- the LTCE's GloBE Income "*reduced by the amount of such income attributable to Ownership Interests held by other owners*", to
- the LTCE's total GloBE Income.

Article 2.2.3 explains how to determine the amount of GloBE Income attributable to "*other owners*". This is done by constructing hypothetical consolidated financial statements (para (a)) in which:

b) the Parent is assumed to own a controlling interest in the LTCE and to consolidate it line by line;

c) all of the LTCE's income is deemed to arise from dealings with non-Group persons; and

d) any Ownership Interests in the LTCE that are not directly or indirectly held by the Parent are treated as held by persons other than Group Entities.

The portion of the LTCE's GloBE Income that would be attributable to such "other owners" under the principles of the applicable accounting standard is then used to reduce the numerator of the Inclusion Ratio.

The OECD Commentary to Article 2.2.2 explains that "*where a subsidiary is wholly owned, the Inclusion Ratio will always be 1 and no additional computations are required*".[4]

OECD Examples 2.3.2-1 and 2.2.3-1 illustrates that the Inclusion Ratio is computed for each Parent–LTCE pair and that different parents (for example, a POPE and a UPE) may therefore have different Inclusion Ratios in respect of the same LTCE.[5] The Commentary also describes, and the OECD Examples illustrate, an IIR offset mechanism under which any Top-up Tax actually paid by a lower-tier Parent reduces the IIR liability of higher-tier Parents in respect of the same LTCE, ensuring that the same portion of GloBE Income is not subjected to IIR twice.

[4] Para 29, comment to Article 2.2.2.

[5] OECD (2025), Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two) Examples, OECD, Paris; available via link.

Scenarios without Intermediate IIR: 81/19 and 79/21 without Oman IIR

Although the focus of this note is the case where Oman has implemented a Qualified IIR, it is helpful to begin from the baseline in which no jurisdiction in the structure has an IIR, and the UAE has only a QDMTT that applies to UAE-jurisdiction income. In such a baseline, the analysis in Scenarios 1 and 3 (the split at BVI level) is conceptually straightforward, and it is important to distinguish between:

(i) the notional Inclusion Ratio and Allocable Share that would arise if an IIR were applied and

(ii) the actual absence of any IIR charge in the structure as it presently stands.

In Scenario 1, UAE HoldCo owns 81% of BVI Co, BVI Co owns 100% of PanamaCo, and an external investor owns 19% of BVI Co. BVI Co and PanamaCo are fully consolidated in the UPE's financial statements. For the UPE–PanamaCo pair, the hypothetical consolidation under Article 2.2.3 would attribute 81% of PanamaCo's GloBE Income to the UPE and 19% to the external investor, reflecting the economic ownership in the consolidated structure. The UPE's Inclusion Ratio in PanamaCo would therefore be 0.81, and its Allocable Share of PanamaCo's Top-up Tax (15) would be 15 × 0.81 = 12.15 if an IIR were in force in the UPE's jurisdiction.

The remaining 2.85 would correspond to the external investor's 19% interest and would not be allocated to any Parent Entity within the UAE group. Given that the external investor holds a non-controlling stake below 50%[6] and does not consolidate BVI Co, BVI Co and PanamaCo cannot be Constituent Entities or GloBE Joint Ventures of any MNE group headed by that investor. Accordingly, this "minority slice" of the Top-up Tax would, even in the presence of an IIR, remain structurally outside the Pillar Two net.

In the actual legal environment, however, there is currently no IIR introduced at any level in the chain. Thus, neither the notional 12.15 attributable to the UAE HoldCo nor the 2.85 minority slice is in fact collected. The entire 15 of Top-up Tax on PanamaCo remains uncollected.

In Scenario 3, UAE HoldCo owns 79% of BVI Co and an external investor owns 21% of BVI Co. BVI Co owns 100% of PanamaCo and now qualifies as a POPE because more than 20% of its equity is held by non-Group persons. BVI's jurisdiction has not implemented an IIR.

- If an IIR were applied at the level of the UPE, the Inclusion Ratio for the UPE–PanamaCo pair would be 0.79, so the UPE's Allocable Share would be 15 × 0.79 = 11.85, while the 3.15 corresponding to the external 21% interest would again fall outside the scope of any IIR:

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[6] The 50% ownership threshold is required for an entity to qualify as a GloBE Joint Venture under the Model Rules. A GloBE JV is treated as a deemed UPE for purposes of computing a separate "JV MNE Group", and its owners apply the special JV rules rather than treating the entity as a normal constituent entity or equity-accounted entity.

- The external investor does not consolidate BVI Co and cannot treat BVI Co or PanamaCo as Constituent Entities or GloBE Joint Ventures.
- In the actual structure there is no IIR in BVI's jurisdiction. Thus, the fact that BVI Co is a POPE has no fiscal effect. It merely identifies BVI Co as a Parent that would be obliged to apply Article 2.1.4 if its jurisdiction were to introduce an IIR in future.

These two scenarios illustrate:

1) the concept of an "external minority slice" which, by design, lies outside any MNE group's Pillar Two perimeter where the relevant interests are non-controlling and below the GloBE joint venture threshold, and
2) the point that in the absence of any IIR in the ownership chain, even the group's own share of the Top-up Tax remains uncollected. The Inclusion Ratio and Allocable Share can still be computed as analytical tools, but they do not translate into an actual tax charge until an IIR is implemented in at least one jurisdiction where a Parent Entity is located.

The mirror scenarios in which UAE HoldCo is replaced by Qatar HoldCo illustrate how the analysis changes once the UPE itself is resident in an IIR jurisdiction, even though no intermediate jurisdiction in the ownership chain has implemented an IIR:

- **In mirror Scenario 1Q** (81/19 via BVI), Qatar HoldCo, as UPE, would have an Inclusion Ratio of 0.81 in PanamaCo under Article 2.2.2, and, because Qatar has a Qualified IIR, it would in fact be required under Article 2.1.1 to pay IIR equal to 15 × 0.81 = 12.15. The remaining 2.85 corresponding to the external 19% interest in BVI Co would still, for the reasons set out above, remain structurally outside the Pillar Two net, as the external investor does not consolidate BVI Co and cannot treat BVI Co or PanamaCo as Constituent Entities or GloBE Joint Ventures.
- In mirror Scenario 3Q (79/21 via BVI, BVI as POPE but still in a non-IIR jurisdiction), Qatar HoldCo would have an Inclusion Ratio of 0.79 in PanamaCo and would be required to pay IIR of 15 × 0.79 = 11.85. The Top-up Tax attributable to the external 21% stake (3.15), would again remain uncollected. Thus, when the UPE is located in an IIR jurisdiction (Qatar), the group's own share of the Top-up Tax on PanamaCo (81 or 79 per cent, as the case may be) is actually collected at the UPE level in the absence of any intermediate IIR. By contrast, where the UPE is located in a QDMTT-only jurisdiction with no IIR (UAE), even that group share remains uncollected.

Introducing Oman's IIR: Scenario 2 (81/19) and Scenario 4 (79/21, POPE)

Once Oman is assumed to have implemented a Qualified IIR, the analysis changes materially in any structure in which an Omani Parent has an Ownership Interest in an LTCE.

Scenario 2: 81/19 at Oman level, Oman as Parent with IIR

In Scenario 2, UAE HoldCo owns 81% of OmanCo, an external investor owns 19%, and OmanCo owns 100% of BVI Co, which owns 100% of PanamaCo. OmanCo is a Parent Entity for purposes of Article 2.1.1, but because only 19% of its equity is held by non-Group persons it is not a POPE within Article 1.3.2.

From the perspective of the UAE group, all of OmanCo, BVI Co and PanamaCo are Constituent Entities, where PanamaCo and BVI Co are LTCEs. Applying Article 2.1.3's top-down allocation, the UPE's jurisdiction (the UAE) does not have an IIR. The highest intermediate Parent in a jurisdiction with an IIR is OmanCo. Under the top-down rule and the Commentary's discussion of "designated parents", Oman's IIR becomes the primary IIR for this chain.

The Inclusion Ratio must now be computed for the OmanCo–PanamaCo and OmanCo-BVICo pairs. In the hypothetical consolidation required by Article 2.2.3, OmanCo is deemed to own a controlling interest in PanamaCo and BVICo and to consolidate them line by line. All Ownership Interests in PanamaCo and BVICo that are "not directly or indirectly held by OmanCo" are treated as held by persons other than Group Entities. In the actual structure, OmanCo firectly holds 100% of BVICo and indirectly 100% of PanamaCo (through BVI Co). There are no Ownership Interests in PanamaCo held by outsiders. Consequently, the amount of PanamaCo's GloBE Income attributable to "other owners" for purposes of Article 2.2.2 is zero. The Inclusion Ratio for OmanCo in PanamaCo is therefore 1.00.

Under Article 2.2, OmanCo's Allocable Share of PanamaCo's Top-up Tax is $15 \times 1 = 15$. Article 2.1.1, as modified by the top-down rule, then requires Oman's jurisdiction to impose IIR on OmanCo in the amount of 15, subject to any credit for Covered Taxes, which are assumed to be nil. The external 19% investor in OmanCo bears, indirectly, 19% of this additional tax through reduced post-tax earnings of OmanCo. From the standpoint of the GloBE architecture, however, the entire 15 of Top-up Tax relating to PanamaCo has been collected once in Oman.

The OECD Commentary on Article 2, as well as the OECD's examples dealing with intermediate parents in IIR jurisdictions, support this reading: where the UPE's jurisdiction has no IIR but an intermediate Parent's jurisdiction does, that intermediate Parent applies the IIR to its Allocable Share, and higher-tier parents must reduce their own IIR by the amount collected below. In Scenario 2, UAE HoldCo would have an Inclusion Ratio of 0.81 in PanamaCo and, if the UAE were in future to introduce a Qualified IIR, any IIR liability computed at the level of UAE HoldCo would, under the IIR offset mechanism, be reduced to nil by the Top-up Tax already collected in Oman, so that no further IIR could be imposed in the UAE. At present, however, the UAE has not implemented an IIR, with the result that only Oman's IIR can operate in practice in respect of PanamaCo's income.

This scenario therefore shows that, once a non-POPE Parent in an IIR jurisdiction holds 100% (directly or indirectly) of an LTCE, its Inclusion Ratio in that LTCE can be 1.00 and it can be required to pay IIR on 100% of the LTCE's

Top-up Tax. External minority investors in that Parent are thereby drawn into the Pillar Two net indirectly.

Scenario 4: 79/21 at Oman level, Oman as POPE with IIR

Scenario 4 is structurally similar, but with 79/21 at the level of OmanCo. UAE HoldCo holds 79% of OmanCo, and an external investor holds 21%. OmanCo owns 100% of BVI Co and thereby 100% of PanamaCo. Because more than 20% of its Ownership Interests are held by non-Group persons, OmanCo is a Partially-Owned Parent Entity under Article 10.1.1.

From a GloBE perspective, OmanCo is a POPE under Article 2.1.4. The UPE's jurisdiction (UAE), still has no IIR, while Oman does. The top-down rule would in any event identify OmanCo as the first Parent in a jurisdiction with IIR. Article 2.1.4 strengthens this conclusion by providing that, notwithstanding the general top-down ordering, a POPE in the implementing jurisdiction that owns, directly or indirectly, an Ownership Interest in an LTCE "shall pay" tax equal to its Allocable Share.

The computation of the Inclusion Ratios for the OmanCo–PanamaCo and OmanCo-BVICo pairs proceed in the same way as in Scenario 2. OmanCo owns 100% of PanamaCo and BVICo. In the hypothetical consolidation under Article 2.2.3, there are no Ownership Interests in PanamaCo and BVICo that are not directly or indirectly held by OmanCo. Thus, the amount of the LTCE's GloBE Income attributable to "other owners" is zero, and OmanCo's Inclusion Ratio in them is again 1.00.

By Article 2.2.1, OmanCo's Allocable Share of its subsidiaries' Top-up Tax is 15. By Article 2.1.4, as reflected in Oman's domestic IIR, OmanCo "shall pay" IIR equal to this Allocable Share. The OECD Commentary on Partially-Owned Parent Entities and the OECD Examples on POPEs and LTCEs are drafted on this premise: in a structure where a POPE located in an IIR jurisdiction indirectly owns 100% of an LTCE, the POPE jurisdiction collects the full Top-up Tax on that LTCE, and higher-tier parents, including the UPE, must reduce any IIR they would otherwise impose by the amount collected at the POPE level.

Under these conditions, 100% of the Top-up Tax referable to PanamaCo and BVICo is collected once in Oman. The economic burden falls pro rata on all equity holders in OmanCo, including the external 21% investor, even though the external investor is not itself an in-scope MNE group.

In **mirror Scenario 2Q**, Qatar HoldCo is resident in an IIR jurisdiction and would, taken in isolation, have an Inclusion Ratio of 0.81 in PanamaCo and BVICo. OmanCo, although also in an IIR jurisdiction and holding 100% of PanamaCo, does not qualify as a POPE in the 81/19 structure (non-Group ownership does not exceed 20%). In this configuration the general top-down ordering rule directs the IIR to be applied at the level of the UPE, and OmanCo's notional Inclusion Ratio of 1.00 in PanamaCo does not give rise to a separate GloBE IIR charge at the Omani level.

Qatar HoldCo therefore pays IIR of 15 × 0.81 = 12.15, and the portion of Top-up Tax economically attributable to the external 19% interest (15 × 0.19 =

2.85) remains uncollected, just as it would have if PanamaCo had been held directly.

In Mirror Scenario 4Q with split of ownership of 79/21 at the level of OmanCo, OmanCo qualifies as a POPE under Article 1.3.2. This produces a different aggregate result by virtue of Article 2.1.4:

- As a POPE located in an IIR jurisdiction and owns 100% of PanamaCo, OmanCo has an Inclusion Ratio of 1.00 in PanamaCo. Article 2.1.4 requires it to pay IIR equal to its Allocable Share of the Top-up Tax, i.e. the full 15.
- Qatar HoldCo's potential IIR on PanamaCo (15 × 0.79 = 11.85) is then fully eliminated by the offset of the amount allocable to Qatar HoldCo that has already been collected in Oman.

In this POPE configuration, all 15 of Top-up Tax on PanamaCo are collected via the charge to OmanCo, and there is no higher-tier parent that can offset or relieve the portion economically attributable to the external 21%.

The comparison between the UAE and Qatar variants of Scenarios 2 and 4 thus shows:

1) the substantial change in collectible Top-up Tax in the 81/19 case arises from the introduction of an IIR in Oman, which allows OmanCo (even though it is not a POPE) to be charged on 100% of PanamaCo and BVICo Top-up Tax by virtue of its 1.00 Inclusion Ratio; and

2) The contrast between the 81/19 and 79/21 structures is substantial. In the 81/19 case, OmanCo does not qualify as a POPE and the IIR is applied at the level of the UPE (Qatar HoldCo) with an Inclusion Ratio of 0.81, so that only 12.15 (15 × 0.81) of Top-up Tax on PanamaCo is actually collected and the "minority slice" of 2.85 (15 × 0.19) remains permanently outside the Pillar Two net.[7]

   In the 79/21 case, by contrast, OmanCo does qualify as a POPE under Article 10.1.1 and, with an Inclusion Ratio of 1.00 in PanamaCo, is charged under Article 2.1.4 on the full 15 of Top-up Tax, including the portion economically attributable to the external 21 per cent. IIR that would arise at the level of Qatar HoldCo (11.85, i.e. 15 × 0.79) is fully extinguished by the offset of equal amount of allocable share of Omani IIR charge.

   In other words, moving from 81/19 to 79/21 does not alter the group's economic interest in PanamaCo, but it changes the GloBE classification of OmanCo and thereby converts what would otherwise be an uncollectable "minority slice" into Top-up Tax that is actually collected in Oman.

[7] The same outcome would arise with respect to any GloBE Income that may be undertaxed in BVI Co. Throughout this analysis, PanamaCo is used as the representative low-taxed entity for clarity of exposition, but all conclusions apply mutatis mutandis to BVI Co wherever BVI Co also constitutes an LTCE.

Comparison of Outcomes and Doctrinal Implications

With Oman's implementation of a Qualified IIR and the Qatar mirror cases added, the various scenarios can now be contrasted more systematically.

In **Scenario 1** (UAE UPE, 81/19 via BVI, no IIR in any jurisdiction), Pillar Two does not impose any IIR on PanamaCo and BVICo income. A QDMTT in the UAE cannot reach foreign income, and there is neither DMTT nor IIR for BVI or Panama income. The full 15 of potential Top-up Tax is uncollected. This represents the extreme case of "leakage" of low-taxed income where no implementing jurisdiction exists anywhere in the ownership chain.

In **Scenario 3** (UAE UPE, 79/21 via BVI, BVI as POPE but still no IIR in BVI or UAE), the position is essentially the same. The UPE would, in principle, have an Inclusion Ratio of 0.79 in PanamaCo and BVICo, but without an IIR in the UAE this ratio cannot be applied. BVI Co's POPE status merely identifies it as a potential IIR-paying Parent in the event its jurisdiction introduces an IIR in future. At present, the full 15 of Top-up Tax remains uncollected.

In **Scenario 2** (UAE UPE, 81/19 at Oman level, Oman with IIR), the position changes fundamentally. OmanCo is a Parent Entity in an IIR jurisdiction and indirectly owns 100% of PanamaCo. Its Inclusion Ratio in PanamaCo is 1.00. Under Articles 2.1.1 and 2.2.1–2.2.3, read together with the top-down rule, Oman's IIR requires OmanCo to pay IIR equal to 15 in respect of PanamaCo's income. From the standpoint of the GloBE architecture, the entire 15 of Top-up Tax relating to PanamaCo is collected once in Oman. The external 19% investor bears its share of this charge indirectly through reduced post-tax returns on its interest in OmanCo.

In **Scenario 4** (UAE UPE, 79/21 at Oman level, OmanCo as POPE with IIR), the result is, in aggregate terms, the same: OmanCo owns 100% of PanamaCo and BVICo and has an Inclusion Ratio of 1.00. However, in this case OmanCo is also a POPE under Article 1.3.2. Article 2.1.4, which applies "notwithstanding" Articles 2.1.1–2.1.3, requires a POPE in an IIR jurisdiction that holds an Ownership Interest in an LTCE to pay a tax equal to its Allocable Share of that LTCE's Top-up Tax. Oman's IIR again collects 15 at the level of OmanCo, and IIR at a higher tier of UAE UPE is reduced to nil under the offset mechanism. **The external 21% investor is economically exposed to the additional tax through its participation in OmanCo.**

The Qatar mirror cases highlight how this picture changes once the UPE's jurisdiction also applies a Qualified IIR and how the 81/19 versus 79/21 split becomes structurally significant.

In **mirror Scenario 1Q** (Qatar UPE, 81/19 via BVI, no intermediate IIR), Qatar HoldCo, as UPE in an IIR jurisdiction, has an Inclusion Ratio of 0.81 in PanamaCo and BVICo, and is required under Article 2.1.1 to pay IIR of 12.15 (15 × 0.81). The remaining 2.85 (15 × 0.19), corresponding to the external 19% stake in BVI Co, **remains permanently outside the Pillar Two net** because the external investor neither consolidates BVI Co nor holds a qualifying GloBE joint venture interest in it.

In **mirror Scenario 2Q** (Qatar UPE, 79/21 via BVI, BVI as POPE but still in a non-IIR jurisdiction), Qatar HoldCo has an Inclusion Ratio of 0.79 in PanamaCo and BVICo, and pays IIR of 11.85, while the 3.15 referable to the external 21% remains uncollected for the same reasons. The existence of a POPE without an IIR in its jurisdiction does not change the aggregate tax outcome. It only points to how the rules would operate if that jurisdiction were to adopt an IIR.

In **mirror Scenario 3Q** (Qatar UPE, 81/19 at Oman level, OmanCo with IIR but not a POPE), Qatar HoldCo is in an IIR jurisdiction and has an Inclusion Ratio of 0.81 in PanamaCo and BVICo. OmanCo, although also in an IIR jurisdiction and indirectly holding 100% of PanamaCo, does not qualify as a POPE because non-Group ownership does not exceed 20%. In this configuration, the general top-down ordering rule allocates the IIR to the UPE, and OmanCo's notional Inclusion Ratio of 1.00 in PanamaCo does not result in a separate GloBE IIR charge at the Omani level. Qatar HoldCo therefore pays IIR of 12.15, and **the "minority slice" of 2.85 remains uncollected**, just as if PanamaCo had been held directly.

In **mirror Scenario 4Q** (Qatar UPE, 79/21 at Oman level), OmanCo qualifies as a POPE under Article 1.3.2 and owns 100% of PanamaCo and BVICo. As a POPE located in an IIR jurisdiction, it has an Inclusion Ratio of 1.00 in PanamaCo and BVICo, and, by virtue of Article 2.1.4, is required to pay IIR equal to its Allocable Share of the Top-up Tax, i.e. the full 15. Qatar HoldCo's potential IIR on PanamaCo (11.85, i.e. 15 × 0.79) is fully eliminated by the offset of the same amount that has already been collected in Oman. In this configuration, all 15 of Top-up Tax are collected via the charge to OmanCo, including the portion economically attributable to the external 21%.

Taken together, these outcomes support three doctrinal observations.

1) In the complete absence of an IIR anywhere in the chain (Scenarios 1 and 2 with UAE as UPE directly owns by LTCEs), both the MNE Group's share and the external minority share of Top-up Tax remain uncollected. The Inclusion Ratio and Allocable Share can be computed as analytical constructs but have no fiscal effect until at least one jurisdiction hosting a Parent Entity implements an IIR.

2) Once an intermediate Parent in an IIR jurisdiction indirectly owns 100% of an LTCE, the presence or absence of an IIR at the UPE level affects **who** is charged, but not whether the **group's** proportional share of Top-up Tax is collected. In Scenario 3 (UAE UPE, Oman IIR) and mirror Scenarios, the group's share (81 or 79 per cent) of PanamaCo and BVICo Top-up Tax is always collected somewhere (Oman in Scenario 3, Qatar or Oman in the mirror cases). **However, the combination of an intermediate Parent in an IIR jurisdiction with a split of 79/21 (causes that intermediate Parent to qualify as a POPE) has the further effect of converting what would otherwise be a permanently non-taxable minority slice into taxable Top-up Tax collected in the POPE's jurisdiction.**

3) The 81/19 versus 79/21 split remains relevant when both the UPE and an intermediate Parent are in IIR jurisdictions:

a) In the 81/19 configuration, the intermediate Parent (OmanCo) is not a POPE, the IIR remains anchored at the UPE level, and the external "minority slice" (2.85) is structurally outside the Pillar Two net.

b) In the 79/21 configuration, the intermediate Parent becomes a POPE. Article 2.1.4 allows its jurisdiction to charge IIR on 100% of the LTCE's Top-up Tax by virtue of a 1.00 Inclusion Ratio, and the UPE's IIR exposure is fully offset. However, this reclassification converts what would otherwise be a permanently non-taxable minority slice into taxable Top-up Tax collected in the POPE's jurisdiction.

Conclusion

For practitioners, the key lesson is that Pillar Two analysis in split-ownership chains cannot stop at identifying the consolidation perimeter or the existence of minority interests. It must also identify which jurisdictions have implemented an IIR, pinpoint which entities qualify as POPEs, and determine, for each Parent–LTCE pair, the relevant Inclusion Ratio. Only by mapping these elements together can one see whether a given "minority slice" of low-taxed income is permanently outside the GloBE system, taxed only in proportion to the group's economic interest, or fully pulled into the minimum tax base through the operation of the POPE rules at an intermediate level.

Disclaimer

Pursuant to the MoF's press-release issued on 19 May 2023 "*a number of posts circulating on social media and other platforms that are issued by private parties, contain inaccurate and unreliable interpretations and analyses of Corporate Tax*".

The Ministry issued a reminder that official sources of information on Federal Taxes in the UAE are the MoF and FTA only. Therefore, analyses that are not based on official publications by the MoF and FTA, or have not been commissioned by them, are unreliable and may contain misleading interpretations of the law. See the full press release here.

You should factor this in when dealing with this article as well. It is not commissioned by the MoF or FTA. The interpretation, conclusions, proposals, surmises, guesswork, etc., it comprises have the status of the author's opinion only. Furthermore, it is not legal or tax advice. Like any human job, it may contain inaccuracies and mistakes that I have tried my best to avoid. If you find any inaccuracies or errors, please let me know so that I can make corrections.

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