IIR, DMTT and UTPR Interplay for Reorganization Solutions

This case study examines the interaction of the Income Inclusion Rule (IIR), Qualified Domestic Minimum Top-Up Tax (QDMTT), and the Undertaxed Profits Rule (UTPR) within a cross-border restructuring undertaken by a multinational enterprise (MNE). The restructuring, implemented for legitimate business reasons and involving the reorganization of holding structures, may also produce additional, Pillar Two–positive effects by removing IIR exposure for EU-based sub-holdings and causing any residual top-up tax to be picked up under UTPR in other implementing jurisdictions. The analysis focuses on the consequences of transferring ownership of a low-taxed constituent entity (LTCE) from an IIR-applying EU Holding Company (EU HoldCo) to a United Arab Emirates (UAE) group entity, particularly where a minority shareholder holds *less than 50%* of the LTCE.

Facts

The MNE group is considering restructuring its global corporate holding architecture. The restructuring is driven by ordinary commercial considerations, including operational streamlining, consolidation of regional management functions, and improved oversight of assets located across the Middle East and Africa. As part of this reorganization, the group reviews its legacy tiered holding arrangements involving several EU sub-holdings.

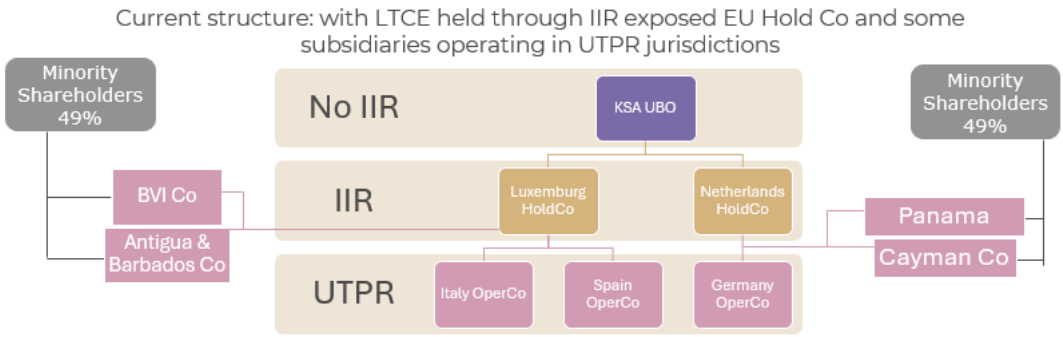
Pre-restructuring structure

Before the restructuring, the group owns a low-taxed constituent entities (LTCEs) incorporated in a no- or low-tax jurisdiction such as the British Virgin Islands (BVI), Antigua and Barbuda, or the Cayman Islands, none of which have implemented the Pillar Two rules. The LTCEs generate excess profits of USD 100,000,000, with an effective tax rate (ETR) below the 15% global minimum tax.

The Ultimate Beneficial Owner (UBO) of the group resides in Saudi Arabia, a jurisdiction that has not introduced any Pillar Two instrument. LTCEs are consolidated in its Financial Statements.

51% of the LTCEs is held by EU-resident sub-holding companies (e.g., Luxembourg, Liechtenstein, the Netherlands), each of which is located in a jurisdiction that has implemented the full GloBE rule set, including the IIR.

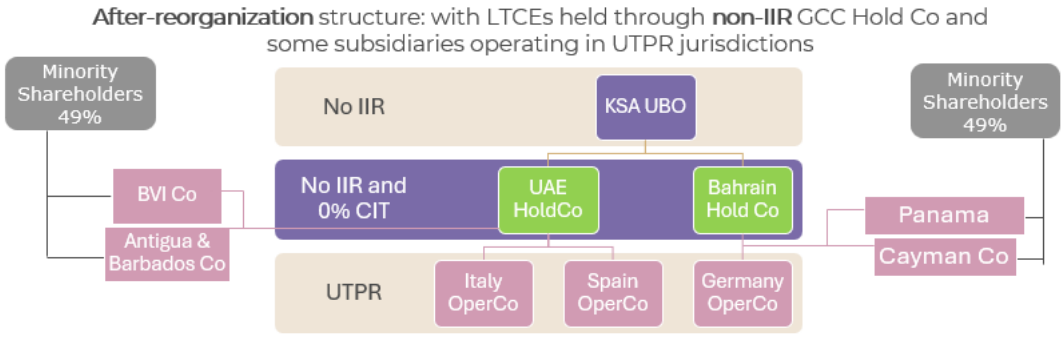
A non-affiliated third-party investors own 49% of the LTCEs.



Under this structure, any top-up tax attributable to the LTCE is ordinarily collected under the IIR by the EU sub-holdings that own the majority stake.

Reorganization

As part of the group's broader business-driven restructuring, the EU sub-holding companies are to be dissolved or removed from the ownership chain. Their 51% interests in the LTCEs are transferred to a UAE-based group entity.



- Transfer of the LTCEs stakes to non-IIR jurisdiction (e.g., Bahrain or UAE) will push the LTCEs income from IIR scope.

The UAE, while having introduced a Qualified Domestic Minimum Top-Up Tax (QDMTT) consistent with GloBE standards, has not adopted the IIR or the UTPR. After the restructuring:

- The UAE entity becomes the new direct owner of 51% of the LTCE.
- The 49% third-party interest remains unchanged.
- Other entities within the MNE group continue to operate in jurisdictions that have implemented IIR, DMTT and UTPR.

Pillar Two implications

The shift in ownership from an IIR-implementing jurisdiction (EU) to a non-IIR jurisdiction (UAE) would have favorable IIR effect. The EU sub-holdings will cease to hold an interest in the LTCE, which eliminates their previous obligation to apply the IIR, removing their IIR top-up tax exposure entirely.

The restructuring is not motivated by tax avoidance and is supported by strong business rationales. The Pillar Two positive effect (the elimination of IIR exposure at the EU sub-holding level) is an incidental result of relocating the holding function to the UAE.

Question

Does this planned reorganization resulting in the removal of EU IIR-applying sub-holdings from the ownership chain—produce a favorable Pillar Two outcome for the group? Specifically, does shifting the 51% ownership of the LTCEs to a UAE entity eliminates the group's top up tax exposure and thereby alter the allocation and incidence of top-up tax in a manner economically advantageous to the MNE?

Summary

Upon examination of the applicable GloBE legislation and Commentary, we concluded that:

1) Relocating the holding of the LTCE from an IIR jurisdiction (EU HoldCo) to a non-IIR, non-UTPR jurisdiction (UAE) may remove IIR exposure for EU sub-holdings but does not guarantee a reduction in the group's overall Pillar Two burden.

2) On the contrary, once UTPR is taken into account, the restructuring can worsen the Pillar Two outcome by exposing both the majority and the minority slice to UTPR. Any perceived Pillar Two–positive effect of such reorganizations therefore depends critically on how UTPR is implemented and applied in the jurisdictions where the group's substantive operations are located.

Analysis

The conclusions follow from a stepwise application of the GloBE Model Rules to the fact pattern described. In what follows, we first recall the relevant mechanics of the IIR and UTPR and their ordering, and then examine how these rules operate before and after the contemplated restructuring, with particular attention to the treatment of the 51% majority stake and the residual "minority slice" under the UTPR.

Legal background

1. Under the GloBE architecture, the Under-taxed Profits Rule (UTPR) functions as a residual top-up tax mechanism that operates only after the Priority Rules of the IIR and any DMTTs have been applied. Conceptually, the sequence is:

    1) Compute the jurisdictional Top-up Tax for the low-tax jurisdiction (here, the LTCE jurisdiction: BVI / Cayman / Antigua).

    2) Reduce that Top-up Tax for:

        a) any QDMTT in the LTCE jurisdiction; and

        b) any Top-up Tax actually collected under a Qualified IIR in the jurisdictions of Parent Entities.

    The remaining amount constitutes a Residual Top-up Tax Amount potentially subject to UTPR allocation.

2. The UTPR then allows jurisdictions that have implemented UTPR to impose an additional tax on group entities located in their territory, in proportion to their share of the MNE's payroll and tangible assets, thereby "soaking up" the residual Top-up Tax. The mechanism is not framed as a tax on the low-taxed entity itself, but as a denial of deductions or similar adjustment at the level of other group entities.

3. While the Model Rules and Commentary are explicit in emphasising that the IIR is applied with reference to Inclusion Ratios for each Parent–LTCE pair and are cautious not to impose a disproportionate burden on the group in respect of income beneficially owned by minority investors, the treatment of minority slices under UTPR is not explained with the same granularity.

   This gives rise to the doctrinal question whether, once the IIR has been "switched off" by removing EU sub-holdings from the chain, the UTPR can effectively re-expose more than the group's majority share of the LTCE's undertaxed profits.

Pre-restructuring benchmark: IIR on 51%, permanent leakage on 49%

4. In the pre-restructuring structure, each EU sub-holding (EU HoldCo) holds **51%** of the LTCE and is resident in a jurisdiction that has implemented a Qualified IIR. The LTCE is a Constituent Entity of the MNE group (fully consolidated in the UBO's financial statements), and the EU HoldCos are Parent Entities for GloBE purposes.

5. Assuming GloBE Income of the LTCE is 100 and Covered Taxes are nil, the jurisdictional Top-up Tax for the LTCE's jurisdiction is 15 (100 × 15%). Under the IIR:

   - the Inclusion Ratio of the EU HoldCo in the LTCE is 0.51, reflecting its 51% Ownership Interest and the fact that the remaining 49% is held by non-Group investors;
   - the Allocable Share of Top-up Tax for the EU HoldCo is therefore 15 × 0.51 = 7.65.

   In this baseline:

   - 7.65 is collected through the EU IIR;
   - the remaining 7.35 (corresponding to 49% of the LTCE's GloBE Income) is not collected under Pillar Two, because the minority investors do not form part of another in-scope MNE group, and the LTCE is neither a Constituent Entity nor a GloBE Joint Venture of any other group.

6. This is a standard split-ownership outcome: the group is charged on its share; the "minority slice" remains structurally outside Pillar Two. The UTPR has no role, because the Top-up Tax attributable to the group's share has already been fully collected under the IIR; there is no Residual Top-up Tax Amount for that LTCE from the perspective of the group.

Post-restructuring: disappearance of IIR and emergence of UTPR

7. After the restructuring, the EU sub-holdings cease to exist (or are removed from the chain), and their 51% interests in the LTCE are transferred to a UAE group entity. The key features are:

    1) the UAE entity now directly holds **51%** of the LTCE;

    2) the non-affiliated third party continues to hold **49%**;

    3) the UBO remains in a non-Pillar Two jurisdiction (Saudi Arabia);

    4) the UAE has introduced a QDMTT but no IIR.

    5) other group entities (for example, operating companies in the EU, Malasia or elsewhere) are resident in jurisdictions that have implemented IIR, QDMTT and UTPR.

8. From a GloBE perspective, removing the EU sub-holdings makes IIR disappeared. There is no longer any Parent Entity in an IIR jurisdiction holding the LTCE. The Saudi UBO does not apply IIR and the UAE entity does not reside in an IIR jurisdiction. The jurisdictional Top-up Tax for the LTCE's jurisdiction (still 15) is no longer reduced by any IIR charge. As there is no QDMTT in the LTCE jurisdiction, the full 15 becomes a Residual Top-up Tax Amount for purposes of UTPR.

9. The apparent short-term effect is favorable from an IIR perspective: the very mechanism that previously collected 7.65 in the EU has been eliminated. The critical question, however, is what the UTPR does with the residual 15 once the structure is seen from the viewpoint of other implementing jurisdictions within the group.

Can UTPR expose the "minority slice"?

10. Under the Model Rules, the UTPR is applied on a **jurisdictional residual amount**, rather than by direct reference to the economic interests of Parent Entities in a specific LTCE. The computation broadly follows this logic:

    1) start with the Top-up Tax for the low-tax jurisdiction (here 15);

    2) subtract any amounts collected under QDMTT and IIR;

    3) treat the remaining amount as the UTPR Top-up Tax Amount to be allocated among UTPR jurisdictions where group entities are located, according to agreed substance-based allocation keys.

11. Two interpretative approaches then suggest themselves.

11.1. Majority-only view (strict alignment with IIR logic)

On a conservative reading aligned with the design of the IIR and the POPE rules, one could argue that the Residual Top-up Tax Amount relevant for UTPR should be limited to the portion of Top-up Tax economically attributable to the MNE group (in this case – 51%). In other words:

- the "group portion" of Top-up Tax is 7.65 (15 × 0.51);

- the "minority slice" of 7.35 should not be brought into the UTPR base, as it represents income beneficially owned by non-Group investors.

This view is consistent with the policy statement in the Commentary that the rules for split ownership are designed to prevent leakage without imposing a disproportionate burden on the group in respect of income held by minorities. On this interpretation, the effect of the restructuring would be:

- pre-restructuring: the EU IIR collects 7.65; UTPR = 0; minority slice 7.35 uncollected;
- post-restructuring: EU IIR disappears; UTPR jurisdictions now collect **7.65** (allocated among them by the UTPR formula); minority slice **7.35** remains uncollected.

Thus, from a purely Pillar Two perspective, the group's aggregate exposure (7.65) remains unchanged. Only **who** collects it (EU via IIR vs multiple jurisdictions via UTPR) shifts.

11.2. Full-amount view (UTPR as "blind" to minority interests)

A more aggressive reading, reflected in some advisory commentary,[1] is that the UTPR may be applied to the full jurisdictional Top-up Tax of 15, without a further reduction for the 49% minority. The argument runs roughly as follows:

1) the LTCE is a Constituent Entity of the MNE group, fully consolidated in the UBO's financial statements;

2) jurisdictional Top-up Tax is calculated on the LTCE's full GloBE Income and Covered Taxes;

3) while the IIR incorporates adjustments for "other owners" via Inclusion Ratios and POPE rules, the UTPR, however, is framed as a jurisdictional residual tax on undertaxed profits of the MNE group and does not, in its operative provisions, replicate the Inclusion Ratio machinery at the level of each Parent–LTCE pair.

If one accepts this "full-amount" reading, then after the restructuring:

a) the entire 15 is treated as a Residual Top-up Tax Amount under UTPR;

b) UTPR jurisdictions are entitled to allocate and collect the full 15, despite the fact that only 51% of the underlying profits are beneficially owned by the group.

On that view, the restructuring does not simply shift a 7.65 exposure from IIR to UTPR; rather, it worsens the Pillar Two outcome by exposing the group to UTPR on the full Top-up Tax, including what was previously

[1] See, e.g., Loyens & Loeff, *Pillar Two – the future of holding companies under Pillar Two? (New York office snippet)*, available via link.

a permanently untaxed minority slice. Economically, the MNE would bear Top-up Tax on income it does not own, while minority investors continue to receive their share of the LTCE's profits without bearing any portion of the global minimum tax.

Assessment and practical implications

12. Article 2.4.1 of GloBE Model Rules[2] establishes that "*Constituent Entities of an MNE Group … shall be denied a deduction (or required to make an equivalent adjustment under domestic law) in an amount resulting in those Constituent Entities having an additional cash tax expense equal* ***to the UTPR Top-up Tax Amount*** *for the Fiscal Year allocated to that jurisdiction*".

    Rules to calculate such UTPR Top-up Tax Amount are provided by Article 2.5:

    - Under Article 2.5.1 "*the Total* ***UTPR Top-up Tax Amount*** *for a Fiscal Year shall be* ***equal to the sum of the Top-up Tax calculated for each Low-Taxed Constituent Entity*** *of an MNE Group for that Fiscal Year (determined in accordance with Article 5.2), subject to the adjustments set out in this Article 2.5 and Article 9.3*".
    - Article 2.5.3 sets forth that "*… the Top-up Tax calculated for a Low-Taxed Constituent Entity that is otherwise taken into account under Article 2.5.1* ***shall be reduced by a Parent Entity's Allocable Share of the Top-up Tax of that Low-Taxed Constituent Entity that is brought into charge under a Qualified IIR***".

    These provisions are noteworthy in two respects.

    1) Article 2.5.1 defines the Total UTPR Top-up Tax Amount by reference to the full Top-up Tax calculated for each LTCE under Article 5.2, and not, at this stage, by reference to any particular Parent–LTCE pairing or Inclusion Ratio.

    2) Article 2.5.3 provides only a limited adjustment: it reduces the LTCE-level Top-up Tax by the Allocable Share that has already been brought into charge under a Qualified IIR. In other words, the UTPR base is explicitly diminished by IIR charges, but Article 2.5 contains no additional provision that would further reduce the residual Top-up Tax to reflect the economic interests of non-Group minority investors.

    This drafting choice lies at the heart of the interpretative tension identified above. In the IIR context, Articles 2.2.1–2.2.3 ensure that each Parent Entity's exposure is limited to its Inclusion Ratio, i.e. its share of

[2] OECD (2021), *Tax Challenges Arising from Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris.

the LTCE's GloBE Income after carving out income attributable to "other owners". By contrast, the UTPR provisions operate at the level of a jurisdictional residual amount and do not re-apply the Inclusion Ratio mechanics when determining the Total UTPR Top-up Tax Amount. This raises the question whether, in a split-ownership structure, the residual amount available for UTPR should be confined to the MNE's majority share of the Top-up Tax (the "majority-only" view), or whether the UTPR may in principle be applied to the entire Top-up Tax remaining after IIR and QDMTT (the "full-amount" view), even where part of that amount is economically attributable to minority investors that fall outside the Pillar Two perimeter.

13. Paragraph 68 of OECD Consolidated Commentary[3] to Chapter 2 explains that "***like the IIR, the UTPR relies on the same computation made in accordance with Chapter 5*** *for determining the MNE Group's jurisdictional ETR and the amount of Top-up Tax. This includes the* ***same methodology for determining GloBE Income or Loss****,* ***the amount of Covered Taxes*** *on such income and the* ***rules for determining the application of the Substance-based Income Exclusion****. Equally, the exclusions to the definition of Constituent Entity (for example, in respect of Government Entities) apply to the ETR calculation used for determining the Top-up Tax such that no Top-up Tax would arise, or be allocable under the UTPR, in respect of these entities*". This paragraph confirms that, at the jurisdictional ETR and Top-up Tax computation stage, the UTPR and the IIR share a common technical base: the same GloBE Income, Covered Taxes, and Substance-based Income Exclusion rules apply, and the same exclusions from Constituent Entity status are honored.

However, it is equally noteworthy what the Commentary does not say. While the IIR section of the Commentary spends considerable effort explaining how the Inclusion Ratio and the treatment of "other owners" (including POPEs and split-ownership structures) limit the Parent's exposure to its economic share of the LTCE's income, paragraph 68, in describing the UTPR, does not restate or extend this Inclusion Ratio logic to the allocation of the UTPR Top-up Tax Amount. The alignment between IIR and UTPR is thus expressly confined to the underlying ETR and Top-up Tax computation, not to the subsequent question of how that Top-up Tax is attributed between the MNE Group and minority investors.

This asymmetry reinforces the interpretative fork identified above. On the one hand, the reliance on a common Chapter 5 computation and the explicit reference to the IIR may be read as an implicit signal that the UTPR, too, is intended to operate only on that portion of Top-up Tax

[3] 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.

that corresponds to the MNE Group's beneficial interest in the undertaxed profits. On the other hand, the absence of any explicit cross-reference to Inclusion Ratios or "other owners" in Article 2.5, together with the jurisdictional and residual character of the UTPR, leaves room for a stricter reading under which the UTPR can, in principle, be applied to the entire residual jurisdictional Top-up Tax, irrespective of whether part of that amount is economically attributable to non-Group minority shareholders. It is against this background that the effect of the contemplated restructuring on the 49% minority slice must be assessed.

14. Para 69 further states that "*having a **single computation** of the Top-up Tax under the IIR and the UTPR improves coordination between GloBE Rules in each jurisdiction and reduces implementation and compliance costs, while ensuring that the rules do not result in over-taxation or taxation in excess of economic profits. In addition, **relying on the same Top-up Tax computation under both the IIR and the UTPR aligns the expected outcomes** under both rules, which allows the UTPR to operate as a meaningful **backstop to the IIR**. **Failing to have a single computation of the Top-up Tax under both the IIR and the UTPR would either lead to less effective or harsher outcomes under the UTPR than under the IIR***".

Taken at face value, this passage reinforces the idea that the UTPR is intended to be a backstop, not a more aggressive, conceptually distinct minimum tax. The commitment to a "single computation of the Top-up Tax" and to avoiding "over-taxation or taxation in excess of economic profits" suggests that, in principle, the economic envelope of the combined IIR–UTPR charge should not exceed the MNE Group's proportionate share of the undertaxed profits. In other words, the UTPR should "fill gaps" left by the IIR, not expand the tax base beyond what would have been exposed if the IIR had applied seamlessly along the ownership chain.

However, paragraph 69 again speaks at the level of the Top-up Tax computation rather than at the level of allocation. The "single computation" language refers back to the Chapter 5 mechanics (jurisdictional ETR and Top-up Tax) and to the avoidance of divergent formulas under IIR and UTPR, rather than to the question whether the residual Top-up Tax used for UTPR should be limited to the group's majority stake in a split-ownership LTCE or can extend to the full jurisdictional amount. In this respect, the Commentary reconciles the IIR and UTPR at the computational stage but stops short of explicitly importing the IIR's Inclusion Ratio logic into the UTPR allocation.

For the restructuring considered in this case study, para 69 can therefore be read in two ways:

1) Under the majority-only interpretation, it supports the view that, after the removal of the EU sub-holdings, the UTPR should only pick up the 51% share of the LTCE's Top-up Tax that corresponds

to the group's economic interest, maintaining alignment between pre- and post-restructuring outcomes and avoiding "harsher outcomes under the UTPR than under the IIR".

2) Under the full-amount interpretation, however, one might argue that "alignment" is achieved at the level of the Chapter 5 computation (the same 15), while the UTPR is still free to allocate the entire residual 15 among UTPR jurisdictions, even though this would, in effect, shift part of the tax burden onto profits economically attributable to minority investors.

The Commentary does not squarely resolve this tension, leaving the treatment of the 49% minority slice under UTPR to be inferred from broader principles rather than from explicit text.

15. Commentaries in paragraphs 77-78 address application of Article 2.5.3 cited above. In doing so, they materially narrow the space for the "majority-only" interpretation and point towards a full-amount understanding of the UTPR base.

15.1. First, paragraph 77 explains the basic coordination logic between IIR и UTPR in split-ownership chains: "*It is expected that, in most cases, either the LTCEs will be wholly-owned by another Constituent Entity that is subject to a Qualified IIR (and the UTPR will not apply) or their shares will be wholly-owned by other Constituent Entities that are not subject to an IIR (and the UTPR will apply). There may be situations, however, where an Intermediate Parent Entity owns an interest in an LTCE and applies the IIR in respect of its share of the income of such LTCE under Article 2.1.2, but the application of the IIR in the Intermediate Parent Entity's jurisdiction does not result in all the Top-up Tax attributable to the UPE's Ownership Interests being brought into charge under a Qualified IIR. This situation could arise, for example where the UPE (located in a jurisdiction without a Qualified IIR) owns a larger interest in the LTCE than the Intermediate Parent Entity does. In this case, rather than excluding the whole amount of Top-up Tax from charge under Article 2.5.2, the amount of Top-up Tax levied under the Qualified IIR in the Intermediate Parent Entity's jurisdiction is deducted from the total Top-up Tax of the LTCE. This mechanism ensures that the IIR has priority over the UTPR, and avoids multiple taxation of the same low-taxed income as a result of the GloBE Rules. The Ownership Interests in the LTCE may also be held by different Parent Entities that, together, own less than the UPE's Ownership Interests in the LTCE. In such cases, the sum of Top-up Taxes that is allocated to each Parent Entity is deducted from the total Top-up Tax Amount that is allocated under the UTPR pursuant to Article 2.5.3.8*".

This confirms that the starting point for UTPR is always the full Top-up Tax of the LTCE as computed under Chapter 5. Any amounts actually collected under Qualified IIRs are then deducted from that full Top-up

Tax, but there is no suggestion that the UTPR base is intrinsically capped at the UPE's Allocable Share or at the group's majority stake.

15.2. Paragraph 78 then makes the crucial step and expressly addresses the treatment of low-taxed income beneficially owned by minorities: "*Because Article 2.5.3 reduces the Total UTPR Top-up Tax Amount by the amount of Top-up Tax subject to the IIR (rather than reducing it to zero),* ***it leaves, within the charge to tax, low-taxed income that is beneficially owned by minority shareholders****. Unlike the exclusion mechanism under Article 2.5.2, this deduction mechanism under Article 2.5.3 does not allow the MNE Group to limit the total amount of Top up Tax payable to the allocable share of Top-up Tax that would have been allocated to the UPE if the UPE had been subject to a Qualified IIR with respect of the LTCE. Equally, it does not require a determination of whether a POPE would have been subject to tax under the IIR because of the ownership structure of the MNE Group or the Allocable Share of Top-up Tax that would have been allocated to that POPE. Instead, Article 2.5.3 deducts the tax due under an IIR from the amount of Top-up Tax that is computed on the total amount of income of the LTCE, irrespective of the UPE's Allocable Share of the Top-up Tax due in respect of the LTCE. Applying the UTPR to the total amount of Top-up Tax of an LTCE (i.e. not limited to the UPE's Ownership Interest in the LTCE) simplifies its application. It allows for a greater tax expense than the Top-up Tax that would have been collected under the IIR if it had applied at the UPE level, because it is not limited to the UPE's Allocable Share of the Top-up Tax due in respect of LTCE*".

This paragraph does more than "provide context"; it answers the interpretative question directly:

1) It explicitly states that Article 2.5.3 "leaves, within the charge to tax, low-taxed income that is beneficially owned by minority shareholders";

2) It confirms that, unlike IIR, the UTPR mechanism "*does not allow the MNE Group to limit the total amount of Top-up Tax payable to the allocable share … that would have been allocated to the UPE*" under a Qualified IIR.

3) It emphasises that the UTPR is applied to "the total amount of Top-up Tax of an LTCE (i.e. not limited to the UPE's Ownership Interest)", and that this can lead to "a greater tax expense than the Top-up Tax that would have been collected under the IIR".

In other words, the Commentary itself concedes that, by design, the UTPR is capable of pulling the minority slice into the Pillar Two net, not by taxing the minority shareholder directly, but by allocating the corresponding residual Top-up Tax to other group entities under UTPR.

16. Against this backdrop, the earlier "majority-only" reading of the UTPR residual amount, under which UTPR would, in a split-ownership case, be

limited to the group's 51% share of the Top-up Tax, cannot be reconciled with the explicit language of paragraphs 77–78. The Model Rules and Commentary now collectively support the following doctrinal picture:

1) The IIR relies on Inclusion Ratios and the treatment of "other owners" to ensure that a Parent's exposure is aligned with its economic stake in the LTCE.

2) The UTPR, by contrast, is a jurisdictional backstop that:

   a) starts from the full jurisdictional Top-up Tax of the LTCE;

   b) subtracts all amounts actually brought into charge under Qualified IIRs (per Article 2.5.3);

   c) but does not further adjust for minority shareholders or for the UPE's Allocable Share.

Applied to the case study with a 51/49 split, this leads to the following outcome:

- Pre-restructuring (EU HoldCo with IIR): the group is charged 7.65 under the IIR. The 7.35 minority slice is permanently outside Pillar Two. UTPR plays no role.
- Post-restructuring (51% moved to UAE; no IIR at any Parent level; UTPR present in other jurisdictions): the entire 15 as the Residual UTPR Top-up Tax Amount, allocable among UTPR jurisdictions, even though 49% of the underlying profits are economically attributable to third-party investors.

Hence, the paras 77–78 do provide clarity, and the clarity cuts in favor of the full-amount view. Under the architecture described in, the restructuring that removes EU IIR exposure does not simply "relabel" a 7.65 group-only charge as UTPR. It potentially elevates the exposure to the full 15, effectively turning what was previously a non-taxable minority slice into Top-up Tax borne by the MNE through UTPR allocations.

17. For planning purposes, the key practical conclusions are therefore:

1) moving a majority holding in an LTCE from an IIR jurisdiction (EU HoldCo) to a non-IIR, non-UTPR jurisdiction (UAE) does not guarantee a reduction in the group's Pillar Two exposure;

2) at best, it converts an IIR charge on the group's share into a UTPR charge on the same share;

3) at worst, depending on how UTPR is interpreted and implemented domestically, it may expose the group to top-up tax on a wider base, potentially including income economically attributable to minority investors.

In other words, while the restructuring has clear IIR-positive effects for the EU sub-holdings, its ultimate Pillar Two impact depends critically on

how UTPR is operationalized in the jurisdictions where the MNE's substantive activities are located, and on whether those jurisdictions follow a majority-only or a full-amount reading of the Residual Top-up Tax base.

The 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.

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