Introduction of the Global Minimum Tax System: Focusing on IIR and GloBE Information Reporting

Forvis Mazars Tax Corporation

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This newsletter explains key considerations for foreign-affiliated Japanese subsidiaries and Japanese branches of foreign corporations regarding compliance with Japan's Global Minimum Tax regime, focusing on reporting under the Income Inclusion Rule (IIR) and GloBE information reporting.

Furthermore, as the primary purpose of this newsletter is to provide information to foreign-affiliated companies and Japanese branches of foreign corporations, explanations regarding exemption criteria—such as those applicable when a Japanese corporation is the ultimate parent company—have been omitted.

1. Background and Overview of the System

(1) Background and Overview

To put a stop to the international race to the bottom in corporate tax rates and ensure a level playing field for companies in terms of taxation, an international agreement on the Global Minimum Tax (a system designed to ensure a minimum corporate tax rate of at least 15% in each country) was reached in October 2021.

In response, Japan—taking into account the progress of international discussions on the system and trends toward its implementation in other countries—included in the fiscal year 2023 (Reiwa 5) tax reform an **Income Inclusion Rule (IIR)** that imposes corporate income tax on the international minimum tax amount. This rule will be implemented in the fiscal year 2025 (Reiwa 7) tax reform, legislation was enacted for **the Undertaxed Profits Rule (UTPR)**, which imposes corporate tax on the residual amount subject to the international minimum tax, and for **the Qualified Domestic Minimum Top-up Tax (QDMTT)**, which imposes corporate tax on the amount subject to the domestic minimum tax.

(2) Eligible Corporations

This tax system applies to **domestic** corporations **belonging to specified multinational enterprise groups**, etc.

※ Scope of **Specified Multinational Enterprise Groups,** etc.

A "specified multinational enterprise group, etc." refers to a multinational enterprise group, etc., in which **the total revenue for** two or more of the four fiscal years immediately preceding each applicable fiscal year is equal to or greater than **the yen equivalent of 750 million euros (approximately 120 billion yen;[1])**[2] .

(Note 1) "Multinational enterprise groups, etc." refers to the following:

(a) An enterprise group, etc., where the country of location of a company, etc., belonging to the enterprise group, etc., described in (Note 2)(a) below (including, if such company, etc., has a permanent establishment, etc., the country of location of such permanent establishment, etc.) is in two or more countries, as well as other specified groups, etc.

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1 Converted based on the European Central Bank's average euro exchange rates for December 2024

2 Q&A on Corporate Income Tax Regarding the International Minimum Tax for Each Relevant Fiscal Year: Q2

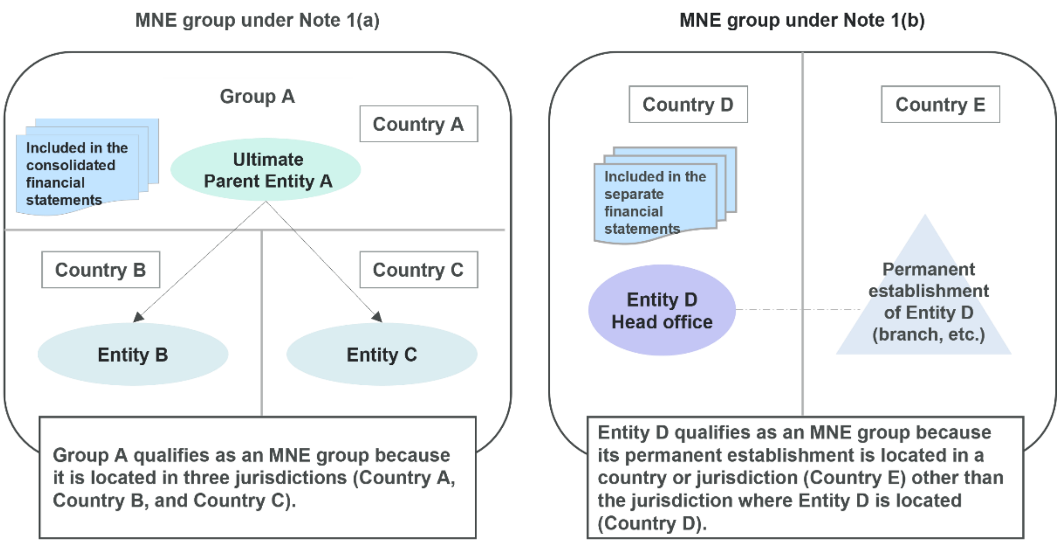
(b) Corporate groups, etc., as described in (Note 2)(b) below

(Note 2) "Corporate group, etc." means the following:

(a) A corporate group pertaining to a company, etc., whose financial position and results of operations are, or will be, consolidated in consolidated financial statements, and which is related to the ultimate parent company

(b) A company, etc. (excluding companies, etc. belonging to the corporate group described in (a) above) where the country in which the company's permanent establishment, etc., is located is a country or region other than the country in which the company is located

【Examples of Multinational Enterprise (MNE) Groups】



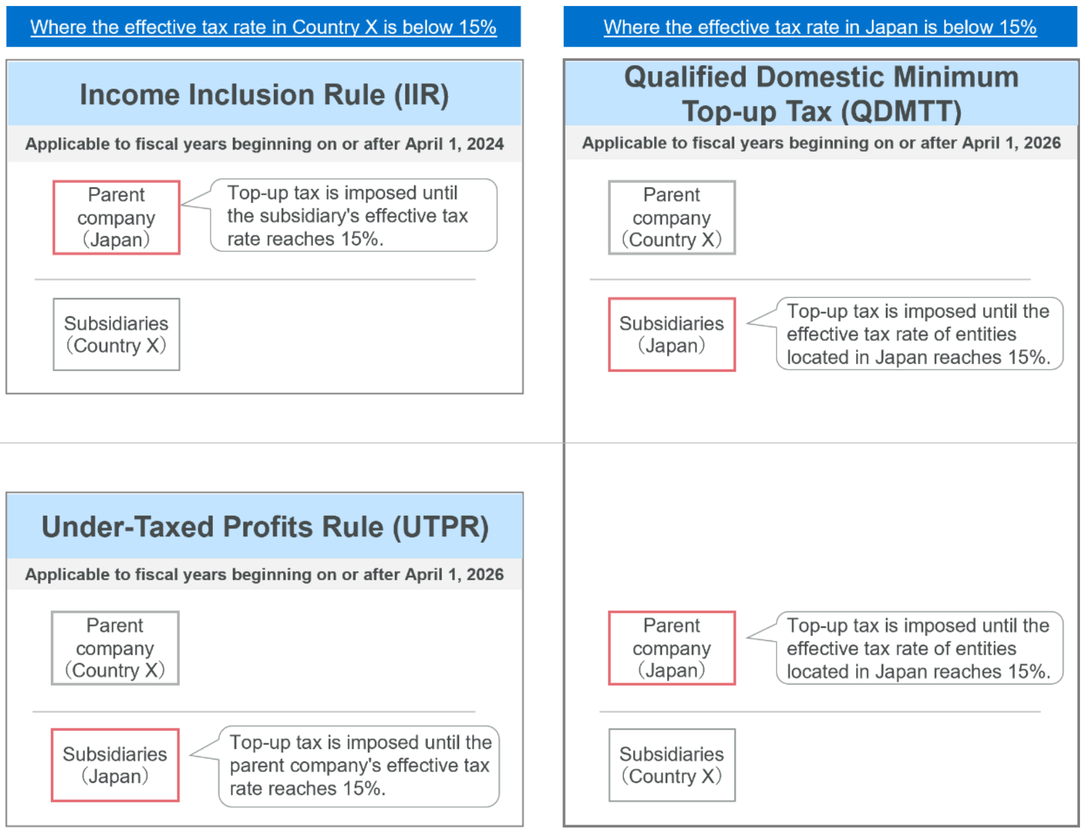
(Source: National Tax Agency, "Outline of Amendments Concerning Measures for Global Minimum Taxation")

2. The Relationship Among the Three Rules of Global Minimum Taxation

Income Inclusion Rule (IIR)	Details of the System	A system that top-ups the taxation of income earned by subsidiaries, etc., in low-tax jurisdictions to the minimum tax rate in the parent company's country of residence ([3]).
	Effective Date	Fiscal years beginning on or after April 1, 2024 (Reiwa 6)
	Filing Deadline	Within one year and three months from the day following the end of the applicable fiscal year (within one year and six months for the first fiscal year)

3 "Top-up taxation" refers to the process of increasing the tax rate to the internationally agreed standard rate of 15%.

Undertaxed Profits Rule (UTPR)	Details of the System	A system that imposes taxes on subsidiaries, etc., in the country where they are located, serving as a backstop in cases where taxation under the IIR or QDMTT does not apply.
	Effective Date	Fiscal years beginning on or after April 1, 2026 (Reiwa 8)
	Filing Deadline	Within one year and three months from the day following the end of the applicable fiscal year (within one year and six months for the first fiscal year)
Qualified Domestic Minimum Top-up Tax (QDMTT)	Details of the System	A system whereby a country imposes a top-up tax[3] to bring the effective tax rate of entities located within the country up to the minimum tax rate when that rate falls below the minimum tax rate. It serves to prevent taxation by other countries under the IIR or UTPR.
	Effective Date	Fiscal years beginning on or after April 1, 2026 (Reiwa 8)
	Filing Deadline	Within one year and three months from the day following the end of the applicable fiscal year (within one year and six months for the first year)



The order of application is: (1) QDMTT → (2) IIR → (3) UTPR.

3. Income Inclusion Rule (IIR)

Here, we provide details on the Income Inclusion Rule (IIR)—one of the three Global Minimum Tax rules—which will require compliance starting in 2026. Eligible corporations must submit the following tax returns and notifications according to their respective circumstances:

(Example of Filing Deadlines)

・For corporations with a March fiscal year-end
Fiscal Year: April 1, 2024 (Reiwa 6) – March 31, 2025 (Reiwa 7)
Submission Deadline: September 30, 2026 (Reiwa 8)

・For corporations with a December fiscal year-end
Covered fiscal year: January 1, 2025 (Reiwa 7) – December 31, 2025 (Reiwa 7)
Filing Deadline: June 30, 2027 (Reiwa 9)

(1) Return for Corporate Income Tax, etc., on the International Minimum Tax Amount (Schedule 20 of the Tax Return)

Domestic corporations belonging to a specified multinational enterprise group, etc. (limited to domestic corporations required to file an International Minimum Tax Return) are generally required to submit a return (IIR Return) to the Director of the Tax Office within one year and three months from the day following the end of each taxable fiscal year[4] , stating the taxable base and specific corporate tax amount, etc., for that taxable fiscal year.

With regard to so-called foreign-affiliated subsidiaries or Japanese branches of foreign corporations (Japanese constituent entities, etc.), if the IIR rules of the country where the overseas parent company is located apply, those IIR rules also apply to such Japanese constituent entities, etc.; therefore, the IIR requirements under Japanese law do not apply to Japanese constituent entities, etc.

4. Information Reporting System (GIR: GloBE Information Return)

(1) Submission of Reporting Items for Specified Multinational Enterprise Groups, etc. (GIR)

Regardless of whether an IIR filing is required in Japan, Japanese constituent companies and other entities are required to submit a GIR containing the information necessary to assess the accuracy of the tax liabilities of specified multinational enterprise groups, etc., to the head of the competent tax office within one year and three months from the day following the end of each applicable fiscal year[4] [5] . This system applies to GIRs pertaining to applicable fiscal years beginning

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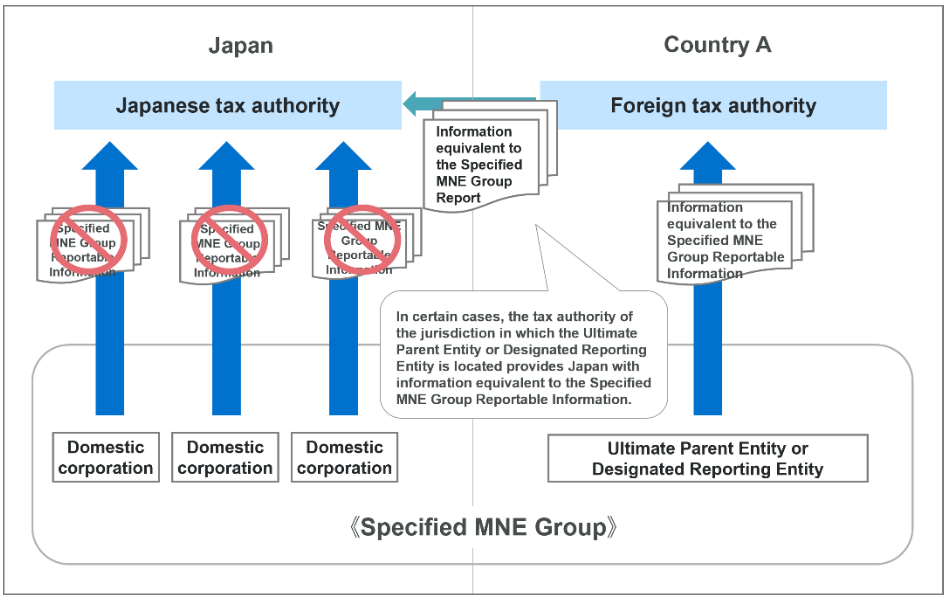
[4] If the relevant return or report is to be filed for the first time, it must be submitted within one year and six months from the day following the end of the applicable fiscal year

[5] If there are multiple domestic corporations required to provide Specified MNE Group Reportable Information, one of those corporations may submit such information on behalf of all such corporations under the representative filing procedures.

on or after April 1, 2024 (Reiwa 6).

(2) Exemption from the Filing Obligation

If the tax authorities of the country where the ultimate parent company, etc., of a specified multinational enterprise group, etc., is located determine that the Japanese tax authorities can receive the relevant reporting information through automatic exchange of information, domestic corporations that are constituent companies, etc., are exempt from the obligation to submit the GIR described above.



(Source: National Tax Agency, “Outline of Amendments Concerning Compliance with the Global Minimum Tax”)

Japanese constituent companies, etc., that are exempt from the reporting obligation are required to submit the notification items regarding the ultimate parent company, etc., of a specified multinational enterprise group, etc., to the head of the competent tax office within one year and three months from the day following the end of each applicable fiscal year[4] [5].

(Example of Filing Deadline)

・For corporations with a fiscal year ending in March

Applicable fiscal year: April 1, 2024 (Reiwa 6) – March 31, 2025 (Reiwa 7)

Submission Deadline: September 30, 2026 (Reiwa 8)

・For corporations with a fiscal year ending in December

Covered fiscal year: January 1, 2025 (Reiwa 7) – December 31, 2025 (Reiwa 7)

Submission Deadline: June 30, 2027 (Reiwa 9)

5. Necessary Actions Going Forward

In adapting to the new system described above, it is generally expected that the ultimate parent company overseas will take the lead in preparing IIR filings and GIR submissions in accordance with local tax laws. Depending on the results of that assessment, certain actions will be required of Japanese constituent companies and other entities; therefore, it is necessary to confirm the status of preparations at an early stage.

Please note that failure to submit the required documents and other materials under the above provisions by the deadline may result in a fine of up to 500,000 yen; therefore, it is advisable to seek the assistance of experts as needed.

Contact

Forvis Mazars Tax Corporation leverages its global network spanning more than 100 countries to provide a wide range of domestic and international tax services to both Japanese and foreign clients. For further details regarding this article or our tax services, please feel free to contact the representative listed below.

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