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GUIDANCE NOTE

Reference	OGC No.13 /2026
Title	Qualified Domestic Minimum Top-up Tax (QDMTT): Transitional Rule for Fiscal Year 2024
Subtitle	Transitional Application of *Section 5(4)* of the *Corporation Top-Up Tax Act, 2024-16*
Purpose	This Guidance Note provides guidance on the application of the transitional rule in *Section 5(4)* of the *Corporation Top-Up Tax Act, 2024-16* for the Barbados QDMTT in fiscal year 2024.

Qualified Domestic Minimum Top-up Tax (QDMTT): Transitional Rule for Fiscal Year 2024

This guidance forms part of the broader GIR and QDMTT guidance. It focuses on the application of the Barbados QDMTT for fiscal year 2024 where an MNE Group has Barbados Constituent Entities held through different ownership chains.

For fiscal year 2024, the Barbados QDMTT is subject to a specific condition. The tax applies only where the income of the Barbados DMTT Group is subject to an IIR or UTPR in another jurisdiction. This condition is a transitional condition for fiscal year 2024 and does not apply to subsequent fiscal years.

Scoping issues

For fiscal year 2024, the Barbados QDMTT applies only if the condition in section 5(4) of the Barbados Corporation Top-Up Tax Act, 2024-16 is met. Section 5(4) provides that, for the first fiscal year commencing on or after 1 January 2024, the Top-Up Tax applies only where a DMTT Group's income is subject to an Income Inclusion Rule ("IIR") or to an Undertaxed Profits Rule ("UTPR") in another jurisdiction.

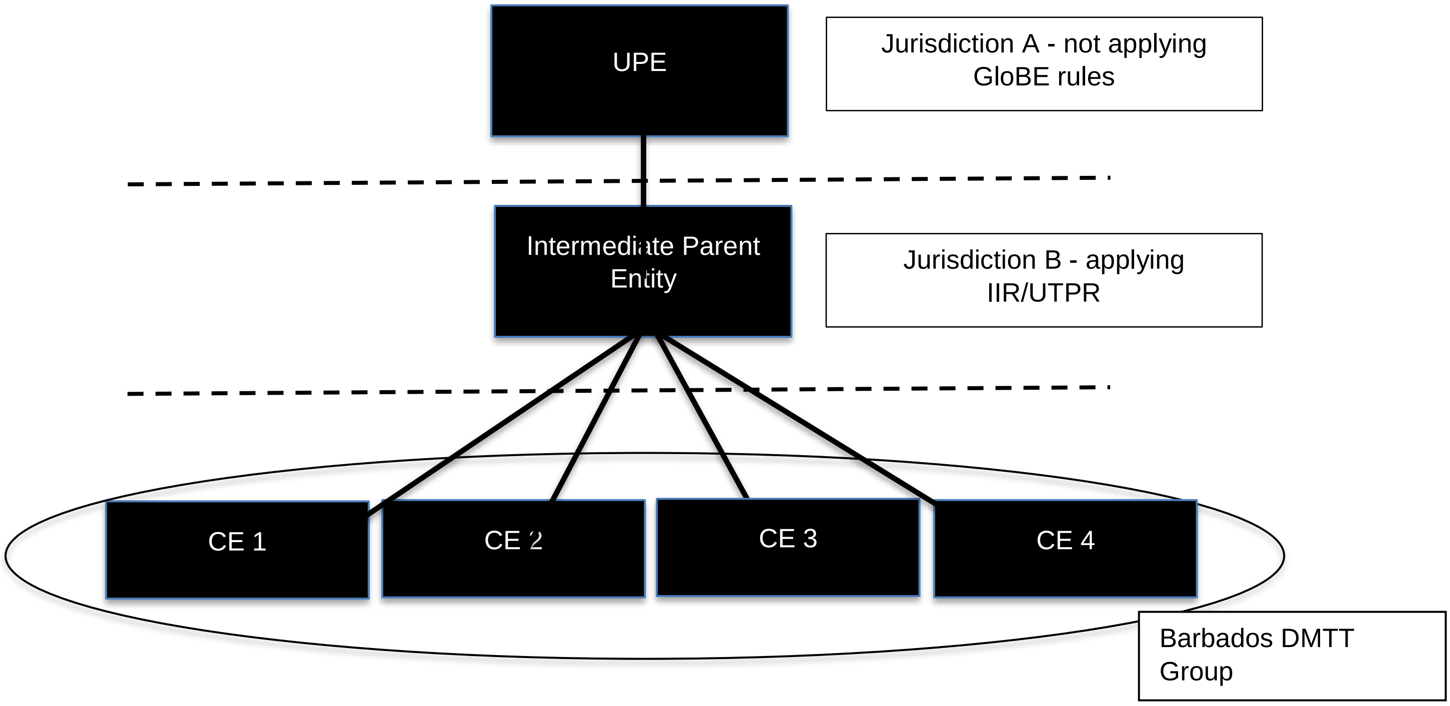
Taxpayers should begin the analysis by identifying whether the income of the Barbados DMTT Group is subject to an IIR or UTPR outside Barbados for fiscal year 2024.

Where the income of the Barbados DMTT Group is subject to an IIR or UTPR in another jurisdiction, the Barbados QDMTT applies for fiscal year 2024

Where the income of the Barbados DMTT Group is not subject to any IIR or UTPR in another jurisdiction, the Barbados QDMTT does not apply for fiscal year 2024.

This specific condition applies only to fiscal year 2024. From fiscal year 2025, the Barbados QDMTT applies under the ordinary rules of the Barbados Corporation Top-Up Tax Act, 2024-16.

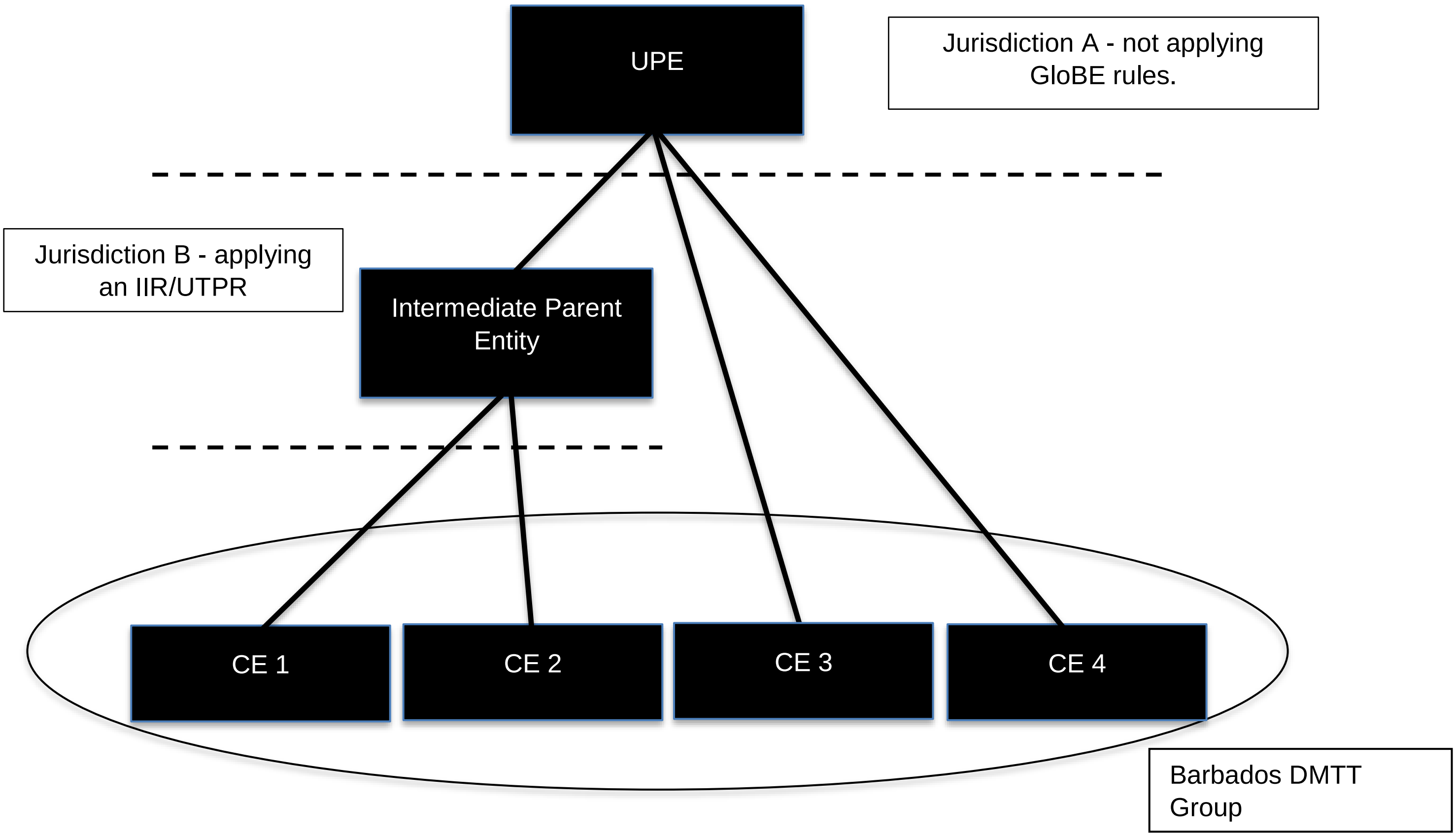
Case 1 - Barbados Constituent Entities held through an Intermediate Parent Entity located in an IIR jurisdiction, while the UPE is located in a jurisdiction that does not apply the GloBE Rules in 2024



The Barbados QDMTT applies for fiscal year 2024 where the Barbados Constituent Entities are held through an Intermediate Parent Entity located in a jurisdiction that applies an IIR.

Where an Intermediate Parent Entity applies an IIR in respect of the Barbados Constituent Entities, the section 5(4) condition is met. The Barbados QDMTT applies for fiscal year 2024 for the whole group.

Case 2 - where some Barbados Constituent Entities of a DMTT Group are owned by a UPE located in a jurisdiction that does not apply the GloBE Rules in 2024 while others are directly or indirectly owned by an IPE subject to the IIR



This situation may arise where an MNE Group has more than one Barbados Constituent Entity in the same fiscal year, with different ownership paths above those entities, and those entities form part of the same DMTT Group for Barbados QDMTT purposes.

- For example, CE 1 and CE 2 are owned, directly or indirectly, by an Intermediate Parent Entity located in a jurisdiction that applies a Qualified IIR for fiscal year 2024.

- CE 3 and CE 4 are held directly by the Ultimate Parent Entity. The UPE jurisdiction does not apply the GloBE Rules for fiscal year 2024 and as a consequence no IIR or UTPR applies at UPE level with respect to CE 3 and CE 4.

In this case it is deemed that section 5(4) is met for the CE 1 and CE 2, as they are subject to an IIR and so the Barbados Top-Up Tax applies to them. On the other hand, CE 3 and CE 4 are not subject to an IIR and so the Top-Up Tax will not apply to them.

To compute CE 1 and CE 2 Top-Up Tax, taxpayers need to follow the ordinary jurisdictional approach as per part 5 of the GloBE model rules. According to the OECD Commentary of Article 5.1 the ETR of a jurisdiction is computed by reference to the Constituent Entities of the MNE Group located in that jurisdiction. Accordingly, the Barbados ETR and Top-Up Tax should be computed by reference to all the Barbados Constituent Entities of the MNE Group located in Barbados, including CE 1, CE 2, CE3 and CE 4, subject to any specific separate-treatment rule under the GloBE Rules or the Barbados Corporation Top-Up Tax Act.

Once the Top-Up Tax is calculated on a jurisdictional level it will be allocated to each CE applying article 5.2.4. of the GloBE model rules. The amount allocated to CE 1 and CE 2 will have to be paid to Barbados. The top-up tax allocated to CE 3 and CE 4 will be deemed to be nil as the Top-up Tax income is not applicable to them. This conclusion is limited to fiscal year 2024. From fiscal year 2025, the ordinary Barbados QDMTT rules applies to all in-scope Constituent Entities located in Barbados.

Treatment of zero GloBE Income or a GloBE Loss to compute and allocate the jurisdictional Top-Up Tax

A Barbados Constituent Entity with zero GloBE Income or a GloBE Loss remains included in the Barbados jurisdictional computation but does not receive an ordinary allocation of Jurisdictional Top-Up Tax under Article 5.2.4 of the OECD GloBE model rules.

Article 5.2.4 allocates Jurisdictional Top-Up Tax by reference to the GloBE Income of each Constituent Entity over the aggregate GloBE Income of the Constituent Entities in the jurisdiction that have GloBE Income.

The OECD Commentary to Article 5.2 confirms that Jurisdictional Top-Up Tax is allocated only to Constituent Entities that have GloBE Income for the fiscal year. It also confirms that no amount is allocated to Constituent Entities with GloBE Losses.

However, as per part 5 of the GLoBE model rules, the Constituent Entities need to be included in the jurisdictional computation of the Top-Up Tax.

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