

GUIDANCE NOTE

Reference	OGC No. 5 /2026
Title	Country-by-Country Reporting (“CbCR”) Transitional Safe Harbour
Subtitle	Application of the Transitional CbCR Safe Harbour
Purpose	This Guidance Note provides general guidance on the application of the Country-by-Country Reporting (“CbCR”) Transitional Safe Harbour under the <i>Corporation Top-Up Tax Act, 2024-16</i> .

Country-by-Country Reporting (“CbCR”) Transitional Safe Harbour

The Transitional Safe Harbour is intended to reduce the initial compliance burden for multinational enterprise (“MNE”) groups that are within the scope of the *Corporation Top-Up Tax Act, 2024-16* during the transitional implementation period. The safe harbour allows eligible MNE groups to rely on simplified calculations using existing Country-by-Country Reporting information rather than undertaking full Top-Up Tax computations.

In the event that the constituent entities qualify for the Transitional Safe Harbour, the top-up tax will be deemed to be zero if any of the three tests set out below are satisfied.

Where an MNE group satisfies the conditions for the Transitional Safe Harbour in respect of Barbados and makes the required election in accordance with the applicable GloBE Information Return (“GIR”) and the *Corporation Top-Up Tax Act, 2024-16*, full jurisdictional Top-Up Tax computations will generally not be required for Barbados for the relevant fiscal year.

The safe harbour applies on a jurisdiction-by-jurisdiction basis. Accordingly, eligibility must be assessed separately for each jurisdiction in which the MNE group operates.

The Transitional Safe Harbour is temporary and is available only for fiscal years:

- beginning before 31 December 2026; and
- ending on or before 30 June 2028.

1. Transitional Safe Harbour Tests

An MNE group is required to satisfy **ONLY ONE** of the following three (3) tests in order to qualify for the Transitional Safe Harbour for a jurisdiction.

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(i) De Minimis Test

The De Minimis Test is satisfied for a jurisdiction where, for the relevant fiscal year:

- total revenue of constituent entities located in the jurisdiction is less than €10 million; and
- aggregate profit (or loss) before income tax for those entities is less than €1 million.

Example 1: De minimis test (Top-up Tax deemed zero)

Facts (FY beginning 1 Jan 2025; Tested Jurisdiction = Barbados):

CbCR Total Revenue: €8.0m

CbCR Profit (Loss) before Income Tax (PBT): €0.6m

Test (OECD de minimis thresholds):

€8.0m < €10m

€0.6m < €1m

Result: Barbados passes de minimis. Transitional CbCR Safe Harbour can apply and Top-up Tax is deemed zero for that jurisdiction for FY 2025 (*OECD Safe Harbours and Penalty Relief, Dec 2022*), assuming the jurisdiction's CbCR data is qualified and meets sourcing/no-adjustment rules.

(ii) Simplified Effective Tax Rate Test

The Simplified Effective Tax Rate (“ETR”) Test is satisfied where the simplified ETR for the jurisdiction equals or exceeds the applicable transition rate.

The applicable rates are:

Fiscal Year	Transition Rate
Fiscal years beginning before 1 January 2025	15%
Fiscal years beginning during 2025	16%
Fiscal years beginning on or after 1 January 2026	17%

The simplified ETR calculation is based on information derived from qualifying CbCR data and qualifying financial statements.

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Example 2: Simplified ETR test at the 16% transition rate (FY 2025)

Facts (FY beginning 1 Jan 2025; Tested Jurisdiction = Barbados):

CbCR PBT: €130m

Income tax expense (from Qualified Financial Statements): €8m

Less non-covered taxes: €1m

Less UTPs: €1m

Simplified Covered Taxes = $8 - 1 - 1 = €6m$

Simplified ETR = $6 / 130 = 4.61\%$

Transition rate for FY beginning 2025: 16% (*OECD Safe Harbours and Penalty Relief, Dec 2022*)

(iii) Routine Profits Test

The Routine Profits Test is satisfied where:

- the Substance-Based Income Exclusion (“SBIE”) amount for the jurisdiction is equal to or greater than the aggregate profit before income tax of constituent entities located in that jurisdiction; or
- the jurisdiction reports no profit or an overall loss for the fiscal year.

The SBIE amount is determined using eligible:

- payroll costs; and
- tangible assets

located within the jurisdiction.

Example 3: Routine profits test using SBIE (profits do not exceed substance-based carve-out)

Facts (FY beginning 1 Jan 2024; Tested Jurisdiction = Barbados):

CbCR PBT: €19m

Eligible payroll: €130m

Eligible tangible assets (NBV): €160m

Assume transitional SBIE rates for FY 2024 (*OECD GloBE Model Rules, Dec 2021, Article 9.2 and the First Schedule of the Corporation Top-Up Tax Act, 2024-16*):

Payroll carve-out rate: 9.8%

Tangible asset carve-out rate: 7.8%.

Compute SBIE:

- Payroll carve-out = $130 \times 9.8\% = €12.74m$
- Tangible carve-out = $160 \times 7.8\% = €12.48m$
- Total SBIE = €24.24m

PBT (€19m) \leq SBIE (€25.22m)

Result: Barbados passes routine profits. Transitional CbCR Safe Harbour can deem Top-up Tax zero (*OECD Safe Harbours and Penalty Relief, Dec 2022*), assuming qualified inputs and compliant sourcing.

Guidance Note: Transitional CbCR Safe Harbour, OGC No. 5/2026, 8 June 2026.

2. Requirement for a Qualifying CbCR

The Transitional Safe Harbour may ONLY be applied where a qualifying Country-by-Country Report has been prepared for the relevant jurisdiction.

A CbCR will generally be considered qualifying where it:

- is prepared and filed in accordance with legislation implementing the OECD CbCR framework in the jurisdiction of the Ultimate Parent Entity; and
- is prepared using Qualified Financial Statements (“QFS”).

The data used in the Transitional Safe Harbour calculations must be derived from QFS. MNE groups are expected to maintain reliable and consistent reporting processes to support the accuracy of the CbCR information used for safe harbour purposes.

Where OECD guidance does not specifically address a matter, taxpayers should apply reasonable accounting principles consistent with the objectives of the GloBE Rules.

The Transitional CbCR Safe Harbour applies to Joint Venture Groups, comprising a joint venture and its subsidiaries, as if they were Constituent Entities of a separate MNE Group. Accordingly, Safe Harbour tests are applied on a standalone basis to the Joint Venture Group and are not aggregated with the main MNE Group.

For these purposes, GloBE Income or Loss, Total Revenue and Covered Taxes are determined using data from Qualified Financial Statements rather than Country-by-Country Report data.

Where Joint Venture Groups and Constituent Entities are located in the same jurisdiction, separate Safe Harbour computations are required.

Example 4:

If two Constituent Entities of MNE Group AB and a Joint Venture Group (in which MNE Group AB holds an interest) are located in Barbados, two separate Transitional CbCR Safe Harbour computations are required.

One computation is undertaken in relation to the Constituent Entities of MNE Group AB, and a separate computation is undertaken in relation to the Joint Venture Group, which is ring-fenced for Safe Harbour purposes and treated as a separate MNE Group for computational purposes.

This includes separate application of the De Minimis Test, Simplified ETR Test and Routine Profits Test to each computation.

3. Adjustments Required for Transitional Safe Harbour Calculations

Certain adjustments may be required when applying the Transitional Safe Harbour rules.

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3.1 Net Unrealised Fair Value Losses

Net unrealised fair value losses - adjust the profit before tax to exclude net unrealised fair value losses if greater than €50m for the constituent entities in the jurisdiction. Unrealised fair value losses being defined as changes in fair value of Ownership Interest, excluding Portfolio Shareholdings (i.e. equity interest that gives right to at least 10% profits, capital and reserves).

Example 2:

An MNE Group has two investment holdings in Country X:

- Investment A:
 - Impairment loss recognised in current year: €80 million
- Investment B:
 - Reversal of prior-year impairment: €80 million

In this case:

- Net unrealised fair value movement = $-80 + 80 = 0$.
- Therefore net unrealised loss = €0 million.
- Threshold NOT exceeded.

No adjustment is required to the profit base used for the Simplified ETR calculation under the Transitional Safe Harbour. Reported CbCR profit before tax remains unchanged.

No adjustment is made to Covered Taxes (i.e. the ETR numerator) in respect of these unrealised fair value movements.

3.2 Tax Transparency and Distribution Elections

Entities subject to tax transparency election and taxable distribution method election: an adjustment may be required for the safe harbour calculation to allocate an amount of profit or qualifying tax expense to entities that have ownership in entities subject to this election, if it is not already included.

3.3 Purchase Price Accounting Adjustments

Where there is a business combination/merger/acquisition, then the price paid by the purchaser must be assigned to specific identifiable assets and liabilities within the acquired business, where possible (also referred to as purchase price allocation adjustments (PPAs)).

This is typically done within consolidation adjustments; however, certain GAAP allow such adjustments to be pushed down to individual entity financial statements (referred to as "push down" accounting). If push-down accounting has been adopted, then such financial statements will only be qualifying if the consistency condition is met. The consistency condition is that the financial accounts used to prepare CbCR for an accounting period beginning on or after 1 January 2023 and ending before the accounting period for which the election is being made reflect the PPAs.

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If such PPAs were not reflected historically (i.e., within the period mentioned above) and the group begins reflecting them in the period in which it makes the election, then such financial statements will fail the consistency test and will not be qualifying financial statements.

The purpose of this consistency rule is to ensure that groups cannot access a safe harbour where accounting policy has been changed to begin reflecting previously unrecognised PPAs. If the consistency condition is met, then goodwill impairment adjustments should also be made to the profit before tax, where required, and where certain conditions are met. Any adjustment made to remove PPA is not an explicitly permitted adjustment and will impact the qualification of CbCR if it is included in the financial statements used to prepare CbCR.

4. Jurisdictional Location of Entities

Differences may arise between the jurisdictions in which an entity is located for:

- CbCR purposes; and
- GloBE purposes.

This may occur in situations involving:

- dual resident entities;
- migration of tax residence during a fiscal year; or
- entities that are not treated as permanent establishments under the GloBE Rules.

For purposes of the Transitional Safe Harbour, the jurisdiction reflected in the CbCR should generally be used.

5. Election Requirements

The Transitional Safe Harbour election must be made annually under the *Corporation Top-Up Tax Act, 2024-16*, and subsequently reported/disclosed in the GloBE Information Return (GIR).

Taxpayers should ensure that all relevant supporting documentation and calculations are maintained to substantiate the election.

6. Amendments to Country-by-Country Reports

An MNE Group may amend a previously filed Country-by-Country Report (CbCR), including after both the applicable domestic filing deadline and the GloBE Information Return (GIR) filing deadline have passed, provided that the amended CbCR continues to constitute a Qualified CbCR and the reliability of the information used for the Transitional CbCR Safe Harbour assessment is maintained.

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This recognises that the filing deadlines for CbCRs and GIRs may not be aligned.

7. Transitional Safe Harbour Eligibility

Under the original OECD Transitional CbCR Safe Harbour framework, the rules generally operated on a “once-out-always-out” basis. Under that approach, where a jurisdiction failed to qualify for the Transitional Safe Harbour when first in scope, or where an election was not made for a jurisdiction in an earlier fiscal year, the MNE Group would generally not have been eligible to apply the Transitional Safe Harbour for that jurisdiction in subsequent years.

However, subsequent OECD Administrative Guidance issued in 2026 introduced revisions to the safe harbour framework. In particular, the original “once-out-always-out” approach will be replaced by a permanent Simplified Effective Tax Rate (“ETR”) Safe Harbour applicable to fiscal years beginning on or after 31 December 2026.

Under the revised framework, MNE Groups may move into and out of the safe harbour on a jurisdiction-by-jurisdiction basis, subject to the applicable eligibility and re-entry conditions set out in the OECD guidance and any domestic implementing legislation.

Taxpayers should consider the Transitional Safe Harbour rules together with the most recent OECD Administrative Guidance and any domestic legislation or further administrative guidance issued by the Barbados Revenue Authority.

8. Record Keeping and Compliance

MNE Groups are encouraged to:

- assess safe harbour eligibility at an early stage;
- maintain adequate supporting documentation in relation to:
 - the preparation of the qualifying CbCR;
 - calculations performed under the safe harbour tests;
 - the determination of jurisdictional eligibility; and
 - any adjustments made in applying the Transitional Safe Harbour rules;
- monitor ongoing developments in OECD guidance; and
- consider the interaction between transitional and permanent safe harbour provisions when evaluating compliance obligations under the Top-Up Tax rules.

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The Barbados Revenue Authority may request supporting information as part of its compliance and verification processes.

Further Information

This Guidance Note is intended to provide general administrative guidance and should be read together with:

- the *Corporation Top-Up Tax Act, 2024-16*;
- the OECD Model Rules;
- OECD Administrative Guidance; and
- related commentary issued by the OECD/G20 Inclusive Framework.

Taxpayers requiring clarification on the application of the Transitional Safe Harbour may contact the Barbados Revenue Authority for further guidance.

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