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Global Minimum Tax: Underestimated Need for Action for German Subsidiaries?

Dear Sir or Madam,

With the introduction of the global minimum tax („Pillar II“) starting in 2024, a new chapter in international corporate taxation has begun - affecting Germany as well. The objective is to ensure an effective minimum tax rate of 15% for large multinational enterprise (MNE) groups with **consolidated annual revenues of at least €750 million**.

If the ultimate parent entity (UPE) is resident abroad, one might assume that no action is required domestically. After all, the **Income Inclusion Rule (IIR)** generally leads to **taxation at the level of this foreign parent entity**. Nevertheless, German-resident entities of such an MNE group are obligated to fulfill the domestic **compliance requirements** of the minimum tax. These include submitting a **Minimum Tax Group Head Notification** (“Gruppenträgermeldung”), a **Minimum Tax Return**, and a **GloBE Information Return**.

As a first step, the domestic group leader must notify the Federal Central Tax Office (BZSt) by submitting the **Minimum Tax Group Head Notification no later than February 28, 2025**. For fiscal years deviating from the calendar year, the notification is generally due by February 28, 2026. In the case of German-resident subsidiaries, depending on the specific structure, either the sole domestic group entity or the domestic parent of the sub-group is designated as the **minimum tax group head**. If there are multiple domestic entities without a superior parent entity in Germany, the foreign UPE must designate a minimum tax group head.

A **Minimum Tax Return** must be submitted to the **tax office** responsible for the group leader no later than 15 months after the end of the fiscal year – 18 months for the initial submission. For a fiscal year corresponding to the

calendar year, the first Minimum Tax Return is therefore due **by June 30, 2026**.

Although a foreign UPE generally pays the minimum tax for the MNE group under the IIR, the **domestic minimum tax group head** may become **liable for tax**. This is particularly the case with the **Qualified Domestic Minimum Top-Up Tax (QDMTT)** and the **Undertaxed Profits Rule (UTPR)** applicable from 2025.

The **QDMTT** ensures a minimum taxation of 15% in the jurisdiction of low-taxed entities, preventing the top-up tax potential from shifting abroad, typically to the jurisdiction of the UPE. Even in Germany, where a QDMTT is also stipulated, an effective tax rate below 15% can occur.

The **UTPR** applies when the UPE is located in a jurisdiction without minimum tax provisions. In such cases, the 15% minimum tax is levied at lower tiers of the MNE group.

Additionally, a **GloBE Information Return** must be submitted to the **BZSt** within 18 months for the initial submission - 15 months for subsequent submissions. For a fiscal year aligning with the calendar year, the GloBE Information Return is also due **by June 30, 2026**.

Typically, the **domestic minimum tax group head** handles the submission. However, if the **UPE** or a designated entity has filed the return abroad and a **Competent Authority Agreement (CAA)** for the automatic exchange of GloBE Information Returns exists between the involved jurisdictions, the **obligation** for a separate domestic submission **is waived**.

A CAA can generally be established with any jurisdiction that has implemented the global minimum tax provisions. Notably, developments at the EU level should be considered: The European Commission has presented a draft for the **DAC9 Directive**, which must be transposed into national law by December 31, 2025. It proposes a standardized reporting form for GloBE Information Returns and regulates the **automatic exchange of information** among tax authorities of EU member states. This enables MNE groups to **centrally file** the **GloBE Information Return** concerning EU entities in a single member state.

Given the statutory sanctions for non-compliance with domestic minimum tax requirements, we recommend reviewing your corresponding processes. Please contact us – we are here to assist you.

Best regards



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