

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Twentieth Congress
Second Regular Session

HOUSE BILL NO. **11114**



Introduced by Representative RAYMOND ADRIAN SALCEDA

AN ACT
ADOPTING QUALIFIED DOMESTIC MINIMUM TOP-UP TAX, CREATING A
NEW TITLE XIV OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS
AMENDED, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

The international tax environment has fundamentally changed. Under the Global Anti-Base Erosion Rules, large multinational enterprise groups are generally expected to pay an effective tax rate of at least fifteen percent (15%) in every jurisdiction where they operate. Where income arising in the Philippines is taxed below that level, the corresponding Top-up Tax may otherwise be collected by another jurisdiction through the coordinated application of the global minimum tax rules.

The Philippines should not surrender to foreign governments the revenue attributable to economic activity occurring within its territory. Neither, however, should the country seek competitiveness by becoming a tax haven. Sustainable investment cannot be built indefinitely upon undertaxation. It must instead be founded upon reliable infrastructure, skilled Filipino workers, technological capability, efficient public institutions, and deep linkages with the domestic economy.

This bill therefore adopts a Qualified Domestic Minimum Top-up Tax so that the rightful tax on Philippine-sourced profits is collected in the Philippines. More importantly, it ensures that the resulting revenues are used to strengthen the country's capacity to attract and retain investments that produce genuine and measurable national benefits.

To be clear, this bill does not impose an additional tax on all corporations. It applies only to Constituent Entities located in the Philippines that form part of a Multinational Enterprise Group with consolidated annual revenues of at least Seven Hundred Fifty Million Euros (EUR 750,000,000) in at least two (2) of the four (4) fiscal years immediately preceding the current fiscal year. Small and medium enterprises, purely domestic groups, and multinational groups below this threshold are not covered.

Even among covered multinational groups, the Domestic Minimum Top-up Tax applies only when their jurisdictional effective tax rate in the Philippines is below fifteen percent (15%). The tax is imposed only on excess profits after deducting the substance-based income

exclusion for eligible payroll and tangible assets. No Top-up Tax is imposed when the Philippine effective tax rate is already at least fifteen percent (15%), or when the enterprise has no excess profits after the substance-based exclusion.

Governmental entities, international organizations, non-profit organizations, pension funds, investment funds and real estate investment vehicles that are Ultimate Parent Entities, and qualifying entities owned by such excluded entities are likewise excluded. For groups that meet the statutory conditions, however, the tax shall apply as a matter of Philippine law regardless of whether the jurisdiction of the Ultimate Parent Entity has itself adopted the global minimum tax.

Vietnam has adopted a similar underlying approach. Alongside its implementation of the global minimum tax, it established an investment-support mechanism funded through a central-budget appropriation corresponding to the incremental revenues generated. The mechanism supports eligible expenditures such as research and development, workforce training, productive assets, high-technology production, and enabling infrastructure.

This bill adopts the same core idea. All revenues collected under the proposed Title, net only of refunds, shall accrue to the General Fund. An equivalent amount shall be appropriated exclusively for direct non-fiscal support packages granted to highly desirable projects under Section 301 of the National Internal Revenue Code. The revenue raised by the new tax will therefore be reinvested in the productive capabilities required to compete for strategic investments.

The measure also revives, in modern form, the logic of the special power and infrastructure support arrangements that successfully helped secure the major investments of Hanjin Heavy Industries and Texas Instruments in the Philippines, through the Industry Competitiveness Fund. Instead of granting additional tax exemptions, the Government may reimburse an agency, government-owned or -controlled corporation, economic zone authority, or regulated utility for the verified cost of supplying electricity, water, transport, logistics, digital connectivity, or other essential services to an approved project at a preferential rate. Support may likewise take the form of grants or reimbursements for research and development, worker training, productive fixed assets, enabling infrastructure, domestic supplier development, credit enhancement, and other expenditures directly connected with the establishment or expansion of a highly desirable project.

This authority is given proper bounds. No support may be granted without a quantified cost-benefit analysis and clear and convincing evidence that the project satisfies the statutory qualifications, that government support is necessary to secure the investment, and that the measurable economic benefits substantially exceed the fiscal cost. Assistance must be limited to the minimum amount necessary, tied to actual and verifiable expenditures or investment milestones, and protected against double recovery. Releases shall be made in tranches against quantified and time-bound performance targets, with suspension and recovery in cases of substantial noncompliance.

The support mechanism is also designed to preserve the qualified status of the domestic minimum tax. Eligibility and support levels may not be determined by reference to whether an enterprise is subject to the global minimum tax, the amount of Top-up Tax it pays, or the value of tax incentives rendered ineffective by the GloBE Rules. Support may not operate as a tax credit, refund, offset, or reduction of Covered Taxes.

Finally, participation in an international tax framework must not amount to the delegation of Philippine legislative authority to an external body. The GloBE Rules applicable upon enactment shall be fixed, annexed to the law, and published with it. Subsequent technical guidance may be adopted only through rules and regulations issued by the Secretary of Finance upon the recommendation of the Commissioner of Internal Revenue, and only when consistent with the Constitution, the Tax Code, and the declared policy of the Act. No subsequent external issuance may, without an Act of Congress, impose a new tax, increase the minimum rate, expand the classes of covered taxpayers, or diminish substantive rights and remedies under Philippine law.

The bill thus strikes the necessary balance: the Philippines will collect the tax due on economic activity within its jurisdiction without positioning itself as a tax haven; it will remain competitive by supporting investments that create high-value jobs, technology, productive capacity, and domestic linkages; and it will cooperate internationally without surrendering the sovereign taxing and legislative powers of Congress.

In view of the foregoing, the immediate passage of this bill is earnestly sought.



RAYMOND ADRIAN E. SALCEDA

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Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Short Title.* – This Act shall be known as the "Multinational Minimum Tax Act of 2026" or "MMT Act of 2026".

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to safeguard the tax base, prevent base erosion and profit shifting, secure the rightful share of revenues, and strengthen fiscal sustainability, to enable the government to finance priority programs that support inclusive and sustainable economic growth.

To achieve these objectives, the State shall:

1. Participate in international efforts to counter Base Erosion and Profit Shifting (BEPS) practices and ensure that large Multinational Enterprise Groups are subject to a minimum effective tax rate (ETR) of 15% on the profits arising in each of the jurisdictions where they operate; and
2. Implement a Qualified Domestic Minimum Top-up Tax (QDMTT) on profits from operations in the Philippines in accordance with the OECD/G20 Inclusive Framework's Global Anti-Base Erosion (GloBE) Rules, hereinafter referred to as GloBE Rules, to ensure that any Top-up Tax on income arising within its jurisdiction is collected in the Philippines.

SEC. 3. A new Title XIV shall be introduced in the National Internal Revenue Code of 1997, as amended, and the existing Titles XIV and XV shall be renumbered accordingly. The new Title XIV shall read as follows:

“TITLE XIV
GLOBAL MINIMUM TAX

CHAPTER I
GENERAL PROVISIONS

“SEC. 312. *Definition of Terms.* – When used in this Title:

- (A) *Acceptable Financial Accounting Standards* means a set of generally accepted accounting principles permitted by the body responsible for prescribing, establishing, or accepting accounting standards for financial reporting purposes in the jurisdiction in which the entity is located.
- (B) *Consolidated Financial Statements means:*
 - (1) Financial statements prepared by an Ultimate Parent Entity for purposes of consolidating a Group, in which the assets, liabilities, income, expenses, and cash flows of an Entity and the Entities in which it has a controlling interest are presented as those of a single economic unit; Provided, That the preparation of such financial statements must be in accordance with an Acceptable Financial Accounting Standard, otherwise, such statements shall be used subject to necessary adjustments to prevent any material competitive distortions; and
 - (2) Where the Ultimate Parent Entity does not prepare consolidated financial statements, the financial statements that would have been prepared had it been required to do so under an Acceptable Financial Accounting Standard or another authorized financial accounting standard, subject to adjustments to prevent any material competitive distortions;
- (C) *Constituent Entity* shall refer to any Entity that is included in a Group or any Permanent Establishment of a main Entity that is part thereof, unless it is an Excluded Entity under Section 313(B) hereof;
- (D) *Covered Taxes* shall include taxes on income or profits, including taxes imposed in lieu of a generally applicable income tax, and shall be determined in accordance with the GloBE Rules, including adjustments for deferred taxes and other items as may be prescribed;
- (E) *Demerger* means any arrangement where the Group Entities of a single Group are separated into two or more Groups that are no longer consolidated by the same Ultimate Parent Entity.
- (F) *Designated Filing Entity (DFE)* means the Constituent Entity, other than the Ultimate Parent Entity, that the MNE Group has appointed to register, file, and pay top-up tax on behalf of the MNE Group in cases where there is more than one (1) Constituent Entity in the Philippines;

- (G) *Entity* shall refer to any juridical person (other than a natural person) or an arrangement that prepares separate financial accounts, such as a partnership or trust;
- (H) *Group* shall refer to a collection of Entities that are related through ownership or control such that the assets, liabilities, income, expenses and cash flows of those entities are (i) included in consolidated financial statements of the Ultimate Parent Entity, or (ii) are excluded from the consolidated financial statements on the grounds of size, materiality, or that they are held for sale. A group may also refer to an entity located in one jurisdiction that has one or more Permanent Establishments located in other jurisdictions, provided that the Entity is not part of another Group.
- (I) *GloBE Information Return* means a standardized information return in accordance with the GloBE Implementation Framework that contains the information described in Article 8.1.4 of the GloBE Model Rules;
- (J) *GloBE Rules* means the GloBE Model Rules, Commentary, and Agreed Administrative Guidance published by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting, as existing on the date of enactment of this Act: *Provided*, That subsequent amendments, revisions, commentaries, or guidance may be adopted through rules and regulations promulgated by the Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue, only insofar as they are consistent with the Constitution, this Code, and the provisions and declared policy of this Title, and are necessary to maintain the qualified status of the tax imposed herein: *Provided, further*, That such adoption shall not, without an Act of Congress, impose a new tax, increase the minimum tax rate, expand the classes of taxpayers subject to this Title, or diminish any substantive right or remedy under Philippine law;
- (K) *GloBE Income* means the financial accounting net income or loss of a Constituent Entity, determined in accordance with an acceptable financial accounting standard, and adjusted in accordance with this Title and its implementing rules and regulations;
- (L) *Governmental Entity* means any of the various units of the government, including a department, bureau, office, instrumentality, or government-owned and/or -controlled corporations, or a local government or a distinct unit therein;
- (M) *Income Inclusion Rule (IIR)* means a set of rules equivalent to Article 2.1 to Article 2.3 of the GloBE Model Rules that are included in the domestic law of a jurisdiction and that are implemented and administered in a way that is consistent with the outcomes provided for under the GloBE Rules;
- (N) *International Organization* means an organization established by a treaty or other instrument governed by international law and possessing its own international legal personality;

- (O) *Investment Fund* means an Entity that meets all of the following criteria:
- (1) It is designed to pool assets (which may be financial and non-financial) from a number of investors (some of which are not connected);
 - (2) It invests in accordance with a defined investment policy;
 - (3) It allows investors to reduce transaction, research, and analytical costs, or to spread risk collectively;
 - (4) It is primarily designed to generate investment income or gains, or protection against a particular or general event or outcome;
 - (5) Its investors have a right to return from the assets of the fund or income earned on those assets, based on the contributions made by those investors;
 - (6) The Entity or its management is subject to a regulatory regime in the jurisdiction in which it is established or managed (including appropriate anti-money laundering and investor protection regulation); and
 - (7) Managed by investment fund management professionals on behalf of the investors.
- (P) *Joint venture* is an entity whose financial results are reported under the equity method in the consolidated financial statements of the ultimate parent entity, where the UPE holds, directly or indirectly, at least 50% of the ownership interests;
- (Q) *Joint subsidiary* is an entity whose assets, liabilities, income, expenses and cash flows are consolidated by a joint venture under an acceptable financial accounting standard, or would have been so consolidated had it been required by the law or a regulatory body of the jurisdiction in which the joint venture is located to consolidate such items in accordance with an acceptable financial accounting standard; a permanent establishment whose main entity is a joint venture or a JV subsidiary is deemed to be a separate JV subsidiary;
- (R) *Jurisdictional Effective Tax Rate* means the sum of the Covered Taxes of each Constituent Entity located in the jurisdiction, as adjusted in accordance with the GloBE Rules, divided by the GloBE Income of the jurisdiction for the financial year;
- (S) *Merger* means any arrangement where (i) all or substantially all of the Group Entities of two or more separate Groups are brought under common control such that they constitute Group Entities of a combined Group; or (ii) an Entity that is not a member of any Group is brought under common control with another Entity or Group such that they constitute Group Entities of a combined Group;
- (T) *Minority-owned Constituent Entity* is a constituent entity of a group whose ultimate parent entity holds, whether directly or indirectly, 30% or less of the entity's ownership interests in the financial year concerned;

- (U) *Multinational Enterprise (MNE) Group* refers to any Group that includes at least one Entity or Permanent Establishment that is not located in the jurisdiction of the Ultimate Parent Entity.
- (V) *Non-profit Organization* means an entity organized and operated exclusively for religious, charitable, scientific, artistic, cultural, athletic, educational, social welfare, or other similar purposes, and no part of the income or assets of which inures to the benefit of any private person, except as reasonable compensation or fair value payment;
- (W) *Pension Fund* means an entity established and operated exclusively or almost exclusively to administer or provide retirement benefits, and ancillary or incidental benefits, to individuals, and which is regulated as such or whose benefits are secured or protected by law and funded through a fiduciary arrangement or trust. The term shall include a Pension Services Entity;
- (X) *Permanent Establishment*, for the purpose of this Title, means a place of business or other arrangement treated as a permanent establishment under the GloBE Rules, including any arrangement deemed to constitute a permanent establishment under an applicable tax treaty or domestic law, as determined in accordance with the GloBE Rules. A main entity in relation to a Permanent Establishment shall refer to the entity that includes in its financial statements the results of such Permanent Establishment;
- (Y) *Qualified Country-by-Country Report (CbCR)* means a Country-by-Country Report prepared and filed using Qualified Financial Statements;
- (Z) *Qualified Domestic Top-up Tax* means the Domestic Minimum Top-up Tax imposed under this Title that is designed to be consistent with, and to meet the requirements of, a qualified domestic minimum top-up tax under the GloBE Rules;
- (AA) *Qualified Financial Statements* means:
 - (1) The financial accounts used in preparing the Consolidated Financial Statements of the Ultimate Parent Entity;
 - (2) The separate financial statements of a Constituent Entity prepared in accordance with an Acceptable Financial Accounting Standard, where such information is reliable;
 - (3) For a Constituent Entity excluded from consolidation solely on size or materiality grounds, the financial accounts used in preparing the MNE Group's CbCR; or
 - (4) if a Permanent Establishment that is a Constituent Entity of the MNE Group does not have separate financial accounts or separate financial statements, the separate financial statements prepared by the Main

Entity of the Permanent Establishment for financial reporting, regulatory, tax reporting, or internal management control purposes;

- (BB) *Qualifying Competent Authority Agreement* means a bilateral or multilateral agreement or arrangement between the competent authority of the Philippines and that of another jurisdiction that provides for the automatic exchange of annual information returns;
- (CC) *Real Estate Investment Vehicle* means an entity established principally for the purpose of owning income-generating real estate assets;
- (DD) *Safe Harbour* refers to a set of simplified rules or conditions under which the Top-up Tax is deemed to be zero or may be computed using simplified methods, in accordance with internationally agreed standards;
- (EE) *Substance-based Income Exclusion* means the amount determined for a Fiscal Year representing the sum of the eligible payroll carve-out and the eligible tangible asset carve-out of the Constituent Entities located in a jurisdiction, subject to the applicable payroll and tangible assets carve-out percentages as provided in the schedule under Section 316 of this Code;
- (FF) *Ultimate Parent Entity* shall refer to:
 - (1) An Entity that owns directly or indirectly a controlling interest in any other Entity and is not owned, with a controlling interest, directly or indirectly by another Entity. For this purpose, controlling interest shall mean an ownership interest in an entity that requires, or would have required under the GloBE rules, the interest holder to consolidate the entity's assets, liabilities, income, expenses, and cash flows on a line-by-line basis in its consolidated financial statements in accordance with an Acceptable Financial Accounting Standard, or would so require if such statements were prepared under an Authorised Financial Accounting Standard, disregarding any exemption based solely on size, materiality, or the entity being held for sale. A main entity shall be deemed to have a controlling interest in its permanent establishment; or
 - (2) The main Entity of a Group that is located in one jurisdiction and has one or more Permanent Establishments located in other jurisdictions, provided that the Entity is not a part of another Group;
- (GG) *Undertaxed Profits Rule (UTPR)* means a set of rules equivalent to Article 2.4 to Article 2.6 of the GloBE Model Rules that are included in the domestic law of a jurisdiction and that are implemented and administered in a way that is consistent with the outcomes provided for under the GloBE Rules.

The foregoing and all other terms not otherwise defined in this Title shall be construed in accordance with GloBE Rules and the implementing rules and regulations issued pursuant to this Act.”

“SEC. 313. *Scope and Coverage.* –

- (A) Scope of Application. – Except as otherwise provided in this Section, an MNE Group with an annual revenue of at least Seven Hundred Fifty Million Euros (EUR750,000,000), as reflected in the Consolidated Financial Statements of the Ultimate Parent Entity for at least two (2) out of the four (4) consecutive Fiscal Years immediately preceding the current Fiscal Year, shall be subject to a fifteen percent (15%) minimum tax.
- (B) Application of consolidated revenue threshold to group mergers and demergers – For purposes of Section 313(A), the following rules shall apply in case of mergers and demergers:
 - (i) If two or more Groups merge to form a single Group in any of the four Fiscal Years prior to the current Fiscal Year, then the consolidated revenue threshold of the MNE Group for any Fiscal Year prior to the merger is deemed to be met for that year if the sum of the revenue included in each of their Consolidated Financial Statements for that year is of at least Seven Hundred Fifty Million Euros (EUR750,000,000);
 - (ii) Where an Entity that is not a member of any Group (hereinafter referred to as “acquirer”) acquires or merges with an Entity or Group (hereinafter referred to as “target”) in the current Fiscal Year and the target or acquirer does not have Consolidated Financial Statements in any of the four Financial Years prior to the current Financial Year because it was not a member of any Group in that year, the consolidated revenue threshold of the MNE Group is deemed to be met for that year if the sum of the revenue included in each of their Financial Statements or Consolidated Financial Statements for that year is of at least Seven Hundred Fifty Million Euros (EUR750,000,000);
 - (iii) where a single MNE Group within the scope demerges into two or more Groups (hereinafter referred to as “demerged Group”), the consolidated revenue threshold is deemed to be met by a demerged Group if:
 - (a) The demerged Group has annual revenues of Seven Hundred Fifty Million Euros (EUR750,000,000) or more in that year with respect to the first current Fiscal Year ending after the demerger;
 - (b) The demerged Group has annual revenues of Seven Hundred Fifty Million Euros (EUR750,000,000) or more in at least two of the Financial Years following the year of the demerger with respect to the second to fourth current Financial Years ending after the demerger;
- (C) Excluded Entities. – The following Entities and their profits, losses, taxes accrued, tangible assets, and payroll expenses are excluded from the various computations in this Title:

- (1) Governmental entities;
 - (2) International organizations;
 - (3) Non-profit organizations;
 - (4) Pension funds;
 - (5) Any investment fund that is an Ultimate Parent Entity;
 - (6) Any real estate investment vehicle that is an Ultimate Parent Entity;
or
 - (7) An Entity where:
 - (a) At least ninety-five percent (95%) of the value of the Entity is owned, directly or through a chain of Excluded Entities, by one or more Excluded Entities (other than a pension services entity), and where such Entity –
 - (i) Operates exclusively or almost exclusively to hold assets or invest funds for the benefit of such Excluded Entity or Entities; or
 - (ii) Only carries out activities that are ancillary to those conducted by such Excluded Entity or Entities; or
 - (b) At least eighty-five percent (85%) of the value of the Entity is owned, directly or through a chain of Excluded Entities, by one or more Excluded Entities (other than a Pension Services Entity), provided that substantially all of the Entity's income consists of income excluded from GloBE Income under the GloBE Rules.
- (D) Revenue Threshold Determination. – Notwithstanding the exclusion under Subsection (B) hereof, the revenue of Excluded Entities shall be considered in determining whether an MNE Group meets the revenue threshold under Section 313(A)."

CHAPTER II

IMPOSITION OF DOMESTIC MINIMUM TOP-UP TAX

"SEC. 314. Domestic Minimum Top-up Tax. – A Domestic Minimum Top-up Tax shall be imposed on the Constituent Entities of an in-scope MNE Group located in the Philippines for a Fiscal Year where the Jurisdictional Effective Tax Rate (ETR) in the Philippines is less than fifteen percent (15%), computed in accordance with Section 315."

"SEC. 315. Computation of Domestic Minimum Top-up Tax. – The Domestic Minimum Top-up Tax shall be computed by applying the Top-up Tax Rate to the Excess Profits of the Constituent Entities of an in-scope MNE Group located in the Philippines for the Fiscal Year.

The Top-up Tax Rate shall be equal to the excess of fifteen percent (15%) over the Jurisdictional ETR; Provided, That where such excess is zero or less, the Top-up Tax Rate shall be deemed to be zero.

For purposes of this Section, “Excess Profits” shall mean the GloBE Income of the jurisdiction for the Fiscal Year, reduced by the substance-based income exclusion, as determined in accordance with the GloBE Rules: Provided, further, That where the Excess Profits so determined is zero or less, no Domestic Minimum Top-up Tax shall be imposed.

SEC. 316. Eligible Payroll Carve-out and the Eligible Tangible Asset Schedules. – For the purpose of substance-based income exclusion, the rate of exclusion for the eligible payroll carve-out and the eligible tangible asset carve-out of the Constituent Entities located in a jurisdiction shall be as follows:

Taxable year beginning	Payroll carve-out percentage (%)	Tangible asset carve-out percentage (%)
2027	9.2	7.2
2028	9	7
2029	8.2	6.6
2030	7.4	6.2
2031	6.6	5.8
2032	5.8	5.4
2033 and onwards	5	5

SEC. 317. Special Entities and Arrangements. – The jurisdictional ETR and Top-up Tax of Minority-owned Constituent Entities and members of a minority-owned subgroup, joint ventures and Joint Subsidiaries, and other special entities defined under GloBE Rules, shall be computed separately from those of other Constituent Entities in the same jurisdiction, in accordance with the GloBE Rules. The Secretary of Finance shall prescribe rules for their classification and treatment, including the determination of their income, taxes, and other relevant attributes, and may provide for adjustments or special rules in specific circumstances for purposes of this Title.

SEC. 318. De Minimis Exclusion. – Notwithstanding the foregoing, an MNE Group may elect that no top-up tax shall apply with respect to Constituent Entities located in a jurisdiction that qualifies for the *de minimis* exclusion, as may be prescribed in the implementing rules and regulations and consistent with the GloBE Rules. The *de minimis* exclusion shall apply when:

- (a) The Average GloBE Revenue of such jurisdiction is less than EUR 10 million; and
- (b) The Average GloBE Income or Loss of such jurisdiction is a loss or is less than EUR 1 million.

For purposes of this Section, the average GloBE Revenue and Income or loss of the jurisdiction shall be computed over a three-year period, consisting of the current and the two immediately preceding fiscal years.

CHAPTER III COMPLIANCE REQUIREMENTS

“SEC. 319. Registration. – Every Group considered to be in-scope pursuant to Section 313(A) with Constituent Entities in the Philippines shall register with the BIR within six (6) months from the effectivity of this Act, or within six (6) months from the end of the taxable year in which the Group becomes in-scope.

If the Group has more than one Constituent Entity in the Philippines, it shall designate one Constituent Entity in the Philippines as the DFE for purposes of registration, compliance, and payment of taxes. If no DFE is nominated or the nomination is invalid, all Constituent Entities in the Philippines shall be jointly and severally liable for the Top-up Tax and the corresponding compliance obligations.”

“SEC. 320. QDMTT Return and Payment of Tax Liability. – During the first year of implementation of this Act, the Group shall file with the BIR a QDMTT Tax Return and pay the liability arising thereof, as may be prescribed by the Commissioner, on or before the eighteenth (18th) month following the end of the Fiscal Year. Provided, That in the succeeding years, the Top-up Tax Return shall be filed on or before the fifteenth (15th) month after the end of the Fiscal Year.

Provided, further, That the Top-up Tax Return shall be filed notwithstanding that no Top-up Tax is due or payable for the taxable year, in such form and manner as may be prescribed by rules and regulations.

The filing of the Top-up Tax Return shall not relieve the Constituent Entity from its obligation to file the appropriate corporate income tax returns and pay other internal revenue taxes due under this Code.

In cases where no DFE is nominated, or the nomination is invalid, all Constituent Entities in the Philippines of the in-scope Group shall be jointly and severally liable to file the required tax returns and pay the Top-up Tax, in accordance with such rules and regulations as may be prescribed by the Commissioner.”

“SEC. 321. Penalty. – Subject to the provisions of Section 324(B) of this Code, failure to file any return and pay the tax thereon on or before the date prescribed as required under this Chapter, shall be subject to the appropriate civil penalties imposed under Section 249 and other applicable provisions of this Code.”

CHAPTER IV GLOBE INFORMATION RETURN

“SEC. 322. Filing of GloBE Information Return. – During the first year of implementation of this Act, an MNE Group shall file with the BIR GloBE Information Return (GIR) on or before the eighteenth (18th) month following the end of the Fiscal Year. Provided, That in the succeeding years, the GIR shall be filed on or before the fifteenth (15th) month after the end of the Fiscal Year.

Where the Philippines has an operative Qualifying Competent Authority Agreement (QCAA) with another jurisdiction, and the GIR for the MNE Group has been filed in that jurisdiction in accordance with the GloBE Rules and made available to the BIR through such exchange mechanism, the filing of the GIR with the BIR shall no longer be required. Provided, That the MNE Group shall notify the BIR, in such form and manner as may be prescribed by rules and regulations, of the identity and jurisdiction of the entity within the MNE Group that will file the GIR on its behalf, on or before the deadline prescribed for filing of the GIR.

CHAPTER V PERMANENT SAFE HARBOUR

“SEC. 323. Permanent Safe Harbours. – To simplify compliance without undermining the consistency and transparency of outcomes under the GloBE Rules, the following Safe Harbour provisions under this Chapter shall apply, subject to the conditions and requirements prescribed in the Implementing Rules and Regulations, consistent with administrative guidance issued by the OECD/G20 Inclusive Framework.”

- (A) Qualified Domestic Minimum Top-up Tax (QDMTT) Safe Harbour. – At the option of the MNE Group, where the Domestic Minimum Top-up Tax under Section 314 is determined by the Inclusive Framework on BEPS to qualify as a QDMTT Safe Harbour, the computation of any additional Top-up Tax in other jurisdictions, with respect to the profits of Constituent Entities located in the Philippines, shall be deemed to be zero.
- (B) Simplified ETR Safe Harbour. – At the option of the MNE Group, a simplified ETR computation may be applied to determine whether Top-up Tax shall be imposed.

For purposes of this Section, the Simplified Effective Tax Rate (ETR) refers to an effective tax rate determined using simplified income and simplified taxes, as prescribed in the implementing rules and regulations, based on readily available financial and tax information and limited adjustments, in lieu of the full GloBE computation, consistent with the GloBE Rules.

Where the Simplified ETR for the relevant taxable year is at least fifteen percent (15%), the Top-up Tax for such jurisdiction for that taxable year shall be deemed to be zero.

- (C) UPE Safe Harbour. – At the option of the MNE Group, where the UPE of the MNE Group is located in the Philippines, and the Philippines is determined by the Inclusive Framework on BEPS to satisfy the conditions of a UPE Safe Harbour, no Top-up Tax shall be imposed under the UTPR with respect to income arising in the Philippines for the relevant taxable year.
- (D) SBS Safe Harbour. – At the option of the MNE Group, where the UPE of the MNE Group is located in the Philippines, and the Philippines is determined by the Inclusive Framework on BEPS to satisfy the conditions of an SBS Safe

Harbour, no Top-up Tax shall be imposed under the IIR and the UTPR with respect to income arising in the Philippines for the relevant taxable year.

- (E) Substance-based Tax Incentive Safe Harbour. – At the option of the MNE Group, where tax incentives are qualified tax incentives under the GloBE Rules, tax incentives shall be treated as an addition to Covered Taxes in determining the jurisdictional ETR, subject to a substance-based limitation provided under the GloBE Rules.
- (F) Other Safe Harbour Provisions. – Other permanent Safe Harbour or simplification measures for purposes of determining Top-up Tax shall apply, where such Safe Harbour or simplification is agreed upon and recognized under administrative guidance issued by the OECD/G20 Inclusive Framework, subject to the implementing rules and regulations of this Act.”

CHAPTER VI TRANSITORY RULES

“SEC. 324. Transitory Rules. – To facilitate compliance, the transitional provisions under this Chapter shall apply.”

- (A) Transitional Country-by-Country Report (CbCR) Safe Harbour. – For Fiscal Years ending on or before December 31, 2027, unless otherwise extended by the Inclusive Framework, the Top-up Tax for a jurisdiction shall be deemed to be zero for a Fiscal Year, where any of the following conditions are satisfied, based on a Qualified CbCR, including information that would have been reported in a Qualified CbC Report, and supplemented, where necessary, by other information permitted under the GloBE Rules.
 - (1) De Minimis Test. – The MNE Group has an aggregate revenue of less than ten million euros (EUR 10,000,000) and pre-tax profit of less than one million euros (EUR 1,000,000), or a loss, in such jurisdiction;
 - (2) Simplified ETR Test. – The MNE Group has a Jurisdictional ETR of at least seventeen percent (17%) for 2026 and 2027; or
 - (3) Routine Profits Test. –The MNE Group has a pre-tax profit (or loss) equal to or less than the Substance-Based Income Exclusion.

The application of the Transitional CbCR Safe Harbour shall be at the option of the MNE Group. Provided, That where an MNE Group elects not to apply, or ceases to qualify for, the Transitional CbCR Safe Harbour in the Philippines for a Fiscal Year, such MNE Group shall not be permitted to apply the Transitional CbCR Safe Harbour in the Philippines for any subsequent Fiscal Year.

- (B) Transitional Penalty Relief. – For Fiscal Years ending on or before December 31, 2028, unless otherwise extended by the GloBE Rules, no administrative penalties shall be imposed for violations of the rules and regulations issued under this Title relating to the preparation and submission of all returns and other documentary requirements under this Title, provided the MNE Group

has acted in good faith and has taken reasonable measures to ensure the correct application of the GloBE Rules, consistent with the common understanding on penalties under such rules.”

CHAPTER VII INDUSTRIAL COMPETITIVENESS SUPPORT

“SEC. 325. Exclusive Use of Revenues for Industrial Competitiveness Support. – All revenues collected pursuant to this Title, net only of refunds, shall accrue to the General Fund. There shall be appropriated annually, out of the funds of the National Government not otherwise appropriated, an amount equivalent to such collections, exclusively to finance the budgetary component of non-fiscal support packages granted pursuant to Section 301 of this Code. The Secretary of Finance shall certify the amount of such collections.

“For purposes of this section, direct non-fiscal support may take only the following forms:

“(A) Direct grants or reimbursements for actual and verifiable expenditures on:

“(1) Research, development, innovation, product development, and technology transfer;

“(2) Training, skills development, apprenticeships, and other expenditures for the development of the Filipino workforce;

“(3) The acquisition, construction, installation, or improvement of machinery, equipment, production facilities, laboratories, data centers, and other productive fixed assets;

“(4) Site development and the construction or improvement of project-specific or common-use transport, logistics, water, energy, digital, waste-management, and other enabling infrastructure;

“(5) The development and qualification of domestic suppliers and the integration of Philippine enterprises into the project’s supply chain; and

“(6) Reasonable and necessary production or operating costs during the establishment, expansion, or technological upgrading of the project, subject to the period and limits approved under Section 301;

“(B) Industry competitiveness support through the reimbursement of a national government agency, government-owned or -controlled corporation, economic zone authority, or regulated public utility for the actual and verified financial cost of providing electricity, water, transportation, logistics, digital connectivity, or other essential services to an approved project at a preferential rate: *Provided*, That the reimbursement shall not exceed the difference between the generally applicable rate and the project rate approved under Section 301;

“(C) The construction, acquisition, improvement, or provision by the Government of land, connection assets, access facilities, and other infrastructure necessary for the establishment or expansion of an approved project;

“(D) Interest subsidies, credit guarantees, political-risk insurance, or other credit-enhancement measures, limited to their independently determined subsidy or risk cost to the Government; and

“(E) Government procurement, co-development, or advance-market commitments for research, technology, or products required for a defined public purpose, subject to applicable procurement, auditing, and competition laws.

“No support shall be granted or released unless the Fiscal Incentives Review Board determines, on the basis of a quantified cost-benefit analysis and clear and convincing evidence, that:

“(1) The project satisfies all the qualifications under Section 301;

“(2) The support is necessary to secure the investment and is limited to the minimum amount necessary to cause the project or activity to proceed, expand, or remain in the Philippines;

“(3) The measurable economic benefits of the project, including high-value employment, domestic value addition, research and development, technology transfer, supplier development, exports, or industrial diversification, substantially exceed the cost of the support;

“(4) The amount granted corresponds to actual and verifiable eligible costs or the achievement of specified investment milestones; and

“(5) The same cost or undertaking is not supported by another appropriation, subsidy, grant, or government assistance.

“Eligibility for, and the amount of, any support under this section shall not be determined, directly or indirectly, by reference to whether the enterprise or its group is subject to this Title, the amount of Top-up Tax paid or payable, or the amount of any tax incentive rendered ineffective by the GloBE Rules. Support under this section shall not take the form of a credit, refund, offset, reduction, or other adjustment of Covered Taxes and shall be structured and accounted for as a government grant, subsidy, or other non-tax support consistent with the GloBE Rules.

“Each grant shall specify quantified and time-bound performance targets and shall be released in tranches upon verified compliance with the corresponding milestones. Failure to substantially meet such targets shall result in the suspension of further releases and the recovery of amounts previously released, with interest.

“The amounts appropriated under this section shall remain available until fully utilized and shall not be transferred, realigned, impounded, reverted, or used for any purpose other than that expressly provided herein.”

SEC. 4. *Dedicated Office for the Administration of QDMTT.* – The Commissioner of Internal Revenue shall establish or designate a dedicated office, division, or unit within the appropriate Service of the Bureau of Internal Revenue for the administration and enforcement of the Qualified Domestic Minimum Top-up Tax under this Title.

SEC. 5. *Implementing Rules and Regulations.* – Within one hundred and twenty (120) days from the effectivity of this Act, the Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue, shall promulgate the necessary rules and regulations to implement the provisions of this Act.

SEC. 6. *Interpretation Clause.* – This Act shall be interpreted in accordance with the Constitution, this Code, and other laws of the Philippines, while giving due regard to the objective of achieving outcomes consistent with the GloBE Rules.

The Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, adopt through rules and regulations such subsequent technical, computational, and administrative guidance as may be necessary to maintain the qualified status of the tax imposed under this Act: *Provided*, That such adoption shall remain within the framework and standards expressly prescribed herein and shall not, without an Act of Congress, impose a new tax, increase the minimum tax rate, expand the classes of taxpayers subject to this Title, or diminish any substantive right or remedy provided under Philippine law.

SEC. 7. *Transparency and Public Availability of Referenced Standards.* – The GloBE Rules and other international standards referred to in this Act shall be contained in Annex “A” of this Act and published together therewith.

SEC. 8. *Separability Clause.* – If any provision or part of this Act is declared invalid or unconstitutional, such declaration shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the case, whereas the parts or provisions not affected thereby shall remain in full force and effect.

SEC. 9. *Repealing Clause.* – All laws, decrees, executive orders, implementing rules and regulations, issuances, or any part thereof inconsistent with the provisions of this Act are deemed repealed, amended, or modified accordingly.

SEC. 10. *Effectivity.* – This Act shall take effect immediately following its complete publication in the Official Gazette or in a newspaper of general circulation, unless otherwise delayed by the Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue.

Approved,