AUGUST 2025

UPDATE

Pillar Two Mourant Jersey and Guernsey outlook

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The OECD's Pillar Two framework — which introduces a global minimum effective tax rate of 15% for large multinational enterprises — has transitioned from concept to implementation. In our previous update, Pillar 2 Mourant jurisdictional outlook, we provided a high-level overview of the Model Rules and the implementation approaches in Jersey and Guernsey.

Jersey

Jersey has adopted the Income Inclusion Rule (IIR) and a Multinational Corporate Income Tax (MCIT) through new legislation, both of which apply to fiscal years starting on or after 1 January 2025. Whilst the legislation implementing Pillar Two heavily relies on (and imports terminology from) the OECD Model (including the Consolidated Commentary of 25 April 2024 and the OECD Administrative Guidance published on 17 June 2024), Jersey has deviated from the model solution of addressing the domestic minimum tax through the qualified domestic minimum top-up tax (QDMTT). Instead, it introduced the MCIT at a rate of 15% which is applicable to relevant Jersey constituent entities which are not Excluded Entities nor subject to application of the de minimis exemption. The majority of Jersey entities will be excluded from the MCIT as a result. The taxable base for the MCIT is calculated in accordance with GloBE rules but, unlike the QDMTT, Jersey MCIT results in an effective minimum tax rate at the stage of Covered Taxes and means Jersey is not considered to be a Low-tax Jurisdiction for the purposes of Pillar Two.

To support MCIT filings, Jersey Revenue has introduced an MCIT registration portal. While this is an interim solution, it enables the relevant Jersey based reporting entity (either the Ultimate Parent Entity, Intermediate Parent Entity, or the nominated Reporting Entity) to register for reporting. Each Jersey entity that is a member of the relevant group will need to be listed on the registration form submitted by the reporting entity (a .csv file can be uploaded if there are more than 25 such entities to name), together with their respective tax identification number (TINs). Any entity without a TIN will need to obtain one before the MCIT registration can be submitted. The portal also allows registration as a Tax Agent; however, completing this requires a letter of authority.

Registration via the portal designates an entity as an 'MCIT entity', distinguishing it from other Jersey entities subject to Income Tax under the Income Tax (Jersey) Law 1961. This classification means the entity will only file returns within the MCIT online environment.

Each Jersey Pillar Two entity should also be assessed from a perspective of the MCIT definition of an Excluded Entity, which includes investment funds, as well as flow-though and reverse hybrid entities. For more details, please refer to the Revenue Jersey Pillar Two FAQs, Interim guidance on Jersey's approach to Pillar Two.

Guernsey

On 4 September 2024 the Guernsey States gave a green light to implementing local Pillar Two related regulations as an international tax measure under section 75CC(1C) of the Income Tax (Guernsey) Law, 1975. The IIR and the QDMTT are effective in Guernsey from 1 January 2025.

Unlike Jersey, Guernsey decided to apply the model-based QDMTT to address the domestic top-up requirement and the minimum rate of 15%. As a result, Guernsey is treated as a Low-tax Jurisdiction under the model and local in-scope constituent entities will have to have their top-up tax calculated for the purpose of assessing any residual top-up taxes by their UPEs. Due to the straightforward implementation model, Guernsey has been recognised by the HMRC as a 'Pillar Two territory' in terms of the UK Multinational Top-up Tax (Pillar Two Territories, Qualifying Domestic Top-up Taxes and Accredited Qualifying Domestic Top-up Taxes) Regulations 2025.

We understand that, for a transitional period, Guernsey QDMTT will benefit from the Safe Harbor and therefore, subject to its conditions, will benefit from a simplified calculation of any top up taxes.

Similar to Jersey, Guernsey QDMTT relies heavily on the terminology provided by the Pillar Two model and therefore we expect additional work post implementation to develop industry practice.

Meanwhile, in preparation for the Pillar Two reporting Guernsey resident entities are requested to provide their initial assessment. In the annual tax return for Year of Assessment 2024 (due 30 November 2025) includes now two Pillar Two relevant questions so we encourage all clients to obtain tax advice regarding their status as a Guernsey constituent entity ahead of the deadline.

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