

Pillar Two in Guernsey

Briefing Summary: Guernsey has implemented the OECD's Pillar Two global minimum tax rules from 1 January 2025, applying to large multinational groups with revenues of €750 million or more. The regime introduces Domestic and Multinational Top-up Taxes to ensure a minimum 15% effective tax rate while preserving Guernsey's taxing rights. However, most local entities will remain unaffected due to thresholds, exclusions, and limited scope.

Service Area: Trusts and Private Wealth

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Guernsey's Pillar Two

The OECD's Two-Pillar Solution to the global risks posed by base erosion and profit shifting in a digital economy ("**Pillar Two**") saw the introduction of global minimum tax rules designed to ensure that large multinational enterprise groups ("**MNE Groups**") pay a minimum level of tax on income arising where they operate around the world. In common with the commitments of over 140 other jurisdictions, Guernsey has implemented Pillar Two with effect for accounting periods beginning on or after 1 January 2025. The rules are strictly targeted at MNE Groups with annual revenue of EUR 750 million or more in the Consolidated Financial Statements of the Ultimate Parent Entity ("**UPE**") of the MNE Group in at least two of the four fiscal years immediately preceding the tested.

The rules do not apply to MNE Groups that have no foreign presence or have less than EUR 750 million in revenues. For MNE Groups that technically exceed the EUR 750 million global threshold but maintain a relatively small presence in Guernsey, the rules in Guernsey include a "de minimis" exclusion from the payment of a domestic top up tax, even though such smaller Group members may still be required to register and notify the Revenue Service of their status as a constituent entity of an MNE Group.

Excluded Entities

The rules provide some relief for "**Excluded Entities**", which include governmental entities, non-profit organisations, pension funds, and certain investment funds and real estate investment vehicles. For an investment fund or a real estate investment vehicle to be an Excluded Entity, it must be the UPE of the MNE Group. Furthermore, a holding company that is 95% or 85% owned by an Excluded Entity can also be excluded if it meets specific conditions, such as operating exclusively to hold assets for the benefit of the Excluded Entity.

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How does Pillar Two work in Guernsey?

Where applicable, Guernsey's Pillar Two rules introduce a dual-tax mechanism comprising a Domestic Top-up Tax ("**DTT**") and a Multinational Top-up Tax ("**MTT**"). The two taxes operate in tandem but address different parts of the MNE Group's operations. Guernsey's DTT has been provisionally recognised as meeting the OECD's requirements to be a Qualified Domestic Minimum Top-up Tax ("**QDMTT**"), whilst Guernsey's MTT is provisionally recognised as meeting the OECD's requirements for a Qualified Income Inclusion Rule ("**QIIR**"). By securing this recognition, Guernsey has preserved its taxing rights over income generated within its own jurisdiction, whilst ensuring that members of MNE Groups that are in-scope of Guernsey's implementation of Pillar Two are not prejudiced by Pillar Two treatment in other jurisdictions in which they operate.

Guernsey's DTT is designed to ensure that the Effective Tax Rate ("**ETR**") on Guernsey-sourced profits of in-scope MNE Groups reaches the OECD's 15% minimum. In Guernsey, where the standard corporate tax rate is 0% (with 10% and 20% rates for specific activities), most in-scope entities will initially show a local ETR well below 15%. In such cases, a top-up tax is calculated on the "Excess Profit," calculated in accordance with the OECD's Global Anti-Base Erosion Model Rules ("**GloBE Model Rules**") on which Pillar Two is based.

Guernsey's MTT applies when a Guernsey-resident entity is the UPE of an in-scope MNE Group. It also applies where an in-scope MNE Group has a Guernsey-resident Intermediate Parent Entity ("**IPE**") and no entity above that Guernsey IPE in the structure chain is in-scope of the GloBE Model Rules. The MTT is designed to tax profits of the Group's constituent entities calculated in accordance with applicable QIIR where those profits arise in "low-taxed" jurisdictions outside Guernsey. Thus, if a Guernsey-based parent entity of an in-scope MNE Group has a subsidiary in a foreign jurisdiction with, say, a 5% ETR, and that jurisdiction has not implemented a QDMTT, Guernsey will collect the 10% difference as a MTT. If, however, the subsidiary's jurisdiction has implemented its own QDMTT, the amount paid in that foreign jurisdiction is credited against the MTT due in Guernsey, effectively reducing the liability to pay a top up tax in Guernsey to zero.

Combined effect of Guernsey's DTT and MTT

The decision to implement both a DTT and an MTT is a strategic move to protect Guernsey's taxing rights. By implementing a DTT, Guernsey ensures that any top-up tax due on the Guernsey profits of an in-scope MNE Group is collected locally, rather than being taxed by a foreign jurisdiction where the MNE Group's parent company might be located. This preserves the integrity of the local tax base while providing MNE Groups with a predictable domestic compliance environment. According to a government consultation paper launched in January 2026, tax receipts arising from Pillar Two in Guernsey are currently forecast to bring in £40million in 2026, although revenues will not start to be collected until 2027, and then only from a relatively narrow pool of in-scope structures.

Interaction with Guernsey's domestic tax regime

The DTT and MTT do not interfere with the application of Guernsey's domestic tax regime. Instead, where they apply, the top-up taxes overlay the domestic regime in that they only apply to large MNE Groups with annual consolidated revenues of EUR 750 million or more, and are designed to raise additional tax on Excess Profits at an ETR of 15%, as required by the GloBE Model Rules and Pillar Two. For the vast majority of Guernsey-based entities, the top-up taxes will have no direct impact because the entities are not part of an MNE Group that meets the required threshold, or they meet the criteria to be Excluded Entities or certain "de minimis" exclusions from paying the top up taxes apply. In practice, in the very limited circumstances in which Pillar Two is anticipated to apply in Guernsey to MNE Groups, it is likely that they are already aware of their potential to be in-scope, due to the OECD's existing country-by-country reporting requirements, which share the same consolidated revenue threshold of EUR 750 million.

For a summary of Guernsey taxation, [click here](#).

Guernsey as a safe jurisdiction for long-term future growth

Guernsey has designed and is implementing legislation to comply with the OECD's Pillar Two requirements in a way that is recognised as fulfilling its international commitment to meet evolving global tax standards while simultaneously preserving the administrative simplicity and legal certainty that has successfully defined its financial services sector over decades. In doing so, Guernsey continues to offer global business structures a secure jurisdiction for long-term future growth – a safe haven in these turbulent times.

FAQs

What is Pillar Two?

Pillar Two is an OECD initiative introducing a global minimum tax rate of 15% for large multinational enterprise (MNE) groups operating across multiple jurisdictions.

Who is affected by Guernsey's Pillar Two rules?

The rules apply only to MNE Groups with annual consolidated revenues of €750 million or more.

What taxes has Guernsey introduced under Pillar Two?

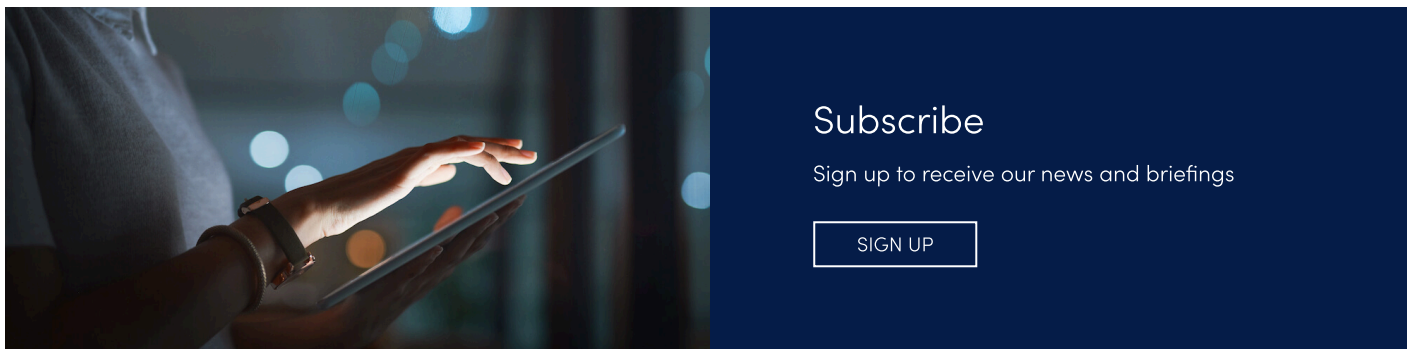
Guernsey has implemented a Domestic Top-up Tax (DTT) and a Multinational Top-up Tax (MTT) to ensure in-scope profits are taxed at the minimum rate.

Will most Guernsey businesses be impacted?

No, the majority of Guernsey entities will not be affected due to the high revenue threshold, exclusions, and de minimis provisions.

When do the rules take effect?

Guernsey's Pillar Two rules apply to accounting periods starting on or after 1 January 2025.



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