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Multinational Enterprise Top-Up Tax and Domestic Top-Up Tax

Part B of Module One: Scope and Charging Provisions



Second Edition –
June 2026

Refer to the [IRAS e-Learning on GloBE Rules and DTT webpage](#) for Updates and Amendments in the Second Edition

Outline of Module

- + Introduction to BEPS 2.0 and Pillar Two
- + Overview of the GloBE Rules and the QDMTT
- + **Singapore's Implementation**
- + **Scope**
- + **Charging Provisions for the MTT**
- + **The DTT in Singapore**



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Singapore's Implementation

Singapore's Implementation

- Singapore has implemented the IIR and QDMTT from businesses' FYs starting on or after 1 Jan 2025.
- In Singapore:
 - The IIR is referred to as the MTT.
 - The QDMTT is referred to as the DTT.
 - The UTPR will be considered at a later stage.
- The [MMT Act](#), [MMT Regulations](#) and [Admin Regulations](#), which have been enacted to implement the MTT and DTT, have effect for FYs starting on or after 1 Jan 2025.

Singapore's Implementation

- Both the MTT and DTT are designed in accordance with the GloBE Rules.
 - The MMT Act obtained transitional qualified status with effect from 1 Jan 2025 – i.e. the MTT and DTT are recognised as qualified IIR and QDMTT, respectively.
- Both the MTT and DTT are taxes imposed:
 - by Singapore and collected by the Comptroller of Income Tax;
 - under Singapore law – i.e. the MMT Act and the relevant subsidiary legislations; and
 - on Singapore entities, in respect of an in-scope MNE group.

Singapore's Implementation

- Key differences:

	MTT	DTT
Income on which top-up tax is imposed	<ul style="list-style-type: none"> • Income of the entities located outside Singapore and stateless entities <ul style="list-style-type: none"> • i.e. foreign entities 	<ul style="list-style-type: none"> • Income of the entities located in Singapore and stateless entities created in Singapore <ul style="list-style-type: none"> • i.e. local entities
Chargeable / Tax-paying entity	<ul style="list-style-type: none"> • Singapore parent of the foreign entities, subject to rule order in the GloBE Rules 	<ul style="list-style-type: none"> • Local entities (generally payable by a designated entity)

Determining if the MTT / DTT Affects the MNE Group

Step 1 – Determine if an MNE group is in-scope

- Determine whether an MNE group meets or exceeds the revenue threshold in the applicable FYs.

Step 2 – CEs within scope

- If the MNE group is in-scope, identify the location of each CE within the MNE group.

Step 3 – Safe harbours and de minimis rules

- Consider if the safe harbour and/or de minimis rule applies to the jurisdiction.

Step 4 – GloBE Income / Loss and Covered Taxes

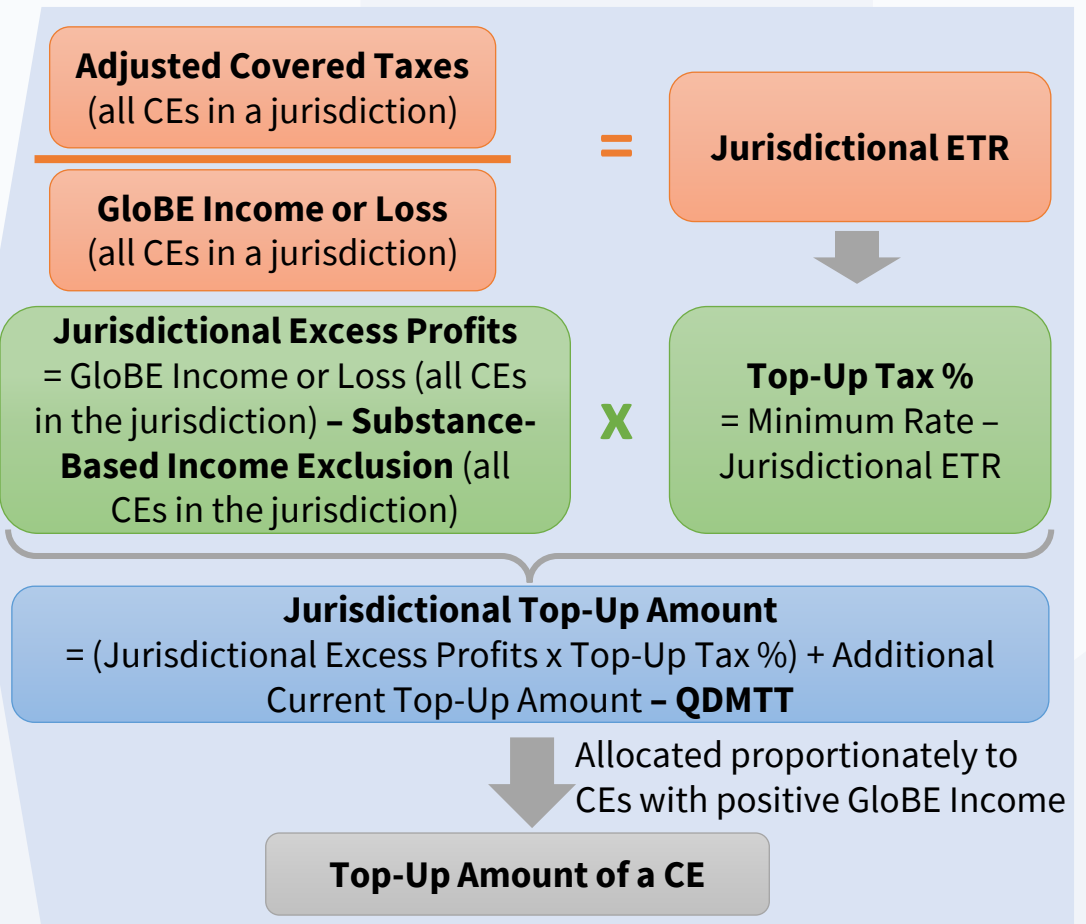
- Determine the GloBE Income or Loss and Adjusted Covered Taxes of each CE.

Step 5 – ETR and Top-Up Amount

- Compute the ETR of all CEs located in the jurisdiction and determine the Jurisdictional Top-Up Amount.

Step 6 – MTT and DTT

- Impose top-up tax under the MTT or DTT in accordance with agreed rule order.



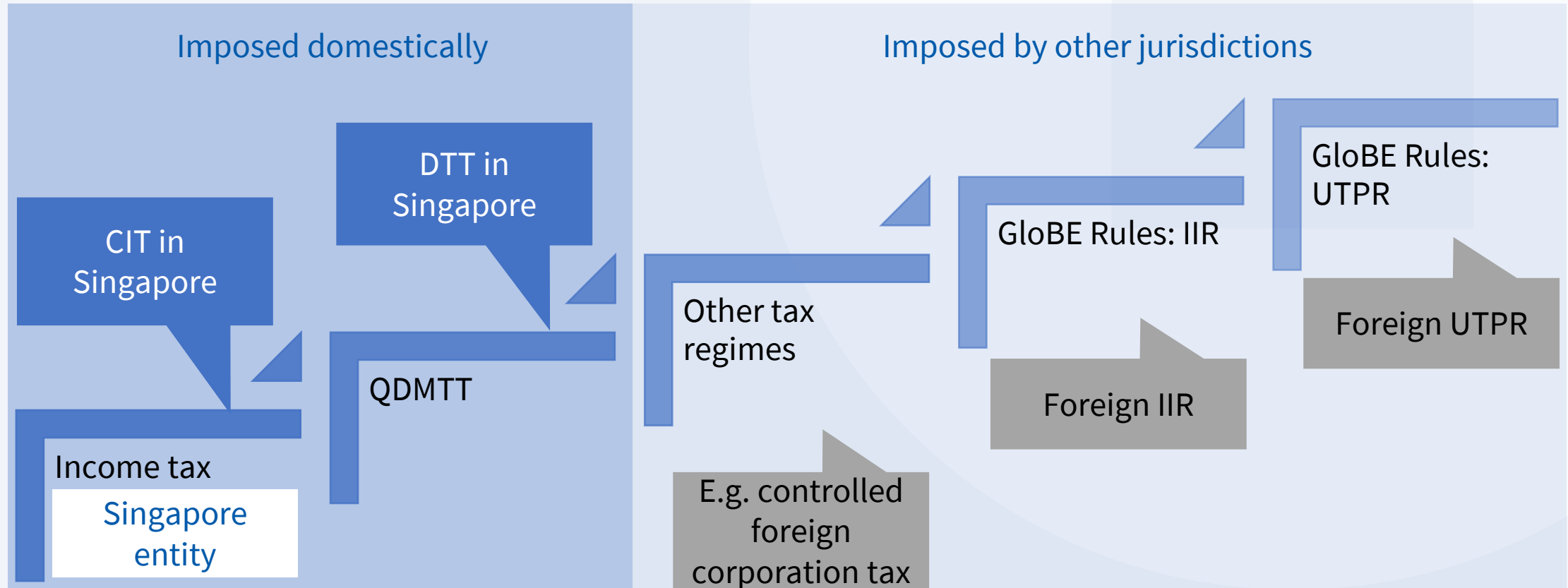
Interaction Between the MTT / DTT and Existing Tax Regimes

- The MTT and DTT are top-up taxes charged on the income of an MNE group, **in addition to CIT**.
- In terms of rule order, the **MTT and DTT are imposed after the application of CIT**.

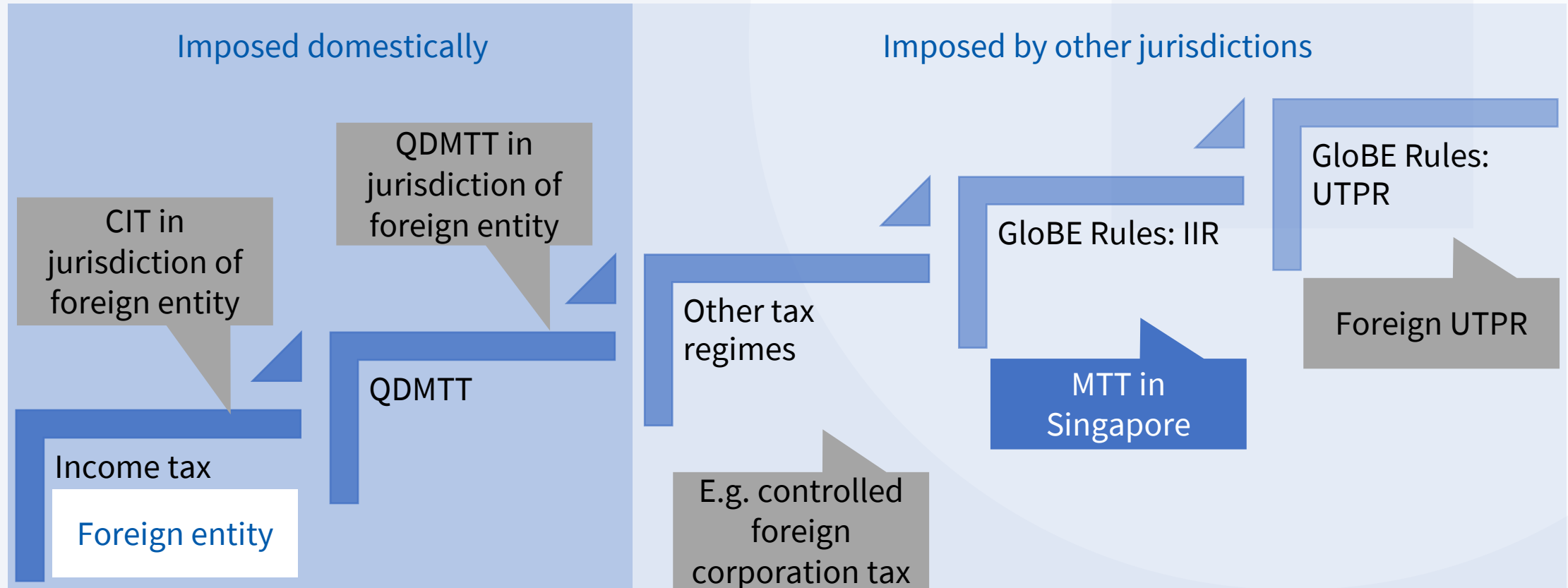
Quick Tip

The CIT is imposed pursuant to the ITA, and the MTT and DTT are imposed pursuant to the MMT Act – there are distinct obligations under the respective Acts. The obligation of a business to pay the CIT may not necessarily preclude it from having to pay the MTT or DTT.

Interaction Between the MTT / DTT and Existing Tax Regimes – Singapore Entity

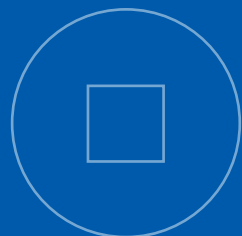


Interaction Between the MTT / DTT and Existing Tax Regimes – Foreign Entity





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Scope

Scope

Provisions in the MMT Act (including the MTT and DTT) apply to **an MNE group** for a **FY beginning on or after 1 Jan 2025** if its **consolidated group revenue** (determined by reference to the CFS of its UPE) **for at least 2 out of 4 FYs immediately before that FY** is equal to or exceeds the **revenue threshold** of EUR 750 mil.*

Quick Tip

When determining whether an MNE group falls within the scope of the MMT Act for a FY beginning on or after 1 Jan 2025, the term “FY” refers to the financial year of the UPE’s CFS, which could be **different from the financial year used in the individual entities’ financial accounts**.

* Section 8(1) of the MMT Act.



Scope

Multinational enterprise group

Revenue threshold

Financial year

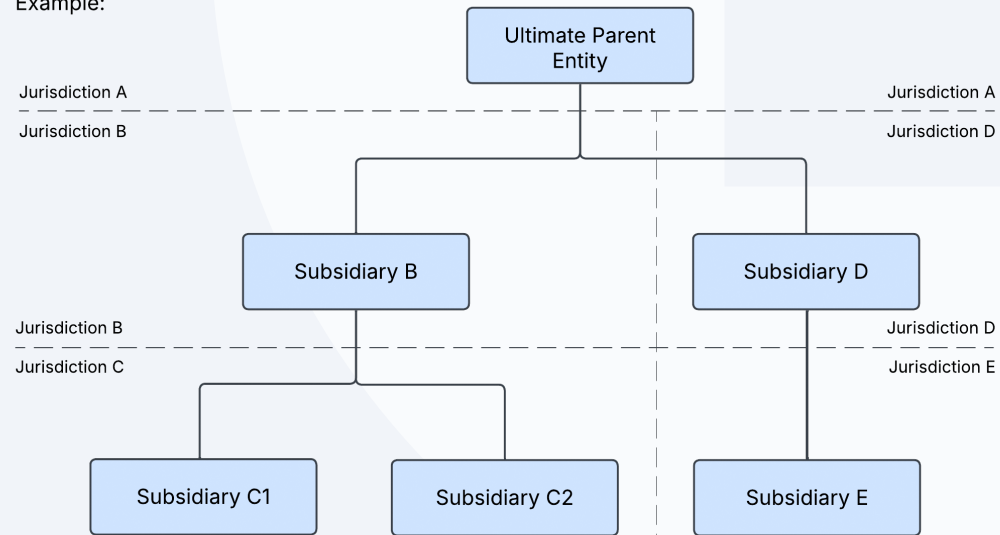
Excluded entities

Multinational Enterprise Group

What is a “MNE group”?*

A **group** that has at least one **entity or PE**** that is **not located in the jurisdiction of the UPE**

Example:



Quick Tip

A **wholly domestic group** (with all its members in one jurisdiction) is not regarded as an “MNE group”.

* Section 2(1) of the MMT Act.

** Section 4(1) of the MMT Act.

Multinational Enterprise Group

What is a “group”?*

- A collection of entities that are related through ownership or control such that the assets, liabilities, income, expenses and cash flows of each entity are:
 - included in the CFS of the UPE; or
 - excluded from the CFS of the UPE solely on size or materiality grounds, or because the entity is held for sale.
- Includes a main entity** and its PE provided they are located in different jurisdictions, and the main entity is not part of another group.

* Section 2(1) of the MMT Act.

** Section 4(2) of the MMT Act.

Multinational Enterprise Group

What is an “entity”?*

- a. A legal person (excluding a natural person);
 - b. a general partnership or limited partnership;
 - c. a trust; or
 - d. any other arrangement that results in the preparation of separate FS in respect of the activities carried out under the arrangement, such as a PE.**
- Excludes one that is (or is part of) a national, regional or local government, or that carries out a government function.***

* Section 2(1) of the MMT Act and paragraph 3(1) of the First Schedule to the MMT Act.

** Section 4(3) of the MMT Act.

*** Section 2(1) of the MMT Act and paragraph 3(2) of the First Schedule to the MMT Act.

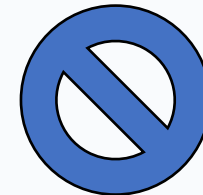
Multinational Enterprise Group

Ultimate Parent Entity*

- a. An entity that owns (directly or indirectly) a controlling interest** in any other entity and is not owned (directly or indirectly) with a controlling interest by another entity
- b. The main entity of a group comprising the main entity and all its PEs, and the main entity is not part of another group



Includes an entity not being a governmental entity, but in which such a governmental entity*** (which has the principal purpose of managing or investing the assets of the government or jurisdiction) has a direct controlling interest



Excludes a governmental entity which has the principal purpose of managing or investing the assets of the government or jurisdiction

* Sections 2(1) to 2(3) of the MMT Act.

** Section 2(1) of the MMT Act.

*** Paragraphs 4(3) to 4(4) of the First Schedule to the MMT Act.



Scope

MNE group

Revenue threshold

Financial year

Excluded entities

Revenue Threshold

What is the revenue threshold?

- The MMT Act applies to an MNE group for a FY if the group's **consolidated group revenue** – determined by reference to the CFS of the UPE – is equal to or exceeds the revenue threshold of **EUR 750 mil** for at least 2 out of 4 FYs immediately before that FY.*

Quick Tip

- The EUR 750 mil revenue threshold for a particular FY is applied at the level of the consolidated group revenue in the UPE's CFS.
- It is **not** the entity-level revenue.
- It is also **not** the aggregated revenue of only the Singapore entities.

* Section 8(1) of the MMT Act.

Revenue Threshold

What is the revenue threshold for a FY that is not 12 months?

- Compute the revenue threshold using the following formula:*

$$\text{Revenue threshold} = (\text{EUR 750 mil}) \times (A \div 12)$$

- A = Number of months in the FY.
- For example, the revenue threshold of an MNE group whose UPE has a 9-month FY 2025 is EUR 562.5 mil (i.e. EUR 750 mil x 9/12).

* Section 8(2) of the MMT Act.

Revenue Threshold

What is consolidated group revenue?#

- An MNE group's **consolidated group revenue is reflected in its UPE's CFS**, and adjustments (if necessary) should be made to reflect the following:*
 - a. revenue of the entities of the MNE group for that FY from their ordinary activities must be included;
 - b. cost of sales (and other operating expenses) for that FY must be added back;
 - c. net investment gains for that FY reflected in the profit and loss statement of the CFS must be included; and
 - d. income or gains for that FY presented as extraordinary or non-recurring items in the CFS must be included.

* Regulation 4(1) of the MMT Regulations.

Determination of consolidated group revenue in cases of merger or demerger involving an MNE group is covered in Module Seven.

Revenue Threshold

Consolidated Financial Statements*

(a) 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** in the FS



FS prepared by an entity in accordance with an **acceptable FAS****

(b) Group comprising a **main entity and its PE (based in different jurisdictions)**



FS prepared by an entity in accordance with an **acceptable FAS****

(c) UPE has FS described in (a) or (b) that are **not prepared in accordance with an acceptable FAS**



FS prepared with adjustments to **prevent any material competitive distortion****

(d) If the UPE **does not prepare FS as described in (a), (b) or (c)**



CFS that would have been prepared by UPE if it was required to do so in accordance with an **authorised FAS****

Quick Tip

SFRS is an “acceptable FAS”.

* Section 2(1) of the MMT Act and paragraph 2 of the First Schedule to the MMT Act.

** Section 2(1) of the MMT Act.



Scope

MNE group

Revenue threshold

Financial year

Excluded entities

Financial Year

- Whether an MNE group falls within the ambit of the MMT Act depends on whether the EUR 750 mil revenue threshold is met or exceeded in at least two out of four FYs* immediately preceding the FY in question (called a “tested FY”).
- A tested FY is one that commences on or after 1 Jan 2025, such as:

FYE	First tested FY
31 Dec	1 Jan to 31 Dec 2025
31 Mar	1 Apr 2025 to 31 Mar 2026
30 Jun	1 Jul 2025 to 30 Jun 2026
30 Sep	1 Oct 2025 to 30 Sep 2026

* Section 2(1) of the MMT Act.

Financial Year

FYE	Annual revenue in UPE's CFS (EUR)		
	Example 1	Example 2	Example 3
31 Dec 2021	No CFS as MNE group did not exist	550 mil	400 mil
31 Dec 2022		800 mil ✓	800 mil ✓
31 Dec 2023		300 mil	300 mil
31 Dec 2024	600 mil	850 mil ✓	800 mil ✓
31 Dec 2025	750 mil ✓	450 mil	900 mil ✓
31 Dec 2026	900 mil ✓	500 mil	750 mil ✓
Tested FY	Whether an MNE group is in-scope for the MTT and DTT		
FYE 31 Dec 2025	Not in-scope (0 of 4 FYs)	In-scope (2 of 4 FYs)	In-scope (2 of 4 FYs)
FYE 31 Dec 2026	Not in-scope (1 of 4 FYs)	In-scope (2 of 4 FYs)	In-scope (3 of 4 FYs)
FYE 31 Dec 2027	In-scope (2 of 4 FYs)	Not in-scope (1 of 4 FYs)	In-scope (3 of 4 FYs)



Scope

MNE group

Revenue threshold

Financial year

Excluded Entities

What Does it Mean to be an Excluded Entity?

- Excluded entities are **not subject to the MTT and DTT**.
- Excluded entities do not have any administrative obligations under the MTT and DTT.
 - For example, filing of returns.
- Attributes of an excluded entity (such as profits, losses, taxes accrued, tangible assets and payroll expenses) are excluded from the MTT and DTT calculations.
- But the **revenue of an excluded entity is still relevant when ascertaining whether the MNE group meets or exceeds the revenue threshold** for at least 2 out of 4 FYs immediately preceding the tested FY.

Excluded Entities

What is an “excluded entity”?*

- a. A governmental entity;
- b. an international organisation;
- c. a non-profit organisation;
- d. a pension fund;
- e. a qualifying non-profit subsidiary;
- f. a qualifying service entity;
- g. a qualifying exempt income entity; or

* Section 2(1) of the MMT Act and paragraphs 4(1) and 4(2) of the First Schedule to the MMT Act.

Excluded Entities

What is an “excluded entity”?

- h. an investment fund or real estate investment vehicle (if it is the UPE of a group, or would be the UPE but for the fact that it does not prepare CFS that include assets, liabilities, income, expenses and cash flows of entities in which it holds an ownership interest*).
- The terms “governmental entity”, “international organisation”, “non-profit organisation”, “pension fund”, “investment fund” and “real estate investment vehicle” are defined in the MMT Act.**

* Sections 2(1), 2(5) and 2(6) of the MMT Act.

** Paragraphs 4(3) to 4(7), 7(2) and 7(3) of the First Schedule to the MMT Act.

Excluded Entities

What is a “qualifying service entity”?*

- Provided that the relevant qualifying conditions are satisfied, an excluded entity’s qualifying service entity may be treated as an “excluded entity”.
- This is to recognise that excluded entities may be required, for regulatory or commercial reasons, to hold assets or carry out specific functions through separate controlled entities.**

* Paragraphs 4(9) and 4(10) of the First Schedule to the MMT Act.

** Paragraph 43 of Article 1.5.2 of the Consolidated Commentary to the GloBE Model Rules.

Excluded Entities

What is a “qualifying service entity”?

Ownership Test

At least 95% of the total value of its ownership interest is held **directly or indirectly (through a chain of excluded entities) by one or more excluded entities** (not being a pension fund under paragraph 4(7)(b) of the First Schedule to the MMT Act, qualifying non-profit subsidiary, qualifying service entity or qualifying exempt income entity)



Activities Test

Either:

- i. the entity **only carries out activities that are ancillary** to the activities of the owners; or
- ii. **all (or almost all) of its activities consist of holding assets or the investment of funds** for the benefit of the owners

Where the entity has a PE, the activity of the PE should be considered in totality with the main entity

If the above conditions are satisfied, the entity qualifies as a “qualifying service entity” and is treated as an “excluded entity”, unless it has **elected not to be treated as an “excluded entity”**.*

* Paragraph 5(1) of the First Schedule to the MMT Act.

Excluded Entities

What is a “qualifying exempt income entity”?*

- Provided that the relevant qualifying conditions are satisfied, an excluded entity’s qualifying exempt income entity may be treated as an “excluded entity”.
- This is to recognise that excluded entities may be required, for regulatory or commercial reasons, to hold assets or carry out specific functions through separate controlled entities.**

* Paragraphs 4(11) and 4(12) of the First Schedule to the MMT Act.

** Paragraph 43 of Article 1.5.2 of the Consolidated Commentary to the GloBE Model Rules.

Excluded Entities

What is a “qualifying exempt income entity”?

Ownership Test

At least 85% of the total value of its ownership interest is held **directly or indirectly (through a chain of excluded entities) by one or more excluded entities** (not being a pension fund under paragraph 4(7)(b) of the First Schedule to the MMT Act, qualifying non-profit subsidiary, qualifying service entity or qualifying exempt income entity)



Income Test

Almost all of the entity’s income is excluded dividends* or excluded equity gains or losses* (or a mixture of both)

Where the entity has a PE, the income of the PE should be considered in totality with the main entity

If the above conditions are satisfied, the entity qualifies as a “qualifying exempt income entity” and is treated as an “excluded entity”, unless it has **elected not to be treated as an “excluded entity”**.^{**}

* Section 2(1) of the MMT Act.

** Paragraph 5(1) of the First Schedule to the MMT Act.

Excluded Entities

What is a “qualifying non-profit subsidiary”?*

- Being an excluded entity, a non-profit organisation may set up wholly-owned subsidiaries to undertake commercial activities to raise funds for the charitable activities of the parent non-profit organisation.
- A wholly-owned subsidiary of a non-profit organisation may qualify as a “qualifying non-profit subsidiary” if it satisfies the qualifying conditions,** and be treated as an “excluded entity”.

* Paragraph 4(8) of the First Schedule to the MMT Act.

** Paragraph 54.2 of Article 1.5.2 of the Consolidated Commentary to the GloBE Model Rules.

Excluded Entities

What is a “qualifying non-profit subsidiary”?

Ownership Test

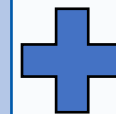
100% of the total value of its ownership interest is held **directly or indirectly (through a chain of non-profit organisations)** by a **non-profit organisation**



Proxy to Ancillary Activities

Revenue of the MNE group (ignoring the revenue of every member that is a non-profit organisation, qualifying service entity or qualifying exempt income entity) **does not exceed the lower of:**

- i. **EUR 750 mil;** or
- ii. **25% of the total revenue of the MNE group**



Exclusions

Must not be a “**qualifying service entity**” or “**qualifying exempt income entity**”

If the above conditions are satisfied, the entity qualifies as a “qualifying non-profit subsidiary” and is treated as an “excluded entity”, unless it has **elected not to be treated as an “excluded entity”**.*

* Paragraph 5(1) of the First Schedule to the MMT Act.



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Charging Provisions for the MTT

Entity Chargeable with the MTT*

*Located in
Singapore*

Parent entity **located in Singapore:**

- is a **responsible member** of an MNE group at any time in a FY; and
- **holds an ownership interest in another CE** of the MNE group in the FY

Chargeable
entity

*Not located
in Singapore*

The other CE of the MNE group (called a “relevant entity”):

- is **located in a jurisdiction outside Singapore** or is a **stateless entity****; and
- has a **top-up amount** for the FY

* Section 12 of the MMT Act.

** Section 2(1) of the MMT Act and paragraph 10 of the First Schedule to the MMT Act.

Entity Chargeable with the MTT

How to determine the location of an entity?

- The location of a **non-FTE** is:*

In Singapore	In a foreign jurisdiction
<ul style="list-style-type: none"> a. if the entity is a tax resident of Singapore under the ITA; or b. if the entity is not a tax resident of any jurisdiction, and it is established, formed, incorporated or registered under any law in Singapore 	<ul style="list-style-type: none"> a. if the entity is a tax resident of a foreign jurisdiction based on its place of management, establishment, formation, incorporation, registration or a similar criterion under the laws of that foreign jurisdiction; or b. if the entity is not a tax resident of any jurisdiction, and it is established, formed, incorporated or registered under the laws of that foreign jurisdiction

* Section 5(1) of the MMT Act.

Entity Chargeable with the MTT

How to determine the location of an entity?

- The location of a **FTE** is:*

If the FTE is a UPE or responsible member of the MNE group	If the FTE is not a UPE or responsible member of the MNE group
<ul style="list-style-type: none">• it is located in the jurisdiction where it is established, formed, incorporated or registered	<ul style="list-style-type: none">• it is a stateless entity

* Section 5(2) of the MMT Act.

Entity Chargeable with the MTT

How to determine the location of an entity?

- A **PE** is located in a jurisdiction if:^{*}
 - a. where there is a tax treaty in force – it is treated as a PE under the laws of that jurisdiction and is taxed in accordance with that tax treaty;
 - b. where there is no tax treaty in force – it is subject to net basis taxation under the laws of that jurisdiction based on its business presence there; or
 - c. where the jurisdiction has no CIT system – it is situated in that jurisdiction.
- A PE where none of the above applies is treated as a stateless entity, provided that the other conditions set out in section 4(1)(d) of the MMT Act are also satisfied.^{**}

^{*} Sections 4(1)(a) to 4(1)(c) and 5(4) of the MMT Act.

^{**} Sections 4(1)(d) and 5(5) of the MMT Act and paragraph 10(b) of the First Schedule to the MMT Act.

Entity Chargeable with the MTT

What is a “responsible member of the MNE group”?*

UPE

The UPE must not be an excluded entity

+

The UPE is either: (1) located in Singapore; or (2) located outside Singapore and is subject to a qualified IIR where it is located

A “qualified IIR” refers to a tax imposed by the laws of a foreign jurisdiction that is prescribed in the regulations as being equivalent in effect as the MTT.**

* Section 13 of the MMT Act.

** Section 2(1) of the MMT Act.

IPE

The UPE must not be a responsible member of an MNE group

+

No CE that holds a controlling interest in the IPE is either: (1) located in Singapore; or (2) located outside Singapore and is subject to a qualified IIR where it is located

+

The IPE is either: (1) located in Singapore; or (2) located outside Singapore and is subject to a qualified IIR where it is located

POPE

Ownership interest in the POPE is not wholly held by another POPE that is either: (1) located in Singapore; or (2) located outside Singapore and is subject to a qualified IIR where it is located

+

The POPE is either: (1) located in Singapore; or (2) located outside Singapore and is subject to a qualified IIR where it is located

Which Parent Entity Applies the MTT?

- In a multi-tiered holding structure in which there are multiple parent entities located in different jurisdictions in the MNE group, the **top-down approach** applies by prioritising the entity (or entities) closest to the top of the ownership chain.
 - In practical terms – first the UPE, then the IPE.
- An **exception to the top-down approach** in the case of a POPE.
 - The POPE applies the MTT first.
 - The UPE gives an offset for the IIR (or MTT in the Singapore context) for the UPE’s allocable share of top-up tax brought into charge by the POPE – i.e. an “IIR offset”.

Which Parent Entity Applies the MTT?

Partially-Owned Parent Entity*

A POPE is a CE of an MNE group

That holds an **ownership interest in another CE** of the same MNE group



More than 20% of the ownership interest of whose profits is held (directly or indirectly) by **persons that are not CEs of that MNE group**



Must not be a UPE, PE, IE** or IIE***

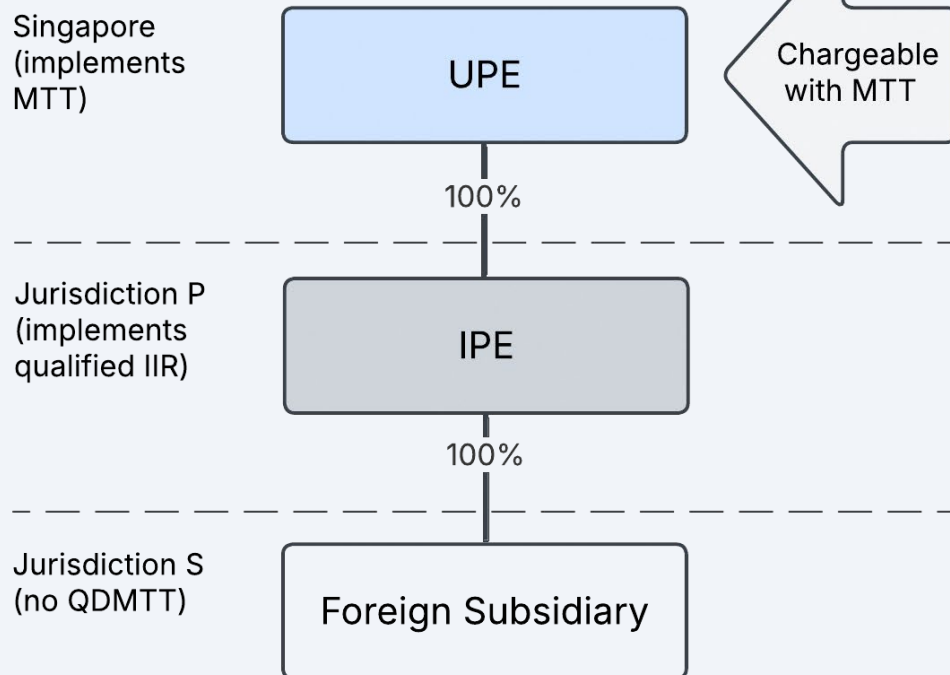
* Section 2(1) of the MMT Act.

** Paragraphs 7(1) to 7(3) of the First Schedule of the MMT Act.

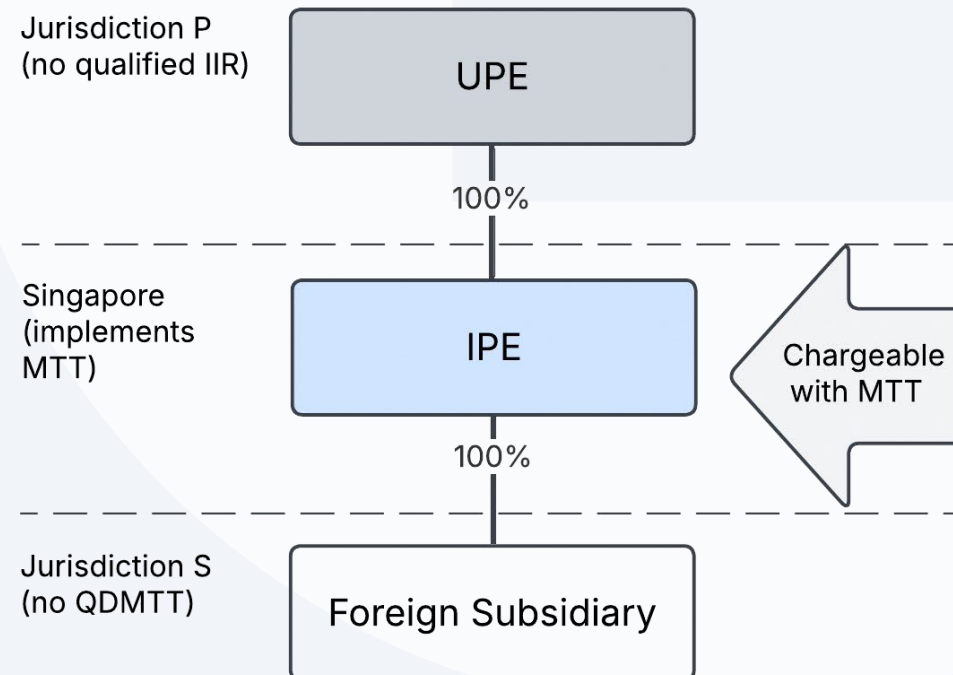
*** Paragraph 7(4) of the First Schedule of the MMT Act.

Which Parent Entity Applies the MTT?

Example 1: UPE jurisdiction adopts MTT

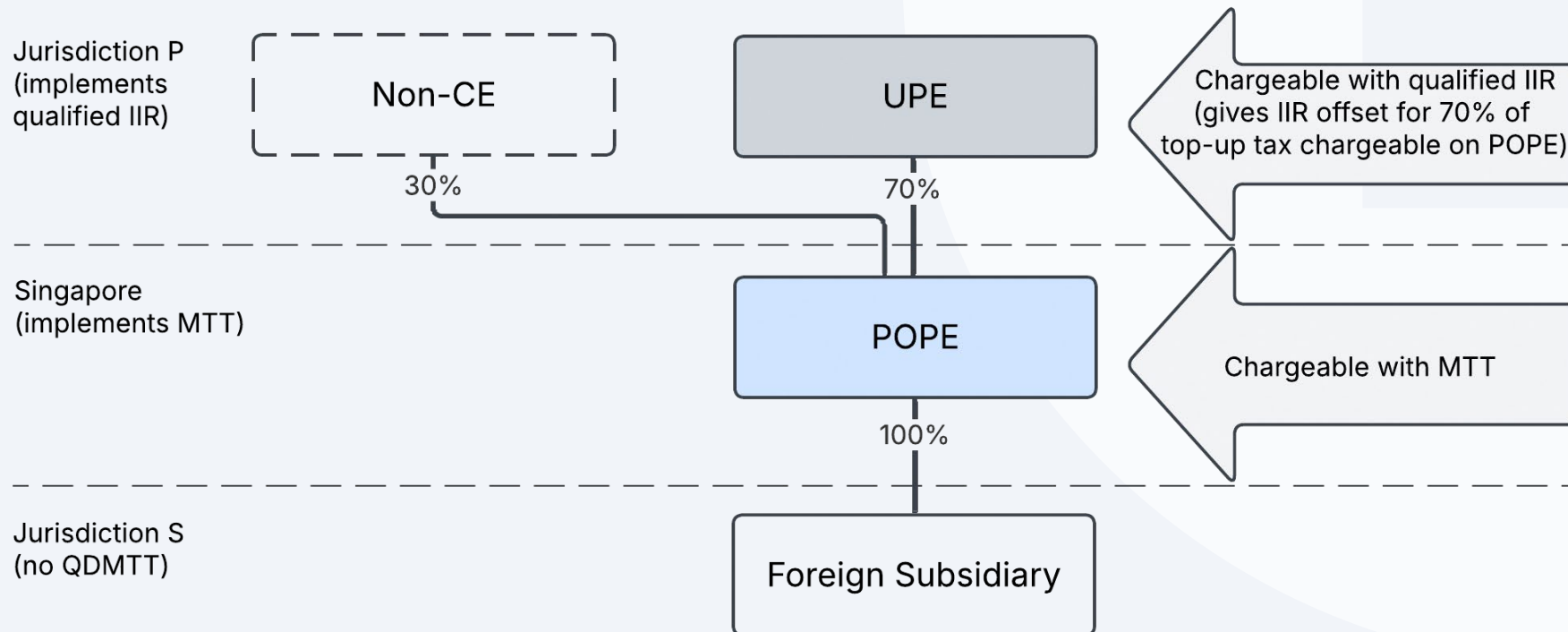


Example 2: UPE jurisdiction does not adopt qualified IIR



Which Parent Entity Applies the MTT?

Example 3: UPE jurisdiction adopts qualified IIR and POPE jurisdiction adopts MTT



Amount of MTT Chargeable

- The amount of MTT chargeable for a FY on a chargeable entity is the **sum of the top-up tax of each of the chargeable entity's relevant entity for the FY.***
- A chargeable entity pays top-up tax based on its **share of the top-up amount of a relevant entity**, which is in turn dependent on the **inclusion ratio** that the chargeable entity has in the relevant entity.

* Section 14(1) of the MMT Act.

Amount of MTT Chargeable

What is the top-up tax for a relevant entity?

- A chargeable entity's inclusion ratio for a relevant entity is the **proportion of GloBE income of the relevant entity that is not attributable to entities other than the chargeable entity.***

$$\text{Inclusion ratio} = (A - B) \div A$$

- A = GloBE income or loss of the relevant entity for a FY.
- B = GloBE income or loss of the relevant entity for a FY attributable to entities other than the chargeable entity.

* Section 15(2) of the MMT Act.

Amount of MTT Chargeable

What is the top-up tax for a relevant entity?

- After calculating inclusion ratio, compute top-up tax based on:*

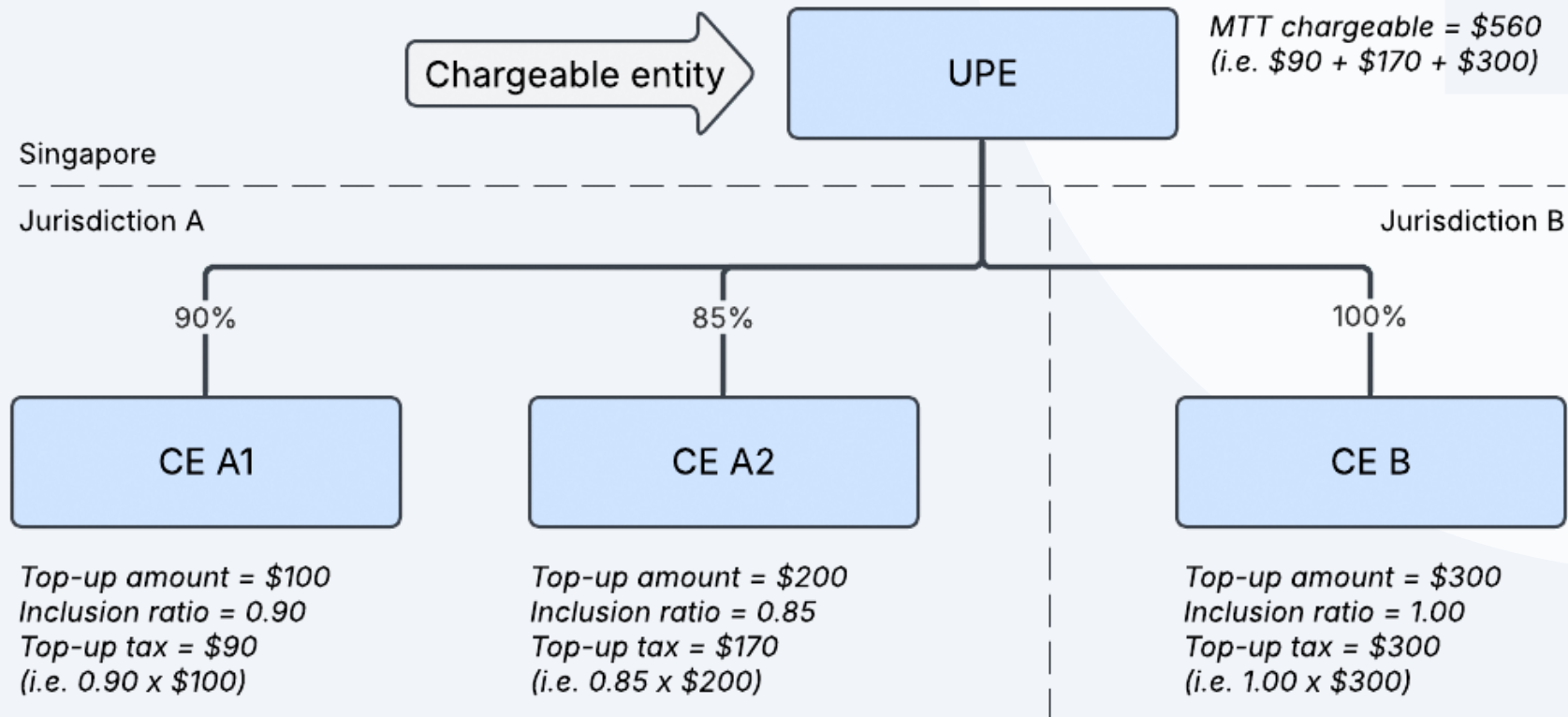
$$\text{Top-up tax} = (\text{Top-up amount}) \times (\text{Inclusion ratio})$$

* Section 15(1) of the MMT Act.

Amount of MTT Chargeable

What is the MTT chargeable for a chargeable entity?

Example:



Amount of MTT Chargeable

What is an IIR offset?

- The GloBE Rules reduce the top-up tax allocated to a parent entity if two parent entities in the same ownership chain are required to apply the MTT (or qualified IIR) to the same top-up amount.*
- If a chargeable entity (i.e. X) holds an indirect ownership interest in a relevant entity (i.e. Y) through another responsible member (i.e. Z) of the MNE group, the amount of MTT chargeable on X is reduced by the amount of MTT (or qualified IIR) chargeable on Z in respect of the top-up amount of Y that is attributable to X's indirect ownership interest in Y.**

* Article 2.3 of the Consolidated Commentary to the GloBE Model Rules.

** Section 14(2) of the MMT Act.

Amount of MTT Chargeable

What is an IIR offset?

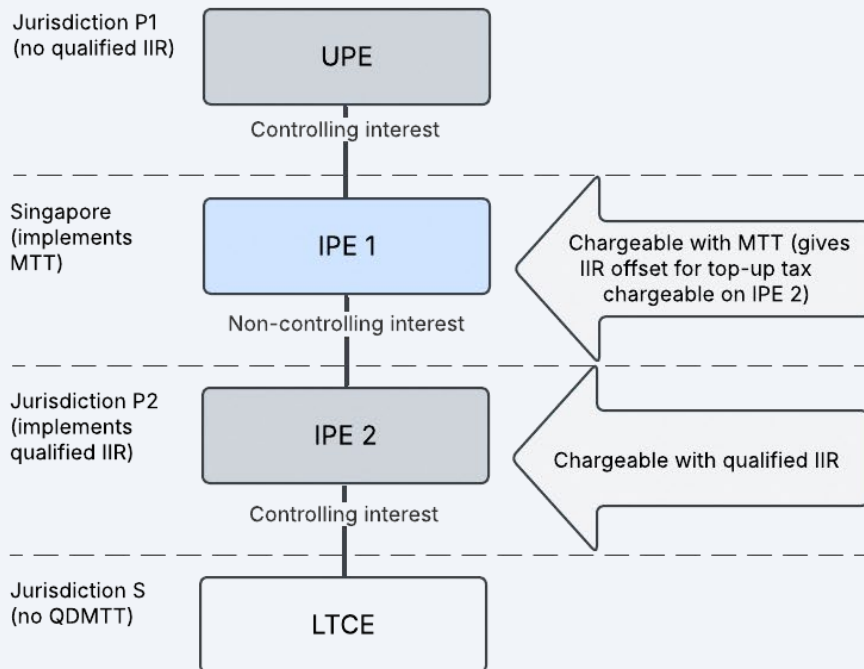
- Examples of scenarios where an IIR offset is applicable:^{*}
 - Both the UPE and POPE apply the MTT (or qualified IIR) in respect of a low-taxed CE.
 - Where the UPE is not subject to the MTT (or qualified IIR) and the IPE has a non-controlling interest in another IPE which then holds all the ownership interest in a low-taxed CE, and both the IPEs are required to apply the MTT (or qualified IIR) in respect of the low-taxed CE.
 - The POPE does not hold all the ownership interest in another POPE, and both the POPEs are required to apply the MTT (or qualified IIR) in respect of the low-taxed CE.

^{*} Article 2.3.1 of the Consolidated Commentary to the GloBE Model Rules.

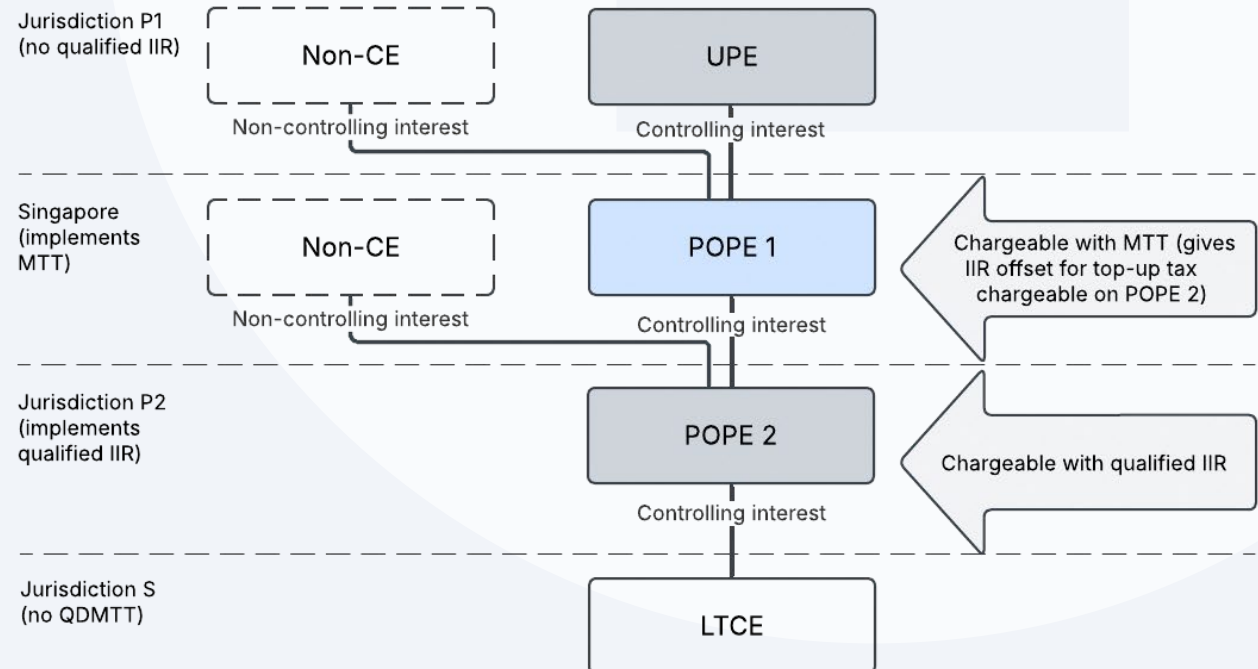
Amount of MTT Chargeable

What is an IIR offset?

Example 1: IPEs apply MTT or qualified IIR in respect of LTCE

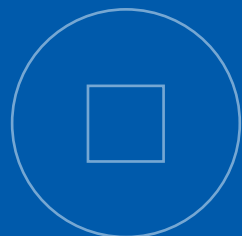
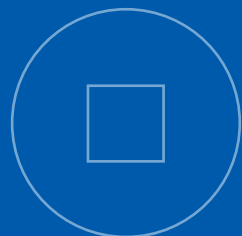


Example 2: POPEs apply MTT or qualified IIR in respect of LTCE





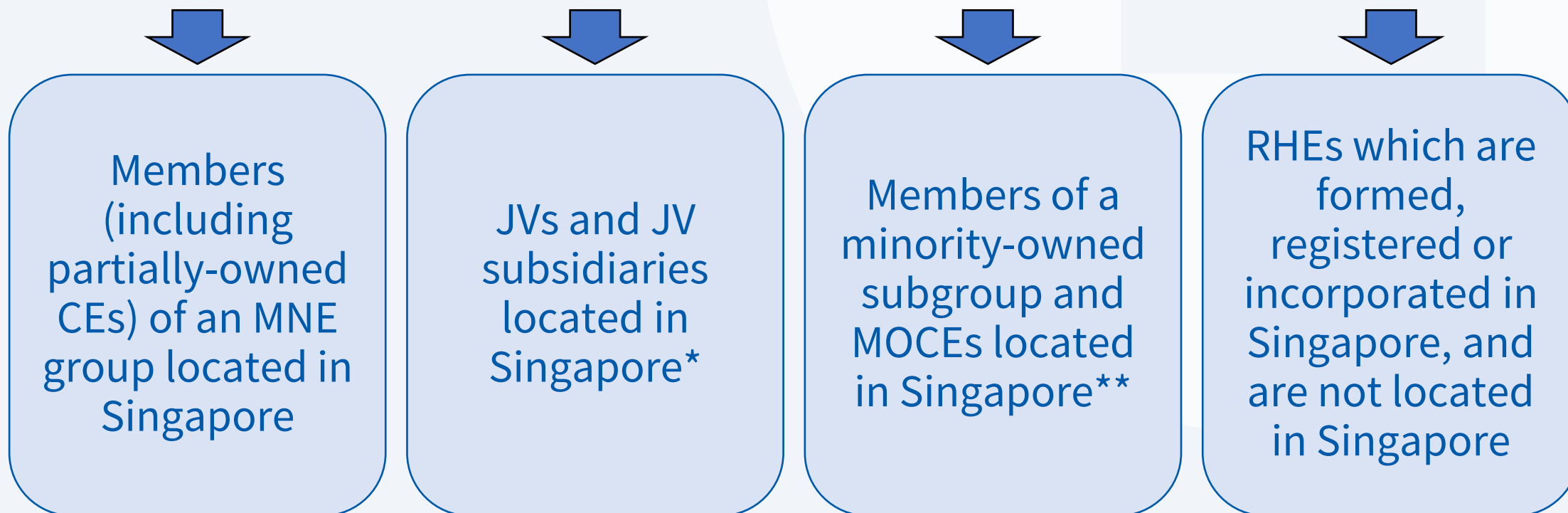
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The DTT in Singapore

In-Scope Entities for the DTT

The DTT is imposed as a top-up tax on the following entities of (or connected to) an in-scope MNE group



* Paragraph 8 of the First Schedule to the MMT Act.

** Paragraph 9 of the First Schedule to the MMT Act.

In-Scope Entities for the DTT

What is a “RHE”?*

- A FTE (i.e. A) is a RHE with respect to its income, expenditure, profit or loss attributable to its reference entity (i.e. B), if the jurisdiction where B is located does not treat A, or any FTE through which B holds A, as **fiscally transparent** with respect to that income, expenditure, profit or loss.
- The terms “FTE”, “reference entity” and “fiscally transparent” are defined in the MMT Act.**

* Section 3(2) of the MMT Act.

** Sections 2(6E), 2(6F), 3(1), 3(1A) and 3(3) of the MMT Act.

Out-of-Scope Entities for the DTT

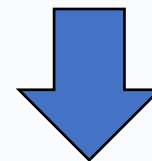
The DTT does not apply to any of these entities



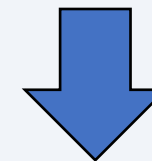
CEs that are
located outside
Singapore



Excluded
entities



Stateless PEs



Tax transparent
entities[#]

Where the CE-owner of a TTE is an in-scope entity for DTT purposes, it is subject to the DTT (if any) on the GloBE income of the TTE that is attributable to the CE-owner.

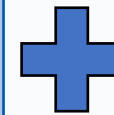
Out-of-Scope Entities for the DTT

What is a “stateless PE”?*

An actual or deemed place of business under the laws of the jurisdiction where the main entity is located, that is not one enumerated in sections 4(1)(a) to 4(1)(c) of the MMT Act



Operations are conducted outside the jurisdiction where the main entity is located, through such an actual or deemed place of business



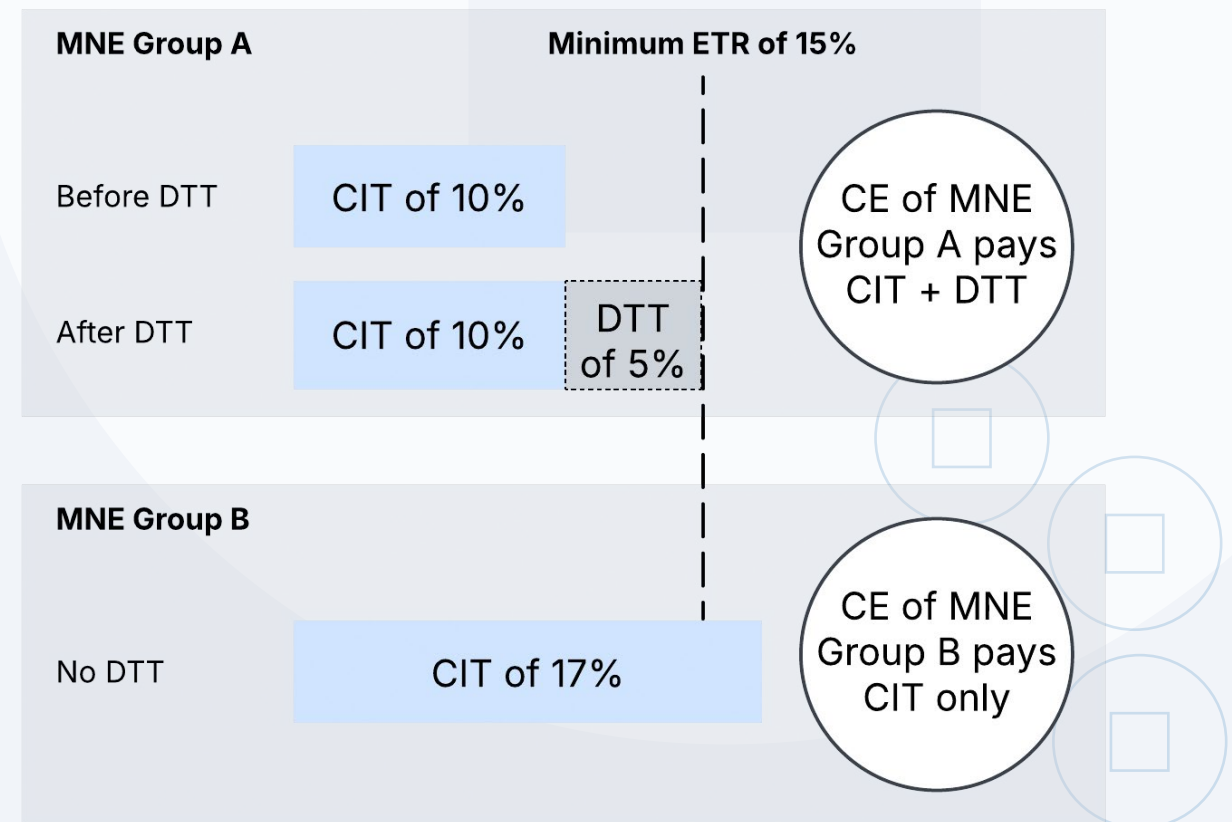
The jurisdiction where the main entity is located **exempts from tax, income attributable to such operations**

* Sections 4(1)(d) and 5(5) of the MMT Act.

Mechanics of the DTT

- The DTT is payable when the MNE group's jurisdictional ETR in Singapore is **below the minimum tax rate of 15%**.
- If, however, the MNE group's ETR in Singapore equals or exceeds the minimum tax rate of 15%, then no DTT is payable.

Example:



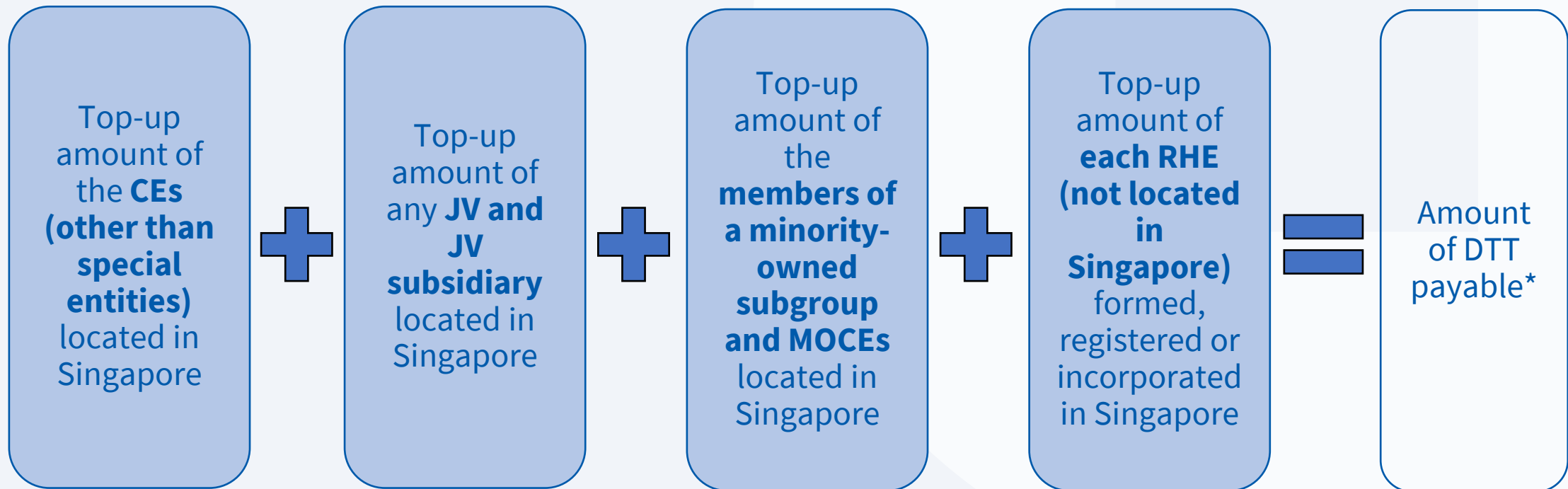
Mechanics of the DTT

- In effect, the **DTT raises the ETR of the MNE group to 15%** in Singapore.
 - A designated entity of the MNE group in Singapore is generally responsible for computing and paying the DTT on behalf of other CEs in Singapore.
 - However, an MNE group may elect for the part of the DTT attributable to a particular CE of the MNE group to be paid by said CE, subject to the relevant conditions set out in section 45 of the MMT Act.*
- The DTT is designed to be fully consistent with the GloBE Rules, and is recognised as a QDMTT from 1 Jan 2025.**
 - The DTT paid in Singapore is deductible against top-up tax imposed under an IIR or UTPR.

* Section 45(1) of the MMT Act.

** Section 27(1) of the MMT Act.

Amount of DTT Payable



A “special entity” refers to a CE of a group that is: (a) an IE; (b) an IIE; (c) a MOCE; or (d) a stateless PE, and includes a JV or JV subsidiary connected to the group but is not a CE of the group.**

* Section 29 of the MMT Act.

** Section 2(1) of the MMT Act.



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The information presented in the slides aims to provide a better general understanding of taxpayers' tax obligations and is not intended to comprehensively address all possible tax issues that may arise. This information is correct as at the date of presentation. While every effort has been made to ensure that this information is consistent with existing law and practice, should there be any changes, IRAS reserves the right to vary its position accordingly.