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

Part C of Module Three: Computation of Adjusted Covered Taxes



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

- + Overview
- + Adjustments to Qualifying Current Tax Expense
- + Adjustments to Qualifying Deferred Tax Expense
- + Recaptured Deferred Tax Liabilities
- + Other Adjustments to Covered Taxes
- + **Allocation of Covered Taxes**



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Allocation of Covered Taxes

Allocation of Covered Taxes

Allocation of Covered Taxes for FTEs

Allocation of Covered Taxes for PEs

Reallocation of Tax Expenses

Allocation of Covered Taxes

Allocation of Covered Taxes for FTEs

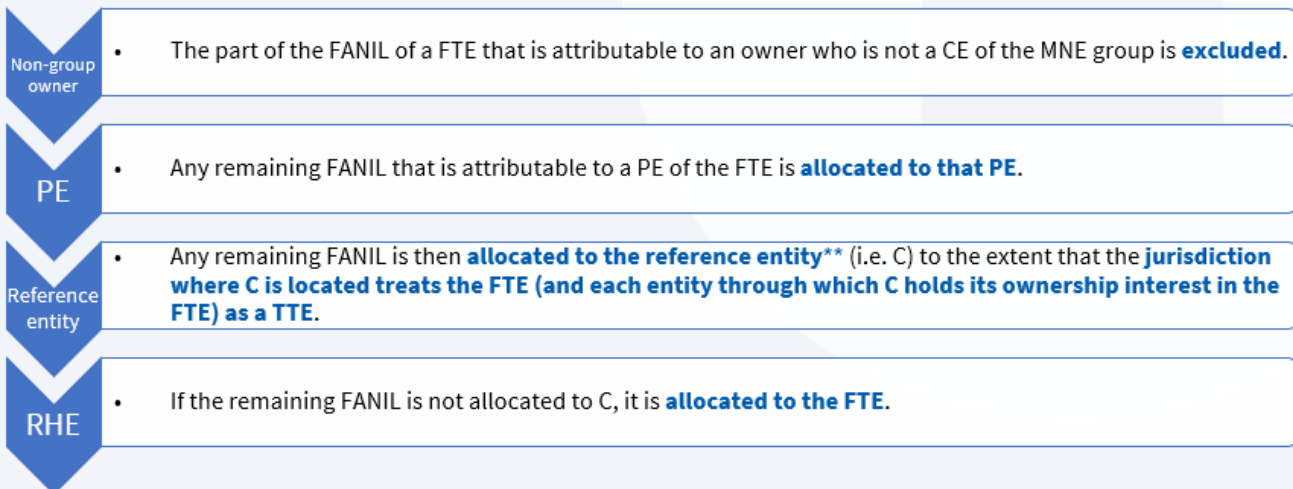
Allocation of Covered Taxes for PEs

Reallocation of Tax Expenses

Allocation of Covered Taxes for FTEs

- The qualifying current tax expense and qualifying deferred tax expense of a FTE, whose FANIL is excluded or allocated to another CE, are reduced by the same proportion that the FANIL is excluded or allocated.*

What is the FANIL of a FTE that is not a UPE?*



The **qualifying current tax expense** and **qualifying deferred tax expense of a FTE** are reduced by the same proportion that the FANIL is excluded or allocated to another CE

* Paragraphs 1(3) and 1(5) of the First Schedule to the MMT Act.

Allocation of Covered Taxes

Allocation of Covered Taxes for FTEs

Allocation of Covered Taxes for PEs

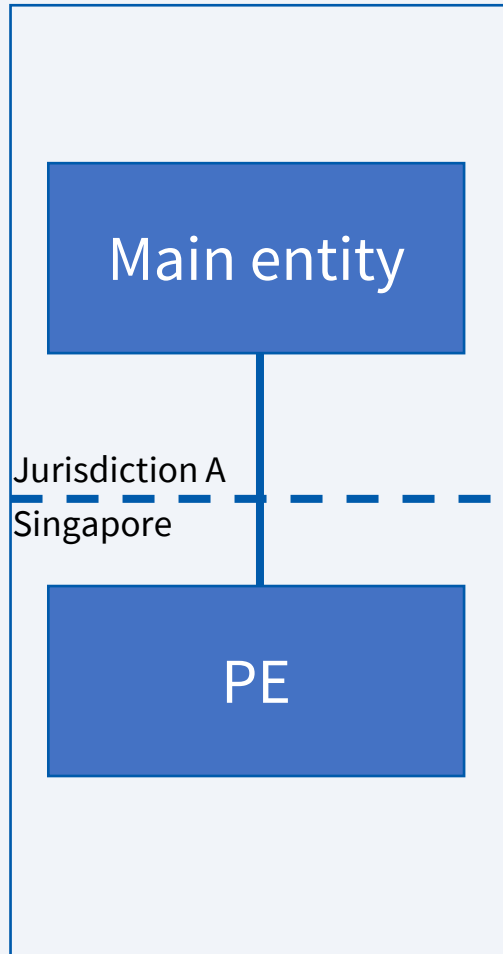
Reallocation of Tax Expenses

Allocation of Covered Taxes for PEs (and their Main Entities)

- The qualifying current tax expense and qualifying deferred tax expense of a CE that is the main entity of a PE exclude the qualifying current tax expense and qualifying deferred tax expense in respect of such a PE.*
- Such excluded amounts are treated as the qualifying current tax expense and qualifying deferred tax expense of the PE for that FY.

* Paragraph 1(4) of the First Schedule to the MMT Act.

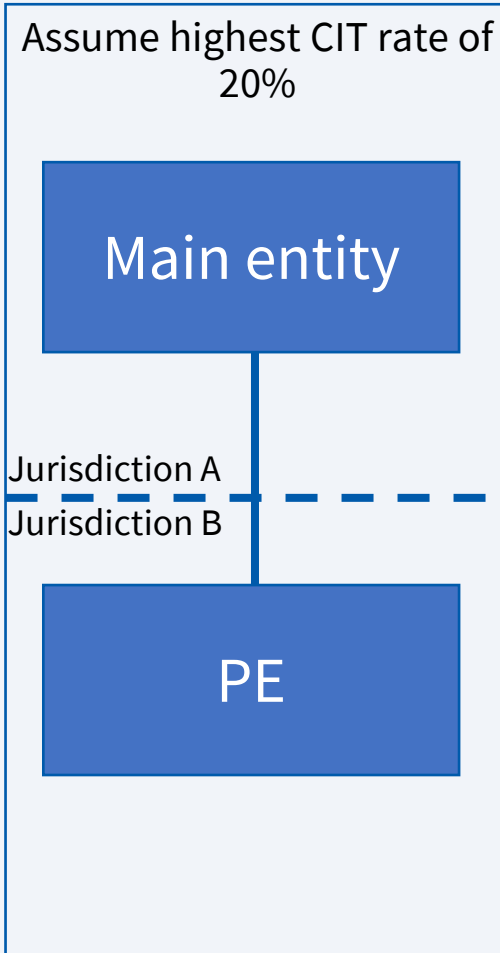
Regulation 43 – Allocation of Covered Taxes for PEs



Modification for DTT purpose

- Where the CE located in Singapore is a PE:
 - Under regulation 49(1)(a) of the MMT Regulations, in determining the adjusted covered taxes of the Singapore PE for DTT purpose, the **qualifying current tax expense** or **qualifying deferred tax expense** of a main entity in respect of the Singapore PE **must not be allocated to the Singapore PE**.

Regulation 43 – Allocation of Covered Taxes for PEs

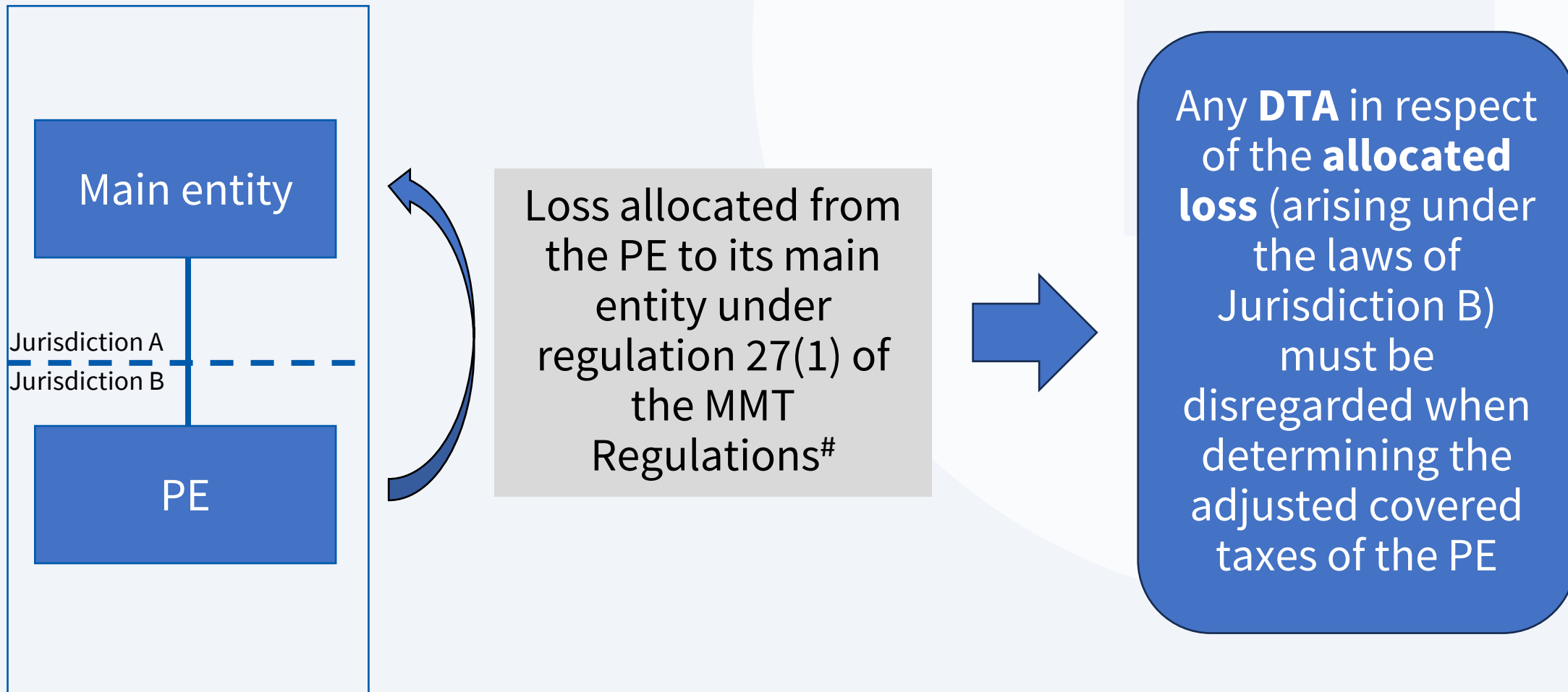


- Where any **GloBE income or loss** of a PE is allocated to the main entity of the PE (i.e. Amount A) under **regulation 27(2) of the MMT Regulations**:#
 - the **qualifying current tax expense** in relation to such **GloBE income or loss** must be allocated to that main entity; and
 - the amount of qualifying current tax expense allocated to the main entity must not exceed:

(Amount A) x (Highest CIT rate on ordinary income in the jurisdiction of the main entity)

Refer to Part B of Module Two for details on regulation 27(2) of the MMT Regulations.

Regulation 43 – Allocation of Covered Taxes for PEs



[#] Refer to Part B of Module Two for details on regulation 27(1) of the MMT Regulations.

Allocation of Covered Taxes

Allocation of Covered Taxes for FTEs

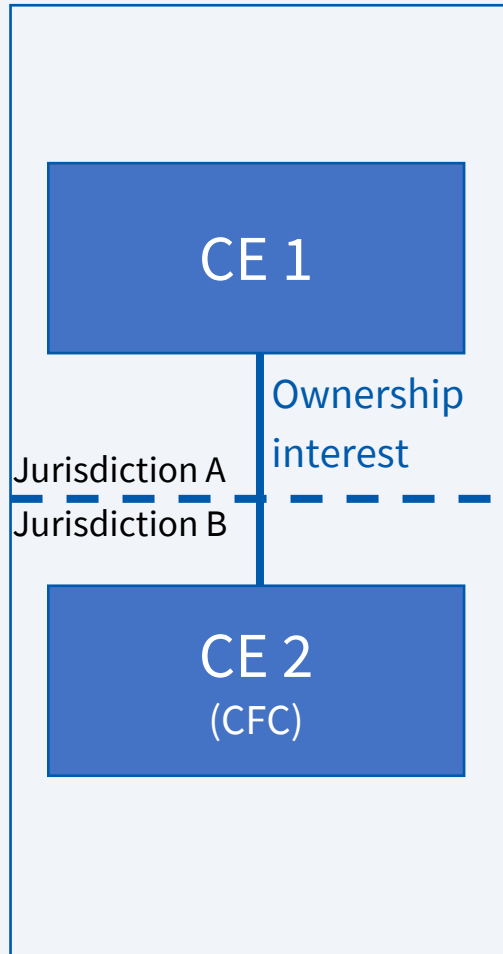
Allocation of Covered Taxes for PEs

Reallocation of Tax Expenses

Regulation 44 – Reallocation of Tax Expenses

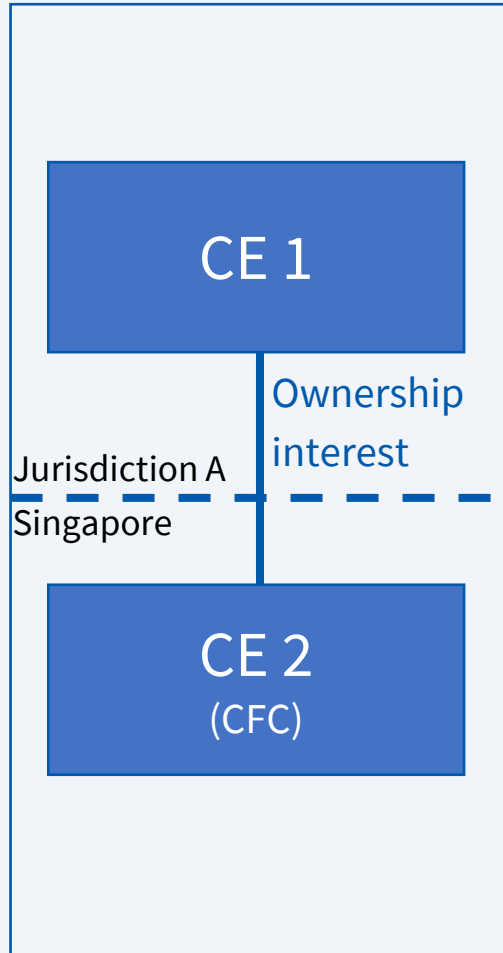
1. Reallocation of CFC taxes
 - Blended CFC regimes.
2. Reallocation of taxes in respect of distribution
3. Reallocation of taxes in respect of a hybrid entity
4. Reallocation of taxes in respect of a RHE
5. Capping rule applicable to CFC taxes and taxes in respect of a hybrid entity or RHE
6. Reallocation of taxes to a JV

Regulation 44(1) – Reallocation of CFC Taxes



- Where a CE (i.e. CE 1) is subject to current taxation on its share of part or all of the income of a CFC (i.e. CE 2) under the jurisdiction's (i.e. Jurisdiction A's) **CFC tax regime**:
 - Then, for the purpose of determining the adjusted covered taxes of CEs 1 and 2, the **qualifying current tax expense** and **qualifying deferred tax expense** of CE 1 arising under the CFC tax regime **must be allocated to CE 2**.
 - The allocation to CE 2 is subject to a cap under regulation 44(6) of the MMT Regulations.

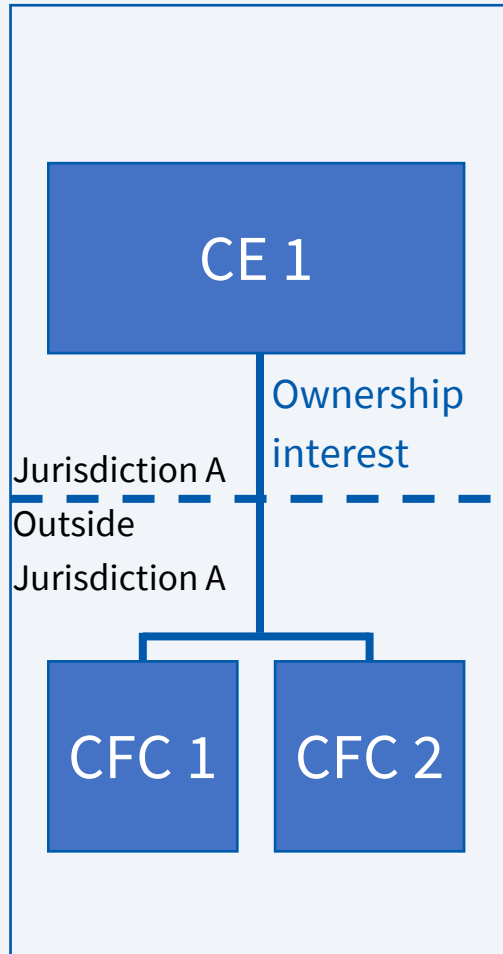
Regulation 44(1) – Reallocation of CFC Taxes



Modification for DTT purpose

- Where CE 2 is located in Singapore and is a CFC:
 - Under regulation 49(1)(a) of the MMT Regulations, in determining the adjusted covered taxes of CE 2 for DTT purpose, any **qualifying current tax expense** or **qualifying deferred tax expense** arising under the CFC tax regime **must not be allocated to CE 2**.

Regulation 44(2) – Reallocation of CFC Taxes under a Blended CFC Regime

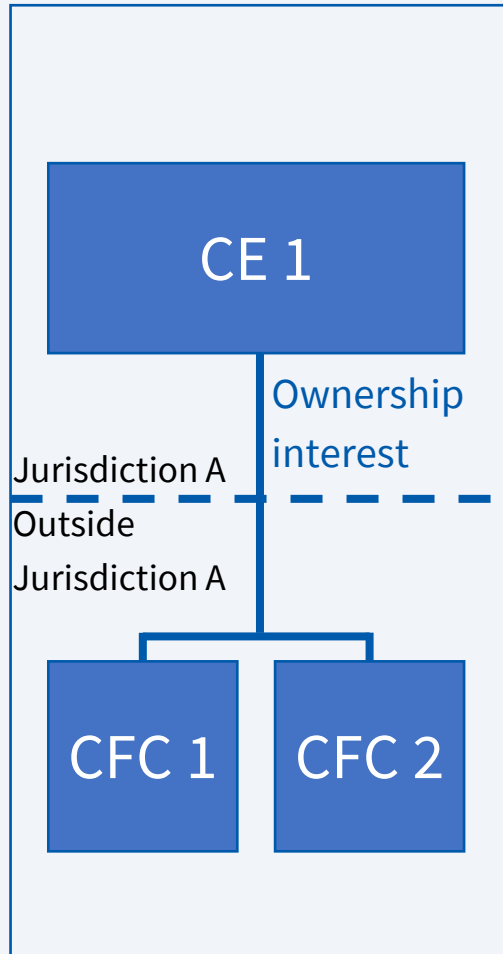


What constitutes a “blended CFC regime”?^{*}

- Refers to a CFC tax regime:
 - under which the income and losses of all the CFCs of an entity (i.e. CE 1) are aggregated for the purpose of calculating CE 1’s tax liability under its CFC tax regime;
 - that does not take into account the income of CE 1 (or the income of any CE) arising in Jurisdiction A (other than the use of losses); and
 - that operates if the tax rate applicable to the CFCs is **less than 15%**.

^{*} Regulation 44(7) of the MMT Regulations.

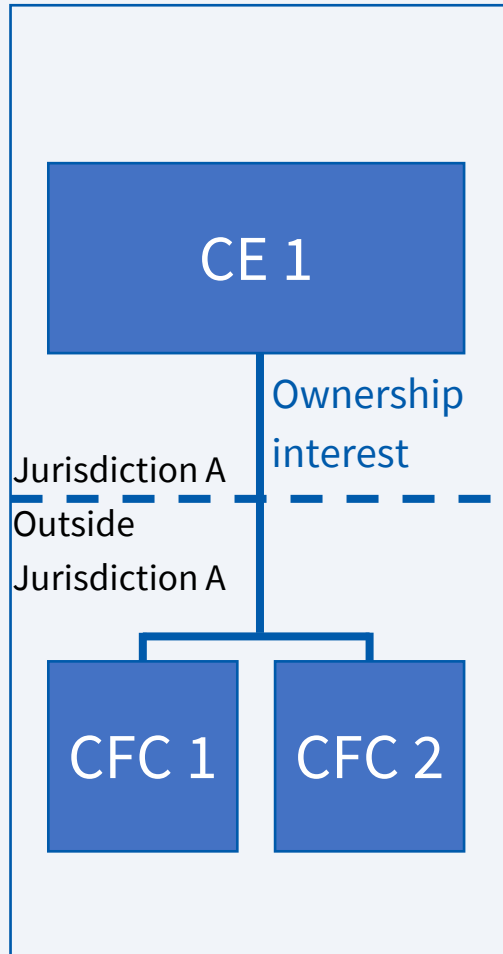
Regulation 44(2) – Reallocation of CFC Taxes under a Blended CFC Regime



- Where CE 1 is subject to a blended CFC regime for a FY commencing on or before 31 Dec 2025 and ends on or before 30 Jun 2027:
 - The qualifying current tax expense or qualifying deferred tax expense of CE 1 under that regime in respect of each CFC is **determined by a formula.**
 - The amount of CFC tax in respect of CFC 1 and CFC 2 **must be** allocated to CFC 1 and CFC 2, respectively, if they are CEs of the MNE group.[#]
 - The allocation of the amount of CFC tax to CFC 1 and CFC 2 is subject to a cap under regulation 44(6) of the MMT Regulations.

[#] If any CFC is not a CE of the MNE group, the amount in respect of that CFC is excluded from CE 1's adjusted covered taxes.

Regulation 44(2) – Reallocation of CFC Taxes under a Blended CFC Regime



- The qualifying current tax expense or qualifying deferred tax expense of CE 1 is determined by the following formula:

$$(A \div B) \times C$$

- A = Blended CFC allocation key of CE 1 for the CFC.
- B = Sum of the blended CFC allocation keys of CE 1 for all its CFCs.
- C = Qualifying current tax expense or qualifying deferred tax expense of the CE arising under that regime in respect of all its CFCs.

Regulation 44(2) – Reallocation of CFC Taxes under a Blended CFC Regime

What is the blended CFC allocation key of a CE for the CFC?*

Blended CFC allocation key of a CE for the CFC = (CFC's income) x (A – B)

- CFC's income = Amount of the CFC's income in the jurisdiction where it is located that is attributable to the CE under the blended CFC regime.
- A = Applicable rate for the blended CFC regime.
- B = **Specified ETR for the CFC.**

Where $B \geq 15\%$ or A, then the blended CFC allocation key is nil.**

* Regulation 44A(1) of the MMT Regulations.

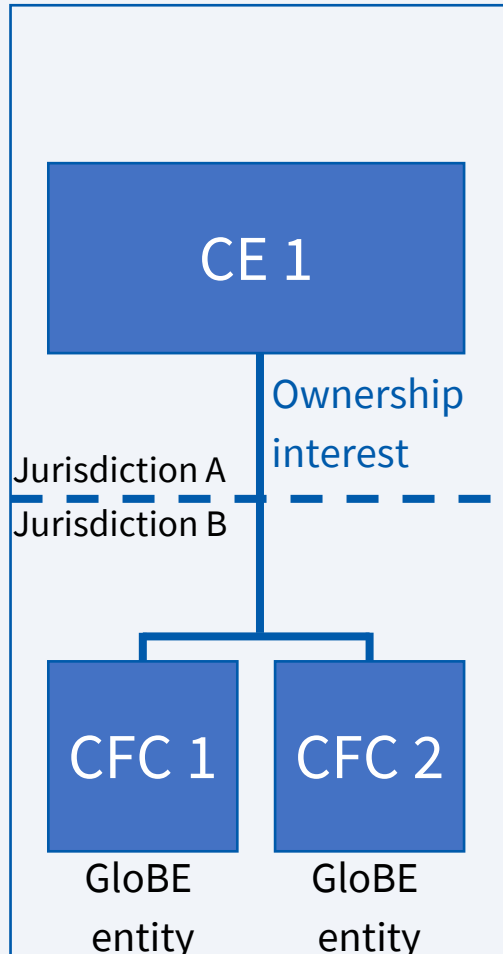
** Regulation 44A(4) of the MMT Regulations.

Regulation 44(2) – Reallocation of CFC Taxes under a Blended CFC Regime

What is the blended CFC allocation key of a CE for the CFC?

- For the purpose of calculating the blended CFC allocation key, the **GloBE entities** are classified as follows:
 - a. CEs other than special entities;
 - b. stateless entities;
 - c. MOCEs (not being IEs or IIEs);
 - d. members of a minority-owned subgroup (not being IEs or IIEs);
 - e. IEs and IIEs;
 - f. standalone JVs; and
 - g. entities of a JV group.

Regulation 44(2) – Reallocation of CFC Taxes under a Blended CFC Regime



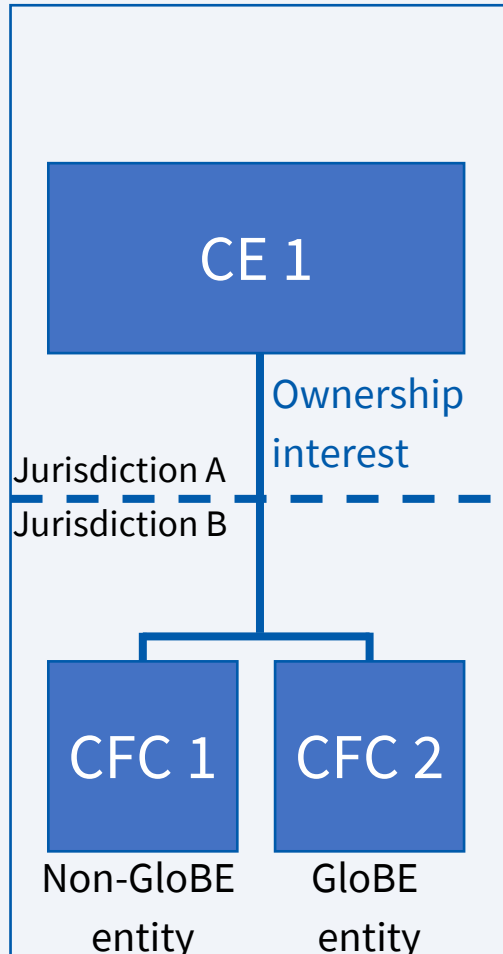
Scenario 1: CFC 1 and CFC 2 are GloBE entities of the same class located in the same jurisdiction

Blended CFC allocation key for CFC 1 = (CFC 1's income) x (A – B)

- CFC 1's income = Amount of CFC 1's income in Jurisdiction B attributable to CE 1 under blended CFC regime.
- A = Applicable rate for blended CFC regime.
- B = **ETR of CFC 1 and CFC 2** (as both are GloBE entities belonging to the same class).[#]

[#] The ETR is determined with the following modifications: (a) disregard any tax arising under the blended CFC regime; and (b) include the QDMTT if the blended CFC regime provides a FTC for the QDMTT.

Regulation 44(2) – Reallocation of CFC Taxes under a Blended CFC Regime



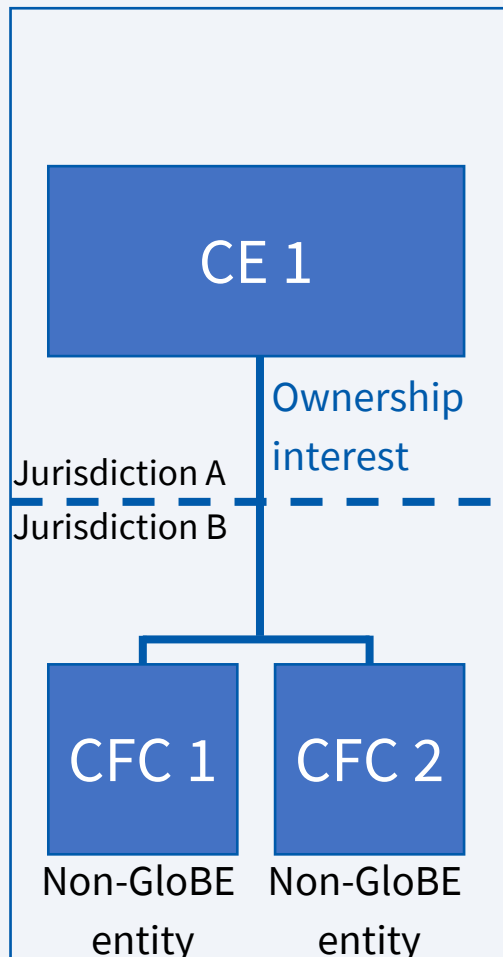
Scenario 2: CFC 1 is not a GloBE entity but CFC 2 is a GloBE entity in the same jurisdiction

Blended CFC allocation key for CFC 1 = (CFC 1's income) x (A – B)

- CFC 1's income = Amount of CFC 1's income in Jurisdiction B attributable to CE 1 under blended CFC regime.
- A = Applicable rate for blended CFC regime.
- B = **ETR of the GloBE entities**, if any, located in Jurisdiction B with the highest total amount of income attributable to CE 1 under the blended CFC regime.[#]

[#] The ETR is determined with the following modifications: (a) disregard any tax arising under the blended CFC regime; and (b) include the QDMTT if the blended CFC regime provides a FTC for the QDMTT.

Regulation 44(2) – Reallocation of CFC Taxes under a Blended CFC Regime

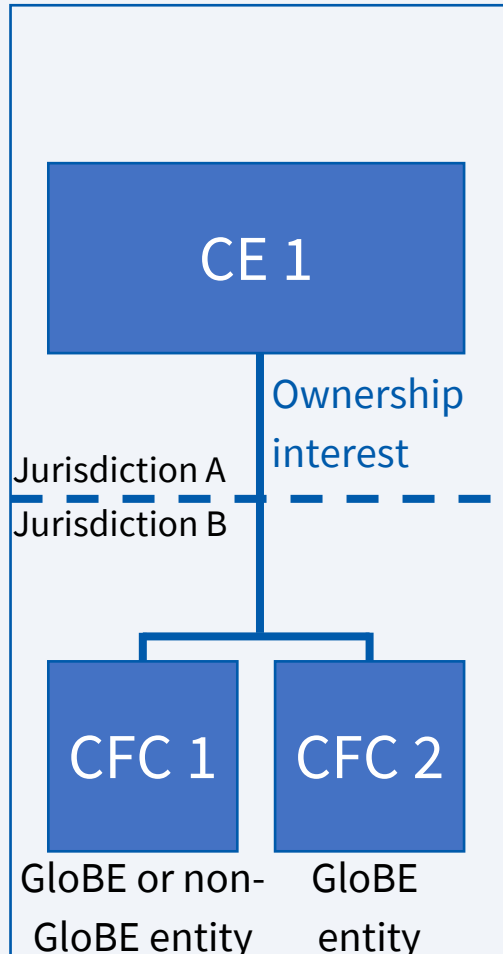


Scenario 3: CFC 1 is not a GloBE entity and there are no GloBE entities in the same jurisdiction

Blended CFC allocation key for CFC 1 = (CFC 1's income) x (A – B)

- CFC 1's income = Amount of CFC 1's income in Jurisdiction B attributable to CE 1 under blended CFC regime.
- A = Applicable rate for blended CFC regime.
- B = **ETR of all the entities** in Jurisdiction B in which CE 1 holds ownership interest and are subject to taxation under the blended CFC regime (i.e. CFC 1 and CFC 2), based on their total income and taxes as reflected in their FS.

Regulation 44(2) – Reallocation of CFC Taxes under a Blended CFC Regime



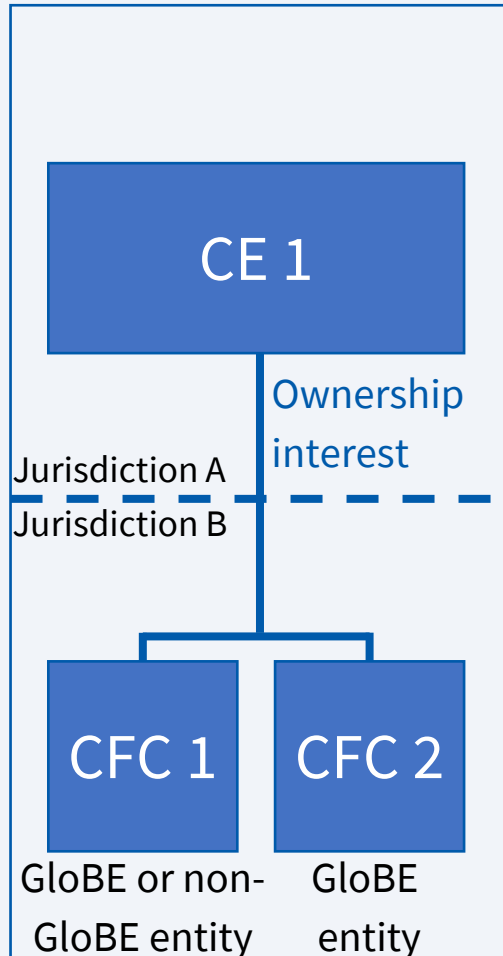
Scenario 4: The Transitional CbCR Safe Harbour is applied to CEs in Jurisdiction B

Blended CFC allocation key for CFC 1 = (CFC 1's income) x (A – B)

- CFC 1's income = Amount of CFC 1's income in Jurisdiction B attributable to CE 1 under blended CFC regime.
- A = Applicable rate for blended CFC regime.
- B = **Simplified ETR*** = (Total simplified income tax expense of the relevant GloBE entities in Jurisdiction B) ÷ (Total profit or loss before income tax of those entities (as reported in the MNE group's qualifying CbCR report))

* Regulation 72(2) of the MMT Regulations.

Regulation 44(2) – Reallocation of CFC Taxes under a Blended CFC Regime

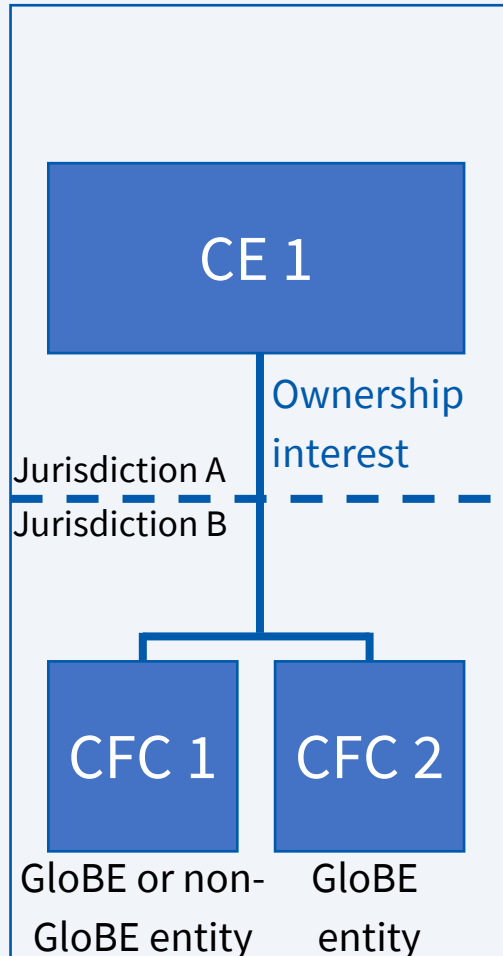


Scenario 5: The QDMTT Safe Harbour is applied to Jurisdiction B

Blended CFC allocation key for CFC 1 = (CFC 1's income) x (A – B)

- CFC 1's income = Amount of CFC 1's income in Jurisdiction B attributable to CE 1 under blended CFC regime.
- A = Applicable rate for blended CFC regime.
- B = **ETR** = $(D + E) \div F$
 - D = Sum of the adjusted covered taxes used to determine the ETR for the relevant GloBE entities to determine the amount of QDMTT imposed by Jurisdiction B.
 - E = Amount of QDMTT payable in Jurisdiction B for that FY that could be included in the adjusted covered taxes for the relevant GloBE entities.
 - F = Sum of the GloBE income or loss for that FY of the relevant GloBE entities to determine the amount of QDMTT imposed by Jurisdiction B.

Regulation 44(2) – Reallocation of CFC Taxes under a Blended CFC Regime



Scenario 6: The ETR need not be determined for the relevant GloBE entities

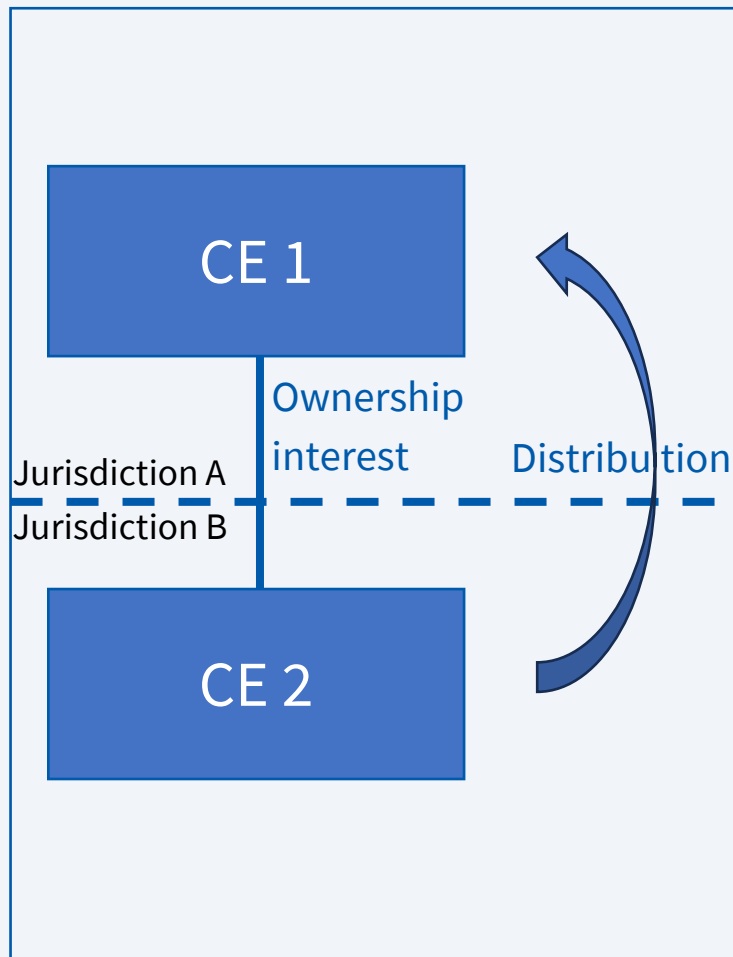
Blended CFC allocation key for CFC 1 = (CFC 1's income) x (A – B)

- CFC 1's income = Amount of CFC 1's income in Jurisdiction B attributable to CE 1 under blended CFC regime.
- A = Applicable rate for blended CFC regime.
- B = **Simplified ETR*** = (Total simplified income tax expense of the relevant GloBE entities in Jurisdiction B) ÷ (Total profit or loss before income tax of those entities (as reported in the MNE group's qualified FS)**)

* Regulation 72(2) of the MMT Regulations.

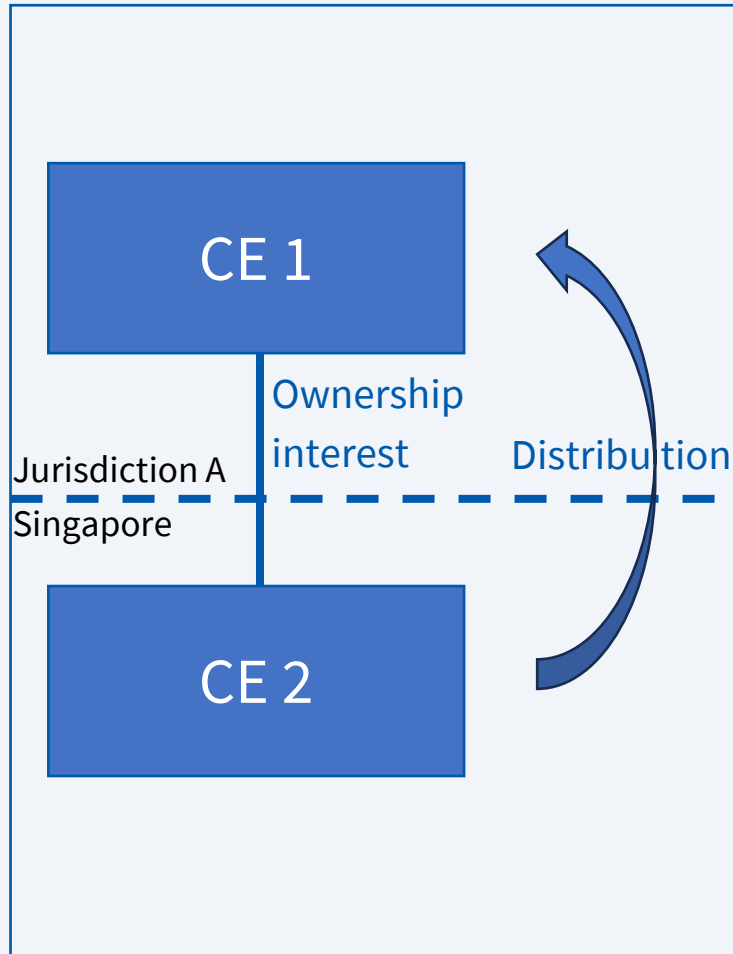
** Regulation 68 of the MMT Regulations.

Regulation 44(4) – Reallocation of Taxes in Respect of Distribution



- Where:
 - CE 1 has a direct ownership interest in CE 2; and
 - CE 1 receives a distribution from CE 2, which includes any deemed distribution in respect of undistributed earnings or capital,any **qualifying current tax expense** or **qualifying deferred tax expense** in respect of the **distribution**, must be allocated to CE 2.

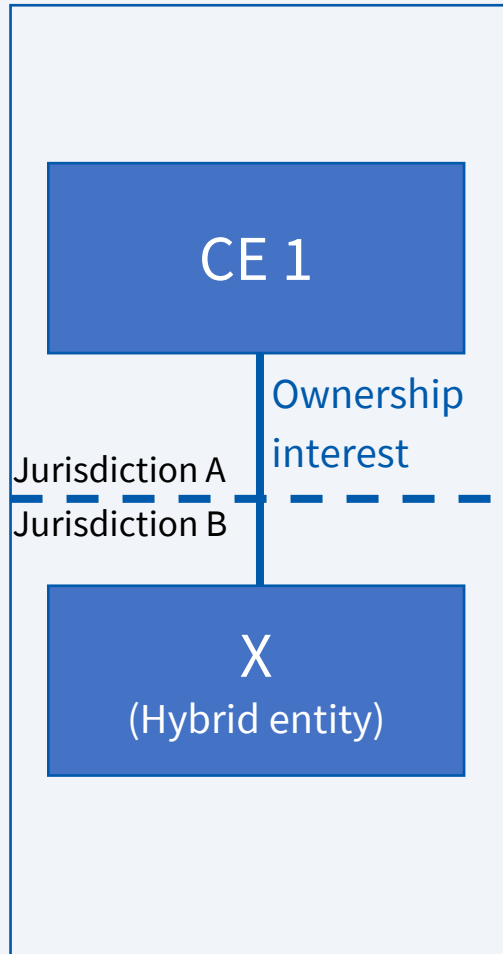
Regulation 44(4) – Reallocation of Taxes in Respect of Distribution



Modification for DTT purpose

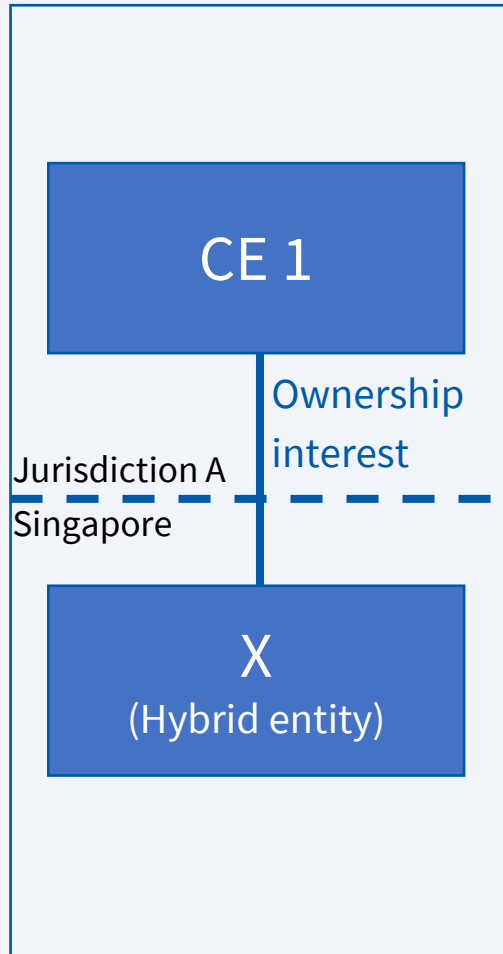
- Same facts as the preceding slide, except that **CE 2 is located in Singapore** (and not in Jurisdiction B).
 - Under regulation 49(1)(c) of the MMT Regulations, to determine CE 2's adjusted covered taxes for DTT purpose, any **qualifying current tax expense** or **qualifying deferred tax expense** of CE 1 in respect of the **distribution must not be allocated to CE 2**.

Regulation 44(5) – Reallocation of Taxes in Respect of a Hybrid Entity



- Where:
 - CE 1 has an ownership interest in X; and
 - X is a hybrid entity in respect to any of X's income (including any income allocated to X from a FTE under paragraph 6(9) or (12) of the First Schedule to the MMT Act) that is attributable to CE 1's ownership interest,any **qualifying current tax expense** or **qualifying deferred tax expense** of CE 1 in respect of **X's income** attributable to CE 1's ownership interest, must be allocated to X.
- The allocation to X is subject to a cap under regulation 44(6) of the MMT Regulations.

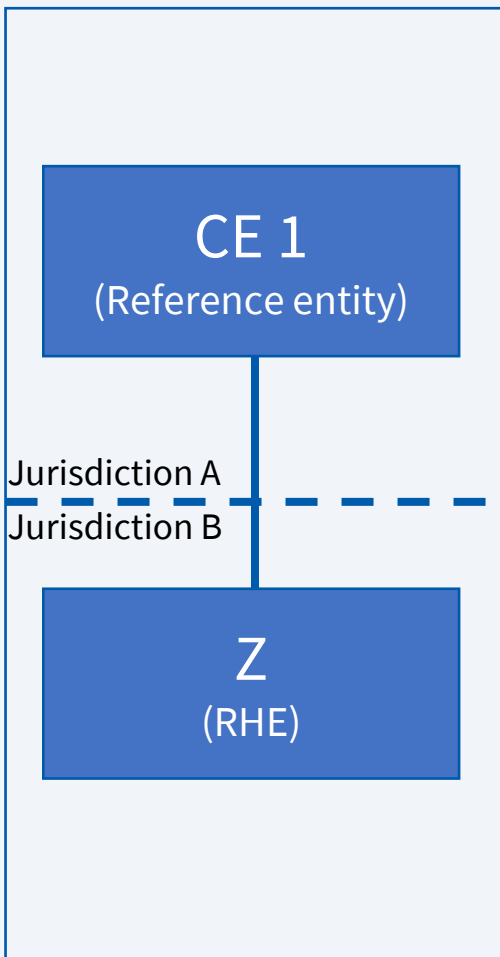
Regulation 44(5) – Reallocation of Taxes in Respect of a Hybrid Entity



Modification for DTT purpose

- Same facts as the preceding slide, except that **X is located in Singapore** (and not in Jurisdiction B).
 - Under regulation 49(1)(d) of the MMT Regulations, in determining the adjusted covered taxes of X for DTT purpose, any **qualifying current tax expense** or **qualifying deferred tax expense** of CE 1 in respect of X's income (other than that recorded in the financial accounts of CE 1 and which arises from tax imposed by the ITA in respect of that income), **must not be allocated to X**.

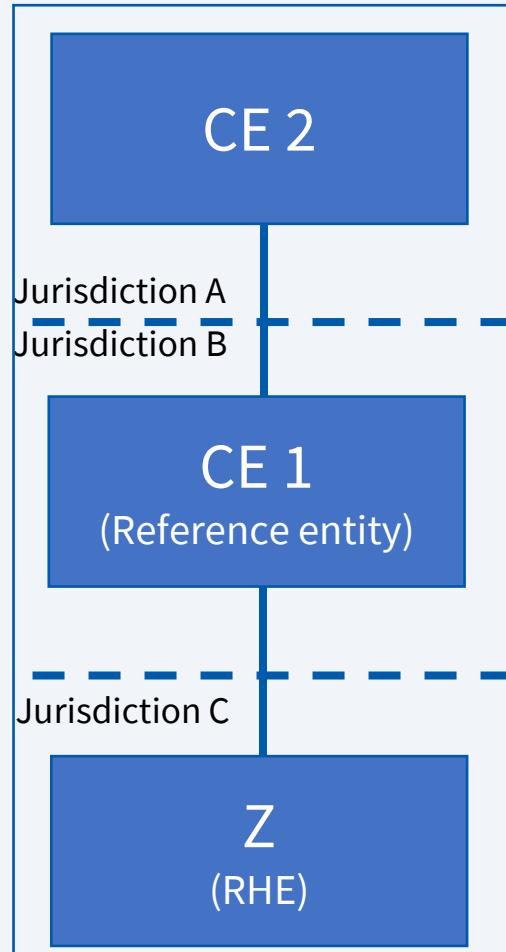
Regulation 44(5A) – Reallocation of Taxes in Respect of a RHE



Scenario 1: The owner of the RHE is the reference entity

- Where:
 - CE 1 is a reference entity in relation to Z; and
 - Z is a RHE in respect to any of Z's income that is attributable to CE 1,any **qualifying current tax expense** or **qualifying deferred tax expense** of CE 1 in respect of **Z's income** attributable to CE 1, must be allocated to Z.
- The allocation to Z is subject to a cap under regulation 44(6) of the MMT Regulations.

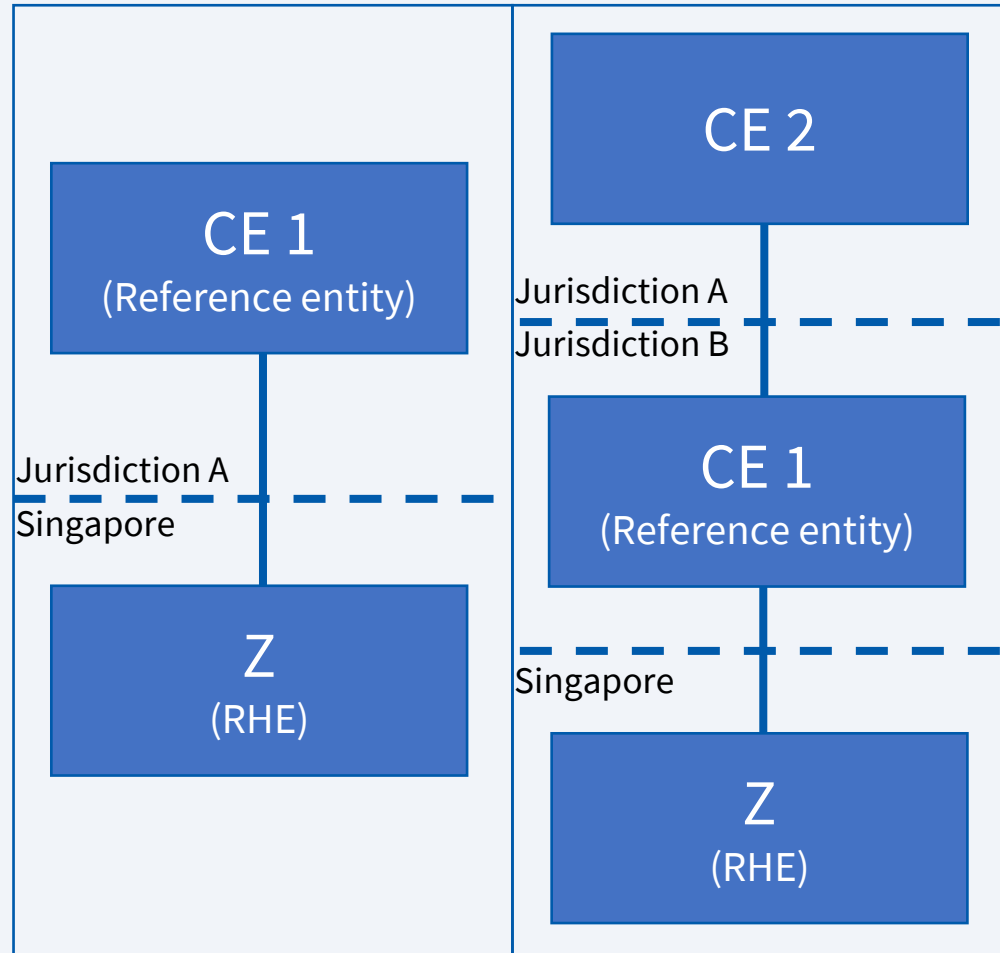
Regulation 44(5A) – Reallocation of Taxes in Respect of a RHE



Scenario 2: The owner holds the RHE indirectly through the reference entity

- Where:
 - CE 2 holds an indirect ownership interest in Z through CE 1;
 - CE 1 is a reference entity in relation to Z, and CE 2 is not a reference entity in relation to Z; and
 - Z is a RHE in respect to any of Z's income that is attributable to CE 1,
 any **qualifying current tax expense** or **qualifying deferred tax expense** of CE 1 or CE 2 in respect of **Z's income** attributable to CE 1, must be allocated to Z.
- The allocation to Z is subject to a cap under regulation 44(6) of the MMT Regulations.

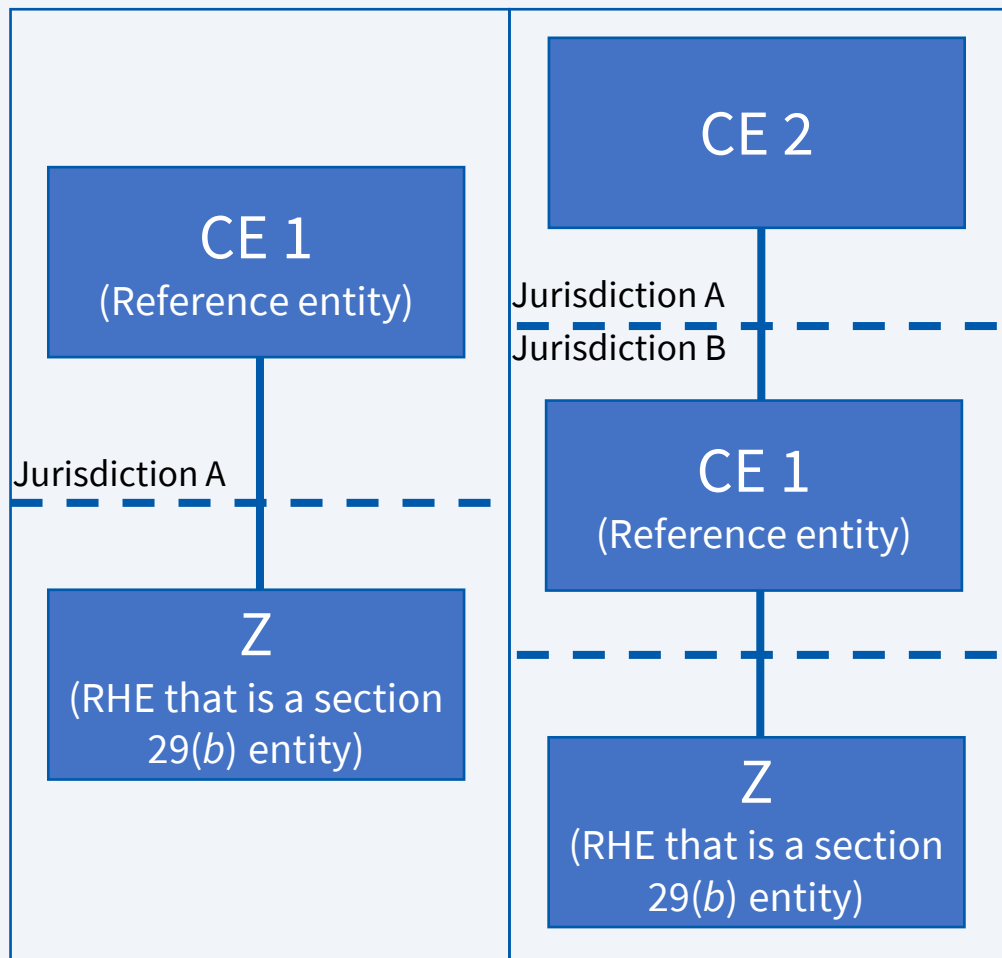
Regulation 44(5A) – Reallocation of Taxes in Respect of a RHE



Modification for DTT purpose:
The RHE is located in Singapore

- Same facts as Slides 166 and 167, except that **Z is located in Singapore.**
 - Under regulation 49(1)(e) of the MMT Regulations, in determining the adjusted covered taxes of Z for DTT purpose, any **qualifying current tax expense** or **qualifying deferred tax expense** of CE 1 or CE 2 in respect of Z's income (other than that recorded in the financial accounts of CE 1 or CE 2 and which arise from tax imposed by the ITA in respect of that income) **must not be allocated to Z.**

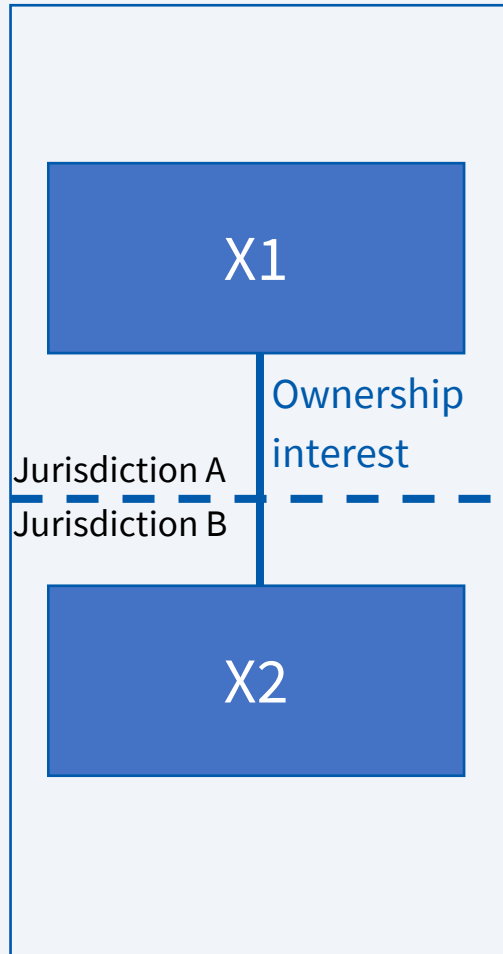
Regulation 44(5A) – Reallocation of Taxes in Respect of a RHE



Modification for DTT purpose:
The RHE is a section 29(b) entity

- Same facts as Slides 166 and 167, except that **Z is a section 29(b) entity**.
- Under regulation 49(1)(f) of the MMT Regulations, in determining the adjusted covered taxes of Z for DTT purpose, any **qualifying current tax expense** or **qualifying deferred tax expense** of CE 1 or CE 2 in respect of Z's income (other than that recorded in the financial accounts of CE 1 or CE 2 and which arise from tax imposed by the ITA in respect of that income) **must not be allocated to Z**.

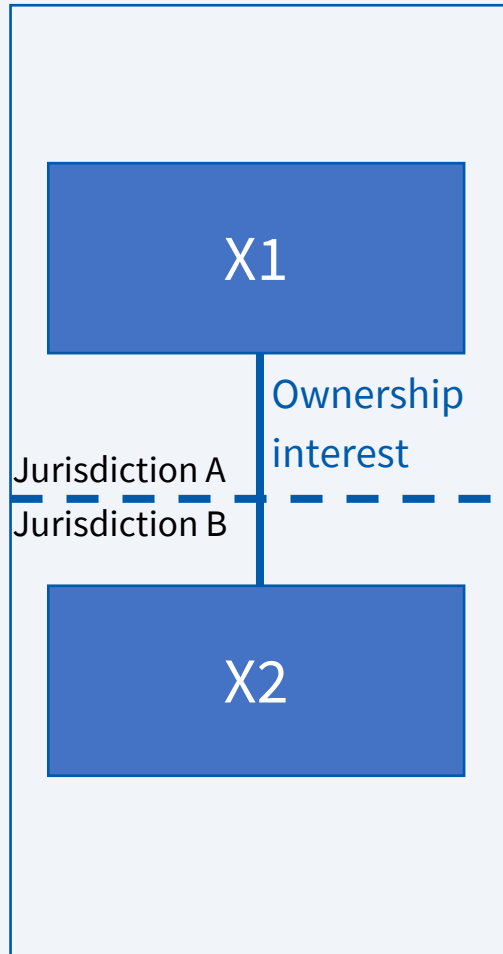
Regulation 44(6) – Capping Rule Applicable to CFC Taxes and Taxes in Respect of a Hybrid Entity or RHE



- Where:
 - any qualifying current tax expense or qualifying deferred tax expense of X1 under a CFC tax regime, blended CFC regime or in respect of a hybrid entity or RHE is allocated to X2; and
 - the qualifying current tax expense and qualifying deferred tax expense are in respect of **passive income**,

the amount of qualifying current tax expense and qualifying deferred tax expense allocated is **capped using a formula**.
- Any amount of qualifying current tax expense or qualifying deferred tax expense **not allocated** is a qualifying current tax expense or qualifying deferred tax expense of **X1**.

Regulation 44(6) – Capping Rule Applicable to CFC Taxes and Taxes in Respect of a Hybrid Entity or RHE

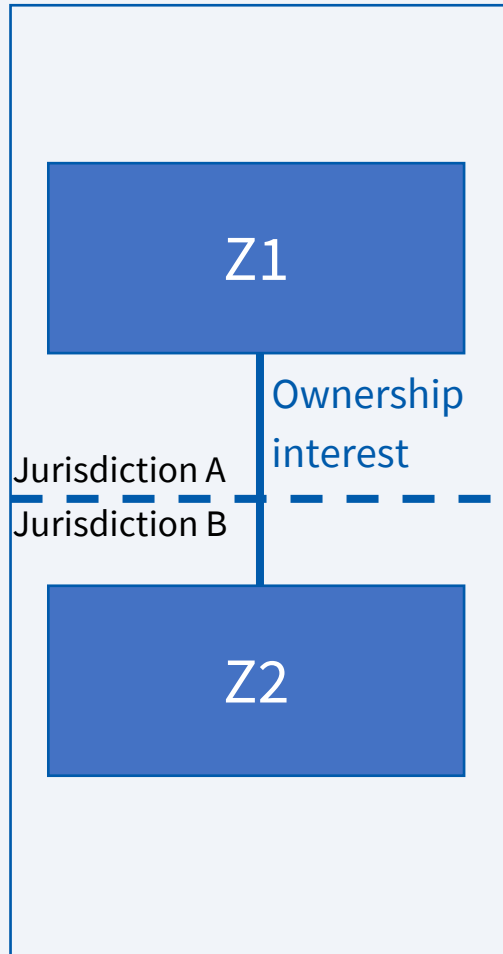


- The qualifying current tax expense or qualifying deferred tax expense of X1 allocated is subject to a cap:

$$(15\% - D) \times E$$

- D = Relevant ETR for X2 determined without regard to any qualifying current tax expense or qualifying deferred tax expense in respect of passive income, that would otherwise have been allocated to X2 under a CFC tax regime, blended CFC regime or for a hybrid entity or a RHE.
 - E = Amount of passive income.

Regulation 44(8) – Reallocation of Taxes to a JV



- Where Z2 is a standalone JV or an entity of a JV group that is connected to the MNE group:
 - Any amount of **qualifying current tax expense** or **qualifying deferred tax expense** of Z1, that would have been allocated to Z2 under regulation 44 of the MMT Regulations if Z2 is a CE of the MNE group, is allocated to Z2.



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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.