



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

Module Eight: Tax Neutrality Regimes



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



FTE that is a UPE, its PE and a PE of a FTE Owned by this UPE



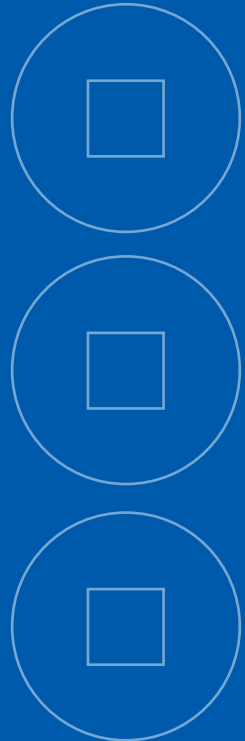
Investment Entities and Insurance Investment Entities

Abbreviations

- **CE** : constituent entity
- **DTT** : domestic top-up tax
- **ETR** : effective tax rate
- **FANIL** : financial accounting net income or loss
- **FTE** : flow-through entity
- **FY** : financial year
- **GIR** : GloBE information return
- **GloBE** : Global Anti-Base Erosion
- **IE** : investment entity
- **IIE** : insurance investment entity
- **MMT Act** : Multinational Enterprise (Minimum Tax) Act 2024 of Singapore
- **MMT Regulations** : Multinational Enterprise (Minimum Tax) Regulations of Singapore
- **MTT** : multinational enterprise top-up tax
- **PE** : permanent establishment
- **QDMTT** : qualified domestic minimum top-up tax
- **REIV** : real estate investment vehicle
- **RHE** : reverse hybrid entity
- **SBIE** : substance-based income exclusion
- **TTE** : tax transparent entity
- **UPE** : ultimate parent entity
- **UPE-FTE** : FTE that is a UPE



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**FTE that is a UPE, its PE
and a PE of a FTE Owned
by this UPE**

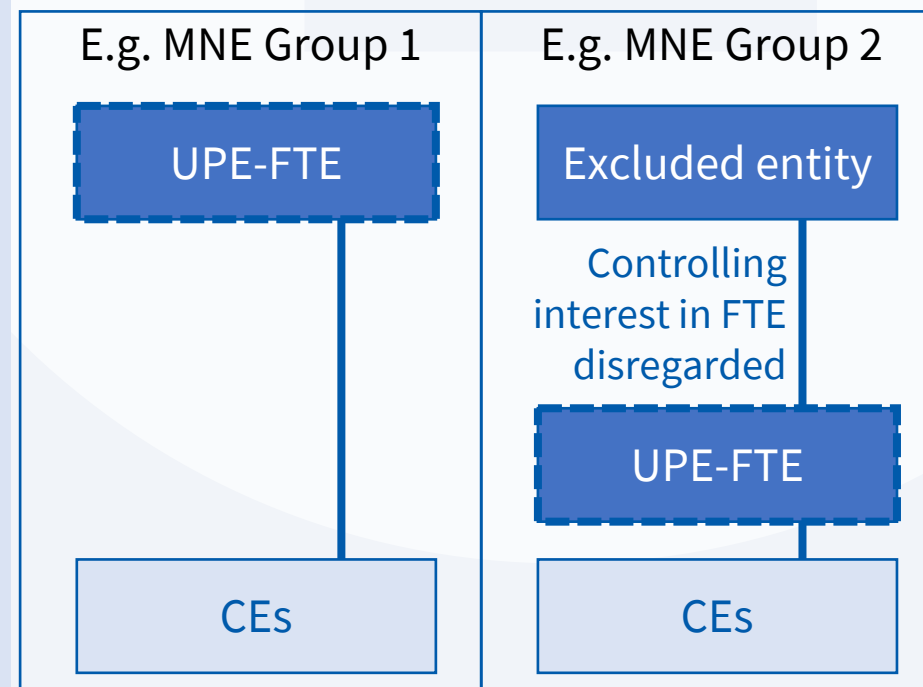
UPE that is a FTE

- A UPE that is treated as tax transparent under domestic tax regimes may have nil ETR, potentially resulting in a top-up tax even though there is tax borne by the owners.
- The GloBE Rules address potential unintended tax consequences for such UPEs.
 - Reduces the GloBE income or loss of a UPE-FTE when its owners are already subject to tax at or above the minimum rate on their share of the UPE's income, or in respect of certain types of owners (collectively, “relevant owners”).

UPE that is a FTE

- The term “UPE-FTE” refers to a FTE that is the UPE of an MNE group.
- Includes a FTE that would be the UPE of an MNE group if any controlling interest in that FTE held by an excluded entity was disregarded.*

Types of UPE-FTE

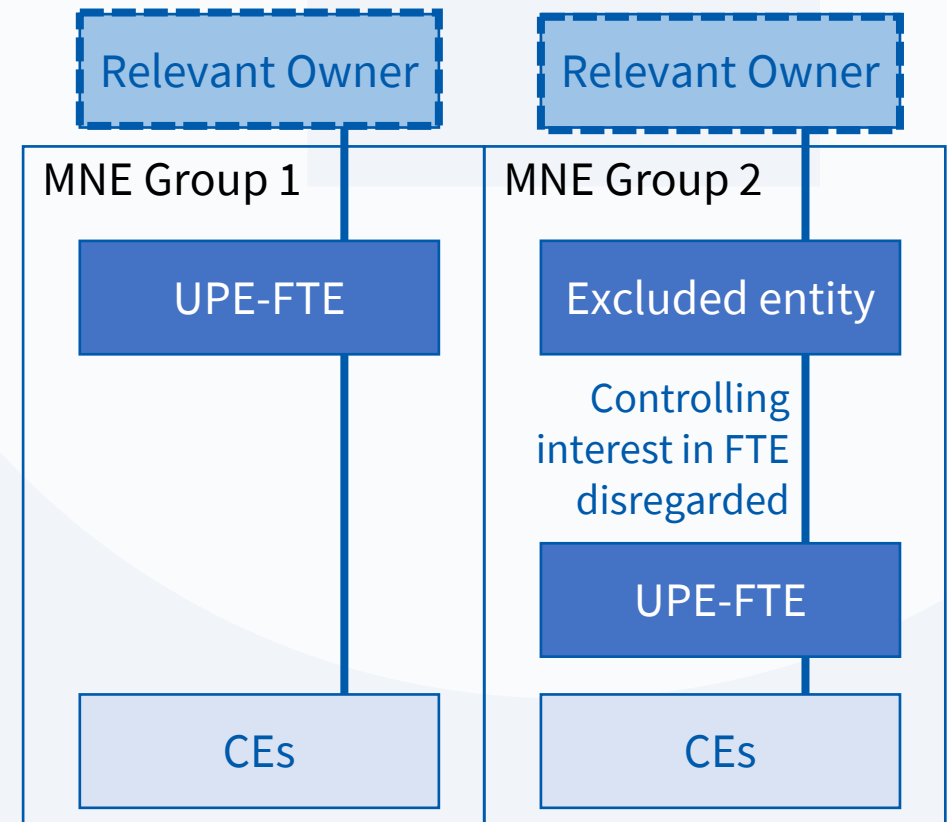


* Paragraph 6(12A) of the First Schedule to the MMT Act.

Relevant Owner of a FTE

What is a “relevant owner”?*

- A person who holds: (1) a direct ownership interest in the FTE or; (2) in the case of a UPE-FTE under paragraph 6(12A) of the First Schedule to the MMT Act, an indirect ownership interest in the FTE through the excluded entity’s controlling interest in the FTE, and who:
 - a. is subject to tax at not less than the minimum rate;
 - b. is a natural person, subject to conditions; or
 - c. is a specified excluded entity, subject to conditions.



* Paragraph 6(13) of the First Schedule to the MMT Act.

Relevant Owner of a FTE

a. Subject to tax at not less than minimum rate*

- The person is subject to tax under the laws of the jurisdiction where the person is located or resident, on the income of the FTE for that FY that is attributable to the person's ownership interest in the FTE.
- Such income must be **subject to tax in the period that ends within 12 months** of the end of that FY, and either:
 - i. the full amount of that income is taxed at a nominal rate of **not less than 15%**; or
 - ii. it is reasonably expected that the sum of the tax payable on that income by that person and by a CE, is not less than the amount of that income multiplied by 15%.

* Paragraph 6(13)(a) of the First Schedule to the MMT Act.

Relevant Owner of a FTE

b. A natural person, subject to conditions*

- An owner of the FTE that is a natural person:
 - i. who is a **tax resident** of the jurisdiction where the FTE is located; and
 - ii. either all:
 1. direct ownership interest in the FTE; or
 2. in the case of a UPE-FTE under paragraph 6(12A) of the First Schedule to the MMT Act, an indirect ownership interest in the FTE through the excluded entity's controlling interest in the FTE,held by such a natural person **does not carry rights to more than 5% of the profits or the assets** of the FTE at the end of the FY.

* Paragraph 6(13)(b) of the First Schedule to the MMT Act.

Relevant Owner of a FTE

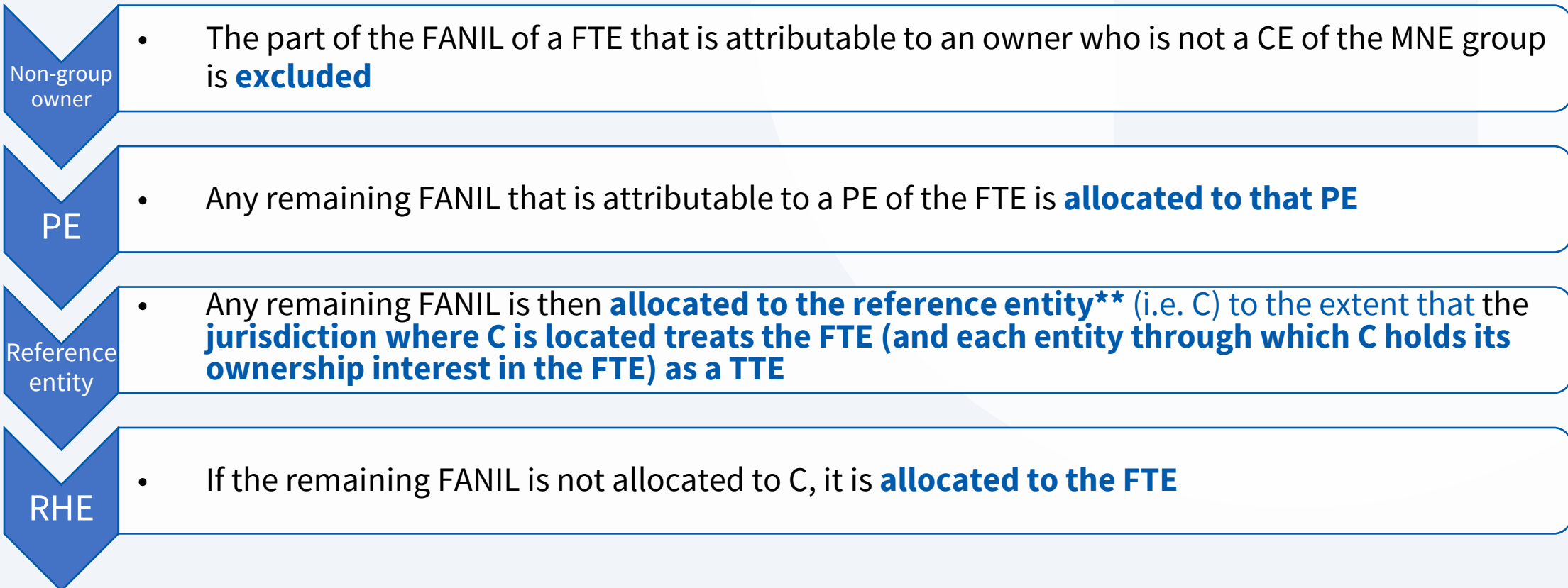
c. A specified excluded entity, subject to conditions*

- An owner of the FTE that is a governmental entity, an international organisation, a non-profit organisation or a pension fund:
 - i. which is a **tax resident** of the jurisdiction where the FTE is located; and
 - ii. either all:
 1. direct ownership interest in the FTE; or
 2. in the case of a UPE-FTE under paragraph 6(12A) of the First Schedule to the MMT Act, an indirect ownership interest in the FTE through the excluded entity's controlling interest in the FTE,
held by such a government entity, an international organisation, a non-profit organisation or a pension fund **does not carry rights to more than 5% of the profits or the assets** of the FTE at the end of the FY.

* Paragraph 6(13)(c) of the First Schedule to the MMT Act.

Recap – FANIL of a FTE (non-UPE)

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



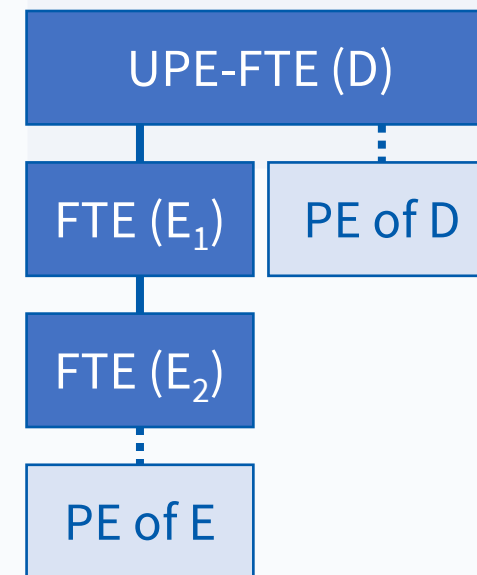
* Paragraphs 6(9) and 6(12A) of the First Schedule to the MMT Act.

** Sections 2(6E) and 2(6F) of the MMT Act.

FANIL of FTE that is a UPE, its PE and a PE of a FTE Owned by this UPE

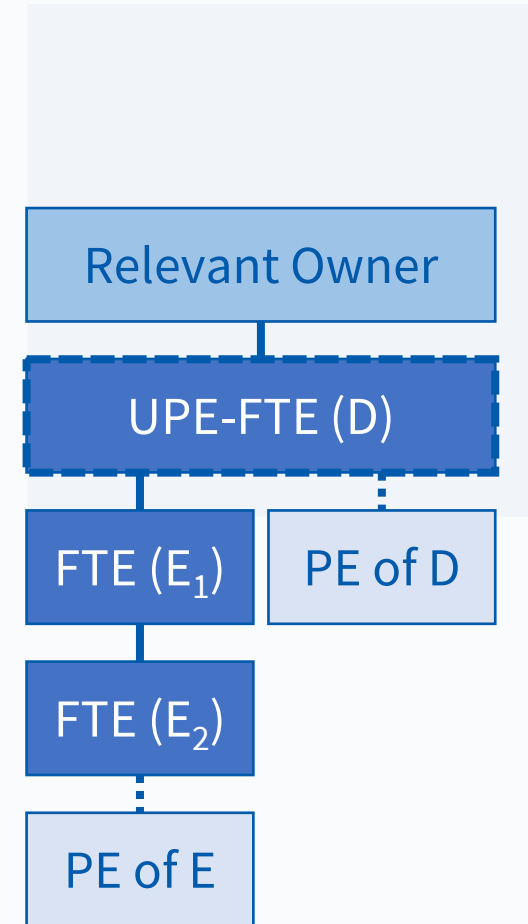
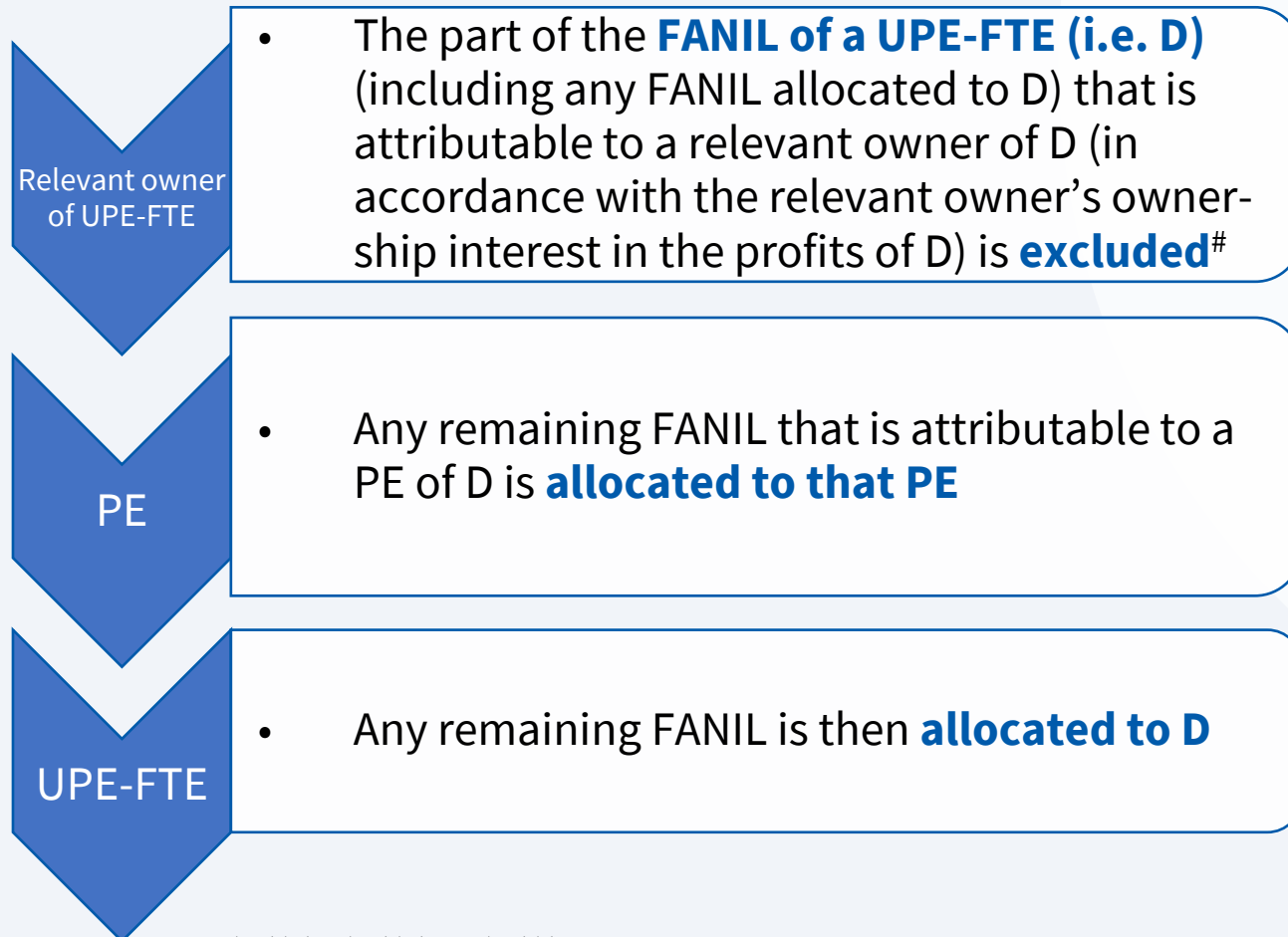
What is the FANIL of a FTE that is a UPE, its PE and PE of certain FTE?*

- Special rules apply in determining the FANIL of:
 - a. a FTE that is a UPE (i.e. D);
 - b. a PE of D; and
 - c. a PE of a FTE (i.e. E) where:
 - i. E is treated as fiscally transparent in the jurisdiction where D is located; and
 - ii. the ownership interest in E is held by D, directly or through one or more FTEs only.



* Paragraphs 6(12) and 6(12A) of the First Schedule to the MMT Act.

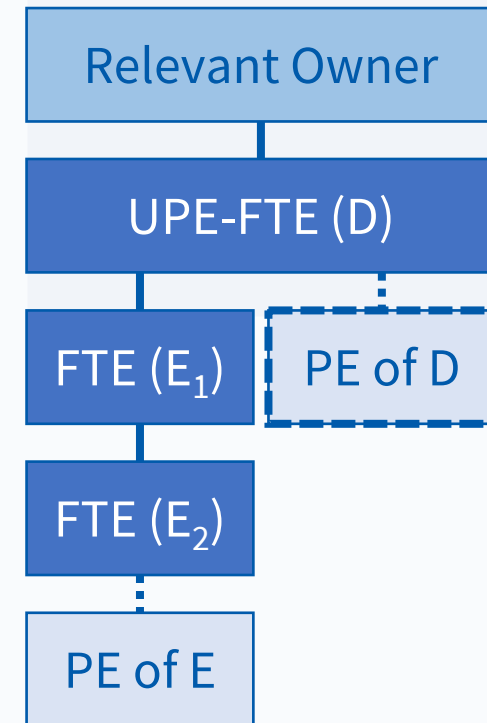
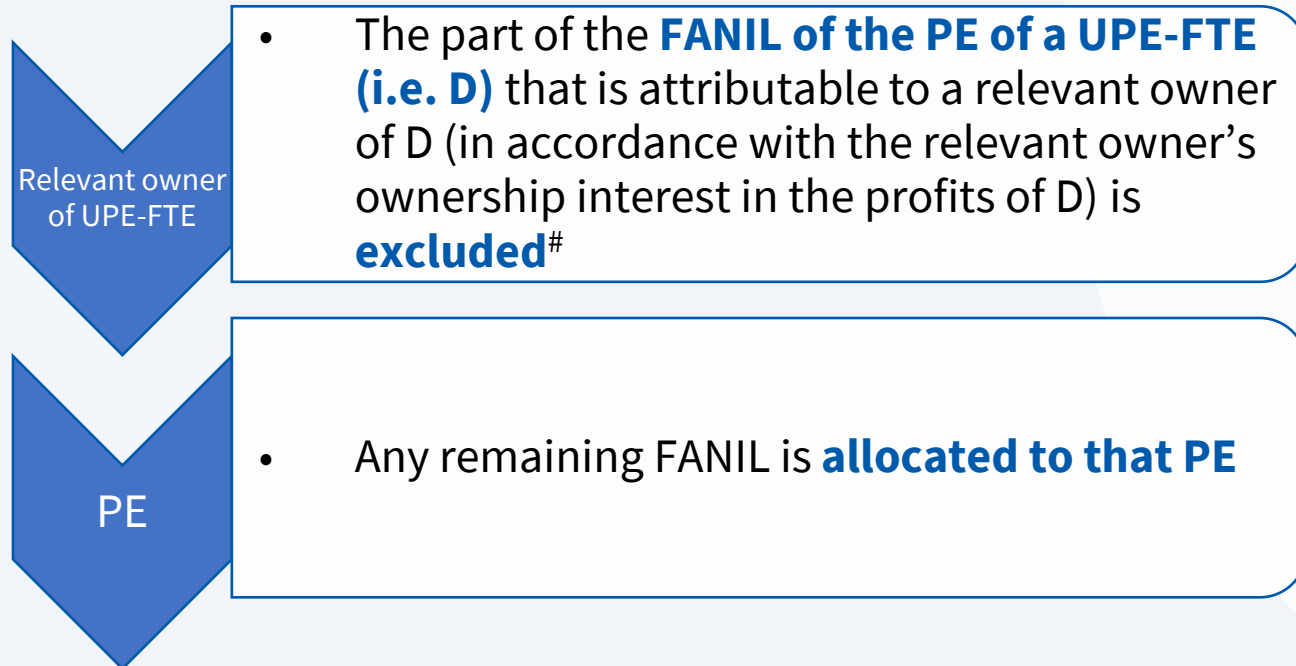
FANIL of FTE that is a UPE*



* Paragraphs 6(12)(a), 6(12)(d) to 6(12)(f) of the First Schedule to the MMT Act.

[#] A loss can be excluded only if the relevant owner is allowed to use the loss in computing its income for tax purposes in the jurisdiction where the relevant owner is located.

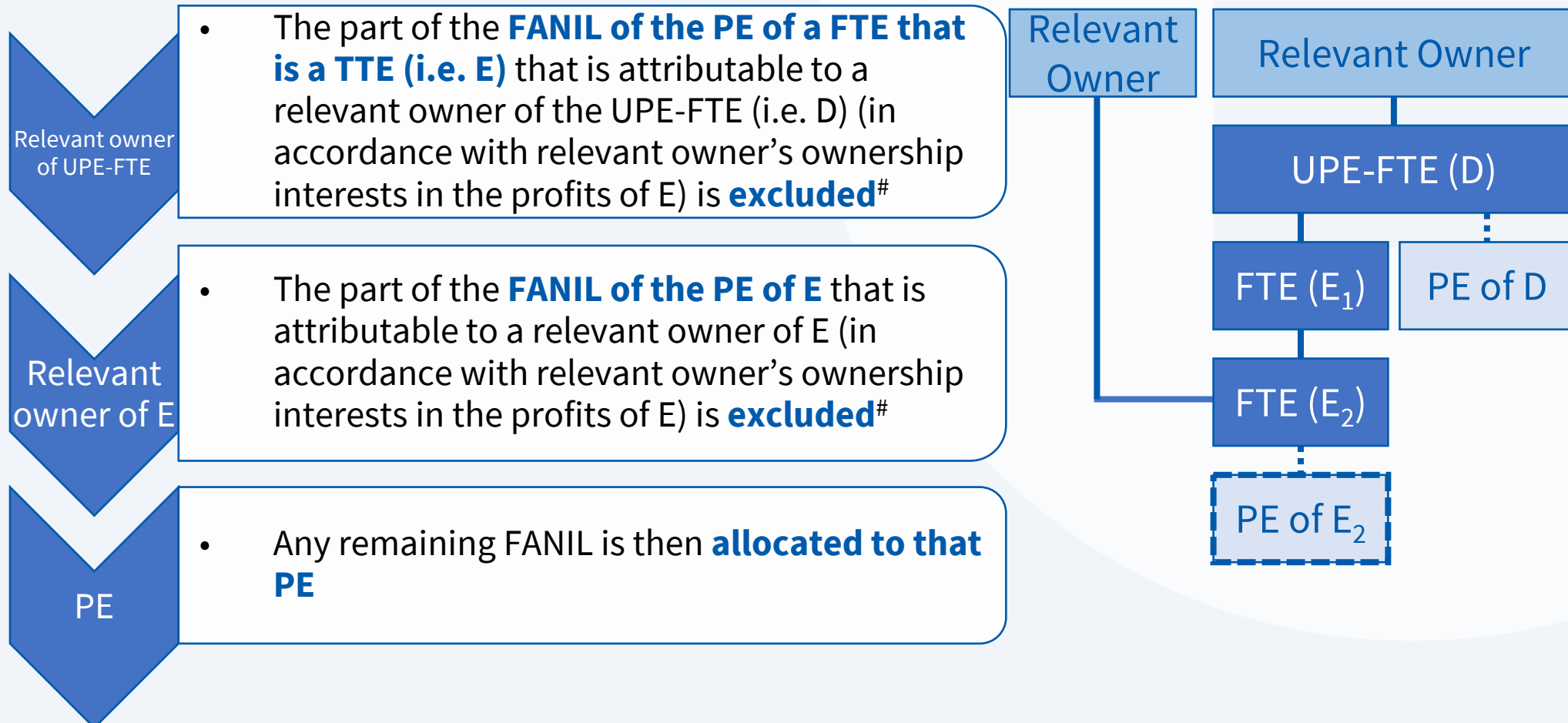
FANIL of PE of FTE that is a UPE*



* Paragraphs 6(12)(b), 6(12)(d) to 6(12)(f) of the First Schedule to the MMT Act.

[#] A loss can be excluded only if the relevant owner is allowed to use the loss in computing its income for tax purposes in the jurisdiction where the relevant owner is located.

FANIL of PE of FTE Held by a UPE-FTE*

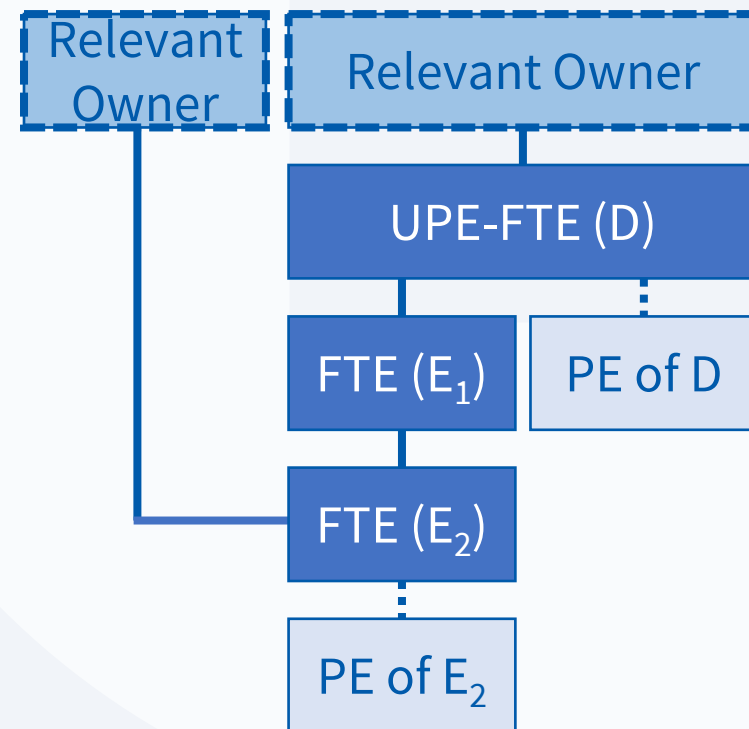


* Paragraphs 6(12)(c) to 6(12)(f) of the First Schedule to the MMT Act.

[#] A loss can be excluded only if the relevant owner is allowed to use the loss in computing its income for tax purposes in the jurisdiction where the relevant owner is located.

Relevant Owner

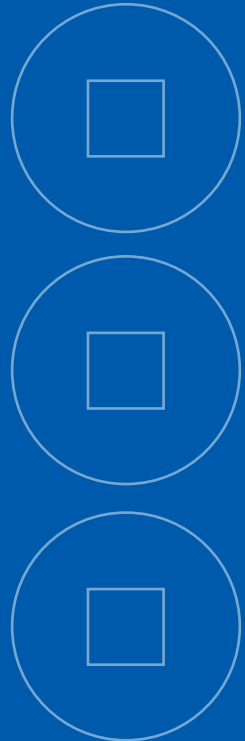
- There is a need to determine the relevant owner of:
 - D in respect of D's income;
 - D in respect of the income of the PE of D;
 - D in respect of the income of the PE of E; and
 - E in respect of the income of the PE of E.
- For example, a relevant owner of D for a FY, in respect of the income of the PE of D is a direct owner of D who is subject to tax[#] in the jurisdiction where the owner is located, on the income of the PE of D that is attributable to that owner.



[#] Also subject to the satisfaction of the 12-month period test and taxation at a rate of not less than 15%.



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Investment Entities and Insurance Investment Entities

Investment Entities and Insurance

Investment Entities

Overview

Jurisdictional Top-Up Amount

Elections in Respect of IEs and IIEs

Modification for DTT

Investment Entities and Insurance Investment Entities

Overview

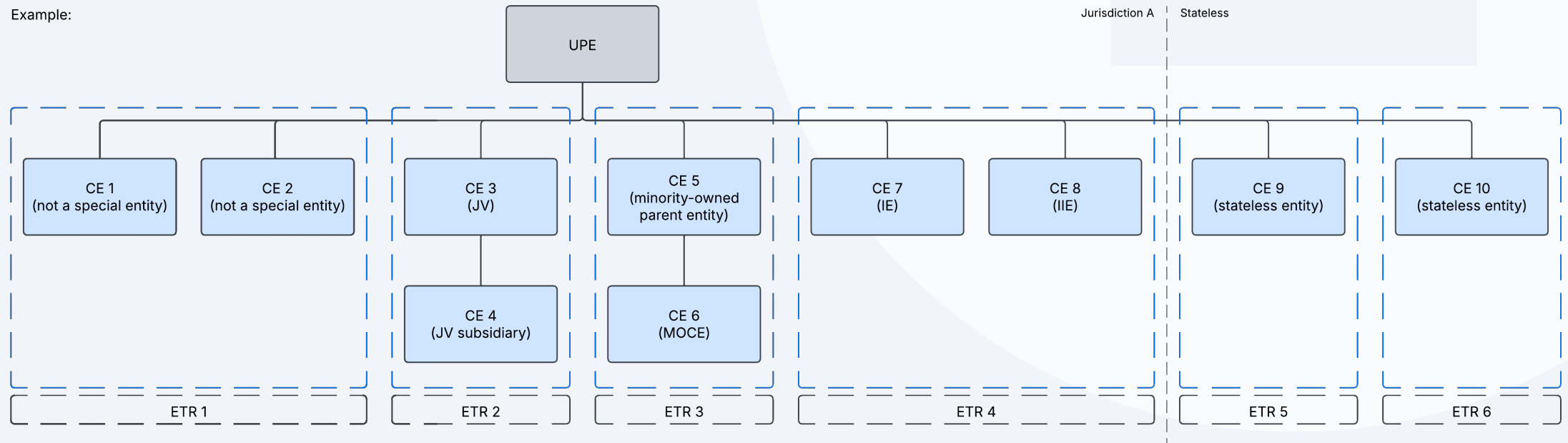
Jurisdictional Top-Up Amount

Elections in Respect of IEs and IIEs

Modification for DTT

Recap – Separate ETRs Within a Jurisdiction

Example:



Definition – Investment Entity

What is an “IE”?

- An IE is an entity that is one of the following:
 - a. an investment fund or a REIV;
 - b. an entity:
 - i. at least 95% of the total value of the ownership interests of which is **held directly** or by an investment fund or a REIV, **or indirectly** through a chain of such entities; and
 - ii. whose activities consist exclusively or almost exclusively of holding assets or investing funds for the benefit of those owners; or
 - c. an entity at least 85% of the total value of the ownership interests of which is **held directly** by an investment fund or a REIV, **or indirectly** through a chain of such entities
 - But only if almost all of the entity’s income is excluded dividends or excluded equity gain or loss (or a mixture of both) that is excluded from the computation of GloBE income or loss.

Definition – Investment Fund

What is an “investment fund”?

- An investment fund is an entity that meets all of the following conditions:
 - a. it is designed to pool assets (financial or non-financial in nature) from a number of investors who are not all connected with one another;
 - b. it carries out its investment activities in accordance with a defined investment policy;
 - c. it allows investors to reduce transaction, research and analytical costs, or to spread risk, collectively;
 - d. it is primarily designed to generate investment income or gains, or for protection against a particular or general event or outcome;
 - e. investors have a right to a return from the assets of the entity or income earned on those assets, based on the contributions made by those investors;
 - f. it or its manager 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
 - g. it is managed by investment fund management professionals on behalf of its investors

* Paragraph 7(2) of the First Schedule to the MMT Act.

Definition – Real Estate Investment Vehicle

What is a “REIV”?

- A REIV is an entity that meets all of the following conditions:
 - a. it is widely held by investors who are generally not connected with one another through any relationship of common ownership or control;
 - The “widely held” condition is met if the REIV is owned directly by a small number of other widely held IEs or pension funds that have numerous beneficiaries.
 - b. it is primarily designed to invest directly or indirectly in immovable property; and
 - c. its income is subject to taxation in any jurisdiction either as the income of the entity or as the income of the its holders, and any income tax deferral period is not more than one year

Definition – Insurance Investment Entity

What is an “IIE”?

- An IIE is an entity that meets all of the following conditions:
 - a. it is not an investment fund or REIV, but would be:
 - i. an investment fund, if it was designed to pool assets from more than one investor who are not connected with one another; or
 - ii. a REIV, if it was widely held by investors who are generally not connected with one another through any relationship of common ownership or control;
 - b. it is established in relation to liabilities under insurance or annuity contracts; and
 - c. it is wholly-owned by one or more persons, all of whom are members of an MNE group, and each person with a direct ownership interest in the entity is subject to a regulatory regime in the jurisdiction in which the owner is established or managed, and that regime is specific to persons engaged in the business of entering into insurance or annuity contracts or of performing activities ancillary to such business

Why Special Rules Apply to IEs and IIEs

IEs[#] and IIEs

- IEs and IIEs are often **tax neutral** and their **income is subject to a single level of taxation** in the hands of their shareholders.
- The income of IEs and IIEs is often subject to little or no tax at the entity level.
 - The **ETR and top-up amount of IEs and IIEs are calculated separately** from other CEs of an MNE group to prevent an MNE group from blending their low-taxed income with the income of other CEs.
- To preserve tax neutrality:
 - The **top-up tax only arises with respect to the MNE group's interest** in the income of the IE / IIE.
 - Minority investors are not subject to top-up tax on their interest in a low-taxed IE / IIE.

[#] However, where an investment fund or a REIV is a UPE of a group, it is an excluded entity as provided under paragraph 4(2) of the First Schedule to the MMT Act.

Why Special Rules Apply to IEs and IIEs

IEs and IIEs

- GloBE income or loss
- Adjusted covered taxes
- SBIE

- Based only on **proportionate amount** of the IE's or IIE's GloBE income or loss **attributable to the UPE's ownership interests** in the IE / IIE.*
- GloBE income or loss, adjusted covered taxes and SBIE of an IE / IIE are not used in computing the jurisdictional ETR and jurisdictional excess profits of CEs which are not special entities.
- The additional current top-up amount and QDMTT in respect of an IE / IIE are similarly not used in computing the jurisdictional top-up amount of CEs which are not special entities.

- Top-up amount

- Determined based on the separate jurisdictional ETR and jurisdictional top-up amount of IEs and IIEs located in that jurisdiction.
- Is also the top-up tax of the CE.

* Section 24 of the MMT Act.

Investment Entities and Insurance Investment Entities

Overview

Jurisdictional Top-Up Amount

Elections in Respect of IEs and IIEs

Modification for DTT

Recap – A Snapshot of the Mechanics

Step 1 – Determine if MNE group is in-scope

- Determine whether 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 safe harbour and/or de minimis rule applies to the jurisdiction.

Step 4 – GloBE Income / Loss and Covered Taxes

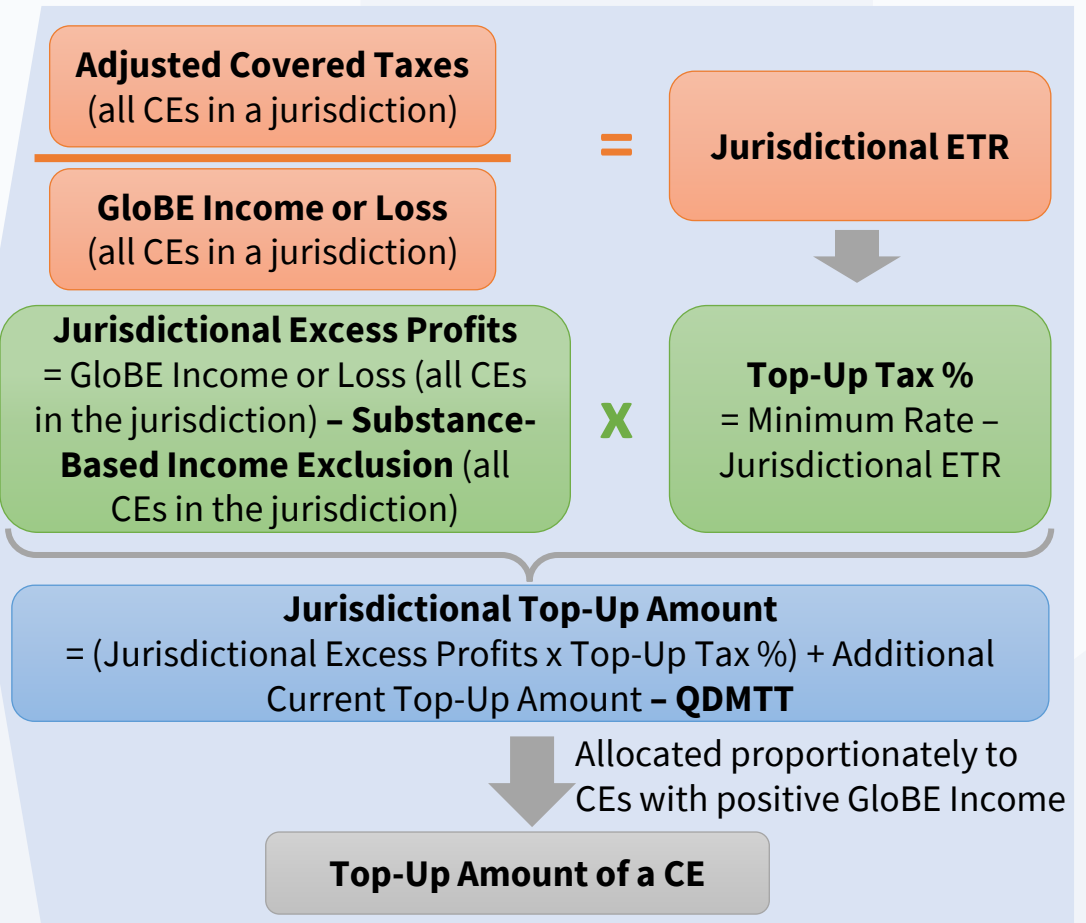
- Determine the GloBE Income or Loss and Adjusted Covered Taxes of each CE.

Step 5 – ETR and Top-Up Amount

- Compute 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 MTT or DTT in accordance with agreed rule order.



ETR for IEs / IIEs

What is the ETR for IEs / IIEs in a jurisdiction?*

$$\text{ETR for a FY} = (N \div O) \times 100\%$$

- N = Sum of allocable adjusted covered taxes (including any negative amount of allocable adjusted covered taxes) of the IEs / IIEs for that FY.
 - O = Sum of allocable GloBE income or loss of the IEs / IIEs for that FY.
- If $O \leq 0$, then the ETR for those entities for that FY is **15%**.
 - If $N < 0$ and $O > 0$, then the ETR for those entities for that FY is **nil**, and N is treated as **negative tax carried forward** for the entities.

* Sections 24(7) to 24(9) of the MMT Act.

ETR for IEs / IIEs

What are the allocable amounts?*

Allocable GloBE income or loss of an IE / IIE = $R \times S$

- R = GloBE income or loss of the IE / IIE.
- S = Inclusion ratio determined as if the UPE of the MNE group is the chargeable entity in respect of the IE / IIE.

Allocable adjusted covered taxes of an IE / IIE = Adjusted covered taxes of the IE / IIE that is attributable to its allocable GloBE income or loss

* Section 24(16) of the MMT Act.

Jurisdictional Top-Up Amount for IEs / IIEs

What is the jurisdictional top-up amount for IEs and IIEs?*

Jurisdictional top-up amount for a FY =

[(Top-up tax percentage for IEs and IIEs for that FY) x (Excess profits of IE and IIEs for that FY)]

+ (Additional current top-up amount for IEs and IIEs for that FY)

– (QDMTT imposed by the laws of a jurisdiction in respect of IEs and IIEs for that FY)

* Section 24(5) of the MMT Act.

Jurisdictional Top-Up Amount for IEs / IIEs

What are the excess profits?*

Excess profits for a FY = $P - Q$

- P = Sum of the allocable GloBE income or loss of the IEs / IIEs for that FY.
- Q = SBIE for the IEs / IIEs for that FY, based on the proportionate amount attributable to the UPE's ownership interests in the IE / IIE.**
- If **the result is ≤ 0** , then excess profits of entities for that FY is **nil**.

* Section 24(11) of the MMT Act.

** Sections 18 and 24(12) of the MMT Act.

Top-Up Amount of an IE / IIE

How to determine the top-up amount of an IE / IIE?

- If the **sum of the allocable GloBE income or loss of all the IEs / IIEs in the jurisdiction > 0**:*

Top-up amount of an IE / IIE for a FY = $A \times (B \div C)$

- A = Jurisdictional top-up amount for the IEs / IIEs located in the jurisdiction for that FY.
- B = If the allocable GloBE income or loss of the IE / IIE for that FY ≤ 0 , then **nil**.
= If not, then the **allocable GloBE income or loss of the IE / IIE for that FY**.
- C = Sum of the allocable GloBE income or loss of those IEs / IIEs (with a positive amount of allocable GloBE income or loss) for that FY.

* Section 24(3) of the MMT Act.

Top-Up Amount of an IE / IIE

How to determine the top-up amount of an IE / IIE?

- If the **sum of the allocable GloBE income or loss of all the IEs / IIEs in the jurisdiction ≤ 0** , and the IEs / IIEs only have an **additional current top-up amount under section 21(1) of the MMT Act (as applied by section 24(13))**:*

Top-up amount of an IE / IIE for a FY = $A \times (D \div E)$

- A = Jurisdictional top-up amount for the IEs / IIEs located in the jurisdiction for that FY.
- D = If the allocable GloBE income or loss of the IE / IIE for that FY **> 0**, then **nil**.
= If the adjusted covered taxes of the IE / IIE for that FY **≥ 0** , then **nil**.
= If neither, then **[(Allocable GloBE income or loss of the CE for that FY) x 15%] – (Adjusted covered taxes of the CE for that FY)**.
- E = Sum of D for the IEs / IIEs in that jurisdiction.

* Section 24(4)(a) of the MMT Act.

Top-Up Amount of an IE / IIE

How to determine the top-up amount of an IE / IIE?

- If the **sum of the allocable GloBE income or loss of all the IEs / IIEs in the jurisdiction ≤ 0** , and the IEs / IIEs only have an **additional current top-up amount attributable to a recalculation under section 21(4) of the MMT Act (as applied by section 24(13))** for one previous FY:*

Top-up amount of an IE / IIE for a FY = $A \times (F \div G)$

- A = Jurisdictional top-up amount for IEs / IIEs located in the jurisdiction for that FY.
- F = If the allocable GloBE income or loss of IE / IIE for the previous FY **< 0**, then **nil**.
= If not, then the **allocable GloBE income or loss of IE / IIE for the previous FY**.
- G = Sum of F for IEs / IIEs in that jurisdiction.

* Section 24(4)(b) of the MMT Act.

Top-Up Amount of an IE / IIE

How to determine the top-up amount of an IE / IIE?

- If the **sum of the allocable GloBE income or loss of all the IEs / IIEs in the jurisdiction ≤ 0** , and the IEs / IIEs have **both** an additional current top-up amount under section 21(1) of the MMT Act (i.e. C), and an additional current top-up amount attributable to a recalculation under section 21(4) of the MMT Act (i.e. P):*

$$\text{Top-up amount of an IE / IIE for a FY}^{**} = [A_1 \times (D \div E)]^{***} + [A_2 \times (F \div G)]^{***} *$$

- $A_1 = C - \{K \times [C \div (C + P)]\}$
- $A_2 = P_1 - \{K \times [P_1 \div (C + P)]\}$, for each previous FY for which recalculation is made.
- P_1 = Amount computed under section 21(4) (as applied by section 24(13)) of the MMT Act for that previous FY.
- $K = \text{QDMTT}$.

* Section 24(4)(b) of the MMT Act.

** Regulation 94(3) of the MMT Regulations.

*** Section 24(4)(a) of the MMT Act.

*** * Section 24(4)(b) of the MMT Act.

MTT Top-Up Tax for IEs / IIEs

- Example – UPE is located in Singapore, and holds 4 CEs located in Jurisdiction B:

Year 1 – Jurisdiction B	i. CEs that are not special entities		ii. CEs that are IEs and IIEs	
	CE 1 (100%)	CE 2 (90%)	IE 1 (80%)	IE 2 (80%)
GloBE income or loss of CE	400	300	200	100
Adjusted covered taxes of CE	40	30	10	5
Jurisdictional ETR for (i) and (ii) IEs and IIEs (i.e. A)	$(40 + 30) \div (400 + 300) = 10\%$		$[(10 + 5) \times 80\%] \div [(200 + 100) \times 80\%] = 5\%$	
SBIE for (i) and (ii)	30	10	20	10
Jurisdictional excess profits for (i) and (ii) (i.e. B)	$(400 + 300 - 30 - 10) = 660$		$[(200 + 100) \times 80\%] - [(20 + 10) \times 80\%] = 216$	

MTT Top-Up Tax for IEs / IIEs

- Example – UPE is located in Singapore, and holds 4 CEs located in Jurisdiction B (continued):

Year 1 – Jurisdiction B	i. CEs that are not special entities		ii. CEs that are IEs and IIEs	
	CE 1 (100%)	CE 2 (90%)	IE 1 (80%)	IE 2 (80%)
Additional current top-up amount for (i) and (ii) (i.e. C)	60		10 (amount attributable to the UPE’s ownership interest)	
QDMTT for (i) and (ii) (i.e. D)	33		0	
Jurisdictional top-up amount for (i) and (ii) (i.e. $\{[(15\% - A) \times B] + C - D\}$)	$[660 \times (15\% - 10\%)] + 60 - 33 = 60$		$[216 \times (15\% - 5\%)] + 10 - 0 = 32$	
Jurisdictional top-up amount attributable to each CE	$400 \div (400 + 300) \times 60 = 34$	$300 \div (400 + 300) \times 60 = 26$	$[(200 \times 80\%) \div (300 \times 80\%)] \times 32 = 21$	$[(100 \times 80\%) \div (300 \times 80\%)] \times 32 = 11$
Top-up tax for each CE	$34 \times 100\% = 34$	$26 \times 90\% = 23$	21	11

Investment Entities and Insurance Investment Entities

Overview

Jurisdictional Top-Up Amount

Elections in Respect of IEs and IIEs

Modification for DTT

Elections in Respect of IEs and IIEs

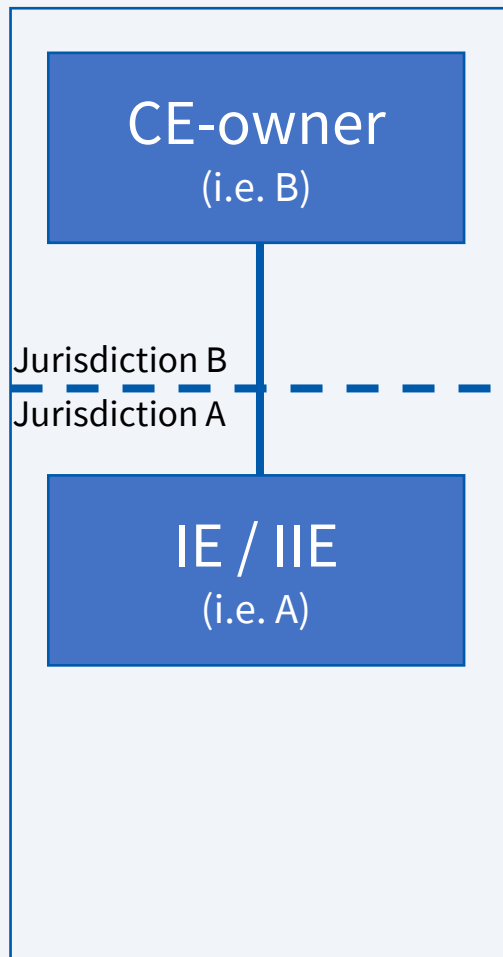
Regulation 63 of the MMT Regulations

- IE and IIE tax transparency election

Regulation 64 of the MMT Regulations

- Taxable distribution method election

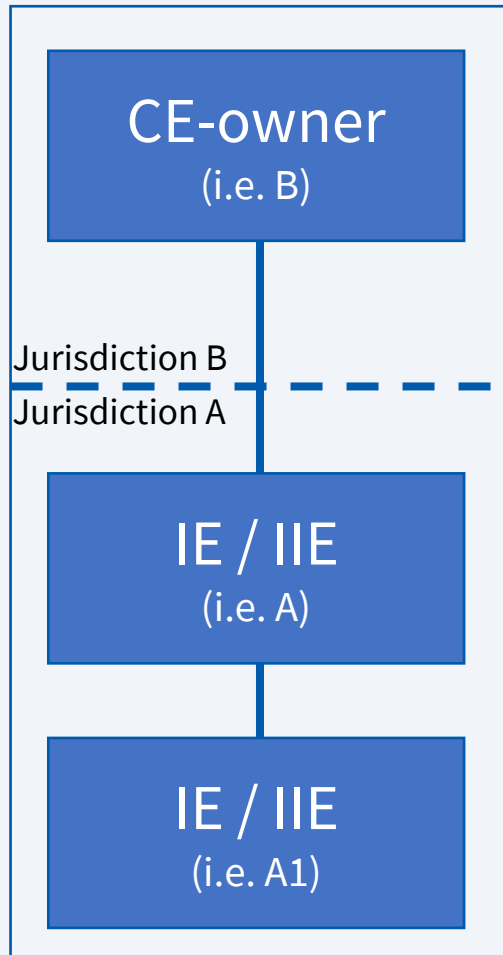
IE and IIE Tax Transparency Election



- IEs / IIEs are often tax neutral and their income is subject to a single level of taxation in the hands of their shareholders.
 - Income earned through an IE / IIE (i.e. A) located in one jurisdiction is subject to tax in another jurisdiction in which its CE-owner (i.e. B) is located.
- By treating the IE / IIE as tax transparent, the **tax transparency election*** allows an MNE group to include a CE-owner's share of the IE / IIE's income as income of the CE-owner.
 - This election matches the timing and location of income earned through an IE / IIE under GloBE Rules and the local tax rules where the CE-owner is subject to a mark-to-market or similar regime.

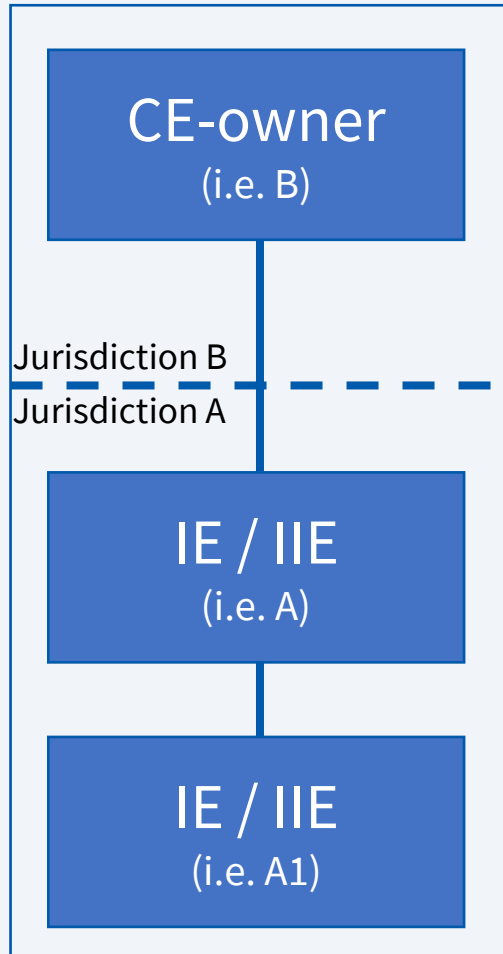
* Regulation 63 of the MMT Regulations.

IE and IIE Tax Transparency Election



- The tax transparency election does not need to be made with respect to all CE-owners of the IE / IIE. However, if elected, the election applies to all of a CE-owner's interest in the IE / IIE.
- Election is available to both directly owned IEs / IIEs as well as such entities that are indirectly owned through other IEs / IIEs.

IE and IIE Tax Transparency Election

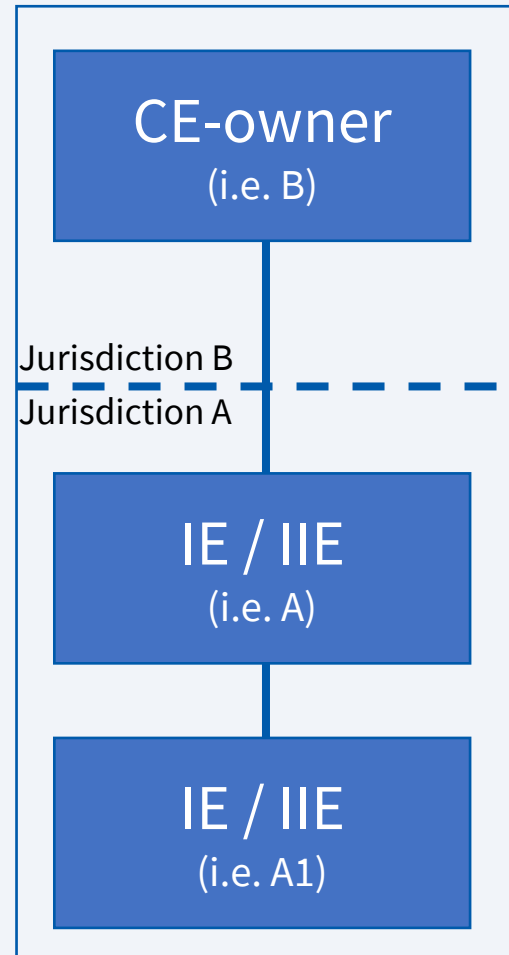


Conditions to be eligible for election*

- a. No taxable distribution method election is in effect in relation to the IE / IIE and the CE-owner; and
- b. either of the following conditions is met:
 - i. B is **subject to tax** in the jurisdiction where it is located, **on increases in the fair value of its ownership interest in A, at a tax rate of at least 15%**; or
 - B is considered to meet this condition with respect to its indirect ownership interests in A1, if B is subject to tax in Jurisdiction B on the increase in the fair value of its direct ownership interests in A.
 - ii. B is regulated or authorised to carry on **business as an insurer** and is **wholly owned by B's policyholders**.

* Regulation 63(4) of the MMT Regulations.

IE and IIE Tax Transparency Election

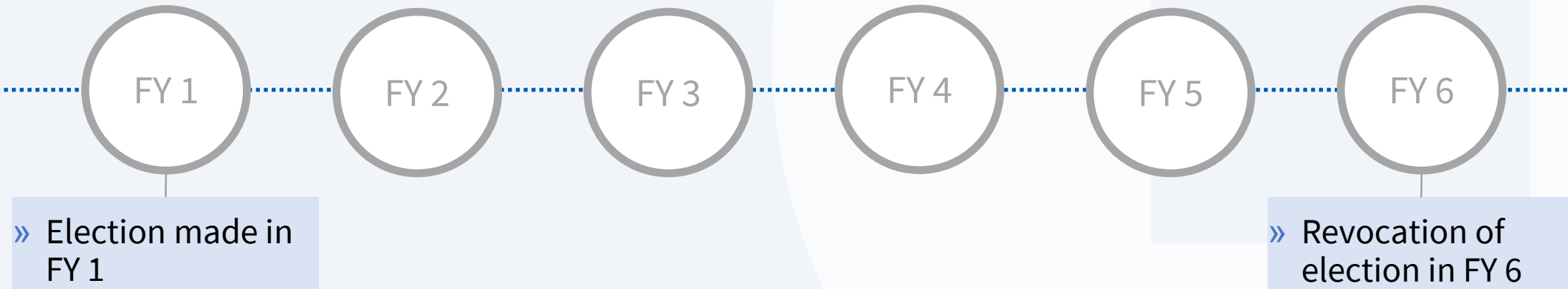


What are the effects of an election effective for a FY?*

- A specified CE that is an IE / IIE (i.e. A) is treated as a FTE. A is also deemed to be a TTE in the jurisdiction where B is located;
- a proportion of A's FANIL, qualifying current tax expense and qualifying deferred tax expense that corresponds to B's interest in A's profits, is allocated to B;
- the same proportion of A's SBIE for that FY is also allocated to B, if the eligible employees or eligible tangible assets of A are located in the same jurisdiction as B; and
- if B uses a fair value method to determine its income or loss for that FY arising from changes in the fair value of its ownership interest in A, that income or loss, to the extent it is included in B's FANIL, is excluded from B's GloBE income or loss for that FY, to prevent double counting.

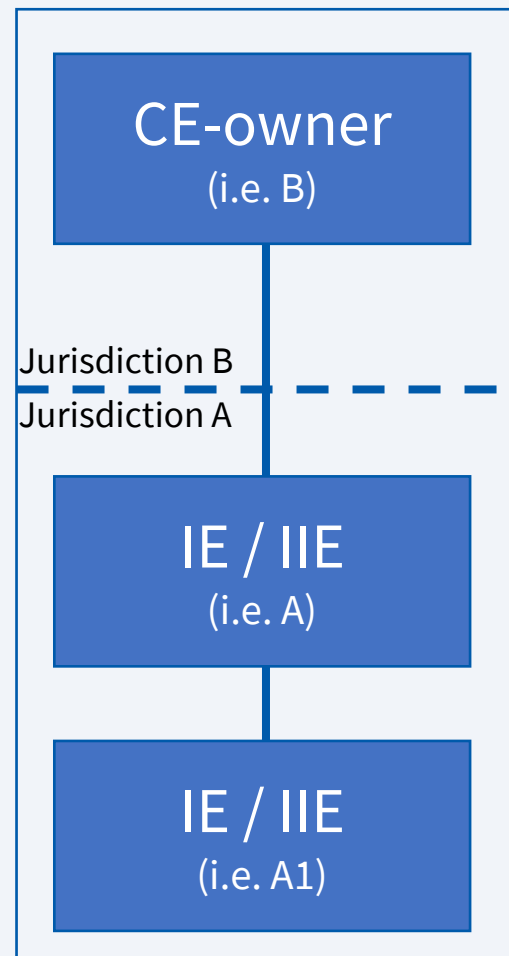
* Regulations 63(1) and 63(2) of the MMT Regulations.

IE and IIE Tax Transparency Election



- The filing entity of an MNE group may elect for the tax transparency election in the GIR.
- The election must not be revoked in FY 1 and the subsequent four FYs (i.e. FY 2 to FY 5).
- If the election in relation to A and B is revoked in FY 6, no new election in relation to A and B can be made for FY 6 and the subsequent four FYs (i.e. FY 7 to FY 10).

IE and IIE Tax Transparency Election



Revoking the election*

If the election is revoked, then in determining the FANIL of the IE / IIE (i.e. A):

- a. for the **first FY** for which the election no longer applies, any gain or loss from the disposition of an asset or liability by A is determined by reference to the fair value of that asset or liability on the first day of that FY; and
- b. for any **subsequent FY**, any gain or loss from the disposition of an asset or liability by A is determined by reference to:
 - i. if A accounts for its assets and liability on a **realisation basis** – the fair value of that asset or liability on the first day of the first FY for which the election no longer applies; and
 - ii. if A accounts for its assets and liabilities on a **fair value basis** – the fair value of that asset or liability on the last day of the previous FY.

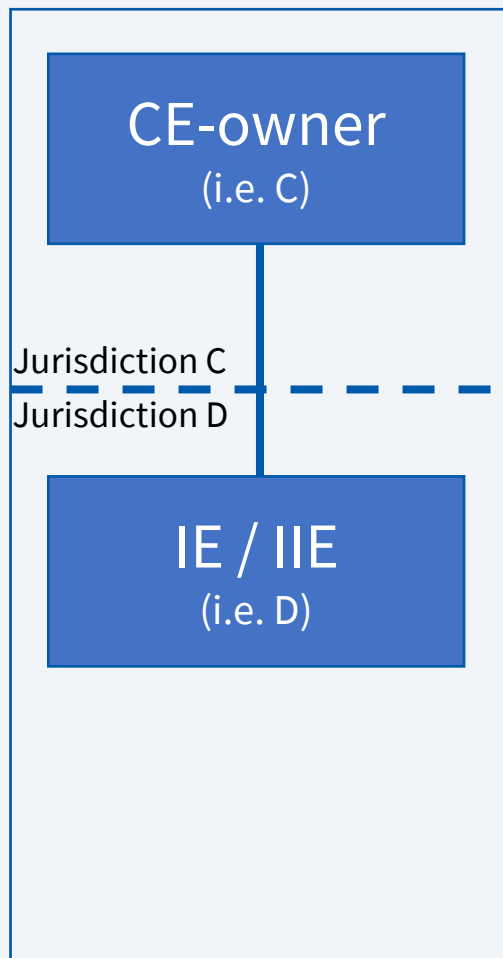
* Regulation 63(5) of the MMT Regulations.

Taxable Distribution Method Election

- Under the taxable distribution method election,* the income of an IE / IIE is not included in the GloBE calculations of the MNE group when earned, but when distributed to its CE-owners, subject to conditions.
- By attributing income (and tax consequences) of an IE / IIE to its CE-owners rather than the IE / IIE, the election:
 - matches both the timing and location of the income earned by an MNE group through an IE / IIE, with the tax on that income in the location where the CE-owner is subject to tax on the distributions; and
 - reduces the exposure to top-up tax of income earned through an IE / IIE to the extent that it makes distributions of its income to its CE-owners within a 4-year period that are taxable in the hands of the CE-owners at or above 15%.

* Regulation 64 of the MMT Regulations.

Taxable Distribution Method Election

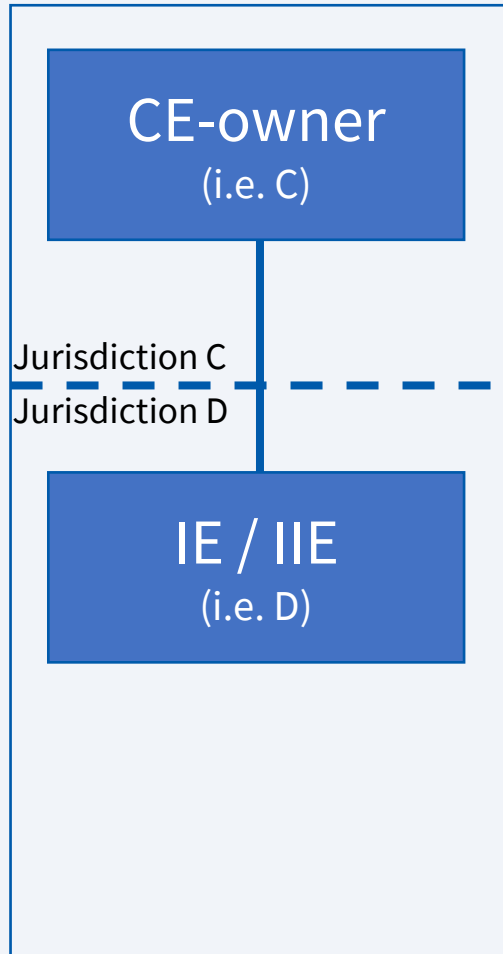


Conditions to be eligible for election*

- a. C is not an IE / IIE;
- b. C is **reasonably expected to be subject to tax** in the jurisdiction where C is located, on distributions from D **at a rate of at least 15%**; and
 - Takes into account taxes on distributions and taxes incurred by D in respect of income distributed to C.
- c. no tax transparency election (under regulation 63 of the MMT Regulations) is in effect in relation to C and D.

* Regulation 64(2) of the MMT Regulations.

Taxable Distribution Method Election



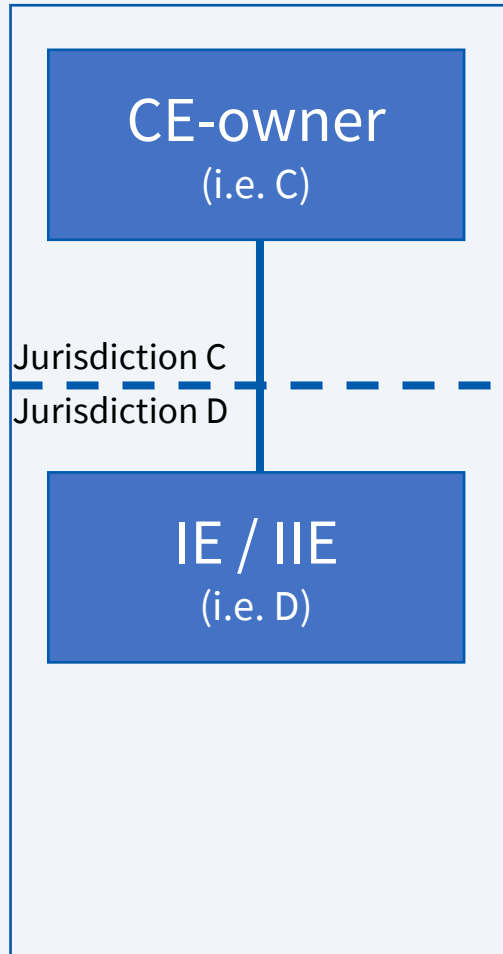
What are the effects of an election effective for a FY (i.e. the subject FY)?*

A specified CE-owner (i.e. C) that is not an IE / IIE, and a specified IE / IIE (i.e. D) that is a CE directly held by C, are treated such that:

- a. any **distribution or deemed distribution from D to C** in the subject FY is **included in the FANIL of C** for the subject FY;
- b. the FANIL of C for the subject FY is adjusted so that:
 - i. any tax credit of C in respect of tax payable by D on D's income distributed to C in the subject FY, is accounted for as income and not as a negative amount of tax expense; and
 - ii. such tax payable by D is included in C's qualifying current tax expense and not D's, for the subject FY;

* Regulations 64(3)(a) and 64(3)(b) of the MMT Regulations.

Taxable Distribution Method Election

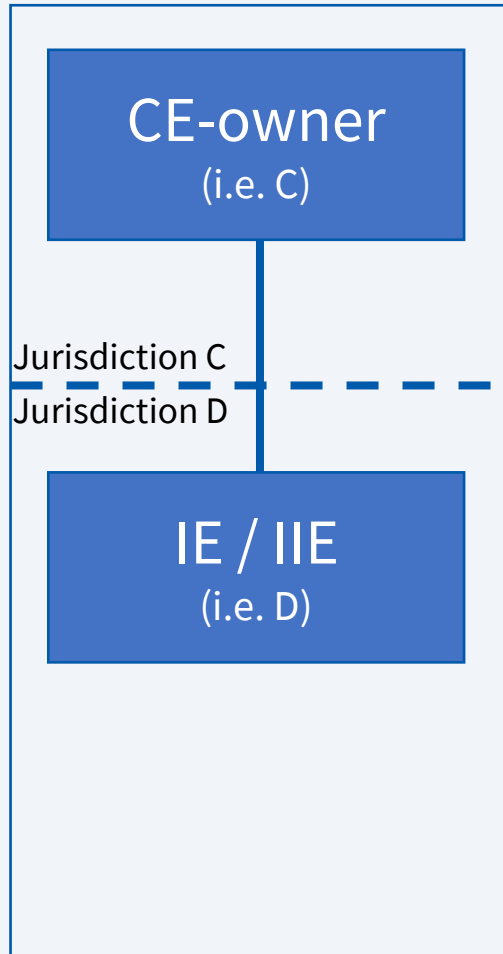


What are the effects of an election effective for a FY (i.e. the subject FY) (continued)?*

- c. C's share of D's **GloBE income or loss** for the subject FY is **disregarded** for the purpose of computing D's top-up amount; and
 - The **adjusted covered taxes** attributable to such income must be **disregarded** in computing the ETR of D, or any other entity.
- d. C's share of D's **undistributed income amount** for the third FY before the subject FY is **treated as D's GloBE income** for the subject FY.
 - The **product of that share and 15% is treated as a top-up amount** for D for the subject FY.

* Regulations 64(3)(c) and 64(3)(d) of the MMT Regulations.

Taxable Distribution Method Election



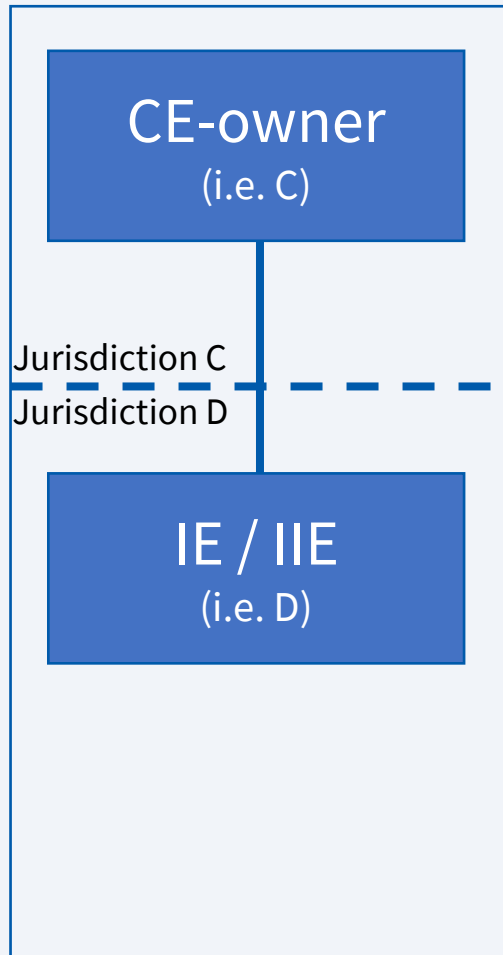
What is an “undistributed income amount”?^{*}

D’s undistributed income amount for the third FY before the subject FY (a positive amount) is D’s GloBE income or loss for that third FY, less the following amounts (to the extent not already deducted in arriving at D’s undistributed income amount for any FY):

- the covered taxes payable by D for that third FY;
- the sum of the distributions and deemed distributions by D to its shareholders that are not IEs / IIEs in the period comprising the subject FY and the 3 preceding FYs;
- the sum of any negative amount of D’s GloBE income or loss for each FY in the period comprising the subject FY and the 3 preceding FYs;
- the remaining negative amount of D’s GloBE income or loss for a FY before the period in paragraph (c).

^{*} Regulation 64(4) of the MMT Regulations.

Taxable Distribution Method Election



What is a “deemed distribution”?*

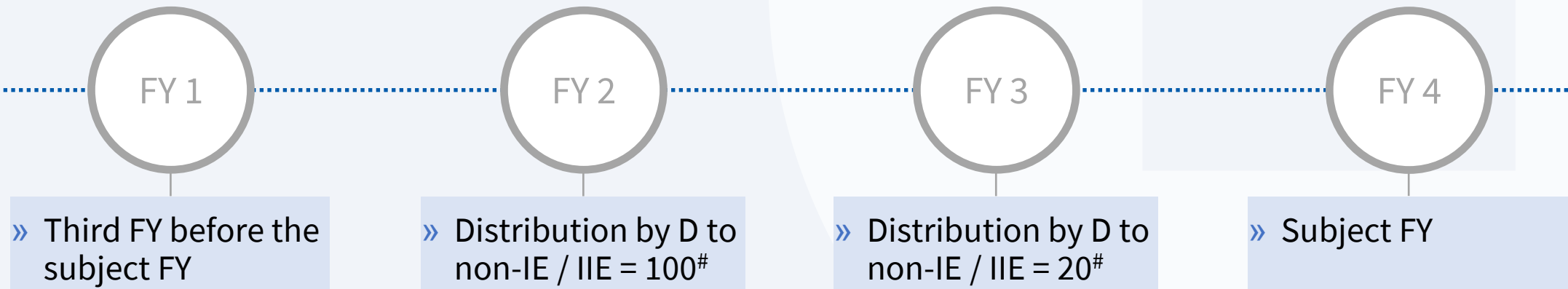
A “deemed distribution” for the purpose of this election:

- includes the income of D, though not distributed but considered to be realised by C (by the laws of the jurisdiction where C is located) and for which C is subject to tax; and
- is treated as made by D to C when any part of C’s direct ownership interest in D is transferred to a person that is not a CE of the MNE group of C and D.

* Regulations 64(5) and 64(6) of the MMT Regulations.

Taxable Distribution Method Election

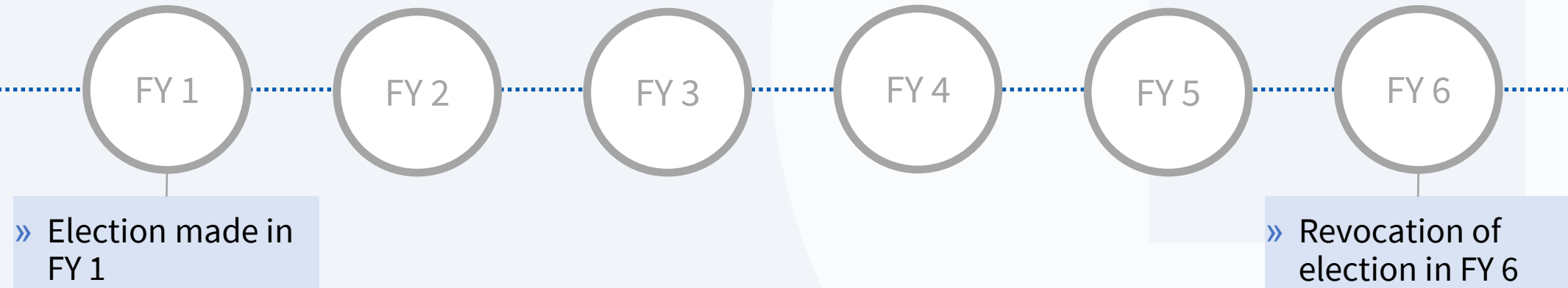
Example



D's GloBE income or loss for FY 1	160
Less: - Covered taxes payable by D	0
- Sum of distributions / deemed distributions by D to non-IE / IIE from FY 1 to FY 4	120
- Sum of any negative amount of D's GloBE income or loss for FY 1 to FY 4 and for an earlier FY	0
D's undistributed income amount for FY 1 as at FY 4	40
C's share of D's undistributed income amount for FY 1 is treated as D's GloBE income for FY 4	32 (i.e. 40 x 80%)
The product of that share and 15% is treated as a top-up amount for D for FY 4	4.8 (i.e. 32 x 15%)

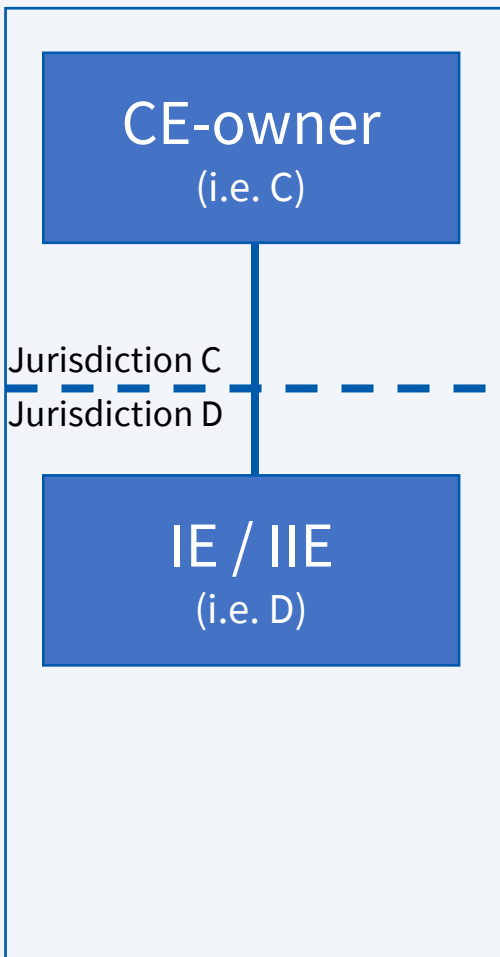
[#] Amounts not deducted in arriving at D's undistributed income amount for any FY previously.

Taxable Distribution Method Election



- The filing entity of an MNE group may elect to make the taxable distribution method election in the GIR.
- The election must not be revoked in FY 1 and the subsequent four FYs (i.e. FY 2 to FY 5).
- If the election in relation to C and D is revoked in FY 6, no new election in relation to C and D can be made for FY 6 and the subsequent four FYs (i.e. FY 7 to FY 10).

Taxable Distribution Method Election

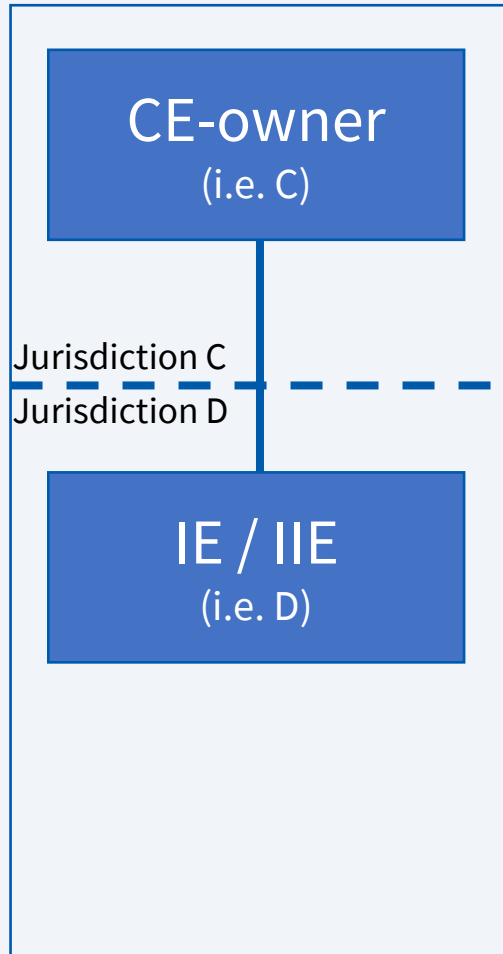


Revoking the election*

- If the election is revoked, the product of:
 - a. the sum of **C's share of D's undistributed income amount for each of the three FYs** (i.e. FY-3, FY-2, FY-1) before the first FY for which the election ceases to apply; and
 - b. 15%,
 is **treated as a top-up amount for D** for the first FY for which the election ceases to apply.
- D's undistributed income amount for a FY (a positive amount) is D's GloBE income or loss for that FY, less the following amounts (to the extent not already deducted in arriving at D's undistributed income amount for any FY):
 - a. the covered taxes payable by D for that FY;

* Regulations 64(9) and 64(10) of the MMT Regulations.

Taxable Distribution Method Election



Revoking the election (continued)*

- b. the sum of the distributions and deemed distributions by D to its shareholders that are not IEs / IIEs in the following period (not already deducted in arriving at D's undistributed income amount for any FY):
 - i. where the FY is FY-1 – the period comprising FY-1;
 - ii. where the FY is FY-2 – the period comprising FY-2 and FY-1;
 - iii. where the FY is FY-3 – the period comprising FY-3, FY-2 and FY-1;
 - c. the sum of any negative amount of D's GloBE income or loss for each FY in the period in paragraph (b); and
 - d. the remaining negative amount of D's GloBE income or loss for a FY before the period in paragraph (c).
- C's share of D's undistributed income amount for a FY is C's share of that amount based on its ownership interest in D in that FY.

* Regulation 64(10) of the MMT Regulations.

Investment Entities and Insurance Investment Entities

Overview

Jurisdictional Top-Up Amount

Elections in Respect of IEs and IIEs

Modification for DTT

Modifications for DTT

- For DTT purpose, the top-up amount of a CE that is an IE / IIE is treated as **nil**.*
- DTT is still applicable to a CE-owner of an IE / IIE if the CE-owner is located in Singapore, and the IE / IIE is a TTE in respect of its income attributable to the CE-owner.
 - An IE / IIE's FANIL attributable to a CE-owner (in accordance with the CE-owner's ownership interest in the profits of the IE / IIE) is still allocated to the CE-owner.
 - However, any top-up amount arising from the IE / IIE's FANIL allocated to itself is treated as nil for DTT purpose.

* Section 30(10) of the MMT Act.



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