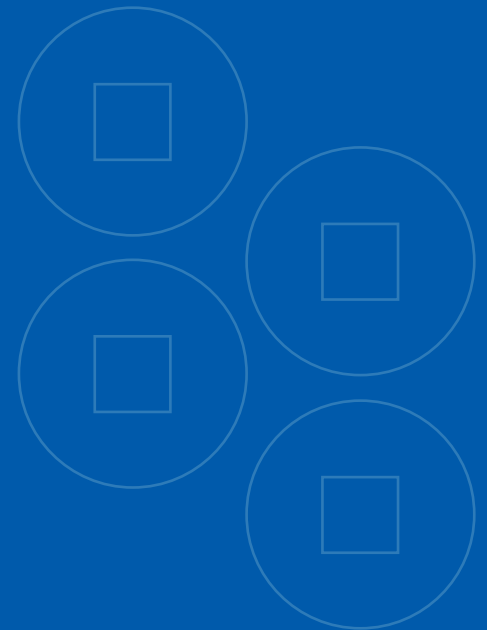




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# Global minimum tax (GMT) in Singapore: Multinational Enterprise Top-up Tax (MTT) and Domestic Top-up Tax (DTT)



2 October 2025

# Outline



Quick recap of GMT under Pillar Two



Determining the MNE Group's exposure to GMT



Calculating MTT/DTT payable



Case studies

# Abbreviations

- **CbCR** : Country-by-Country Report
- **CE** : constituent entity
- **CFS** : consolidated financial statements
- **CIT** : Corporate Income Tax
- **DTA** : Deferred Tax Asset
- **DTT** : domestic top-up tax
- **ETR** : effective tax rate
- **FANIL** : financial accounting net income or loss
- **FAS** : financial accounting standards
- **FS** : financial statements
- **FTE** : flow-through entity
- **FY** : financial year
- **FYE** : financial year end
- **GIR** : GloBE information return
- **GloBE** : Global Anti-Base Erosion
- **GMT** : Global Minimum Tax
- **IE** : investment entity
- **IIE** : insurance investment entity
- **IIR** : income inclusion rule
- **IPE** : intermediate parent entity
- **ITA** : Income Tax Act 1947 of Singapore (2020 Revised Edition)
- **JV** : joint venture
- **MMT Act** : Multinational Enterprise (Minimum Tax) Act 2024 of Singapore
- **MMT Regulations** : Multinational Enterprise (Minimum Tax) Regulations 2024 of Singapore
- **MNE** : multinational enterprise
- **MOCE** : minority-owned CE
- **MOPE** : minority-owned parent entity
- **MTT** : multinational enterprise top-up tax
- **PE** : permanent establishment
- **POPE** : partially-owned parent entity
- **QDMTT** : qualified domestic minimum top-up tax
- **SBIE** : substance based income exclusion
- **TCSH** : Transitional Country-by-country reporting Safe Harbour
- **UPE** : ultimate parent entity
- **UTPR** : undertaxed profits rule



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# Quick recap of GMT under Pillar Two

# Key elements of the GMT rules

## Domestic rule

### Qualified Domestic Minimum Top-up Tax (QDMTT)

- Imposed domestically on low-taxed income.
- The jurisdiction of the low-taxed CEs collects the top-up tax.

Singapore's equivalent of QDMTT is DTT

## Main rule

### Income Inclusion Rule (IIR)

- Generally imposed on a top-down basis.
- The jurisdiction of the parent entity applying the IIR collects the top-up tax.

Singapore's equivalent of IIR is MTT

## Backstop rule

### Undertaxed Profits Rule (UTPR)

- Serves as a backstop to the IIR – applies to the extent the top-up tax on low-taxed income is not fully collected under the IIR.

All rules operate as a 'top-up' to a minimum rate of 15%

Singapore's MTT and DTT applicable to MNE groups with FY beginning on or after 1 Jan 2025

# Recap – A Snapshot of the Mechanics

## 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 – CE 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

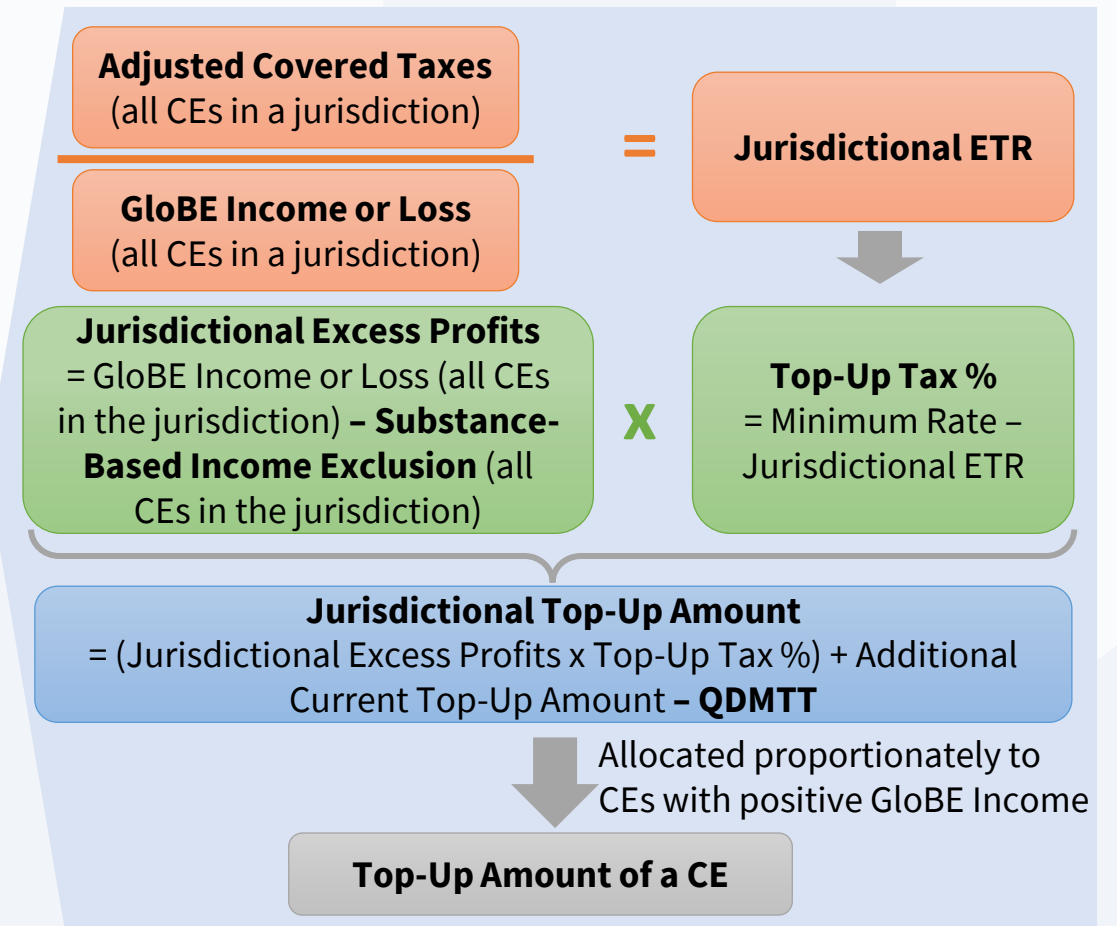
- Consider if the safe harbour and/or de minimis rule applies to the jurisdiction.

## 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.





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# Determining the MNE Group's exposure to GMT

# Entity classification

## Ultimate Parent Entity

- Determine the UPE and parameter of the MNE group for the purposes of the Pillar Two GMT rules

## Excluded Entity

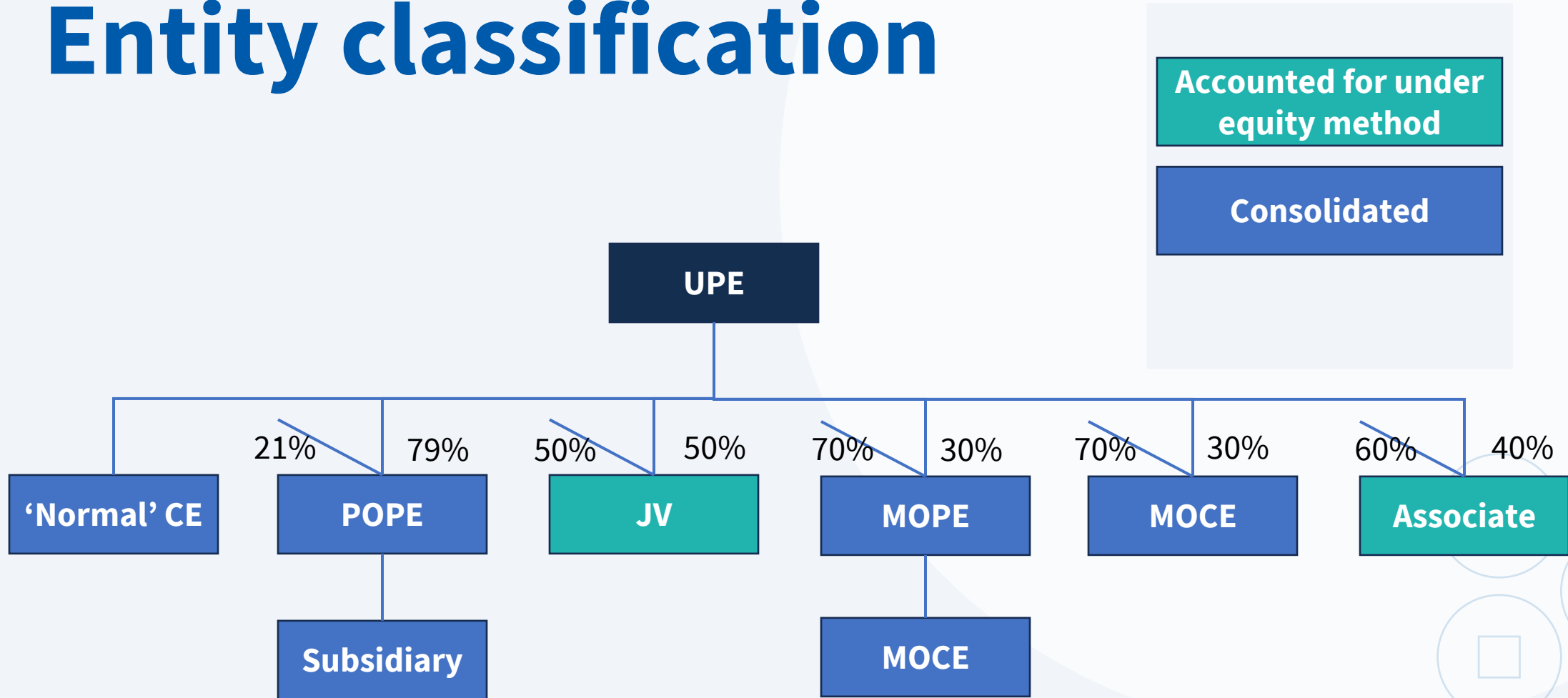
- Not subject to the MTT and DTT
  - Refer to Module One (Scope and Charging Provisions) for a quick reference guide to what constitutes an EE

## Constituent Entity

- CE test based on an accounting consolidation test of ownership/control and not a shareholding threshold
  - Note that only CEs and JVs are in-scope



# Entity classification



# Location of entities

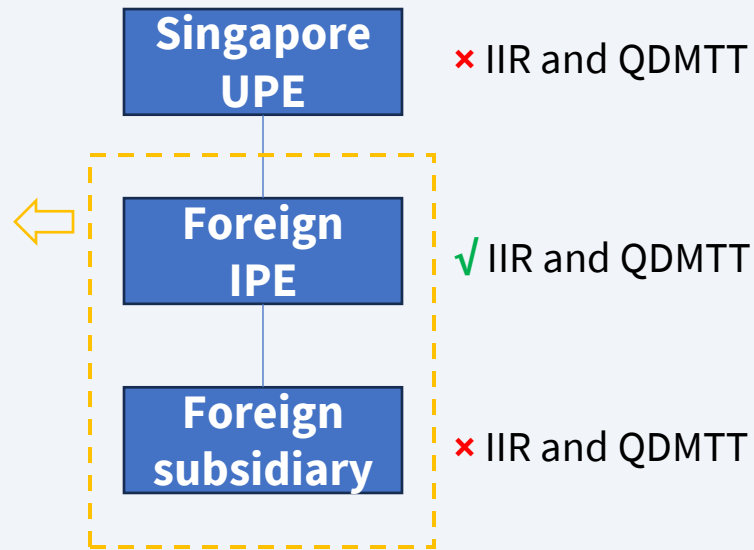
Identify in-scope entities (including relevant parent entities)

Determine the location of entities, i.e. whether they are located in jurisdictions that have implemented IIR, UTPR and/or QDMTT

Determine tax obligations in jurisdictions, taking into account the rule order (taking into consideration the different implementation dates in jurisdictions)

# MNE groups located in jurisdictions with 2024 implementation

Example 1



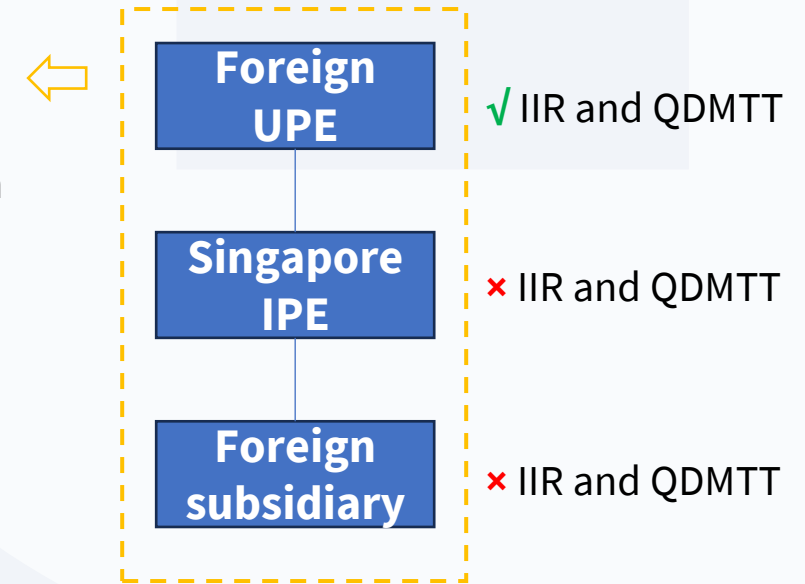
Paid to jurisdiction of Foreign IPE

- Top-up tax in respect of Foreign IPE collected via QDMTT
- Top-up tax in respect of Foreign subsidiary collected via IIR

Example 2

Paid to jurisdiction of Foreign UPE

- Top-up tax in respect of Foreign UPE collected via QDMTT
- Top-up tax in respect of Singapore IPE and foreign subsidiary collected via IIR



# MNE groups located in jurisdictions with 2024 implementation

## Example 3

Paid to jurisdiction of Foreign UPE

- Top-up tax in respect of Foreign UPE collected via QDMTT



**Foreign  
UPE**

✓ IIR and QDMTT

Paid to jurisdiction of Foreign IPE

- Top-up tax in respect of Foreign IPE collected via QDMTT



**Foreign  
IPE**

✓ IIR and QDMTT

Paid to jurisdiction of Foreign UPE

- Top-up tax in respect of Singapore subsidiary collected via IIR



**Singapore  
subsidiary**

✗ IIR and QDMTT

# MNE groups located in jurisdictions with 2025 implementation

## Example 1

### Paid to Singapore

- Top-up tax in respect of Singapore UPE collected via DTT



**Singapore  
UPE**

✓ IIR and QDMTT

### Paid to jurisdiction of Foreign IPE

- Top-up tax in respect of Foreign IPE collected via QDMTT



**Foreign  
IPE**

✓ IIR and QDMTT

### Paid to Singapore

- Top-up tax in respect of Foreign subsidiary collected via MTT



**Foreign  
subsidiary**

✗ IIR and QDMTT

## Example 2

### Paid to jurisdiction of Foreign UPE

- Top-up tax in respect of Foreign UPE collected via QDMTT



**Foreign  
UPE**

✓ IIR and QDMTT

### Paid to Singapore

- Top-up tax in respect of Singapore IPE collected via DTT



**Singapore  
IPE**

✓ IIR and QDMTT

### Paid to jurisdiction of Foreign UPE

- Top-up tax in respect of Foreign subsidiary collected via IIR

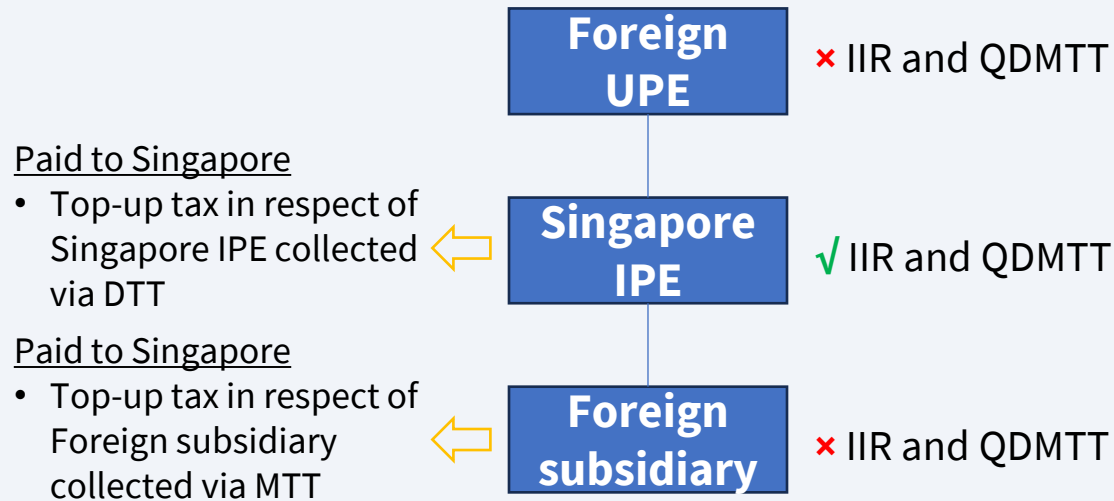


**Foreign  
subsidiary**

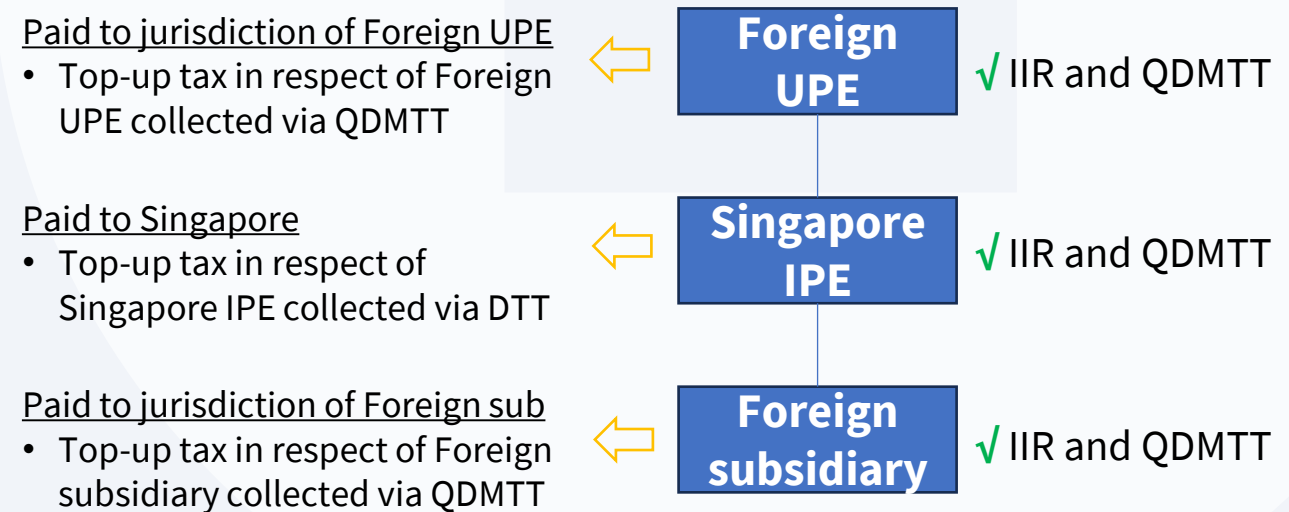
✗ IIR and QDMTT

# MNE groups located in jurisdictions with 2025 implementation

Example 3



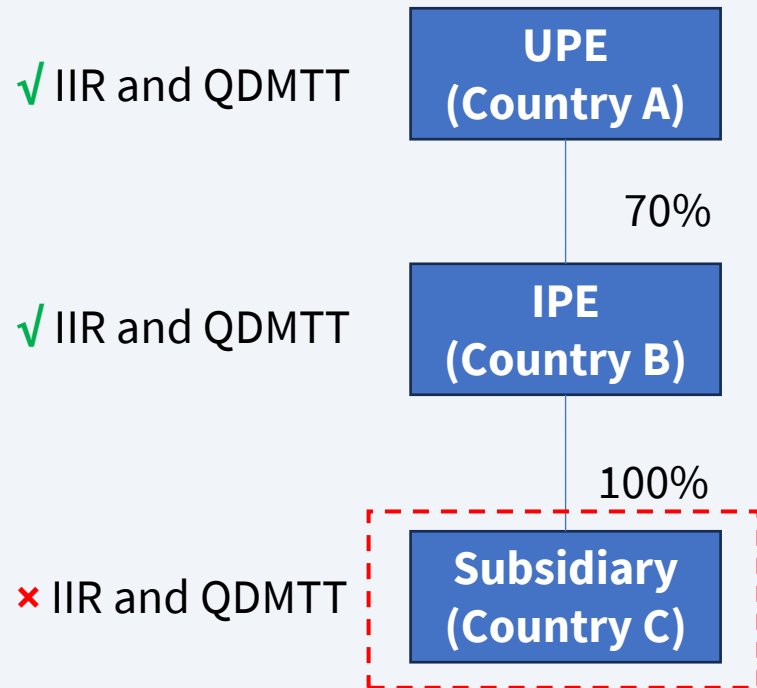
Example 4



## Key takeaway:

If any CE/JV of the MNE group is located in Singapore, the MNE group must be registered in Singapore; and may be subject to DTT in respect of their income or MTT in respect of the income of foreign CEs.

# Relevant parent entities



Low Taxed

## Split Ownership Rules

Where the MNE group's ownership interest in the IPE is less than 80%, then it is a POPE.

IPE in Country B will apply the IIR.

**POPE** means a CE (other than a UPE, PE, IE or IIE) that:

- a) holds an ownership interest in another CE of the same MNE Group; and
- b) has more than 20% of the ownership interest of whose profits is held directly or indirectly by persons that are not CEs of the MNE Group.

# Considering exclusions or simplifications - TCSH

<b>De Minimis Test</b>	Total revenue < EUR 10 million; and Total pre-tax profit < EUR 1million	Qualified CbCR
<b>Simplified ETR Test</b>	Simplified ETR $\geq$ transition rate: <ul style="list-style-type: none"> <li>• 16% for FY beginning in 2025</li> <li>• 17% for FY beginning in 2026</li> </ul>	Qualified FS and qualified CbCR
<b>Routine Profits Test</b>	Pre-tax profit $\leq$ SBIE	Qualified CbCR and GloBE computation

- Applicable to FY beginning on or before 31 Dec 2026 but not including FY ending after 30 Jun 2028 (i.e., temporary measure)
- Top-up tax deemed to be zero if pass one of the 3 tests
- “Once out, always out” approach

Refer to Module Six (Safe Harbours) for a quick reference guide on GloBE safe harbours





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# Calculating MTT/DTT payable

# The FANIL of a CE that is not a PE

FANIL of a  
CE that is  
not a PE\*

(a) **Net income or loss** determined for the CE in **preparing the UPE's CFS**

- Amount is **before** consolidated adjustments to eliminate any intra-group transactions.

(b) If (a) is not reasonably practicable,<sup>#</sup> then the FANIL is the net income or loss determined for the CE in its financial statements prepared in accordance with an **acceptable FAS\*\*** or **authorised FAS,\*\*** but only if:

- i. the CE prepares its financial statements in accordance with that FAS;
- ii. the information in the CE's financial statements is reliable; and
- iii. adjustments are made to eliminate permanent differences of more than EUR 1 mil between the UPE and the CE's accounting standards.

<sup>#</sup> For example, when an MNE group acquires a group of entities that has historically used a different FAS from that of the acquiring MNE group, and it is not reasonably practicable for the acquiring MNE group to convert the acquired group of entities' FAS from the historical FAS to that of the UPE of the acquiring MNE group.

\* Paragraphs 6(3) to 6(5) of the First Schedule to the MMT Act.

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

# The FANIL of a CE for DTT Purpose

## Local financial accounting standards rule\*

- Where all CEs of an MNE group located in Singapore:

Have the **same FYE** as the UPE of the MNE group



**Prepare financial statements in accordance with the local FAS** where:

- they are required to do so under any written law in Singapore; or
- such financial statements are audited by an external auditor.



The FANIL for DTT purpose is the net income in the CE's financial statements prepared in accordance with the local FAS, that is:

- the Singapore Financial Reporting Standards (International);
- the Singapore Financial Reporting Standards; or
- the Singapore Financial Reporting Standards for Small Entities.

\*Applied separately for standalone JVs and entities of JV Groups but to meet the LFASR, such entities must have the same FYE as the UPE of the MNE group to which they are connected

# The FANIL of a CE for DTT Purpose

## Local financial accounting standards rule

- If, however, the requirements in the preceding slide are not satisfied, then the FANIL for DTT purpose is determined in the same manner as the FANIL of a CE that is not a PE.
  - i.e. the **net income or loss** determined for the CE in **preparing the UPE's CFS** (based on the FAS used in the preparation of the UPE's CFS), unless it is not reasonably practicable to determine this amount.

# The FANIL of a CE for DTT Purpose

- In which scenario(s) can a local CE's DTT computation be based on local financial accounting standards (assuming it is statutorily required to prepare FS based on that accounting standard)?

- Scenario A: Local CE's FY is the same as UPE's FY

**UPE's FY** 1 Apr 2024 – 31 Mar 2025 1 Apr 2025 – 31 Mar 2026 1 Apr 2026 – 31 Mar 2027

**CE's FY** 1 Apr 2024 – 31 Mar 2025 1 Apr 2025 – 31 Mar 2026 1 Apr 2026 – 31 Mar 2027

- Scenario B: Local CE's FY is different from UPE's FY and "incorporation" approach is adopted – CE's financial accounting results for a FY that ends in the UPE's FY are directly incorporated into the CFS.

**UPE's FY** 1 Apr 2024 – 31 Mar 2025 1 Apr 2025 – 31 Mar 2026 1 Apr 2026 – 31 Mar 2027

**CE's FY** 1 Jan 2024 – 31 Dec 2024 1 Jan 2025 – 31 Dec 2025 1 Jan 2026 – 31 Dec 2026



**Polling Time !**

# The FANIL of a CE for DTT Purpose

- In which scenario(s) can a local CE's DTT computation be based on local financial accounting standards (assuming it is statutorily required to prepare FS based on that accounting standard)? (continued)
- Scenario C: Local CE's FY is different from UPE's FY and "alignment" approach is adopted – CE's financial accounting results, for 2 FYs straddling the UPE's FY, are segregated and combined to align with the period covered in the UPE's FY

**UPE's FY**

1 Apr 2024 – 31 Mar 2025

1 Apr 2025 – 31 Mar 2026

1 Apr 2026 – 31 Mar 2027

**CE's FY**

1 Jan 2024 – 31 Dec 2024

1 Jan 2025 – 31 Dec 2025

1 Jan 2026 – 31 Dec 2026



**Polling Time !**

# The FANIL of a CE for DTT Purpose

- In which scenario(s) can a local CE's DTT computation be based on local financial accounting standards (assuming it is statutorily required to prepare FS based on that accounting standard)?

A	Local CE's FY is the same as UPE's FY
B	Local CE's FY is different from UPE's FY and "incorporation" approach is adopted – CE's financial accounting results for a FY that ends in the UPE's FY are directly incorporated into the CFS.
C	Local CE's FY is different from UPE's FY and "alignment" approach is adopted – CE's financial accounting results, for 2 FYs straddling the UPE's FY, are segregated and combined to align with the period covered in the UPE's FY



Polling Time !

# The FANIL of a CE for DTT Purpose

- In which scenario(s) can a local CE's DTT computation be based on local financial accounting standards (assuming it is statutorily required to prepare FS based on that accounting standard)?

A	Local CE's FY is the same as UPE's FY
B	Local CE's FY is different from UPE's FY and "incorporation" approach is adopted – CE's financial accounting results for a FY that ends in the UPE's FY are directly incorporated into the CFS.
C	Local CE's FY is different from UPE's FY and "alignment" approach is adopted – CE's financial accounting results, for 2 FYs straddling the UPE's FY, are segregated and combined to align with the period covered in the UPE's FY



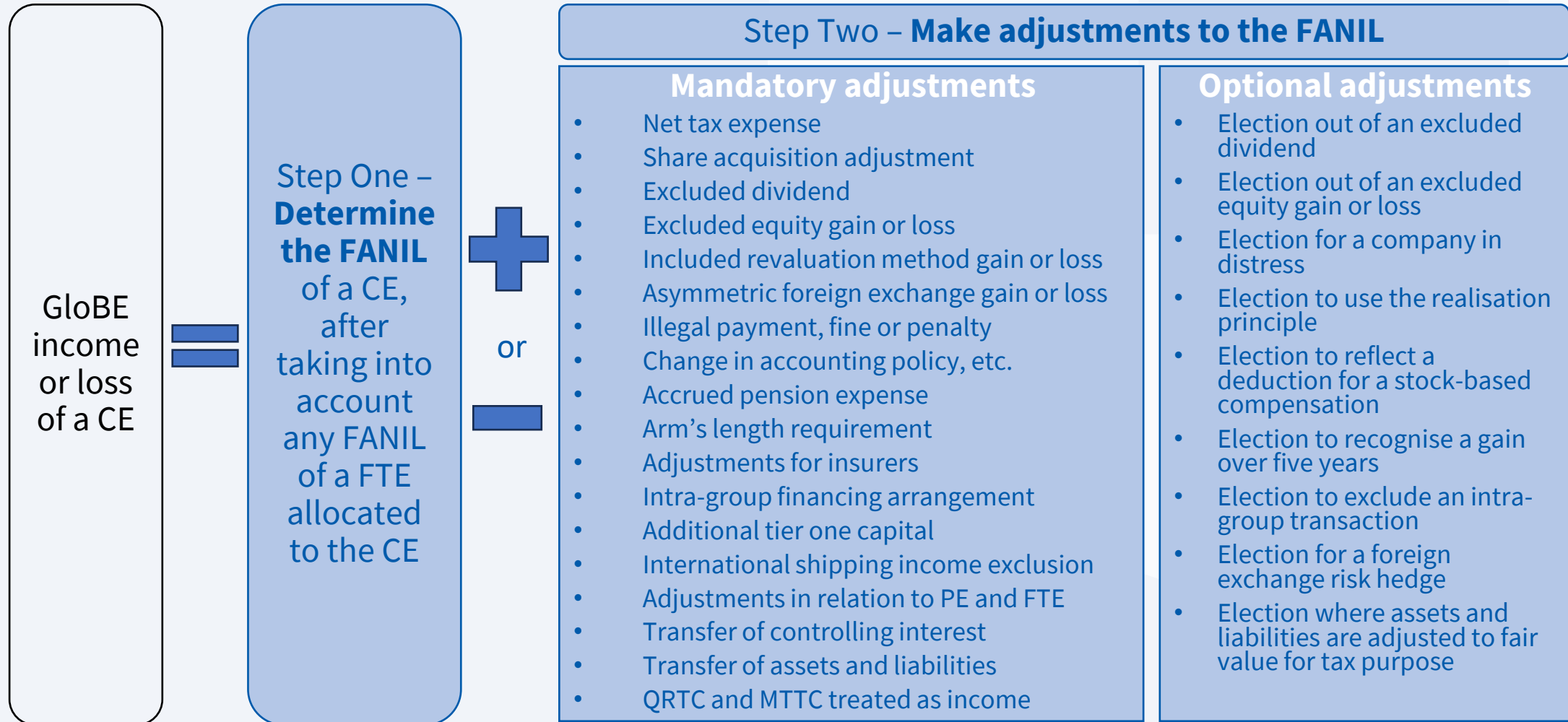
**Answer**

## Key takeaway:

- Local CE's FY is the same as UPE's FY – use local FAS
- Local CE's FY is different from UPE's FY – use UPE's FAS



# Determine the GloBE Income or Loss of a CE



# Regulation 13 – Exclusion of Excluded Dividend

- The FANIL of a CE must be adjusted to exclude any amount of **excluded dividend**.
  - In recognition of participation exemption for such income in many IF jurisdictions.

## What is an “excluded dividend”?\*

Refers to a **dividend or other distribution** received or accrued in respect of a direct ownership interest in an entity, **except** for:

- a. a short-term portfolio shareholding; or
- b. a direct ownership interest in an IE or IIE that is subject to an election under Regulation 64 of the MMT Regulations.

- The exclusion is **not** applicable to a dividend or other distribution:
  - paid by another CE that is treated as an expense in that CE’s FANIL;
  - paid on an interest in an entity that is a debt interest; or
  - paid in respect of additional tier one capital.\*\*

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

\*\* Regulation 24(3) of the MMT Regulations.

# Regulation 13 – Exclusion of Excluded Dividend

Financial instrument is classified differently by the issuer and the holder (e.g., redeemable preference shares)

- If issuer treats as debt interest – NOT excluded dividends

Compound financial instruments (e.g., convertible bond)

- Equity portion – excluded dividends
- Debt portion – NOT excluded dividends

# Regulation 13 – Exclusion of Excluded Dividend

- Which items are excluded dividends? [Assume all items have shareholding of  $\geq 10\%$  and/or held  $\geq 1$  year]

A	One-tier tax exempt dividend from Singapore subsidiary
B	Foreign dividend from overseas subsidiary
C	Dividend received from JV, associates and investments
D	Distributions received from unit trust investment and REIT
E	Dividend from CE, whereby the dividend is treated as an expense/ debt instrument by the distributing CE



# Regulation 13 – Exclusion of Excluded Dividend

- Which items are excluded dividends? [Assume all items have shareholding of  $\geq 10\%$  and/or held  $\geq 1$  year]

A	One-tier tax exempt dividend from Singapore subsidiary
B	Foreign dividend from overseas subsidiary
C	Dividend received from JV, associates and investments
D	Distributions received from unit trust investment and REIT
E	Dividend from CE, whereby the dividend is treated as an expense/ debt instrument by the distributing CE



Answer

## Key takeaway:

Not an excluded dividend if it is treated as an expense / debt instrument by distributing CE.

# Regulation 13 – Exclusion of Excluded Dividend

What is a “short-term portfolio shareholding”?

“Short-term” – i.e. held for <b>less than one year</b> at the date of distribution?	“Portfolio shareholding” – i.e. direct ownership interest held by an MNE group carrying rights to <b>less than 10%</b> of profits, capital, reserves or voting rights?*	Short-term portfolio shareholding?	Excluded dividend?
No	Yes	No	Yes
Yes	No	No	Yes
No	No	No	Yes
Yes	Yes	Yes	No (i.e. the dividend must be included in the GloBE income or loss)

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

# Regulation 13 – Exclusion of Excluded Dividend

“Short-term” – held for **less than one year** at the date of distribution

## **How to determine whether a Portfolio Shareholding was held for less than one year?**

- Determined on the date of distribution (i.e. whether the shares were held for an uninterrupted period of at least one year before that date)
- If there are changes in ownership interest within that one year, treat disposal of ownership interest on a LIFO basis.

# Regulation 13 – Exclusion of Excluded Dividend

Portfolio shareholding - direct ownership interest held by an MNE group carrying rights to **less than 10%** of profits, capital, reserves or voting rights

## How to determine the 10% threshold?

- Consider the aggregate ownership interest held by the entities in the MNE group
  - e.g. the CE receiving the dividends only have an ownership interest of 5% but another entity in the MNE group has 5% ownership interest too. Since the aggregate ownership interest is 10%, it is not a portfolio shareholding.



# Regulation 13 – Exclusion of Excluded Dividend

## How to determine the period during which a Portfolio Shareholding was held?

### Example – case facts

A Co is a CE of an MNE group subject to GloBE rules.

- A Co acquired shares in B Co, an unrelated entity.
- B Co's total shares: 10,000 ordinary shares (single class of shares with equal right to profit distributions and capital)
- A Co's share acquisitions and disposal:
  - Year 1, 1 July: Acquired 200 shares
  - Year 2, 31 March: Acquired additional 100 shares
  - Year 2, 30 September: Sold 40 shares
- B Co's dividend distribution:
  - Year 2, 31 December: Distributed dividend of SGD 0.10 per share
  - As at 31 Dec of Year 2, total shares that A Co has in B Co is 260. Hence, A Co received dividends of \$26 (i.e.  $260 \times 0.10$ ).

# Regulation 13 – Exclusion of Excluded Dividend

How to determine the period during which a Portfolio Shareholding was held?

Year 1				Year 2			
Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec
		200 shares					
					60 shares		
					40 shares		
		<u>1 Jul</u> Acquired 200		<u>31 Mar</u> Acquired 100		<u>30 Sep</u> Sold 40	<u>31 Dec</u> Dividend \$26

**Exercise:**  
determine the  
amount of  
excluded dividend

# Regulation 13 – Exclusion of Excluded Dividend

How to determine the period during which a Portfolio Shareholding was held?

## Suggested solution

As at distribution date:

- Short-term portfolio shareholding: 60 shares
  - Held less than 12 months
  - Dividend amount: SGD 6 (60 shares × SGD 0.10)
  - Included in GloBE income calculation
- GloBE Treatment of remaining shares: 200 shares
  - Dividend amount: SGD 20
  - Treated as Excluded Dividend
  - Excluded from GloBE income calculation

## Key takeaway

- The holding period of less than one year is determined on the date of dividend distribution.
- B Co shares sold are deemed to be from the most recently acquired shares by A Co

# Regulation 13 – Exclusion of Excluded Dividend

## How to determine the direct ownership interest held by the MNE group?

### Example – case facts

Assume Entity A issues two types of ownership interests:

1. profit units which carry equal rights to the profits of Entity A; and
2. capital units which carry equal rights to the capital of Entity A in liquidation

These units are held by three other entities, B, C and D.

Entity of an MNE group	% of issued profit units	% of issued capital units	Direct ownership interest in Entity A
Entity B	50%	80%	65% $(\frac{1}{2} \times 50\%) + (\frac{1}{2} \times 80\%)$
Entity C	50%	0	25% $(\frac{1}{2} \times 50\%) + (\frac{1}{2} \times 0)$
Entity D	0	20%	10% $(\frac{1}{2} \times 0) + (\frac{1}{2} \times 20\%)$

### Key takeaways

- All of the ownership Interests which carry the same rights (i.e. profit, capital, reserves or voting rights) in an entity held by the MNE group are aggregated.
- If the ownership interests carry rights to profits and capital or reserves in different percentages, then equal regard should be given to each class of relevant economic right (i.e. profits, capital or reserves).

# Regulation 13 – Election Out of Excluded Dividend Exclusion

- Election out of the excluded dividend exclusion for portfolio shareholding is available.
- The election can be made for any CE of an MNE group.
  - If elected, the election applies to all dividends from the portfolio shareholding of that CE.
- Once made, the election cannot be revoked for the current and subsequent four FYs.
- If the election is revoked (for example, five FYs after an election is made), another election cannot be made (whether in Singapore or in another jurisdiction) in respect of the CE for the current and subsequent four FYs.

**Key takeaway:**

For taxpayers with high volume of portfolio shareholding, this election offers a form of simplification.

# Regulation 14 – Excluded Equity Gain or Loss

## Excluded Equity Gain or Loss

(a) Gain or loss from a **change in the fair value** of a direct ownership interest in another entity, **except** for a portfolio shareholding.



As determined at the end of the FY

(b) Profit or loss in respect of a direct ownership interest in another entity included under the **equity method of accounting**.



As determined at the end of the FY

(c) Gain or loss from a **disposition of a direct ownership interest** in another entity, **except** for a disposition of a portfolio shareholding.



As determined immediately before the disposition

## Quick Tip

A gain should be excluded from, while a loss should be added back to, the FANIL.

# Regulation 14 – Excluded Equity Gain or Loss

- Which items are excluded equity gain or loss? [Assume items recognised in P&L unless explicitly stated]



Polling Time !

A	Fair value gain or loss on portfolio investment (i.e. shareholding of less than 10%)
B	Impairment loss on investment in subsidiaries/ associates/ joint venture (shareholding of at least 10%)
C	Share of results of associated companies and joint ventures recognised in P&L (shareholding of at least 10%)
D	Gain or loss on disposal of investments in subsidiaries/ associates/ joint venture/ investments (shareholding of at least 10%)
E	Fair value gain or loss on equity investments through other comprehensive income
F	Fair value gain or loss on investment properties recognised in P&L

# Regulation 14 – Excluded Equity Gain or Loss

- Which items are excluded equity gain or loss? [Assume items recognised in P&L unless explicitly stated]

A	Fair value gain or loss on portfolio investment (i.e. shareholding of less than 10%)
B	Impairment loss on investment in subsidiaries/ associates/ joint venture (shareholding of at least 10%)
C	Share of results of associated companies and joint ventures recognised in P&L (shareholding of at least 10%)
D	Gain or loss on disposal of investments in subsidiaries/ associates/ joint venture/ investments (shareholding of at least 10%)
E	Fair value gain or loss on equity investments through other comprehensive income
F	Fair value gain or loss on investment properties recognised in P&L



Answer

## Key takeaway:

Equity gains or losses recorded in the P&L should be excluded, except portfolio gains or losses (shareholding <10%).



# Regulation 34 – Election Out of Excluded Equity Gain or Loss Exclusion

The filing entity of an MNE group may make an election in the GIR that the excluded equity gain or loss is to be included in the FANIL of the CEs located in the jurisdiction.

Election applies to:



All CEs of an MNE group that are located in the jurisdiction

# Regulation 34 – Election Out of Excluded Equity Gain or Loss Exclusion

What types of excluded gain or loss of a CE does an election apply to?

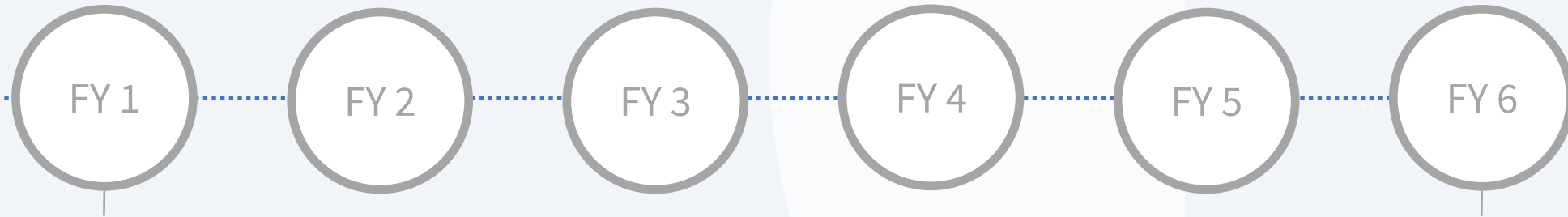
- i. A fair value gain or loss, or impairment on ownership interest, where:
  - the CE is taxable on a mark-to-market basis, or on the impairment; or
  - the CE is taxable on a realisation basis.
- ii. a profit or loss attributable to the ownership interest, where the CE accounts for the interest using the equity method, and the CE is taxable; and
- iii. a gain or loss from a disposition of ownership interest, where the CE is taxable.

## Exception to election

An excluded equity gain or loss in respect of a qualified ownership interest\* owned by a CE is excluded from the election, and must not be included as income in the FANIL of a CE.

\* Regulation 42(5) of the MMT Regulations.

# Regulation 34 – Election Out of Excluded Equity Gain or Loss Exclusion



» Election made in  
FY 1

» Revocation of  
election in FY 6

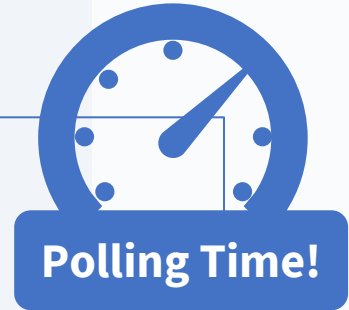
- The election must not be revoked in FY 1 and the subsequent four FYs (i.e. FY 2 to FY 5).
- If the election is revoked in FY 6, no new election can be made for FY 6 and the subsequent four FYs (i.e. FY 7 to FY 10).
- No revocation if a loss (which would have qualified for exclusion)\* with respect to an ownership interest has been taken into account in the GloBE income or loss computation during the election.

\* Regulation 14 of the MMT Regulations.

# Adjustments relevant only to MTT but not DTT

- Which adjustments are relevant to MTT but not DTT?

A	Regulation 12, Share acquisition adjustment (assume FANIL based on local financial accounting standards)
B	Regulation 16, Asymmetric foreign exchange gain or loss
C	Regulation 33, Election to exclude intra-group transactions
D	Regulation 60, Transfer of controlling interest



# Adjustments relevant only to MTT but not DTT



Answer

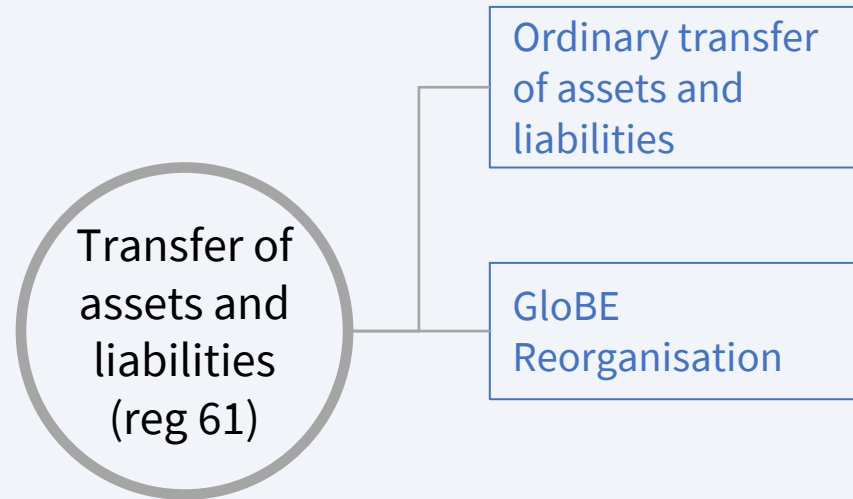
- Which adjustments are relevant to MTT but not DTT?

A	Regulation 12, Share acquisition adjustment (assume FANIL based on local financial accounting standards)
B	Regulation 16, Asymmetric foreign exchange gain or loss
C	Regulation 33, Election to exclude intra-group transactions
D	Regulation 60, Transfer of controlling interest

# Adjustments relevant only to MTT but not DTT

<b>Regulation 12</b>	<ul style="list-style-type: none"><li>• Share acquisition adjustment</li><li>• Not relevant if based on local financial accounting standards</li></ul>
<b>Regulation 16</b>	<ul style="list-style-type: none"><li>• Asymmetric foreign exchange gain or loss</li><li>• For Singapore entities, under section 62B of the ITA, tax currency may equate accounting currency so no asymmetric forex will arise.</li></ul>
<b>Regulation 33</b>	<ul style="list-style-type: none"><li>• Election to exclude intra-group transactions</li><li>• No tax consolidation group concept in Singapore so this election will not be relevant for Singapore entities.</li></ul>
<b>Regulation 60</b>	<ul style="list-style-type: none"><li>• Transfer of controlling interest</li><li>• No rule in Singapore to deem a disposal of shares as a disposal of assets so this Regulation is not relevant for Singapore entities.</li></ul>

# Adjustments to highlight for DTT



Ordinary transfer of assets and liabilities

- For transfer of asset or liability, gain or loss (of transferor) must be included in GloBE income or loss computation
- For acquisition of asset or liability, basis in acquired assets (i.e., gain or loss of transferee) determined according to accounting standards

GloBE Reorganisation

- For transfer of asset or liability – gain or loss (of transferor) must be excluded from GloBE income or loss computation, except to the extent that it is a non-qualifying gain or loss
- For subsequent transfer of asset or liability - basis in acquired assets (i.e., gain or loss of transferee) determined using the transferor's carrying value upon disposition

## Key takeaway:

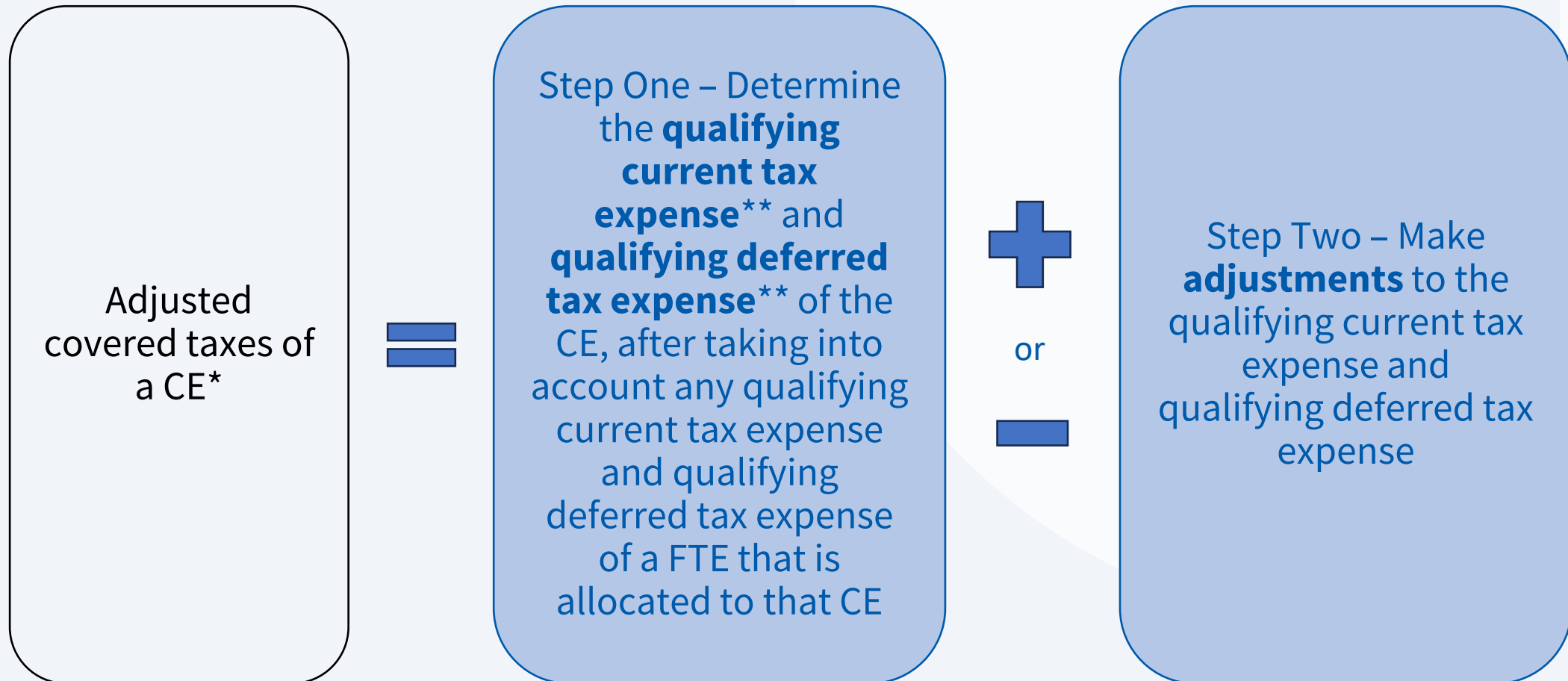
For DTT purposes, Regulation 61(3) lays out the provisions applicable to the acquisition and disposition of assets and liabilities as part of a GloBE Reorganisation. Where the transferee is in Singapore, domestic transactions (i.e., Singapore to Singapore) for which a Section 24 election under the ITA is made or fall within a qualifying amalgamation under Section 34C of the ITA, may satisfy conditions b and c of the GloBE Reorganisation definition.

What is a GloBE Reorganisation?

Transfer of asset or liabilities where:

- The consideration (if any) is in equity interest, in whole or in significant part;
- The transferor's gain or loss is not subject to tax, in whole or in part; and
- The transferee's taxable income (for any subsequent disposition of asset or liability) is computed using the transferor's tax basis value of asset or liability.

# Determine the Adjusted Covered Taxes of a CE



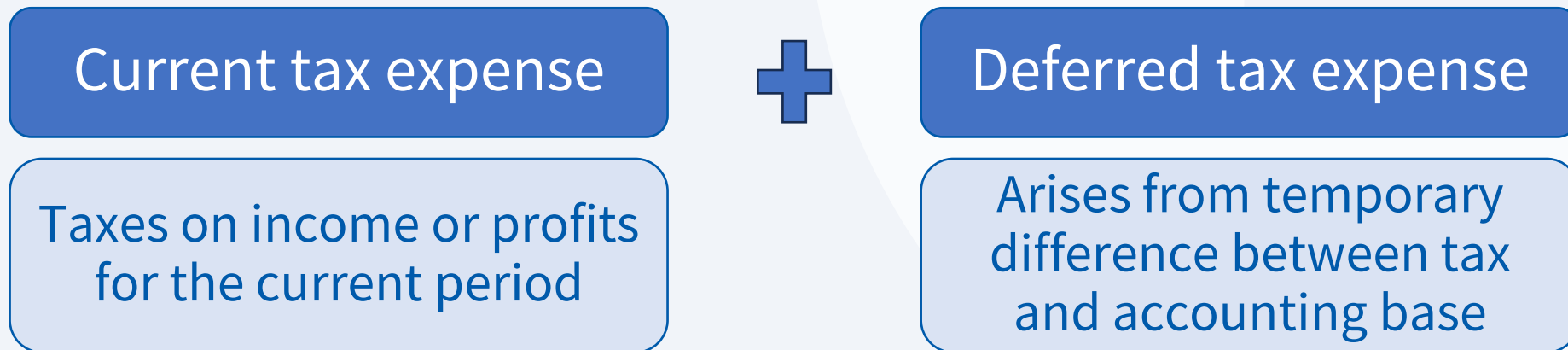
\* Paragraph 1(1) of the First Schedule to the MMT Act.

\*\* Paragraph 1(7) of the First Schedule to the MMT Act.



# The Starting Point for Computing the Taxes in the ETR Calculation

- The starting point for the computation of the taxes to be taken into account in the ETR calculation is as follows:



- Qualifying current tax expense**\* and **qualifying deferred tax expense**\* refer to the current tax expense and deferred tax expense that are **reflected in the FANIL of a CE** that relate to the **covered taxes**.

\* Paragraph 1(7) of the First Schedule to the MMT Act.

# Adjustments to Covered Taxes

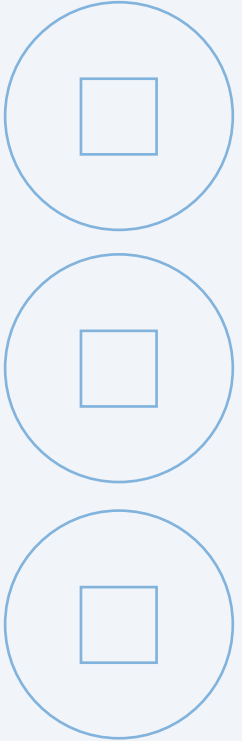
What are the adjustments for calculating the covered taxes of a CE?

- Adjustments to qualifying current tax expense (Part A of Module 3).
- Adjustments to qualifying deferred tax expense (Part A of Module 3).
- Recaptured deferred tax liabilities (Part A of Module 3).
- Other adjustments relating to (Part B of Module 3):
  - Tax credits.
  - Post-filing adjustments.
  - Tax rate changes.
  - Unpaid current tax.
  - GloBE loss election.
  - Deemed distribution tax election.



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# Adjustments to Qualifying Deferred Tax Expense



# Regulation 45(1)(c)

The impact in the FY of a valuation adjustment or accounting recognition adjustment with respect to a DTA is excluded under Regulation 45(1)(c) of the MMT Regulations.

- Under certain accounting standards, if it is not certain that a DTA may be utilised in the future, a valuation or recognition adjustment may be made (e.g. if it is not expected that sufficient profits would be available to offset any losses).
- This would either reduce the DTA in the FS or provide for an offsetting liability to reduce the amount of the DTA. This would then be reversed in the future if the DTA was likely to be offset.
- For Pillar Two GloBE purposes, accounting valuation and recognition adjustments are ignored and the DTA would therefore be increased by this amount for adjusted covered tax purposes.

# Regulation 45(1)(c)

Assume the CE is located in a jurisdiction with a domestic CIT rate of 15%:

## For accounting purposes

- In Year 1, the CE incurs tax loss of 100. No DTA is recorded due to the valuation adjustments or accounting recognition adjustments (e.g., financial forecasts indicate tax loss will not be used in the future)
- In Year 2, the forecast changes and the valuation adjustment or accounting recognition adjustment is reversed. DTA of 15 now recognised.

## For GloBE purposes

- In Year 1, the valuation adjustments or accounting recognition adjustments is disregarded and DTA of 15 is generated for GloBE purposes (i.e., reduce adjusted covered taxes by 15).
- In Year 2, the reversal of the valuation adjustment or accounting recognition adjustment is disregarded, and DTA of 15 now recognised in accounting books is removed from adjusted covered taxes for GloBE purposes (i.e., increase adjusted covered taxes by 15)

Year	Accounting (A)	Pillar Two Adjustment (B)	Adjusted Covered Taxes (C) = (A) + (B)
1	0	-15	-15
2	-15	+15	0

## Regulation 45(1)(g)

Any amount not reflected in a DTA that is attributable to a loss for the FY, being an amount not so reflected only as a result of the recognition criteria not being met, is subtracted under Regulation 45(1)(g) of the MMT Regulations.

- Under other accounting standards, a DTA may not be recorded in the first place due to accounting recognition criteria not being met.
- For Pillar Two GloBE purposes, a deemed DTA is generated where a DTA has not been recorded as the accounting recognition criteria was not met. The subsequent generation of DTA on prior year tax losses when the accounting recognition criteria is met will be disregarded.

# Regulation 45(1)(g)

Assume the CE is located in a jurisdiction with a domestic CIT rate of 15%:

## For accounting purposes

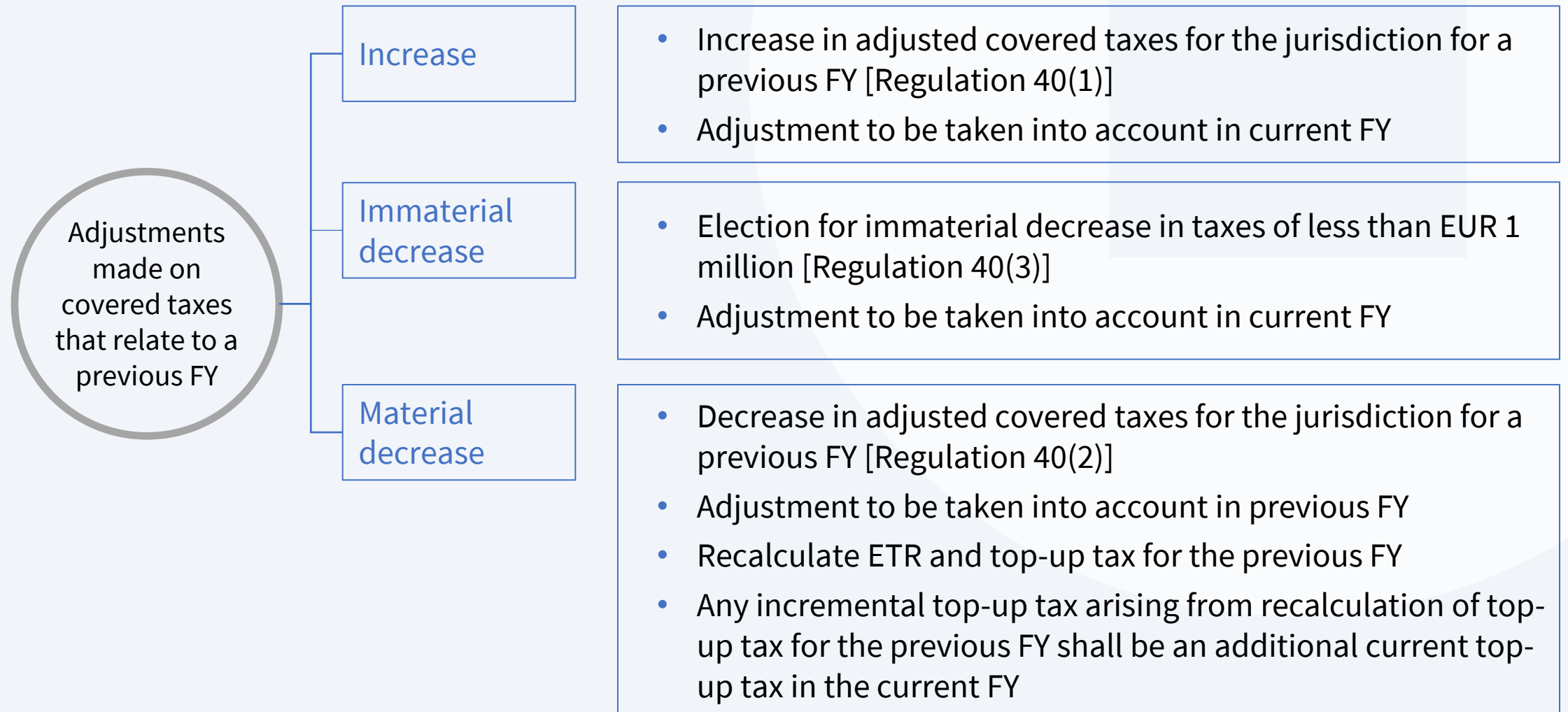
- In Year 1, the CE incurs tax loss of 100. No DTA is generated for financial accounting purposes because the recognition criteria have not been met (i.e. there is no forecast of future profits).
- In Year 2, the future forecasts change and DTA of 15 is now recorded for financial accounting purposes because the recognition criteria are met.

## For GloBE purposes

- In Year 1, a deemed DTA of 15 is generated for GloBE purposes (i.e., reduce adjusted covered taxes by 15).
- In Year 2, the DTA of 15 now recorded in accounting books is disregarded for GloBE purposes (i.e., increase adjusted covered taxes by 15)

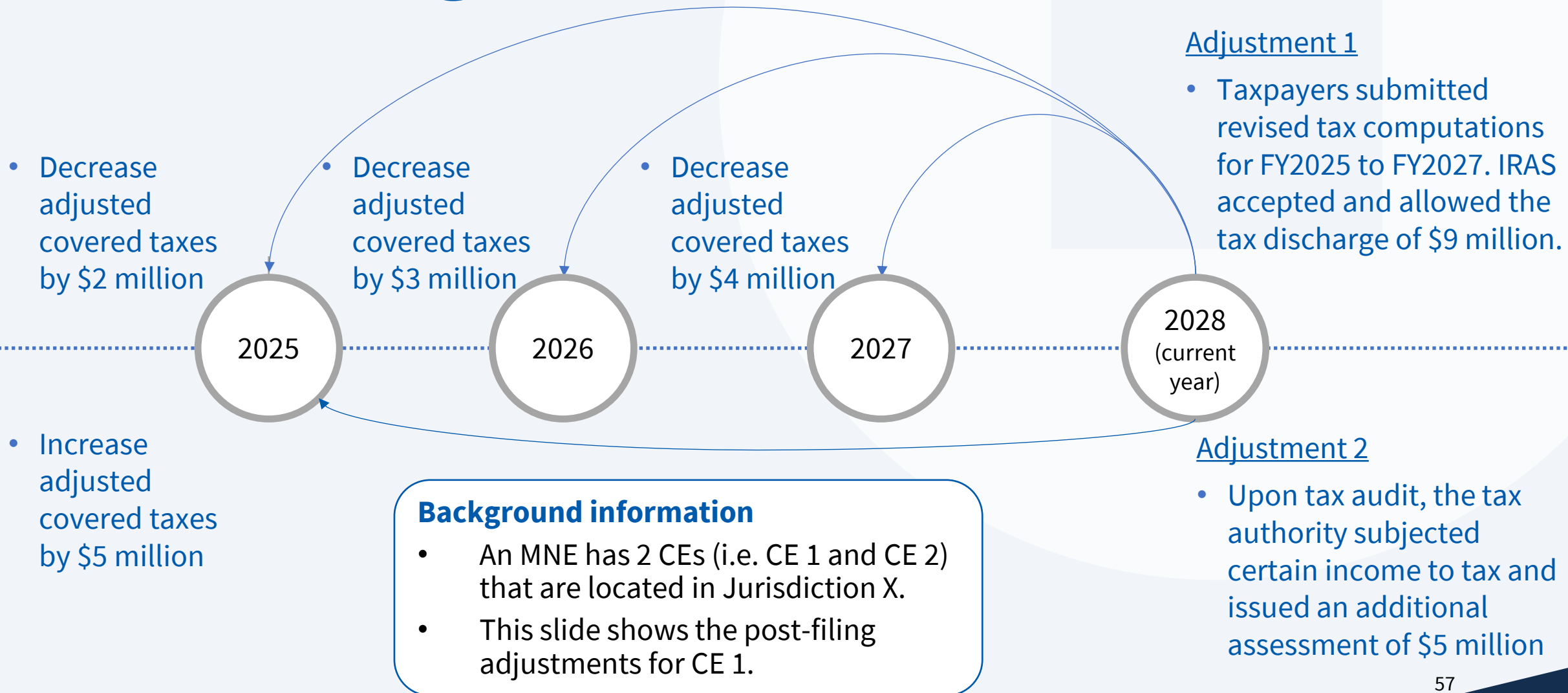
Year	Accounting (A)	Pillar Two Adjustment (B)	Adjusted Covered Taxes (C) = (A) + (B)
1	0	-15	-15
2	-15	+15	0

# Post-filing adjustments (Regulation 40)





# Post-filing adjustments - example



# Post-filing adjustments - example



- Increase adjusted covered taxes by \$2.5 million

- Upon tax audit, the tax authority disallowed the deduction of certain expenses and issued an additional assessment of \$2.5 million.

## Background information

- An MNE has 2 CEs (i.e. CE 1 and CE 2) that are located in Jurisdiction X.
- This slide shows the post-filing adjustments for CE 2.

# Post-filing adjustments - example

- Net increase in adjusted covered taxes of \$3 million

2025

- Adjustment to be taken into account in 2028

- Net decrease in adjusted covered taxes of \$0.5 million

2026

- Immaterial decrease
- MNE group may elect for adjustment to be taken into account in 2028

- Net decrease in adjusted covered taxes of \$4 million

2027

- Material decrease
- Adjustment to be taken into account in 2027

2028  
(current year)

## Background information

- An MNE has 2 CEs (i.e. CE 1 and CE 2) that are located in Jurisdiction X.
- This slide shows the post-filing adjustments for CE 1 and CE 2.

# Post-filing adjustments - example

## Step 1

- Identify transactions that give rise to adjustments in covered taxes that relate to a previous FY.

## Step 2

- Sum up the adjustments for all in-scope entities within a tested jurisdiction for each previous FY.

## Step 3

- Determine if the aggregate adjustments give rise to a net increase, net immaterial decrease, or net material decrease in covered taxes for each FY.

## Step 4

- Adjust based on the post-filing adjustment rule in Regulation 40 of the MMTR, including deciding whether to elect for immaterial decrease in covered taxes to be adjusted in current FY per Regulation 40(3).

# Regulation 45 – Adjustments to Qualifying Deferred Tax Expense

e. Any amount of qualifying deferred tax expense in the FY that reflects the generation or use of tax credits is excluded

- E.g. when an excess foreign tax credit carry-forward is generated, the generation of a deferred tax asset associated with such carry-forward does not reduce the adjusted covered taxes since it is excluded from the qualifying deferred tax expense.
- Conversely, when such a foreign tax credit carry-forward is used in a subsequent FY, the use of such a deferred tax asset does not result in an increase to the adjusted covered taxes.

# Regulation 45 – Adjustments to Qualifying Deferred Tax Expense

h. Any amount in respect of a qualifying foreign tax credit as determined under regulation 45(2) of the MMT Regulations for the FY is added

- The term “qualifying foreign tax credit” refers to a tax credit for foreign income tax paid by a CE in the jurisdiction where that CE is located, which:
  - a. requires domestic losses to be offset against the relevant foreign income<sup>#</sup> before a tax credit is applied against the tax on foreign income; and
  - b. permits a foreign tax credit to be offset against the tax on domestic profits to the extent that the domestic losses are offset against the relevant foreign income<sup>#</sup> for a previous FY.

<sup>#</sup> The term “relevant foreign income” refers to the income of a CFC of the CE on which the CE is taxed as a result of a CFC tax regime.

# Regulation 45 – Adjustments to Qualifying Deferred Tax Expense

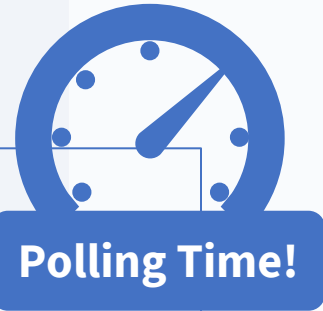
h. Any amount in respect of a qualifying foreign tax credit as determined under regulation 45(2) of the MMT Regulations for the FY is added

- Under regulation 45(2) of the MMT Regulations, the amount of a qualifying foreign tax credit that must be added to the qualifying deferred tax expense of a CE is the lower of:
  - a. the qualifying foreign tax credit; and
  - b. the amount of any domestic loss used to offset any relevant foreign income that allows the CE to offset the qualifying foreign tax credit against the tax on domestic profits, multiplied by the tax rate in the jurisdiction where the CE is located.

# Adjustments relevant only to MTT but not DTT

- Which adjustments are relevant only to MTT but not DTT?

- |   |  |
|---|--|
| A | Regulation 45(1)(e) requiring deferred tax impact relating to the generation or usage of tax credits to be reversed (e.g. excess foreign tax credit) |
| B | Regulation 45(1)(h) requiring deferred tax impact relating to foreign tax credit to be included in covered taxes                                     |





# Adjustments relevant only to MTT but not DTT



Answer

- Which adjustments are relevant only to MTT but not DTT?

- |   |  |
|---|--|
| A | Regulation 45(1)(e) requiring deferred tax impact relating to the generation or usage of tax credits to be reversed (e.g. excess foreign tax credit) |
| B | Regulation 45(1)(h) requiring deferred tax impact relating to foreign tax credit to be included in covered taxes                                     |

# Adjustments relevant only to MTT but not DTT

## Regulation 45(1)(e) Deferred taxes relating to deferred tax credits

- This adjustment is relevant only if deferred tax is created on generation and use of tax credits. Since Singapore does not allow carrying forward of foreign tax credits, this adjustment should be relevant only to MTT and not DTT.

## Regulation 45(1)(h) Deferred taxes relating to foreign tax credits

- This adjustment is relevant where a jurisdiction taxes foreign-source income and, under the domestic tax rules of the jurisdiction, a CE may use foreign tax credit to reduce domestic tax on income in a subsequent year after a domestic-source loss has offset foreign-source income. Since Singapore's domestic CIT rules does not permit foreign tax credit to be carried forward to offset tax liability in a subsequent year, this adjustment is not relevant to a Singapore entity for DTT purpose, but it may be relevant to MTT.

# Adjustments to highlight for DTT

No allocation of tax is made to PE/entity in Singapore for DTT purposes, in contrast to MTT.

<b>Taxes of PEs</b>	<ul style="list-style-type: none"><li>No need to allocate tax of a foreign main entity in respect of PE's income, to the PE that is located in Singapore. However, when the main entity is a Singapore CE, the tax in respect of its foreign PE must be excluded from the Singapore main entity).</li></ul>
<b>Taxes in respect of hybrid entities</b>	<ul style="list-style-type: none"><li>No need to allocate the tax of a foreign CE-owner in respect of hybrid entity's income, to a Singapore hybrid entity for DTT purposes. However, if the CE-owner is a Singapore entity, the tax in respect of its foreign hybrid entity must be excluded from the Singapore CE.</li></ul>
<b>Controlled Foreign Company (CFC) taxes</b>	<ul style="list-style-type: none"><li>No need to allocate CFC tax of a CE-owner to the CE in Singapore that is a CFC, for DTT purpose.</li></ul>
<b>Taxes on distribution</b>	<ul style="list-style-type: none"><li>No need to allocate tax of a foreign CE-owner in respect of distribution to the distributing CE in Singapore for DTT purpose.</li></ul>



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