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

Part A of Module One: Scope and Charging Provisions



April 2025

Outline of Module

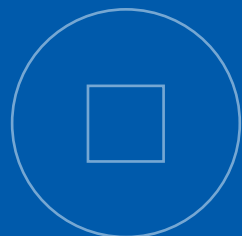
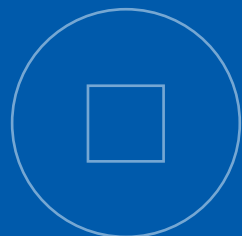
- + **Introduction to BEPS 2.0 and Pillar Two**
- + **Overview of the GloBE Rules and the QDMTT**
- + Singapore's Implementation
- + Scope
- + Charging Provisions for the MTT
- + The DTT in Singapore

Abbreviations

- **AG** : Administrative Guidance on the GloBE Model Rules issued by the IF
- **BEPS** : base erosion and profit shifting
- **CbCR** : country-by-country reporting
- **CE** : constituent entity
- **CFS** : consolidated financial statements
- **CIT** : corporate income tax
- **DTT** : domestic top-up tax
- **EE** : excluded entity
- **ETR** : effective tax rate
- **FAS** : financial accounting standards
- **FS** : financial statements
- **FTE** : flow-through entity
- **FY** : financial year
- **FYE** : financial year end
- **GloBE** : Global Anti-Base Erosion
- **IE** : investment entity
- **IIE** : insurance investment entity
- **IF** : OECD / G20 Inclusive Framework on BEPS
- **IIR** : income inclusion rule
- **IPE** : intermediate parent entity
- **ITA** : Income Tax Act 1947 of Singapore (2020 Revised Edition)
- **JV** : joint venture
- **LTCE** : low-taxed CE
- **MOCE** : minority-owned CE
- **MMT Act** : Multinational Enterprise (Minimum Tax) Act 2024 of Singapore
- **MMT Regulations** : Multinational Enterprise (Minimum Tax) Regulations 2024 of Singapore
- **MTT** : multinational enterprise top-up tax
- **PE** : permanent establishment
- **POPE** : partially-owned parent entity
- **QDMTT** : qualified domestic minimum top-up tax
- **RHE** : reverse hybrid entity
- **TTE** : tax transparent entity
- **UPE** : ultimate parent entity
- **UTPR** : undertaxed profits rule



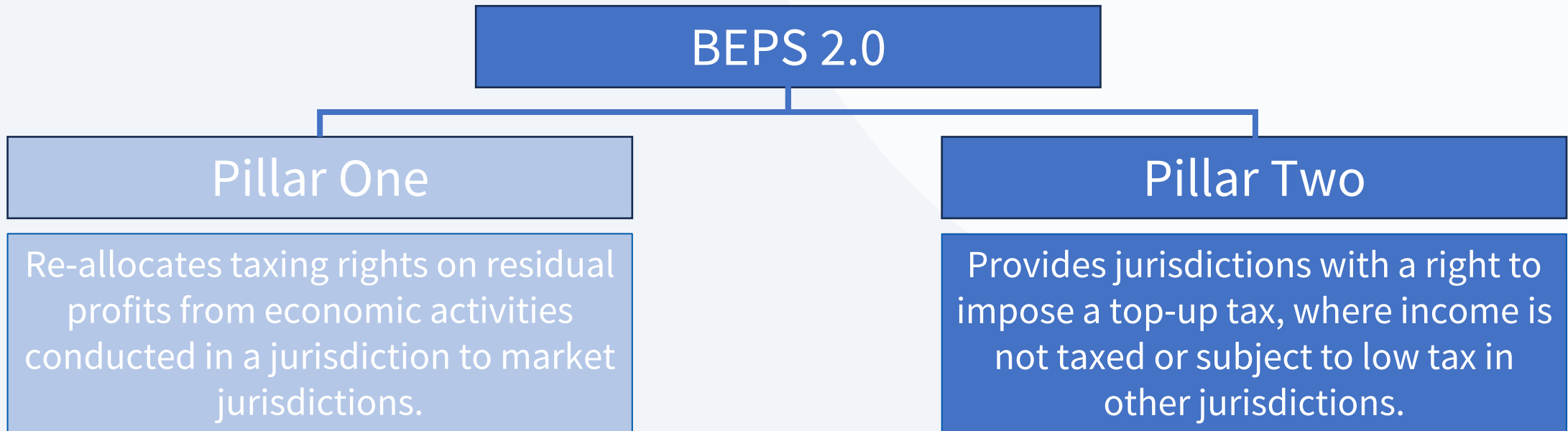
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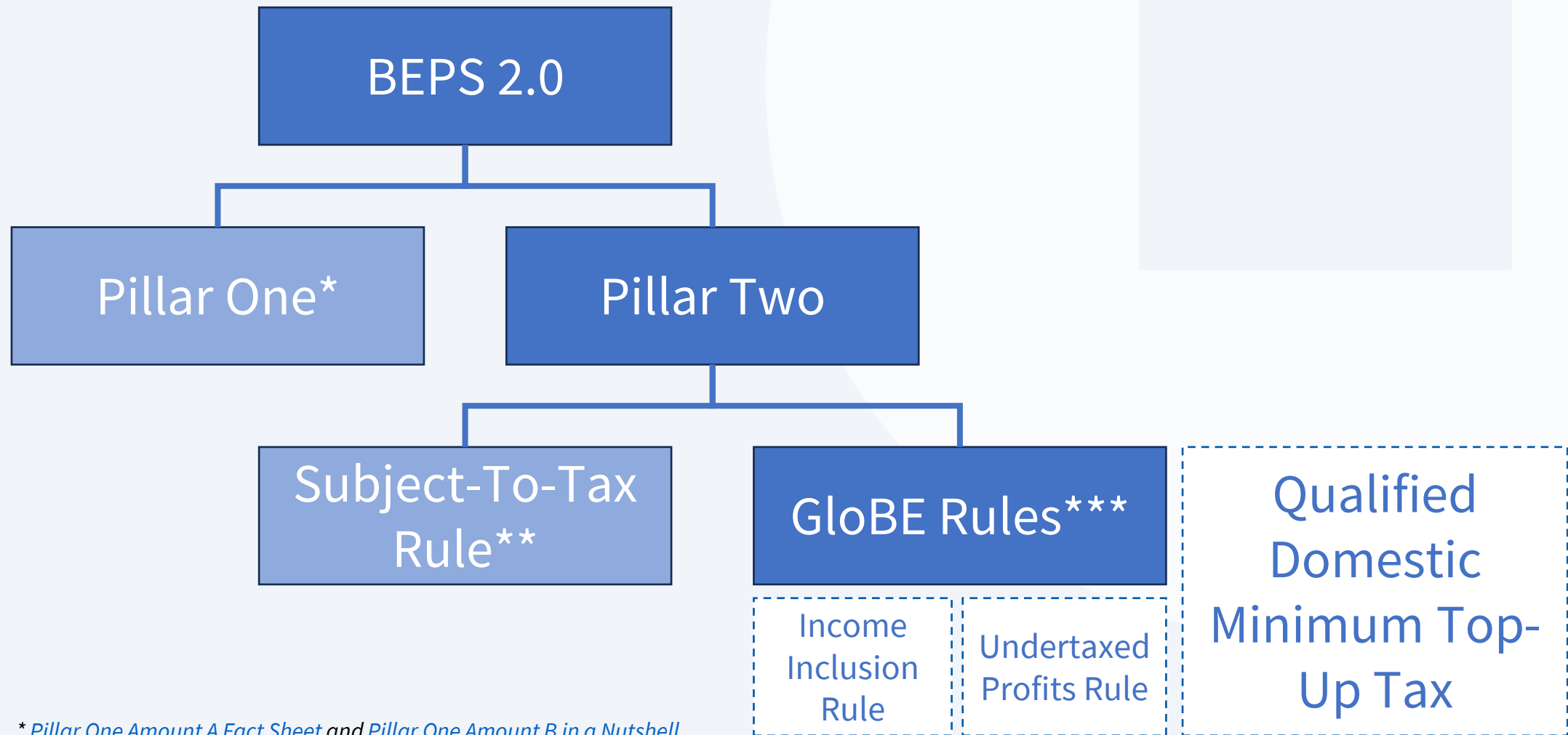
Introduction to BEPS 2.0 and Pillar Two

BEPS 2.0

On 8 October 2021, the OECD / G20 Inclusive Framework on BEPS agreed on a [two-pillar solution to address the tax challenges arising from the digitalisation of the economy](#), which comprises two initiatives.



BEPS 2.0



* [Pillar One Amount A Fact Sheet](#) and [Pillar One Amount B in a Nutshell](#)

** [The Subject To Tax Rules in a Nutshell](#)

*** [The GloBE Rules in a Nutshell](#)

The GloBE Rules – the IIR and UTPR

The GloBE Rules as a **common approach**.

IF members adopting the GloBE Rules must do so in a way that is consistent with the GloBE Rules outcomes.

IF members not adopting the GloBE Rules must accept application of the GloBE Rules by other IF members to MNE groups in their jurisdictions.

Key Documents

Dec
2021

- » [GloBE Model Rules](#) published

Mar
2022

- » [Commentary to the GloBE Model Rules](#) published

Dec
2022

- » [Report on Safe Harbours and Penalty Relief](#) published

Feb
2023

- » [First set of AG](#) published, which addresses issues related to scope, the income and taxes calculations, and provides guidance on transition rules and design of QDMTT

Key Documents

Jul
2023

- » [Report on GloBE Information Return](#) published
- » [Second set of AG](#) published, which includes guidance on currency conversion rules, tax credits, Substance-Based Income Exclusion and safe harbours

Dec
2023

- » [Third set of AG](#) published, which includes guidance on Transitional CbCR Safe Harbour and allocation of taxes arising in Blended Controlled Foreign Corporation Tax Regime

Apr
2024

- » [Consolidated Commentary to the GloBE Model Rules](#) published, which includes AGs published from Mar 2022 to Dec 2023
- » [Examples on the application of the GloBE Model Rules](#) published

Jun
2024

- » [Fourth set of AG](#) published, which includes guidance on application of recapture rule for deferred tax liabilities, cross-border allocation of current and deferred taxes, and treatment of securitisation vehicles

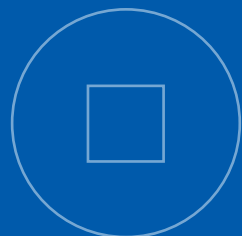
Key Documents

Jan
2025

- » [Updated GloBE Information Return and explanatory guidance](#) published
- » [AG on the Central Record of Legislation with Transitional Qualified Status](#) published
- » [AG on Articles 8.1.4 and 8.1.5 of the GloBE Rules](#) published
- » [AG on Article 9.1 of the GloBE Rules](#) published



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Overview of the GloBE Rules and the QDMTT

Overview of the GloBE Rules and the QDMTT



Income Inclusion Rule



Undertaxed Profits Rule



Qualified Domestic Minimum Top-Up
Tax

Rule Order

The GloBE Rules and QDMTT are ordered to avoid double taxation where more than one jurisdiction seeks to apply top-up tax on the same profits that are subject to low or insufficient tax.

QDMTT

- Tops up tax of LTCEs in the low-taxed jurisdiction (on a jurisdictional basis) to the 15% minimum rate.

IIR

- Parent entity pays top-up tax in respect of its LTCEs.
- If a LTCE is subject to the QDMTT in a low-taxed jurisdiction, the top-up tax so paid is deductible against the IIR top-up tax.

UTPR

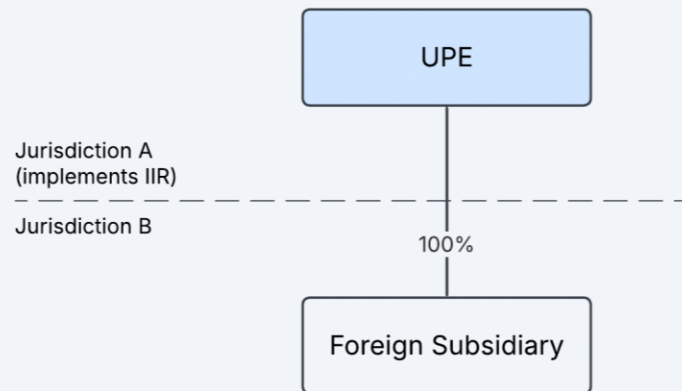
- UTPR applies to the extent the top-up tax is not fully collected under the IIR.

Income Inclusion Rule

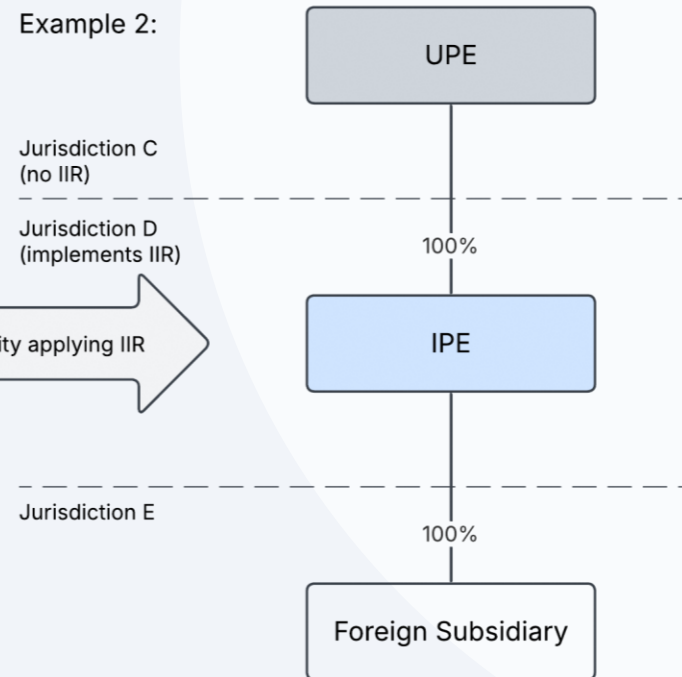
- ✓ Generally imposed on a top-down basis.
- ✓ In a multi-tiered holding structure in which there are multiple parent entities located in different jurisdictions in the MNE group, the GloBE Rules determine which jurisdiction applies the IIR.
- ✓ The jurisdiction of the parent entity applying the IIR collects the top-up tax.

Income Inclusion Rule

Example 1:



Example 2:

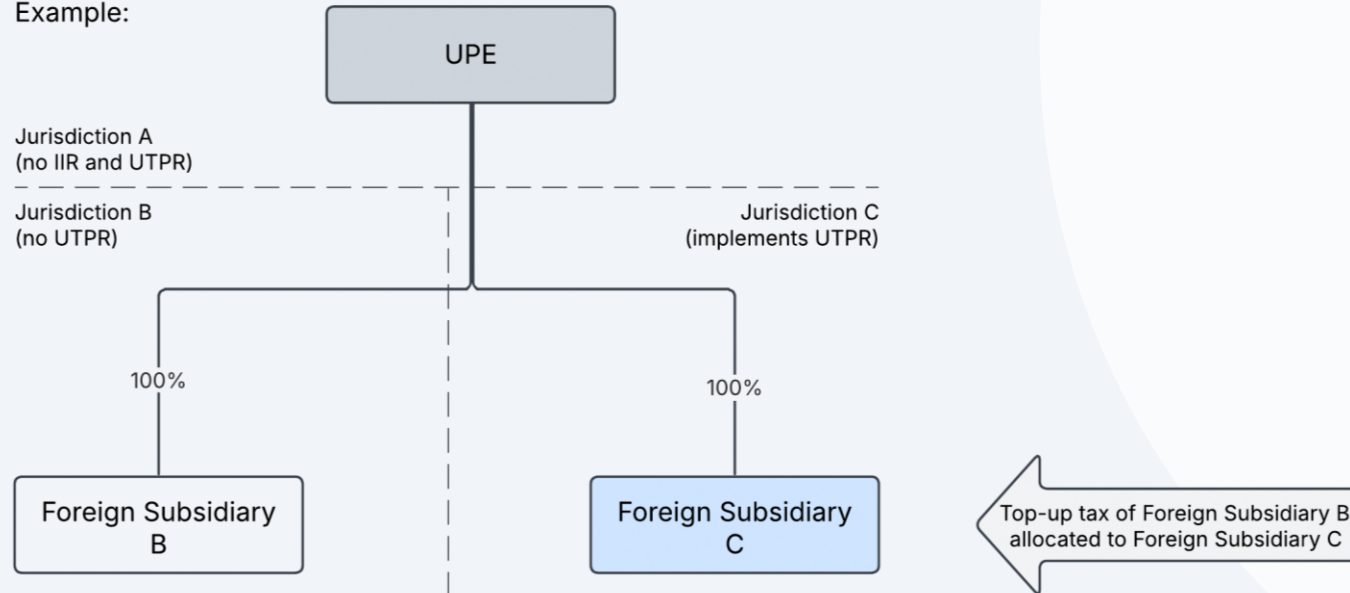


Undertaxed Profits Rule

- ✓ 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.
- ✓ Allocates top-up tax to all entities in the MNE group using a substance-based allocation key.
- ✓ The jurisdiction of the CEs applying the UTPR collects the tax.

Undertaxed Profits Rule

Example:

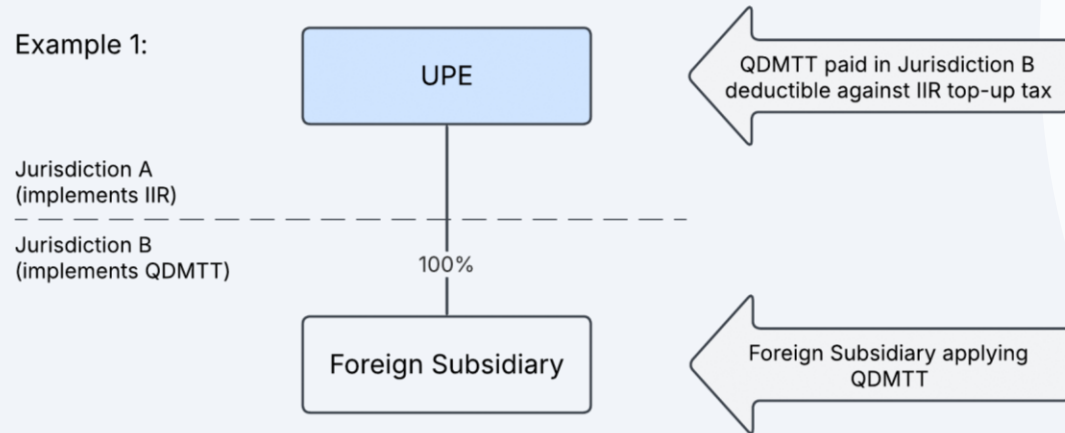


Qualified Domestic Minimum Top-Up Tax

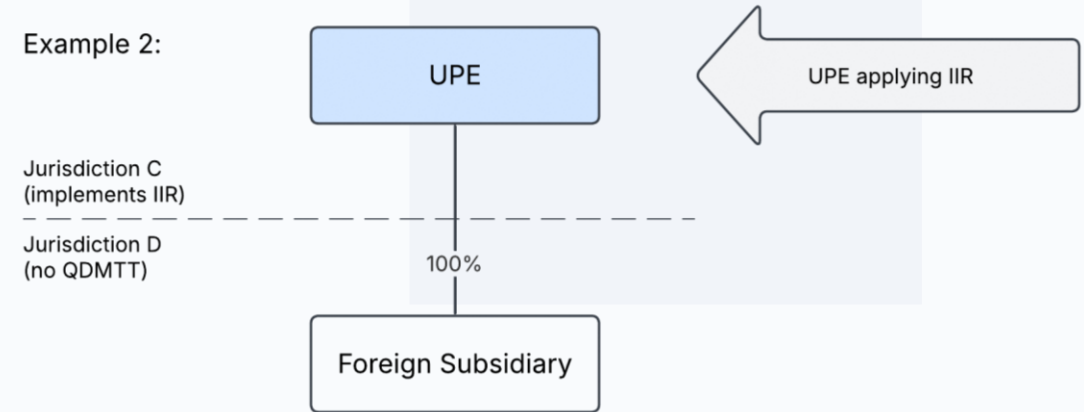
- ✓ Imposed domestically on low-taxed income.
- ✓ The jurisdiction of the CEs applying the QDMTT collects the tax.
- ✓ Deductible against the IIR or UTPR top-up tax.

Qualified Domestic Minimum Top-Up Tax

Example 1:



Example 2:





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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.