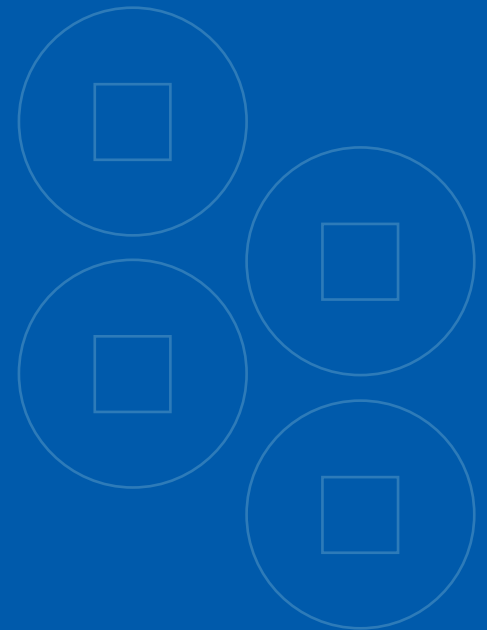




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Multinational Enterprise Top-Up Tax and Domestic Top-Up Tax

Part A of Module Two: Computation of GloBE Income or Loss



May 2025

Outline of Module

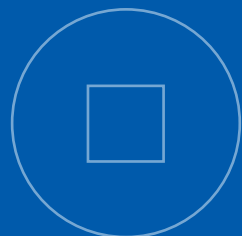
-  **Overview**
-  **The FANIL**
-  **Currency**
-  **Mandatory Adjustments to the FANIL**
-  **Optional Adjustments to the FANIL**

Abbreviations

- **BEPS** : base erosion and profit shifting
- **CE** : constituent entity
- **CFS** : consolidated financial statements
- **DTT** : domestic top-up tax
- **ECB** : European Central Bank
- **ETR** : effective tax rate
- **FANIL** : financial accounting net income or loss
- **FAS** : financial accounting standards
- **FTE** : flow-through entity
- **FY** : financial year
- **FYE** : financial year end
- **GIR** : GloBE information return
- **GloBE** : Global Anti-Base Erosion
- **IE** : investment entity
- **IF** : OECD / G20 Inclusive Framework on BEPS
- **IIE** : insurance investment entity
- **IIR** : income inclusion rule
- **JV** : joint venture
- **LP** : limited partnership
- **MAS** : Monetary Authority of Singapore
- **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
- **MTTC** : marketable transferable tax credit
- **PE** : permanent establishment
- **PPE** : property, plant and equipment
- **QDMTT** : qualified domestic minimum top-up tax
- **QRTC** : qualified refundable tax credit
- **RHE** : reverse hybrid entity
- **TTE** : tax transparent entity
- **UPE** : ultimate parent entity
- **UTPR** : undertaxed profits rule



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Overview

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

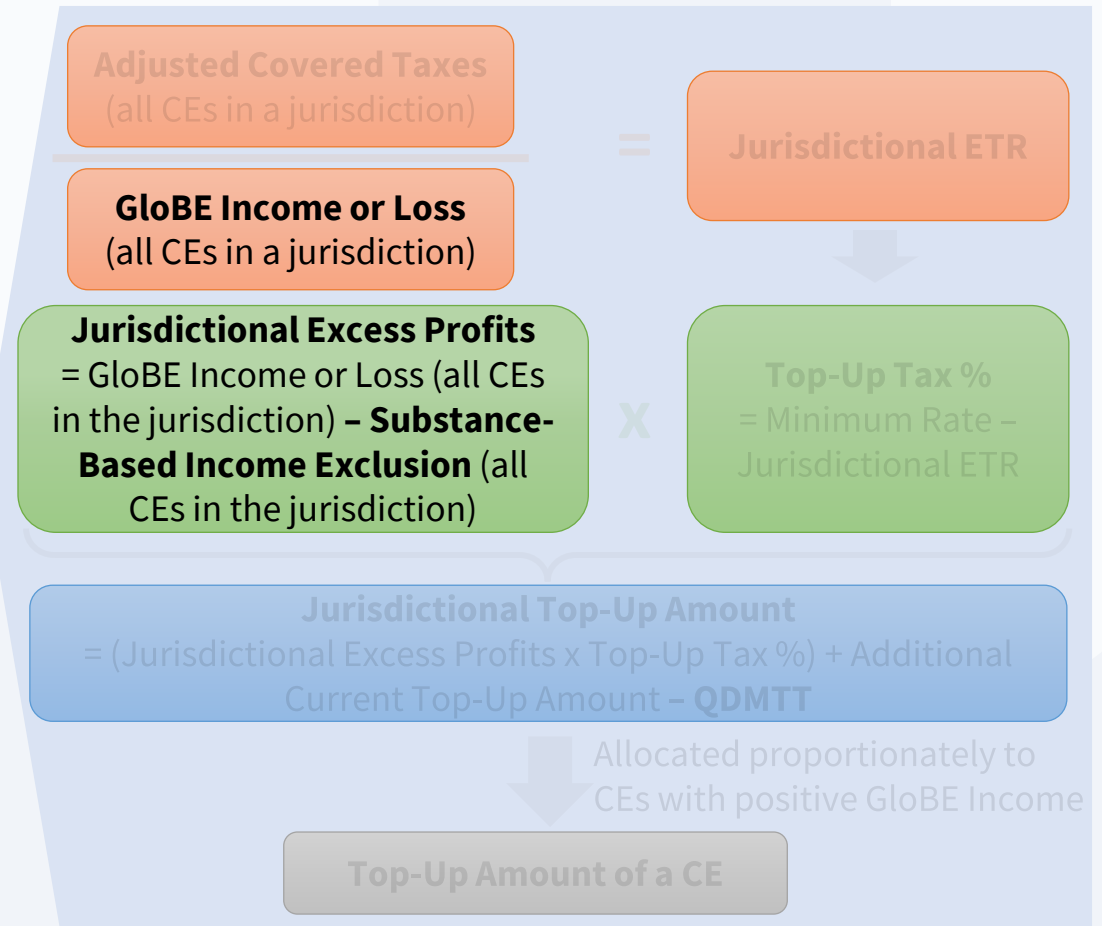
- Determine the GloBE Income or Loss and Adjusted Covered Taxes of each CE.

Step 5 – ETR and Top-Up Amount

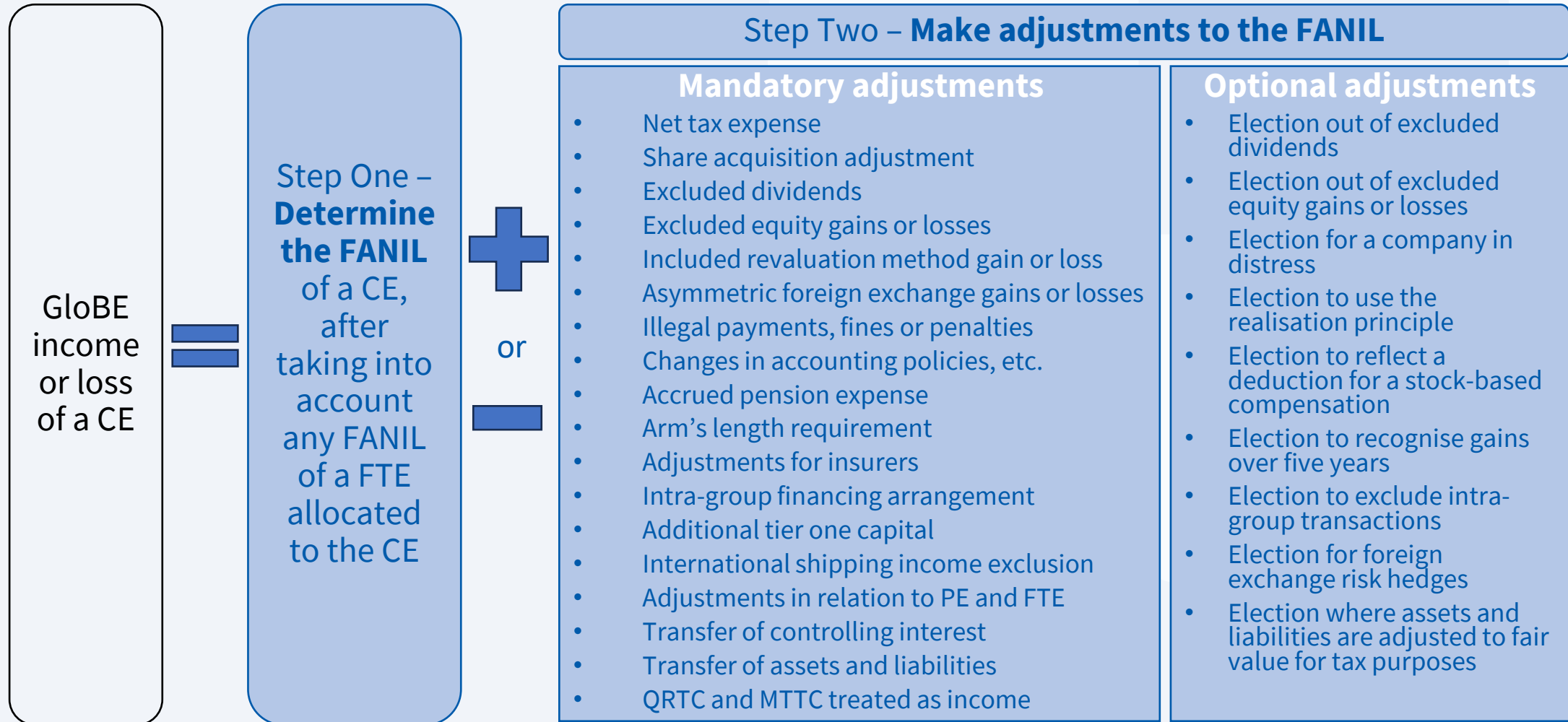
- Compute ETR of all CEs located in the jurisdiction and determine the Jurisdictional Top-Up Amount.

Step 6 – MTT and DTT

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



Determine the GloBE Income or Loss of a CE



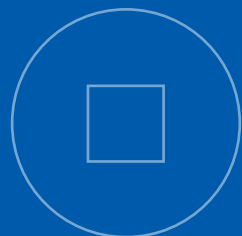
GloBE Income or Loss – Singapore Context

- As the GloBE income or loss is a standardised base that starts with the accounting income, it **may not equate to local taxable income**.
- Some common items in the GloBE income or loss that may not be included in the taxable income of an entity in Singapore are:

Item	Included in GloBE income or loss?	Included in Singapore taxable income?
Capital gain or loss	Yes	No
Dividend	No, unless this is a dividend from short-term portfolio holding	Not for a one-tier tax-exempt dividend or a foreign dividend that qualifies for foreign sourced income exemption
Unremitted foreign sourced income	Yes	No



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The FANIL

The Starting Point for Computing the GloBE Income or Loss of a CE is its FANIL

- The GloBE income or loss of a CE (including the UPE) of an MNE group for a FY is the **FANIL of the CE** for the FY after:^{*}
 - taking into account any FANIL of a FTE, allocated to the CE; and
 - making the adjustments (including any allocation of the FANIL to or from another CE) required or permitted under the relevant regulations.
- Types of FANIL:
 1. The FANIL of a CE that is not a PE
 2. The FANIL of a CE for DTT purpose
 3. The FANIL of a PE
 4. The FANIL of a FTE

^{*} Paragraph 6(1) of the First Schedule to the MMT Act.

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,[#] 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.

[#] 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 that is not a PE

What happens when there is a mismatch between FY of UPE and CE?

- Where the FANIL of a CE is **included** in the UPE's CFS:

The CE's FANIL is based on the CE's financial period that is included in the UPE's CFS

For example, the CE's financial results for FYE 30 Nov 2026 is included in the UPE's CFS for FYE 31 Dec 2026.



The CE's FANIL is based on two financial periods that straddle the UPE's CFS, which are segregated and combined into the UPE's CFS

For example, the CE's financial results for FYE 30 Nov 2026 is segregated and combined into the UPE's CFS for FYE 31 Dec 2026.



GloBE computations to be based on the method used in the UPE's CFS

The FANIL of a CE that is not a PE

What happens when there is a mismatch between FY of UPE and CE?

- Where the FANIL of a CE is **not included** in the UPE's CFS:*

The CE's FANIL for its FY ends at any time in the FY of the UPE's CFS

For example, the CE's financial results for FYE 30 Nov 2026 is not included in the UPE's CFS. It ends in the FY of the UPE's CFS for FYE 31 Dec 2026.



* Paragraph 6(4) of the First Schedule to 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.

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.

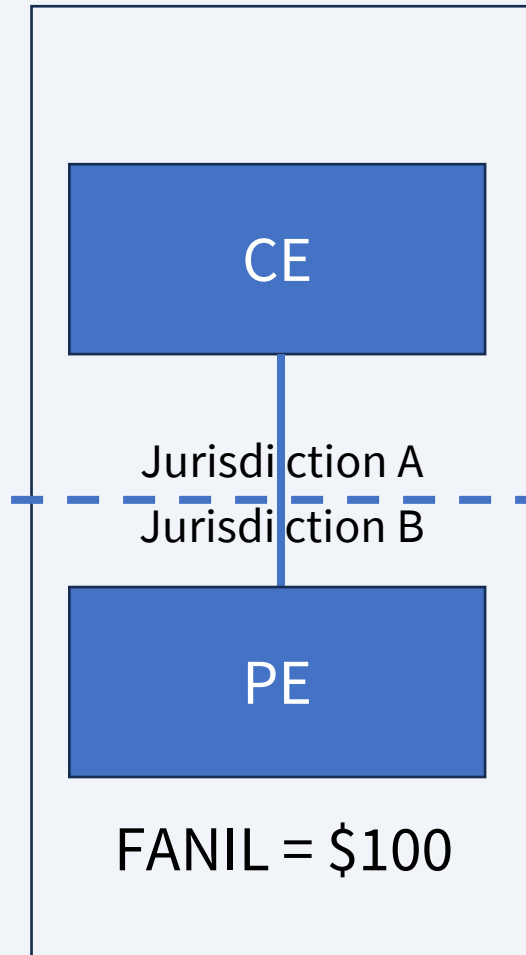
The FANIL of a CE that is a PE

- Generally, the FANIL of a PE is the profit of the PE reflected in the separate financial accounts for the PE.
- If there is no separate financial accounts, the FANIL of the PE is:*

The net income or loss determined for the main entity that is attributable to the PE:	If there is an applicable tax treaty:	In accordance with an applicable tax treaty
	If there is no applicable tax treaty and the PE is subject to tax of a similar character to income tax in the jurisdiction where it is located:	In accordance with the laws of the jurisdiction where the PE is located
	If there is no applicable tax treaty and the PE is not subject to tax of a similar character to income tax in the jurisdiction where it is located:	In accordance with Article 7 (Business Profits) of the OECD Model Tax Convention

* Paragraphs 6(6) and 6(7) of the First Schedule to the MMT Act.

The FANIL of a CE that is a PE



For example, assuming the CE has a PE in Jurisdiction B under the applicable tax treaty:

- \$100 of the CE's business profit is attributable to the PE.
 - The CE's FANIL for the FY must be adjusted not to take into account the PE's FANIL.
-
- The \$100 attributable to the PE is derived from the business activities of the PE in Jurisdiction B.
 - There is no deductible expense.
 - Jurisdiction B exempts 50% of the PE's income.
 - Notwithstanding the tax exemption, the PE's FANIL is \$100.

The FANIL of a CE that is a PE

- The FANIL of a stateless PE:**

What is a “stateless PE”?*

An actual or deemed place of business under the laws of the jurisdiction where the main entity is located.



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



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

FANIL of stateless PE

Such income is exempt from tax in the main entity’s jurisdiction after deducting expenses, provided that such expenses are not deductible in the main entity’s jurisdiction.

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

** Paragraphs 6(6) and 6(7) of the First Schedule to the MMT Act.

The FANIL of a FTE

What is a “FTE”?*

To the extent an entity is **fiscally transparent** with respect to its income, expenditure, profit or loss in the jurisdiction where it is created



Tax transparent entity

Treated as fiscally transparent in the jurisdiction of its direct owner

Reverse hybrid entity

Treated as opaque (i.e. not fiscally transparent) in the jurisdiction of its direct owner



but **not** if the entity is a tax resident of, and its income or profit is subject to tax in, another jurisdiction

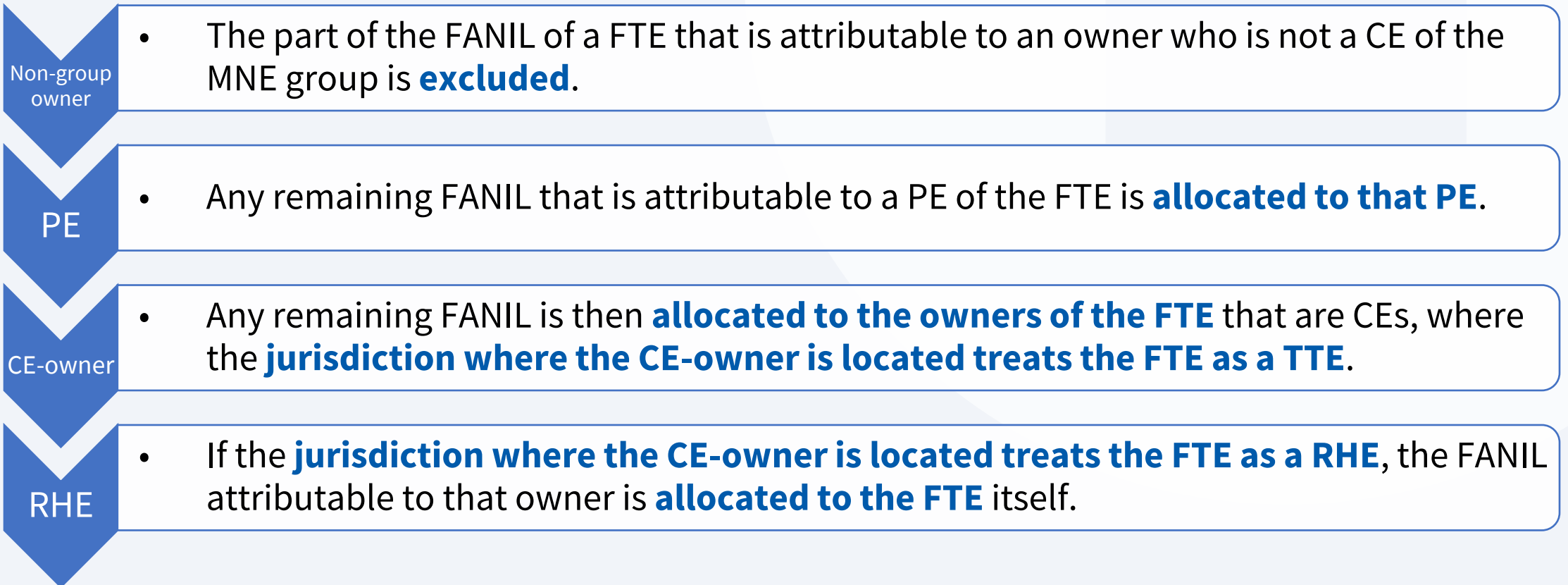
* Sections 3(1) to 3(2) of the MMT Act.

The FANIL of a FTE

- Different rules are applicable for determining the FANIL of the following FTEs:
 - a. a FTE that is not a UPE;
 - b. a FTE that is held by a UPE that is a FTE; and
 - c. a FTE that is a UPE, its PE and PE of certain FTE.

The FANIL of a FTE

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

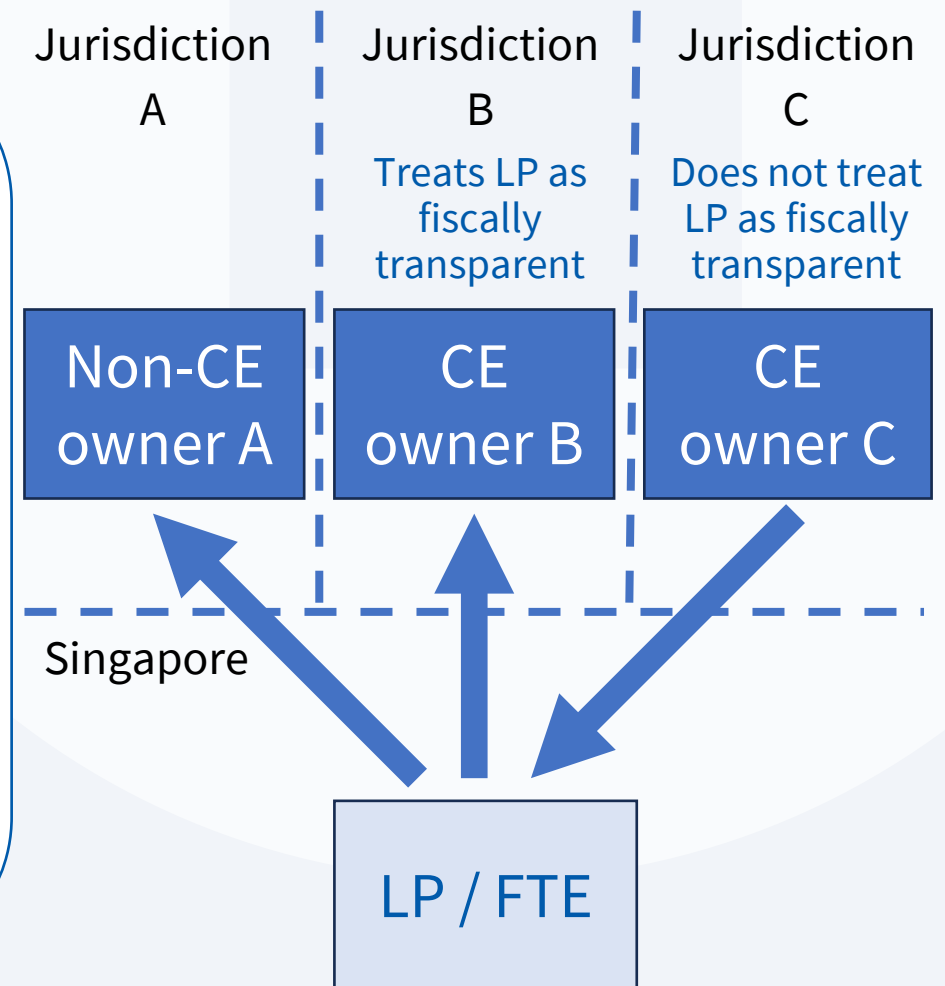


* Paragraph 6(9) of the First Schedule to the MMT Act.

The FANIL of a FTE

Example – Determining the FANIL of a non-UPE FTE

- A LP is registered in Singapore and is treated as fiscally transparent (i.e. it is a FTE).
- The LP has 3 owners (i.e. A, B and C) – A (10%) is a non-group entity, whereas B (60%) and C (30%) are CE-owners. A, B and C are located in Jurisdictions A, B and C, respectively. The FANIL of the LP is \$100.
- As A is a non-group entity, its share of the income of \$10 is excluded from the LP's FANIL.*
- As Jurisdiction B treats the LP as fiscally transparent, B's share of the income of \$60 is allocated to B.**
- As Jurisdiction C does not treat the LP as fiscally transparent, C's share of the income follows the treatment of a RHE.*** Thus, C's share of the income of \$30 is allocated to the LP, which is subject to DTT.



* Paragraph 9(a) of the First Schedule to the MMT Act.

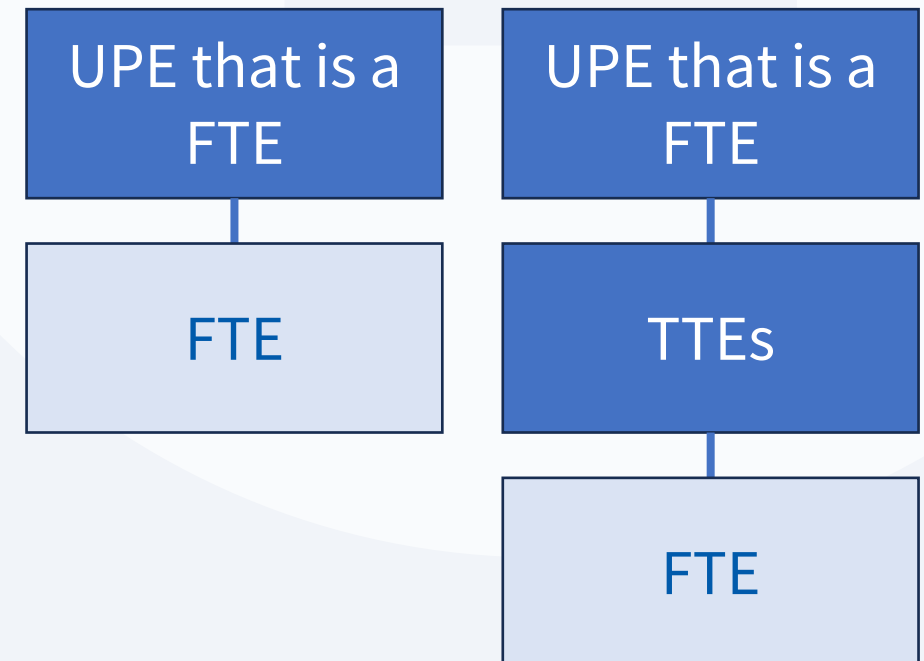
** Paragraph 9(c)(i) of the First Schedule to the MMT Act.

*** Paragraph 9(c)(ii) of the First Schedule to the MMT Act

The FANIL of a FTE

What is the FANIL of a FTE that is held by a UPE that is a FTE?*

- Where a FTE is held by a UPE that is also a FTE, directly or through one or more FTEs that are TTEs:
 - the FANIL of that FTE is determined in the same manner as set out on Slide 20, **except** that the first step (i.e. to exclude the non-group owner's share) does not apply with respect to the part of the FANIL attributable to the non-group owner.



* Paragraphs 6(9) and 6(10) of the First Schedule to the MMT Act.

The FANIL of a FTE

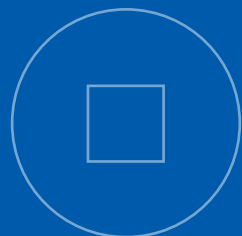
What is the FANIL of a FTE that is a UPE, its PE and PE of certain FTE?*

- 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 (each of which is treated as fiscally transparent in the jurisdiction where D is located).

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



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Currency

Snapshot – Currency Conversion Rules

Currency for the FANIL and calculations

- The currency in which the UPE prepares, or would have prepared, the CFS (referred to as the presentation currency).
- If the amount is not in the presentation currency, convert to the presentation currency using the specified conversion method.

Currency for DTT purpose

- SGD where conditions are met.
- If SGD is not the functional currency, an election can be made to use either the UPE's CFS presentation currency or SGD.

Currency conversion for comparing with thresholds in EUR

- Convert the presentation currency (not in EUR) to EUR using the specified conversion method.
- If the amount is not in the presentation currency, first convert to the presentation currency, then convert to EUR using the specified conversion method.

Currency for the FANIL and Calculations

What is the presentation currency?

- The currency to use for the FANIL* and calculations under the MMT Act** is the **currency used to prepare the CFS of the UPE for the FY concerned**.
- Where no such statements are prepared, the currency to use is the **currency in which such statements would have been prepared by the UPE** if it is required by the law (or a regulatory body) of the jurisdiction in which it is located to do so, in accordance with an authorised FAS that is either an acceptable FAS or another FAS that is adjusted to prevent any material competitive distortion.***

* Paragraph 6(8) of the First Schedule to the MMT Act.

** Section 9(1)(a) of the MMT Act.

*** Section 9(1)(b) and paragraph 2(d) of the First Schedule to the MMT Act.

Currency for the FANIL and Calculations

What if the amount is not in the presentation currency?

- The amount is **converted to the presentation currency** in accordance with the applicable rules (including any applicable guidance for hyperinflation) in the applicable FAS, regardless of whether the applicable standard requires the amount to be converted to the presentation currency.*

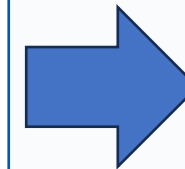
If the CE's FANIL is	The applicable FAS is
a. The net income or loss determined for the CE in preparing the UPE's CFS under paragraph 6(3)(a) of the First Schedule to the MMT Act	The FAS of the UPE's CFS
b. The net income or loss determined for the CE under an acceptable FAS or authorised FAS under paragraph 6(3)(b) of the First Schedule to the MMT Act	The acceptable FAS or authorised FAS used to determine the net income of the CE

* Regulations 5(3) to 5(5) of the MMT Regulations.

Currency for DTT Purpose

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

- a. have the **same FYE as the UPE** of the MNE group;
- b. prepare **financial statements in accordance with the local FAS** where:
 - i. they are required to do so under any written law in Singapore; or
 - ii. such financial statements are audited by an external auditor; and
- c. use **SGD as their functional currency** in preparing those financial statements.



Use SGD for
DTT
calculation*

Also applies to a standalone JV or entities of a JV group located in Singapore.**

* Section 9(3) of the MMT Act.

** Section 9(4) of the MMT Act.

Currency for DTT Purpose

Where any CE of the MNE group in Singapore does not use SGD as its functional currency, **an election may be made** for the DTT calculation to be carried out in either of the following currencies:*



Presentation currency
of the UPE's CFS

or



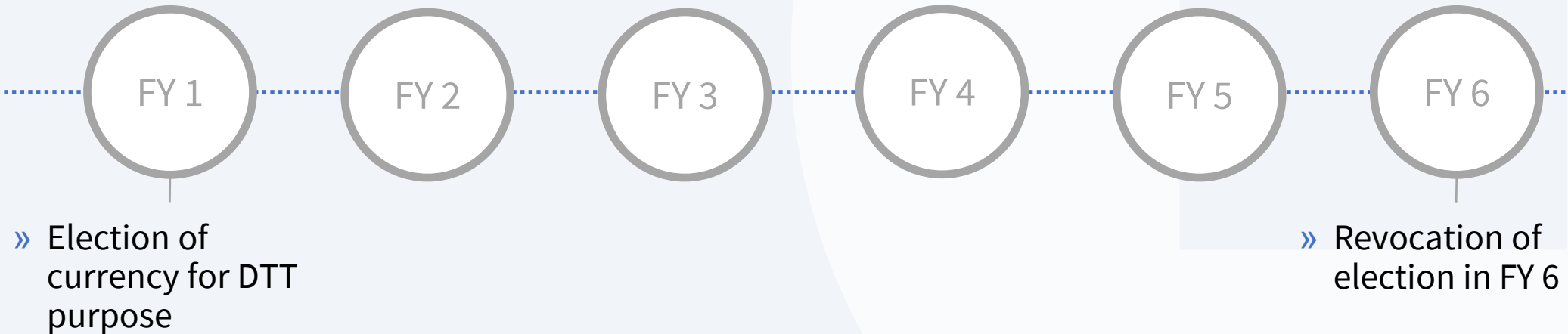
Singapore Dollar

The conversion of an amount in the functional currency to the above elected currency is to be made in accordance with the applicable rules in the local FAS.**

* Sections 9(5) to 9(8) of the MMT Act.

** Regulation 6 of the MMT Regulations.

Currency for DTT Purpose – Election



- 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).**

* Section 9(7) of the MMT Act.

** Section 9(8) of the MMT Act.

Currency Conversion for Comparing with Thresholds in EUR

- All thresholds in the MMT Act are denominated in EUR.
- To determine if the relevant threshold amounts are met, convert the amounts to be compared in the financial statements to EUR.

If the presentation currency is not in EUR*

- Convert the amount to EUR using the **average exchange rate for December** of the calendar year immediately before the relevant FY:
 - a. the average of the daily rates of exchange by the ECB;
 - b. if (a) is unavailable, the average of the daily rates by the MAS;
 - c. if (a) and (b) are unavailable, the average of daily rates by the institution that manages the presentation currency.

If the amount is not in the presentation currency**

- First, convert the amount to the presentation currency in accordance with the applicable rules in the applicable FAS.
- Then, convert the amount from the presentation currency to EUR using the same method.

* Regulation 9 of the MMT Regulations.

** Regulation 8 of the MMT Regulations.



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