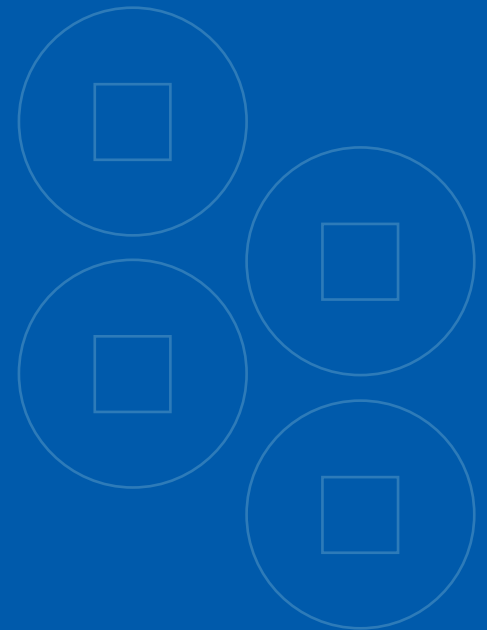




INLAND REVENUE
AUTHORITY
OF SINGAPORE






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

Part B 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**



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Mandatory Adjustments to the FANIL



Adjustments to the FANIL

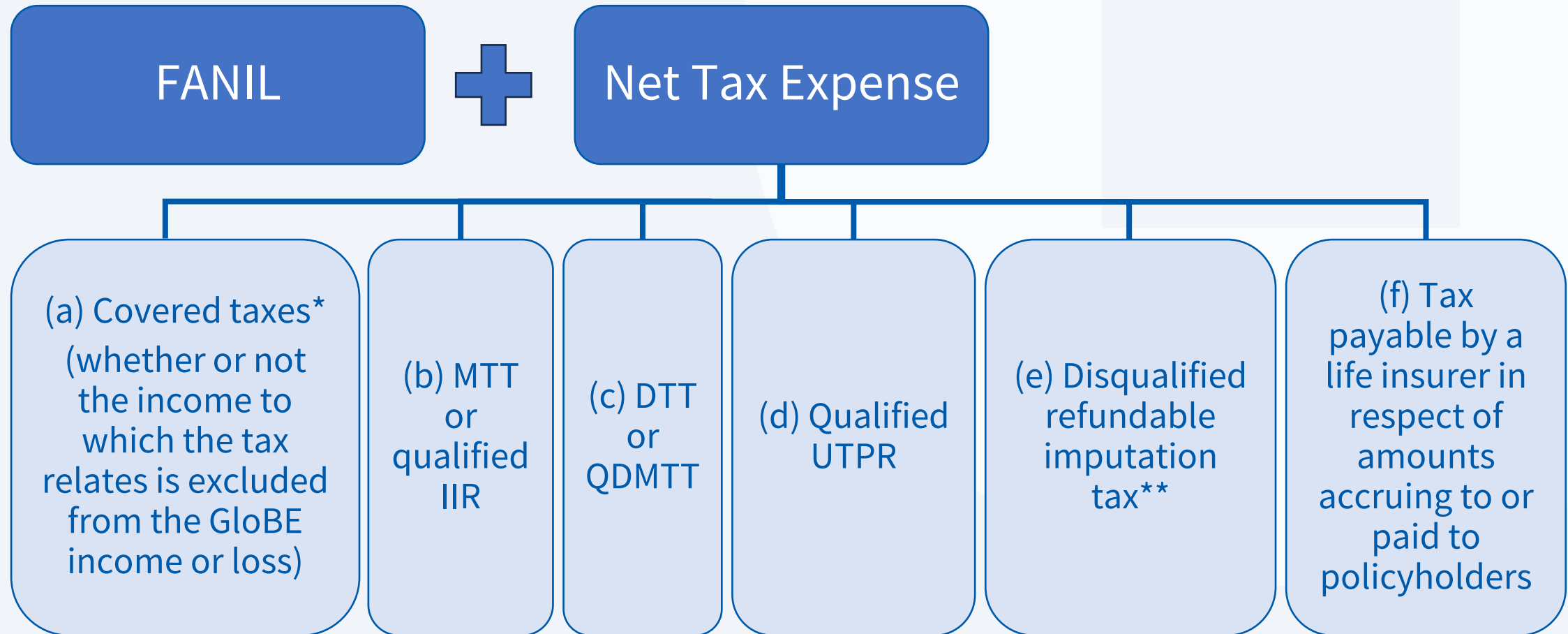
- Adjustments for certain book-to-tax permanent differences that are sufficiently material and common in IF jurisdictions.
- The following slide presents the **mandatory adjustments** to be made to the FANIL (i.e. not optional or elective).
- These adjustments are applicable to both the MTT and DTT.
- Generally, any covered taxes associated with an amount of income excluded from the GloBE income or loss computation must also be excluded from the adjusted covered taxes.

Adjustments to the FANIL

What are the mandatory adjustments that are applicable?

- Net tax expense
- Share acquisition adjustment
- Excluded dividends
- Excluded equity gains or losses
- Included revaluation method gain or loss
- Asymmetric foreign exchange gains or losses
- Illegal payments, fines or penalties
- Changes in accounting policies, etc.
- Accrued pension expense
- Arm's length requirement
- Adjustments for insurers
- Intra-group financing arrangement
- Additional tier one capital
- International shipping income exclusion
- Adjustments in relation to PE and FTE
- Transfer of controlling interest
- Transfer of assets and liabilities
- QRTC and MTTC treated as income

Regulation 11 – The FANIL Adjusted to be Before Tax



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

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

Regulation 12 – Share Acquisition Adjustment

- The FANIL of a CE must be adjusted so that it does not reflect any **share acquisition adjustment**.

What is a “share acquisition adjustment”?

Refers to a purchase accounting adjustment to the UPE’s CFS for an acquired business.*

- However, there is no need to make such an adjustment for an acquisition of ownership interest before 1 Dec 2021 if the CEs of the MNE group do not have sufficient records to identify the adjustment made with reasonable accuracy.

* Regulation 12(2) of the MMT Regulations.

Regulation 13 – Exclusion of Excluded Dividends

- 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 short-term portfolio shareholding; or
- 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 Dividends

What is a “short-term portfolio shareholding”?

“Short-term” – i.e. held for less than one year at the date of distribution?	“Portfolio shareholding” – i.e. direct ownership interest held by an MNE group carrying rights to less than 10% 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 – Election Out of Excluded Dividends 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.

Regulation 14 – Excluded Equity Gains or Losses

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 34 – Election Out of Excluded Equity Gains or Losses 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 Gains or Losses Exclusion

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

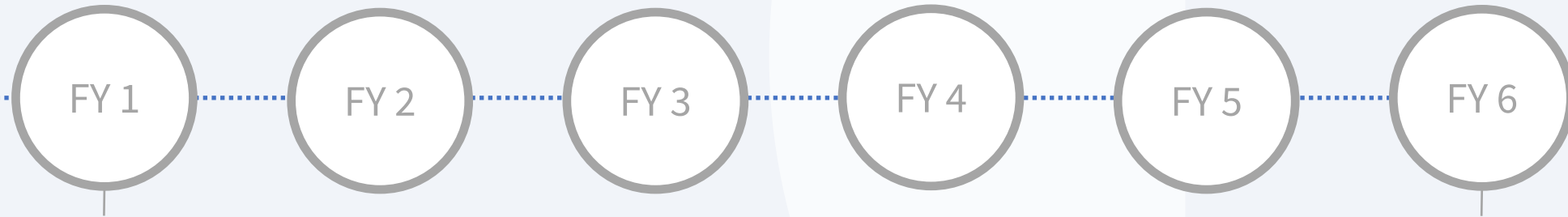
- i. A fair value gain or loss, or impairment on ownership interest, where:
 - the CE is taxable on a mark-to-market basis, or on the impairment; or
 - the CE is taxable on a realisation basis.
- ii. a profit or loss attributable to the ownership interest, where the CE accounts for the interest using 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 Gains or Losses 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.

Regulation 15 – Included Revaluation Method Gain or Loss

- “Included revaluation method gain or loss” refers to a gain or loss before tax arising from the use of an accounting method or practice that:
 - a. periodically adjusts the carrying value of the CE’s PPE to its fair value;
 - b. records the changes in value in other comprehensive income; and
 - c. does not subsequently report the gain or loss recorded in other comprehensive income through the profit and loss account.

Quick Tip

- This adjustment is only relevant to an entity that uses the revaluation model (rather than the cost model) as its accounting policy for PPE.
- A gain should be added to, while a loss should be subtracted from, the FANIL.

Regulation 16 – Adjustments for Asymmetric Foreign Exchange Gains or Losses

Accounting currency

The functional currency in which the financial statements of the CE are kept



Tax currency

The currency in which the CE's profit is determined for the purpose of determining its liability to covered taxes in the jurisdiction in which it is located

Third currency

Any currency which is neither the accounting currency nor the tax currency of the CE

Quick Tip

This adjustment applies if the accounting and tax currencies of a CE are different.

Regulation 16 – Adjustments for Asymmetric Foreign Exchange Gains or Losses

Where the CE has a gain or loss resulting from fluctuations in the exchange rate between:

- its accounting currency and tax currency, and the gain or loss is reflected differently in its taxable income and FANIL.*
- its accounting currency and a third currency, and the gain or loss is reflected differently in its taxable income and FANIL.**
- its tax currency and a third currency, and the gain or loss is reflected differently in its FANIL.***

The FANIL must be adjusted:

for that gain or loss to be reflected in its FANIL on the same basis as it is reflected in its taxable income.

to exclude that gain or loss.

for that gain or loss to be fully reflected in its FANIL (whether or not it is reflected in its taxable income).

* Regulation 16(2) of the MMT Regulations.

** Regulation 16(3) of the MMT Regulations.

*** Regulation 16(4) of the MMT Regulations.

Regulation 17 – Exclusion of Expenses for Illegal Payments, Fines or Penalties

Disallowed Expense

Illegal payment

- Typically includes a **bribe or kickback**.
- The term “illegal” refers to **an offence under the law of the jurisdiction where: (a) the CE; or (b) the UPE, is located.***

Fine or penalty

- Materiality threshold of **at least EUR 50,000**.
- Where **more than one fine or penalty** is accrued in respect of the **same conduct**, or for **continuing conduct**, those fines or penalties must be **aggregated**.^{**}

Quick Tip

- These are expenses commonly non-deductible for tax in most IF jurisdictions (for example, added back in the tax computation).
- The FANIL must be adjusted to exclude such an expense.

* Regulation 17(2) of the MMT Regulations.

** Regulation 17(3) of the MMT Regulations.

Regulation 18 – Adjustment for Changes in Accounting Policies and Prior Period Errors

Where there is a change to the net assets and liabilities of a CE at the start of a FY,



the **FANIL** of that CE for that FY **must be adjusted to include the amount of that change** if the change is attributable to:

a **change in accounting policy** that affects the income or expense included in the GloBE income or loss of that CE for any FY

or

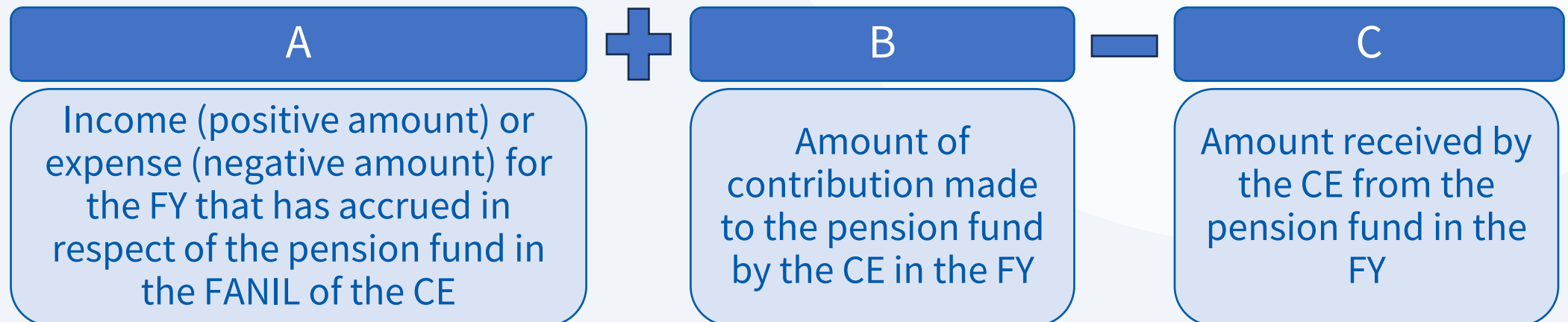
a **correction of an error reflected in the GloBE income or loss** of that CE for a previous FY, **except** to the extent such correction results in the application of regulation 40(2).^{*#}

^{*} Regulation 40(2) of the MMT Regulations.

[#] This relates to post-filing adjustments that decrease the adjusted covered taxes, which will be covered in a subsequent Module.

Regulation 19 – Accrued Pension Expense

- Applicable to a CE where it:
 - a. has **made any contribution** to a **pension fund** in the FY;
 - b. has **received any amount** from the **pension fund** in the FY; or
 - c. otherwise has any amount of **income or expense relating to the pension fund reflected in its FANIL**.
- The FANIL must be adjusted by deducting an amount based on:



Regulation 21 – Arm’s Length Requirement for Certain Transactions

What is the “arm’s length condition”?

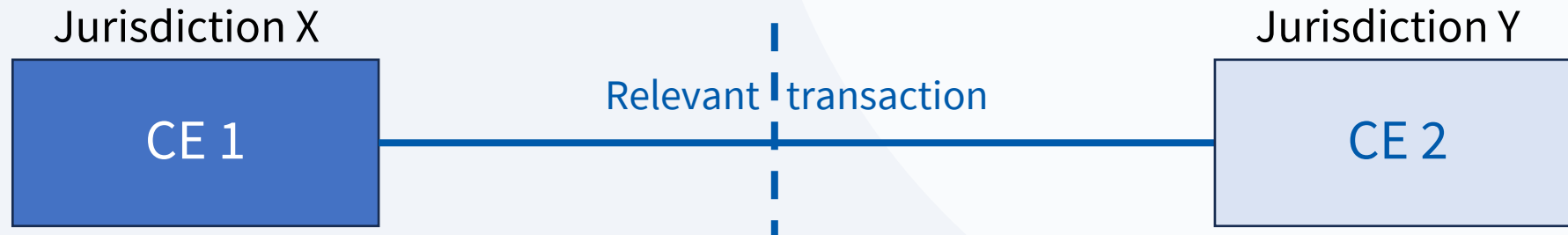
- Condition of transaction which would be made or imposed **as if**:
 - a. the entities are not CEs of the same MNE group, and
 - b. dealing independently with one another in comparable circumstances.



Regulation 21 – Arm's Length Requirement for Certain Transactions

What adjustments should be made?

- Where the relevant transaction is:
 - a. not made under the arm's length condition; or
 - b. is not accounted for in the same amount for both entities,



the FANIL of the CE **must be** adjusted to ensure that the financial outcome of the transaction is accounted for in the same amount for both entities, and as if the transaction is made under the arm's length condition.

Regulation 21 – Arm's Length Requirement for Certain Transactions

What adjustments should be made?

- Where the relevant transaction:
 - a. gives rise to a loss that is included in the FANIL of the CE; and
 - b. is not made under the arm's length condition.



the FANIL of the CE **must be** adjusted to ensure that the financial outcome of the transaction is accounted for in the same amount for both entities, and as if the transaction is made under the arm's length condition.

Regulation 22 – Adjustments for Insurers

1. Exclusion of certain insurance company income

- The following adjustments must be made to the FANIL of a CE which is a life insurer:

exclude any amount charged to the CE's policyholders for taxes payable[#] by the CE in respect of amounts accruing to or paid to the policyholders



take into account any returns to the CE's policyholders that correspond to an increase or decrease in the CE's liability to its policyholders that are reflected in its FANIL

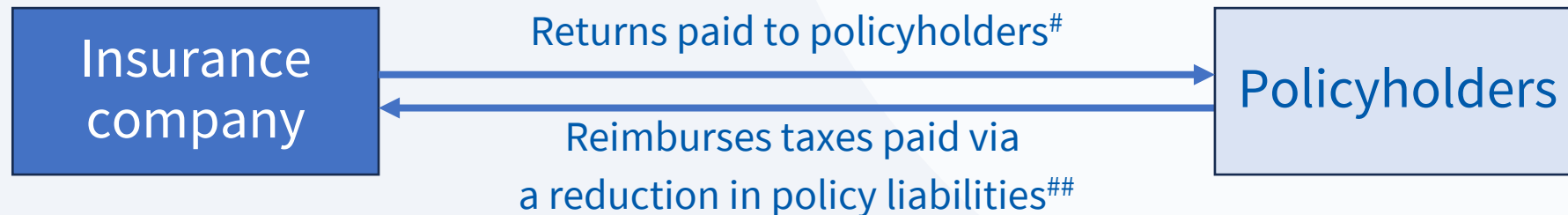
- The reasons for these adjustments are further explained in the following slides.

[#] Unless such taxes are taken into account by the CE as an expense (other than as a tax expense amount as defined in regulation 11(f) of the MMT Regulations) in its FANIL. For example, it is treated as an above-the-line item in the financial accounts.

Regulation 22 – Adjustments for Insurers

1. Exclusion of certain insurance company income

- Depending on a jurisdiction's tax laws, an insurance company may be subject to current tax on returns that must be contractually paid over to its policyholders.



- The insurance company passes that tax along to its policyholders through a charge, by way of a reduction in policy liabilities equivalent to the tax.

Returns that are contractually payable to policyholders are treated as income to an insurance company.

Taxes paid in respect of the above amount is charged to the policyholders as a reduction in policy liabilities, which is recognised as income by the insurance company.

Regulation 22 – Adjustments for Insurers

1. Exclusion of certain insurance company income

- The general treatment under the FAS is as follows:

Returns to be contractually paid over to the policyholders

Corresponding liability to pay the returns to the policyholders

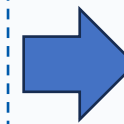
Taxes paid on behalf of the policyholders (i.e. A)

Treated as **above-the-line** expense



Reduction in liabilities of an amount equal to A

Treated as **above-the-line** item



- Net effect on the profit before tax is nil.
- No impact on the ETR.

Regulation 22 – Adjustments for Insurers

1. Exclusion of certain insurance company income

- The treatment under some FAS is as follows:

Returns to be
contractually paid over
to the policyholders

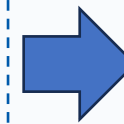
Corresponding liability
to pay the returns to
the policyholders

Reduction in liabilities
of an amount equal to A

Treated as **above-the-line** item

Taxes paid on behalf of
the policyholders (i.e. A)

Treated as **below-the-line** expense

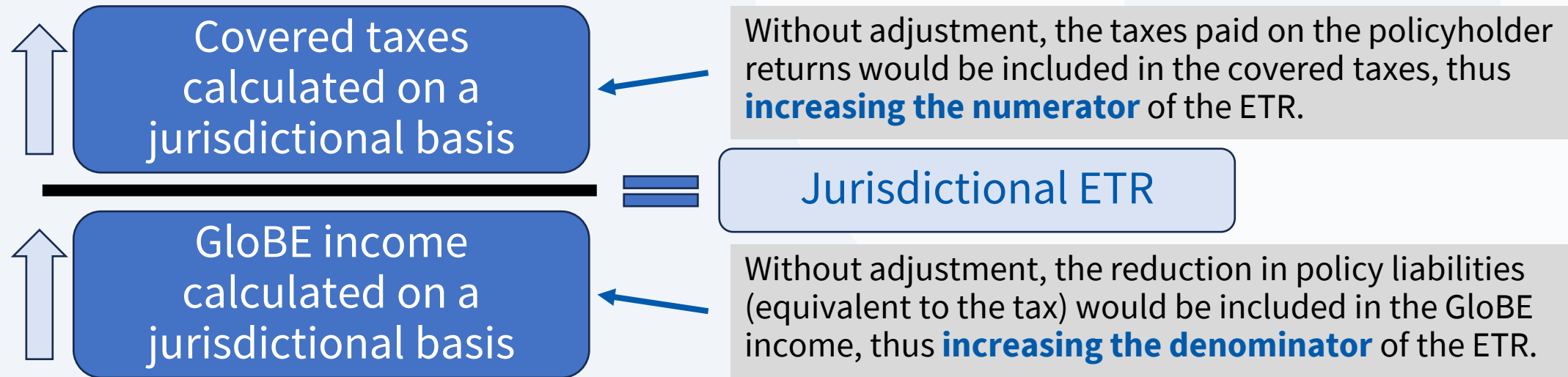


- Affects the profit before tax.
- Has impact on the ETR.

Regulation 22 – Adjustments for Insurers

1. Exclusion of certain insurance company income

- Before making adjustments under regulation 22:



Instead of offsetting the reduction in policyholder liabilities with no effect on the ETR computation, the taxes paid on the policyholder returns could effectively provide shelter from top-up tax to other low-taxed income. Hence, adjustments under regulation 22 of the MMT Regulation (which are stated in Slide 56) should be made to the FANIL of the CE.

Regulation 22 – Adjustments for Insurers

2. Exclusion of expense from a change in insurance reserves

- The FANIL of a CE that is an insurer must be adjusted to exclude any expense from a change in its insurance reserves, where the change is economically matched by:

excluded dividend from a security held by an insurer on behalf of a policyholder

or

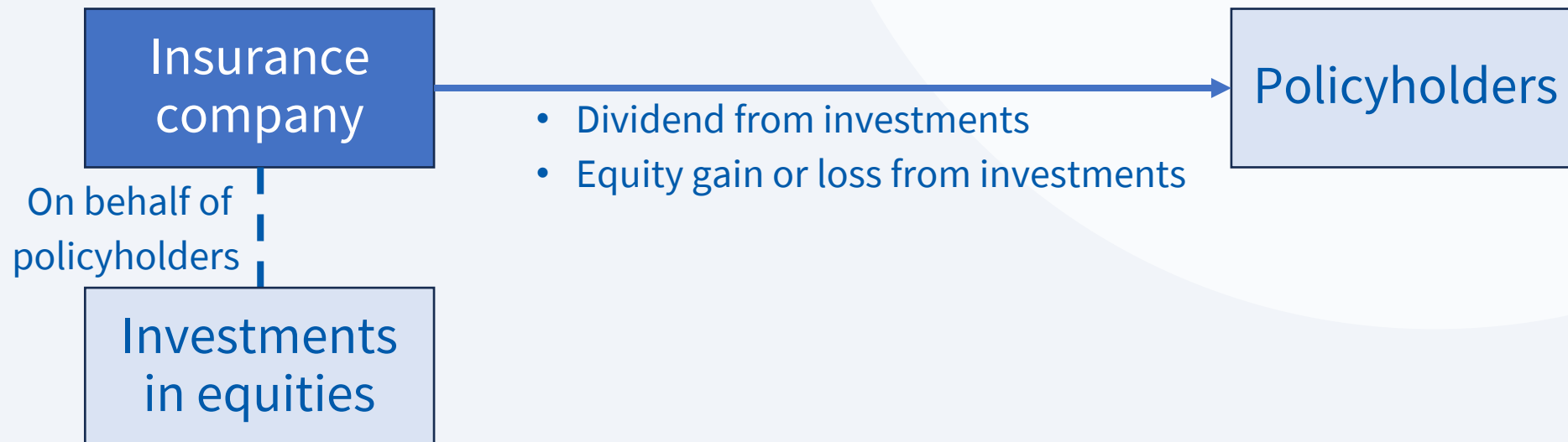
excluded equity gain or loss from a security held by an insurer on behalf of a policyholder

- The reasons for these adjustments are further explained in the following slides.

Regulation 22 – Adjustments for Insurers

2. Exclusion of expense from a change in insurance reserves

- Insurance companies often hold investments in equities on behalf of their policyholders, and are obligated to pay all earnings from such investments to their policyholders less an investment management fee.



Regulation 22 – Adjustments for Insurers

2. Exclusion of expense from a change in insurance reserves

- Dividend from investments
- Equity gain or loss from investments



Expense in respect of an increase in liability to the policyholders (i.e. insurance liability)

- May qualify as an **excluded dividend** and **excluded equity gain or loss**.
- **Excluded** from the computation of the GloBE income or loss.

- Insurance liability **included** in the computation of the GloBE income or loss.

No net impact on the FANIL.

Distortive mismatch resulting in an increase in the ETR.

Hence, adjustments under regulation 22 of the MMT Regulation (which are stated in Slide 61) should be made to the FANIL of the CE.

Regulation 23 – Exclusion of Intra-Group Financing Arrangement Expenses

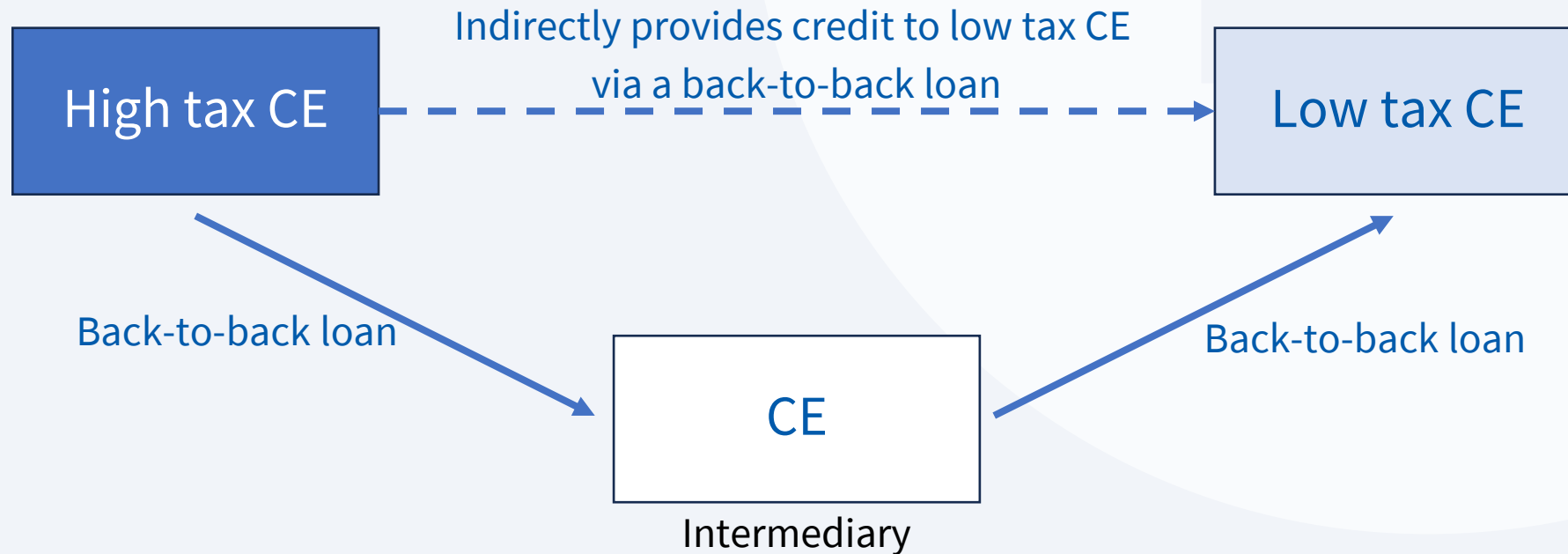
- An “intra-group financing arrangement” refers to an arrangement between two or more CEs of an MNE group where a high tax CE (directly or indirectly) provides credit to, or otherwise makes an investment in, a low tax CE.



- The low tax CE's FANIL for the FY must be adjusted to exclude the expenses in respect of an intra-group financing arrangement.

Regulation 23 – Exclusion of Intra-Group Financing Arrangement Expenses

- Example of an intra-group financing arrangement between CEs belonging to the same MNE group:



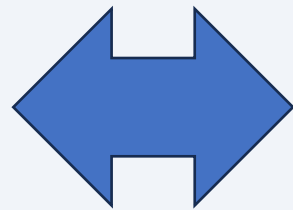
Regulation 24 – Additional Tier One Capital

What constitutes “additional tier one capital”?

- An instrument issued by an entity which:
 - is pursuant to regulatory requirements for banking or insurance sector;
 - is convertible to equity or written-down if a pre-specified trigger event occurs; and
 - has other features which are designed to aid loss absorbency in the event of a financial crisis.

Financial accounting

Generally treated as
equity



Permanent
difference

Tax

Treated as **debt** for tax purpose in
some jurisdictions, and deductible
or taxable (as the case may be)

Regulation 24 – Additional Tier One Capital

Where the CE of an MNE group records the following for a FY:

an amount of **decrease in its equity**:

- attributable to a distribution paid or payable,
- in respect of additional tier one capital issued by the CE,



the CE's FANIL for that FY must be adjusted to take that amount into account as an **expense**.

an amount of **increase in its equity**:

- attributable to a distribution received or receivable,
- in respect of additional tier one capital issued by the CE,



the CE's FANIL for that FY must be adjusted to take that amount into account as an **income**.

if same amount is not taken into account in the CE's FANIL for the FY,

Regulation 25 – International Shipping Income Exclusion

The CE's international
shipping income or loss



Specified amount of the CE's
ancillary international
shipping income or loss

excluded from the CE's FANIL,

provided that the **strategic or commercial management** of any ship used in international shipping giving rise to the income in question is **effectively carried on within the CE's jurisdiction**.

Regulation 25 – International Shipping Income Exclusion

What constitutes “international shipping”?*

- Any **transportation of passengers or cargo by ship.**
- Except where **the ship is operated solely between places within a single jurisdiction.**
- Does not include towing or dredging.

* Regulation 25(7) of the MMT Regulations.

Regulation 25 – International Shipping Income Exclusion

What constitutes “international shipping activities”?*

- a. Carrying out international shipping, whether alone or in conjunction with another person;
- b. leasing as lessor a ship to be used for international shipping, where the ship is leased:
 - i. fully equipped, crewed and supplied; or
 - ii. on a bareboat charter to another CE for international shipping;
- c. transportation of passengers or cargo by ship in international shipping under a slot-chartering arrangement; or
- d. the sale of a ship used in international shipping, where the ship has been held for use by the CE for at least one year.

* Regulation 25(7) of the MMT Regulations.

Regulation 25 – International Shipping Income Exclusion

What constitutes “ancillary international shipping activities”?*

- a. Leasing as lessor a ship to be used for international shipping, where the ship is leased on a bareboat charter to a lessee which is a shipping enterprise, and which is not a CE of the same MNE group for a period not exceeding 3 years;
- b. selling tickets for a domestic leg of an international voyage carried out by another shipping enterprise;
- c. leasing as lessor a container used for international shipping;
- d. storing a container used for international shipping temporarily;
- e. providing engineering, maintenance, cargo handling, catering and customer relations services to shipping enterprises; or
- f. ancillary investment activities carried on as an integral part of international shipping operations.

* Regulation 25(7) of the MMT Regulations.

Regulation 25 – International Shipping Income Exclusion

International shipping income

- **Net income or loss** from international shipping activities after taking into account:
 - **costs directly attributable** to those international shipping activities; and
 - the **relevant proportion of the indirect costs attributable** to those international shipping activities.

Ancillary international shipping income

- **Net income or loss** from ancillary international shipping activities after taking into account:
 - **costs directly attributable** to those ancillary international shipping activities; and
 - the **relevant proportion of the indirect costs attributable** to those ancillary international shipping activities.

Regulation 25 – International Shipping Income Exclusion

International shipping income

- **Relevant proportion of the indirect costs attributable** to international shipping activities:

Revenue from
international shipping
activities

Total revenue

Ancillary international shipping income

- **Relevant proportion of the indirect costs attributable** to ancillary international shipping activities:

Revenue from ancillary
international shipping
activities

Total revenue

Regulation 25 – International Shipping Income Exclusion

- For example, the CE carries out the following activities:
 - shipping the cargo from Port X in Jurisdiction X to Port Y in Jurisdiction Y; and
 - transporting the cargo from Port Y to the customer in Jurisdiction Y.



Regulation 25 – International Shipping Income Exclusion

- For example, the CE derived income of \$100 from shipping the cargo from Jurisdictions X to Y.
- Other than incurring direct costs of \$45, the CE also incurred indirect costs of \$20.
- The indirect costs attributable to the international shipping activity is **\$17 (i.e. $100/120 \times 20$)**.
- The international shipping income of the CE is **\$43**, which is excluded from the CE's FANIL.

(\$)	Total	Shipping cargo from Jurisdictions X to Y (i.e. international shipping activity)
Revenue	120	100
Direct costs	(45)	(40)
Indirect costs	(20)	(17)
Net income	55	43



International shipping income
Excluded from the FANIL

Regulation 25 – International Shipping Income Exclusion

- Where the FANIL of a CE of an MNE group for a FY includes the following, its FANIL for that FY must be adjusted as follows:

Amount	International shipping income	Ancillary international shipping income
Negative	Excluded from FANIL	Excluded from FANIL
Positive	Excluded from FANIL	Specified amount excluded from FANIL

- This applies if the **strategic or commercial management** of any ship used in international shipping giving rise to the income is **effectively carried on within the CE's jurisdiction**, in that FY.

Regulation 25 – International Shipping Income Exclusion

What is specified amount of ancillary international shipping income?

Specified amount of ancillary international shipping income of a CE for a FY = $[A \times (B \div C)]$

- A = Lower of: (i) C; and (ii) the ancillary international shipping income cap for the MNE group for that jurisdiction for that FY.
- B = **Ancillary international shipping income** of the CE for that FY if such an amount is a positive amount. Otherwise, B is nil.
- C = Sum of any positive amount of ancillary international shipping income of each of the CEs of the MNE group located in the same jurisdiction for that FY.

Regulation 25 – International Shipping Income Exclusion

What is the ancillary international shipping income cap for an MNE group for a jurisdiction?

Sum of the international shipping income of all the CEs of the MNE group located in the CE's jurisdiction for that FY:



Positive

50% of the sum

Nil or negative



Nil

Regulation 25 – International Shipping Income Exclusion

What is specified amount of ancillary international shipping income?

Example

Jurisdiction X			Jurisdiction Y		
FY 2025	International shipping income	Ancillary international shipping income	FY 2025	International shipping income	Ancillary international shipping income
CE 1	\$100	\$50	CE 4	\$80	\$10
CE 2	\$20	\$30	CE 5	\$50	\$20
CE 3	(\$20)	(\$10)			
Total	\$100	\$70	Total	\$130	\$30

- **CE 1**'s specified amount of ancillary international shipping income is **\$31 (i.e. $50 \times 50/80$)**:
 - A is the lower of: (i) \$80; and (ii) the ancillary international shipping income cap[#] of \$50.
 - B is \$50, based on CE 1's ancillary international shipping income.
 - C is \$80, based on the sum of CE 1 and CE 2's ancillary international shipping income (i.e. \$50 + \$30).

[#] The ancillary shipping income cap for Jurisdiction X is \$50 (i.e. 50% of the total international shipping income of \$100 for CE1, CE 2 and CE 3).

Regulation 25 – International Shipping Income Exclusion

What is specified amount of ancillary international shipping income?

Example (continued)

Jurisdiction X			Jurisdiction Y		
FY 2025	International shipping income	Ancillary international shipping income	FY 2025	International shipping income	Ancillary international shipping income
CE 1	\$100	\$50	CE 4	\$80	\$10
CE 2	\$20	\$30	CE 5	\$50	\$20
CE 3	(\$20)	(\$10)			
Total	\$100	\$70	Total	\$130	\$30

- **CE 2**'s specified amount of ancillary international shipping income is **\$19 (i.e. $50 \times 30/80$)**:
 - A is the lower of: (i) \$80; and (ii) the ancillary international shipping income cap[#] of \$50.
 - B is \$30, based on CE 2's ancillary international shipping income.
 - C is \$80, based on the sum of CE 1 and CE 2's ancillary international shipping income (i.e. \$50 + \$30).

[#] The ancillary shipping income cap for Jurisdiction X is \$50 (i.e. 50% of the total international shipping income of \$100 for CE1, CE 2 and CE 3).

Regulation 25 – International Shipping Income Exclusion

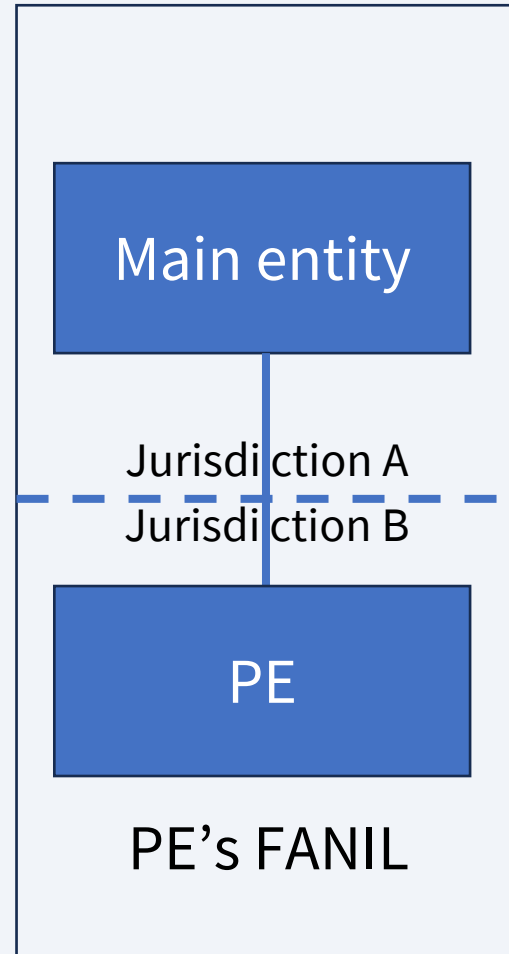
What is specified amount of ancillary international shipping income?

Example (continued)

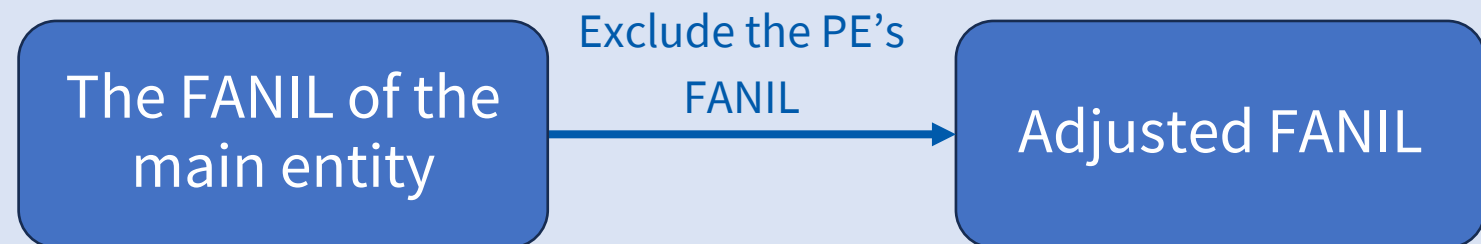
Jurisdiction X				
	FANIL	Add / (Less) international shipping income	Add / (Less) ancillary international shipping income	GloBE income or loss
CE 1	\$150	(\$100)	(\$31)	\$19
CE 2	\$50	(\$20)	(\$19)	\$11
CE 3	(\$30)	\$20	\$10	Nil

- Taken together, the GloBE income or loss of CE 1, CE 2 and CE 3 are \$19, \$11 and nil, respectively.

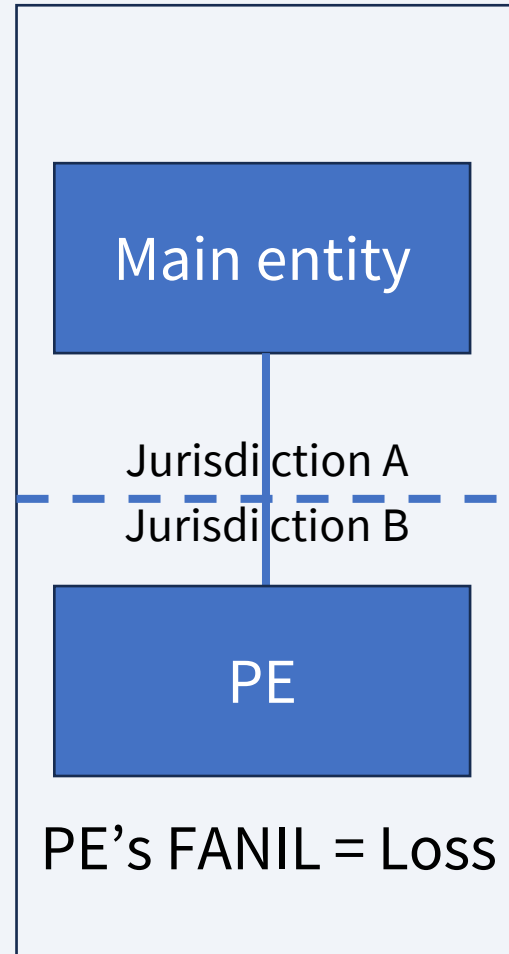
Regulation 26 – Adjustment for the Main Entity of a PE



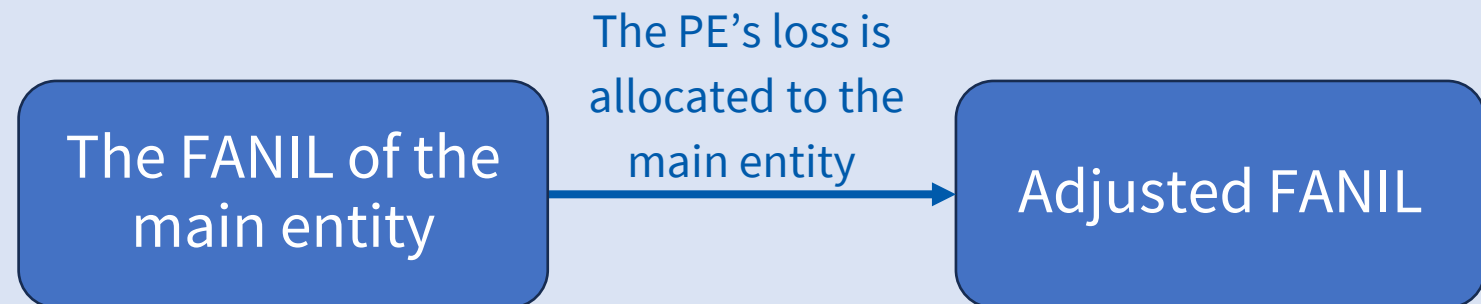
- The main entity's FANIL must be **adjusted not to take into account the PE's FANIL**.
- However, there is an exception under regulation 27 of the MMT Regulations where the **PE's FANIL is a loss**.



Regulation 27 – Allocation of Loss to the Main Entity of a PE

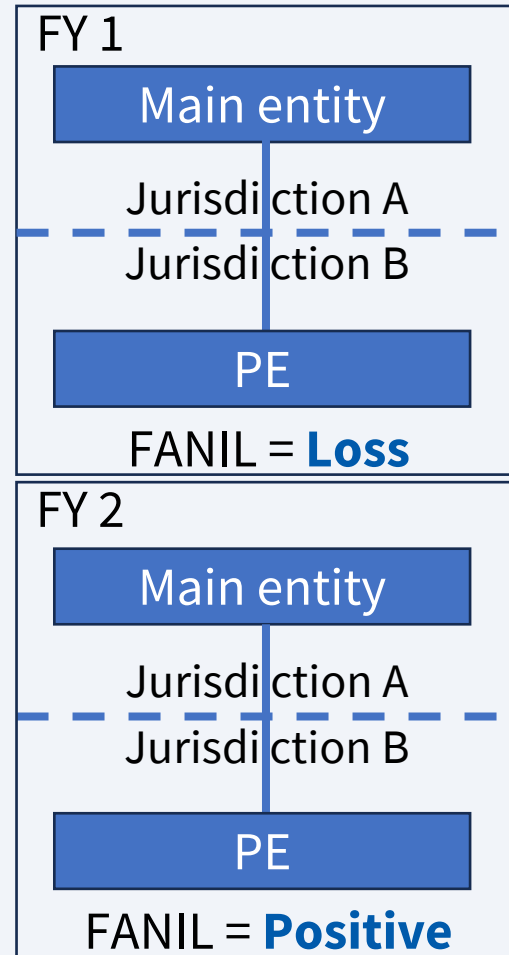


- Where:
 - the **PE's FANIL is a loss;**[#]
 - the **loss is treated as an expense of the main entity** for the computation of tax in Jurisdiction A; and
 - the **loss is not set off against the income that is subject to tax** in both Jurisdictions A and B.



[#] After making the adjustments set out in the MMT Regulations (other than this regulation 27).

Regulation 27 – Allocation of Loss to the Main Entity of a PE



- An amount of the PE's loss (i.e. Amount A) is allocated to the main entity under regulation 27(1) of the MMT Regulations in FY 1.

The FANIL of the main entity

The PE's loss is allocated to the main entity

Adjusted FANIL

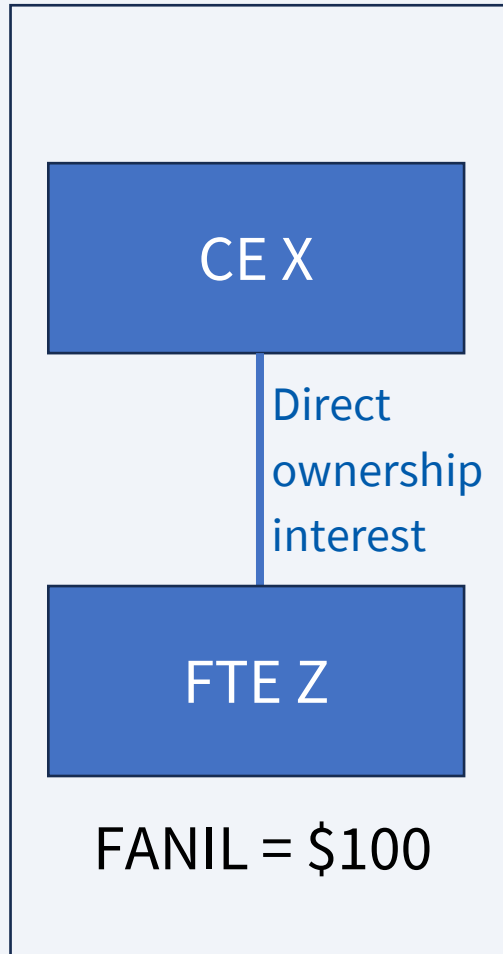
- If in FY 2, the PE's FANIL is positive, an amount of the PE's FANIL (equivalent to Amount A) is allocated to the main entity.

The FANIL of the main entity

The PE's FANIL is allocated to the main entity

Adjusted FANIL

Regulation 28 – Adjustment for the CE-Owners of a FTE



- For example, part of FTE Z's FANIL of \$100 is allocated to CE X.
- The FANIL allocated to CE X must be adjusted as if the FANIL is part of the FANIL of CE X.



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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.