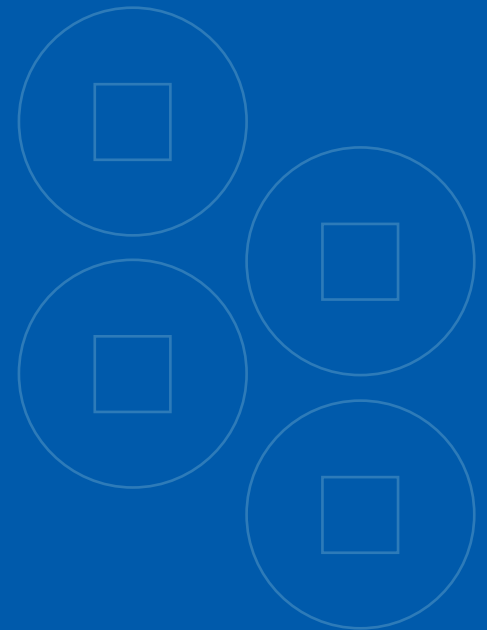




INLAND REVENUE
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Multinational Enterprise Top-Up Tax and Domestic Top-Up Tax

Part B of Module Three: Computation of Adjusted Covered Taxes



June 2025

Outline of Module

- + Overview
- + Adjustments to Qualifying Current Tax Expense
- + Adjustments to Qualifying Deferred Tax Expense
- + Recaptured Deferred Tax Liabilities
- + **Other Adjustments to Covered Taxes**
- + Allocation of Covered Taxes



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Other Adjustments to Covered Taxes

Other Adjustments to Covered Taxes

Tax Credits

Post-Filing Adjustments

Tax Rate Changes

Unpaid Current Tax Expenses

GloBE Loss Election

Deemed Distribution Tax Election

Other Adjustments to Covered Taxes

Tax Credits

Post-Filing Adjustments

Tax Rate Changes

Unpaid Current Tax Expenses

GloBE Loss Election

Deemed Distribution Tax Election

Tax Credits



Qualified Refundable Tax Credits



Marketable Transferable Tax Credits



Non-Marketable Transferable Tax Credits



Flow-Through Tax Benefits

Qualified Refundable Tax Credits

What constitutes a “qualified refundable tax credit”?*

- A tax credit which must be paid as cash or cash equivalents;
- payment within four years of satisfying the conditions for **such payment** under the laws of the jurisdiction granting the credit; and
- does not include a tax credit in respect of a qualified imputation tax** or a disqualified refundable imputation tax.**

* Regulation 2(1) of the MMT Regulations.

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

Qualified Refundable Tax Credits

The GloBE treatment

- **Treated as income** – The FANIL of the CE must be adjusted so that the QRTCs are accounted for as income.*
- **Not treated as reduction of tax** – The qualifying current tax expense must exclude any reduction of current tax expense made in respect of the QRTCs.**

How QRTCs are classified in the FS	Adjustments made to:	
	FANIL	Tax expense
As income	No adjustment needed since they are already accounted for as income	No adjustment needed since they are already not included in tax expense
As negative tax expense	The FANIL must be adjusted to account for the QRTCs as income (i.e. add to the FANIL)	Exclude the reduction of current tax expense (i.e. add back to the qualifying current tax expense)

* Regulation 20(1)(a) of the MMT Regulations.

** Regulation 38(2)(c) of the MMT Regulations.

Qualified Refundable Tax Credits

How are QRTCs accounted for as income?*

Type of QRTCs	<ul style="list-style-type: none"> QRTCs are related to the acquisition or construction of an asset. The CE, being the originator of the QRTCs, has an accounting policy of: <ul style="list-style-type: none"> reducing the carrying value of its asset in respect of such tax credits; or recognising such tax credits as deferred income. 	Any other QRTCs.
How to account for QRTCs as income for GloBE purpose	Follow the treatment as per the accounting policy.	Treat the face value of the QRTCs as income in the FY in which the entitlement under the QRTCs accrues.

* Regulation 20(2) of the MMT Regulations.

Marketable Transferable Tax Credits

What constitutes a “marketable transferable tax credit”?

	Transferability element* (i.e. a transferable tax credit)	Marketability element** If within 15 months after the FY in which the originator is granted the tax credit, the tax credit is:	
Originator	Under the laws of the jurisdiction granting the tax credit, the originator is allowed to transfer the tax credit to an unrelated party: <ul style="list-style-type: none"> in the FY in which the tax credit is granted to the originator; or within 15 months after that FY. 	i. transferred to an unrelated party	transfer is at a price not less than 80% of the net present value of the tax credit.
		ii. transferred to a related party	tax credit of same type is traded between unrelated parties and typically at a price not less than 80% of the net present value of the tax credit traded.
		iii. not transferred	

* Regulation 2(3)(a) of the MMT Regulations.

** Regulation 2(4)(a) of the MMT Regulations.

Marketable Transferable Tax Credits

What constitutes a “marketable transferable tax credit”?

	Transferability element* (i.e. a transferable tax credit)	Marketability element**
Purchaser	<p>Under the laws of the jurisdiction granting the tax credit, the purchaser is allowed to transfer the tax credit to an unrelated party:</p> <ul style="list-style-type: none">• in the FY in which the tax credit is acquired by the purchaser; and• such a transfer is not subject to more stringent restrictions than the transfer of the tax credit by the originator to any purchaser.	<p>The tax credit is acquired by the purchaser from an unrelated party at a price not less than 80% of the net present value of the tax credit.</p>

* Regulation 2(3)(b) of the MMT Regulations.

** Regulation 2(4)(b) of the MMT Regulations.

Marketable Transferable Tax Credits

The GloBE treatment

- **Treated as income** – The FANIL of the CE must be adjusted so that the MTTCs are accounted for as income or loss.*
- **Not treated as reduction of tax** – The qualifying current tax expense must exclude any reduction of current tax expense made in respect of the MTTCs.*

* Regulation 20(1)(b) of the MMT Regulations.

Marketable Transferable Tax Credits

Summary of the GloBE treatment

Type of CE	Granted / Acquired MTTCS	Transferred the MTTCS in the FY of grant, or within 15 months after that FY	Transferred the MTTCS after that period	Not transferred, but the MTTCS expire
Originator	Value of the tax credits must be accounted for as income when accrued.*	Consideration received for the transfer must be accounted for as income in the FY of grant.**	If the MTTCS are transferred at a consideration less than the remaining value of the tax credits, the difference must be accounted for as loss in the FY of transfer.***	Unutilised value of the MTTCS must be accounted for as loss .*** *
	If the MTTCS are related to the acquisition and construction of an asset (amongst other conditions under regulation 20(2)(a)), then follow the accounting policy.			Unutilised value of the MTTCS must be accounted for as an increase in the carrying value of the asset where regulation 20(2)(a) applies.
Purchaser	Proportionate amount of the difference between the full value of the tax credits and the price paid must be accounted for as income in accordance with regulation 20(4)(a).	Gain or loss must be accounted for as income or loss in accordance with regulation 20(4)(b).		Loss attributable to the expired portion must be accounted for as loss in accordance with regulation 20(4)(c).

* Regulation 20(3)(b) of the MMT Regulations.

** Regulation 20(3)(a) of the MMT Regulations.

*** Regulation 20(3)(c) of the MMT Regulations.

*** * Regulations 20(3)(d) of the MMT Regulations.

Marketable Transferable Tax Credits

Where a CE is the **originator** of the MTTCs:*



- a. if the tax credits are transferred by the CE in the FY of grant or within 15 months after that FY, the consideration for the transfer must be accounted for as **income** for the FY in which they are granted;
- b. if the tax credits are **not** transferred by the CE **within the above-mentioned period**, the value of the tax credits must be accounted for as **income** when accrued as income according to the accounting policy of the CE;
- c. if the tax credits are transferred by the CE **after the above-mentioned period** for a consideration less than the remaining value of the tax credits, the difference between the remaining value of the tax credits and the consideration received must be accounted for as **loss** for the FY in which the transfer occurs; and
- d. if the tax credits **expire**, any unutilised value of the tax credits must be accounted for as **loss** (or as an increase to the carrying value of the asset where regulation 20(2)(a) of the MMT Regulation applies) for the FY in which the tax credits expire.

* Regulation 20(3) of the MMT Regulations.

Marketable Transferable Tax Credits

Where a CE is the **purchaser** of the MTTCs:

- a. if any part of the tax credits is utilised by the CE in a FY, the following amount must be accounted for as an **income** for that FY:*

$$\text{Amount} = (A \div B) \times (B - C)$$

- A = Amount of the tax credits utilised.
- B = Full value of the tax credits.
- C = Price paid by the CE for the tax credits.

* Regulation 20(4)(a) of the MMT Regulations.

Marketable Transferable Tax Credits

Where a CE is the **purchaser** of the MTTCs:

- b. if the tax credits are transferred by the CE, the following amount must be accounted for as **income or loss** for the FY in which the transfer occurs:*

$$\text{Amount} = (D + E) - (F + G)$$

- D = Consideration received by the CE for the transfer.
- E = Amount of the tax credits that has been utilised by the CE for that FY and all previous FYs.
- F = Consideration paid by the CE to acquire the tax credits.
- G = Total amount that is accounted for as income by the CE under paragraph (a) in respect of the tax credits for that FY and all previous FYs.

* Regulation 20(4)(b) of the MMT Regulations.

Marketable Transferable Tax Credits

Where a CE is the **purchaser** of the MTTCs:

- c. if the tax credits expire, the following amount must be accounted for as **loss** for the FY in which the tax credits expire:*

$$\text{Amount} = (F + G) - E$$

- E = Amount of the tax credits that has been utilised by the CE for that FY and all previous FYs.
- F = Consideration paid by the CE to acquire the tax credits.
- G = Total amount that is accounted for as income by the CE under paragraph (a) in respect of the tax credits for that FY and all previous FYs.

* Regulation 20(4)(c) of the MMT Regulations.

Non-Marketable Transferable Tax Credits

What constitutes a “non-marketable transferable tax credit”?*

- A tax credit that is not a QRTC and:
 - a. in relation to an entity that is its originator – is not a MTTC and may be transferred to another person or entity; and
 - b. in relation to an entity that is its purchaser – is not a MTTC.

The GloBE treatment**

- **Treated as reduction of tax** – The qualifying current tax expense must exclude any amount of non-MTTC (i.e. treat amount as a negative amount of tax expense) – refer to Slides 79 to 82 for the different scenarios.
- **Not treated as income** – Subject to regulation 20(5) of the MMT Regulations, the non-MTTC is excluded from the FANIL of the CE (to the extent that it is included as income in the FANIL).

* Regulation 2(1) of the MMT Regulations.

** Regulations 20(1)(c), 38(2)(f) and 38(2)(g) of the MMT Regulations.

Non-Marketable Transferable Tax Credits

Summary of the GloBE treatment

Type of CE	Utilised non-MTTCs	Transferred non-MTTCs
Originator	Treat the tax credits as a negative amount of tax expense.*	Treat the consideration for the transfer as a negative amount of tax expense.***
Purchaser	Treat the excess of the full value of the tax credits over the purchase price in proportion to the amount of credits used, as a negative amount of tax expense.**	Treat the gain computed in accordance with regulation 41(2)(b) of the MMT Regulations as a negative amount of tax expense.*** *
		Treat the loss computed in accordance with regulation 41(2)(b) of the MMT Regulations as loss.*** **

* Regulations 38(2)(f) and 38(2)(g) of the MMT Regulations.

** Regulation 41(2)(a) of the MMT Regulations.

*** Regulation 41(1) of the MMT Regulations.

*** * Regulation 41(2)(b) of the MMT Regulations.

*** ** Regulation 20(5) of the MMT Regulations.

Non-Marketable Transferable Tax Credits

A CE is the **originator** of the non-MTTCs:*



where the tax credits are transferred by the CE in the FY, the adjusted covered taxes of the CE for the FY must be adjusted as follows:

- consideration for the transfer is treated as a negative amount of tax expense; and
- the non-MTTCs are treated as having been used by that CE.

* Regulation 41(1) of the MMT Regulations.

Non-Marketable Transferable Tax Credits

A CE is the **purchaser** of the non-MTTCs:

- a. where the tax credits are used to satisfy the CE's liability for covered taxes, the CE's adjusted covered taxes for the FY must be adjusted as follows:*

any amount of the tax credits used to satisfy its liability for covered taxes for the FY is multiplied by: $(A - B) \div A$

- A = Full value of the tax credits.
- B = Price paid by the CE for the tax credits.

The resulting amount is **treated as a negative amount of tax expense**.

* Regulation 41(2)(a) of the MMT Regulations.

Non-Marketable Transferable Tax Credits

A CE is the **purchaser** of the non-MTTCs:

- b. where the tax credits are transferred by the CE in the FY, the CE's adjusted covered taxes for the FY must be adjusted as follows:*

any positive amount computed by the following formula is **treated as a negative amount of tax expense**: $(C + D) - (E + F)$

- C = Consideration received by the entity for the transfer.
- D = Amount of the tax credits that are used by the CE for that FY and all previous FYs.
- E = Consideration paid by the CE to acquire the tax credits.
- F = Total negative amount of tax expense recognised by the entity under sub-paragraph (a) in respect of the tax credits for that FY and all previous FYs.

* Regulation 41(2)(b) of the MMT Regulations.

Non-Marketable Transferable Tax Credits

A CE is the **purchaser** of the non-MTTCs:

- c. where the tax credits are transferred by the CE in the FY, the FANIL must be adjusted as follows:*

any negative amount computed by the following formula is **accounted for as loss** for the FY in which the transfer occurs: $(C + D) - (E + F)$

- C = Consideration received by the entity for the transfer.
- D = Amount of the tax credits that are used by the CE for that FY and all previous FYs.
- E = Consideration paid by the CE to acquire the tax credits.
- F = Total negative amount of tax expense recognised by the entity under sub-paragraph (a) in respect of the tax credit for that FY and all previous FYs.

* Regulation 20(5) of the MMT Regulations.

Qualified Flow-Through Tax Benefits

What constitutes a “flow-through tax benefit”?*

- Tax credit (not being QRTC); and
- the value of tax deductible losses, made available to the owner of the **qualified ownership interest**.*

The GloBE treatment**

- **Treated as positive amount of tax expense** – The adjusted covered taxes must be adjusted.
 - Refer to the subsequent slide for the adjustments under regulation 42(1) of the MMT Regulations.
- **Not treated as income** – The tax credits are excluded from the FANIL to the extent that they are included as income in the FANIL.

* Regulation 42(5) of the MMT Regulations.

** Regulation 20(1) of the MMT Regulations.

Qualified Flow-Through Tax Benefits

What constitutes a “qualified ownership interest”?*

- An investment in a flow-through entity by a CE of an MNE group where:
 - a. the FTE is not a RHE with respect to the income, expenditure, profit or loss attributable to the CE;
 - b. the investment is treated as equity:
 - i. for tax purposes in the jurisdiction where the CE is located; and
 - ii. under an authorised FAS in the jurisdiction where the FTE operates;
 - c. the FTE is not a CE of the MNE group;
 - d. it is reasonable to expect, at the time of making the investment, that the return on the investment would be negative if not for the availability of flow-through tax benefits;
 - e. the CE has a genuine economic interest in the FTE and is not protected from loss on the investment; and
 - f. the flow-through tax benefits under the investment are available to the CE whether or not the MNE group is subject to MTT or a qualified IIR.

* Regulation 42(5) of the MMT Regulations.

Qualified Flow-Through Tax Benefits

What adjustments to make to adjusted covered taxes?*

Where an election under regulation 34(1) of the MMT Regulations is effective for excluded equity gains or losses to be included in the FANIL

a. QFTBs from a qualified ownership interest received by the CE in the FY

Positive amount of tax expense
(to extent that it is excluded)

b. Other flow-through tax benefits from a qualified ownership interest received by the CE in the FY

Negative amount of tax expense
(to extent that it is not taken into account)

c. QRTCs, and any proceeds and distributions from the qualified ownership interest, received by the CE in the FY

Negative amount of tax expense[#]

* Regulation 42(1) of the MMT Regulations.

[#] Only to the extent that the total value of the amount of the proceeds and distributions for the FY and any prior FY does not exceed the total value of the amount mentioned in paragraph (a) for the FY and any prior FY.

Qualified Flow-Through Tax Benefits

With election*

- The filing entity of an MNE group may make an election in the GIR in accordance to adopt the proportional amortisation method in relation to a qualified ownership interest received by a CE of the MNE group in a FY for the purpose of regulation 42(2)(a) of the MMT Regulations.
- An election must be made in the later of the following:
 - a. the FY in which the CE acquired the qualified ownership interest; and
 - b. the first in-scope year of the CE.

* Regulations 42(3) and 42(4) of the MMT Regulations.

Qualified Flow-Through Tax Benefits

- a. If the CE applies the proportional amortisation method for accounting purpose, or irrevocably elects to adopt the proportional amortisation method for the purpose of this regulation*

Total value of the proceeds, distributions and flow-through tax benefits from the qualified ownership interest received in the FY

≤

Amortisation expense for the FY under the proportional amortisation method

- i. The amount of QFTB from a qualified ownership interest received by a CE in a FY is:
- The amount of the flow-through tax benefits received in the FY.

* Regulation 42(2)(a)(i) of the MMT Regulations.

Qualified Flow-Through Tax Benefits

- a. If the CE applies the proportional amortisation method for accounting purpose, or irrevocably elects to adopt the proportional amortisation method for the purpose of this regulation*

Total value of the proceeds, distributions and flow-through tax benefits from the qualified ownership interest received in the FY

>

Amortisation expense for the FY under the proportional amortisation method

- ii. The amount of QFTB from a qualified ownership interest received by a CE in a FY is:
- The amount of the flow-through tax benefits received in the FY, but is reduced by the amount of such excess (but not below nil).

* Regulation 42(2)(a)(ii) of the MMT Regulations.

Qualified Flow-Through Tax Benefits

b. In any other case (other than the scenario under regulation 42(2)(a) of the MMT Regulations)*

- The amount of QFTB from a qualified ownership interest received by a CE in a FY is:
 - The amount of the flow-through tax benefits received in the FY, but only to the extent that:

Total value of the proceeds, distributions and flow-through tax benefits from the qualified ownership interest received in the FY and the previous FY

≤

Investment in the qualified ownership interest

* Regulation 42(2)(b) of the MMT Regulations.

Other Adjustments to Covered Taxes

Tax Credits

Post-Filing Adjustments

Tax Rate Changes

Unpaid Current Tax Expenses

GloBE Loss Election

Deemed Distribution Tax Election

Post-Filing Adjustments

Adjustments made on covered taxes that relate to any previous FY

Increase in the adjusted covered taxes for any previous FY*



Adjustment taken into account in the **current FY**

Decrease in the adjusted covered taxes for any previous FY**



Adjustment taken into account in the **previous FY**

Election for immaterial decrease.***

* Regulation 40(1) of the MMT Regulations.

** Regulation 40(2) of the MMT Regulations.

*** Regulation 40(3) of the MMT Regulations.

Post-Filing Adjustments

Adjustments made on covered taxes that relate to any previous FY

Increase*

Adjusted covered taxes of CEs in a jurisdiction for any previous FY



Amount of adjustment must be taken into account in the adjusted covered taxes for the FY in which adjustment is made

* Regulation 40(1) of the MMT Regulations.

Post-Filing Adjustments

Adjustments made on covered taxes that relate to any previous FY

Decrease*

Adjusted covered taxes of CEs in a jurisdiction for any previous FY



Adjusted covered taxes (and other corresponding items) must be recalculated for the previous FY and any subsequent FY affected by such an adjustment, up to the FY in which the adjustment is made

* Regulation 40(2) of the MMT Regulations.

Post-Filing Adjustments

Adjustments made on covered taxes that relate to any previous FY

- Example – Decrease in the covered taxes:
 - Assume the CE is located in a jurisdiction with a domestic CIT rate of 15%. FY 1's assessment is revised in FY 4, resulting in a tax refund of \$15 for FY 1's tax.

(\$)	FY 1 (Original)	FY 1 (Revised)	FY 4
Accounting income or loss	100	100	200
Income or loss for CIT purpose	100	0 (i.e. 100 – 100) <i>Revised assessment in FY 4</i>	200
Local tax	15	0	30
GloBE income or loss	100	100	200
Adjusted covered taxes	15	0 (i.e. 15 – 15) <i>Recalculated adjusted covered taxes</i>	30 (i.e. 30 – 15 + 15) <i>Tax refund of 15 relating to FY 1 to be taken into account in FY 1</i>
Jurisdictional ETR	15% (i.e. 15 ÷ 100)	0% (i.e. 0 ÷ 100) <i>Recalculated ETR</i>	15% (i.e. 30 ÷ 200)

Post-Filing Adjustments – Immaterial Decrease in Taxes

Adjustments made on covered taxes that relate to any previous FY

Decrease*

Adjusted covered taxes of CEs in a jurisdiction for any previous FY

Less than EUR 1 mil
(i.e. an immaterial decrease)



- The filing entity of an MNE group may make an election in the GIR to treat an immaterial decrease in the adjusted covered taxes under regulation 40(2) of the MMT Regulations as an adjustment for the FY in which the adjustment is made.
- If the election is effective, the adjustment must be taken into account in the adjusted covered taxes of the CE for the FY in which the adjustment is made.

* Regulation 40(3) of the MMT Regulations.

Post-Filing Adjustments – Loss Carry-Back

Adjustments made on covered taxes that relate to any previous FY

Loss arising in FY offset against income of any previous FY for tax purpose*

Provided **no election** under **regulation 40(3) of the MMT Regulations** is made to treat an immaterial decrease as an adjustment for the FY of adjustment



- a. The loss is treated as giving rise to a deferred tax asset in the FY in which the loss arises, and regulation 45 of the MMT Regulations applies; and
- b. the deferred tax asset is deemed to have been used in the previous FY, and regulation 45 of the MMT Regulations applies.

* Regulation 40(4) of the MMT Regulations.

Post-Filing Adjustments – Loss Carry-Back

- Example – Assume the CE is located in a jurisdiction with a domestic CIT rate of 15% and permits loss carry-back. No election under is made for immaterial decrease.

(\$)	FY 1 (Original)	FY 1 (Revised)	FY 2
Accounting income or loss	100	100	(100)
Income or loss for CIT purpose	100	0 (i.e. 100 – 100)	0 (i.e. (100) + 100) <i>Loss carried back to FY 1</i>
Local tax	15	0	0
GloBE income or loss	100	100	(100)
Current tax expense	15	0 (i.e. 15 – 15)	0 (i.e. (15) + 15) <i>Post-filing decrease of FY 1's tax taken into account in FY 1</i>
Deferred tax expense	0	15 <i>Reversal of the deemed deferred tax asset</i>	(15) <i>Deemed deferred tax asset for the FY in which the loss arose</i>
Adjusted covered taxes	15	15	(15)
Jurisdictional ETR	15% (i.e. 15 ÷ 100)	15% (i.e. 15 ÷ 100)	N/A

Other Adjustments to Covered Taxes

Tax Credits

Post-Filing Adjustments

Tax Rate Changes

Unpaid Current Tax Expenses

GloBE Loss Election

Deemed Distribution Tax Election

Tax Rate Changes

Reduction of
tax rate in
respect of the
covered taxes
to **less than**
15%*



Negative
amount of
deferred tax
expense
recognised for
the FY



- » Treated as adjustment to decrease the corresponding qualifying deferred tax expense of that CE for previous FY.
- » Regulations 40(2) and 40(3) of the MMT Regulations apply accordingly.

* Regulation 40(6) of the MMT Regulations.

Tax Rate Changes

- Example – Assume the CE is located in a jurisdiction which decreased its domestic CIT rate from 15% to 10%:

FY 1

- The CE has a GloBE income of \$100 which is only taxable in a future FY under its domestic CIT regime.
- A deferred tax liability of \$15 is recognised in the accounts in respect of this income as the prevailing domestic CIT rate is 15%.
- The CE's adjusted covered tax for FY 1 is \$15, resulting from the deferred tax liability of \$100 of the GloBE income at 15%.

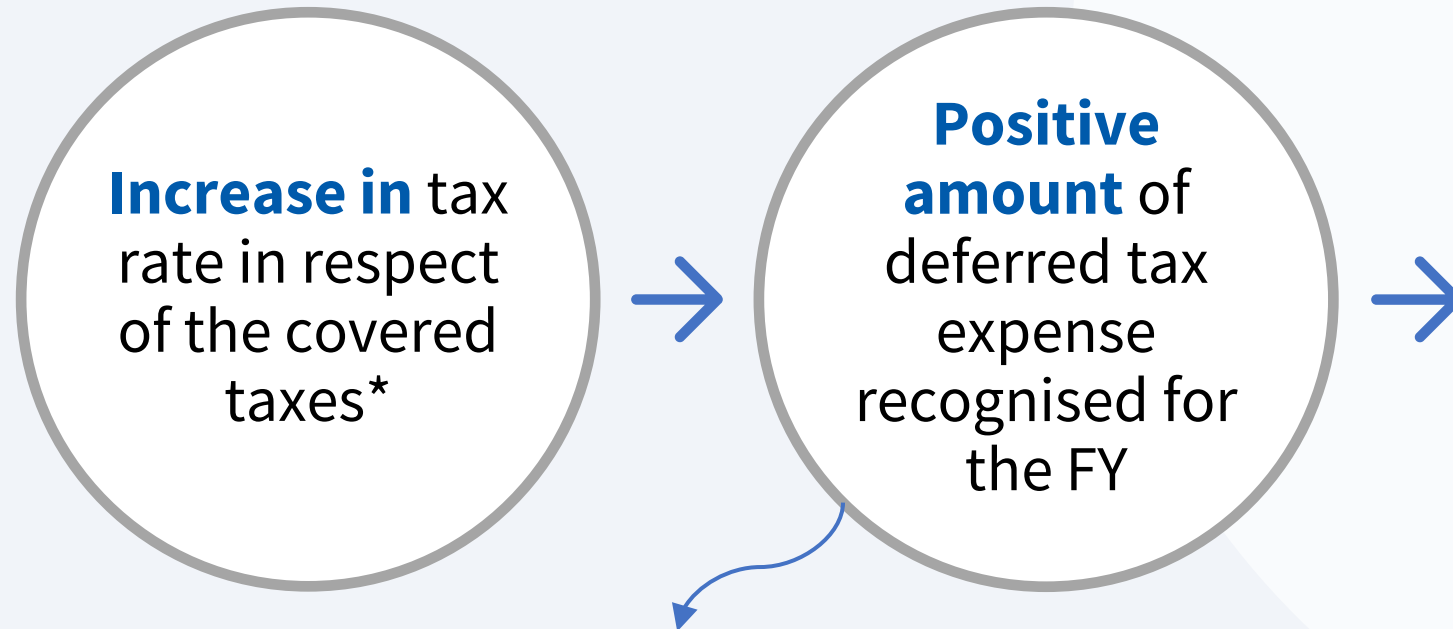
Tax Rate Changes

- Example – Assume the CE is located in a jurisdiction which decreased its domestic CIT rate from 15% to 10%:

FY 2

- The jurisdiction reduces its domestic CIT rate from 15% to 10%.
- The CE records a negative amount of deferred tax expense of \$5 in its financial accounts to adjust the deferred tax liability for the rate change.
- When the deferred tax liability is ultimately paid in a future FY, only \$10 is paid (i.e. 10% of \$100).
- Under regulation 40(6) of the MMT Regulations, the deferred tax expense previously claimed as a covered tax is adjusted to the correct value, which is the amount of such tax that would actually be paid upon the reversal of the deferred tax liability. In this case, the decrease in the deferred tax expense of \$5 recognised in FY 2 is treated as a downward adjustment to the qualifying deferred tax expense for FY 1.

Tax Rate Changes



- » Treated as an adjustment to increase the corresponding qualifying deferred tax expense of that CE for a previous FY.
- » The adjustment is made in the FY when the deferred tax liability recognised as a result of that increase is reversed (on the payment of the deferred tax).

Capped at $(A - B)$, where:

- » A = Amount of that deferred tax expense if it had been recognised on the basis of a tax rate equal to 15%.
- » B = Original amount of that deferred tax expense.

* Regulation 40(7) of the MMT Regulations.

Other Adjustments to Covered Taxes

Tax Credits

Post-Filing Adjustments

Tax Rate Changes

Unpaid Current Tax Expenses

GloBE Loss Election

Deemed Distribution Tax Election

Unpaid Current Tax Expenses

Adjustments for an unpaid current tax expense*

Qualifying current tax expense for a FY is not paid within three years of the last day of that FY

and

Unpaid qualifying current tax expense > EUR 1 mil

- The unpaid amount must be deducted from the adjusted covered taxes of that CE for the FY in which the current tax expense is recognised.
- The following must be recalculated:
 - the ETR for the CEs of the MNE group located in same jurisdiction; and
 - the top-up amount (if any) for those CEs.

* Regulation 40(8) of the MMT Regulations.

Other Adjustments to Covered Taxes

Tax Credits

Post-Filing Adjustments

Tax Rate Changes

Unpaid Current Tax Expenses

GloBE Loss Election

Deemed Distribution Tax Election

GloBE Loss Election

The filing entity of an MNE group may make an election in the GIR that the treatment in regulation 47 of the MMT Regulations applies to all CEs in the MNE group located in a jurisdiction*

Election

must be made for the transition year of any CE located in that jurisdiction

and

cannot be made for a jurisdiction that has an eligible distribution tax system

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

GloBE Loss Election

With election

- Where election is effective for a FY under regulation 47(3) of the MMT Regulations:
 - a. none of the CEs located in the jurisdiction for which the election is made is treated as having any qualifying deferred tax expense for that FY; and
 - b. if the sum of the GloBE income or loss for that FY of those CEs is nil or less, that amount multiplied by 15% is the “**special loss deferred tax asset**” of those CEs for the purpose of this regulation.
- If the election is revoked under regulation 47(7) of the MMT Regulations, any special loss deferred tax asset of the CEs remaining unused on the first day of the first FY for which the election is revoked is reduced to nil.

GloBE Loss Election

With election*

- Where:
 - a. the sum of the GloBE income or loss for that FY of the CEs located in a jurisdiction for which the election is made is a **positive amount**; and
 - b. those CEs have any special loss deferred tax asset from a previous FY that has not been used,
- an amount of that **special loss deferred tax asset**[#] must be used to increase the qualifying current tax expense of the CEs for that FY.

* Regulation 47(4) of the MMT Regulations.

[#] The amount of special loss deferred tax asset to be used is the lower of: (a) the amount of special loss deferred tax asset remaining; and (b) the sum of the GloBE income or loss for that FY of those CEs multiplied by 15%, and any amount of the special loss deferred tax asset remaining unused remains available for use in a subsequent FY.

GloBE Loss Election

- Example – Assume the MNE group only has one CE in the jurisdiction:

FY 1

- The CE incurs a GloBE loss of \$100.
- The MNE group makes a GloBE loss election under regulation 47 of the MMT Regulations for the jurisdiction.
- Under regulation 47 of the MMT Regulations, the GloBE loss of \$100 results in the creation of a special loss deferred tax asset of \$15 (i.e. 15% of \$100).

GloBE Loss Election

- Example – Assume the MNE group only has one CE in the jurisdiction:[#]

FY 2

- The CE reports a GloBE income of \$80.
- Under regulation 47 of the MMT Regulations, an amount of special loss deferred tax asset of \$12 is utilised to increase the qualifying current tax expense of the CE for FY 2.
- The amount of special loss deferred tax asset used is based on the lower of:
 - \$15 (i.e. the special loss deferred tax asset amount available); and
 - \$12 (i.e. 15% of \$80).

[#] If there is more than one CE in the jurisdiction, under regulation 47(6) of the MMT Regulations, the special loss deferred tax asset to be utilised must be allocated between the CEs with a positive amount of GloBE income or loss for the FY in proportion to their respective amounts of GloBE income or loss.

GloBE Loss Election

With election*

UPE is a FTE located in the jurisdiction



regulations 47(3) to 47(7) of the MMT Regulations apply in relation to the CEs of the MNE group that are located in that jurisdiction, as if the UPE is:

- a. the only CE of a separate MNE group that is located in the jurisdiction; and
- b. not a CE of the MNE group that is located in that jurisdiction.

* Regulation 47(8) of the MMT Regulations.

Other Adjustments to Covered Taxes

Tax Credits

Post-Filing Adjustments

Tax Rate Changes

Unpaid Current Tax Expenses

GloBE Loss Election

Deemed Distribution Tax Election

Regulation 48 – Deemed Distribution Tax Election

Where a jurisdiction has an eligible distribution tax system



the filing entity of an MNE group may make an election in a GIR that the treatment under regulation 48 of the MMT Regulations applies to the CEs of the MNE group located in that jurisdiction for the FY.[#]

[#] Regulation 48 of the MMT Regulations does not apply for DTT purpose.

Regulation 48 – Deemed Distribution Tax Election

With election*

- a. The CEs located in the jurisdiction for which the election is made have a **deemed distribution tax amount** for that FY, being the lower of:
 - i. an amount that, when added to the numerator of the **ETR formula**,** results in the ETR for those CEs for that FY being **15%**; and
 - ii. the amount of tax that would have been due in that jurisdiction if those CEs had distributed all of their profits for that FY;

* Regulation 48(2) of the MMT Regulations.

** Section 17(1) of the MMT Act.

Regulation 48 – Deemed Distribution Tax Election

With election

- b. the combined **adjusted covered taxes** of those CEs for that FY are **increased** by the **deemed distribution tax amount**; and
- c. a **recapture amount** equal to that **deemed distribution tax amount** is recognised for those CEs in the next FY.

Regulation 48 – Deemed Distribution Tax Election

Recapture amount of CEs for a FY is reduced (but not below nil) by:



Step One – The amount of any tax paid in that FY on any actual or deemed distribution of profits by those CEs.



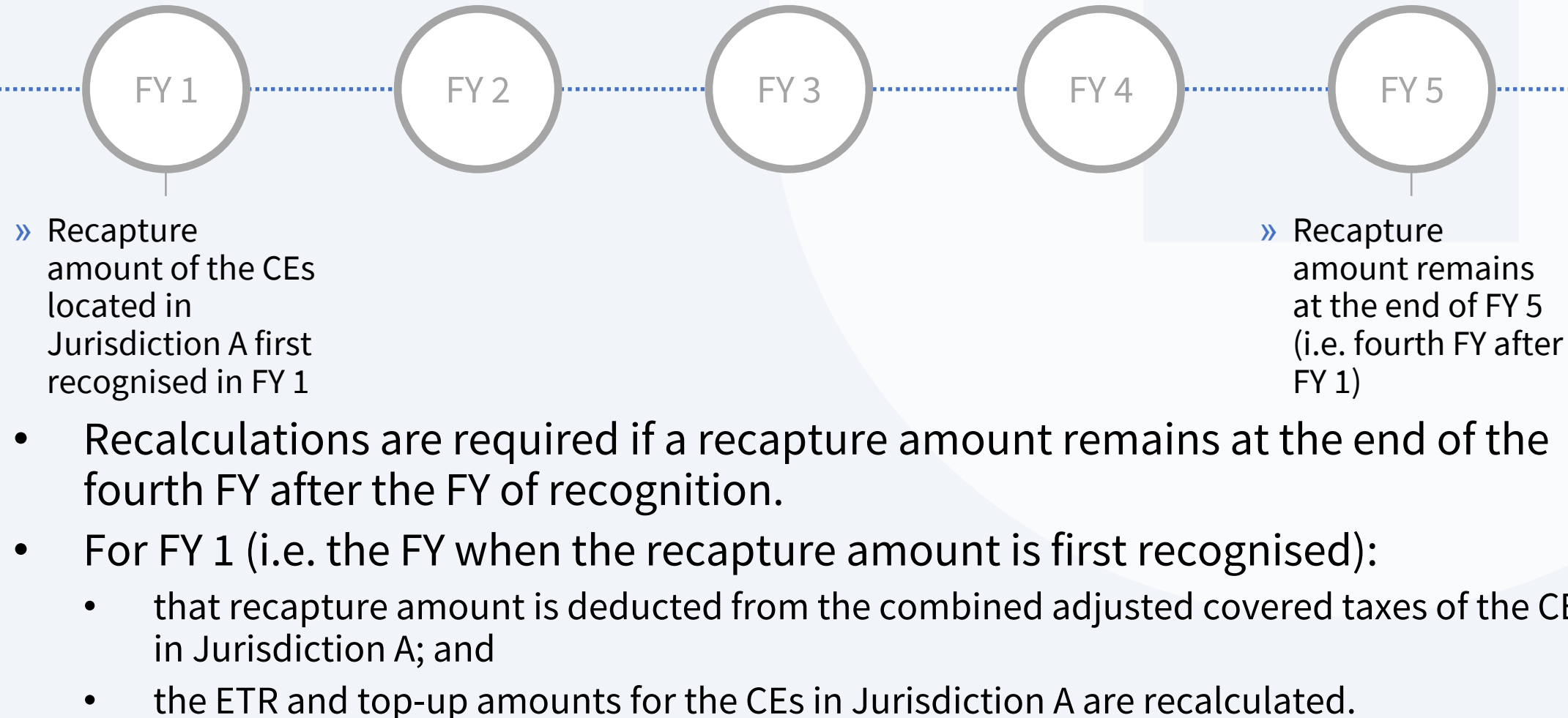
Step Two – If those CEs have a total negative amount of GloBE income or loss for that FY, the amount of that total loss (expressed as a positive number) multiplied by 15%.



Step Three – If any amount computed in Step Two for those CEs for a previous FY is not fully deducted against the recapture amount of those CEs for any previous FY, the remainder of that amount.

- This is on the basis that a recapture amount recognised in an earlier FY is reduced before a recapture amount recognised in a later FY.
- Any amount of tax of a CE that is used in a FY to **reduce a recapture amount** must be **excluded** from the adjusted covered taxes of that CE for that FY.

Regulation 48 – Deemed Distribution Tax Election



Regulation 48 – Deemed Distribution Tax Election

If, in a FY, a CE:

- leaves an MNE group;
- transfers all, or substantially all, of its assets to an entity which is not a CE of the MNE group, or to an individual; or
- transfers all, or substantially all, of its assets to a CE located in another jurisdiction,

and the CEs located in a jurisdiction had, in previous FYs, one or more recapture amounts (each called a recapture year),



for each recapture year:

- the recapture amount for that year must be deducted from the combined adjusted covered taxes of those CEs for that year;
- the ETR for those CEs must be recalculated; and
- the top-up amounts that those CEs have must be recalculated and then adjusted by the **relevant ratio** for each CE.

Relevant ratio = (Ratio of the GloBE income or loss of a departing CE) ÷ (Sum of the GloBE income or loss of the CEs in the MNE group)

- If the ratio < nil, then the relevant ratio is nil.
- If the ratio > 1, then the relevant ratio is 1.



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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.