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

Part A of Module Four: Computation of ETR and Top-Up Amount

INLAND REVENUE AUTHORITY OF SINGAPORE

July 2025

Outline of Module

- **Jurisdiction ETR**
- **Top-Up Amount**
- Substance-Based Income Exclusion
- Allocation of Top-Up Amount
- De Minimis Exclusion
- Applicability to DTT

Abbreviations

- **CE** : constituent entity
- **CFS** : consolidated financial statements
- **CIT** : corporate income tax
- **Comptroller** : Comptroller of Income Tax
- **DFE** : designated local DTT filing entity
- **DTT** : domestic top-up tax
- **ETR** : effective tax rate
- **FANIL** : financial accounting net income or loss
- **FTE** : flow-through entity
- **FY** : financial year
- **GIR** : GloBE information return
- **GloBE** : Global Anti-Base Erosion
- **IE** : investment entity
- **IIE** : insurance investment entity
- **JV** : joint venture
- **MMT Act** : Multinational Enterprise (Minimum Tax) Act 2024 of Singapore
- **MMT Regulations** : Multinational Enterprise (Minimum Tax) Regulations 2024 of Singapore
- **MOCE** : minority-owned CE
- **MTT** : multinational enterprise top-up tax
- **NTCF** : negative tax carried forward
- **PE** : permanent establishment
- **PPE** : property, plant and equipment
- **QDMTT** : qualified domestic minimum top-up tax
- **RHE** : reverse hybrid entity
- **SBIE** : substance-based income exclusion
- **UPE** : ultimate parent entity

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Jurisdictional ETR

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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.

Adjusted Covered Taxes (all CEs in a jurisdiction) / **GloBE Income or Loss** (all CEs in a jurisdiction) = **Jurisdictional ETR**

Jurisdictional Excess Profits = GloBE Income or Loss (all CEs in the jurisdiction) **– Substance-Based Income Exclusion** (all CEs in the jurisdiction)

X

Top-Up Tax % = Minimum Rate – Jurisdictional ETR

Jurisdictional Top-Up Amount = (Jurisdictional Excess Profits x Top-Up Tax %) + Additional Current Top-Up Amount **– QDMTT**

Allocated proportionally to CEs with positive GloBE Income

Top-Up Amount of a CE

Jurisdictional ETR

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Allocated proportionately to CEs with positive GloBE Income

Top-Up Amount of a CE

Jurisdictional ETR

- The ETR of an MNE group for a jurisdiction is calculated for each FY. The result is expressed as a percentage rounded to the fourth decimal place.

- The ETR computation is used to determine if an MNE group is subject to a minimum level of tax on its income arising in a jurisdiction.

Separate ETRs Within a Jurisdiction

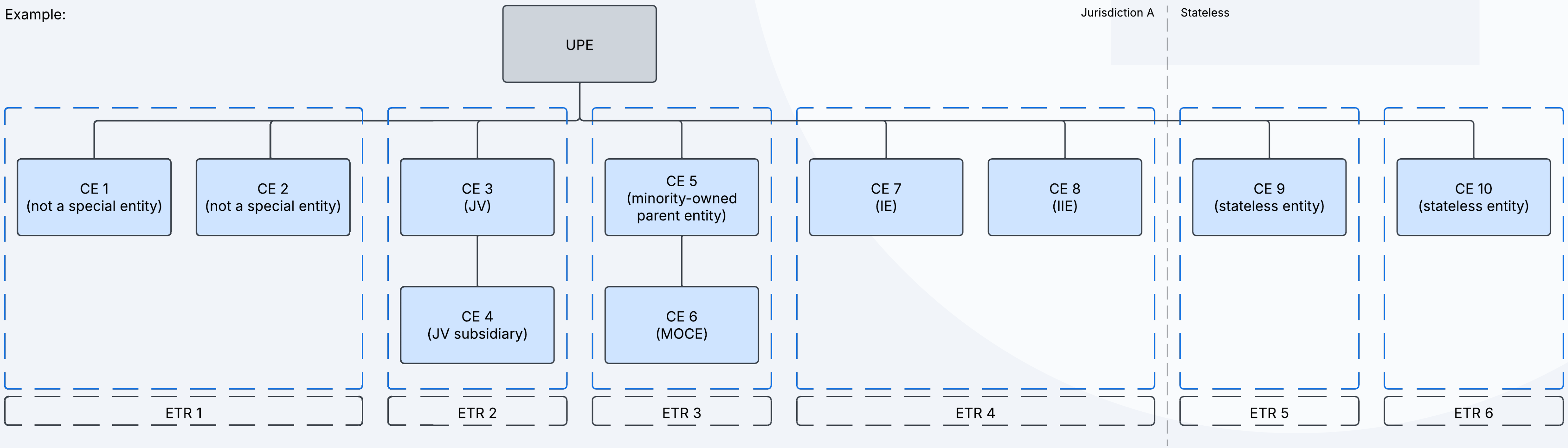
- **The ETR is computed separately for the following entities located in the same jurisdiction or stateless entities**:
  a. CEs that are not special entities;
  b. IEs or IIEs;
  c. each MOCE (that is not a member of a minority-owned subgroup) or members of each minority-owned subgroup;*
  d. each stateless entity;** and
  e. each standalone JV or members of each JV group.
- A “special entity” refers to a CE of a group that is: (i) an IE; (ii) an IIE; (iii) a MOCE; or (iv) a stateless entity, and includes a JV or JV subsidiary connected to the group but is not a CE of the group.***

** Section 23(1) of the MMT Act .*
*** Section 22(1) of the MMT Act.*
**** Section 2(1) of the MMT Act.*

Separate ETRs Within a Jurisdiction

- In other words, an MNE group may have to compute multiple sets of ETR for a jurisdiction.

Example:



ETR of CEs that are not Special Entities

What is the ETR of CEs that are not special entities in a jurisdiction?*

ETR for a FY = (A ÷ B) x 100%

- A = Sum of adjusted covered taxes (including any negative amount of adjusted covered taxes) of the CEs in the jurisdiction for that FY.
- B = Sum of GloBE income or loss of the CEs in the jurisdiction for that FY.

** Sections 17(1) to 17(3) of the MMT Act.*

ETR of Special Entities

- Apart from IEs and IIEs, the method for calculating the ETR of CEs that are not special entities (as discussed in the preceding slide) is similarly applicable to special entities.
    - The method applicable to IEs and IIEs will be covered in Module Eight.

ETR of Special Entities

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Entities of an MNE group	ETR
Each MOCE (not a member of a minority-owned subgroup) located in a jurisdiction	(Sum of adjusted covered taxes of a MOCE in the jurisdiction)# ÷ (Sum of GloBE income or loss of that MOCE in that jurisdiction)##
Members of each minority-owned subgroup located in a jurisdiction	(Sum of adjusted covered taxes of the members of a minority-owned subgroup in the jurisdiction)# ÷ (Sum of GloBE income or loss of those members in that jurisdiction)##
Each standalone JV located in a jurisdiction	(Sum of adjusted covered taxes of a standalone JV in the jurisdiction)# ÷ (Sum of GloBE income or loss of that standalone JV in that jurisdiction)##
Members of each JV group located in a jurisdiction	(Sum of adjusted covered taxes of the members of a JV group in the jurisdiction)# ÷ (Sum of GloBE income or loss of those members in that jurisdiction)##
Each stateless entity	(Sum of adjusted covered taxes of a stateless entity)# ÷ (Sum of GloBE income or loss of that stateless entity)##

 # Denoted by "A" for the purpose of Slide 13.
Denoted by "B" for the purpose of Slide 13.

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ETR Overview

Sum of adjusted covered taxes of CEs in a jurisdiction (i.e. A)	Sum of GloBE income or loss of CEs in a jurisdiction (i.e. B)	ETR	Implications
Positive amount	Positive amount	A ÷ B	• If the ETR ≥ 15%, the **top-up tax percentage is nil**. • If the ETR < 15%, **compute the top-up tax percentage**.
Negative amount		Deemed as **nil**	Make adjustments for the **NTCF**.
Positive or negative amount, or nil	Nil or negative amount	Deemed as **15%**	Determine if there is an **additional current top-up amount**.

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Top-Up Amount

Top-Up Amount

Step 1 – Determine if MNE group is in-scope

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

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Adjusted Covered Taxes (all CEs in a jurisdiction)

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GloBE Income or Loss (all CEs in a jurisdiction)

= **Jurisdictional ETR**

Jurisdictional Excess Profits = GloBE Income or Loss (all CEs in the jurisdiction) **– Substance-Based Income Exclusion** (all CEs in the jurisdiction)

X

Top-Up Tax % = Minimum Rate – Jurisdictional ETR

Jurisdictional Top-Up Amount = (Jurisdictional Excess Profits x Top-Up Tax %) + Additional Current Top-Up Amount **– QDMTT**

Allocated proportionately to CEs with positive GloBE Income

Top-Up Amount of a CE

Jurisdictional Top-Up Amount

What is the jurisdictional top-up amount?*

Jurisdictional top-up amount for a FY =

[(Top-up tax percentage for the CEs for that FY) x (Excess profits of the CEs for that FY)]

+ (Additional current top-up amount for the CEs for that FY)

– (QDMTT imposed by the laws of a jurisdiction in respect of the CEs for that FY)

** Section 16(4) of the MMT Act.*

Jurisdictional Top-Up Amount

- Top-Up Tax Percentage
- Excess Profits
- Additional Current Top-Up Amount
- Qualified Domestic Minimum Top-Up Tax

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Jurisdictional Top-Up Amount

- Top-Up Tax Percentage
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Top-Up Tax Percentage

What is the top-up tax percentage?*

Top-up tax percentage for a FY = 15% – ETR for the CEs for that FY

- If **the result is ≤ 0**, then top-up tax percentage of the CEs for that FY is **nil**.

** Section 16(5) of the MMT Act.*

Jurisdictional Top-Up Amount

- Top-Up Tax Percentage
- Excess Profits
- Additional Current Top-Up Amount
- Qualified Domestic Minimum Top-Up Tax

Excess Profits

What is the excess profits?*

Excess profits for a FY = (Sum of GloBE income or loss of the CEs for that FY)
– (SBIE for the CEs for that FY)**

- If **the result is ≤ 0**, then excess profits of CEs for that FY is **nil**.

** Section 16(6) of the MMT Act.*
*** Section 18 of the MMT Act.*

Jurisdictional Top-Up Amount

- Top-Up Tax Percentage
- Excess Profits
- Additional Current Top-Up Amount
- Qualified Domestic Minimum Top-Up Tax

Additional Current Top-Up Amount

What is the additional current top-up amount?*

A top-up amount added to the current FY due to:

Section 21(1) Conditions

a permanent difference between the local taxable income and the GloBE income or loss in a year of loss*

or

Section 21(4) Recalculations

certain recalculations of the top-up amounts for previous FYs**

** Section 21(1) of the MMT Act.*
*** Section 21(4) of the MMT Act.*

Additional Current Top-Up Amount

1. Section 21(1) additional current top-up amount

Where:

- sum of the GloBE income or loss of all CEs in a jurisdiction (i.e. A) $\leq$ nil;
- sum of adjusted covered taxes of those CEs (i.e. B) < nil; and
- adjusted covered taxes are less than the expected adjusted covered taxes (i.e. B < A x 15%),

↓

Additional current top-up amount = (A x 15%) – B

Additional Current Top-Up Amount

1. Section 21(1) additional current top-up amount

- Example – An MNE group has two CEs located in Jurisdiction A. Jurisdiction A has a domestic CIT rate of 15%. CE 1 enjoys enhanced tax deduction on its expenditure:

($)	CE 1	CE 2	Total
GloBE income or loss	(500)	100	(400)
Adjusted covered taxes	(150)	15	(135)
Expected adjusted covered taxes			(60) (i.e. -400 x 15%)
Section 21(1) additional current top-up amount			75 (i.e. -60 – (-135))

Additional Current Top-Up Amount

2. Section 21(4) additional current top-up amount

Recalculations required for:

a. regulation 32 election for local tangible assets;
b. regulation 46 recaptured deferred tax liabilities;
c. regulation 40(2) post-filing adjustment;
d. regulation 40(8) unpaid current tax; and
e. regulation 48 recaptured deemed distribution tax amount.

Items to recalculate for the previous FY:

- the adjusted covered taxes (where relevant);
- the GloBE income or loss (where relevant);
- the ETR; and
- the top-up amount.

Additional Current Top-Up Amount

2. Section 21(4) additional current top-up amount

- If after making the required recalculations for the previous FY:

Recalculated total top-up amounts for the previous FY (i.e. C)

Original top-up amounts for that FY (i.e. D)

Additional current top-up amount = C – D

Additional Current Top-Up Amount

2. Section 21(4) additional current top-up amount

- Example – Assume the CE is located in a jurisdiction with a 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
GloBE income or loss	100	100	80
Income or loss for CIT purpose	100	**0** (i.e. 100 – 100) ***Revised assessment in FY 4***	80
Adjusted covered taxes	15	**0** (i.e. 15 – 15)	**12**
Jurisdictional ETR	15% (i.e. 15 ÷ 100)	**0%** (i.e. 0 ÷ 100)	15% (i.e. 12 ÷ 80)
Jurisdictional top-up amount	Nil		15

Recalculated top-up amount for FY 1	15 (i.e. $100 x 15%)
Original top-up amount for FY 1	Nil
Section 21(4) additional current top-up amount for FY 4	15

Jurisdictional Top-Up Amount

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- Top-Up Tax Percentage
- Excess Profits
- Additional Current Top-Up Amount
- Qualified Domestic Minimum Top-Up Tax

Qualified Domestic Minimum Top-Up Tax

What is the amount of "QDMTT" that is deducted in determining the jurisdictional top-up amount?*

- The QDMTT imposed by the laws of a jurisdiction in respect of the CEs for a FY.
- Excludes any amount:
  A. contested in any judicial or administrative proceedings in; or
  B. determined to be not assessable or collectible by the tax authority of,

  that jurisdiction on constitutional (or similar) grounds therein, or under any specific agreement with the government of that jurisdiction limiting the tax liability of the CEs.
- Includes any amount:
  - So excluded previously, but later determined to be payable for that FY.

** Section 16(4)(d) of the MMT Act.*

Jurisdictional Top-Up Amount

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Computing the jurisdictional top-up amount

- Example – A UPE of an MNE group in Singapore has CEs located in Jurisdiction A, which has a CIT rate of 5% and has implemented QDMTT.

Sum of GloBE income or loss of the CEs in Jurisdiction A	$100
Sum of adjusted covered taxes of the CEs in Jurisdiction A	$5
ETR of Jurisdiction A	5%
QDMTT imposed in respect of the CEs under the laws of Jurisdiction A	$10
Computation of jurisdictional top-up amount for MTT purpose: • (Top-up tax percentage) x (Excess profits) • Additional current top-up amount (assume nil) • Less: QDMTT in respect of the CEs in Jurisdiction A	 $10 (i.e. (15% – 5%) x 100) $0 ($10)
Jurisdictional top-amount	**Nil**

Negative Tax Carried Forward

- Certain features of the GloBE Rules are designed to prevent instances where deferred tax expenses may shield permanent differences from GloBE tax liability.
  - For example, the interaction of a permanent difference with deferred tax accounting may result in a negative ETR percentage, and when such a percentage is subtracted from the minimum rate of 15%, the top-up tax percentage exceeds the minimum rate.
- Such features may result in a top-up tax liability with a top-up tax percentage exceeding 15% or a top-up tax liability in a year of loss.
- The **NTCF** mechanism provides a tax deferral in two situations:

(i) the top-up tax percentage exceeds 15%; and

(ii) a year of GloBE loss (upon election).

Negative Tax Carried Forward

- NTCF arises if there are **negative adjusted covered taxes** in a FY in the following situations:

(i) ETR is a negative amount (Top-up tax percentage > 15%)

Where for a FY:

a. the sum of the adjusted covered taxes of CEs is < 0; and

b. the sum of the GloBE income or loss of CEs is > 0,

then the sum of the adjusted covered taxes of CEs for that FY is treated as NTCF for those CEs.*

(ii) Presence of a section 21(1) additional current top-up amount in a year of GloBE loss (upon election)

Where for a FY:

a. the sum of the adjusted covered taxes of CEs (i.e. B) is < 0;

b. the sum of the GloBE income or loss of CEs (i.e. A) is ≤ 0; and

c. B < (A x 15%),

then an additional current top-up amount applies to those CEs for that FY, and such an amount is treated as NTCF for those CEs (except for the amounts attributable to loss carry-back).**

** Section 17(3) of the MMT Act.*

*** Sections 21(1) and 21(2)(a) of the MMT Act.*

Negative Tax Carried Forward

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- In terms of mechanics:
  - The NTCF is **deducted against any positive aggregate amount of adjusted covered taxes** of the CEs in a subsequent FY where the sum of GloBE income or loss of the CEs is a positive amount.
  - This **reduces the ETR** of the MNE group for the jurisdiction for that subsequent FY.

Negative Tax Carried Forward

(i) ETR is a negative amount (Top-up tax percentage > 15%)

- Example 1 – Assume a CE in a jurisdiction with a CIT rate of 15%:
  - The CE has a GloBE income of $100 in the FY.
  - Due to enhanced tax deduction in the CIT regime, it has a tax loss of $300.
  - The CE records a deferred tax asset of $45 (i.e. $300 x 15%) for accounting purpose.
  - **Without the NTCF mechanism**:
    - the ETR would have been a negative amount (i.e. -$45 ÷ $100 = -45%), which would have resulted in a top-up tax percentage of 60% (i.e. 15% – (-45%)).
  - **With the NTCF mechanism**:
    - the ETR is deemed nil; and
    - the amount of $45 is treated as NTCF for the CEs in the jurisdiction.

Negative Tax Carried Forward

(i) ETR is a negative amount (Top-up tax percentage > 15%)

- Example 1 (continued):

($)	FY 1	FY 2
GloBE income / (loss)	100	300
Taxable income / (loss)	(300)	0 (i.e. 300 – 300)
Adjusted covered taxes	(45)	45
ETR (before NTCF)	**Deemed nil**	**15%** (i.e. 45 ÷ 300)
ETR (after NTCF)	**Deemed nil**	**0%** (i.e. (45 – 45) ÷ 300)
Top-up tax percentage	15%	15%
Jurisdictional top-up tax amount	15	45

NTCF for CEs in the jurisdiction	
Addition in FY 1	45
Balance carried forward	**45**
Deduction in FY 2	(45)
Balance carried forward	**0**

Negative Tax Carried Forward

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(ii) Presence of a section 21(1) additional current top-up amount in a year of GloBE loss (upon election)

- Example 2 – Assume a CE in a jurisdiction with a CIT rate of 15%:
  - The CE has a GloBE loss of $100 in the FY.
  - Due to enhanced tax deduction in the CIT regime, it has a tax loss of $300.
  - The CE records a deferred tax asset of $45 (i.e. $300 x 15%) for accounting purpose.
  - **Without the NTCF mechanism**:
    - there would have been a section 21(1) additional current top-up amount of $30 (that is, the difference between the expected adjusted covered taxes of -$15 (i.e. -$100 x 15%) and the actual adjusted covered taxes of -$45 (i.e. -$300 x 15%)).
  - **With the NTCF mechanism (upon election)**:
    - the amount of $30 is treated as NTCF for the CEs in the jurisdiction.

Negative Tax Carried Forward

(ii) Presence of a section 21(1) additional current top-up amount in a year of GloBE loss (upon election)

- Example 2 (continued):

($)	FY 1	FY 2
GloBE income / (loss)	(100)	300
Taxable income / (loss)	(300)	0 (i.e. 300 – 300)
Adjusted covered taxes	(45) (i.e. -300 x 15%)	45
ETR (before NTCF)	**Deemed 15%**	**15%** (i.e. 45 ÷ 300)
ETR (after NTCF)	**Deemed 15%**	**5%** (i.e. (45 – 30) ÷ 300)
Additional current top-up amount	30	N.A.
Additional current top-up amount (after election for NTCF)	Nil	N.A.
Top-up tax percentage	Nil	10%
Jurisdictional top-up tax amount	Nil	30

NTCF for CEs in the jurisdiction	
Addition in FY 1	30
Balance carried forward	**30**
Deduction in FY 2	(30)
Balance carried forward	**0**

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