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

Module Six: Safe Harbours



August 2025

Outline of Module

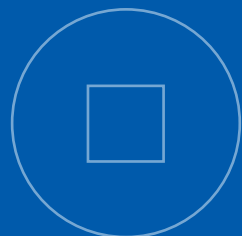
-  **Overview of GloBE Safe Harbours**
-  **Transitional CbCR Safe Harbour**
-  **QDMTT Safe Harbour**
-  **Simplified Calculations Safe Harbour**

Abbreviations

- **CbC** : country-by-country
- **CbCR** : country-by-country reporting
- **CE** : constituent entity
- **CFS** : consolidated financial statements
- **DTT** : domestic top-up tax
- **ETR** : effective tax rate
- **FANIL** : financial accounting net income or loss
- **FAS** : financial accounting standards
- **FS** : financial statements
- **FTE** : flow-through entity
- **FY** : financial year
- **GIR** : GloBE information return
- **GloBE** : Global Anti-Base Erosion
- **IE** : investment entity
- **IIE** : insurance investment entity
- **IIR** : income inclusion rule
- **JV** : joint venture
- **MOCE** : minority-owned CE
- **MMT Act** : Multinational Enterprise (Minimum Tax) Act 2024 of Singapore
- **MMT Regulations** : Multinational Enterprise (Minimum Tax) Regulations 2024 of Singapore
- **MTT** : multinational enterprise top-up tax
- **NMCE** : non-material constituent entity
- **PPA** : purchase price accounting
- **PE** : permanent establishment
- **QDMTT** : qualified domestic minimum top-up tax
- **SBIE** : substance based income exclusion
- **TCSH** : Transitional CbCR Safe Harbour
- **UPE** : ultimate parent entity
- **UTPR** : undertaxed profits rule



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Overview of GloBE Safe Harbours

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

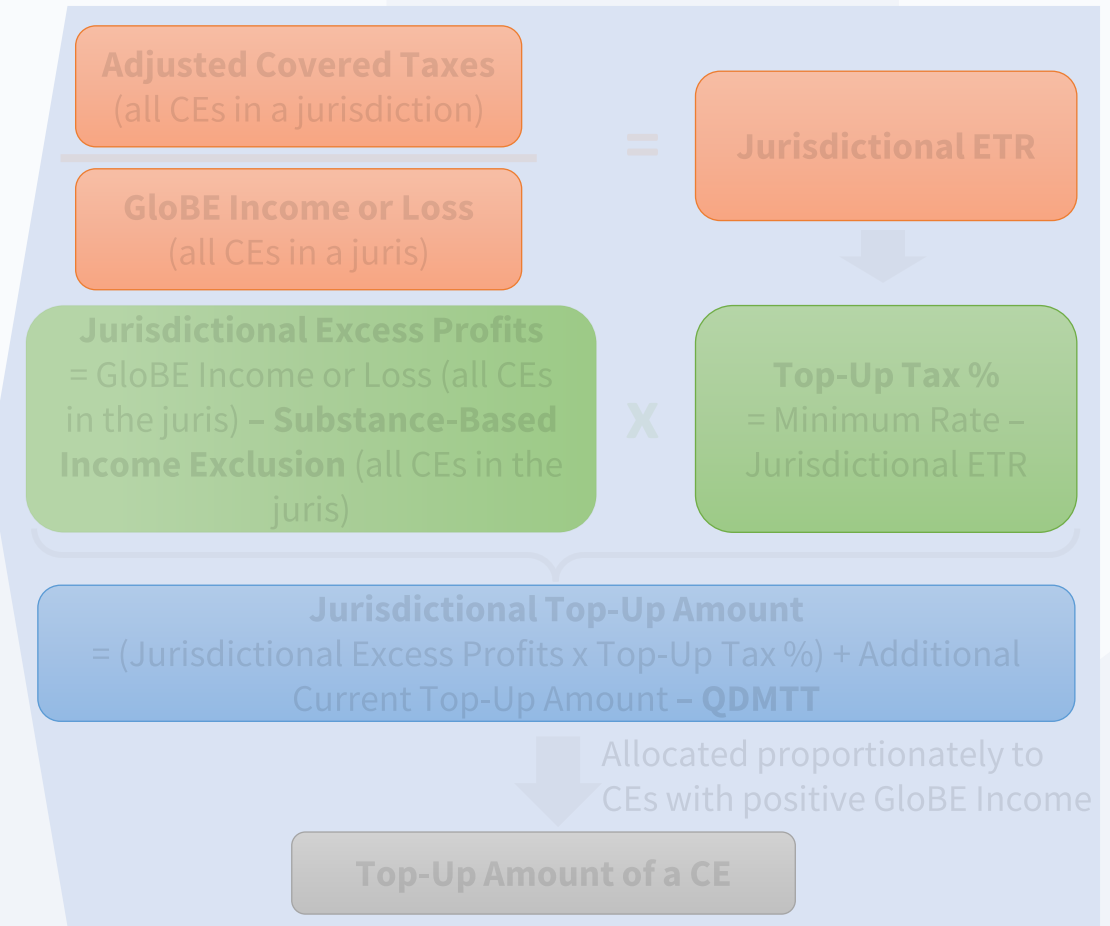
- Determine the GloBE Income or Loss and **Adjusted Covered Taxes** of each CE.

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.



GloBE Safe Harbours

Allows an MNE group to avoid GloBE calculations in respect of its CEs in a jurisdiction that are likely to be taxed at $\geq 15\%$ for an FY.

The filing entity of an MNE group may make an election in the GIR to apply a GloBE Safe Harbour for that jurisdiction.

Election applies to specified
CEs in a jurisdiction:



Top-up amount is treated as
nil*

* Section 20 of the MMT Act.

Types of GloBE Safe Harbours

1. Transitional CbCR Safe Harbour
2. QDMTT Safe Harbour
3. Simplified Calculations Safe Harbour
4. Transitional UTPR Safe Harbour
 - Deems the UTPR top-up tax amount in the UPE jurisdiction to be nil (for an FY within the transition period) if its statutory corporate tax rate $\geq 20\%$.
 - Not covered here as Singapore has not implemented the UTPR.



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Transitional CbCR Safe Harbour

Transitional CbCR Safe Harbour*

Objective

- In lieu of detailed GloBE calculations, the revenue and pre-tax profit figures from a qualifying CbC report are used to assess if there is top-up tax liability in a jurisdiction.

Applies to

- Both MTT and DTT.
- FYs beginning on or before 31 Dec 2026, which end on or before 30 Jun 2028.

Key point

- The MNE group must have made the election from the first FY its CEs in a jurisdiction comes within the scope of a qualified IIR or UTPR.
- E.g. assuming the first FY that the CEs of an MNE group in a jurisdiction comes within the scope of a qualified IIR or UTPR is the FY from 1 Jul 2025 to 30 Jun 2026, if the MNE group does not elect for the TCSH for that FY, it is not allowed to do so for subsequent FYs.

* Division 2 of Part 9 of the MMT Regulations.

Entities Eligible for TCSH

- Unless otherwise specified, **every CE of, and JV connected to, an MNE group located in a jurisdiction** is eligible for the TCSH if the conditions for the TCSH are met.*
- A **MOCE** can qualify for the TCSH if it is located in a jurisdiction where the MNE group meets the TCSH conditions.



Stateless entities cannot qualify for the TCSH.



An **IE or IIE** qualifies for the TCSH **only if** all the MNE group's CEs with direct ownership interests in the entity are located in the same jurisdiction, and the entity does not make a tax transparency or taxable distribution method election.



A CE located in the same jurisdiction as a **flow-through UPE** does not qualify for the TCSH unless the GloBE income of the flow-through UPE is nil, and no FANIL of any PE is allocated to it the flow-through UPE.

* Regulation 69 of the MMT Regulations.

Conditions for the TCSH to Apply

- The conditions* for the TCSH to **apply to CEs in a jurisdiction** for a FY are:
 - i. the FY begins on or before 31 Dec 2026, and ends on or before 30 Jun 2028;
 - ii. the qualifying CbC report prepared for the MNE group in relation to the jurisdiction for the FY;[#]
 - iii. the election was made for every preceding FY that the MNE group comes within the scope of a qualified IIR or UTPR or was liable to be registered under the MMT Act;
 - iv. the deemed distribution tax election (under regulation 48 of the MMT Regulations) was not made for that FY for any CE in the jurisdiction; and
 - v. at least one of the three tests is met – refer to the subsequent slide for details.

* Regulation 70 of the MMT Regulations.

[#] Unless the CbC report is not required to be filed. If so, the MNE group has to complete the GIR with information that would have been made in such a report.

TCSH Test

- The top-up amount is deemed to be zero if **any of three tests** is passed:

De minimis test

- Total revenue (including that of CEs held for sale) < EUR 10 mil; **and**
- total pre-tax profit < EUR 1 mil.

Simplified ETR test

- Simplified income tax expense[#] divided by pre-tax profit:
 - ≥ 16% for FYs starting in 2025; and
 - ≥ 17% of FYs starting in 2026.

Routine profits test

- Pre-tax profit < SBIE; **or**
- nil pre-tax profit or net loss position.

[#] Income tax expense as reported in the qualified FS of an MNE group adjusted to exclude:

- any amount that does not relate to covered taxes; and
- any amount that relates to an uncertain tax position.

TCSH Test is Applied to Each Tested Jurisdiction

CEs, standalone JVs, and JV groups that are located in the same jurisdiction are treated as being in separate tested jurisdictions.

- CEs that are not special entities (including PEs);
- MOCEs; and
- IE or IIEs (provided conditions are met).

In one **tested jurisdiction**

- Each standalone JV.

Treated as a **separate tested jurisdiction**

- Members of each JV group.

Treated as **another separate tested jurisdiction**

Source of Information for TCSH Test

- Figures used in the TCSH tests must be from **qualifying CbC report** and **qualified FS**.

Qualifying CbC report

- A qualifying CbC report* is a **CbC report prepared on the basis of a qualified FS**.
- Where the tested jurisdiction does not require the MNE group to prepare a report, a qualifying CbC report is a report prepared in accordance with the UPE jurisdiction's legislation implementing the OECD's CbC report guidance (or the OECD guidance itself if there is no such legislation).
- A **partial CbC report does not qualify for the TCSH**.

* Regulation 67 of the MMT Regulations.

Qualified Financial Statements



- Financial accounts used to **prepare the UPE's CFS**, or **separate FS of CE** prepared in accordance with an acceptable or authorised FAS if the information is **reliable**.



- Financial accounts of a CE used for the preparation of the MNE group's CbC report where the CE is excluded from the UPE's CFS solely due to size or materiality grounds.



- Where a PE does not have its own qualified FS (as defined in the first bullet point), the MNE group may determine the portion of the main entity's total revenue and pre-tax profit that is attributable to the PE using separate FS prepared by the main entity for the PE for financial reporting, regulatory, tax reporting, or internal management control purposes.



- Where PPA adjustments are included in the financial accounts used to prepare the UPE's CFS or the separate FS of CE, those financial accounts or separate FS are not considered as "qualified FS", unless conditions are met.*

* Regulations 68(6) and 75(6) of the MMT Regulations.

Conditions for Including PPA Adjustments in Qualified Financial Statements

Consistent reporting condition

An MNE group meets this condition* only if its qualifying CbC report for any FY beginning after 31 Dec 2022 are based on financial accounts or FS which include any PPA adjustments.

- However, if the CE had previously excluded such PPA adjustments but was required by law to change its financial accounts or FS to include the PPA adjustments, then the MNE group can still meet this condition.

Goodwill impairment adjustment

When the “consistent reporting” condition is met, any reduction in pre-tax profit that is attributable to goodwill impairment related to transactions entered into after 30 Nov 2021, must be added back for the routine profits test.

- For the simplified ETR test, adding back is only required if deferred tax assets or liabilities were not adjusted for the goodwill impairment.

* Regulation 68(6) of the MMT Regulations.

Additional Guidance on Qualified Financial Statements

Can an MNE group use different types of qualified FS for different entities within the same tested jurisdiction?

- Information used to perform the computations for the TCSH test for entities in a tested jurisdiction must come from a single set of documents,* in other words, **either**:
 1. the **accounts used to prepare the CFS of the UPE for all entities in the tested jurisdiction**; or
 2. the **separate FS of each CE for all entities in the same tested jurisdiction** provided that they are prepared in accordance with an acceptable FAS **or** authorised FAS if the information is **reliable**.
- However, if the CEs in a tested jurisdiction include CEs that are excluded from the CFS due to size or materiality or PEs, the information for such CEs can come from the financial accounts specifically permitted in the MMT Regulations.
- The **failure** to use the **same type** of qualified FS to perform the TCSH computations for all entities in the same tested jurisdiction (except for the CEs mentioned above) results in **disqualification** of that tested jurisdiction from the TCSH.

* Regulation 74(3) of the MMT Regulations.

Additional Guidance on Qualifying CbC Report

Can a CbC report that is based on data from qualified FS for some tested jurisdictions be considered a qualifying CbC report for those tested jurisdictions if the data for other tested jurisdictions are not based on qualified FS?

- Whether a CbC report is considered a qualifying CbC report is **determined separately for each tested jurisdiction** based on **whether it is prepared based on qualified FS**.
- Consequently, a CbC report may be considered a qualifying CbC report with respect to some tested jurisdictions and not others.

Can a CbC report be considered a qualifying CbC report if it is based on data from the UPE's CFS for some jurisdictions and data from local GAAP accounts for other jurisdictions?

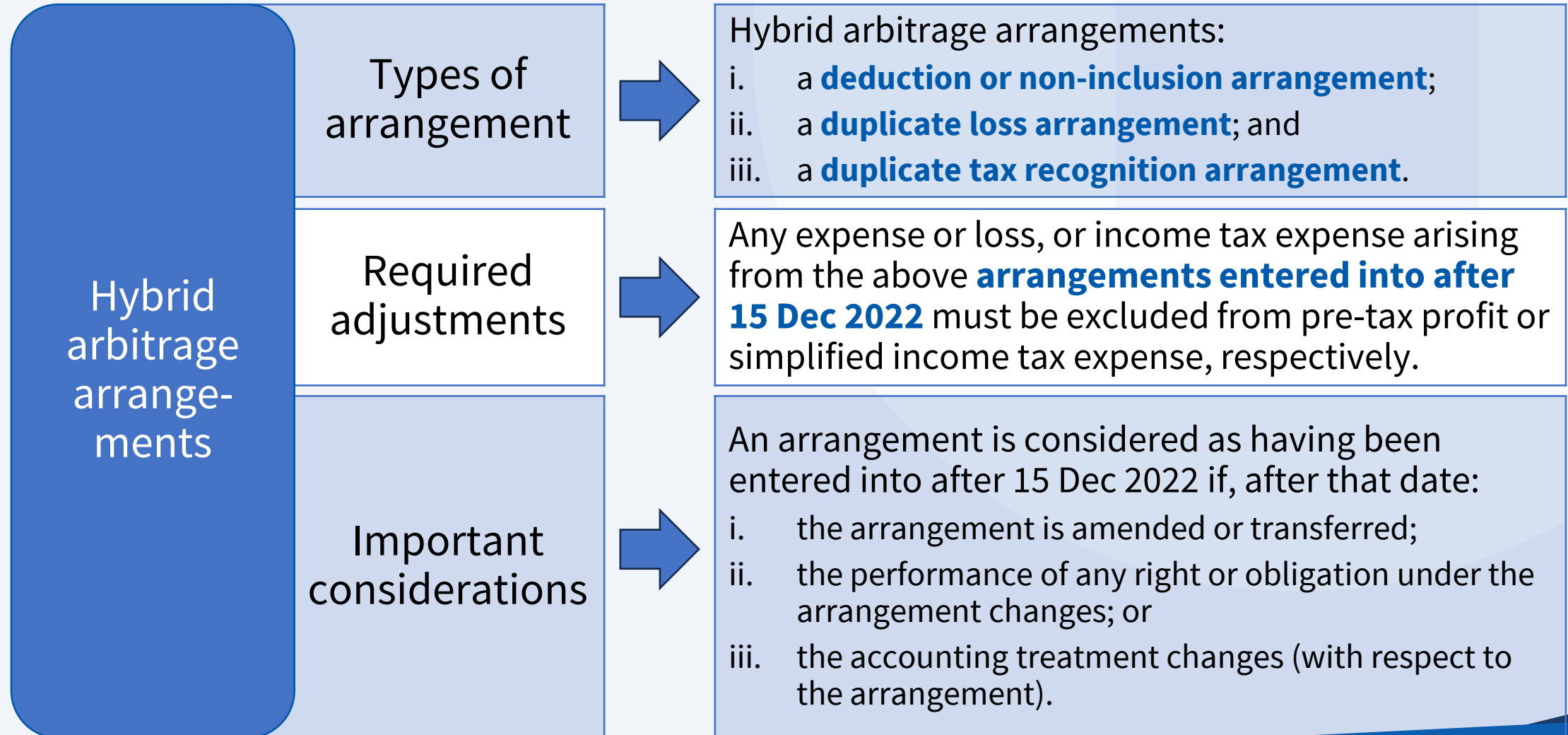
- An MNE group may use different qualified FS as the source of data for different tested jurisdictions in a qualifying CbC report.

Adjustment for Net Unrealised Fair Value Loss

- Where the CEs in a jurisdiction have a net unrealised fair value loss > EUR 50 mil, that loss is to be excluded from the pre-tax profit.*
 - Not applicable if the CEs' total ownership interest < 10%.

* Regulations 75(2) to 75(4) of the MMT Regulations.

Adjustment for Hybrid Arbitrage Arrangements



Adjustment for Hybrid Arbitrage Arrangements

Hybrid arbitrage arrange- ments

Deduction or
non-inclusion
arrangement

CE (i.e. A) makes an investment in another CE that results in an expense or loss for any CE (i.e. B) **without a commensurate increase** in A's revenue or taxable income.

- **Exception** – An arrangement where the relevant expense or loss is solely with respect to any additional tier one capital.

Duplicate loss
arrangement

A is not considered to have a commensurate increase in its taxable income to the extent that:

- the amount included in taxable income is offset by a tax attribute (such as a loss carry forward or an unused interest carry forward) with respect to which a valuation adjustment or accounting recognition adjustment has been made, or would have been made, if the adjustment determination was made without regard to any CE's ability to use the tax attribute with respect to a hybrid arbitrage arrangement entered into after 15 Dec 2022; or
- the payment that gives rise to the expense or loss also gives rises to a taxable deduction or loss of any CE located in the same jurisdiction as B without being included as an expense or loss in determining the pre-tax profit for that jurisdiction (including as a result of being an expense or loss in the FS of a FTE owned by a CE located in the same jurisdiction as B).

Duplicate tax
recognition
arrangement

Adjustment for Hybrid Arbitrage Arrangements

Hybrid arbitrage arrange- ments

Deduction or
non-inclusion
arrangement

Duplicate loss
arrangement

Duplicate tax
recognition
arrangement

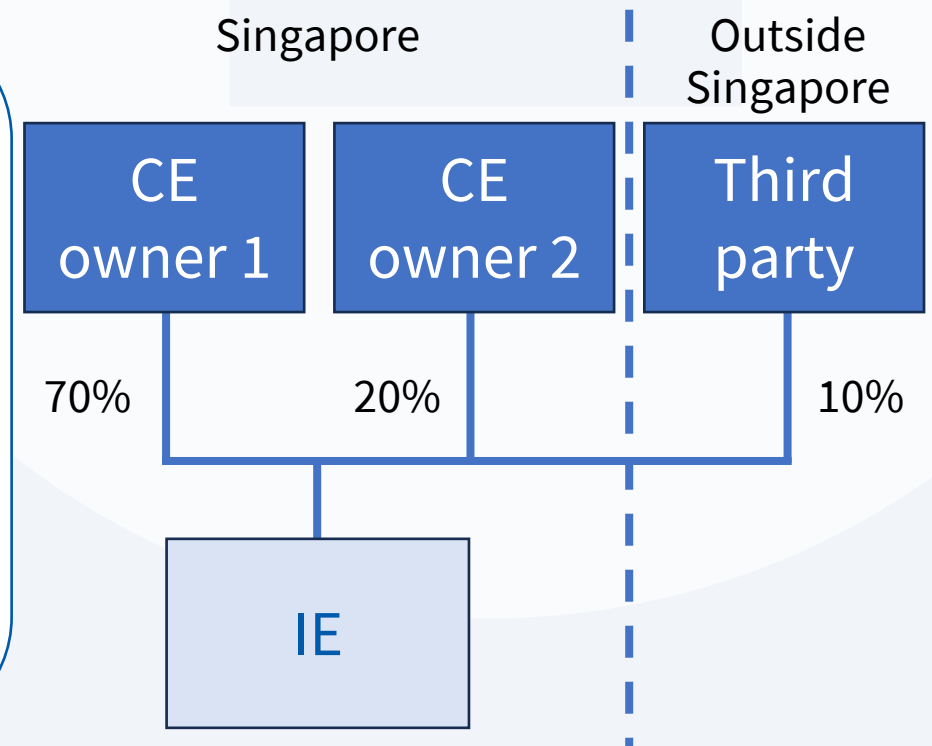
- A CE's expense or loss is also included in the FS of, or allowed tax deduction for, another CE.
 - **Exception** – An arrangement where the relevant expense is offset against:
 - i. revenue which is included in the FS of both CEs; or
 - ii. revenue in FS of one CE and taxable income in the other CE.
 - If both CEs that include the expense or loss in the FS are located in the same jurisdiction, then adjustment is needed for only one CE.
-
- The same income tax expense is included in multiple CEs' adjusted covered taxes or simplified ETR, unless the arrangement also results in the associated income being included for those CEs.
 - **Exception** – Where such an arrangement arises solely because the simplified ETR does not require adjustments for income tax expenses which would be allocated to another CE in the determination of covered taxes.

Adjustment for IE or IIE and its CE Owner

Pre-tax profit, revenue and income tax expense attributable to an IE or IIE is only accounted for by members of the MNE group with direct ownership in the IE or IIE, in proportion to their ownership interests in the IE or IIE.*

Example

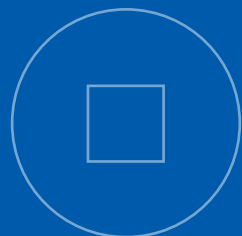
- An IE and its CE-owners 1 and 2 are located in Singapore.
- CE-owners 1 and 2 hold 70% and 20% direct ownership interest in the IE, respectively.
- 90% of the IE's pre-tax profit, revenue and income tax expense are to be taken into account in applying the TCSH in Singapore.
 - i.e. comprising 70% direct ownership by CE owner 1 and 20% direct ownership by CE owner 2.



* Regulation 75(5) of the MMT Regulations.



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QDMTT Safe Harbour

QDMTT Safe Harbour*

Objective

- Eliminates the need for an MNE group to perform an additional GloBE calculation in addition to the QDMTT calculation for CEs in a QDMTT jurisdiction.

Applies to

- MTT only.
- Not relevant to DTT.

Key point

- Singapore's DTT is designed to meet the QDMTT Safe Harbour requirements.

* Division 3 of Part 9 of the MMT Regulations.

QDMTT Safe Harbour

Every CE of, and JV connected to, an MNE group located in a jurisdiction is eligible for the QDMTT Safe Harbour if:

- a. the MNE group comes within the scope of the laws of the jurisdiction that imposes the QDMTT;
- b. the QDMTT of the jurisdiction has a “qualified” status for the QDMTT Safe Harbour; and
- c. no disqualifying conditions apply.



Top-up amount is treated as
nil

QDMTT Safe Harbour

Entities eligible for QDMTT Safe Harbour

Provided the conditions for the QDMTT Safe Harbour are met, every CE of, and JV connected to, an MNE group is eligible for the QDMTT Safe Harbour, i.e. the following entity types:

- CE that is not a special entity;
- JV;
- JV subsidiary
- IE;
- IIE ; and
- MOCE.

Election for QDMTT Safe Harbour

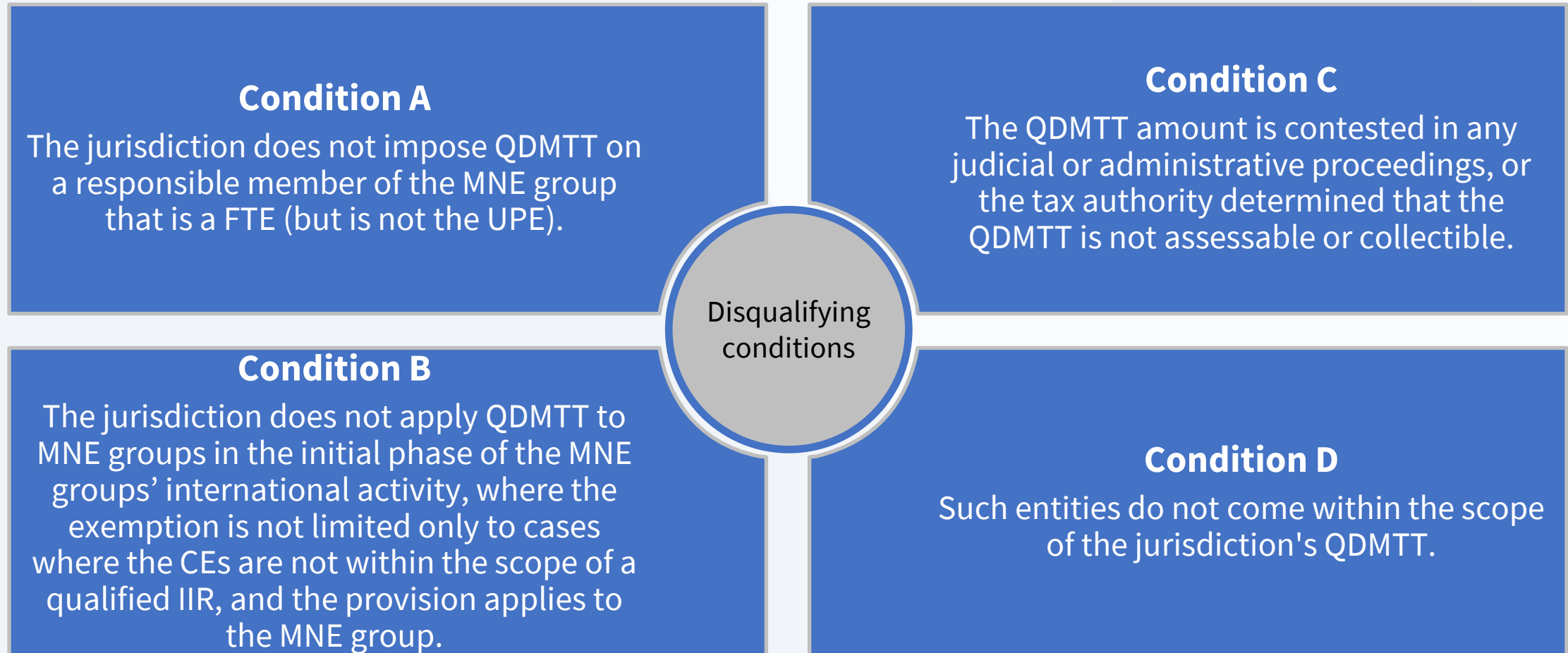
Separate election must be filed for each entity type

QDMTT Safe Harbour “Qualified” Status

- Whether a QDMTT Safe Harbour is “qualified” is determined via a peer review process.
- Pending a full legislative review, implementing jurisdictions will adopt a self-certification process as a temporary measure.
- The OECD website periodically publishes an updated Central Record of each implementing jurisdiction’s qualified status.
 - For jurisdictions not included in the Central Record, this does not mean that their Pillar Two legislations are not qualified.
 - Rather, the qualification process for the legislations may have yet to be initiated or completed at the time of the OECD’s publication.
- For MTT purpose, the QDMTT jurisdictions that qualify for QDMTT Safe Harbour are determined with reference to the Central Record published by the OECD.*

* Regulation 96(2) of the MMT Regulations.

QDMTT Safe Harbour – Disqualifying Conditions



QDMTT Safe Harbour – Disqualifying Conditions

For MTT purposes, where any of these disqualifying conditions (that are applicable to an entity type) applies in a FY, the MNE group cannot elect to apply the QDMTT Safe Harbour for that entity type in that jurisdiction for that FY.

Disqualifying conditions* (applicable to and modified as necessary for each entity type)	CEs other than special entities	JV and JV subsidiaries	IEs or IIEs	MOCES
Condition A	✓	N.A.	✓	✓
Condition B	✓	✓	✓	✓
Condition C	✓	✓	✓	✓
Condition D	N.A.	✓	✓	N.A.

✓ = Applicable disqualifying condition.

N.A. = Not applicable to entity type.

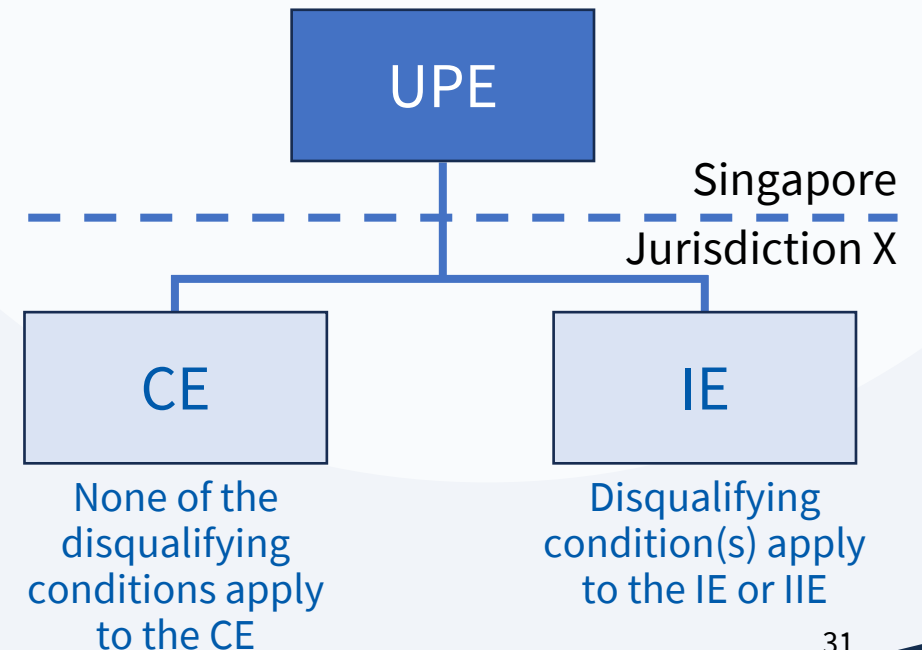
* Regulations 80 to 83 of the MMT Regulations.

QDMTT Safe Harbour – Disqualifying Conditions

Where any of the disqualifying conditions apply for an entity type, the MNE group is subject to a **Switch-off Rule** which prevents the MNE group from applying the QDMTT Safe Harbour in relation to the entity type located or created in the QDMTT jurisdiction, and requires the MNE group to switch to the credit method for the QDMTT.

Example of the effect of disqualification

- The MNE group is required to apply the **Switch-off Rule** for the IE or IIE, i.e. to switch off the application of the QDMTT Safe Harbour.
- For the CE, the QDMTT Safe Harbour applies, and the MTT top-up tax amount is deemed to be nil.





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Simplified Calculations Safe Harbour

Simplified Calculations Safe Harbour

Objective

- To avoid making certain complex GloBE calculations in situations where the calculation could be simplified without altering the MNE group's GloBE outcomes or otherwise undermining the integrity of the GloBE Rules.

Applies to

- Both MTT and DTT.

Entities Eligible for Simplified Calculations Safe Harbour

- Every CE of an MNE group within a subgroup is eligible for the Simplified Calculations Safe Harbour if the conditions for the safe harbour are met.
- The subgroups are:

CEs that are not special entities

MOCEs

IE or IIEs

Simplified Calculations Safe Harbour

Every CE of an MNE group within a subgroup that is located in a jurisdiction is eligible for the Simplified Calculations Safe Harbour if:

- a. at least one entity within the subgroup in the jurisdiction is a NMCE; and
- b. at least one of the following tests[#] is met by that subgroup, where relevant:
 - i. routine profits test;
 - ii. de minimis test; or
 - iii. ETR test.



Top-up amount for the subgroup is treated as nil

[#] Not all tests are applicable to all subgroups.

Non-Material Constituent Entity

- An entity is a NMCE if **all** the following conditions are met:
 - i. its assets, liabilities, income, expenses and cash flows are excluded from the UPE's CFS solely on size or materiality grounds;
 - ii. the CFS are prepared in accordance with an acceptable FAS or, if not, adjustments are made to prevent any material competitive distortions;
 - iii. the CFS are externally audited; and
 - iv. if the entity's revenue exceeds EUR 50 mil for the FY, its financial accounts used to prepare the CbC report are prepared in accordance with an acceptable FAS or authorised FAS.
- For a PE satisfying the above conditions, it is a NMCE only if its main entity is an NMCE.

Relevant Test Applied to Each Subgroup

Subgroup	Routine profits test	De minimis test	ETR test
CE not being a special entity	✓	✓	✓
MOCE	✓		✓
IE or IIE	✓	N.A.	✓

✓ = Applicable test.

N.A. = Not applicable to subgroup.

Tests for Application of Simplified Calculations Safe Harbour

Routine profits test

- $SBIE \geq \text{GloBE income or loss at the respective subgroup level.}$

De minimis test

- Average of the sum of the adjusted revenues for the current and 2 preceding FYs for the subgroup (excluding IEs and IIEs) $< \text{EUR } 10 \text{ mil.}^\#$ and
- Average of the sum of the GloBE income or loss for the current and 2 preceding FYs for the subgroup (excluding IEs and IIEs) $< \text{EUR } 1 \text{ mil.}^\#$

ETR test

- $\text{ETR for the respective subgroup} \geq 15\%.$

^\# For financial periods other than 365 days, the sum of adjusted revenues or sum of GloBE income or loss (as the case may be) is adjusted by multiplying it by $(365 \div \text{Number of days in FY})$.

Simplified Calculations for NMCE

- For the purposes of the tests, an MNE group may elect for the following:
 - computing the **GloBE income or loss** of an NMCE using the **total revenue** determined in accordance with the relevant CbC regulations;*
 - computing the **adjusted revenue** of such NMCE using the **total revenue** determined in accordance with the relevant CbC regulations;* and
 - computing the **adjusted covered tax** in the calculation of the ETR for such NMCE using the **accrued current tax expense** determined in accordance with the relevant CbC regulations.*

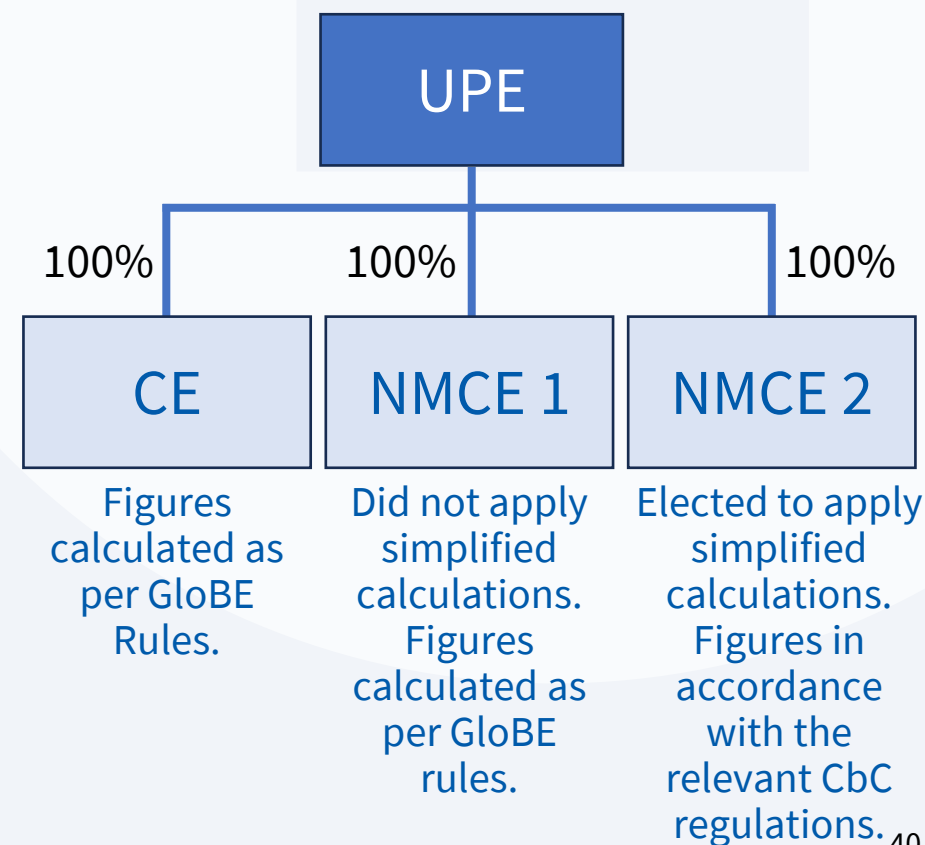
* Regulation 86(4) of the MMT Regulations.

Elections for Simplified Calculations Safe Harbour

- The election must be made in the GIR for the FY.
- Separate elections must be made for each NMCE.

Example

- An MNE group has one CE (not being a special entity) and two NMCEs in a jurisdiction. NMCE 1 has not elected to apply the Simplified Calculations Safe Harbour, while NMCE 2 has made the election.
- CE and NMCE 1 perform GloBE computations to determine their test figures for the Simplified Calculations Safe Harbour tests.
- NMCE 2's figures are based on CbC regulations (entity-level figures that aggregate to reported jurisdictional figure under CbC regulations).
- If the subgroup meets at least one of these three tests, its top-up amount in respect of that jurisdiction is deemed nil for that FY.





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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.