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

Module Seven: Corporate Restructurings and Holding Structures



August 2025

Outline of Module

-  **Application of Consolidated Revenue Threshold to Group Mergers and Demergers**
-  **Constituent Entities Joining or Leaving an MNE Group**
-  **Transfer of Assets and Liabilities**
-  **Joint Ventures**
-  **Multi-Parent Groups**

Abbreviations

- **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
- **FYE** : financial year end
- **GloBE** : Global Anti-Base Erosion
- **IPE** : intermediate parent entity
- **JV** : joint venture
- **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
- **PE** : permanent establishment
- **SBIE** : substance-based income exclusion
- **UPE** : ultimate parent entity



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Application of Consolidated Revenue Threshold to Group Mergers and Demergers



Recap – Revenue Threshold

What is the revenue threshold?

- The MMT Act applies to an MNE group for a FY if the group's **consolidated group revenue** – determined by reference to the CFS of the UPE – is equal to or exceeds the revenue threshold of **EUR 750 mil** for at least 2 out of 4 FYs immediately before that FY.*

Quick Tip

- The EUR 750 mil revenue threshold for a particular FY is applied at the level of the consolidated group revenue in the UPE's CFS.
- It is **not** the entity-level revenue.
- It is also **not** the aggregated revenue of only the Singapore entities.

* Section 8(1) of the MMT Act.

Application of the Consolidated Revenue Threshold to Mergers and Demergers

- Part 2 of the MMT Regulations modify the application of the consolidated revenue threshold in cases of mergers and demergers, under the following scenarios:
 - a. an MNE group is formed by a merger of two or more groups;*
 - b. an MNE group is formed by a merger involving entities not belonging to any group;** and
 - c. a demerger of an MNE group.***

* Regulation 4A of the MMT Regulations.

** Regulation 4B of the MMT Regulations.

*** Regulation 4C of the MMT Regulations.

Application of the Consolidated Revenue Threshold to Mergers and Demergers

Merger of Two or More Groups

Merger Involving Entities Not Belonging to Any Group

Demerger of an MNE Group

Application of the Consolidated Revenue Threshold to Mergers and Demergers

Merger of Two or More Groups

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Demerger of an MNE Group

Merger of Two or More Groups

What constitutes a “merger” under regulation 4A ?

- A “merger” under regulation 4A of the MMT Regulations refers to an arrangement pursuant to which all, or substantially all, of the group entities of two or more groups (i.e. constituent groups) become entities of a single MNE group.*

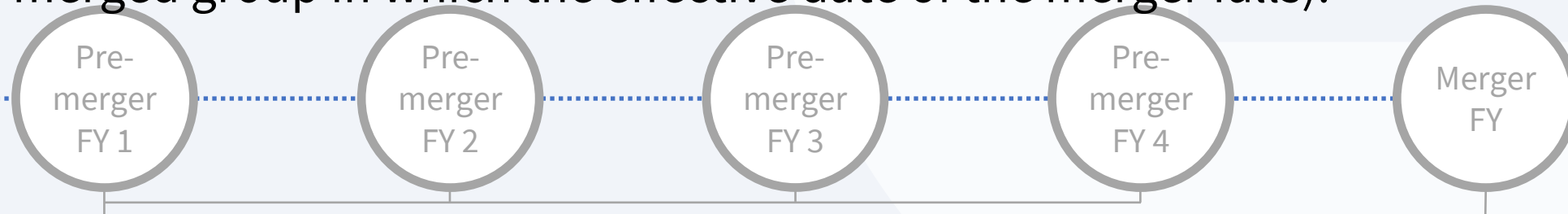
Quick Tip

- The acquisition of a single CE does not constitute a merger under regulation 4A of the MMT Regulations since the acquired CE is a standalone entity prior to the acquisition, and is not part of a group.

* Regulation 4A(1) of the MMT Regulations.

Merger of Two or More Groups

- To determine if a merged group is in-scope of the MMT Act, regard must be had to the consolidated group revenue of its constituent groups in the pre-merger FYs, and also that of the merged group in its first FY (i.e. FY of the merged group in which the effective date of the merger falls):*



» Aggregate the consolidated group revenue of each constituent group, in respect of each pre-merger FY, to determine if the sum \geq EUR 750 mil for that pre-merger FY.

» i.e. period that starts on the first day immediately after the pre-merger FY and ends on the last day of merged group's first FY.

» Aggregate the consolidated group revenue of:

1. each constituent group for the FY ending in the merger FY; and
2. the merged group for its first FY, to determine if the sum \geq EUR 750 mil.

* Regulations 4A(4) and 4A(5) of the MMT Regulations.

Merger of Two or More Groups

- Example:
 - Group A, Group B and Group C merged to form Group M on 1 Jul 2024.
 - Each group (prior to merger) uses the calendar year as its FY.

FY	Sum of consolidated group revenue of Groups A to C (EUR)	Consolidated group revenue of Group M (EUR)	Total
1 Jan to 31 Dec 2021	300 mil	-	300 mil
1 Jan to 31 Dec 2022	550 mil	-	550 mil
1 Jan to 31 Dec 2023	770 mil	-	770 mil✔
1 Jan to 30 Jun 2024	355 mil	-	755 mil✔
1 Jul to 31 Dec 2024 (i.e. first FY of merged group)	-	400 mil	
Tested FY	Whether Group M is in-scope for MTT or DTT for FYE 31 Dec 2025		

- Thus, Group M is in-scope for FY 2025 since the consolidated revenue threshold is exceeded in FYs 2023 and 2024.

Merger of Two or More Groups

Different FYEs

- Where the FYE of a constituent group differs from that of the merged group, the constituent group's consolidated group revenue for each pre-merger FY to be included for the purpose of applying the consolidated group revenue test to the merged group, is the constituent group's consolidated group revenue for its **FY ending at any time in the pre-merger FY**.*

* Regulation 4A(6) of the MMT Regulations.

Application of the Consolidated Revenue Threshold to Mergers and Demergers

Merger of Two or More Groups

Merger Involving Entities Not Belonging to Any Group

Demerger of an MNE Group

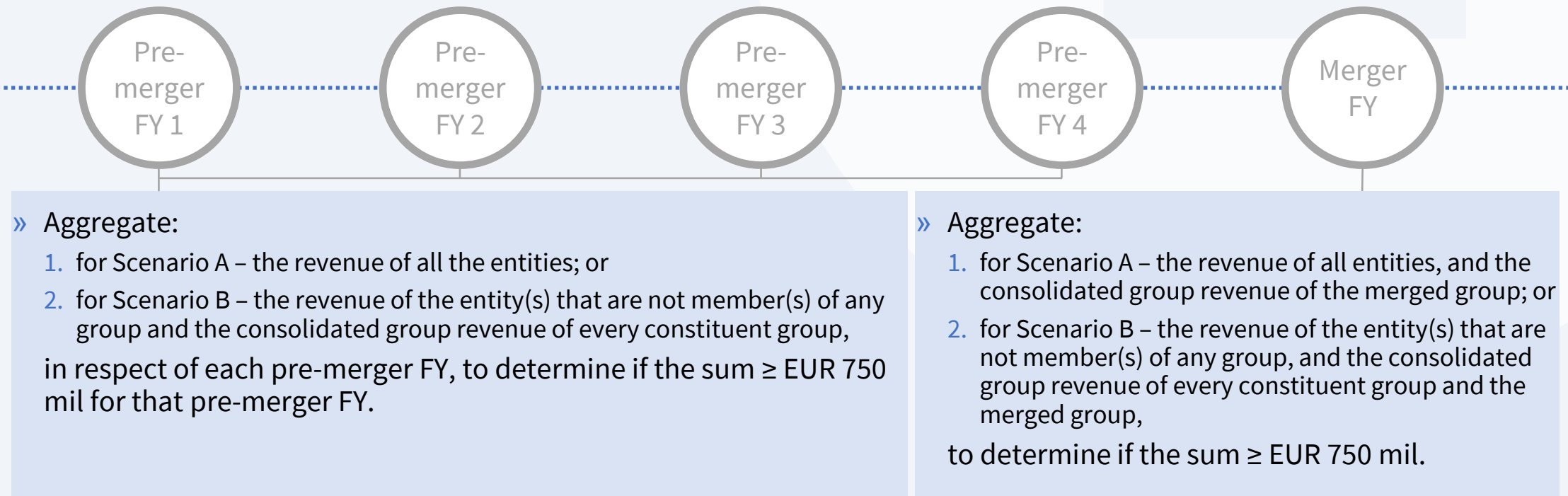
Merger Involving Entities Not Belonging to Any Group

What constitutes a “merger” under regulation 4B?

- A “merger” under regulation 4B of the MMT Regulations refers to an arrangement pursuant to which either:
 - a. Scenario A – two or more entities that are each not a member of any group, become entities of an MNE group; or
 - b. Scenario B – one or more entities that are each not a member of any group, and the entities of one or more groups, become entities of a single MNE group.

Merger Involving Entities Not Belonging to Any Group

- To determine if a merged group is in-scope, regard must be had to the consolidated group revenue of its constituent groups in the pre-merger FYs, and also that of the merged group in its first FY:*



* Regulations 4B(4) and 4B(5) of the MMT Regulations.

Merger Involving Entities Not Belonging to Any Group

Different FYEs

- Where the FYE of an entity or constituent group differs from that of the merged group, the entity's revenue or the constituent group's consolidated group revenue (as the case may be) for each pre-merger FY to be included for the purpose of applying the consolidated group revenue test to the merged group, is the entity's revenue or the constituent group's consolidated group revenue (as the case may be) for its **FY ending at any time in the pre-merger FY**.^{*}

^{*} Regulation 4B(6) of the MMT Regulations.

Merger Involving Entities Not Belonging to Any Group

Different FYEs

- Example:
 - Group M uses 31 Dec as its FYE.
 - CE A, which is acquired by Group M on 1 Jan 2025, uses 30 Sep as its FYE.
 - The pre-merger FYs of Group M are: (a) 1 Jan to 31 Dec 2021; (b) 1 Jan to 31 Dec 2022; (c) 1 Jan to 31 Dec 2023; and (d) 1 Jan to 31 Dec 2024.
 - The merger FY of Group M is 1 Jan to 31 Dec 2025.
 - CE A's revenue for: (a) FYE 30 Sep 2021; (b) 30 Sep 2022; (c) 30 Sep 2023; and (d) 30 Sep 2024, is added to Group M's consolidated group revenue for: (i) FYE 31 Dec 2021; (ii) 31 Dec 2022; (iii) 31 Dec 2023; and (d) 31 Dec 2024, respectively.
 - CE A's revenue for 1 Oct to 31 Dec 2024 is not included in the computation of Group M's consolidated group revenue for FYE 31 Dec 2024.

Application of the Consolidated Revenue Threshold to Mergers and Demergers

Merger of Two or More Groups

Merger Involving Entities Not Belonging to Any Group

Demerger of an MNE Group

Demerger of an MNE Group

What constitutes a “demerger”?

- A “demerger” refers to an arrangement pursuant to which the entities of a relevant MNE group (i.e. in-scope MNE group for the FY in which the effective date of the demerger falls) are **separated into two or more groups** (i.e. each a demerged group), **such that the assets, liabilities, income, expenses and cash flows of those entities are no longer in the CFS of the same UPE.***

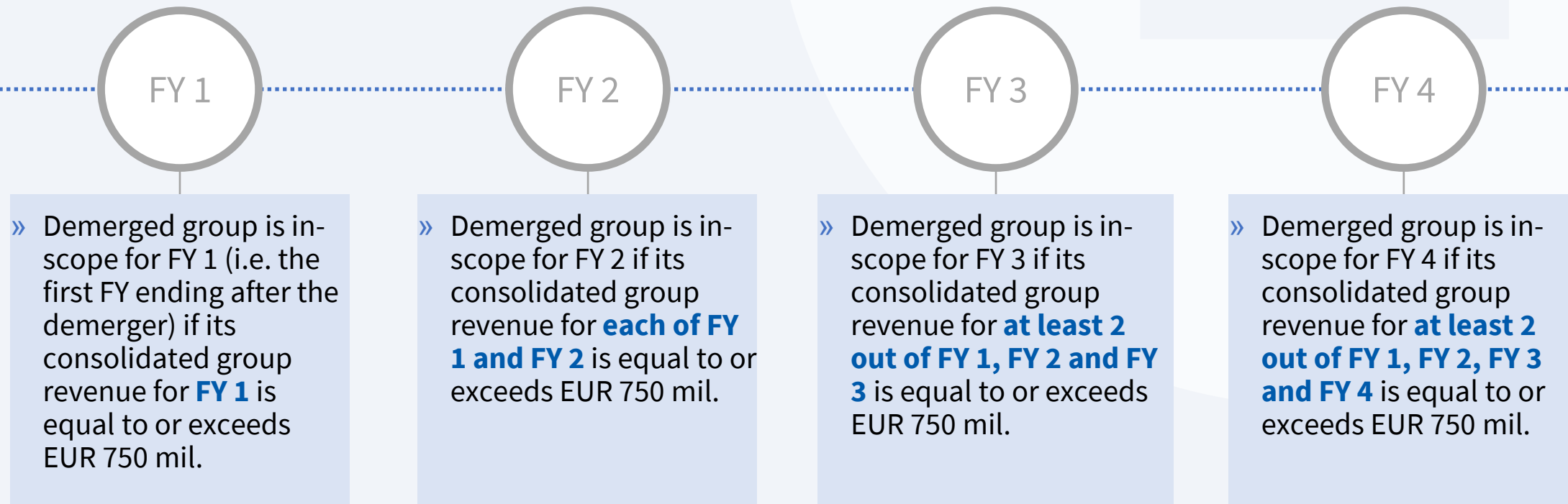
Quick Tip

- The disposal of a single CE does not constitute a demerger since the disposed entity is a standalone entity following the disposal, and is not part of a group.

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

Demerger of an MNE Group

- If an in-scope MNE group undergoes a demerger, the consolidated revenue threshold is treated as being satisfied or exceeded in respect of a demerged group for the following FYs if:*



* Regulation 4C(3) of the MMT Regulations.



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Constituent Entities Joining or Leaving an MNE Group



Adjustments for a CE Joining or Leaving an MNE Group

Where, in a FY, an entity becomes a CE of an MNE group, or leaves an MNE group:*

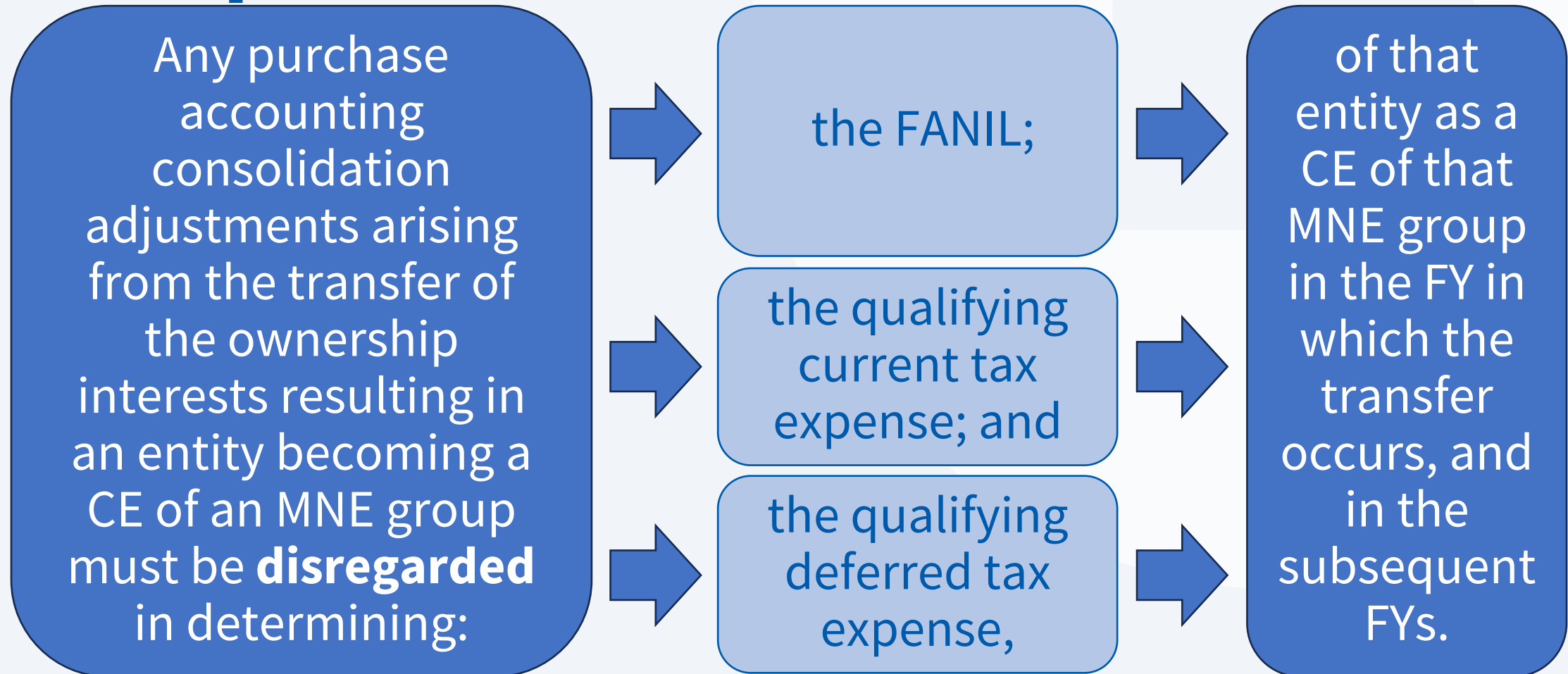
the entity is **treated as a CE of the MNE group for the whole of the FY** if any portion of its assets, liabilities, income, expenses or cash flows are included, on a line-by-line basis, in the CFS of the UPE of that MNE group for that FY;

the **CE's FANIL, adjusted covered taxes, and eligible payroll costs** for that FY are regarded as those of a CE of the MNE group to the extent that such amounts are taken into account in the CFS of the UPE of that MNE group; and

the **CE's tangible asset carve-out amount** as a CE of the MNE group for that FY is the proportion of the amount for the full FY corresponding to the proportion of that FY when it is a CE of that MNE group.

* Regulation 59(1) of the MMT Regulations.

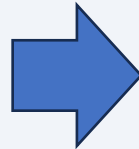
Adjustments for a CE Joining an MNE Group



* Regulation 59(2) of the MMT Regulations.

Adjustments for a CE Joining an MNE Group from Another MNE Group

Where an entity that becomes a CE of an MNE group (i.e. MNE group A) as a result of a transfer of direct or indirect ownership interests in it, was a CE of another MNE group (i.e. MNE group B) immediately before the transfer:*



the amount of any deferred tax asset or liability (not including any special loss deferred tax asset)** of the entity that existed immediately before the transfer that is to be taken into account in relation to the entity as a CE of MNE group A, is the **amount that would have been taken into account if MNE group A had a controlling interest in the entity at the time the deferred tax asset or liability arose.**

* Regulations 59(3) and 59(4) of the MMT Regulations.

** Regulation 47 of the MMT Regulations.

Adjustments for a CE Joining an MNE Group from Another MNE Group

Where an entity that becomes a CE of an MNE group (i.e. MNE group A) as a result of a transfer of direct or indirect ownership interests in it, was a CE of another MNE group (i.e. MNE group B) immediately before the transfer:*

the deferred tax liability of the entity which was included in the qualifying deferred tax expense of that entity as a CE of MNE group B is subject to the following:

- a. the deferred tax liability is **treated as reversed** for that entity as a CE of MNE group B;
- b. the deferred tax liability is **treated as arising in the FY in which the transfer of direct or indirect ownership interests in the entity occurs** for the purpose of determining the qualifying deferred tax expense of that entity as a CE of MNE group A; and
- c. if the deferred tax liability is recaptured in a subsequent FY,** any resulting reduction in the qualifying current tax expense of that entity as a CE of MNE group A is only to **have effect in the FY in which the deferred tax liability is recaptured**.

* Regulations 59(3) and 59(5) of the MMT Regulations.

** Regulation 46 of the MMT Regulations.



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Transfer of Assets and Liabilities

Deemed Transfer of Assets and Liabilities

Where:*

a controlling interest in a CE of an MNE group is acquired or disposed of in a FY;

the acquisition or disposal is treated in the same (or a similar) manner as a transfer of the assets and liabilities of that CE:

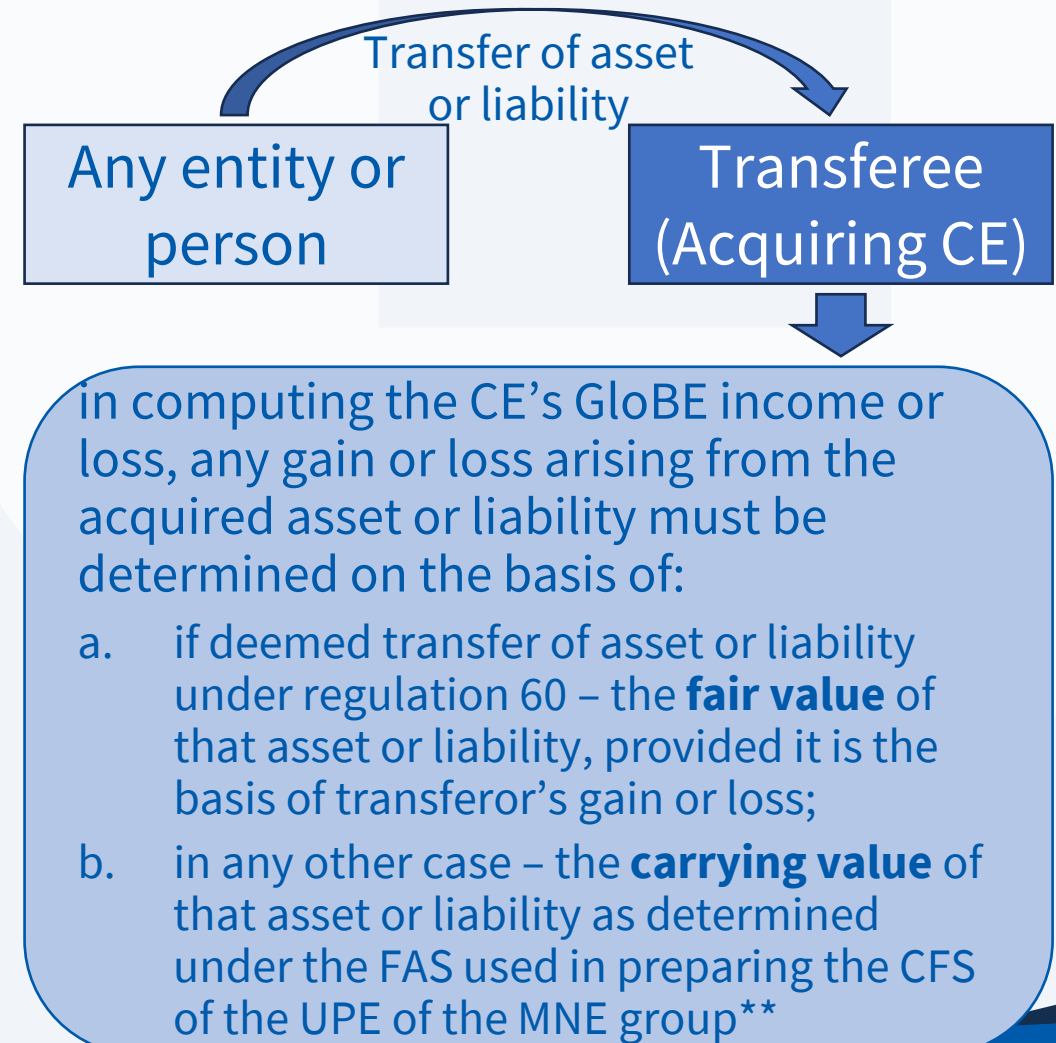
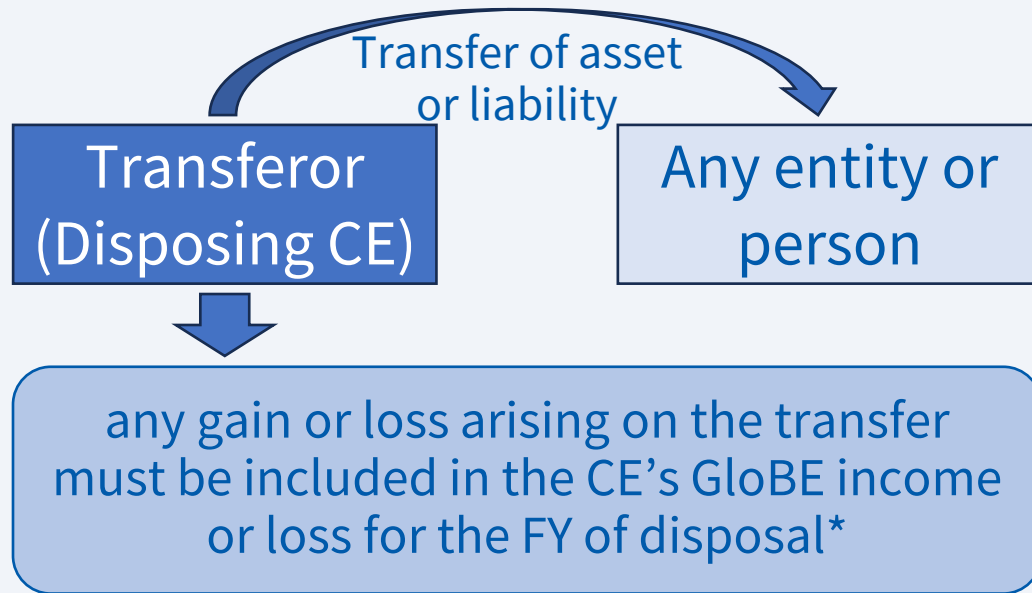
- a. where the CE is a FTE – under the laws of the jurisdiction where the assets are located; or
 - b. in any other case – under the laws of the jurisdiction where the CE is located;
- and

the jurisdiction where the assets or CE is located imposes a covered tax on the seller based on the gain (or deemed gain) on such a transfer,

that acquisition or disposal is to be **treated as an acquisition or disposal of the assets and liabilities of that CE**, and regulation 59 of the MMT Regulations does not apply.

* Regulation 60(1) of the MMT Regulations.

Transfer of Assets or Liabilities



* Regulation 61(1) of the MMT Regulations.

** Regulation 61(2) of the MMT Regulations.

Transfer of Assets or Liabilities – Entity Within the Same MNE Group

- Where a transfer of any asset or liability between CEs of an MNE group is not made under arm's length condition, **any gain or loss arising on the transfer that is included in the transferor's GloBE income or loss must be adjusted to secure that the transfer is reflected as made under arm's length condition.***
- “Arm's length condition”, in relation to a transaction between CEs of the same MNE group, means the conditions which would be made or imposed between them in their commercial or financial relations if they were not CEs of the same MNE group and dealing independently with one another in comparable circumstances.**

* Regulation 61(8) of the MMT Regulations.

** Regulation 21(7) of the MMT Regulations.

Transfer of Assets or Liabilities – Under a GloBE Reorganisation

Where a CE of an MNE group transfers any asset or liability to **another CE of the same MNE group** in the course of a GloBE reorganisation:*



any gain or loss on the transfer must be **excluded** from the FANIL of the transferor, except to the extent that it is a non-qualifying gain or loss of the transferor

and



any gain or loss on a subsequent transfer of the asset or liability by the transferee must be determined on the basis of the **carrying value of the asset or liability** recognised by the transferor immediately before the first-mentioned transfer, adjusted for any non-qualifying gain or loss of the transferor

* Regulation 61(3) of the MMT Regulations.

Transfer of Assets or Liabilities – Under a GloBE Reorganisation

What constitutes a “non-qualifying gain or loss”?*

- Refers to an amount of gain or loss on the transfer or any asset or liability that:

Gain

In the case of a gain, is not greater than:

- the amount of gain on that transfer that is subject to tax in the jurisdiction where the transferor is located; or
- the amount of gain on that transfer that is reflected in the FANIL of the transferor.

or

Loss

In the case of a loss, is not greater than:

- the amount of loss on that transfer that is taken into account for tax purpose in the jurisdiction where the transferor is located; or
- the amount of loss on that transfer that is reflected in the FANIL of the transferor.

* Regulation 61(9) of the MMT Regulations.

Transfer of Assets or Liabilities – Under a GloBE Reorganisation

What constitutes a “GloBE reorganisation”?*

- A transfer of an asset or liability is made in the course of a “GloBE reorganisation” if such a transfer takes place as a result of a:

- Merger;
- demerger;
- liquidation;
- change in the form of an entity; or
- similar event.



Condition A

- If consideration is provided for the transfer, the consideration consists (in whole or in significant part) of:
 - i. in the case of liquidation – the cancellation of the equity interests in the entity being liquidated; or
 - ii. in any other case – the equity interests issued by the transferee or a person connected with the transferee.
- If no consideration is provided for the transfer – the issue of the equity interests as consideration for the transfer would have no economic significance because the event does not result in a change in the beneficial ownership of any entity.

* Regulations 61(4) and 61(5) of the MMT Regulations.

Transfer of Assets or Liabilities – Under a GloBE Reorganisation

What constitutes a “GloBE reorganisation”?*

- A transfer of an asset or liability is made in the course of a “GloBE reorganisation” if such a transfer takes place as a result of a:

- Merger;
- demerger;
- liquidation;
- change in the form of an entity; or
- similar event.



Condition B

- Any gain or loss of the transferor that arises from the transfer is not (in whole or in part) subject to tax.



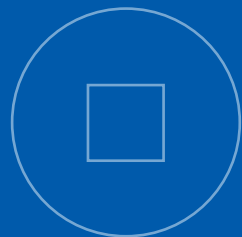
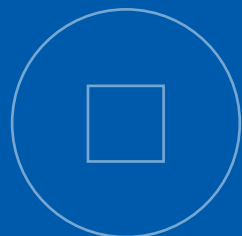
Condition C

- Under the laws of the jurisdiction where the transferee is located, the value of the asset or liability for the purpose of determining the transferee’s taxable income is the tax basis value of the asset or liability in the hands of the transferor, adjusted for any non-qualifying gain or loss of the transferor.

* Regulations 61(4), 61(6) and 61(7) of the MMT Regulations.



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Joint Ventures

Joint Ventures

What constitutes a “JV”, a “standalone JV” and “connected to”?

- A “JV” is an entity whose **financial results are reported under the equity method in the CFS of its UPE**, provided that such a UPE holds (whether directly or indirectly) at least 50% of the entity’s ownership interest.*
 - Paragraph 8(2) of the First Schedule to the MMT Act sets out the entities that do not qualify as “JV” – refer to the subsequent Slide.
- A “standalone JV” means a **JV without a JV subsidiary**.**
- A “JV group” is a JV and its JV subsidiaries, and each of these is an “entity of a JV group”.***
- A JV is “connected to” an MNE group if the **UPE** (which reports the financial results of the JV under the equity method in its CFS) **is also the UPE of the MNE group**.*** *

* Paragraph 8(1)(a) of the First Schedule to the MMT Act.

** Paragraphs 8(1)(b) and 8(3)(b) of the First Schedule to the MMT Act.

*** Paragraph 8(3)(a) of the First Schedule to the MMT Act.

*** * Paragraph 8(1)(c) of the First Schedule to the MMT Act.

Joint Ventures

What entities do not qualify as a “JV”?*

- a. the UPE of an MNE group;
- b. an excluded entity;[#]
- c. an entity (i.e. X) in which the MNE group’s ownership is held through an excluded entity (i.e. Y)[#] (directly or through a chain of excluded entities), and where one of the following applies:
 - i. X operates exclusively, or almost exclusively, to hold assets or invest funds for the benefit of its investors;
 - ii. X only carries on activities that are ancillary to those carried out by Y;
 - iii. all, or almost all, of X’s activities (disregarding activities that are ancillary to those carried out by Y) consist of holding assets or investing funds for the benefit of its investors;
 - iv. almost all of X’s income is excluded dividends or excluded equity gain or loss, or both;
- d. an entity held by entities of an MNE group that comprises exclusively of excluded entities; and
- e. a JV subsidiary.

* Paragraph 8(2) of the First Schedule to the MMT Act.

[#] Other than a pension fund in paragraph 4(7)(b) of the First Schedule to the MMT Act, qualifying non-profit subsidiary, qualifying service entity or qualifying exempt income entity.

Joint Ventures

- A standalone JV, or an entity of a JV group, that:
 - a. is connected to an MNE group; and
 - b. has a top-up amount,is treated as a relevant entity of an MNE group.*
- To determine whether a standalone JV, or an entity of a JV group, has a top-up amount, **the method for calculating the ETR and top-up amount for a CE similarly applies as if the JVs are CEs of a separate MNE group**, and as if the standalone JV, or the JV of the JV group, is the UPE of that MNE group.**
 - Refer to Module Four for details on the computations of ETR and top-up amount in respect of JVs.

* Section 25(1) of the MMT Act.

** Sections 25(2), 30(6) and 30(7) of the MMT Act.



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Multi-Parent Groups

Multi-Parent Groups

What constitutes a “multi-parent group”?*

- Refers to two or more groups where:

the UPE of each group has entered either into the “first arrangement” or the “second arrangement” (as set out in regulation 61A of the MMT Regulations)

and

at least one CE of all the CEs of those groups is located in a different jurisdiction from that of the other CEs of those groups

* Section 2(1) of the MMT Act.

Multi-Parent Groups

What constitutes an “arrangement” under regulation 61A?

- A “first arrangement” is one where:^{*}
 - the UPE of each group agrees to combine the businesses of each group by way of contractual arrangement (and not through the holding of ownership interests in one another);
 - the arrangement provides for the UPE of each group to make distributions to persons with ownership interests in the UPE based on a fixed ratio;
 - the arrangement provides for the management of the combined businesses of each group as a single economic entity while retaining the separate legal personality of each UPE;
 - the ownership interests in the UPE of each group are quoted, traded or transferred independently in different capital markets; and
 - the UPE of each group prepares CFS: (A) in which the assets, liabilities, income, expenses and cash flows of the entities of all the groups subject to the arrangement are presented together as those of a single economic unit; and (B) that are required to be audited by an external auditor.

^{*} Regulation 61A(2) of the MMT Regulations.

Multi-Parent Groups

What constitutes an “arrangement” under regulation 61A?

- A “second arrangement” is one where:^{*}
 - at least 50% of the ownership interests in the UPE of each group are (by reason of the form of ownership, restrictions on transfer, or other terms or conditions) combined with each other, and cannot be transferred or traded independently;
 - if the combined ownership interests are listed on any securities exchange in Singapore or elsewhere, those ownership interests are quoted at a single price; and
 - one of those UPEs prepares CFS: (A) in which the assets, liabilities, income, expenses and cash flows of the entities of all the groups are presented together as those of a single economic unit; and (B) that are required to be audited by an external auditor.

^{*} Regulation 61A(3) of the MMT Regulations.

Multi-Parent Groups – Treatment*

a. All the groups comprising the multi-parent group

Treated as a single MNE group.

- Reference to an MNE group, is to the multi-parent group.

b. A UPE of each group comprising the multi-parent group

Treated as the UPE of the multi-parent group.

- Reference to a UPE of an MNE group, is to the UPE of each group of the multi-parent group.

c. The UPEs of the groups comprising the multi-parent group that hold an ownership interest in an IPE

If any of the UPEs is not a responsible member of the multi-parent group, the IPE may be a responsible member.

d. An entity of each group comprising the multi-parent group

Treated as a member of the single MNE group.

* Regulations 61B(a) to 61B(d) and 61C of the MMT Regulations.

Multi-Parent Groups – Treatment*

- e. An entity other than an excluded entity (i.e. Y)
- f.

Treated as a CE of the single MNE group provided that one or more entities in that single MNE group holds a controlling interest in Y, which is established if:

1. such an entity holds an ownership interest in Y; and
2. Y's assets, liabilities, income, expenses and cash flows:
 - i. are consolidated on a line-by-line basis in that single MNE group's CFS in accordance with the FAS; or
 - ii. would have been so consolidated, but was not required to be consolidated solely on the ground of size or materiality, or on the ground that Y is held for sale.

- g. The CFS mentioned in regulations 61A(2) and 61A(3) of the MMT Regulations

Treated as the single MNE group's CFS.

- Reference to the CFS of the UPE of an MNE group, is to this single MNE group's CFS.

* Regulations 61B(e) to 61B(g) and 61C of the MMT Regulations.

Multi-Parent Groups – Treatment*

h. The FAS in accordance with which the single MNE group's CFS mentioned in (g) were prepared

Treated as an acceptable FAS.

* Regulation 61B(h) and 61C of the MMT Regulations.



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