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# MULTINATIONAL ENTERPRISE (MINIMUM TAX) ACT 2024

# MULTINATIONAL ENTERPRISE (MINIMUM TAX) REGULATIONS 2024

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In exercise of the powers conferred by section 84 of the Multinational Enterprise (Minimum Tax) Act 2024, the Minister for Finance makes the following Regulations:

## PART 1

## PRELIMINARY

### Citation and commencement

**1.** These Regulations are the Multinational Enterprise (Minimum Tax) Regulations 2024 and come into operation on 1 January 2025.

**General definitions**

**2.**—(1) In these Regulations —

"first in-scope year", in relation to an entity (*X*) of or connected to an MNE group, means —

(*a*) subject to paragraph (*b*), the first financial year that —

(i) *X* comes within the scope of the law of any jurisdiction imposing a qualified IIR or a qualified UTPR;

(ii) a chargeable entity of the MNE group becomes liable for MTT in relation to *X* as a relevant entity or would have been so liable if *X* were a relevant entity;

(iii) *X* comes within the scope of the law of any jurisdiction imposing a qualified domestic minimum top-up tax; or

(iv) in a case where *X* is located in Singapore or is a section 29(*b*) entity, the MNE group becomes liable to be registered under Part 4 of the Act,

whichever is earlier; or

(*b*) where *X* is eligible for a Transitional CbCR Safe Harbour under regulation 69 or its equivalent under the law of any other jurisdiction — the first financial year that *X* loses its eligibility for it or that an election is not made to apply it to *X*;

"non-marketable transferable tax credit" means a tax credit that is not a qualified refundable tax credit and —

(*a*) in relation to an entity that is its originator — is not a marketable transferable tax credit and may be transferred to another person or entity; and

(*b*) in relation to an entity that is its purchaser — is not a marketable transferable tax credit;

"originator", in relation to a tax credit, means an entity to which the tax credit was originally granted;

"other comprehensive income", in relation to an entity of or connected to an MNE group, means items of income and expense that are not recognised in the profit and loss account, as required or permitted by the authorised financial accounting standard used in preparing the consolidated financial statement of the ultimate parent entity of the MNE group or the joint venture of the JV group, as the case may be;

"purchaser", in relation to a tax credit, means an entity that purchases the tax credit from another entity;

"qualified refundable tax credit" means a tax credit (or an amount of a tax credit) which must be paid in cash or cash equivalent to an entity within 4 years of the entity meeting the conditions for such payment under the law of the jurisdiction granting the tax credit, but does not include a tax credit in respect of a qualified imputation tax (as defined in paragraph 1(7) of the First Schedule to the Act) or a disqualified refundable imputation tax (as defined in paragraph 1(7) of the First Schedule to the Act).

(2) In these Regulations, an entity is a "hybrid entity" with respect to any of its income, expenditure, profit or loss that is attributable to a direct ownership interest in the entity, if it is not a flow-through entity, but is fiscally transparent with respect to that income, expenditure, profit or loss under the law of the jurisdiction in which the owner is located.

(3) In these Regulations —

(*a*) a tax credit or an amount of a tax credit (not being a qualified refundable tax credit) is a "transferable tax credit" in relation to an entity that is its originator if, under the law of the jurisdiction granting the tax credit, the tax credit may be transferred by the originator to a party unrelated to the originator in the financial year in which the tax credit was granted to the originator or within 15 months after that financial year; and

(*b*) a tax credit or an amount of a tax credit (not being a qualified refundable tax credit) is a “transferable tax credit” in relation to an entity that is its purchaser if, under the law of the jurisdiction granting the tax credit, the tax credit may be transferred by the purchaser to a party unrelated to the purchaser in the same financial year in which the tax credit was acquired by the purchaser, and such transfer would not be subject to more stringent restrictions than the transfer of the tax credit by the originator to any purchaser.

(4) In these Regulations —

(*a*) a transferable tax credit or an amount of a transferable tax credit of an entity that is its originator is a “marketable transferable tax credit” in relation thereto if —

(i) in a case where the tax credit is transferred by the originator to a party unrelated to the originator within 15 months of the end of the financial year in which the tax credit was granted to the originator (called in this paragraph the relevant period) — the transfer is at a price not less than 80% of the net present value of the tax credit; or

(ii) in a case where the tax credit is not transferred by the originator, or is transferred by the originator to a party related to the originator, within the relevant period — tax credits of the same type are traded between unrelated parties in the relevant period, and typically at a price not less than 80% of the net present value of the tax credit traded; and

(*b*) a transferable tax credit or an amount of a transferable tax credit of an entity that is its purchaser is a “marketable transferable tax credit” in relation thereto if the tax credit is acquired by the purchaser from a party unrelated to the purchaser at a price not less than 80% of the net present value of the tax credit.

(5) In paragraph (4), the net present value of a tax credit is computed on the basis of the return on debt instruments issued by the government of the jurisdiction granting the tax credit —

(*a*) that have a maturity similar to the period for the use of the tax credit after it is granted to the originator (in the case of paragraph (4)(*a*)) or acquired by the purchaser (in the case of paragraph (4)(*b*)), up to a maximum maturity of 5 years; and

(*b*) that are issued in the financial year in which the tax credit is transferred by the originator or to the purchaser (as the case may be) or, if the tax credit is not transferred by the originator, in the financial year in which the tax credit is granted to the originator.

(6) In paragraph (5) —

(*a*) the tax credit is the face value of the credit or the remaining creditable amount in relation to the tax credit; and

(*b*) the cash flow projection to be factored in the net present value calculation is based on the maximum amount that can be used each year under the legal design of the credit.

(7) In paragraphs (3) and (4), a party is related to another party if —

(*a*) one party owns (directly or indirectly) 50% or more of the ownership interests in the other party, and 50% or more of the voting rights in that other party (if that other party is a company);

(*b*) another party owns (directly or indirectly) 50% or more of the ownership interests in both parties, and 50% or more of the voting rights in each of the parties that is a company;

(*c*) either party directly or indirectly controls the other party; or

(*d*) one or more other parties directly or indirectly control both parties,

and a party is unrelated to another party if none of the circumstances mentioned in sub-paragraphs (*a*) to (*d*) are present.

(8) A reference to a section in these Regulations is to a section of the Act.

**Application of Parts in determining top-up amounts of entities for Part 3 of Act**

**3.** Except as otherwise provided, and without affecting the application of the other Parts, Parts 4, 5, 6, 7, 8, 10 and 11 apply (with the modifications set out in those Parts) for the purpose of determining the top-up amounts of entities in section 29, and for this purpose a reference to a section in Part 2 of the Act or a provision in the First Schedule to the Act is to that section or provision as applied by section 30.

## PART 2

## ADJUSTMENTS TO CONSOLIDATED GROUP REVENUE

**Adjustments to consolidated group revenue**

**4.**—(1) For the purpose of section 8(1), the consolidated group revenue of an MNE group for a financial year is the revenue reflected in the consolidated financial statements of its ultimate parent entity for that financial year (or if different types of revenue are presented as separate line items in such consolidated financial statements, the aggregate of such revenues) adjusted as follows:

(*a*) the revenue of the entities of the MNE group for that financial year from their ordinary activities is included (to the extent it was not already included);

(*b*) the cost of sales and other operating expenses for that financial year are added back (to the extent they were already deducted);

(*c*) net investment gains for that financial year reflected in the profit and loss statement of the consolidated financial statements are included (to the extent that they were not already included);

(*d*) investment gains for that financial year presented as extraordinary or non-recurring items in the consolidated financial statements are included (to the extent that they were not already included).

(2) In paragraph (1)(*c*), "net investment gains" means, in the case where investment gains and investment losses are separately reflected in the profit and loss statement of the consolidated financial statements for a financial year, the investment gains reduced by the investment losses (but not below nil) for that financial year.

**Computation of consolidated group revenue of MNE group formed by merger of 2 or more groups**

**4A.**—(1) This regulation applies for the purposes of determining whether, in accordance with section 8, the Act applies for a financial year to an MNE group (called the merged group) that is formed by an arrangement pursuant to which all or substantially all of the entities of each of 2 or more groups (each called a constituent group) become entities of a single MNE group (called the merger).

(2) In this regulation —

"first financial year", in relation to a merged group, means the financial year of the merged group in which the effective date of the merger falls;

"merger FY" means the period —

(*a*) beginning on the first day after the pre-merger FY that is the first period before the first financial year of the merged group; and

(*b*) ending on the last day of the first financial year of the merged group;

"pre-merger FY" means the first, second, third or fourth period before the first financial year of the merged group, each being a period of 12 months that ends in the same calendar month as the calendar month in which the first financial year of the merged group ends.

*Example*

Group M is formed by a merger of the entities of Group A and the entities of Group B, and the effective date of the merger is 1 July 2024. The financial year of Group M in which the effective date of the merger falls i.e., the first financial year of Group M, is 1 July 2024 to 31 December 2024.

The pre-merger FYs are 1 January 2023 to 31 December 2023, 1 January 2022 to 31 December 2022, 1 January 2021 to 31 December 2021 and 1 January 2020 to 31 December 2020.

The merger FY is the period beginning on 1 January 2024 and ending on 31 December 2024.

(3) The merger FY is treated as a financial year of the merged group.

(4) In determining whether the merged group's consolidated group revenue is equal to or exceeds the threshold in section 8(2) for any financial year before the merger FY —

(*a*) each pre-merger FY is treated as a financial year before the merger FY; and

(*b*) the merged group's consolidated group revenue for a pre-merger FY is computed by aggregating the consolidated group revenue of every constituent group (determined by reference to the consolidated financial statements of the constituent group's ultimate parent entity) for the pre-merger FY, whether or not the constituent group existed for the entire period of the pre-merger FY.

(5) In determining whether the merged group's consolidated group revenue is equal to or exceeds the threshold in section 8(2) for the merger FY, the merged group's consolidated group revenue for the merger FY is computed by aggregating —

(*a*) the consolidated group revenue of every constituent group (determined by reference to the consolidated financial statements of the constituent group's ultimate parent entity) for its financial year that ends at any time in the merger FY; and

(*b*) the consolidated group revenue of the merged group (determined by reference to the consolidated financial

statements of its ultimate parent entity) for its first financial year.

*Example*

Group A, Group B and Group C merged to form a single MNE group (called Group M) on 1 July 2024. Each of Group A, Group B and Group C (prior to the merger) and the merged group uses the calendar year as their respective financial years. The merger FY is from 1 January 2024 to 31 December 2024 (both dates inclusive).

The financial year concerned for the purposes of section 8(1) in respect of Group M is the financial year beginning on 1 January 2025.

For the financial years 2021, 2022, 2023 and 2024, the respective sums of the consolidated group revenue of Group A, Group B and Group C are as follows:

| **Year** | **Sums of consolidated group revenue (EUR) of Group A, Group B and Group C** |
|---|---|
| 2021 | 300 million |
| 2022 | 550 million |
| 2023 | 770 million |
| 2024 — from 1 January 2024 to 30 June 2024 (both dates inclusive) | 355 million |

In the merger FY, the consolidated group revenue of Group M for the period of 1 July 2024 to 31 December 2024 (both dates inclusive) is EUR 400 million.

In applying section 8(1) to determine whether the Act applies to Group M in respect of the financial year beginning on 1 January 2025, Group M's consolidated group revenue for the merger FY is EUR 755 million, being the sum of EUR 355 million and EUR 400 million. As the consolidated group revenue of Group M also exceeded EUR 750 million in the financial year 2023 (as determined by the sums of the consolidated group revenue of Group A, Group B and Group C), the Act applies to Group M for financial year 2025 under section 8(1).

(6) If the financial year of any constituent group ends in a calendar month that is different from the calendar month in which the first financial year of the merged group ends, the constituent group's consolidated group revenue for each pre-merger FY to be included for the purposes of applying section 8(1) to the merged group is the

constituent group's consolidated group revenue for its financial year that ends at any time in the pre-merger FY.

*[S 129/2025 wef 25/02/2025]*

**Computation of consolidated group revenue of MNE group formed by merger involving entities not belonging to any group, etc.**

**4B.**—(1) This regulation applies for the purposes of determining whether, in accordance with section 8, the Act applies for a financial year to an MNE group (called the merged group) that is formed by an arrangement —

(*a*) pursuant to which 2 or more entities that are each not a member of any group become entities of an MNE group; or

(*b*) pursuant to which one or more entities that are each not a member of any group and the entities of one or more groups (each called a constituent group) become entities of a single MNE group.

(2) In this regulation —

"first financial year", in relation to a merged group, means the financial year of the merged group in which the effective date of the merger falls;

"merger FY" means the period —

(*a*) beginning on the first day after the pre-merger FY that is the first period before the first financial year of the merged group; and

(*b*) ending on the last day of the first financial year of the merged group;

"pre-merger FY" means the first, second, third or fourth period before the first financial year of the merged group, each being a period of 12 months that ends in the same calendar month as the calendar month in which the first financial year of the merged group ends.

(3) The merger FY is treated as a financial year of the merged group.

(4) In determining whether the merged group's consolidated group revenue is equal to or exceeds the threshold in section 8(2) for any financial year before the merger FY —

(*a*) each pre-merger FY is treated as a financial year of the merged group before the merger FY; and

(*b*) the merged group's consolidated group revenue for a pre-merger FY is computed by —

(i) in the case of paragraph (1)(*a*) — aggregating the revenue of all the entities, as reflected in each entity's financial statements for the pre-merger FY, whether or not those entities existed for the entire period of the pre-merger FY; or

(ii) in the case of paragraph (1)(*b*) — aggregating the revenue of the firstmentioned entity or each of the firstmentioned entities in paragraph (1)(*b*) (as reflected in its financial statements for the pre-merger FY) and the consolidated group revenue of every constituent group (determined by reference to the consolidated financial statements of its ultimate parent entity) for the pre-merger FY, whether or not that entity or constituent group existed for the entire period of the pre-merger FY.

(5) In determining whether the merged group's consolidated group revenue is equal to or exceeds the threshold in section 8(2) for the merger FY, the merged group's consolidated group revenue for the merger FY is computed by —

(*a*) in the case of paragraph (1)(*a*) — aggregating the following:

(i) the revenue of all the entities, as reflected in each entity's financial statements for its financial year that ends at any time in the merger FY;

(ii) the consolidated group revenue of the merged group (determined by reference to the consolidated financial statements of its ultimate parent entity) for its first financial year; or

(*b*) in the case of paragraph (1)(*b*) — aggregating the following:

(i) the revenue of the firstmentioned entity or each of the firstmentioned entities, as reflected in its financial statements for its financial year that ends at any time in the merger FY;

(ii) the consolidated group revenue of every constituent group (determined by reference to the consolidated financial statements of its ultimate parent entity) for its financial year that ends at any time in the merger FY;

(iii) the consolidated group revenue of the merged group (determined by reference to the consolidated financial statements of its ultimate parent entity) for its first financial year.

(6) If the financial year of any entity or any constituent group ends in a calendar month that is different from the calendar month in which the first financial year of the merged group ends, 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 purposes of applying section 8(1) to the merged group is the entity's revenue or constituent group's consolidated group revenue for its financial year that ends at any time in the pre-merger FY.

*Example*

An MNE group uses the calendar year as its financial year. On 1 January 2025, an entity that is part of the MNE group acquires ownership interests in another entity that is not part of any group and that uses 30 September as the end of its financial year. The MNE group continues to use the calendar year as its financial year after the acquisition.

The pre-merger FYs are 1 January 2024 to 31 December 2024, 1 January 2023 to 31 December 2023, 1 January 2022 to 31 December 2022 and 1 January 2021 to 31 December 2021. The merger FY is the period beginning on 1 January 2025 and ending on 31 December 2025.

In applying section 8(1) to determine whether the Act applies to the MNE group in respect of its financial year beginning 1 January 2025, the revenue of the acquired entity for each of the financial years ending 30 September 2024, 30 September 2023, 30 September 2022, and 30 September 2021 is added to the consolidated group

revenue of the MNE group for the 4 preceding financial years ending 31 December 2024, 31 December 2023, 31 December 2022 and 31 December 2021, respectively.

The acquired entity's revenue for the period between 1 October 2024 and 31 December 2024 (both dates inclusive) (which would have been included in the financial statements of that entity in the following year if it had not been acquired) is not included in the computation of the MNE group's consolidated group revenue for the calendar years 2024 and 2025.

(7) In this regulation, "merger" means an arrangement mentioned in paragraph (1)(*a*) or (*b*).

*[S 129/2025 wef 25/02/2025]*

**Application of section 8(1) after demerger of MNE group**

**4C.**—(1) This regulation applies for the purposes of determining whether, in accordance with section 8, the Act applies for a financial year to an MNE group (called the demerged group) that results from a demerger.

(2) In this regulation —

"demerger" means an arrangement pursuant to which the entities of a relevant MNE group are separated into 2 or more groups such that the assets, liabilities, income, expenses and cash flows of those entities are no longer included in the consolidated financial statements of the same ultimate parent entity;

"FY1" means the first financial year of the demerged group after the effective date of the demerger;

"FY2" means the second financial year of the demerged group after the effective date of the demerger;

"FY3" means the third financial year of the demerged group after the effective date of the demerger;

"FY4" means the fourth financial year of the demerged group after the effective date of the demerger;

"relevant MNE group" means an MNE group to which the Act applies for its financial year in which the effective date of the demerger falls.

(3) The Act applies to the demerged group for FY1, FY2, FY3 or FY4 —

(*a*) in the case of FY1 — if the demerged group's consolidated group revenue (determined by reference to the consolidated financial statements of its ultimate parent entity) for FY1 is equal to or exceeds the threshold in section 8(2);

(*b*) in the case of FY2 — if the demerged group's consolidated group revenue (determined by reference to the consolidated financial statements of its ultimate parent entity) for each of FY1 and FY2 is equal to or exceeds the threshold in section 8(2);

(*c*) in the case of FY3 — if the demerged group's consolidated group revenue (determined by reference to the consolidated financial statements of its ultimate parent entity) exceeds the threshold in section 8(2) for at least 2 of the following financial years:

(i) FY1;

(ii) FY2;

(iii) FY3; or

(*d*) in the case of FY4 — if the demerged group's consolidated group revenue (determined by reference to the consolidated financial statements of its ultimate parent entity) exceeds the threshold in section 8(2) for at least 2 of the following financial years:

(i) FY1;

(ii) FY2;

(iii) FY3;

(iv) FY4.

*[S 129/2025 wef 25/02/2025]*

PART 3

USE OF CURRENCY

**Conversion of amount into presentation currency**

**5.**—(1) This regulation applies where, in order to determine for the purpose of Part 2 or 3 of the Act, the top-up tax for a financial year for —

(*a*) a relevant entity (*X*); or

(*b*) a standalone JV or an entity of a JV group that is treated as a relevant entity under section 25 (also *X*),

an amount used to determine *X*'s GloBE income or loss or top-up amount that is not in the presentation currency has to be converted into that currency pursuant to section 9(1).

(2) This regulation also applies where an amount used to determine *X*'s GloBE income or loss or top-up amount that is to be entered in a GloBE information return to be filed under section 40, is not in the presentation currency.

(3) The amount is to be converted into the presentation currency in accordance with the applicable rules (including any applicable guidance for hyperinflation) in the applicable financial accounting standards.

(4) Paragraph (3) applies whether or not the applicable financial accounting standards require the amount to be converted into the presentation currency.

(5) In this regulation, the applicable financial accounting standards are —

(*a*) if *X*'s FANIL is the net income or loss determined in accordance with paragraph 6(3)(*a*) of the First Schedule to the Act — the financial accounting standard used in preparing the consolidated financial statements for the financial year concerned of the ultimate parent entity of the MNE group of or to which *X* is a part or connected; or

(*b*) if *X*'s FANIL is the net income or loss determined in accordance with paragraph 6(3)(*b*) of the First Schedule to

the Act — the acceptable financial accounting standard or authorised financial accounting standard used to determine that net income or loss.

**Conversion of amount in functional currency for DTT purposes**

**6.** For the purpose of section 9(6), the conversion of an amount in the functional currency into the currency in section 9(6)(*a*) or (*b*) is to be made in accordance with the applicable rules (including any applicable guidance for hyperinflation) in the Accounting Standards made or formulated under Part 3 of the Accounting Standards Act 2007.

**Conversion of amount into Singapore dollars**

**7.**—(1) This regulation applies where, in order to ascertain an amount of MTT or DTT payable by a chargeable entity for a financial year, an amount of top-up tax for the financial year for a relevant entity of the chargeable entity in the presentation currency (not being Singapore dollars) has to be converted into Singapore dollars pursuant to section 9(9).

(2) The amount is to be converted into Singapore dollars using —

(*a*) the average rate of exchange, as made available by the Monetary Authority of Singapore, calculated on the basis of the rate of exchange at the end of each month for that financial year; or

(*b*) where no such average rate of exchange is made available by the Monetary Authority of Singapore, such rate of exchange as the Comptroller may determine.

**Conversion of amount not in presentation currency into presentation currency for comparison with euros amount**

**8.**—(1) This regulation applies where, in order to compare an amount relating to an entity (*Y*) that is not in the presentation currency to a figure expressed in the Act in euros, that amount has to be first converted into the presentation currency pursuant to section 9(10)(*a*).

(2) That amount is to be converted into the presentation currency in accordance with the applicable rules (including any applicable guidance for hyperinflation) in the applicable financial accounting standards.

(3) Paragraph (2) applies whether or not the applicable financial accounting standards require the amount to be converted into the presentation currency.

(4) In this regulation, "applicable financial accounting standards" has the meaning given by regulation 5(5), with the reference to *X* replaced with *Y*.

**Conversion of amount in presentation currency into euros for comparison with euros amount**

**9.**—(1) This regulation applies where, in order to compare an amount in the presentation currency (not being euros) to a figure expressed in the Act in euros, that amount has to be converted into euros pursuant to section 9(10)(*b*).

(2) The amount is to be converted into euros using the average rate of exchange for the month of December of the calendar year immediately before the financial year for which the consolidated financial statements were prepared or which would have been prepared (as the case may be) using the presentation currency.

(3) In paragraph (2), the average rate of exchange for the month of December for a calendar year is —

(*a*) the average of the daily rates of exchange as quoted by the European Central Bank for that month;

(*b*) in the absence of the rate in sub-paragraph (*a*) — the average of the daily rates of exchange as made available by the Monetary Authority of Singapore for that month; and

(*c*) in the absence of the rates in sub-paragraphs (*a*) and (*b*) — the average of the daily rates of exchange as quoted or made available by the institution that manages the presentation currency for that month.

## PART 4

## ADJUSTMENTS TO FANIL AND GLOBE INCOME OR LOSS

*Division 1 — Preliminary provisions*

**Purpose and application of this Part**

**10.**—(1) This Part sets out the adjustments that must or may be made to the FANIL of a constituent entity for a financial year for the purpose of determining its GloBE income or loss for that financial year.

(2) This Part applies to a standalone JV or an entity of a JV group with the following modifications:

(*a*) except in sub-paragraph (*b*), references to an MNE group are to the standalone JV or the JV group of which the entity is a part;

(*b*) references to the filing entity of an MNE group are to the filing entity of the MNE group to which the standalone JV or entity is connected;

(*c*) references to the ultimate parent entity of an MNE group are to the standalone JV or the joint venture of the JV group;

(*d*) references to a constituent entity are to the standalone JV or the entity;

(*e*) other modifications set out in the regulations.

**FANIL adjusted to be before tax**

**11.** The FANIL of a constituent entity of an MNE group for a financial year must be adjusted by adding back any positive amounts and excluding any negative amounts of tax expense (including a deferred tax expense) in respect of the following, as reflected in the FANIL:

(*a*) a covered tax (whether or not the income to which the tax relates is excluded from its GloBE income or loss);

(*b*) any MTT, or any qualified IIR;

(*c*) any DTT, or any qualified domestic minimum top-up tax;

(*d*) a qualified UTPR;

(*e*) any disqualified refundable imputation tax (as defined in paragraph 1(7) of the First Schedule to the Act);

(*f*) any tax payable by a life insurer in respect of amounts accruing to or paid to policyholders.

**FANIL must not reflect share acquisition adjustment**

**12.**—(1) The FANIL of a constituent entity of an MNE group for a financial year must be adjusted so that it does not reflect any share acquisition adjustment.

(2) In this regulation, "share acquisition adjustment" means a purchase accounting adjustment to the consolidated financial statements of an ultimate parent entity of an MNE group arising as a result of an entity becoming a constituent entity of the MNE group due to the acquisition of ownership interests in the entity by an existing constituent entity of the MNE group.

(3) This regulation does not apply to a share acquisition adjustment resulting from an acquisition of ownership interests before 1 December 2021 if the constituent entities of the MNE group do not have sufficient records to identify the adjustment made with reasonable accuracy.

**Exclusion of excluded dividends**

**13.**—(1) Subject to paragraphs (2) and (3), the FANIL of a constituent entity of an MNE group for a financial year must be adjusted to exclude any amount of excluded dividends received or accrued by that constituent entity.

(2) The following are not to be excluded under paragraph (1):

(*a*) a dividend or other distribution paid by another constituent entity of that MNE group that is treated as an expense in that constituent entity's FANIL;

(*b*) a dividend or other distribution paid on an interest in an entity that is a debt interest;

(*c*) a dividend or other distribution paid in respect of additional tier one capital (as defined in regulation 24(3)).

(3) The filing entity of an MNE group may make an election in a GloBE information return (whether filed in Singapore or in another jurisdiction) in accordance with the GloBE rules for all the dividends or other distributions received or accrued by any constituent entity of that MNE group for a financial year from its portfolio shareholdings not to be treated as excluded dividends for the purpose of this regulation.

(4) An election under paragraph (3) must not be revoked for the financial year for which it is made or for any of the subsequent 4 financial years, and any such revocation has no effect.

(5) If an election under paragraph (3) is revoked for a financial year, another election under that paragraph must not be made (whether in Singapore or in another jurisdiction) in respect of the constituent entity for that or any of the subsequent 4 financial years, and any such election has no effect.

(6) In paragraph (2)(*b*), "debt interest", in relation to an entity, means an interest that is economically a debt obligation of the entity, and that is not an ownership interest in the entity.

**Adjustments for excluded equity gain or loss**

**14.**—(1) The FANIL of a constituent entity of an MNE group for a financial year must be adjusted for any excluded equity gain or loss as follows:

(*a*) in the case of any gain or loss from changes in fair value of a direct ownership interest in another entity other than a portfolio shareholding — by excluding the amount of the gain or adding back the amount of the loss as if it were a gain or loss (determined at the relevant time) from a change in fair value of a direct ownership in an entity described in paragraph (2);

(*b*) in the case of a profit or loss in respect of a direct ownership interest in another entity included under the equity method of accounting — by excluding the amount

of the profit or adding back the amount of the loss determined at the relevant time;

(*c*) in the case of a gain or loss from a disposition of a direct ownership interest in another entity other than a portfolio shareholding — by excluding the amount of the gain or adding back the amount of the loss as if it were a gain or loss (determined at the relevant time) from a disposition of a direct ownership interest in an entity described in paragraph (2).

(2) The entity in paragraph (1)(*a*) or (*c*) is one to which the members of the MNE group have, at the relevant time for that provision, direct ownership interests between them that entitle them to 10% or more of that entity's profits, capital, reserves and voting rights.

(3) The "relevant time" is —

(*a*) in the case of paragraph (1)(*a*) and (*b*) — the end of the financial year in which the gain, profit or loss arose; and

(*b*) in the case of paragraph (1)(*c*) — immediately before the disposition.

**Included revaluation method gain or loss**

**15.**—(1) The FANIL of a constituent entity of an MNE group for a financial year must be adjusted by adding any amount of gain, and subtracting any amount of loss, for any included revaluation method gain or loss for that financial year.

(2) In this regulation —

"included revaluation method gain or loss" means a gain or loss before tax arising as a result of the use of an accounting method or practice that —

(*a*) periodically adjusts the carrying value of the constituent entity's property, plant and equipment to its fair value;

(*b*) records the changes in value in other comprehensive income; and

(*c*) does not subsequently report the gains or losses recorded in other comprehensive income through the profit and loss account;

"property, plant and equipment" means any tangible asset that —

(*a*) is held by an entity for its use in the production or supply of goods or services, for rental to another person or entity, or for its administrative purposes; and

(*b*) is expected to be used in more than one financial year.

**Adjustments for asymmetric foreign exchange gains or losses**

**16.**—(1) This regulation applies where the accounting currency and the tax currency of a constituent entity of an MNE group are different.

(2) Where, for a financial year —

(*a*) the constituent entity has a gain or loss as a result of fluctuations in the exchange rate between its accounting currency and its tax currency; and

(*b*) the gain or loss is reflected differently in its taxable income and in its FANIL,

its FANIL must be adjusted so that the gain or loss is reflected in its FANIL on the same basis it is reflected in its taxable income.

(3) Where, for a financial year —

(*a*) the constituent entity has a gain or loss as a result of fluctuations in the exchange rate between its accounting currency and a third currency;

(*b*) the gain or loss is reflected in its FANIL; and

(*c*) the gain or loss is reflected differently in its taxable income,

its FANIL must be adjusted to exclude that gain or loss.

(4) Where, for a financial year —

(*a*) the constituent entity has a gain or loss as a result of fluctuations in the exchange rate between its tax currency and a third currency; and

(*b*) the gain or loss is reflected differently in its FANIL,

its FANIL must be adjusted so that the gain or loss is fully reflected in its FANIL (whether or not it is reflected in its taxable income).

(5) In this regulation —

"accounting currency" means the functional currency in which the financial statements of the constituent entity are kept;

"tax currency" means the currency in which the profits of the constituent entity are determined for the purposes of determining its liability to covered taxes in the jurisdiction in which it is located;

"taxable income" means income subject to, and determined for the purposes of, covered taxes;

"third currency" means any currency which is neither the accounting currency nor the tax currency of the constituent entity.

**Exclusion of expenses for illegal payments, fines and penalties**

**17.**—(1) Where the FANIL of a constituent entity of an MNE group for a financial year reflects —

(*a*) expenses incurred for illegal payments; or

(*b*) expenses incurred for fines or penalties of EUR 50,000 or more,

the FANIL must be adjusted to exclude those expenses.

(2) In paragraph (1)(*a*), a payment is illegal if the making of that payment is, or forms part of conduct which is, an offence under the law of —

(*a*) the jurisdiction where the constituent entity is located; or

(*b*) the jurisdiction where the ultimate parent entity is located.

(3) In paragraph (1)(*b*), where more than one fine or penalty is accrued in respect of the same conduct, or for continuing conduct, those fines or penalties must be aggregated.

**Adjustment for changes in accounting policies and prior period errors**

**18.** Where there has been a change to the net assets and liabilities of a constituent entity of an MNE group at the start of a financial year, the FANIL of that constituent entity for that financial year must be adjusted to include the amount of that change if the change is attributable to —

(*a*) a change in accounting policy that affects income or expenses included in the GloBE income or loss of that constituent entity for any financial year; or

(*b*) a correction of an error reflected in the GloBE income or loss of that constituent entity for a previous financial year, except to the extent the correction of the error results in the application of regulation 40(2).

**Accrued pension expense**

**19.**—(1) This regulation applies in a financial year where a constituent entity of an MNE group —

(*a*) has made any contribution to a pension fund in the financial year;

(*b*) has received any amount from the pension fund in the financial year; or

(*c*) otherwise has any amount of income or expense relating to the pension fund reflected in its FANIL.

(2) The FANIL of the constituent entity for the financial year must be adjusted by deducting an amount A + B − C, where —

(*a*) A is the amount of income (expressed as a positive amount) or expense (expressed as a negative amount) for the financial year that has accrued in respect of the pension fund in the FANIL of the constituent entity;

(*b*) B is the amount of contributions made to the pension fund by the constituent entity in the financial year; and

(*c*) C is the amount received by the constituent entity from the pension fund in the financial year.

**Treatment of tax credits**

**20.**—(1) The FANIL of a constituent entity of an MNE group for a financial year must be adjusted so that —

(*a*) qualified refundable tax credits are accounted for as income (and not as a negative amount of tax expense);

(*b*) tax credits that are marketable transferable tax credits are accounted for as income or loss under paragraph (2), (3) or (4) (and not as a negative amount of tax expense); and

(*c*) subject to paragraph (5), other tax credits are accounted for as a negative amount of tax expense in determining the adjusted covered taxes under paragraph 1 of the First Schedule to the Act (and regulation 11 applies accordingly); and are excluded from the FANIL to the extent they are included in the consolidated financial statements as income in the FANIL.

(2) For the purpose of paragraph (1)(*a*) and (*b*), a qualified refundable tax credit or marketable transferable tax credit is accounted for as income as follows:

(*a*) if the constituent entity is the originator of the tax credit and the tax credit is related to the acquisition or construction of assets and the originator has an accounting policy of reducing the carrying value of its assets in respect of such tax credits or recognising such tax credits as deferred income, the originator must follow the accounting policy;

(*b*) in any other case, the face value of the tax credit is treated as income in the financial year in which the entitlement under the tax credit accrues.

(3) For the purpose of paragraph (1)(*b*), where the constituent entity is the originator of the marketable transferable tax credit —

(*a*) if the tax credit is transferred by the constituent entity in the financial year in which it is granted or within 15 months after that financial year, the consideration for the transfer must be accounted for as income for the financial year in which it is granted;

(*b*) if the tax credit is not transferred by the constituent entity within that period, the value of the tax credit must be accounted for as income when accrued as income according to the accounting policy of the constituent entity;

(*c*) if the tax credit is transferred by the constituent entity after that period for a consideration less than the remaining value of the tax credit, the difference between the remaining value of the tax credit and the consideration received must be accounted for as a loss for the financial year in which the transfer occurs; and

(*d*) if the tax credit expires, any unutilised value of the tax credit must be accounted for as a loss (or as an increase to the carrying value of the asset where paragraph (2)(*a*) applies) for the financial year in which the tax credit expires.

(4) For the purpose of paragraph (1)(*b*), where the constituent entity is a purchaser of the marketable transferable tax credit —

(*a*) if any part of the tax credit is utilised by the constituent entity in a financial year, the following amount must be accounted for as income for that financial year:

$$\frac{A}{B} \times (B - C),$$

where —

(i) A is the amount of the tax credit utilised;

(ii) B is the full value of the tax credit; and

(iii) C is the price paid by the constituent entity for the tax credit;

(*b*) if the tax credit is transferred by the constituent entity, the following amount must be accounted for as income or a loss (as the case may be) for the financial year in which the transfer occurs:

$$(D + E) - (F + G),$$

where —

(i) D is the consideration received by the constituent entity for the transfer;

(ii) E is the amount of the tax credit that has been utilised by the constituent entity for that financial year and all previous financial years;

(iii) F is the consideration paid by the constituent entity to acquire the tax credit; and

(iv) G is the total amount that is accounted for as income by the constituent entity under sub-paragraph (*a*) in respect of the tax credit for that financial year and all previous financial years; and

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(*c*) if the tax credit expires, the following amount must be accounted for as a loss for the financial year in which the tax credit expires: $(F + G) - E$, where F, G and E have the same meanings as in sub-paragraph (*b*).

(5) Where the constituent entity is the purchaser of a non-marketable transferable tax credit and incurs a net loss (being a negative amount computed by the formula in regulation 41(2)(*b*)) on the transfer of the tax credit to another person, the net loss must be accounted for as a loss for the financial year in which the transfer occurs.

(6) Where the constituent entity is the purchaser of a qualified refundable tax credit and incurs a net loss after applying the formula in paragraph (4)(*c*) on the expiry of the tax credit, the net loss must be accounted for as a loss for the financial year in which the expiry of the tax credit occurs.

**Arm's length requirement for certain transactions**

**21.**—(1) This regulation applies to a constituent entity of an MNE group if the constituent entity has entered into a transaction (called in this regulation the relevant transaction) with another constituent entity of the MNE group located in a different jurisdiction from the firstmentioned constituent entity, and the relevant transaction is —

(*a*) not made under arm's length conditions; or

(*b*) not accounted for in the same amount for both constituent entities.

(2) This regulation also applies to a constituent entity of an MNE group if the constituent entity has entered into a transaction for the sale or transfer of an asset (also called in this regulation the relevant transaction) with another constituent entity of the MNE group located in the same jurisdiction, a loss arising from the relevant transaction is included in the FANIL of the constituent entity, and the relevant transaction is not made under arm's length conditions.

(3) Where this regulation applies to a constituent entity of an MNE group, the FANIL of the constituent entity must be adjusted so that the financial outcome of the relevant transaction is accounted for in the same amount for both constituent entities that are parties to the relevant transaction, and as if the relevant transaction were made under arm's length conditions.

(4) Where, for any financial year, a relevant transaction is between a relevant constituent entity (*A*) and another constituent entity (*B*) that is not a relevant constituent entity, and a tax adjustment is made for *A* by the taxation authority of the jurisdiction where *A* is located in connection with transfer pricing, but no corresponding adjustment is made for *B* in the jurisdiction where *B* is located, no adjustment is to be made under paragraph (3) for *B*.

(5) For the purpose of Part 3 of the Act, where the Comptroller disagrees with the application of paragraph (3) by any constituent entity, the Comptroller may adjust the FANIL of that constituent entity to reflect the financial outcome of the relevant transaction if the relevant transaction were made under arm's length conditions.

(6) In paragraph (4), a constituent entity of an MNE group is a "relevant constituent entity" for a financial year if —

(*a*) it is located in a jurisdiction with a nominal income tax rate below 15% for that financial year;

(*b*) where it is not a special entity — the effective tax rate (as determined under section 17) for the constituent entities (not being special entities) of that MNE group located in that jurisdiction for any of the previous 2 financial years is less than 15%;

(*c*) where it is a stateless entity — its effective tax rate (as determined under section 22) for any of the previous 2 financial years is less than 15%;

(*d*) where it is a minority-owned constituent entity — the effective tax rate (as determined under section 23) for the constituent entities of that MNE group that are minority-owned constituent entities located in that jurisdiction for any of the previous 2 financial years is less than 15%; or

(*e*) where it is an investment entity or insurance investment entity — the effective tax rate (as determined under section 24) for the constituent entities of that MNE group that are investment entities or insurance investment entities located in that jurisdiction for any of the previous 2 financial years is less than 15%.

(7) In this regulation, "arm's length conditions", in relation to a transaction between constituent entities of the same MNE group, means conditions which would be made or imposed between them in their commercial or financial relations if they were not constituent entities of the same MNE group and dealing independently with one another in comparable circumstances.

(8) In the application under regulation 10(2) of this regulation to a standalone JV or an entity of a JV group, the standalone JV or entity is a "relevant constituent entity" for a financial year if the effective tax rate (as determined under section 25) for the standalone JV or entities

of the JV group located in that jurisdiction for any of the previous 2 financial years is less than 15%.

**Adjustments for insurers**

**22.**—(1) The FANIL of a constituent entity of an MNE group that is a life insurer for a financial year must be adjusted to exclude any amount charged to the constituent entity's policyholders for taxes payable by the constituent entity in respect of amounts accruing to or paid to the policyholders, unless such taxes are taken into account by the constituent entity as an expense (other than as a tax expense amount as defined in regulation 11(*f*)) in its FANIL.

(2) The FANIL of a constituent entity of an MNE group that is a life insurer for a financial year must be adjusted to take into account any returns to its policyholders (if not already taken into account) that correspond to increases or decreases in its liability to its policyholders that are reflected in its FANIL.

(3) The FANIL of a constituent entity of an MNE group that is an insurer for a financial year must be adjusted to exclude any expense resulting from any change in its insurance reserves in the financial year where the change is economically matched by excluded dividends (after deducting any investment management fees of the constituent entity paid from such excluded dividends) from a security held by the insurer on behalf of a policyholder.

(4) The FANIL of a constituent entity of an MNE group that is an insurer for a financial year must be adjusted to exclude any expense resulting from any change in its insurance reserves in the financial year where the change is economically matched by an excluded equity gain or loss from a security held by the insurer on behalf of a policyholder.

**Exclusion of intra-group financing arrangement expenses**

**23.**—(1) Where an intra-group financing arrangement could be reasonably expected, over the expected duration of the arrangement, to increase the expenses of a low tax constituent entity of an MNE group for a financial year without a corresponding increase in the income of a high tax constituent entity of that MNE group for that

financial year that is taxable in the jurisdiction in which the high tax constituent entity is located, the FANIL of the low tax constituent entity for that financial year must be adjusted to exclude those expenses.

(2) Paragraph (1) does not apply if the low tax constituent entity is required to include those expenses in its FANIL under regulation 24.

(3) In this regulation —

"high tax constituent entity" means a constituent entity of an MNE group located in a jurisdiction where the relevant effective tax rate for that constituent entity would, ignoring intra-group financing arrangements, be 15% or more;

"intra-group financing arrangement" means an arrangement between 2 or more constituent entities of an MNE group under which a high tax constituent entity directly or indirectly provides credit or otherwise makes an investment in a low tax constituent entity;

"low tax constituent entity" means a constituent entity of an MNE group located in a jurisdiction where the relevant effective tax rate for that constituent entity would, ignoring intra-group financing arrangements, be less than 15%;

"relevant effective tax rate", in relation to a constituent entity of an MNE group located in a jurisdiction, means —

(*a*) where the constituent entity is not a special entity — the effective tax rate (as determined under section 17) for the constituent entities (not being special entities) of that MNE group located in that jurisdiction;

(*b*) where it is a stateless entity — its effective tax rate (as determined under section 22);

(*c*) where it is a minority-owned constituent entity — the effective tax rate (as determined under section 23) for the constituent entities of that MNE group that are minority-owned constituent entities located in that jurisdiction; or

(*d*) where it is an investment entity or insurance investment entity — the effective tax rate (as determined under section 24) for the constituent entities of that MNE group that are investment entities or insurance investment entities located in that jurisdiction.

(4) In the application under regulation 10(2) of this regulation to a standalone JV or an entity of a JV group located in a jurisdiction, the relevant effective tax rate for the standalone JV or entity is the effective tax rate (as determined under section 25) for the standalone JV or entities of the JV group located in that jurisdiction.

**Additional tier one capital**

**24.**—(1) Where a constituent entity of an MNE group records an amount of decrease in its equity for a financial year that is attributable to distributions paid or payable in respect of additional tier one capital issued by the constituent entity and the same amount is not taken into account in its FANIL for that financial year, its FANIL for that financial year must be adjusted to take that amount into account as an expense.

(2) Where a constituent entity of an MNE group records an amount of increase in its equity for a financial year that is attributable to distributions received or receivable in respect of additional tier one capital held by the constituent entity and the same amount is not taken into account in its FANIL for that financial year, its FANIL for that financial year must be adjusted to take that amount into account as income.

(3) In this regulation, "additional tier one capital" means an instrument issued by an entity pursuant to regulatory requirements applicable to the banking or insurance sector that is convertible to equity or written down if a pre-specified trigger event occurs and that has other features which are designed to aid loss absorbency in the event of a financial crisis.

**Exclusion of international shipping income and ancillary international shipping income**

**25.**—(1) Where the FANIL of a constituent entity of an MNE group for a financial year includes any international shipping income or ancillary international shipping income, its FANIL for that financial year must be adjusted as follows:

(*a*) if its international shipping income or its ancillary international shipping income is less than nil — each of such amount is excluded from its FANIL;

(*b*) if its international shipping income is a positive amount — that amount is excluded from its FANIL;

(*c*) if its ancillary international shipping income is a positive amount — the specified amount of such income is excluded from its FANIL.

(2) Paragraph (1) only applies if, in the financial year, the strategic or commercial management of any ship used in international shipping giving rise to the income in question is effectively carried on within the jurisdiction where the constituent entity is located.

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(3) In this regulation, the international shipping income of a constituent entity for a financial year is its net income (or loss) from international shipping activities for the financial year after taking into account —

(*a*) costs incurred in that financial year by the constituent entity directly attributable to those international shipping activities; and

(*b*) the relevant proportion of the indirect costs incurred in that financial year by the constituent entity that is attributable to those international shipping activities.

(4) In this regulation, the ancillary international shipping income of a constituent entity for a financial year is its net income (or loss) from ancillary international shipping activities for the financial year after taking into account —

(*a*) costs incurred in that financial year by the constituent entity directly attributable to those ancillary international shipping activities; and

(*b*) the relevant proportion of the indirect costs incurred in that financial year by the constituent entity that is attributable to those ancillary international shipping activities.

(5) In paragraphs (3)(*b*) and (4)(*b*), the relevant proportion for a financial year is the revenue of the constituent entity from international shipping activities or ancillary international shipping activities (as the case may be) for that financial year divided by its total revenue for that financial year.

(6) In paragraph (1)(*c*), the specified amount of ancillary international shipping income for a constituent entity of an MNE group located in a jurisdiction for a financial year is —

$$A \times \frac{B}{C},$$

where —

(*a*) A is the lower of C and the ancillary international shipping income cap for the MNE group for that jurisdiction for that financial year;

(*b*) B is the ancillary international shipping income for that financial year of the constituent entity if such amount is a positive amount, otherwise B is nil; and

(*c*) C is the sum of any positive amount of ancillary international shipping income for that financial year of each of the constituent entities of the MNE group located in the same jurisdiction.

(7) In this regulation —

"ancillary international shipping activities" means the following activities performed by a constituent entity of an MNE group primarily in connection with international shipping:

(*a*) leasing as lessor a ship to be used for international shipping, where the ship is leased on a bareboat

charter to a lessee which is a shipping enterprise, and which is not a constituent entity of the same MNE group for a period not exceeding 3 years;

(*b*) selling tickets for a domestic leg of an international voyage carried out by another shipping enterprise;

(*c*) leasing as lessor a container used for international shipping;

(*d*) storing a container used for international shipping temporarily;

(*e*) providing engineering, maintenance, cargo handling, catering and customer relations services to shipping enterprises;

(*f*) ancillary investment activities carried on as an integral part of international shipping operations;

"ancillary international shipping income cap", in relation to an MNE group for a jurisdiction for a financial year, is —

(*a*) 50% of the sum of the international shipping income for that financial year of the constituent entities of the MNE group located in the same jurisdiction as the constituent entity (including that constituent entity), if such sum is a positive amount; and

(*b*) nil, if such sum is nil or less;

"international shipping" means any transportation of passengers or cargo by ship, except where the ship is operated solely between places within a single jurisdiction, but does not include towing or dredging;

"international shipping activities" means the following activities performed by a constituent entity of an MNE group:

(*a*) carrying out international shipping, whether alone or in conjunction with another person;

(*b*) leasing as lessor a ship to be used for international shipping, where —

(i) the ship is leased fully equipped, crewed and supplied; or

(ii) the ship is leased on a bareboat charter to another constituent entity of the same MNE group for international shipping;

(*c*) transportation of passengers or cargo by ship in international shipping under a slot-chartering arrangement;

(*d*) the sale of a ship used in international shipping, where the ship has been held for use by the constituent entity for at least one year.

*Division 2 — Adjustments in relation to permanent establishments and flow-through entities*

**Adjustment for main entity**

**26.** Subject to regulation 27, where a constituent entity of an MNE group is a main entity of a permanent establishment, its FANIL must be adjusted so as to not take into account the FANIL of the permanent establishment.

**Allocation of loss to main entity**

**27.**—(1) Where, after making the adjustments in these Regulations (other than this regulation), the FANIL for a financial year of a constituent entity of an MNE group that is a permanent establishment is a loss, the loss is to be allocated to the main entity of the permanent establishment to the extent that the loss —

(*a*) is treated as an expense of the main entity for the computation of tax in the jurisdiction where it is located; and

(*b*) is not set off against income that is subject to tax under the laws of both the jurisdictions where the permanent establishment and the main entity are located.

(2) Where an amount of loss (*A*) has been allocated to the main entity of a permanent establishment in paragraph (1) and, in a

subsequent financial year, the permanent establishment has a positive amount of FANIL after making the adjustments in these Regulations (other than this regulation), the FANIL of the permanent establishment for that financial year is to be allocated from the permanent establishment to the main entity of the permanent establishment until an amount of the FANIL of the permanent establishment equal to *A* is allocated to the main entity of the permanent establishment (in that or subsequent financial years).

**Adjustment for constituent entity owners of flow-through entity**

**28.** Where any part of the FANIL for a financial year of a flow-through entity of an MNE group is allocated to any constituent entity (*X*) of that MNE group that has a direct ownership interest in the flow-through entity, the FANIL so allocated is to be adjusted under these Regulations as if the FANIL were part of the FANIL of *X* for that financial year.

*Division 3 — Optional adjustments*

**Election for company in distress**

**29.**—(1) This regulation applies to a constituent entity of an MNE group for a financial year where —

(*a*) it is released from an obligation to pay a debt;

(*b*) an amount of income is reflected in the FANIL of the constituent entity for that financial year in respect of the release;

(*c*) the release —

(i) is made pursuant to insolvency, bankruptcy or similar proceedings in the jurisdiction where it is located;

(ii) is made pursuant to an arrangement with a creditor who is not connected with the constituent entity, and the constituent entity has obtained an independent expert opinion that it will not be able to meet

payments due within the next 12 months to persons who are not connected with it; or

(iii) is made in a case where sub-paragraphs (i) and (ii) do not apply and by a creditor who is not connected with the constituent entity, and, at the time of the release, the liabilities of the constituent entity exceed the fair market value of the assets of the constituent entity; and

(*d*) the filing entity of the MNE group makes an election in a GloBE information return (whether filed in Singapore or in another jurisdiction) in accordance with the GloBE rules that this regulation is to apply to the constituent entity for that financial year.

(2) Where this regulation applies to a constituent entity, and paragraph (1)(*c*)(i) or (ii) applies, its FANIL must be adjusted to exclude any income recognised in respect of the release.

(3) Where this regulation applies to a constituent entity, and paragraph (1)(*c*)(iii) applies, its FANIL must be adjusted by deducting the lowest of —

(*a*) the amount of income recognised in respect of the release;

(*b*) the amount by which its liabilities exceed the fair market value of its assets before the release; and

(*c*) the amount of any tax attributes of the constituent entity reduced as a result of the release.

(4) In paragraph (3)(*c*), "tax attributes" means any loss, deduction, allowance, credit or similar attribute for the reduction of tax recognised under the law of the jurisdiction in which the constituent entity is located.

**Election to use realisation principle**

**30.**—(1) The filing entity of an MNE group may make an election in a GloBE information return (whether filed in Singapore or in another jurisdiction) in accordance with the GloBE rules that all of the constituent entities of the MNE group located in a jurisdiction, or all of the constituent entities of the MNE group located in a

jurisdiction that are investment entities, are to use the realisation principle in determining gains and losses in relation to —

(*a*) all assets and liabilities that are subject to fair value or impairment accounting; or

(*b*) tangible assets that are subject to fair value or impairment accounting.

(2) If an election in paragraph (1) is effective for a financial year in relation to the constituent entities located in a jurisdiction as described in that paragraph, the FANIL for that financial year of each of those constituent entities must be adjusted to take the following into account:

(*a*) gains and losses in relation to the assets or liabilities to which the election applies that are attributable to fair value or impairment accounting are excluded;

(*b*) the carrying value of an asset or liability to which the election applies that is used to determine any gain or loss in respect of that asset or liability, is the carrying value of that asset or liability at the later of —

(i) the commencement of the first financial year for which the election applies; and

(ii) the time the asset was acquired or the liability was incurred.

(3) If an election in paragraph (1) is revoked, the FANIL of each constituent entity in respect of which the election was made must be adjusted to include the relevant amount as income or loss in the first financial year for which the election ceases to apply.

(4) An election under paragraph (1) must not be revoked for the financial year for which it is made or for any of the subsequent 4 financial years, and any such revocation has no effect.

(5) If an election under paragraph (1) is revoked for a financial year, another election under that paragraph must not be made (whether in Singapore or in another jurisdiction) in respect of the constituent entities located in that jurisdiction for that or any of the subsequent 4 financial years, and any such election has no effect.

(6) In paragraph (3), the "relevant amount", in relation to a constituent entity, is the aggregate of A − B, for each asset or liability that was subject to the election in paragraph (1) and that remains held by the constituent entity on the first day of the first financial year for which the election ceases to apply, where —

(*a*) A is the fair value of the asset or liability on that day; and

(*b*) B is the carrying value of the asset or liability as determined in accordance with paragraph (2)(*b*).

**Election to reflect deductions for stock-based compensation**

**31.**—(1) The filing entity of an MNE group may make an election in a GloBE information return (whether filed in Singapore or in another jurisdiction) in accordance with the GloBE rules that the constituent entities of the MNE group located in a jurisdiction are to adjust their FANIL to take into account as an expense the amount deducted for tax purposes in that jurisdiction for any stock-based compensation incurred by those constituent entities in lieu of the expense otherwise recognised for the stock-based compensation.

(2) If an election in paragraph (1) is effective for a financial year in relation to the constituent entities located in a jurisdiction, the FANIL for that financial year of each of those constituent entities must be adjusted as follows:

(*a*) the amount that was allowed to the constituent entity as a deduction for tax purposes for that financial year in that jurisdiction for any stock-based compensation is treated as the expense for the stock-based compensation in lieu of the expense that would otherwise be recognised for the stock-based compensation;

(*b*) where any stock-based compensation is an option that expires without exercise in the financial year, the total amount of the expenses recognised in previous financial years under sub-paragraph (*a*) in respect of that stock-based compensation is treated as income.

(3) Where an election in paragraph (1) is made and —

(*a*) expenses for stock-based compensation were taken into account in the FANIL of a constituent entity in any financial year before the election was effective; and

(*b*) the sum of those expenses exceeds the sum of what those expenses would have been under paragraph (2)(*a*) had the election been in effect for that financial year,

the FANIL of that constituent entity for the first financial year for which the election is effective must be adjusted to include the amount of that excess as income.

(4) Where an election in paragraph (1) is revoked, then, if —

(*a*) any stock-based compensation for which an expense has been recognised for a constituent entity in accordance with paragraph (2)(*a*) has not been paid on the first day of the first financial year for which the election ceases to apply; and

(*b*) the total amount of expenses recognised in accordance with paragraph (2)(*a*) for that stock-based compensation exceeds the total amount of expenses that would have been recognised for that stock-based compensation had the election not been made,

the FANIL of that constituent entity for the first financial year for which the election ceases to apply must be adjusted to include the amount of that excess as income.

(5) An election under paragraph (1) must not be revoked for the financial year for which it is made or for any of the subsequent 4 financial years, and any such revocation has no effect.

(6) If an election under paragraph (1) is revoked for a financial year, another election under that paragraph must not be made (whether in Singapore or in another jurisdiction) in respect of the constituent entities located in that jurisdiction for that or any of the subsequent 4 financial years, and any such election has no effect.

**Election to recognise gains over 5 years**

**32.**—(1) The filing entity of an MNE group may make an election in a GloBE information return (whether filed in Singapore or in another jurisdiction) in accordance with the GloBE rules that the net gain (called the relevant gain) from the disposal of local tangible assets by the constituent entities of the MNE group located in a jurisdiction (jurisdiction *X*) in a financial year (called FY5) is to be allocated between the constituent entities located in jurisdiction *X* for FY5 and the previous 4 financial years (collectively called the carry-back period) in accordance with paragraph (2).

(2) If an election in paragraph (1) is made, the relevant gain is to be allocated between the constituent entities located in jurisdiction *X* in the following manner:

(*a*) first, the relevant gain is allocated to the constituent entities that have a net loss from any disposal of local tangible assets in the first financial year of the carry-back period if that financial year is a loss year, as a gain for that financial year in the following manner:

(i) if the relevant gain is equal to or exceeds the total net losses of all constituent entities of the MNE group located in jurisdiction *X* that have a net loss from the disposal of local tangible assets in that financial year, an amount of the relevant gain is allocated to each of those constituent entities up to the amount of the net loss of that constituent entity;

(ii) if the relevant gain is less than the total net losses of all constituent entities of the MNE group located in jurisdiction *X* that have a net loss from the disposal of local tangible assets in that financial year, the relevant gain is allocated proportionately between those constituent entities according to the amount of the net loss of each of those constituent entities over the amount of all the net losses of those constituent entities;

(*b*) then, any relevant gain not allocated in sub-paragraph (*a*) is allocated to all constituent entities of the MNE group that

have a net loss from the disposal of local tangible assets in the second financial year of the carry-back period if that financial year is a loss year, as a gain for that financial year in the same manner as in sub-paragraph (*a*);

(*c*) then, any relevant gain not allocated in sub-paragraph (*a*) or (*b*) is allocated to all constituent entities of the MNE group that have a net loss from the disposal of local tangible assets in the third financial year of the carry-back period if that financial year is a loss year, as a gain for that financial year in the same manner as in sub-paragraph (*a*);

(*d*) then, any relevant gain not allocated in sub-paragraph (*a*), (*b*) or (*c*) is allocated to all constituent entities of the MNE group that have a net loss from the disposal of local tangible assets in the fourth financial year of the carry-back period if that financial year is a loss year, as a gain for that financial year in the same manner as in sub-paragraph (*a*);

(*e*) then, any relevant gain not allocated in sub-paragraph (*a*), (*b*), (*c*) or (*d*) is allocated to all constituent entities of the MNE group that have a net loss from the disposal of local tangible assets in the fifth financial year of the carry-back period if that financial year is a loss year, as a gain for that financial year in the same manner as in sub-paragraph (*a*);

(*f*) then, any relevant gain not allocated in sub-paragraph (*a*), (*b*), (*c*), (*d*) or (*e*) is allocated to all constituent entities of the MNE group that have a net gain from the disposal of local tangible assets in the fifth financial year of the carry-back period in the following manner:

(i) for each financial year in the carry-back period, 20% of that remaining relevant gain is allocated to those constituent entities that are located in the jurisdiction of the local tangible assets for that financial year;

(ii) for each financial year in the carry-back period, that amount of the relevant gain in sub-paragraph (i) is allocated proportionately between those constituent entities referred to in that sub-paragraph as a gain for that financial year, according to the amount of the net

gain from the disposal of local tangible assets in the fifth financial year of the carry-back period of each of those constituent entities over the amount of all the net gains of those constituent entities;

(*g*) if, in the application of sub-paragraph (*f*)(i) for any financial year in the carry-back period, there is no constituent entity that is located in the jurisdiction of the local tangible assets that has a net gain from the disposal of local tangible assets in the fifth financial year of the carry-back period, the amount specified in sub-paragraph (*f*)(i) for the firstmentioned financial year is to be allocated equally between the constituent entities located in that jurisdiction for that financial year as a gain for that financial year.

(3) An election in paragraph (1) does not apply to any gain or loss arising from the transfer of assets between members of the same MNE group.

(4) If an election in paragraph (1) is made, the FANIL of a constituent entity located in jurisdiction *X* for each financial year in the carry-back period must be adjusted to take any gain allocated in accordance with paragraph (2) into account as income.

(5) Where the FANIL of a constituent entity for a financial year is adjusted in paragraph (4), the following are to be recalculated for that financial year:

(*a*) the effective tax rate (as determined under section 17, including that section as applied by section 22, 23 or 25, or section 24, as the case may be) for the constituent entities of the MNE group located in jurisdiction *X* for that financial year;

(*b*) the top-up amounts (if any) for those constituent entities for that financial year,

and section 21(4) (or that provision as applied by section 22, 23, 24 or 25, as the case may be) applies accordingly.

(6) In this regulation —

"local tangible asset" means immovable property in the jurisdiction where the constituent entity disposing of it is located;

"loss year" means a financial year where both of the following apply:

(*a*) at least one constituent entity located in jurisdiction *X* for that financial year has a net loss from the disposal of local tangible assets in that financial year;

(*b*) the sum of the net losses from the disposal of local tangible assets in that financial year of all constituent entities located in jurisdiction *X* in that financial year exceeds the sum of the net gains from the disposal of local tangible assets in that financial year of those constituent entities;

"net gain", in relation to a disposal of local tangible assets by a constituent entity in a financial year, means the amount of the net gains of the constituent entity as a result of such disposal, excluding any gain or loss arising from the transfer of assets between members of the same MNE group;

"net loss", in relation to a disposal of local tangible assets by a constituent entity in a financial year, means the amount of the net losses of the constituent entity as a result of such disposal —

(*a*) that excludes any gain or loss arising from the transfer of assets between members of the same MNE group; and

(*b*) that is reduced by any relevant gain that was allocated to the constituent entity by a previous application of paragraph (2).

**Election to exclude intra-group transactions**

**33.**—(1) The filing entity of an MNE group may make an election in a GloBE information return (whether filed in Singapore or in another jurisdiction) in accordance with the GloBE rules that the

constituent entities of the MNE group that are located in the same jurisdiction and are included in a tax consolidation group are to apply the consolidated accounting treatment of the ultimate parent entity to eliminate income, expenses, gains and losses arising from transactions between those constituent entities.

(2) Where an election under paragraph (1) is effective for a financial year, the FANIL for that financial year of each of those constituent entities must be adjusted accordingly.

(3) Where an election is made under paragraph (1), the FANIL of the constituent entities to which the election applies must be adjusted in the first financial year for which the election has effect, to ensure that there are no duplications or omissions of items of income, expenses, gains or losses arising from the making of the election.

(4) If the election is subsequently revoked, then, in the first financial year for which the election ceases to apply, the FANIL of the constituent entities to which the election applies must be adjusted to ensure that there are no duplications or omissions of items of income, expenses, gains or losses arising from the revocation of the election.

(5) In paragraph (1), the constituent entities of an MNE group located in a jurisdiction are included in a tax consolidation group if, under the law of that jurisdiction, the income, expenses, gains or losses of those constituent entities may for tax purposes be aggregated, surrendered to each other or otherwise shared or transferred between them as a result of a connection between those constituent entities.

(6) An election under paragraph (1) must not be revoked for the financial year for which it is made or for any of the subsequent 4 financial years, and any such revocation has no effect.

(7) If an election under paragraph (1) is revoked for a financial year, another election under that paragraph must not be made (whether in Singapore or in another jurisdiction) in respect of the constituent entities located in that jurisdiction for that or any of the subsequent 4 financial years, and any such election has no effect.

**Election for excluded equity gains and losses to be included**

**34.**—(1) The filing entity of an MNE group may make an election in a GloBE information return (whether filed in Singapore or in another jurisdiction) in accordance with the GloBE rules that the excluded equity gains or losses specified in paragraph (3) of the constituent entities of the MNE group located in a jurisdiction are to be included in the FANIL of those constituent entities.

(2) Where an election under paragraph (1) is effective for a financial year, the FANIL for that financial year of each of those constituent entities must be adjusted accordingly.

(3) An election in paragraph (1) applies to the following excluded equity gains or losses of a constituent entity:

(*a*) excluded equity gains or losses that are subject to covered taxes in the jurisdiction where the constituent entity is located;

(*b*) excluded equity gains or losses (being changes in fair value of direct ownership interests in an entity or impairments on direct ownership interests in an entity) that are not subject to covered taxes if the gains or losses on the disposition of those direct ownership interests would be subject to covered taxes in the jurisdiction where the constituent entity is located.

(4) Despite an election in paragraph (1), excluded equity gains or losses in respect of a qualified ownership interest (as defined in regulation 42(5)) owned by a constituent entity must not be included as income in the FANIL of a constituent entity.

(5) A revocation of an election in paragraph (1) does not have effect in relation to the gains, profits or losses of a constituent entity arising from any direct ownership interests in another entity if —

(*a*) a loss in respect of those direct ownership interests has been included in the GloBE income or loss of that constituent entity for any financial year; and

(*b*) that loss would otherwise have been excluded under regulation 14,

and accordingly, the election in paragraph (1) continues to apply to gains, profits and losses in respect of those direct ownership interests.

(6) An election under paragraph (1) must not be revoked for the financial year for which it is made or for any of the subsequent 4 financial years, and any such revocation has no effect.

(7) If an election under paragraph (1) is revoked for a financial year, another election under that paragraph must not be made (whether in Singapore or in another jurisdiction) in respect of the constituent entities located in that jurisdiction for that or any of the subsequent 4 financial years, and any such election has no effect.

**Election for foreign exchange risk hedges**

**35.**—(1) The filing entity of an MNE group may make an election in a GloBE information return (whether filed in Singapore or in another jurisdiction) in accordance with the GloBE rules that the FANIL of a constituent entity of the MNE group is to be adjusted to exclude the gains or losses in paragraph (3) of that constituent entity.

(2) Where an election under paragraph (1) is effective for a financial year, the FANIL for that financial year of that constituent entity must be adjusted accordingly.

(3) An election in paragraph (1) applies to gains or losses of a constituent entity arising from fluctuations in exchange rates to the extent that —

(*a*) a gain or loss is attributable to an instrument intended to act as a hedge against currency risk in ownership interests in any entity held by the constituent entity of the MNE group, not being a portfolio shareholding;

(*b*) the gain or loss is recorded in other comprehensive income in the consolidated financial statements of the ultimate parent entity of the MNE group;

(*c*) the instrument is considered an effective net investment hedge under the authorised financial accounting standard upon which those statements are prepared;

(*d*) where the instrument is held by the constituent entity, the economic and accounting effect of the hedge has not been transferred to any other entity; and

(*e*) where the instrument is not held by the constituent entity, the economic and accounting effect of the hedge has been transferred to the constituent entity.

(4) An election under paragraph (1) must not be revoked for the financial year for which it is made or for any of the subsequent 4 financial years, and any such revocation has no effect.

(5) If an election under paragraph (1) is revoked for a financial year, another election under that paragraph must not be made (whether in Singapore or in another jurisdiction) in respect of that constituent entity for that or any of the subsequent 4 financial years, and any such election has no effect.

**Election where assets and liabilities adjusted to fair value for tax purposes**

**36.**—(1) The filing entity of an MNE group may make an election in a GloBE information return (whether filed in Singapore or in another jurisdiction) in accordance with the GloBE rules that the FANIL for a financial year of a constituent entity of the MNE group, that has a relevant tax adjustment in that financial year, is to be adjusted in accordance with paragraph (2).

(2) Where an election in paragraph (1) is effective for a financial year —

(*a*) that constituent entity has an adjustment amount in respect of each of its assets or liabilities that are subject to a relevant tax adjustment in that financial year; and

(*b*) the value of an asset or liability that is subject to a relevant tax adjustment is to be treated, for the purpose of determining the FANIL of that constituent entity for that and any subsequent financial year, as its fair value immediately after the occurrence of the event that caused, or enabled, the relevant tax adjustment to be made.

(3) In paragraph (2)(*a*), the adjustment amount is the amount given —

(*a*) by subtracting the carrying value of the asset or liability immediately before the event that caused, or enabled, the relevant tax adjustment to be made from the fair value of the asset or liability immediately after the occurrence of that event; and

(*b*) if that event results in a non-qualifying gain or loss (as defined in regulation 61(9)) for the constituent entity —

(i) in the case of a non-qualifying gain — by reducing the result of sub-paragraph (*a*) by the amount of that gain; or

(ii) in the case of a non-qualifying loss — by increasing the result of sub-paragraph (*a*) by the amount of that loss (expressed as a positive number).

(4) A constituent entity may —

(*a*) include the adjustment amount in paragraph (2)(*a*) in its FANIL for the financial year in which the relevant tax adjustment is made; or

(*b*) split that adjustment amount into 5 equal amounts to be included in its FANIL for that financial year and the subsequent 4 financial years.

(5) If paragraph (4)(*b*) applies and the constituent entity ceases to be a constituent entity of the same MNE group before the end of the fourth subsequent financial year, any amount of the adjustment amount that has not been included in its FANIL for a previous financial year is to be included in its FANIL for the financial year in which it ceases to be a constituent entity of that MNE group.

(6) In this regulation —

"relevant tax adjustment" means an adjustment to the value of assets or liabilities of a constituent entity of an MNE group located in a jurisdiction to reflect the fair value of those assets or liabilities, that is required or permitted to be made for tax purposes under the law of that jurisdiction on the occurrence

of an event, but does not include adjustments made in connection with transfer pricing, or the sale of trading stock in the course of carrying on a trade;

"trading stock" has the meaning given by section 10J(9) of the Income Tax Act 1947.

## PART 5

## ADJUSTMENTS TO QUALIFYING CURRENT TAX EXPENSES, QUALIFYING DEFERRED TAX EXPENSES AND ADJUSTED COVERED TAXES

*Division 1 — Preliminary provisions*

### Purpose and application of this Part

**37.**—(1) This Part sets out the adjustments that must or may be made for the purpose of arriving at the adjusted covered taxes of a constituent entity of an MNE group.

(2) This Part applies to a standalone JV or an entity of a JV group with the following modifications:

(*a*) except in sub-paragraph (*b*), references to an MNE group are to the standalone JV or the JV group of which the entity is a part;

(*b*) references to the filing entity of an MNE group are to the filing entity of the MNE group to which the standalone JV or entity is connected;

(*c*) references to a constituent entity are to the standalone JV or the entity;

(*d*) other modifications in the provisions of this Part.

**Amounts excluded from qualifying current tax expense**

**38.**—(1) The qualifying current tax expense of a constituent entity of an MNE group for a financial year must be adjusted to exclude the amounts in paragraph (2) (to the extent they would otherwise be included).

(2) Those amounts are —

(*a*) any amount of current tax expense that relates to income or gains that are excluded from the computation of the GloBE income or loss of the constituent entity for the financial year;

(*b*) any amount of current tax expense that relates to an uncertain tax position for the constituent entity for the financial year;

(*c*) any reduction of current tax expense made in respect of a qualified refundable tax credit or in respect of a marketable transferable tax credit;

(*d*) any amount of current tax expense that is not expected to be paid by the constituent entity before the end of the period of 3 years commencing on the first day after the end of the financial year;

(*e*) any amount of current tax expense that relates to a gain or loss in respect of the disposal of local tangible assets (as defined in regulation 32(6)) in the financial year for which an election in regulation 32(1) is made for the constituent entity;

(*f*) any amount of credit (whether refundable or not) or refund for the constituent entity for the financial year, in respect of covered taxes, that —

(i) is not a qualified refundable tax credit or a marketable transferable tax credit; and

(ii) has not been taken into account in the qualifying current tax expense for the constituent entity for that financial year or a previous financial year;

(*g*) any amount of credit (other than one mentioned in sub-paragraph (*f*)) or refund in respect of a tax credit that is not a qualified refundable tax credit or a marketable transferrable tax credit; and

(*h*) any current tax expense for a previous financial year.

(3) The exclusion of the amount in paragraph (2)(*h*) is subject to regulation 40(1) and (3).

(4) Despite paragraph (1), the refundable tax credits that accrued prior to the beginning of the transition year of a constituent entity (as defined in regulation 88) must not be treated as a reduction to the qualifying current tax expense of the constituent entity for the transition year or any subsequent financial year.

(5) In paragraph (4), "refundable tax credit" means a tax credit (or an amount of tax credit) which is payable in cash or cash equivalent to the constituent entity —

(*a*) after any liability to covered taxes has been reduced or discharged by it; or

(*b*) in the absence of any tax liability to covered taxes.

**Amounts taken into account in qualifying current tax expense**

**39.**—(1) The qualifying current tax expense of a constituent entity of an MNE group for a financial year must be adjusted to take into account the adjustments in paragraph (2) (to the extent they were not already taken into account).

(2) Those adjustments are —

(*a*) add any positive amount (and subtract any negative amount) of covered taxes that would be (if not for regulation 11) reflected in the FANIL of the constituent entity for the financial year but which (if not for this regulation) is not reflected in the qualifying current tax expense of the constituent entity for the financial year;

(*b*) add any amount of covered taxes paid by, and subtract any amount of covered taxes refunded to, the constituent entity in the financial year that relates to an uncertain tax position

where the amount was excluded for a previous financial year; and

(*c*) add any positive amount (and subtract any negative amount) of covered taxes recorded in the equity or other comprehensive income of the constituent entity for the financial year, relating to amounts taken into account in the GloBE income or loss of the constituent entity and that are subject to covered taxes under the law of the jurisdiction where the constituent entity is located.

(3) In making the adjustments in paragraph (2), no amount of covered taxes may be taken into account more than once.

**Post-filing adjustments and tax rate changes**

**40.**—(1) If an adjustment is recorded in the financial statements for a financial year —

(*a*) that increases the adjusted covered taxes of a constituent entity for a previous financial year; or

(*b*) that decreases the adjusted covered taxes of a constituent entity for a previous financial year and, had the adjustment been made in the previous financial year, there would not be a decrease in the total adjusted covered taxes for that previous financial year of the constituent entities of the MNE group located in the same jurisdiction,

the amount of the adjustment must be taken into account in the adjusted covered taxes of the constituent entity for the financial year in which the adjustment was made.

(2) If an adjustment is recorded in the financial statements for a financial year that decreases the adjusted covered taxes of a constituent entity for a previous financial year and, had the adjustment been made in the previous financial year, there would be a decrease in the total adjusted covered taxes for that previous financial year of the constituent entities of the MNE group located in the same jurisdiction, the following must be recalculated for that previous financial year and any subsequent financial year affected by

such adjustment, up to the financial year in which the adjustment was made:

(*a*) the adjusted covered taxes of the constituent entity;

(*b*) if the decrease in the total adjusted covered taxes of the constituent entities of the MNE group results from a reduction in the GloBE income or loss of the constituent entity, the GloBE income or loss of the constituent entity but only to the extent necessary to prevent the top-up amounts of those constituent entities from decreasing;

(*c*) the effective tax rate (as determined under section 17, including that section as applied by section 22, 23 or 25, or section 24, as the case may be) for the constituent entities of the MNE group located in the same jurisdiction;

(*d*) the top-up amounts (if any) for those constituent entities,

and section 21(4) (or that provision as applied by section 22, 23, 24 or 25, as the case may be) applies accordingly.

(3) If the decrease in the total adjusted covered taxes for a financial year of the constituent entities of an MNE group located in a jurisdiction mentioned in paragraph (2) is less than EUR 1 million, the filing entity of that MNE group may elect in a GloBE information return (whether filed in Singapore or in another jurisdiction) in accordance with the GloBE rules for the adjustment mentioned in paragraph (2) to be taken into account in the adjusted covered taxes of the constituent entity for the financial year in which the adjustment was made, and, where such election is effective, the adjustment must be taken into account accordingly.

(4) Where an election described in paragraph (3) is not made and the constituent entity offsets a loss arising in a financial year against income of a previous financial year for tax purposes —

(*a*) the loss is treated as giving rise to a deferred tax asset in the firstmentioned financial year, and regulation 45 applies accordingly; and

(*b*) the deferred tax asset is deemed to have been used in the previous financial year, and regulation 45 applies accordingly.

(5) In paragraphs (1) and (3), the amount to be taken into account in the adjusted covered taxes of the constituent entity for the financial year in which the adjustment was made must be adjusted in accordance with regulation 45(3) or (4), where applicable.

(6) Where any tax rate in respect of covered taxes for a constituent entity is reduced to a rate less than the minimum rate, then —

(*a*) any negative amount of deferred tax expense recognised for a financial year by that constituent entity as a result of that reduction is treated as an adjustment made in that financial year to decrease the corresponding qualifying deferred tax expense of that constituent entity for a previous financial year; and

(*b*) paragraphs (2) and (3) apply accordingly.

(7) Where any tax rate in respect of covered taxes for a constituent entity is increased —

(*a*) any positive amount of deferred tax expense recognised for a financial year by that constituent entity as a result of that increase is treated as an adjustment made in the financial year as described in sub-paragraph (*b*) to increase the corresponding qualifying deferred tax expense of that constituent entity for a previous financial year up to the maximum amount in sub-paragraph (*c*);

(*b*) the adjustment mentioned in sub-paragraph (*a*) is made in the financial year when the deferred tax liability recognised as a result of that increase is reversed (on the payment of the deferred tax);

(*c*) the increase of the corresponding qualifying deferred tax expense mentioned in sub-paragraph (*a*) is subject to a maximum of $A - B$, where —

(i) A is the amount of that deferred tax expense if it had been recognised on the basis of a tax rate equal to the minimum rate; and

(ii) B is the original amount of that deferred tax expense; and

(*d*) paragraph (1) applies accordingly.

(8) If any qualifying current tax expense for a financial year of a constituent entity of an MNE group is not paid within 3 years of the last day of that financial year, and the unpaid qualifying current tax expense is more than EUR 1 million —

(*a*) the unpaid amount must be deducted from the adjusted covered taxes of that constituent entity for that financial year; and

(*b*) the following must be recalculated for that financial year:

(i) the effective tax rate (as determined under section 17, including that section as applied by section 22, 23 or 25, or section 24, as the case may be) for the constituent entities of the MNE group located in the same jurisdiction;

(ii) the top-up amounts (if any) for those constituent entities,

and section 21(4) (or that provision as applied by section 22, 23, 24 or 25, as the case may be) applies accordingly.

**Non-marketable transferable tax credits**

**41.**—(1) The adjusted covered taxes for a financial year of a constituent entity of an MNE group that is an originator of a non-marketable transferable tax credit that transfers the same in the financial year, must be adjusted by treating the consideration for the transfer as a negative amount of tax expense and treating the non-marketable transferable tax credit as having been used by that constituent entity.

(2) The adjusted covered taxes for a financial year of a constituent entity of an MNE group that is a purchaser of a non-marketable transferable tax credit must be adjusted as follows:

(*a*) any amount of the tax credit used to satisfy its liability for covered taxes for the financial year is multiplied by —

$$\frac{A - B}{A},$$

where —

(i) A is the full value of the tax credit; and

(ii) B is the price paid by the constituent entity for the tax credit,

and treated as a negative amount of tax expense;

(*b*) if the tax credit is transferred by the constituent entity in the financial year, any positive amount computed by the following formula is treated as a negative amount of tax expense:

$$(C + D) - (E + F),$$

where —

(i) C is the consideration received by the entity for the transfer;

(ii) D is the amount of the tax credit that has been used by the entity for that financial year and all previous financial years;

(iii) E is the consideration paid by the entity to acquire the tax credit; and

(iv) F is the total negative amount of tax expense recognised by the entity under sub-paragraph (*a*) in respect of the tax credit for that financial year and all previous financial years;

(*c*) any other amount of the tax credit that is excluded from the adjusted covered taxes is treated as a positive amount of tax expense.

**Qualified flow-through tax benefits**

**42.**—(1) Where an election in regulation 34(1) is effective in relation to a constituent entity of an MNE group for a financial year, the adjusted covered taxes of the constituent entity for the financial year must be adjusted —

(*a*) to treat the amount of any qualified flow-through tax benefits from a qualified ownership interest received by the constituent entity in the financial year as a positive amount of tax expense, to the extent that they have been excluded;

(*b*) to treat the amount of any other flow-through tax benefits (that are not qualified) from the qualified ownership interest received by the constituent entity in the financial year as a negative amount of tax expense, to the extent that they have not already been so taken into account; and

(*c*) to treat the amount of any qualified refundable tax credit, and any proceeds and distributions from the qualified ownership interest received by the constituent entity in the financial year, as negative tax expenses, but only to the extent that the total value of the amount and of the proceeds and distributions for the financial year and any prior financial year does not exceed the total value of the amount mentioned in sub-paragraph (*a*) for the financial year and any prior financial year.

(2) The amount of qualified flow-through tax benefits from a qualified ownership interest received by a constituent entity in a financial year is —

(*a*) if the constituent entity applies the proportional amortisation method for accounting purposes, or irrevocably elects to adopt the proportional amortisation method for the purpose of this regulation —

(i) where the total value of the proceeds, distributions and flow-through tax benefits from the qualified ownership interest received in the financial year does not exceed the amortisation expense for the financial

year under the proportional amortisation method — the amount of the flow-through tax benefits received in the financial year; and

(ii) where the total value of the proceeds, distributions and flow-through tax benefits from the qualified ownership interest received in the financial year exceeds the amortisation expense for the financial year under the proportional amortisation method — the amount of the flow-through tax benefits received in the financial year reduced by the amount of such excess but not below nil; and

(*b*) in any other case — the amount of the flow-through tax benefits received in the financial year, but only to the extent that the total value of the proceeds, distributions and flow-through tax benefits from the qualified ownership interest received in the financial year and all previous financial years does not exceed the investment in the qualified ownership interest.

(3) The filing entity of an MNE group may make an election in accordance with the GloBE rules to adopt the proportional amortisation method in relation to a qualified ownership interest received by a constituent entity of the MNE group in a financial year for the purpose of paragraph (2)(*a*).

(4) An election must be made in the later of the following:

(*a*) the financial year in which the constituent entity acquired the qualified ownership interest;

(*b*) the first in-scope year of the constituent entity.

(5) In this regulation —

"flow-through tax benefits" means tax credits (not being qualified refundable tax credits) and the value of tax deductible losses made available to the owner of qualified ownership interest;

"proportional amortisation method" means a method of accounting under which —

(*a*) the investment in the qualified ownership interest is amortised over the term of the investment with the amortisation expense for a financial year based on the proportion of the flow-through tax benefits received in the financial year over the flow-through tax benefits expected to be provided over the term of the investment; and

(*b*) the difference between the flow-through tax benefits received and the amortisation expense for the financial year is reflected as a tax expense;

"qualified ownership interest" means an investment in a flow-through entity by a constituent entity of an MNE group where —

(*a*) the flow-through entity is not a reverse hybrid entity with respect to the income, expenditure, profit or loss attributable to the constituent entity;

(*b*) the investment is treated as equity —

(i) for tax purposes in the jurisdiction where the constituent entity is located; and

(ii) under an authorised financial accounting standard in the jurisdiction where the flow-through entity operates;

(*c*) the flow-through entity is not a constituent entity 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 constituent entity has a genuine economic interest in the flow-through entity and is not protected from loss on the investment; and

(*f*) flow-through tax benefits under the investment are available to the constituent entity whether or not the MNE group is subject to MTT or a qualified IIR.

*Division 2 — Allocation of covered taxes*

**Permanent establishments**

**43.**—(1) Where any GloBE income or loss of a permanent establishment is allocated to the main entity of the permanent establishment in regulation 27(2), the qualifying current tax expense in relation to such GloBE income or loss must be allocated to that main entity.

(2) But the amount allocated in accordance with paragraph (1) must not exceed the amount given by multiplying the amount of the GloBE income or loss described in that paragraph by the highest corporate tax rate on ordinary income in the jurisdiction where the main entity is located.

(3) Any deferred tax asset arising under the tax law of the jurisdiction where a permanent establishment is located with respect to a loss that is allocated to the main entity of the permanent establishment in regulation 27(1) must be disregarded in determining the adjusted covered taxes of the permanent establishment.

**Reallocation of tax expenses**

**44.**—(1) Where a constituent entity of an MNE group is subject to taxation under a controlled foreign company tax regime on the income of a controlled foreign company for a financial year, the qualifying current tax expense or qualifying deferred tax expense of that constituent entity arising under that regime must be allocated to that controlled foreign company if that controlled foreign company is a constituent entity of that MNE group.

(2) Where a constituent entity of an MNE group is subject to taxation under a blended CFC regime on the income of its controlled foreign companies for a financial year that commences on or before 31 December 2025 and ends on or before 30 June 2027 —

(*a*) the qualifying current tax expense or qualifying deferred tax expense of the constituent entity arising under that regime in respect of each of its controlled foreign companies is determined by the formula —

$$\frac{A}{B} \times C,$$

where —

(i) A is the blended CFC allocation key of the constituent entity for the controlled foreign company;

(ii) B is the sum of the blended CFC allocation keys of the constituent entity for all its controlled foreign companies; and

(iii) C is the qualifying current tax expense or qualifying deferred tax expense (as the case may be) of the constituent entity arising under that regime in respect of all its controlled foreign companies; and

(*b*) the amount computed in sub-paragraph (*a*) in respect of a controlled foreign company must be —

(i) excluded from the adjusted covered taxes of that constituent entity if that controlled foreign company is not a constituent entity of the MNE group; and

(ii) allocated under paragraph (1) to that controlled foreign company if it is a constituent entity of the MNE group.

(3) [*Deleted by S 129/2025 wef 25/02/2025*]

(4) Where any qualifying current tax expense or qualifying deferred tax expense for a financial year of a constituent entity of an MNE group is in respect of a distribution received (including any deemed distribution in respect of undistributed earnings or capital) from another constituent entity of the MNE group in which that constituent entity has a direct ownership interest, that qualifying current tax expense or qualifying deferred tax expense must be allocated to that other constituent entity.

(5) Where —

(*a*) a constituent entity of an MNE group holds a direct ownership interest in an entity (*X*); and

(*b*) *X* is a hybrid entity with respect to any of its income that is attributable to such direct ownership interest,

then any qualifying current tax expense or qualifying deferred tax expense of the constituent entity for a financial year that is in respect of that income must be allocated to *X*.

(6) Where any qualifying current tax expense or qualifying deferred tax expense for a financial year of a constituent entity (*X1*) of an MNE group is to be allocated to another constituent entity (*X2*) of the MNE group under paragraph (1), (2) or (5), and the qualifying current tax expense or qualifying deferred tax expense is in respect of passive income, the amount of qualifying current tax expense and qualifying deferred tax expense that must be so allocated is subject to a cap determined by the following formula:

$$(15\% - \mathrm{D}) \times \mathrm{E},$$

where —

(*a*) D is the relevant effective tax rate for *X2* determined without regard to any qualifying current tax expense or qualifying deferred tax expense in respect of passive income, that would otherwise have been allocated to *X2* under paragraph (1), (2) or (5); and

(*b*) E is the amount of the passive income,

and any amount of qualifying current tax expense or qualifying deferred tax expense not allocated is a qualifying current tax expense or qualifying deferred tax expense of *X1*.

(7) In this regulation —

"applicable rate", in relation to a blended CFC regime, means the applicable tax rate mentioned in paragraph (*c*) of the definition of "blended CFC regime";

"blended CFC allocation key" has the meaning given by regulation 44A;

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"blended CFC regime" means a controlled foreign company tax regime —

(*a*) under which the income and losses of the controlled foreign companies of the entity are aggregated for the purposes of calculating the entity's tax liability under the regime;

(*b*) that does not take into account the income of the entity, or the constituent entities of its MNE group, arising in the jurisdiction where the entity is located, other than the use of any loss to reduce a tax liability under the regime; and

(*c*) that operates if the tax rate applicable to the controlled foreign companies is less than a minimum threshold, being a threshold below 15%;

"controlled foreign company" means the other entity in the definition of "controlled foreign company tax regime";

"controlled foreign company tax regime" means a set of tax rules (other than MTT or a qualified IIR) under which an entity with an ownership interest in another entity located in a different jurisdiction is subject to current taxation on its share of part or all of the income of the other entity, whether or not any of that income is distributed to the entity;

"passive income" means —

(*a*) dividends or dividend equivalents;

(*b*) interest or interest equivalents;

(*c*) rent;

(*d*) royalties;

(*e*) annuities; or

(*f*) net gains from property of a type that produces income described in paragraphs (*a*) to (*e*);

"relevant effective tax rate", in relation to a constituent entity (*X2*) of an MNE group, means —

(*a*) where *X2* is not a special entity — the effective tax rate (as determined under section 17) for the constituent entities (not being special entities) of that MNE group located in the same jurisdiction as *X2*, including *X2*;

(*b*) where *X2* is a stateless entity — its effective tax rate (as determined under section 22);

(*c*) where *X2* is a minority-owned constituent entity — the effective tax rate (as determined under section 23) for the constituent entities of that MNE group that are minority-owned constituent entities located in the same jurisdiction as *X2*, including *X2*; and

(*d*) where *X2* is an investment entity or insurance investment entity — the effective tax rate (as determined under section 24) for the constituent entities of that MNE group that are investment entities or insurance investment entities located in the same jurisdiction as *X2*, including *X2*.

(8) For the purposes of this regulation, any amount of qualifying current tax expense or qualifying deferred tax expense of a constituent entity (*Z1*) of the MNE group that would have been allocated under this regulation to a standalone JV or an entity of a JV group (*Z2*) that is connected to an MNE group if *Z2* were a constituent entity of the MNE group, is to be allocated to *Z2*.

(9) For the purpose of paragraph (8), "relevant effective tax rate" means the effective tax rate (as determined under section 25) for *Z2* and any other entities of the JV group located in the same jurisdiction as *Z2*.

(10) In the application under regulation 37(2) of this regulation to the allocation of tax expenses from one entity (*Z3*) to another entity (*Z4*) of the same JV group, "relevant effective tax rate" means the effective tax rate (as determined under section 25) for *Z4* and any other entities of the JV group located in the same jurisdiction as *Z4*.

**Blended CFC allocation key**

**44A.**—(1) In regulation 44, "blended CFC allocation key", in relation to a constituent entity (*X*) for a controlled foreign company (*Y*) of *X*, means the amount of *Y*'s income in the jurisdiction where it is located that is attributable to *X* under the blended CFC regime in question, multiplied by the difference between A and B, where —

(*a*) A is the applicable rate for the blended CFC regime; and

(*b*) B is —

(i) in a case where *Y* is a GloBE entity — the effective tax rate for those GloBE entities (collectively called *Y1*) that are located in the same jurisdiction as *Y* and that belong to the same class of GloBE entities in paragraph (8)(*a*) to (*g*) as *Y*, as determined by the operation of any of the laws mentioned in paragraph (2);

(ii) in a case where *Y* is not a GloBE entity, and there is one or more GloBE entities (each called *Y2*) that are located in the same jurisdiction as *Y* — the effective tax rate (as determined by the operation of any of the laws mentioned in paragraph (2)) for the *Y2* or *Y2*s belonging to the class of GloBE entities in paragraph (8)(*a*) to (*g*) with the highest total amount of income attributable to *X* under the blended CFC regime (each called a relevant *Y2*); or

(iii) in any other case — the effective tax rate for all entities located in the same jurisdiction as *Y* —

(A) in which *X* holds an ownership interest; and

(B) that are subject to taxation under the blended CFC regime,

based on their total income and taxes for the financial year concerned as reflected in their financial statements.

(2) The laws mentioned in paragraph (1)(*b*)(i) and (ii) are —

(*a*) section 17 (or that section as applied by section 22, 23 or 25) or section 24, whichever is applicable, with the modifications in paragraph (3); and

(*b*) any law equivalent to the applicable provision in sub-paragraph (*a*), with the modifications in paragraph (3).

(3) The modifications mentioned in paragraph (2) are —

(*a*) any tax arising under the blended CFC regime is disregarded; and

(*b*) where the blended CFC regime provides credit for any qualified domestic minimum top-up tax payable in *Y*'s jurisdiction on the same basis as covered taxes payable in that jurisdiction, any qualified domestic minimum top-up tax payable in that jurisdiction is included in the adjusted covered taxes for those constituent entities.

(4) For the purpose of paragraph (1), where B is equal to or greater than 15% or A, then the blended CFC allocation key is nil.

(5) For the purpose of paragraph (1)(*b*)(i) and (ii), if an election is made to apply for the financial year in question the Transitional CbCR Safe Harbour under regulation 69 or its equivalent under the law of any other jurisdiction to *Y* (in the case of paragraph (1)(*b*)(i)) or any relevant *Y2* (in the case of paragraph (1)(*b*)(ii)), the reference to the effective tax rate determined in accordance with paragraph (1)(*b*)(i) or (ii) is to the simplified effective tax rate determined in accordance with regulation 72(2).

(6) For the purpose of paragraph (1)(*b*)(i) or (ii), if an election is made to apply for the financial year in question the QDMTT Safe Harbour under regulation 78 or its equivalent under the law of any other jurisdiction to *Y* (in the case of paragraph (1)(*b*)(i)) or any relevant *Y2* (in the case of paragraph (1)(*b*)(ii)), the reference to the effective tax rate determined in accordance with paragraph (1)(*b*)(i) or (ii) is to an amount determined by the formula $\frac{(D+E)}{F}$, where —

(*a*) D is the sum of the adjusted covered taxes used to determine the effective tax rate for *Y1* (in the case of

paragraph (1)(*b*)(i)) or the relevant *Y2* or *Y2s* (in the case of paragraph (1)(*b*)(ii)) for the purposes of determining the amount of qualified domestic minimum top-up tax imposed by the law of that jurisdiction;

(*b*) E is the amount of qualified domestic minimum top-up tax payable in that jurisdiction for that financial year that could be included in the adjusted covered taxes for *Y1* (in the case of paragraph (1)(*b*)(i)) or the relevant *Y2* or *Y2s* (in the case of paragraph (1)(*b*)(ii)) under paragraph (3)(*b*); and

(*c*) F is the sum of the GloBE income or loss for that financial year of *Y1* (in the case of paragraph (1)(*b*)(i)) or the relevant *Y2* or *Y2s* (in the case of paragraph (1)(*b*)(ii)) for the purposes of determining the amount of qualified domestic minimum top-up tax imposed by the law of that jurisdiction.

(7) For the purpose of paragraph (1)(*b*)(i) or (ii), and subject to paragraphs (5) and (6), if an effective tax rate need not be determined for *Y* (in the case of paragraph (1)(*b*)(i)) or all relevant *Y2s* (in the case of paragraph (1)(*b*)(ii)) under any of the laws mentioned in paragraph (2), the reference to the effective tax rate determined in accordance with paragraph (1)(*b*)(i) or (ii) is to the simplified effective tax rate determined in accordance with regulation 72(2), and for this purpose the reference to the MNE group's qualifying country-by-country report in regulation 72(2)(*b*) is to its qualified financial statements as defined in regulation 68.

(8) In paragraph (1)(*b*)(i) and (ii), GloBE entities are classified as follows:

(*a*) constituent entities other than special entities;

(*b*) stateless entities;

(*c*) minority-owned constituent entities (not being investment entities or insurance investment entities);

(*d*) members of a minority-owned subgroup (not being investment entities or insurance investment entities);

(*e*) investment entities and insurance investment entities;

(*f*) standalone JVs;

(*g*) entities of a JV group.

(9) In this regulation —

"applicable rate", "blended CFC regime" and "controlled foreign company" have the meanings given by regulation 44(7);

"GloBE entity" means a constituent entity of the same MNE group as *X* or a joint venture or JV subsidiary that is connected to the same MNE group as *X*.

*[S 129/2025 wef 25/02/2025]*

*Division 3 — Deferred taxes and other adjustments*

**Adjustments to qualifying deferred tax expense**

**45.**—(1) The following adjustments must be made to the qualifying deferred tax expense of a constituent entity of an MNE group for any financial year:

(*a*) any amount of that expense in respect of an item excluded from the computation of the GloBE income or loss for that financial year of the constituent entity is excluded;

(*b*) any amount of that expense that reflects a disallowed accrual or an unclaimed accrual for that financial year is excluded;

(*c*) the impact in the financial year of a valuation adjustment or accounting recognition adjustment with respect to a deferred tax asset is excluded;

(*d*) any amount of that expense in the financial year arising from a re-measurement with respect to a change in the rate of tax is excluded;

(*e*) any amount of that expense in the financial year that reflects the generation or use of tax credits is excluded;

(*f*) any amount of unclaimed accrual for a previous financial year (that was excluded under sub-paragraph (*b*) for that

previous financial year) that is paid in the financial year is added;

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(*g*) any amount not reflected in a deferred tax asset that is attributable to a loss for the financial year, being an amount not so reflected only as a result of the recognition criteria not being met, is subtracted;

(*h*) any amount in respect of a qualifying foreign tax credit as determined under paragraph (2) for the financial year is added;

(*i*) any recaptured deferred tax liability under regulation 46 that is paid in the financial year is added;

(*j*) any amount of deferred tax expense that relates to a gain or loss in respect of the disposal of local tangible assets (as defined in regulation 32(6)) in the financial year for which an election in regulation 32(1) is made for the constituent entity is excluded.

(2) The amount of a qualifying foreign tax credit that must be added to the qualifying deferred tax expense of a constituent entity is the lower of —

(*a*) the qualifying foreign tax credit; and

(*b*) the amount of any domestic loss used to offset any relevant foreign income that would allow the constituent entity to offset the qualifying foreign tax credit against tax on domestic profits, multiplied by the tax rate in the jurisdiction where the constituent entity is located.

(3) Where a constituent entity of an MNE group has a deferred tax asset calculated on the basis of a tax rate of less than 15% that is attributable to a loss that would have been taken into account in determining its GloBE income or loss for a financial year, the amount of the deferred tax asset may be adjusted to the amount it would be had the tax rate been 15%, and the amount of the adjustment is subtracted from the qualifying deferred tax expense of that constituent entity for that financial year.

(4) Where a deferred tax expense of a constituent entity of an MNE group for a financial year relates to covered taxes where the tax rate is greater than 15%, the amount of that deferred tax expense must be adjusted to the amount it would be had the tax rate been 15%.

(5) In this regulation —

"disallowed accrual", in relation to a financial year, means —

(*a*) any movement in deferred tax expense which would be (if not for regulation 11) reflected in the FANIL of a constituent entity of an MNE group for the financial year which relates to an uncertain tax position; or

(*b*) any movement in deferred tax expense which would be (if not for regulation 11) reflected in the FANIL of a constituent entity of an MNE group for the financial year which relates to distributions from another constituent entity of the MNE group;

"qualifying foreign tax credit", in relation to a constituent entity of an MNE group, means a tax credit in the jurisdiction in which that constituent entity is located for foreign income tax paid by that constituent entity, where that jurisdiction —

(*a*) requires domestic losses to be offset against relevant foreign income before a tax credit can be applied against tax on foreign income; and

(*b*) permits a foreign tax credit to be offset against tax on domestic profits to the extent that domestic losses have been offset against relevant foreign income for a previous financial year;

"relevant foreign income", in relation to a constituent entity of an MNE group, means income of a controlled foreign company of the constituent entity on which the constituent entity is taxed as a result of a controlled foreign company tax regime (as defined in regulation 44(7));

"unclaimed accrual" means an increase in a deferred tax liability which would be (if not for regulation 11) reflected in the

FANIL of a constituent entity of an MNE group for a financial year —

(*a*) that is not expected to be reversed before the end of the fifth financial year after that financial year; and

(*b*) in respect of which the filing entity of that MNE group has elected in a GloBE information return (whether filed in Singapore or in another jurisdiction) in accordance with the GloBE rules not to include in the qualifying deferred tax expense of that constituent entity for that financial year.

(6) Paragraph (1)(*a*) to (*e*) does not apply in relation to deferred tax assets or liabilities arising before the transition year.

(7) In making the adjustments in paragraph (1), no item may be taken into account more than once.

*[S 129/2025 wef 25/02/2025]*

**Recaptured deferred tax liabilities**

**46.**—(1) A constituent entity of an MNE group has a recaptured deferred tax liability if it has a deferred tax liability, other than an excluded liability, taken into account in its qualifying deferred tax expense for a financial year (called the initial year) that is not reversed by the last day of the fifth financial year after the initial year.

(2) Where a constituent entity of an MNE group has a recaptured deferred tax liability —

(*a*) the amount included in its qualifying deferred tax expense for the initial year in relation to that recaptured deferred tax liability must be excluded for that financial year; and

(*b*) the following must be recalculated for the initial year:

(i) the effective tax rate (as determined under section 17, including that section as applied by section 22, 23 or 25, or section 24, as the case may be) for the constituent entity and the other constituent entities of the MNE group located in the same jurisdiction;

(ii) the top-up amounts that those constituent entities would have,

and section 21(4) (or that section as applied by section 22, 23, 24 or 25, as the case may be) applies accordingly.

(3) In paragraph (1), "excluded liability" means a tax expense attributable to changes in deferred tax liabilities in respect of —

(*a*) cost recovery allowances on tangible assets;

(*b*) the cost of a licence or similar arrangement from the government for the use of immovable property or exploitation of natural resources that entails significant investment in tangible assets;

(*c*) research and development expenses;

(*d*) de-commissioning and remediation expenses;

(*e*) fair value accounting on unrealised net gains;

(*f*) foreign currency exchange net gains;

(*g*) insurance reserves and insurance policy deferred acquisition costs;

(*h*) gains from the sale of tangible property located in the same jurisdiction as the constituent entity that are reinvested in tangible property located in the same jurisdiction; or

(*i*) additional amounts accrued as a result of accounting principle changes with respect to anything falling within sub-paragraphs (*a*) to (*h*).

**GloBE loss election**

**47.**—(1) The filing entity of an MNE group may elect in a GloBE information return (whether filed in Singapore or in another jurisdiction) in accordance with the GloBE rules that the treatment in this regulation applies to all the constituent entities of the MNE group located in a jurisdiction.

(2) An election under paragraph (1) —

(*a*) must be made for the transition year of any constituent entity located in that jurisdiction; and

(*b*) cannot be made for a jurisdiction that has an eligible distribution tax system (as defined in paragraph 1(7) of the First Schedule to the Act).

(3) Where an election is effective for a financial year —

(*a*) none of the constituent entities located in the jurisdiction for which the election is made is treated as having any qualifying deferred tax expense for that financial year; and

(*b*) if the sum of the GloBE income or loss for that financial year of those constituent entities is nil or less, that amount multiplied by 15% is the "special loss deferred tax asset" of those constituent entities for the purposes of this regulation.

(4) Where an election is effective for a financial year and —

(*a*) the sum of the GloBE income or loss for that financial year of the constituent entities located in a jurisdiction for which the election is made is a positive amount; and

(*b*) those constituent entities have any special loss deferred tax asset from a previous financial year 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 constituent entities with a positive amount of GloBE income or loss for that financial year.

(5) The amount of the special loss deferred tax asset that is to be used in paragraph (4) is the lower of —

(*a*) the amount of the special loss deferred tax asset; and

(*b*) the sum of the GloBE income or loss for that financial year of those constituent entities multiplied by 15%,

and any amount of the special loss deferred tax asset remaining unused remains available for use in a subsequent financial year.

(6) Any special loss deferred tax asset used in paragraph (4) must be allocated between the constituent entities with a positive amount of GloBE income or loss for the financial year in proportion to the amounts of their GloBE income or loss.

(7) If an election under paragraph (1) is revoked for the constituent entities located in a jurisdiction, any special loss deferred tax asset of those constituent entities remaining unused on the first day of the first financial year for which the election is revoked is reduced to nil.

(8) If the ultimate parent entity of the MNE group is a flow-through entity that is located in that jurisdiction, paragraphs (3) to (7) apply in relation to the constituent entities of the MNE group that are located in that jurisdiction, as if the ultimate parent entity were —

(*a*) the only constituent entity of a separate MNE group that is located in the jurisdiction; and

(*b*) not a constituent entity of the MNE group that is located in that jurisdiction.

**Deemed distribution tax election**

**48.**—(1) Where a jurisdiction has an eligible distribution tax system, the filing entity of an MNE group may make an election in a GloBE information return (whether filed in Singapore or in another jurisdiction) in accordance with the GloBE rules that the treatment in this regulation applies to the constituent entities of the MNE group located in that jurisdiction for a financial year.

(2) Where an election is effective for a financial year —

(*a*) the constituent entities located in the jurisdiction for which the election is made have a deemed distribution tax amount for that financial year, being the lower of —

(i) an amount that, when added to A in section 17(1) for those constituent entities, would result in the effective tax rate (as determined under section 17, including that section as applied by section 22, 23 or 25, or section 24, as the case may be) for those constituent entities for that financial year being 15%; and

(ii) the amount of tax that would have been due in that jurisdiction if those constituent entities had distributed all of their profits for that financial year;

(*b*) the combined adjusted covered taxes of those constituent entities for that financial year are increased by the deemed distribution tax amount; and

(*c*) a recapture amount equal to that deemed distribution tax amount is recognised for those constituent entities in the next financial year.

(3) The recapture amount of the constituent entities for a financial year is reduced (but not below nil) by —

(*a*) first, the amount of any tax paid in that financial year on any actual or deemed distribution of profits by those constituent entities;

(*b*) then, if those constituent entities have a total negative amount of GloBE income or loss for that financial year, the amount of that total loss (expressed as a positive number) multiplied by 15%; and

(*c*) then, if any amount computed in sub-paragraph (*b*) for those constituent entities for a previous financial year was not fully deducted against the recapture amount of those constituent entities for any previous financial year, the remainder of that amount,

on the basis that a recapture amount first recognised in an earlier financial year is reduced before a recapture amount first recognised in a later financial year;

(4) If any recapture amount of the constituent entities of an MNE group located in a jurisdiction remains at the end of the fourth financial year after the financial year when the recapture amount was first recognised, then, for the financial year when the recapture amount was first recognised —

(*a*) that recapture amount is deducted from the combined adjusted covered taxes of those constituent entities;

(*b*) then, the effective tax rate (as determined under section 17, including that section as applied by section 22, 23 or 25, or section 24, as the case may be) for those constituent entities is recalculated; and

(*c*) then, the top-up amounts that those constituent entities would have are recalculated,

and section 21(4) (or that section as applied by section 22, 23, 24 or 25, as the case may be) applies accordingly.

(5) Any amount of tax of a constituent entity that is used in a financial year to reduce a recapture amount in paragraph (3)(*a*) must be excluded from the adjusted covered taxes of that constituent entity for that financial year.

(6) Where, in a financial year, a constituent entity —

(*a*) leaves the MNE group;

(*b*) transfers all, or substantially all, of its assets to an entity which is not a constituent entity of the MNE group or to an individual;

(*c*) transfers all, or substantially all, of its assets to a constituent entity located in another jurisdiction; and

(*d*) the constituent entities located in that jurisdiction had, in previous financial years, one or more recapture amounts (each called a recapture year),

then, for each recapture year —

(*e*) the recapture amount for that year (after any reduction in paragraph (3)(*a*)) must be deducted from the combined adjusted covered taxes of those constituent entities for that year;

(*f*) then, the effective tax rate (as determined under section 17, including that section as applied by section 22, 23 or 25, or section 24, as the case may be) for those constituent entities must be recalculated; and

(*g*) then, the top-up amounts that those constituent entities would have must be recalculated, and then adjusted by the relevant ratio for each constituent entity,

and section 21(4) (or that section as applied by section 22, 23, 24 or 25, as the case may be) applies accordingly.

(7) In paragraph (6), the relevant ratio for a financial year is the ratio of the GloBE income or loss for the financial year of the constituent entity leaving the MNE group over the sum of the GloBE income or loss for the financial year of the constituent entities of the MNE group, and —

(*a*) where the resulting ratio is less than nil, the relevant ratio is nil; and

(*b*) where the resulting ratio is more than 1, the relevant ratio is 1.

(8) In this regulation, "eligible distribution tax system" has the meaning given by paragraph 1(7) of the First Schedule to the Act.

(9) This regulation does not apply for the purpose of Part 3 of the Act.

*Division 4 — Modifications for DTT purposes*

**Modifications in relation to Part 3 of Act**

**49.**—(1) Despite the regulations in this Part, for the purpose of Part 3 of the Act —

(*a*) where a constituent entity located in Singapore is a permanent establishment, any qualifying current tax expense or qualifying deferred tax expense of its main entity located outside Singapore in respect of the income of that constituent entity must not be allocated to that constituent entity;

(*b*) where a constituent entity located in Singapore is a controlled foreign company under a controlled foreign company tax regime, any qualifying current tax expense or qualifying deferred tax expense arising under that regime must not be allocated to that constituent entity;

(*c*) where a constituent entity located in Singapore (*X*) makes a distribution (including any deemed distribution in respect of undistributed earnings or capital) to another constituent entity located outside Singapore (*Y*), any qualifying current tax expense or qualifying deferred tax expense of *Y* in

respect of that distribution (other than withholding tax imposed by the ITA in respect of that distribution) must not be allocated to *X*; and

(*d*) where a constituent entity located in Singapore (*X*) is a hybrid entity with respect to any of its income, expenditure, profit or loss attributable to a direct ownership interest in *X* held by another constituent entity located outside Singapore (*Y*), and *Y* is subject to taxation on the income of *X*, any qualifying current tax expense or qualifying deferred tax expense of *Y* in respect of the income of *X* must not be allocated to *X*.

(2) In this regulation —

"controlled foreign company" means the other entity in the definition of "controlled foreign company tax regime";

"controlled foreign company tax regime" means a set of tax rules (other than MTT or a qualified IIR) under which an entity with an ownership interest in another entity located in a different jurisdiction is subject to current taxation on its share of part or all of the income of the other entity, whether or not any of that income is distributed to the entity.

## PART 6

## ADJUSTMENTS TO SUBSTANCE-BASED INCOME EXCLUSION

### Definitions for this Part

**50.** In this Part —

"ancillary international shipping activities", "international shipping" and "international shipping activities" have the meanings given by regulation 25(7);

"ancillary international shipping income" has the meaning given by regulation 25(4);

"international shipping income" has the meaning given by regulation 25(3).

### Application of this Part

**51.** This Part applies to a standalone JV or an entity of a JV group with the following modifications:

(*a*) references to an MNE group are to the standalone JV or the JV group of which the entity is a part;

(*b*) references to the ultimate parent entity of an MNE group are to the standalone JV or the joint venture of the JV group;

(*c*) references to a constituent entity are to the standalone JV or the entity.

### Exclusion from eligible payroll costs

**52.**—(1) For the purposes of section 18, the eligible payroll costs of a constituent entity of an MNE group for a financial year do not include —

(*a*) the full amount of payroll costs of the constituent entity for that financial year that is directly attributable to its international shipping income for that financial year;

(*b*) the full amount of payroll costs of the constituent entity for that financial year that is directly attributable to its ancillary international shipping income that is excluded from its FANIL for that financial year under regulation 25(1)(*c*);

(*c*) the proportion of the payroll costs described in paragraph (2) of the constituent entity for that financial year that is only indirectly attributable to its international shipping income for that financial year; and

(*d*) the proportion of the payroll costs described in paragraph (3) of the constituent entity for that financial year that is only indirectly attributable to its ancillary international shipping income that is excluded from its FANIL for that financial year under regulation 25(1)(*c*).

(2) In paragraph (1)(*c*), the proportion of the payroll costs is that which the revenue of the constituent entity from international

shipping activities for that financial year bears to its total revenue for that financial year.

(3) In paragraph (1)(*d*), the proportion of the payroll costs is that which the amount computed by the following formula bears to the total revenue of the constituent entity for that financial year:

$$A \times \frac{B}{C},$$

where —

(*a*) A is the revenue of the constituent entity from ancillary international shipping activities for that financial year;

(*b*) B is the amount of the ancillary international shipping income of the constituent entity that is excluded from its FANIL for that financial year under regulation 25(1)(*c*); and

(*c*) C is the total amount of the ancillary international shipping income of the constituent entity for that financial year.

**Adjustment to substance-based income exclusion due to assets being used to derive only international shipping income, etc.**

**53.**—(1) For the purposes of section 18, the carrying value of the eligible tangible assets of a constituent entity of an MNE group for a financial year does not include —

(*a*) the carrying value for the financial year of any assets of the constituent entity that are used during that financial year to derive only international shipping income;

(*b*) the proportion of the carrying value for the financial year of any assets of the constituent entity that are used during that financial year to derive only ancillary international shipping income, equal to the proportion that its ancillary international shipping income excluded from its FANIL for that financial year under regulation 25(1)(*c*) bears to its ancillary international shipping income;

(*c*) the proportion described in paragraph (2) of the carrying value for the financial year of any assets of the constituent

entity (other than any assets mentioned in sub-paragraph (*a*) or (*b*)) that is attributable to its international shipping income for that financial year; and

(*d*) the proportion described in paragraph (3) of the carrying value for the financial year of any assets of the constituent entity (other than any assets mentioned in sub-paragraph (*a*) or (*b*)) that is attributable to its ancillary international shipping income excluded from its FANIL for that financial year under regulation 25(1)(*c*).

(2) In paragraph (1)(*c*), the proportion of the carrying value of the assets is that which the revenue of the constituent entity from international shipping activities for that financial year bears to its total revenue for that financial year.

(3) In paragraph (1)(*d*), the proportion of the carrying value of the assets is that which the amount computed by the following formula bears to the total revenue of the constituent entity for that financial year:

$$A \times \frac{B}{C},$$

where —

(*a*) A is the revenue of the constituent entity from ancillary international shipping activities for that financial year;

(*b*) B is the amount of the ancillary international shipping income of the constituent entity that is excluded from its FANIL for that financial year under regulation 25(1)(*c*); and

(*c*) C is the total amount of the ancillary international shipping income of the constituent entity for that financial year.

**Adjustment to substance-based income exclusion due to eligible employees performing activities in and outside constituent entity's jurisdiction**

**54.** If the percentage of the time spent (*X%*) by an eligible employee of a constituent entity of an MNE group in performing activities for the MNE group in the jurisdiction where the constituent entity is located for the financial year, is 50% or less of the total time spent by him or her in performing activities for the MNE group, then, for determining the payroll carve-out amount of a constituent entity for that financial year, the eligible payroll costs of the constituent entity for that financial year for that eligible employee is the product of —

(*a*) the eligible payroll costs of the constituent entity for that financial year for that eligible employee as adjusted (if applicable) in accordance with section 18(5) and (6) and regulation 57; and

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(*b*) *X%*.

*[S 129/2025 wef 25/02/2025]*

**Adjustment to substance-based income exclusion due to eligible tangible assets being located in and outside constituent entity's jurisdiction**

**55.** If the percentage of the duration (*Y%*) within a financial year in which an eligible tangible asset of a constituent entity of an MNE group is located in the same jurisdiction as the constituent entity is 50% or less of the total duration of the financial year, then, for determining the tangible asset carve-out amount of a constituent entity for that financial year, the carrying value of the asset for that financial year is the product of —

(*a*) the carrying value of the asset adjusted (if applicable) in accordance with section 18(5) and (6) and regulation 57; and

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(*b*) *Y%*.

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## Inclusion of certain properties as eligible tangible assets

**56.**—(1) In paragraph (*e*) of the definition of "eligible tangible asset" in section 18(4), a property held by a constituent entity of an MNE group as a lessor under a lease is an eligible tangible asset of the lessor (but not the lessee) where the lessee of the property is another constituent entity of the MNE group located in the same jurisdiction as the lessor.

(2) In a case mentioned in paragraph (1), the lessor's carrying value of the property for the financial year must be adjusted to take into account any elimination adjustments attributable to inter-company leases in respect of the property.

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(3) Subject to paragraph (1), in paragraph (*e*) of the definition of "eligible tangible asset" in section 18(4), a property held by a constituent entity of an MNE group as a lessor under an operating lease is an eligible tangible asset of the lessor if the property is located in the same jurisdiction as the lessor.

(4) In a case mentioned in paragraph (3), the lessor's carrying value of the property for the financial year is —

(*a*) if the property is not a short-term rental property and the lessee is another constituent entity of the MNE group — the excess (if any) of the lessor's carrying value of the property for the financial year over the lessee's carrying value of the property for that financial year;

(*b*) if the property is not a short-term rental property and the lessee is not a constituent entity of the MNE group — the excess (if any) of the lessor's carrying value of the property for the financial year over the average amount for the financial year of the undiscounted remaining amount of payments due under the lease, including any renewal or extension that would be taken into account in determining the value of the right to use the property under the financial accounting standard used to determine the FANIL of the lessor; or

(*c*) if the property is a short-term rental property — the lessor's carrying value of the property for the financial year.

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(5) In paragraph (4)(*b*), the average amount for a financial year of the undiscounted remaining amount of payment due under a lease is the average of —

(*a*) the undiscounted remaining amount of payments due under the lease at the start of the financial year; and

(*b*) the undiscounted remaining amount of payments due under the lease at the end of the financial year.

(6) If a part of an asset comprising property is held by a constituent entity of an MNE group for lease, and another part of that property is retained for use by the constituent entity —

(*a*) the different parts of the property are treated as separate assets for the purposes of this regulation; and

(*b*) the carrying value of the asset is to be allocated between the separate parts on a just and reasonable basis.

(7) In this regulation —

"operating lease" means a lease of a property that does not transfer substantially the obsolescence, risks and rewards incidental to ownership of the property to the lessee;

"short-term rental property" means a property that is leased regularly to different lessees during a financial year and the average lease period, including any renewals and extensions, with respect to each lessee is 30 days or less.

## Eligible payroll costs and eligible tangible assets of permanent establishment

**57.**—(1) Subject to section 18(7) and paragraphs (2) and (3), the following adjustments are to be made to the eligible payroll costs for a financial year, and the eligible tangible assets, of a permanent establishment for the purposes of section 18(6):

(*a*) treat any eligible payroll costs and eligible tangible assets that are taken into account in determining the FANIL of the

permanent establishment in paragraph 6(6) of the First Schedule to the Act, as those of the permanent establishment;

(*b*) exclude any eligible payroll costs and eligible tangible assets that are not taken into account in determining the FANIL of the permanent establishment in paragraph 6(6) of the First Schedule to the Act;

(*c*) treat any eligible payroll costs and eligible tangible assets that are taken into account in determining the FANIL of the permanent establishment in paragraph 6(7) of the First Schedule to the Act, as nil.

(2) Where a proportion of the FANIL for a financial year of a constituent entity of an MNE group that is —

(*a*) a permanent establishment (*X*) of a flow-through entity (*D*) that is the ultimate parent entity of the MNE group; or

(*b*) a permanent establishment (also *X*) of a flow-through entity (*E*) through which *E* wholly or partly carries out its business, where —

(i) *E* is treated as fiscally transparent in the jurisdiction where *D* is located; and

(ii) the ownership interests in *E* are held by *D* directly or through one or more flow-through entities (each of which is treated as fiscally transparent in the jurisdiction where *D* is located),

is excluded from *X*'s FANIL under paragraph 6(12)(*d*) of the First Schedule to the Act, that same proportion of *X*'s eligible payroll costs or carrying value of *X*'s eligible tangible assets (as the case may be) for that financial year is not treated as *X*'s eligible payroll costs or carrying value of *X*'s eligible tangible assets, as the case may be.

(3) For the purposes of section 18(2) and (3), where —

(*a*) a proportion of the FANIL for a financial year of a flow-through entity (*F*) (being the ultimate parent entity of the MNE group) is allocated to a permanent

establishment (*Y*) of *F* under paragraph 6(12)(*e*) of the First Schedule to the Act; and

(*b*) the eligible employees or eligible tangible assets of *F* are located in the same jurisdiction as *Y*,

the same proportion of *F*'s eligible payroll costs or carrying value of *F*'s eligible tangible assets (as the case may be) for that financial year is also allocated to *Y*.

## PART 7

## MNE GROUP REORGANISATIONS AND TRANSFER OR ACQUISITION OF ASSETS AND LIABILITIES

**Purpose and application of this Part**

**58.**—(1) This Part sets out the adjustments that must be made —

(*a*) for the purpose of determining the GloBE income or loss of a constituent entity of an MNE group for a financial year;

(*b*) for the purpose of arriving at the adjusted covered taxes of a constituent entity of an MNE group for a financial year; and

(*c*) to the substance-based income exclusion for a constituent entity of an MNE group for a financial year, for the purpose of arriving at its top-up amount for that financial year,

where the constituent entity —

(*d*) joins or leaves the MNE group; or

(*e*) transfers or acquires any asset or liability.

(2) This Part applies to a standalone JV or an entity of a JV group with the following modifications:

(*a*) references to an MNE group are to the standalone JV or the JV group of which the entity is or was a part;

(*b*) references to the ultimate parent entity of an MNE group are to the standalone JV or the joint venture of the JV group;

(*c*) references to a constituent entity are to the standalone JV or the entity.

**Constituent entity joining or leaving MNE group**

**59.**—(1) Where, in a financial year, an entity becomes a constituent entity of an MNE group or leaves an MNE group, then —

(*a*) subject to sub-paragraph (*c*), the entity is to be treated as a constituent entity of that MNE group for the whole of that financial year if any portion of its assets, liabilities, income, expenses or cash flows are included on a line-by-line basis in the consolidated financial statements of the ultimate parent entity of that MNE group for that financial year;

(*b*) for that financial year —

(i) its FANIL;

(ii) its adjusted covered taxes; and

(iii) its eligible payroll costs (as defined in section 18(4)),

are regarded as those of a constituent entity of that MNE group to the extent that such amounts are taken into account in the consolidated financial statements of the ultimate parent entity of that MNE group; and

(*c*) for that financial year, its tangible asset carve-out amount (as defined in section 18(3)) as a constituent entity of that MNE group is the proportion of that amount for the full financial year that corresponds to the proportion of the financial year when it was a constituent entity of that MNE group.

(2) Any purchase accounting consolidation adjustments arising from the transfer of the ownership interests resulting in an entity becoming a constituent entity of an MNE group must be disregarded in determining the FANIL, qualifying current tax expense and qualifying deferred tax expense of that entity as a constituent entity of that MNE group in the financial year in which the transfer occurs, and in subsequent financial years.

(3) Paragraphs (4) and (5) apply where an entity that becomes a constituent entity of an MNE group (MNE group A) as a result of a transfer of direct or indirect ownership interests in it, was a constituent entity of another MNE group immediately before the transfer (MNE group B).

(4) The amount of any deferred tax asset or liability (not including any special loss deferred tax asset under regulation 47) of the entity that existed immediately before the transfer to be taken into account in relation to that entity as a constituent entity of MNE group A, is the amount that would be taken into account if MNE group A had a controlling interest in the entity at the time the deferred tax asset or liability arose.

(5) Where a deferred tax liability of the entity was included in the qualifying deferred tax expense of that entity as a constituent entity of MNE group B —

(*a*) that deferred tax liability is treated as reversed for that entity as a constituent entity of MNE group B;

(*b*) the deferred tax liability is treated as arising in the financial year in which the transfer occurs for the purpose of determining the qualifying deferred tax expense of that entity as a constituent entity of MNE group A; and

(*c*) if the deferred tax liability is recaptured under regulation 46 in a subsequent financial year, any resulting reduction in the qualifying current tax expense of that entity as a constituent entity of MNE group A is only to have effect in the financial year in which the deferred tax liability is recaptured.

**When transfer of controlling interest treated as acquisition and disposal of assets and liabilities**

**60.**—(1) Where —

(*a*) a controlling interest in a constituent entity of an MNE group is acquired or disposed of in a financial year;

(*b*) that acquisition or disposal is treated in the same, or a similar manner, as a transfer of the assets and liabilities of that constituent entity —

(i) where the constituent entity is a flow-through entity — under the law of the jurisdiction where the assets are located; or

(ii) in any other case — under the law of the jurisdiction where the constituent entity is located; and

(*c*) that jurisdiction imposes a covered tax on the seller based on the gain (or deemed gain) on such transfer,

that acquisition or disposal is to be treated as an acquisition or disposal of the assets and liabilities of that constituent entity, and regulation 59 does not apply to that acquisition or disposal.

(2) Any covered tax described in paragraph (1)(*c*) is to be included in the qualifying current tax expense of the constituent entity referred to in paragraph (1) for that financial year.

**Transfer of assets or liabilities**

**61.**—(1) Where a constituent entity of an MNE group transfers an asset or liability to another entity or person in a financial year, any gain or loss arising on the transfer must be included in its GloBE income or loss for that financial year.

(2) Where a constituent entity of an MNE group acquires an asset or liability from another entity or person in a financial year, then, in computing its GloBE income or loss, any gain or loss arising from that asset or liability must be determined on the basis of —

(*a*) where regulation 60 applies in respect of the acquisition of that asset or liability and the transferor had determined its gain or loss on the basis of the fair value of that asset or liability at the time of the transfer — the fair value of that asset or liability at that time; or

(*b*) in any other case — the carrying value of that asset or liability as determined under the financial accounting standard used in preparing the consolidated financial statements of the ultimate parent entity of the MNE group.

(3) Despite paragraphs (1) and (2), where a constituent entity of an MNE group transfers any asset or liability to another constituent entity of that MNE group in the course of a reorganisation —

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

(*b*) 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 firstmentioned transfer, adjusted for any non-qualifying gain or loss of the transferor.

(4) In paragraph (3), a transfer of an asset or liability is made in the course of a reorganisation if the transfer takes place as a result of a merger, demerger, liquidation, change in form of an entity, or a similar event, and conditions A, B and C are met.

(5) Condition A is that —

(*a*) if consideration is provided for the transfer, the consideration consists of, in whole or in significant part —

(i) in the case of a liquidation — the cancellation of equity interests in the entity being liquidated; or

(ii) in any other case — equity interests issued by the transferee or a person connected with the transferee; and

(*b*) if no consideration is provided for the transfer — the issue of 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.

(6) Condition B is that any gain or loss of the transferor that arises from the transfer is not, in whole or in part, subject to tax.

(7) Condition C is that under the law 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.

(8) Where a transfer of any asset or liability between constituent entities of an MNE group is not made under arm's length conditions (as defined in regulation 21(7)), then any gain or loss arising on the transfer that is to be 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 conditions.

(9) In this regulation, "non-qualifying gain or loss" means an amount of gain or loss on the transfer of any asset or liability that —

(*a*) in the case of a gain, is not greater than —

(i) the amount of gain on that transfer that is subject to tax in the jurisdiction where the transferor is located; or

(ii) the amount of gain on that transfer that is reflected in the FANIL of the transferor; or

(*b*) in the case of a loss, is not greater than —

(i) the amount of loss on that transfer that is taken into account for tax purposes in the jurisdiction where the transferor is located; or

(ii) the amount of loss on that transfer that is reflected in the FANIL of the transferor.

## PART 7A

## MULTI-PARENT GROUP

*[S 129/2025 wef 25/02/2025]*

### Specified types of arrangement for "multi-parent group"

**61A.**—(1) An arrangement mentioned in paragraph (2) or (3) that is entered into by the ultimate parent entities of 2 or more groups is a type of arrangement for the purpose of paragraph (*a*) of the definition of "multi-parent group" in section 2(1).

(2) The first arrangement is one under which —

(*a*) the ultimate parent entity 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; and

(*b*) all of the following conditions are satisfied:

(i) the arrangement provides for the ultimate parent entity of each group to make distributions (with respect to dividends and in liquidation) to persons with ownership interests in the ultimate parent entity based on a fixed ratio;

(ii) 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 ultimate parent entity;

(iii) the ownership interests in the ultimate parent entity of each group are quoted, traded or transferred independently in different capital markets;

(iv) the ultimate parent entity of each group prepares consolidated financial statements —

(A) in which the assets, liabilities, income, expenses and cashflows 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 by a regulatory regime to be audited by an external auditor.

(3) The second arrangement is one under which —

(*a*) at least 50% of the ownership interests in the ultimate parent entity 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;

(*b*) if the combined ownership interests referred to in sub-paragraph (*a*) are listed on any securities exchange in Singapore or elsewhere, those ownership interests are quoted at a single price; and

(*c*) one of those ultimate parent entities prepares consolidated financial statements —

(i) in which the assets, liabilities, income, expenses and cashflows of the entities of all the groups are presented together as those of a single economic unit; and

(ii) that are required by a regulatory regime to be audited by an external auditor.

*[S 129/2025 wef 25/02/2025]*

**Application of Part 2 of Act to multi-parent groups**

**61B.** Part 2 of the Act (including these Regulations insofar as they are for carrying out or giving effect to that Part) applies to a multi-parent group in the following manner:

(*a*) all the groups comprising the multi-parent group are treated as a single MNE group and any reference to an MNE group is to the multi-parent group;

(*b*) subject to paragraph (*c*), the ultimate parent entity of each group comprising the multi-parent group is treated as the ultimate parent entity of the multi-parent group, and any reference to the ultimate parent entity of an MNE group is to the ultimate parent entity of each group comprising the multi-parent group;

(*c*) paragraph (*a*) of section 13(2) is replaced with the following provision:

"(*a*) any of the ultimate parent entities of the groups comprising the multi-parent group, that holds an ownership interest in X is not a responsible member of the multi-parent group;";

(*d*) an entity of each group comprising the multi-parent group is treated as a member of the single MNE group;

(*e*) an entity (called *Y*) (other than an excluded entity) is treated as a constituent entity of the single MNE group, if one or more entities in the single MNE group hold a controlling interest in *Y*;

(*f*) for the purpose of paragraph (*e*), one or more entities in the single MNE group are treated as holding a controlling interest in *Y* if those entities hold an ownership interest in *Y* and *Y*'s assets, liabilities, income, expenses and cash flows —

(i) are consolidated on a line-by-line basis in the single MNE group's consolidated financial statements mentioned in paragraph (*g*) in accordance with the financial accounting standard mentioned in paragraph (*h*); 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 consolidated financial statements mentioned in regulation 61A(2)(*b*)(iv) or (3)(*c*) (as the case may be) are treated as the single MNE group's consolidated financial statements, and any reference to the consolidated financial statements of the ultimate parent entity of an MNE group is to the secondmentioned consolidated financial statements;

(*h*) the financial accounting standards in accordance with which the single MNE group's consolidated financial statements mentioned in paragraph (*g*) were prepared are treated as an acceptable financial accounting standard.

*[S 129/2025 wef 25/02/2025]*

**Application of regulations 61A and 61B to multi-parent groups for purpose of Part 3 of Act, etc.**

**61C.** Regulations 61A and 61B also apply for the purpose of Part 3 of the Act and these Regulations insofar as they are for carrying out or giving effect to that Part.

*[S 129/2025 wef 25/02/2025]*

## PART 8

## INVESTMENT ENTITIES AND INSURANCE INVESTMENT ENTITIES

**Application of this Part**

**62.** This Part applies to a standalone JV or an entity of a JV group with the following modifications:

(*a*) except in paragraph (*b*), references to an MNE group are to the standalone JV or the JV group of which the entity is a part;

(*b*) references to the filing entity of an MNE group are to the filing entity of the MNE group to which the standalone JV or entity is connected;

(*c*) references to a constituent entity are to the standalone JV or the entity.

**Investment entity and insurance investment entity tax transparency election**

**63.**—(1) The filing entity of an MNE group may elect in a GloBE information return (whether filed in Singapore or in another jurisdiction) in accordance with the GloBE rules that —

(*a*) a specified constituent entity of that MNE group that is an investment entity or insurance investment entity (*A*) (whether or not a flow-through entity) is treated as a flow-through entity;

(*b*) a specified constituent entity of that MNE group (*B*) with interests in a share of the profits of *A* is treated as having direct ownership interests in *A*; and

(*c*) *A* is deemed not to be a reverse hybrid entity in the jurisdiction where *B* is located.

(2) Where an election in paragraph (1) is effective for any financial year —

(*a*) *B*'s share of the direct ownership interests in *A* for that financial year is treated as corresponding to *B*'s share of *A*'s profits for that financial year;

(*b*) a proportion of the FANIL, qualifying current tax expense and qualifying deferred tax expense that would otherwise be allocated to *A* for that financial year, corresponding to *B*'s share of the direct ownership interests in *A* for that financial year, must be allocated to *B*;

(*c*) if *B* uses a fair value method to determine its income or loss for that financial year arising from changes in the fair value of its direct ownership interests in *A*, that income or loss, to the extent that it is included in *B*'s FANIL, must be excluded from the computation of *B*'s GloBE income or loss for that financial year; and

(*d*) the same proportion in sub-paragraph (*b*) of the eligible payroll costs or carrying value of the eligible tangible assets of *A* for that financial year must also be allocated to *B*, if the eligible employees or eligible tangible assets of *A* (as the case may be) are located in the same jurisdiction as *B*.

(3) In paragraph (2)(*d*), "eligible employees", "eligible payroll costs", "carrying value" and "eligible tangible assets" have the meanings given by section 18(4) read with regulations 52 to 57.

(4) An election in paragraph (1) is only effective if —

(*a*) no election in regulation 64 is made in relation to *A* and *B*; and

(*b*) either of the following conditions is met:

(i) *B* is subject to tax in the jurisdiction where it is located on increases in the fair value of its ownership

interests in *A*, and the rate of tax applicable is at least 15%;

(ii) *B* is regulated or authorised to carry on business as an insurer, and is wholly owned by persons who have entered into insurance contracts with *B*.

(5) If an election in paragraph (1) is revoked, then, in determining the FANIL of *A* —

(*a*) for the first financial year for which the election no longer applies, any gain or loss from the disposition of an asset or liability by *A* is determined by reference to the fair value of that asset or liability on the first day of that financial year; and

(*b*) for any subsequent financial year (and if no further election is made in paragraph (1)), any gain or loss from the disposition of an asset or liability by *A* is determined by reference to —

(i) if *A* accounts for its assets and liabilities on a realisation basis — the fair value of that asset or liability on the first day of the financial year mentioned in sub-paragraph (*a*); and

(ii) if *A* accounts for its assets and liabilities on a fair value basis — the fair value of that asset or liability on the last day of the previous financial year.

(6) An election under paragraph (1) must not be revoked for the financial year for which it is made or for any of the subsequent 4 financial years, and any such revocation has no effect.

(7) If an election under paragraph (1) specifying entities for the treatment in that paragraph is revoked for a financial year, another election under that paragraph must not be made (whether in Singapore or in another jurisdiction) specifying the same entities for that treatment for that or any of the subsequent 4 financial years, and any such election has no effect.

**Taxable distribution method election**

**64.**—(1) The filing entity of an MNE group may elect in a GloBE information return (whether filed in Singapore or in another jurisdiction) in accordance with the GloBE rules that a specified constituent entity of that MNE group (*C*) with direct ownership interests in a specified investment entity or insurance investment entity (*D*) that is a constituent entity of that MNE group, is to have those interests treated in accordance with this regulation.

(2) An election in paragraph (1) is only effective if —

(*a*) no election in regulation 63 is in effect in relation to *C* and *D*;

(*b*) *C* is not an investment entity or insurance investment entity; and

(*c*) taking into account taxes on distributions and taxes incurred by *D* in respect of income distributed to *C*, *C* may reasonably be expected to be subject to tax (in the jurisdiction where it is located) on distributions from *D* at a rate equal to or exceeding 15%.

(3) Where an election in paragraph (1) is effective for a financial year (the subject FY) —

(*a*) any distribution or deemed distribution from *D* to *C* in the subject FY must be included in the FANIL of *C* for the subject FY;

(*b*) the FANIL of *C* for the subject FY must be adjusted so that —

(i) any tax credit of *C* in respect of tax payable by *D* on the income that was distributed to *C* in the subject FY, is accounted for as income (and not as a negative amount of tax expense); and

(ii) such tax payable by *D* is included in *C*'s qualifying current tax expense (and not *D*'s) for the subject FY;

(*c*) *C*'s share of *D*'s undistributed income amount for the third financial year before the subject FY is treated as *D*'s GloBE income for the subject FY, and the product of

that share and the minimum rate is treated as a top-up amount for *D* for the subject FY; and

(*d*) *C*'s share of *D*'s GloBE income or loss for the subject FY must be disregarded for the purpose of computing *D*'s top-up amount under section 24, and (except as provided in sub-paragraph (*b*)) the adjusted covered taxes attributable to such income must be disregarded in computing *D*'s effective tax rate under section 24 or the effective tax rate for any other entity under section 17.

(4) In paragraph (3)(*c*), *D*'s undistributed income amount for the third financial year before the subject FY is *D*'s GloBE income or loss for that third financial year, less the following:

(*a*) the covered taxes payable by *D* for that third financial year;

(*b*) the sum of the distributions and deemed distributions by *D* to its shareholders (not being investment entities or insurance investment entities) in the period comprising the subject FY and the 3 preceding financial years;

(*c*) the sum of any negative amount of *D*'s GloBE income or loss for each financial year in the period in sub-paragraph (*b*);

(*d*) the remaining negative amount of *D*'s GloBE income or loss not deducted in arriving at *D*'s undistributed income amount for a financial year in a previous application of sub-paragraph (*c*) or this sub-paragraph,

except that —

(*e*) no amount in sub-paragraphs (*a*) to (*d*) is to be deducted if it has already been deducted in determining *D*'s undistributed income amount for any financial year in a previous application of this regulation; and

(*f*) if the amount determined by this paragraph is negative, the amount is treated as zero.

(5) In paragraphs (3)(*a*), (4)(*b*) and (10)(*b*), "deemed distribution", for a financial year, includes any income of *D* for that financial year to the extent it is not distributed but, under the law of the jurisdiction

where *C* is located, is considered to be realised by *C* and for which *C* is subject to tax for that financial year.

(6) In paragraphs (3)(*a*) and (4)(*b*), a deemed distribution is treated as made by *D* to *C* when any part of *C*'s direct ownership interest in *D* is transferred to a person that is not a constituent entity of the MNE group of *C* and *D*, and the amount of the deemed distribution is determined by the formula —

$$E \times \frac{F}{G},$$

where —

(*a*) E is the sum of *C*'s share of *D*'s undistributed income amount for each of the following financial years:

(i) the financial year in which the transfer took place (transfer FY);

(ii) the first financial year and the second financial year before the transfer FY (transfer FY-1 and transfer FY-2, respectively);

(*b*) F is the value of the direct ownership interest in *D* transferred by *C*; and

(*c*) G is the value of all the direct ownership interests in *D* held by *C* before the transfer.

(7) In the definition of "E" in paragraph (6), *D*'s undistributed income amount, in relation to a financial year, is *D*'s GloBE income or loss for that financial year, less the following:

(*a*) the covered taxes payable by *D* for that financial year;

(*b*) the sum of distributions and deemed distributions (excluding any deemed distribution referred to in paragraph (6)) by *D* to its shareholders (not being investment entities or insurance investment entities) in the following period:

(i) where the financial year is transfer FY — the period comprising transfer FY;

(ii) where the financial year is transfer FY-1 — the period comprising transfer FY-1 and transfer FY;

(iii) where the financial year is transfer FY-2 — the period comprising transfer FY-2, transfer FY-1 and transfer FY;

(*c*) the sum of any negative amount of *D*'s GloBE income or loss for each financial year in the period in sub-paragraph (*b*);

(*d*) the remaining negative amount of *D*'s GloBE income or loss not deducted in arriving at *D*'s undistributed income amount for a financial year in a previous application of sub-paragraph (*c*) or this sub-paragraph,

except that —

(*e*) no amount in sub-paragraphs (*a*) to (*d*) is to be deducted if it has already been deducted in determining *D*'s undistributed income amount for any financial year in a previous application of this regulation; and

(*f*) if the amount determined by this paragraph is negative, the amount is treated as zero.

(8) An election under paragraph (1) must not be revoked for the financial year for which it is made or for any of the subsequent 4 financial years, and any such revocation has no effect.

(9) If an election under paragraph (1) is revoked, the product of —

(*a*) the sum of *C*'s share of *D*'s undistributed income amount for each of the 3 financial years (FY-3, FY-2 and FY-1, respectively) before the first financial year for which the election ceases to apply; and

(*b*) the minimum rate,

is treated as a top-up amount for *D* for the first financial year for which the election ceases to apply.

(10) In paragraph (9), *D*'s undistributed income amount, in relation to a financial year, is *D*'s GloBE income or loss for that financial year, less the following:

(*a*) the covered taxes payable by *D* for that financial year;

(*b*) the sum of distributions and deemed distributions by *D* to its shareholders (not being investment entities or insurance investment entities) in the following period:

(i) where the financial year is FY-1 — the period comprising FY-1;

(ii) where the financial year is FY-2 — the period comprising FY-2 and FY-1;

(iii) where the financial year is FY-3 — the period comprising FY-3, FY-2 and FY-1;

(*c*) the sum of any negative amount of *D*'s GloBE income or loss for each financial year in the period in sub-paragraph (*b*);

(*d*) the remaining negative amount of *D*'s GloBE income or loss not deducted in arriving at *D*'s undistributed income amount for a financial year in a previous application of sub-paragraph (*c*) or this sub-paragraph,

except that —

(*e*) no amount in sub-paragraphs (*a*) to (*d*) is to be deducted if it has already been deducted in determining *D*'s undistributed income amount for any financial year in a previous application of this regulation; and

(*f*) if the amount determined by this paragraph is negative, the amount is treated as zero.

(11) If an election under paragraph (1) specifying entities for the treatment in this regulation is revoked for a financial year, another election under paragraph (1) must not be made (whether in Singapore or in another jurisdiction) specifying the same entities for that treatment for that or any of the subsequent 4 financial years, and any such election has no effect.

(12) In this regulation, *C*'s share of *D*'s undistributed income amount for a financial year is *C*'s share of that amount based on its ownership interests in *D* in that financial year.

# PART 9

# GLOBE SAFE HARBOUR

*Division 1 — Preliminary provisions*

**Application of this Part**

**65.**—(1) Divisions 2 and 3 apply for the purposes of determining, for Part 2 of the Act, the top-up amount of a relevant entity of an MNE group.

(2) Division 4 applies for the purposes of determining, for Part 2 of the Act, the top-up amount of a relevant entity of an MNE group but not one that is a joint venture or JV subsidiary connected to an MNE group.

(3) Division 2 applies for the purposes of determining, for Part 3 of the Act, the top-up amount of a constituent entity of an MNE group located in Singapore or a joint venture or JV subsidiary connected to an MNE group located in Singapore.

(4) Division 4 applies for the purposes of determining, for Part 3 of the Act, the top-up amount of a constituent entity of an MNE group located in Singapore but not a joint venture or JV subsidiary connected to an MNE group located in Singapore.

*Division 2 — Transitional CbCR safe harbour*

**Definitions for this Division**

**66.** In this Division —

“de minimis test” means the test under regulation 71;

“OECD guidance on country-by-country reporting” means the guidance on country-by-country reporting contained in the Organisation for Economic Co-operation and Development (OECD) Guidance on Transfer Pricing Documentation and Country-by-Country Reporting, published in September 2014, as amended from time to time;

“simplified effective tax rate test” means the test under regulation 72;

"simplified income tax expense" means income tax expense as reported in the qualified financial statements of an MNE group that is adjusted to exclude —

(*a*) any amount that does not relate to covered taxes; and

(*b*) any amount that relates to an uncertain tax position;

"routine profits test" means the test under regulation 73.

**"Qualifying country-by-country report"**

**67.**—(1) In this Division, "qualifying country-by-country report", in relation to a jurisdiction, means a country-by-country report prepared on the basis of qualified financial statements of an MNE group.

(2) "Country-by-country report" means a country-by-country report in respect of an MNE group that is prepared in accordance with the law of the jurisdiction implementing the OECD guidance on country-by-country reporting.

(3) But where the law of a jurisdiction permits the preparation and filing of a partial country-by-country report, such a partial report is not to be regarded as a country-by-country report for the purposes of this Division.

(4) A reference to a country-by-country report in respect of an MNE group that is a multi-parent group is to a country-by-country report in respect of all of the constituent groups.

**"Qualified financial statements"**

**68.**—(1) In this Division, "qualified financial statements", in relation to an MNE group, means —

(*a*) the financial accounts used to prepare the consolidated financial statements of the ultimate parent entity; or

(*b*) financial statements of constituent entities of the MNE group prepared in accordance with an acceptable financial accounting standard or authorised financial accounting standard, but only if the information in the financial statements is reliable.

(2) Whether information in financial statements is "reliable" is to be determined by reference to the GloBE rules.

(3) Where the assets, liabilities, income, expenses and cash flows of a constituent entity of an MNE group are excluded from the consolidated financial statements of the ultimate parent entity of the MNE group solely due to size or materiality grounds, the financial accounts of that constituent entity that are used for the preparation of the MNE group's qualifying country-by-country report are to be regarded as forming part of the financial statements in paragraph (1)(*a*) or (*b*), as the case may be.

(4) Where a permanent establishment does not have financial statements for the purpose of preparing the financial statements in paragraph (1)(*a*) or (*b*), the separate financial statements prepared by its main entity for financial reporting, regulatory, tax reporting or internal management control purposes are to be regarded as forming part of the financial statements in paragraph (1)(*a*) or (*b*), as the case may be.

(5) Where purchase price accounting adjustments (called in this regulation PPA adjustments) are included in any financial accounts of a constituent entity used to prepare the consolidated financial statements in paragraph (1)(*a*) or any financial statements of a constituent entity in paragraph (1)(*b*), those financial accounts or financial statements (as the case may be) are not considered "qualified financial statements", unless the condition in paragraph (6) is met.

(6) The condition mentioned in paragraph (5) is that a qualifying country-by-country report has not been submitted for the MNE group in relation to the jurisdiction concerned for any financial year beginning after 31 December 2022 that was based on the constituent entity's financial accounts or financial statements without PPA adjustments, except in a case where the constituent entity was required by the law of that jurisdiction to change its financial accounts or financial statements to include the PPA adjustments.

## Constituent entities eligible for Transitional CbCR Safe Harbour

**69.**—(1) Subject to paragraphs (2) and (3), every constituent entity of an MNE group located in a jurisdiction is eligible for a GloBE Safe Harbour in this Division (called the Transitional CbCR Safe Harbour) for a financial year if the conditions in regulation 70 are met.

(2) An investment entity or insurance investment entity (*X*) of the MNE group located in a jurisdiction is eligible for the Transitional CbCR Safe Harbour for a financial year only if —

(*a*) all the constituent entities of the MNE group with direct ownership interests in *X* are located in that jurisdiction; and

(*b*) no election has been made in respect of *X* under regulation 63 or 64 for that financial year.

(3) A constituent entity of the MNE group located in the same jurisdiction as the ultimate parent entity (*Y*) of the MNE group that is a flow-through entity, is not eligible for the Transitional CbCR Safe Harbour for a financial year unless, were *Y*'s GloBE income or loss determined for that financial year in accordance with paragraph 6 of the First Schedule to the Act —

(*a*) *Y*'s GloBE income or loss would be nil as a result of the application of paragraph 6(12) of the First Schedule to the Act; and

(*b*) no amount of FANIL of any permanent establishment would be allocated, as a result of regulation 27, to *Y*.

## Conditions for application of Transitional CbCR Safe Harbour

**70.**—(1) Constituent entities of an MNE group located in a jurisdiction (jurisdiction *Z*) and specified in regulation 69, are eligible for the Transitional CbCR Safe Harbour for a financial year if, and only if, the following conditions are met:

(*a*) the financial year commences in the period between 1 January 2025 and 31 December 2026 (both dates inclusive), and ends on or before 30 June 2028;

(*b*) a qualifying country-by-country report has been prepared for the MNE group in relation to jurisdiction *Z* for the financial year;

(*c*) for each preceding financial year —

(i) that any constituent entity of the MNE group located in jurisdiction *Z* came within the scope of the law of any jurisdiction imposing a qualified IIR or a qualified UTPR; or

(ii) for which the MNE group was liable to be registered under Part 4 of the Act,

if any, an election was made to apply for that financial year the Transitional CbCR Safe Harbour or its equivalent under the law of any other jurisdiction (as the case may be), to constituent entities of the MNE group located in jurisdiction *Z*;

(*d*) an election described in regulation 48(1) was not made for that financial year with respect to any constituent entity located in jurisdiction *Z*;

(*e*) at least one of the following tests is met for jurisdiction *Z* in the financial year:

(i) the de minimis test;

(ii) the simplified effective tax rate test;

(iii) the routine profits test.

(2) Where there is no requirement in the law of jurisdiction *Z* for a country-by-country report to be prepared in respect of an MNE group, the condition in paragraph (1)(*b*) is considered met if the filing entity of the MNE group has included, in the GloBE information return in which the election applying the Transitional CbCR Safe Harbour for jurisdiction *Z* for the financial year is made, the information that would have been in such a report —

(*a*) prepared in accordance with legislation implementing the OECD guidance on country-by-country reporting under the law of the jurisdiction in which the ultimate parent entity is located; or

(*b*) where there is no such law — prepared in accordance with that guidance.

**De minimis test**

**71.**—(1) The de minimis test is met for a jurisdiction in a financial year if —

(*a*) the total revenue of the constituent entities of the MNE group in that jurisdiction for that financial year as reported on its qualifying country-by-country report is less than EUR 10 million; and

(*b*) a total profit of less than EUR 1 million, or a loss, before income tax of those constituent entities of the MNE group in that jurisdiction for that financial year, is reported on its qualifying country-by-country report.

(2) Where the constituent entities of an MNE group in a jurisdiction include an entity held for sale and the revenue of that entity is not otherwise included in the amount determined for the purposes of paragraph (1)(*a*), that revenue is to be so included.

**Simplified effective tax rate test**

**72.**—(1) The simplified effective tax rate test is met for a jurisdiction in a financial year if the simplified effective tax rate for the constituent entities of an MNE group in that jurisdiction is —

(*a*) in the case of a financial year beginning in 2025 — at least 16%; or

(*b*) in the case of a financial year beginning on or after 1 January 2026 — at least 17%.

(2) The simplified effective tax rate for the constituent entities of an MNE group in a jurisdiction in a financial year is the amount (expressed as a percentage) given by dividing —

(*a*) the total simplified income tax expense of those constituent entities of the MNE group in that jurisdiction for that financial year; by

(*b*) the total profit or loss before income tax of those constituent entities of the MNE group in that jurisdiction for that financial year as reported on its qualifying country-by-country report.

**Routine profits test**

**73.**—(1) The routine profits test is met for a jurisdiction in a financial year if —

(*a*) the qualified substance-based income exclusion amount of the MNE group for that jurisdiction for that financial year is equal to or greater than the profit or loss before income tax for that financial year of the constituent entities of the MNE group located in that jurisdiction as reported in its qualifying country-by-country report; or

(*b*) the profit or loss before income tax of those constituent entities for that financial year as reported in its qualifying country-by-country report is nil or reflects an overall loss.

(2) The "qualified substance-based income exclusion amount" of an MNE group for a jurisdiction for a financial year is the substance-based income exclusion for the constituent entities located in that jurisdiction of the MNE group for that financial year as determined by section 18 (or that section as applied by section 23 or 24(12), in the case of a constituent entity that is a minority-owned constituent entity, or an investment entity or insurance investment entity, as the case may be), ignoring any payroll carve-out amount or tangible asset carve-out amount of any constituent entity of the MNE group in that jurisdiction —

(*a*) that is not regarded as a constituent entity of the MNE group for the purposes of the MNE group's qualifying country-by-country report; or

(*b*) that is not regarded as located in that jurisdiction for the purposes of that report.

(3) In paragraph (2), "payroll carve-out amount" and "tangible asset carve-out amount" have the meanings given respectively by section 18(2) and (3).

**Basis for determining whether de minimis test, etc., met**

**74.**—(1) Subject to any adjustment required under regulations 75 and 76, the basis for the purpose of determining whether the de minimis test, the simplified effective tax rate test or the routine profits test is met is information derived from one of the documents mentioned in paragraph (2) of the MNE group as to —

(*a*) revenue;

(*b*) profit or loss before income tax;

(*c*) simplified income tax expense;

(*d*) payroll costs; or

(*e*) the carrying value of assets.

(2) The document is whichever of the following was used to prepare the qualifying country-by-country report in relation to the jurisdiction:

(*a*) qualified financial statements falling within regulation 68(1)(*a*), along with any financial accounts and financial statements treated as forming part of the qualified financial statements under regulation 68(3) and (4);

(*b*) qualified financial statements falling within regulation 68(1)(*b*), along with any financial accounts and financial statements treated as forming part of the qualified financial statements under regulation 68(3) and (4).

(3) The information as to the matters in paragraph (1)(*a*) to (*e*) for the purpose of determining whether a particular test is met must be derived from a single set of documents in paragraph (2).

(4) Where the information described in paragraph (1) in respect of a jurisdiction is not available in qualified financial statements of an MNE group, no election may be made in respect of that jurisdiction.

**Adjustments**

**75.**—(1) This regulation sets out adjustments that must be made to the information in regulation 74(1) for the purpose mentioned in that provision.

(2) Where —

(*a*) the constituent entities of an MNE group in a jurisdiction have a net unrealised fair value loss for a financial year; and

(*b*) that loss exceeds EUR 50 million,

that loss is to be excluded from the profit or loss before income tax of those constituent entities.

(3) For the purpose of paragraph (2), the constituent entities of an MNE group in a jurisdiction have a net unrealised fair value loss for a financial year to the extent their losses that arise from changes in fair value of relevant ownership interests exceed gains arising from changes in fair value of relevant ownership interests.

(4) For the purpose of paragraph (3), an ownership interest in an entity is "relevant" unless, at the end of the financial year, the direct ownership interests in that entity that are held by one or more constituent entities of the MNE group carry in total rights to less than 10% of the profits, capital, reserves or voting rights of that entity.

(5) For the purpose of applying the de minimis test, the simplified effective tax rate test or the routine profits test —

(*a*) the profit or loss before income tax;

(*b*) the revenue; and

(*c*) the income tax expense,

that are attributable to an investment entity or insurance investment entity (*X*) of the MNE group must only be included in the profit or loss before income tax, revenue and income tax expense (respectively) of the constituent entity or entities of that MNE group that has or have direct ownership interests in *X*, and the amounts so included must be in proportion to its or their ownership interests in *X*.

(6) In a case described in regulation 68(5) that meets the condition in regulation 68(6), any amount recorded as a reduction in income in a constituent entity's financial accounts that is attributable to an impairment of goodwill related to transactions entered into after 30 November 2021, must be added to its profit or loss before income tax, for the purposes of —

(*a*) determining if the simplified effective tax rate test is met, but only if its financial accounts do not also have a reversal of a deferred tax liability, or a recognition or increase of a deferred tax asset, in respect of the impairment; and

(*b*) determining if the routine profits test is met.

**Further adjustments for certain arrangements**

**76.**—(1) This regulation sets out further adjustments that must be made to the information in regulation 74(1) with respect to any of the following arrangements entered into after 15 December 2022:

(*a*) a deduction/non-inclusion arrangement;

(*b*) a duplicate loss arrangement;

(*c*) a duplicate tax recognition arrangement.

(2) Any expense or loss arising as a result of a deduction/non-inclusion arrangement or duplicate loss arrangement entered into after 15 December 2022 must be excluded from the profit or loss before income tax.

(3) However, where, in the case of a duplicate loss arrangement arising under paragraph (9)(*a*), the constituent entities that include in their financial statements the expense or loss resulting from the arrangement are located in the same jurisdiction, the adjustment described in paragraph (2) need not be made to the profit or loss before income tax of one of those constituent entities.

(4) Any income tax expense arising as a result of a duplicate tax recognition arrangement entered into after 15 December 2022 must be excluded from the simplified income tax expense.

(5) In this regulation, an arrangement is considered as having been entered into after 15 December 2022 if, after that date —

(*a*) the arrangement is amended or transferred to another party;

(*b*) the performance of any right or obligation under the arrangement differs from the performance thereof before that date (including where payments are reduced or ceased with the effect of increasing the balance of a liability); or

(*c*) there is a change in the accounting treatment with respect to the arrangement.

(6) In this regulation, a "deduction/non-inclusion arrangement" is an arrangement under which one constituent entity (*A*) directly or indirectly provides credit or otherwise makes an investment in another constituent entity that results in an expense or loss in the financial statements of any constituent entity (*B*) (which may or may not be the same entity as the second-mentioned entity) to the extent that —

(*a*) there is no commensurate increase in the revenue or gain in the financial statements of *A*; or

(*b*) *A* is not reasonably expected over the life of the arrangement to have a commensurate increase in its taxable income.

(7) However, an arrangement is not a "deduction/non-inclusion arrangement" to the extent that the relevant expense or loss is solely with respect to any additional tier one capital.

(8) In paragraph (6)(*b*), *A* is not considered to have a commensurate increase in its taxable income to the extent that —

(*a*) 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 were made without regard to any constituent entity's ability to use the tax attribute with respect to a deduction/non-inclusion arrangement, a duplicate loss arrangement, or a duplicate tax recognition arrangement entered into after 15 December 2022; or

(*b*) the payment that gives rise to the expense or loss also gives rises to a taxable deduction or loss of any constituent entity located in the same jurisdiction as *B* without being included as an expense or loss in determining the profit or loss before income tax for that jurisdiction (including as a result of being an expense or loss in the financial statements of a flow-through entity owned by a constituent entity located in the same jurisdiction as *B*).

(9) In this regulation, a "duplicate loss arrangement" is an arrangement that results in an expense or loss being included in the financial statements of a constituent entity (*A*) to the extent that —

(*a*) the expense or loss is also included as an expense or loss in the financial statements of another constituent entity (*B1*); or

(*b*) the arrangement also gives rise to a duplicate amount that is deductible for the purpose of determining the taxable income of another constituent entity (*B2*) under the law of another jurisdiction.

(10) However —

(*a*) an arrangement is not a "duplicate loss arrangement" under paragraph (9)(*a*) to the extent that the amount of the relevant expense is offset against revenue which is included in the financial statements of both *A* and *B1*; and

(*b*) an arrangement is not a "duplicate loss arrangement" under paragraph (9)(*b*) to the extent that the amount of the relevant expense is offset against revenue or income which is included in both —

(i) the financial statements of *A*; and

(ii) the taxable income of *B2*.

(11) In this regulation, a "duplicate tax recognition arrangement" is an arrangement that results in more than one constituent entity of the MNE group including part or all of the same income tax expense in its —

(*a*) adjusted covered taxes; or

(*b*) simplified effective tax rate as described in regulation 72(2) for the purposes of meeting the simplified effective tax rate test,

unless such arrangement also results in the income on which the tax is payable being included in the relevant financial statements of each such constituent entity.

(12) However, an arrangement is not a "duplicate tax recognition arrangement" if it arises solely because the simplified effective tax rate described in paragraph (11)(*b*) of a constituent entity (*A*) does not require adjustments for income tax expenses which would be allocated to another constituent entity in determining *A*'s adjusted covered taxes.

**Application of this Division to joint ventures and JV subsidiaries**

**77.**—(1) This Division applies to joint ventures and JV subsidiaries connected to an MNE group and located in a jurisdiction as it applies to constituent entities of an MNE group located in a jurisdiction.

(2) For the purpose of paragraph (1) —

(*a*) sub-paragraph (*b*) of regulation 70(1) is omitted;

(*b*) the reference in regulation 68(3) to "the financial accounts of that constituent entity that are used for the preparation of the MNE group's qualifying country-by-country report" are to the financial accounts that would be used if a qualifying country-by-country report had been prepared in respect of the standalone JV, or the JV group of which the joint venture or JV subsidiary is a part, as the case may be;

(*c*) the "qualified substance-based income exclusion amount" of an MNE group for a jurisdiction for a financial year in regulation 73(1) is the substance-based income exclusion determined for the joint ventures or JV subsidiaries located in the jurisdiction for the financial year in accordance with section 18 (as applied by section 25); and

(*d*) separate elections under regulation 70(1)(*c*) must be made for applying the Transitional CbCR Safe Harbour for that

jurisdiction for each standalone JV, or entities of each JV group, from the election made for constituent entities of the MNE group.

*Division 3 — QDMTT Safe Harbour*

**Constituent entities eligible for QDMTT Safe Harbour**

**78.**—(1) Every constituent entity of an MNE group (not being an entity mentioned in paragraph (3) or (4)) located in a jurisdiction is eligible for a GloBE Safe Harbour in this Division (called the Qualified Domestic Minimum Top-Up Tax Safe Harbour or QDMTT Safe Harbour) for a financial year if —

(*a*) the MNE group comes within the scope of the law of the jurisdiction that imposes a qualified domestic minimum top-up tax for that financial year;

(*b*) the qualified domestic minimum top-up tax is described in regulation 96, as one to which this regulation applies; and *[S 129/2025 wef 25/02/2025]*

(*c*) none of the disqualifying conditions in regulation 80 apply for that financial year.

(2) Every joint venture or JV subsidiary connected to an MNE group located in a jurisdiction is eligible for the QDMTT Safe Harbour for a financial year if —

(*a*) the conditions in paragraph (1)(*a*) and (*b*) are satisfied; and *[S 129/2025 wef 25/02/2025]*

(*b*) none of the disqualifying conditions in regulation 81 apply for that financial year.

(3) Every constituent entity of an MNE group that is an investment entity or insurance investment entity located in a jurisdiction is eligible for the QDMTT Safe Harbour if —

(*a*) the conditions in paragraph (1)(*a*) and (*b*) are satisfied; and *[S 129/2025 wef 25/02/2025]*

(*b*) none of the disqualifying conditions in regulation 82 apply for that financial year.

(4) Every constituent entity of an MNE group that is a minority-owned constituent entity located in a jurisdiction is eligible for the QDMTT Safe Harbour if —

(*a*) the conditions in paragraph (1)(*a*) and (*b*) are satisfied; and
*[S 129/2025 wef 25/02/2025]*

(*b*) none of the disqualifying conditions in regulation 83 apply for that financial year.

**Elections for QDMTT Safe Harbour**

**79.** Separate elections must be made by the filing entity of an MNE group for the application of the QDMTT Safe Harbour for —

(*a*) the entities of the MNE group in regulation 78(1);

(*b*) the entities connected to the MNE group in regulation 78(2);

(*c*) the entities of the MNE group in regulation 78(3); and

(*d*) the entities of the MNE group in regulation 78(4).

**Disqualifying conditions for constituent entities other than special entities**

**80.**—(1) Conditions A, B and C are disqualifying conditions for the purposes of regulation 78(1)(*c*) in relation to an MNE group and a jurisdiction.

(2) Condition A is that —

(*a*) the MNE group has a responsible member located in the jurisdiction that is —

(i) not the ultimate parent entity of the MNE group; and

(ii) a flow-through entity; and

(*b*) the law of that jurisdiction imposing a qualified domestic minimum top-up tax does not impose a charge on a responsible member of an MNE group that is a flow-through entity in any circumstance.

(3) Condition B is that —

(*a*) the law of that jurisdiction imposing a qualified domestic minimum top-up tax provides that it does not apply to an MNE group in the initial phase of the MNE group's international activity;

(*b*) that provision is not limited in application to circumstances where the constituent entities of an MNE group in the jurisdiction are not within the scope of a law of the jurisdiction imposing a qualified IIR; and

(*c*) that provision applies to the MNE group.

(4) Condition C is that the enforceability of an amount of qualified domestic minimum top-up tax accruing to a constituent entity of the MNE group in the jurisdiction is in question.

(5) For the purpose of paragraph (4), the enforceability of an amount of qualified domestic minimum top-up tax accruing to a constituent entity is in question if that amount is —

(*a*) contested in any judicial or administrative proceedings in that jurisdiction; or

(*b*) determined by the tax authority of that jurisdiction that the tax is not assessable or collectible,

on constitutional or similar grounds in that jurisdiction or any specific agreement with the government of that jurisdiction limiting the tax liability of the constituent entity.

**Disqualifying conditions for joint ventures and JV subsidiaries**

**81.**—(1) Conditions B and C in regulation 80 (as modified by paragraph (2)), and Condition D, are disqualifying conditions for the purposes of regulation 78(2)(*b*) in relation to an MNE group and a jurisdiction.

(2) Conditions B and C in regulation 80 are modified as follows:

(*a*) a reference to the MNE group is to the joint venture (if it is a standalone JV) or the JV group of which the joint venture or JV subsidiary is a part, as the case may be;

(*b*) a reference to a constituent entity of the MNE group is to the joint venture or JV subsidiary.

(3) Condition D is that the law of that jurisdiction imposing a qualified domestic minimum top-up tax does not impose such tax on the joint venture or JV subsidiary.

**Disqualifying conditions for investment entities or insurance investment entities**

**82.**—(1) Conditions A, B and C in regulation 80 (as modified by paragraph (2)), and Condition D, are disqualifying conditions for the purposes of regulation 78(3)(*b*) in relation to an MNE group and a jurisdiction.

(2) Conditions A, B and C in regulation 80 are modified by replacing any reference to a constituent entity of the MNE group with an investment entity or insurance investment entity of the MNE group.

(3) Condition D is that investment entities or insurance investment entities of an MNE group do not come within the scope of the law of that jurisdiction imposing a qualified domestic minimum top-up tax.

**Disqualifying conditions for minority-owned constituent entities**

**83.**—(1) Conditions A, B and C in regulation 80 (as modified by paragraph (2)) are disqualifying conditions for the purposes of regulation 78(4)(*b*) in relation to an MNE group and a jurisdiction.

(2) Conditions A, B and C in regulation 80 are modified by replacing any reference to a constituent entity of the MNE group with a minority-owned constituent entity of the MNE group.

*Division 4 — Simplified calculations safe harbour*

**"Non-material constituent entity" or "NMCE"**

**84.**—(1) In this Division, "non-material constituent entity" or "NMCE" means a constituent entity of an MNE group (other than one consisting solely of an main entity and its permanent establishment) —

(*a*) whose assets, liabilities, income, expenses and cash flows are excluded from the consolidated financial statements of the ultimate parent entity solely on size or materiality grounds; and

(*b*) that meets the conditions A, B and C.

(2) Condition A is that the consolidated financial statements have been prepared in accordance with an acceptable financial accounting standard or, if not prepared in accordance with such standard, have been prepared with adjustments to prevent any material competitive distortions.

(3) Condition B is that the consolidated financial statements are externally audited.

(4) Condition C is that, if the entity's revenue exceeds EUR 50 million for the financial year in question, its financial accounts for that financial year that are used to prepare country-by-country report (as defined in regulation 67(2)), are prepared in accordance with an acceptable financial accounting standard or an authorised financial accounting standard.

(5) A permanent establishment is an NMCE only if its main entity is itself an NMCE.

### Conditions for application of Simplified Calculations Safe Harbour

**85.**—(1) Every constituent entity of an MNE group within a sub-group that is located in a jurisdiction is eligible for a GloBE Safe Harbour in this Division (called the Simplified Calculations Safe Harbour) for a financial year if —

(*a*) at least one entity of the sub-group in that jurisdiction is an NMCE for which an election is made under regulation 86(1); and

(*b*) at least one of the following tests is met by that sub-group for that jurisdiction in that financial year:

(i) if the sub-group is sub-group 1, 2 or 3 — the routine profits test;

(ii) if the sub-group is sub-group 4 — the de minimis test;

(iii) if the sub-group is sub-group 1, 2 or 3 — the effective tax rate test.

(2) The routine profits test is met by a sub-group for a jurisdiction in a financial year if the substance-based income exclusion (as determined by section 18) for the entities of the sub-group located in that jurisdiction for that financial year is equal to or greater than the GloBE income or loss for that financial year of those entities.

(3) The de minimis test is met by a sub-group for a jurisdiction in a financial year (FY) if —

(*a*) the average of the following sums is less than EUR 10 million:

(i) the sum of the adjusted revenues of those entities for FY;

(ii) the sum of the adjusted revenues of the entities of that sub-group in the preceding financial year (FY-1), for FY-1;

(iii) the sum of the adjusted revenues of the entities of that sub-group in the financial year preceding FY-1 (FY-2), for FY-2; and

(*b*) the average of the following sums is less than EUR 1 million:

(i) the sum of the GloBE income or loss of the entities in sub-paragraph (*a*)(i) for FY;

(ii) the sum of the GloBE income or loss of the entities of that sub-group in FY-1, for FY-1;

(iii) the sum of the GloBE income or loss of the entities of that sub-group in FY-2, for FY-2.

(4) In paragraph (3), if —

(*a*) none of the entities mentioned in paragraph (3)(*a*)(ii) and (*b*)(ii); or

(*b*) none of the entities mentioned in paragraph (3)(*a*)(iii) and (*b*)(iii),

had any adjusted revenue or GloBE income or loss for FY-1 or FY-2 (as the case may be), that financial year is disregarded in computing the average of the sums in paragraph (3)(*a*) and (*b*).

(5) For the purposes of paragraph (3), if any financial year in that paragraph is longer or shorter than a year, then —

(*a*) the sum of the adjusted revenues; or

(*b*) the sum of the GloBE income or loss,

of the entities for that financial year is the amount arrived at by multiplying that sum by the amount given by dividing 365 by the number of days in that financial year.

(6) The effective tax rate test is met by a sub-group for a jurisdiction in a financial year if the effective tax rate (as determined in accordance with section 17, including that section as applied by section 23, or section 24, as the case may be) for the entities of that sub-group is at least 15%.

(7) Paragraphs (2), (3) and (4) are subject to regulation 86.

(8) In this regulation —

"adjusted revenue", in relation to a constituent entity for a financial year, means the revenue of the constituent entity that is taken into account in its FANIL for the financial year after making the adjustments prescribed in regulation 95;

"sub-group", in relation to an MNE group, means sub-group 1, sub-group 2, sub-group 3 or sub-group 4 of the MNE group;

"sub-group 1", in relation to an MNE group, means every constituent entity (not being a special entity) of the MNE group;

"sub-group 2", in relation to an MNE group, means every minority-owned constituent entity (not being an investment entity or insurance investment entity) of the MNE group;

"sub-group 3", in relation to an MNE group, means every investment entity or insurance investment entity of the MNE group;

"sub-group 4", in relation to an MNE group, means every constituent entity (not being an investment entity or insurance investment entity) of the MNE group.

**Simplified calculations for NMCE**

**86.**—(1) For the purposes of the tests in regulation 85(2), (3) and (6), the filing entity of the MNE group may elect for the following:

(*a*) the GloBE income or loss of an NMCE of the MNE group using total revenue as determined in accordance with the relevant CbC Regulations;

(*b*) the adjusted revenue of such NMCE using total revenue as determined in accordance with the relevant CbC Regulations;

(*c*) the adjusted covered taxes in the calculation of the effective tax rate for such NMCE using accrued current tax expense as determined in accordance with the relevant CbC Regulations.

(2) The election must be made in the GloBE information return for the financial year.

(3) Separate elections must be made for each NMCE.

(4) In this regulation, "relevant CbC regulations" means —

(*a*) the law of the jurisdiction in which the ultimate parent entity of the MNE group is located, implementing the guidance on country-by-country reporting contained in the OECD Guidance on Transfer Pricing Documentation and Country-by-Country Reporting, published in September 2014 as amended from time to time;

(*b*) if a country-by-country report is not filed in the jurisdiction mentioned in sub-paragraph (*a*) — the law of the jurisdiction in which its surrogate parent entity (as defined in the OECD/G20 Base Erosion and Profit

Shifting Project ("BEPS") Action 13 Final Report published in October 2015) is located that implements the guidance mentioned in that sub-paragraph; or

(*c*) if the jurisdiction mentioned in sub-paragraph (*a*) does not have any law as described in that sub-paragraph, and the MNE group is not required to file a country-by-country report in any jurisdiction — the BEPS Action 13 Final Report published in October 2015, and the OECD Guidance on the Implementation of Country-by-Country Reporting published in May 2024.

(5) In this regulation, "country-by-country report" has the meaning given by regulation 67(2).

## PART 10

## TRANSITION RULES

### Application of this Part

**87.** This Part applies to a standalone JV or an entity of a JV group with the following modifications:

(*a*) except in paragraph (*b*), references to an MNE group are to the standalone JV or the JV group of which the entity is a part;

(*b*) references to the filing entity of an MNE group are to the filing entity of the MNE group to which the standalone JV or entity is connected;

(*c*) subject to paragraph (*d*), references to a constituent entity are to the standalone JV or the entity;

*[S 129/2025 wef 25/02/2025]*

(*d*) other modifications in the provisions of this Part.

*[S 129/2025 wef 25/02/2025]*

### "Transition year"

**88.**—(1) In this Part, in determining the adjusted covered taxes of a constituent entity (*X*) of an MNE group for the purposes of Part 2 of the Act, "transition year" means —

(*a*) subject to sub-paragraph (*b*), the first financial year that —

(i) *X* or any other constituent entity of that MNE group located in the same jurisdiction as *X* comes within the scope of the law of any jurisdiction imposing a qualified IIR or a qualified UTPR; or

(ii) a chargeable entity of that MNE group is liable for MTT in relation to *X*, or any other constituent entity of that MNE group located in the same jurisdiction as *X*, as a relevant entity, or would have been so liable if *X* or any other such constituent entity were a relevant entity,

whichever is earlier; or

(*b*) where *X* is eligible for the Transitional CbCR Safe Harbour under regulation 69 or its equivalent in any other jurisdiction — the first financial year that *X* loses its eligibility for it or that an election is not made to apply it to *X*.

(2) In this Part, in determining the adjusted covered taxes of a constituent entity (*X*) of an MNE group located in Singapore for the purposes of Part 3 of the Act, "transition year" means —

(*a*) subject to sub-paragraph (*b*), the first financial year —

(i) that any constituent entity of the MNE group located in Singapore comes within the scope of the law of any jurisdiction imposing a qualified IIR or a qualified UTPR; or

(ii) for which the MNE group is liable to be registered under Part 4 of the Act,

whichever is earlier; or

(*b*) where *X* is eligible for a Transitional CbCR Safe Harbour under regulation 69 or its equivalent in any other jurisdiction — the first financial year that *X* loses its eligibility for it or that an election is not made to apply it to *X*.

(3) In this Part, in determining the adjusted covered taxes of a section 29(*b*) entity (*X*) of an MNE group for the purposes of Part 3 of the Act, "transition year" means the first financial year —

(*a*) that *X* comes within the scope of the law of any jurisdiction imposing a qualified IIR or a qualified UTPR; or

(*b*) for which the MNE group is liable to be registered under Part 4 of the Act,

whichever is earlier.

**Deferred tax assets and liabilities must be taken into account in constituent entity's adjusted covered taxes**

**89.**—(1) For the purposes of paragraph 1(1)(*d*) of the First Schedule to the Act, each deferred tax asset or deferred tax liability reflected or disclosed in the financial accounts of a constituent entity of an MNE group as at the beginning of the transition year of the constituent entity, must be taken into account in determining the adjusted covered tax of the constituent entity for the transition year and each subsequent financial year.

(2) The following apply for the purposes of paragraph (1):

(*a*) if the applicable domestic tax rate at which the deferred tax asset is reflected or disclosed in the financial accounts is less than the minimum rate and paragraph (3) does not apply, the deferred tax asset must be taken into account at that domestic tax rate;

(*b*) if the applicable domestic tax rate at which the deferred tax liability is reflected or disclosed in the financial accounts is less than the minimum rate, the deferred tax liability must be taken into account at that domestic tax rate;

(*c*) if the applicable domestic tax rate at which the deferred tax asset or deferred tax liability is reflected or disclosed in the financial accounts is equal to or greater than the minimum rate, the deferred tax asset or deferred tax liability must be taken into account at the minimum rate;

(*d*) when taking into account the deferred tax asset, the impact of any valuation adjustment or accounting recognition

adjustment with respect to the deferred tax asset must be excluded.

(3) Where, in a case mentioned in paragraph (2)(*a*), the constituent entity is able to demonstrate that, had it been required to determine its GloBE income or loss for any year before the transition year under paragraph 6 of the First Schedule to the Act, the deferred tax asset would be attributable to a loss that is taken into account when determining that GloBE income or loss, then the deferred tax asset must be taken into account at the minimum rate.

**Where deferred tax asset relates to a tax credit**

**90.**—(1) This regulation applies in a case where —

(*a*) the deferred tax asset in regulation 89(1) relates to a tax credit; and

(*b*) the applicable domestic tax rate at which the deferred tax asset is reflected or disclosed in the financial accounts is equal to or greater than the minimum rate.

(2) Despite regulation 89(2)(*c*), the amount of the deferred tax asset to be taken into account in a case to which this regulation applies for the purpose of regulation 89(1), is an amount determined by the formula A × B, where —

(*a*) A is the amount determined by dividing —

(i) the amount of the deferred tax asset as reflected or disclosed in the financial accounts; by

(ii) the tax rate at which the deferred tax asset is reflected or disclosed in the financial accounts of the constituent entity in the financial year immediately before the transition year of the constituent entity; and

(*b*) B is the minimum rate.

(3) If the tax rate at which a deferred tax asset is reflected or disclosed in the financial accounts of the constituent entity changes in a financial year after its transition year (called in this regulation the re-application year), the formula in paragraph (2) must be re-applied

to the outstanding balance of the deferred tax asset reflected or disclosed in the financial accounts at the beginning of the re-application year to determine the amount of the deferred tax asset to be taken into account in determining the adjusted covered tax of the constituent entity for the re-application year, and each subsequent financial year.

(4) For the purpose of the reapplication of the formula in paragraph (2) under paragraph (3), the tax rate in paragraph (2)(*a*)(ii) is to be replaced with the tax rate applied in the financial accounts of the constituent entity in the re-application year.

**Deferred tax asset not to be taken into account in certain circumstances**

**91.** Despite regulation 89, a deferred tax asset reflected or disclosed in the financial accounts of a constituent entity of an MNE group must not be taken into account in determining the adjusted covered taxes of the constituent entity if it arises —

(*a*) as a result of a transaction entered between 1 December 2021 and the last day of a financial year that is before the commencement of the transition year of the constituent entity; and

(*b*) in respect of an item that would not be taken into account in computing the GloBE income or loss of the constituent entity in that financial year, had the constituent entity been required to determine its GloBE income or loss for that financial year under paragraph 6 of the First Schedule to the Act.

**Value of deferred tax asset or liability, and computation of GloBE income or loss, in case of transfer of assets between constituent entities before transition year**

**92.**—(1) For the purposes of regulation 89(1), the value of the deferred tax asset or deferred tax liability arising from a transfer of assets (not being inventory) between constituent entities of an MNE group after 30 November 2021 and before the commencement of the

first in-scope year of the transferor (*X*), must be based on *X*'s carrying value of the transferred assets upon the transfer.

(2) In paragraph (1), a reference to a transfer of assets between constituent entities of an MNE group includes —

(*a*) a transaction between constituent entities of an MNE group; and

(*b*) a transaction within the same constituent entity,

that does not result in a change in the ownership of the assets, if it has a similar effect for accounting purposes to a change in ownership, and in the case of sub-paragraph (*b*), the constituent entity is treated as both the transferor and the transferee for the purposes of this regulation.

(3) For the purpose of paragraph (1), where either or both of the following apply:

(*a*) covered tax in relation to the transfer of assets has been paid by *X* in any jurisdiction, or would have been taken into account in computing *X*'s adjusted covered taxes under paragraph 1 of the First Schedule to the Act had the transfer taken place after the commencement of *X*'s transition year;

(*b*) any loss of *X* arising in or at the beginning of the financial year in which the transfer took place is offset against any taxable income, and a deferred tax asset attributable to the loss would have been taken into account for the purposes of regulation 89(1) but for the offset,

then the sum of the covered tax in sub-paragraph (*a*) and the value of the deferred tax asset attributable to the loss in sub-paragraph (*b*), up to the amount computed by —

(*c*) working out the difference between *X*'s carrying value of the asset upon the transfer and the value of the asset on which the transferee based its computation of the covered tax; and

(*d*) multiplying the difference by 15%,

is treated as the value of the deferred tax asset.

(4) Where the transition year of the transferee begins after the date of the transfer of assets, the value of the deferred tax asset for the purpose of paragraph (1) or (3) must be adjusted to take into account —

(*a*) any subsequent capitalised expenditure incurred in respect of the assets; and

(*b*) amortisation and depreciation of the assets that would have been recognised by the transferor had the transfer not occurred.

(5) Where the sum of the matters in paragraph (3)(*a*) and (*b*) equals or exceeds the amount computed by paragraph (3)(*c*) and (*d*), paragraph (1) does not apply in relation to the transfer of assets described in that paragraph.

(6) The transferee's GloBE income or loss arising from the transfer of assets described in paragraph (1) is also to be based on *X*'s carrying value of the transferred assets upon the transfer, and paragraphs (2) to (5) apply for this purpose.

*[S 129/2025 wef 25/02/2025]*

**Adjustments for DTT computation where there is new transition year**

**93.**—(1) This regulation applies where —

(*a*) an MNE group of which a constituent entity located in Singapore (including a section 29(*b*) entity) (*X*) is a member becomes liable to be registered under Part 4 of the Act;

*[S 129/2025 wef 25/02/2025]*

(*aa*) at the time it becomes so liable —

(i) where *X* is a constituent entity of the MNE group located in Singapore — no constituent entity of the MNE group located in Singapore is; or

(ii) where *X* is a section 29(*b*) entity — *X* is not,

within the scope of the law of any jurisdiction imposing a qualified IIR or a qualified UTPR; and

*[S 129/2025 wef 25/02/2025]*

(*b*) an entity, or the entity, in the second column corresponding to the description of *X* in the first column then comes within the scope of the law of any jurisdiction imposing a qualified IIR or a qualified UTPR:

| *First column* | *Second column* |
|---|---|
| 1. Where *X* is a constituent entity of the MNE group located in Singapore | Any constituent entity of the MNE group located in Singapore |
| 2. Where *X* is a section 29(*b*) entity | *X* |
| 3. [*Deleted by S 129/2025 wef 25/02/2025*] | |
| 4. [*Deleted by S 129/2025 wef 25/02/2025*] | |

*[S 129/2025 wef 25/02/2025]*

(1A) Where any constituent entity of the MNE group located in Singapore is eligible for a Transitional CbCR Safe Harbour under regulation 69, paragraph (1)(*a*) only applies after that constituent entity loses its eligibility for it or an election is not made to apply it to that constituent entity.

*[S 129/2025 wef 25/02/2025]*

(2) In this regulation —

"DTT computation", for a financial year, means determining the amount of adjusted covered taxes of *X* in order to determine *X*'s effective tax rate for the purpose of computing the amount of DTT payable in respect of the MNE group for that year;

"new transition year" is the financial year in which the event described in paragraph (1)(*b*) occurs.

(3) For DTT computation for the new transition year, any negative tax carried forward for *X* under section 17(4) or 21(2) at the beginning of the new transition year must be eliminated.

*[S 129/2025 wef 25/02/2025]*

(4) Regulation 46(2) —

(*a*) does not apply to any deferred tax liability —

(i) that was taken into account for DTT computation for a financial year prior to the new transition year; and

(ii) that was not recaptured prior to the new transition year; but

(*b*) applies to any deferred tax liability that is taken into account for DTT computation for the new transition year or a subsequent financial year.

(5) For DTT computation for the new transition year, any amount treated as a special loss deferred tax asset under regulation 47(3)(*b*) for a financial year preceding the new transition year must be eliminated; but the filing entity of the MNE group of which *X* is a part may make a new election in accordance with regulation 47(1) for the new transition year.

(6) For DTT computation for the new transition year, any deferred tax asset or deferred tax liability taken into account for DTT computation for any financial year before the new transition year must be eliminated; and the deferred tax assets and deferred tax liabilities must be determined afresh in accordance with regulations 89, 90, 91 and 92 (whichever is applicable) at the beginning of the new transition year.

(7) For DTT computation for the new transition year, any deferred tax asset —

(*a*) reflected or disclosed in *X*'s financial accounts as a result of a transaction entered into after 30 November 2021 and before the beginning of the new transition year; and

(*b*) in respect of an item that would not be taken into account in computing *X*'s GloBE income or loss in that financial year, had *X* been required to determine its GloBE income or loss for that financial year under paragraph 6 of the First Schedule to the Act,

must not be taken into account in determining *X*'s adjusted covered taxes.

(8) Paragraph (7) does not apply to any deferred tax asset —

(*a*) that is attributable to a tax loss that gave rise to an additional current top-up amount mentioned in section 21(1); and

(*b*) that arises from a transaction in respect of which DTT is payable in Singapore.

(9) This regulation applies to a standalone JV located in Singapore, or an entity of a JV group located in Singapore, connected to an MNE group, as it applies to a constituent entity of an MNE group located in Singapore, and for this purpose —

(*a*) in the case of the standalone JV — a reference to a constituent entity that is within or that comes within the scope of the law of any jurisdiction imposing a qualified IIR or a qualified UTPR, is to the standalone JV that is within or that comes within the scope of such law; and

(*b*) in the case of the entity of the JV group — a reference to a constituent entity that is within or that comes within the scope of the law of any jurisdiction imposing a qualified IIR or a qualified UTPR, is to any entity of the JV group that is within or that comes within the scope of such law.

*[S 129/2025 wef 25/02/2025]*

PART 11

MISCELLANEOUS PROVISIONS

**Formula for determining top-up amounts of entities**

**94.**—(1) This regulation sets out the formula for determining the top-up amounts in respect of each of the constituent entities referred to in section 16(3) for the financial year referred to in that provision, if those constituent entities have an additional current top-up amount under section 21(1) (*C*) and also an additional current top-up amount under section 21(4) (*D*) for that financial year.

(2) The top-up amount is the sum of —

(*a*) the amount determined by the formula in section 16(3)(*a*), with the reference to A in the formula replaced by an amount computed by the formula —

$$C - (K \times C/(C + D));$$ and

(*b*) the amount for each previous financial year for which the recalculation in section 21(4) was made, as determined by the formula in section 16(3)(*b*), with the reference to A in the formula replaced by an amount computed by the formula —

$$D1 - (K \times D1/(C + D)),$$

where —

(*c*) K has the meaning given by section 16(4)(*d*), as modified (in the case of Part 3 of the Act) by section 30(2)(*b*); and

(*d*) D1 is the amount computed under section 21(4) for that previous financial year.

(3) Paragraphs (1) and (2) apply to constituent entities referred to in section 24(4) that are investment entities or insurance investment entities as they apply to constituent entities referred to in section 16(3), with the following modifications:

(*a*) a reference to the formula in section 16(3)(*a*) and to A in that formula is to the formula in section 24(4)(*a*) and to A in that formula;

(*b*) a reference to the formula in section 16(3)(*b*) and to A in that formula is to the formula in section 24(4)(*b*) and to A in that formula;

(*c*) a reference to section 21(1) or section 21(4) is to that provision as applied by section 24(13);

(*d*) a reference to K is to K as defined in section 24(5)(*d*).

(4) Paragraphs (1), (2) and (3) apply to a standalone JV or an entity of a JV group for the purpose of section 25(2) as if a reference to a constituent entity were to the standalone JV or the entity.

**Adjustments in computing "adjusted revenue" for de minimis exclusion**

**95.** For the purpose of section 19(6) (including that provision as applied by section 25(2)), in arriving at the adjusted revenue for a financial year of an entity, the adjustments to be made to the revenue of the entity that is taken into account in its FANIL for the financial year are any increase or decrease in its FANIL in determining its GloBE income or loss that affects the amount of its revenue, other than —

(*a*) any increase or decrease in respect of expenses; or

(*b*) any decrease in the entity's revenue or GloBE income or loss for the financial year resulting from a recalculation under section 21(4) (including that provision as applied by section 25(2)) of its top-up amount or effective tax rate for the financial year, in a subsequent financial year.

**Qualified domestic minimum top-up taxes**

**96.**—(1) A tax imposed by each law of a jurisdiction set out under the heading "Qualified Domestic Minimum Top-up Tax Rules and QDMTT Safe Harbours" in the document entitled "Tax Challenges Arising from the Digitalisation of the Economy — Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), Central Record of Legislation with Transitional Qualified Status", published by the OECD on 15 January 2025, is prescribed as a tax that is equivalent in effect as the DTT for the purposes of the Act.

(2) Such tax is also a tax to which regulation 78 applies if, in the document mentioned in paragraph (1), the word "yes" is indicated opposite it under the heading "QDMTT Safe Harbour".

*[S 129/2025 wef 25/02/2025]*

**Qualified IIR**

**97.** A tax imposed by each law of a jurisdiction set out under the heading "Qualified Income Inclusion Rules" in the document entitled "Tax Challenges Arising from the Digitalisation of the Economy — Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), Central Record of Legislation with Transitional Qualified Status", published by the OECD on 15 January 2025, is prescribed as a tax that is equivalent in effect as the MTT for the purposes of the Act.

*[S 129/2025 wef 25/02/2025]*

Made on 27 December 2024.

LAI CHUNG HAN
*Permanent Secretary (Development),*
*Ministry of Finance,*
*Singapore.*

[AG/LEGIS/SL/190C/2020/3]