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IRAS Public Consultation

Consultation on the Proposed Multinational
Enterprise (Minimum Tax) Regulations – GloBE
Safe Harbours and Transition Rules



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1. Introduction

- 1.1 As announced in the 2024 Budget Statement, Singapore will implement the Multinational Enterprise Top-up Tax (“MTT”)¹ and the Domestic Top-up Tax (“DTT”) under Pillar Two of the Base Erosion and Profit Shifting (“BEPS”) 2.0 initiative, which will impose a minimum effective tax rate of 15% on businesses’ profits from financial years starting on or after 1 January 2025. This will apply to relevant multinational enterprise (“MNE”) groups with annual group revenue of 750 million euros or more in at least two of the four preceding financial years, in line with the Pillar Two Global Anti-Base Erosion (“GloBE”) rules.
- 1.2 A public consultation was held from 10 June to 5 July 2024 on the proposed Multinational Enterprise (Minimum Tax) Bill, as well as the subsidiary legislation on the adjustments to the financial accounting net income or loss and the qualifying tax expenses, for the purposes of calculating the effective tax rate and top-up tax based on the GloBE rules.
- 1.3 IRAS is seeking public feedback, from 4 to 18 October 2024, on the proposed subsidiary legislation that will provide further details on the calculation of the top-up tax based on the GloBE rules.

2. Scope of the Consultation

- 2.1 The proposed subsidiary legislation provides details on the calculation of the top-up tax based on the GloBE rules and specifically, on the following:
 - a. GloBE Safe Harbours to simplify the compliance process; and
 - b. Adjustments in computing adjusted covered taxes under the transition rules. These rules will apply when an MNE group first comes within the scope of the GloBE rules (including MTT in Singapore) or DTT in Singapore.
- 2.2 The proposed subsidiary legislation should be read together with the published GloBE Model Rules, Commentary and applicable Administrative Guidance (“AG”) issued by the Inclusive Framework (“IF”) on BEPS for completeness².

¹ The Multinational Enterprise Top-up Tax (“MTT”) is based on the Income Inclusion Rule under the GloBE Model Rules.

² The relevant AGs and other guidance materials for the **subsidiary legislation on ‘GloBE Safe Harbours’** are: (1) Safe Harbours and Penalty Relief (December 2022); (2) AG on the GloBE Model Rules (July 2023); and (3) AG on the GloBE Model Rules (December 2023). The relevant AGs for the **subsidiary legislation on ‘Transition Rules’** are: (1) AG on the GloBE Model Rules (February 2023); and (2) AG on the GloBE Model Rules (July 2023). The GloBE Model Rules, Commentary, AGs and other guidance materials are available at <https://www.oecd.org/tax/beps/tax-challenges-arising-from-the-digitalisation-of-the-economy-global-anti-base-erosion-model-rules-pillar-two.htm>.

2.3 GloBE Safe Harbours

2.3.1 When a filing entity elects to apply the GloBE Safe Harbours for specified entities of an MNE group in a jurisdiction for a financial year, the top-up amount for those entities for that financial year will be treated as nil, subject to conditions.

2.3.2 The proposed subsidiary legislation on ‘GloBE Safe Harbours’ will cover the following safe harbours for the purposes of MTT and DTT (where applicable):

a. Transitional Country-by-Country Reporting (“CbCR”) Safe Harbour

The Transitional CbCR Safe Harbour allows an MNE Group to avoid undertaking detailed GloBE calculations in respect of a jurisdiction through the use of information contained in the MNE Group’s Country-by-Country Report, where conditions are met. As the safe harbour is designed to provide transitional relief for MNE Groups in the initial years during which the GloBE rules come into effect, it is limited to a transitional period for financial years commencing on or before 31 December 2026³ and ending on or before 30 June 2028.

b. Qualified Domestic Minimum Top-Up Tax (“QDMTT”) Safe Harbour

The QDMTT Safe Harbour eliminates the need for an MNE group to perform a MTT calculation in Singapore, in addition to the calculation already required under a QDMTT regime in a foreign jurisdiction. Accordingly, the proposed subsidiary legislation on the QDMTT Safe Harbour is only applicable to MTT⁴.

c. Simplified Calculations Safe Harbour

The Simplified Calculations Safe Harbour reduces the extent of computation an MNE group has to make under the GloBE rules through the use of alternative calculations. The Simplified Calculations Safe Harbour is available to MNE Groups with non-material constituent entities in a foreign jurisdiction (for MTT) or Singapore (for DTT).

2.4 Adjustments in Computing Adjusted Covered Taxes under the Transition Rules

2.4.1 The proposed subsidiary legislation on ‘Transition Rules’ will provide for transition rules. These rules allow existing deferred tax accounting attributes

³ For Singapore, the Transitional CbCR Safe Harbour will apply to financial years beginning on or after 1 January 2025, in line with the effective date of MTT and DTT.

⁴ For DTT, Singapore will seek to ensure that it qualifies for the QDMTT Safe Harbour of foreign jurisdictions.

at the beginning of the Transition Year⁵ of an entity to be used for purpose of computing adjusted covered taxes.

2.4.2 The proposed subsidiary legislation will also provide for the Transition Year to be refreshed for the purposes of computing DTT. The Transition Year will be refreshed when a foreign jurisdiction introduces the GloBE rules, and such GloBE rules apply to the Singapore entities of an MNE Group, after Singapore implements the DTT. When the Transition Year is refreshed⁶, certain tax attributes under the DTT will be eliminated or re-stated. This is to ensure that the tax attributes under the GloBE rules applied by the foreign jurisdiction and DTT in Singapore are aligned in and after the refreshed Transition Year.

3. Guidelines for Submission

3.1 Respondents are requested to observe these guidelines:

- a. Please use the template provided to provide your feedback and be clear and concise in your comments.
- b. Please identify yourself and the organisation you represent (if any) so that we can follow up to clarify any comments if necessary.
- c. Please focus your comments on how the drafting of the subsidiary legislation can be better written to make them clearer and to make compliance easier. As the published GloBE Model Rules, Commentary and AG have been agreed by the IF on BEPS, this consultation is not for the purposes of seeking feedback on policy rationale or design of the GloBE rules.
- d. Please explain your points with illustrations, examples, data or alternative formulations of the legislation, where possible.

3.2 This proposed subsidiary legislation is released only for the purpose of consultation and should not be used for individual or business decisions as it does not represent the final subsidiary legislation.

3.3 All comments received during the consultation will be reviewed thoroughly and, if accepted, will be incorporated in the subsidiary legislation.

3.4 We reserve the right to publish all or parts of any comments received on an anonymised basis.

⁵ Transition Year refers to the first financial year which the constituent entities of an MNE group come within the scope of GloBE rules (including MTT) or DTT with respect to their jurisdiction.

⁶ For example, when Singapore implements DTT in 2025 and the jurisdiction of the ultimate parent entity of a Singapore constituent entity implements IIR in 2026, the Singapore constituent entity's transition year for DTT purposes will be refreshed in 2026.

4. Feedback Channel

- 4.1 We request that all interested parties submit your comments using the template, through email to IRAS_Pillar_Two@iras.gov.sg by **18 October 2024**.

5. Documents to Download

- 5.1 Please click on the links below to download the relevant documents for this public consultation.

- [Proposed Subsidiary Legislation on GloBE Safe Harbours](#)
- [Proposed Subsidiary Legislation on Transition Rules](#)
- [Template for submission of comments](#)