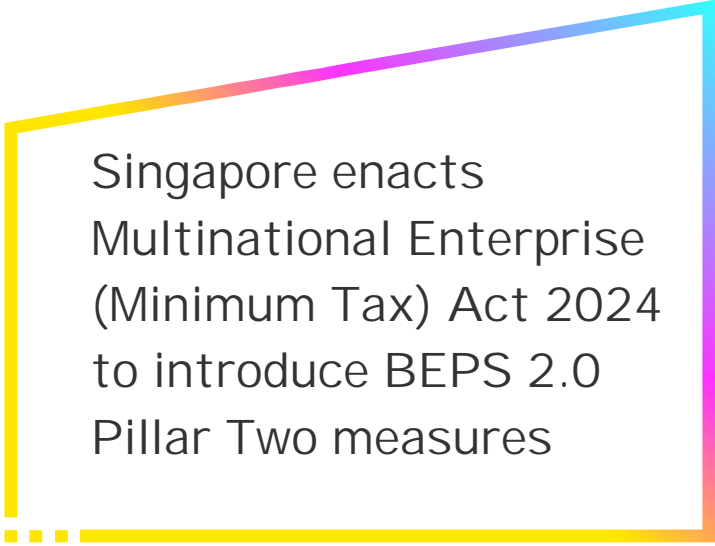


Tax alert



Singapore enacts Multinational Enterprise (Minimum Tax) Act 2024 to introduce BEPS 2.0 Pillar Two measures

The Multinational Enterprise (Minimum Tax) Act (MMT Act) was passed by the Singapore Parliament on 15 October 2024 and received Presidential assent on 8 November 2024 to become law in Singapore.

Who does MMT Act affect?

Broadly, the MMT Act applies to large multinational enterprise (MNE) groups that have an annual consolidated revenue of at least €750mn in at least two of the four preceding financial years.

When will the MMT Act be effective?

The MMT Act applies to an in-scope MNE group for financial years beginning on or after 1 January 2025.

What is the purpose?

The MMT Act implements the multinational enterprise top-up tax (MTT)¹ under the Global Anti-base Erosion (GloBE) Model Rules of the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS), and domestic top-up tax (DTT).

¹ MTT applies the Income Inclusion Rule (IIR) under the GloBE model rules.

MTT operates to impose a tax to top up the effective tax rate (ETR) to 15% in respect of low taxed profits of overseas entities under the ownership chain. MTT applies generally to MNE groups with an ultimate parent entity (UPE) located in Singapore. However, MTT could also apply to a foreign MNE group under the following circumstances:

- The foreign MNE group has an immediate holding company located in Singapore and the holding company jurisdictions above the ownership chain (including the UPE jurisdiction) do not implement Income Inclusion Rule (IIR).
- The foreign MNE group has a partially owned parent entity (POPE) located in Singapore.
- The foreign MNE group has a minority-owned parent entity (MOPE) located in Singapore.

DTT will apply to the Singapore entities' low taxed profits if the MNE group's Singapore ETR is below 15%. DTT is intended to be a qualified domestic minimum top-up tax (QDMTT) within the meaning of the GloBE Model Rules.

The MMT Act is the framework legislation implementing the GloBE Model Rules, and additional subsidiary legislation (e.g., rules, regulations) is expected to be released. To date, public consultations were conducted in respect of the following proposed regulations:

- Proposed Multinational Enterprise (Minimum Tax) Regulations 2025
- Proposed Subsidiary Legislation on GloBE Safe Harbours
- Proposed Subsidiary Legislation on Transition Rules

Notably, Singapore does not have any immediate plans to implement the undertaxed payment rule (UTPR) under the GloBE model rules.

What are the key policy decisions made for DTT?

Below are some notable key policy decisions made in the design of DTT:

- DTT will apply to less than wholly-owned entities.
- DTT will be computed based on local financial accounts if certain conditions are met, such as the Singapore entities (including joint ventures) of the MNE group having the same financial year as the UPE.
- DTT is deemed to be zero for "investment entity" and "insurance investment entity" as defined in the MMT Act to maintain tax neutrality of such investment vehicles. Notwithstanding that, low taxed profits of such entities may still be subject to top-up tax under jurisdictions that have implemented UTPR.

Is there a registration obligation?

The UPE of an in-scope MNE group must register with the Comptroller of Income Tax within six months after the end of the first applicable financial year.

The first wave of registration will be due by 30 June 2026 in respect of in-scope MNE groups with financial year equivalent to calendar year (i.e., financial year ending 31 December 2025).

In the event of a failure to register, a surcharge may be assessed on the UPE based on an amount equal to 10% of the total top-up taxes assessed under the MMT Act.

When will MTT and DTT return be due?

The MTT and DTT return is due on the last day of the period of 15 months after the end of the relevant financial year. For the first financial year for which the MNE group is subject to GloBE Model Rules, there is a three-month extension to 18 months.

For in-scope MNE groups operating in jurisdictions that have implemented GloBE Model Rules a year ahead of Singapore (i.e., financial year beginning on or after 1 January 2024), the three-month extension should not be applicable.

Who will be responsible for paying the top-up taxes?

The payment of MTT and DTT must be made in Singapore dollars no later than one month after the relevant filing due dates.

For MTT, a local responsible member of a registered MNE group that has furnished a MTT return will be the party liable to make the top-up tax payment.

For DTT, the designated local DTT filing entity of a registered MNE group will be the party liable (on a joint and several basis) to make the top-up tax payment. Subject to conditions, an annual election can be made in the DTT return for the Singapore entities of the registered MNE group to pay separately their attributable amount of the top-up tax liability.

Notwithstanding that there is a provision on the right of contribution under the MMT Act, it is possible for a MNE group to decide on the tax sharing arrangement, which will define an equitable methodology for allocating and settling the economic consequences of Pillar Two obligations. The right of contribution and tax sharing arrangement would have the effect of allocating top-up taxes among entities of the MNE group and may be useful to prevent or resolve disputes with minority shareholders or joint venture partners. This would however involve negotiations and changes to existing commercial agreements, e.g., joint venture or shareholder agreements.

If you would like to know more about the issues discussed or EY services, please contact one of the following or your usual EY contact:

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