

Tax alert

Singapore publishes subsidiary legislation supplement on BEPS 2.0 Pillar Two

The Multinational Enterprise (Minimum Tax) Act (MMT Act) was passed by Singapore Parliament on 15 October 2024 and received Presidential assent on 8 November 2024 to become law in Singapore (see [EY Tax Alert](#) dated 6 December 2024). Subsequently, a subsidiary legislation supplement titled [Multinational Enterprise \(Minimum Tax\) Regulations 2024](#) (MMT Regulations) was gazetted on 30 December 2024.

With this, the Pillar Two legislation can be considered as substantively enacted in Singapore as of 31 December 2024.

Additionally, the Inland Revenue Authority of Singapore (IRAS) published an e-Tax Guide on Multinational Enterprise Top-up Tax (MTT) and Domestic Top-up Tax (DTT) on 31 December 2024 ([IRAS e-Tax Guide](#)).

About the MMT Regulations

Public consultations were previously conducted for the following proposed regulations:

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



The MMT Regulations combine the content of the aforesaid proposed regulations, providing rules covering the following topics:

- Determination of consolidated group revenue for purposes of BEPS 2.0 Pillar Two
- Currency conversion
- Determination of top-up tax amount, including Global Anti-base Erosion (GloBE) income or loss, adjusted covered taxes, exclusion of international shipping income and ancillary international shipping income and substance-based income exclusion
- GloBE adjustments when a constituent entity (CE) joins or leaves the multinational enterprise (MNE) group or transfers or acquires any asset or liability under Chapter 6 of the GloBE Model Rules
- Various elections
- Safe harbours (e.g., transitional country-by-country safe harbour, Qualified Domestic Minimum Tax (QDMTT) Safe Harbour, simplified calculations for non-material CE)
- Transitional provisions under Chapter 9 of the GloBE Model Rules

The MMT Act and MMT Regulations have been drafted with variations in wording from the GloBE Model Rules, their Commentary and Administrative Guidance (AGs) because these documents are not prepared using language for legislative drafting. In the absence of a verbatim transposition of these intricate rules into the MMT Act and MMT Regulations, it may lead to differing interpretations of certain provisions vis-à-vis the GloBE Model Rules. This discrepancy could potentially be one of the sources giving rise to controversies and disputes.

About the IRAS e-Tax Guide

The IRAS e-Tax Guide outlines the key parameters for MTT and DTT. Further guidance on matters such as the transition rules and safe harbours are expected to be released progressively. The IRAS e-Tax Guide also provides IRAS' views on the following matters:

Policy design

The MMT Act and MMT Regulations are based on the published GloBE Model Rules, Commentary and AGs approved and released by the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) from March 2022 to December 2023.

In respect of DTT, the IRAS e-Tax Guide states that DTT is designed to meet the conditions of a QDMTT

and to satisfy the requirements of the QDMTT Safe Harbour. Consistent with the GloBE Model Rules, DTT does not apply to:

- Purely domestic groups
- CEs located outside Singapore
- Excluded entities
- Stateless permanent establishments
- Flow-through entities formed, registered or incorporated in Singapore which are not reverse hybrid entities¹

Additionally, the top-up amount of investment entities and insurance investment entities that are located in Singapore is treated as nil for DTT purpose.

The IRAS e-Tax Guide includes, in Annex B, a useful table to summarise the provisions in the MMT Act relevant to MTT and DTT and where applicable, a reference is made to the GloBE Model Rules, Commentary and AGs.

Compliance requirements

As outlined in [EY Tax Alert](#) dated 6 December 2024, the ultimate parent entity of an in-scope MNE group must notify the Comptroller of Income Tax of its liability to be registered under the MMT Act.

From a compliance perspective, all registered MNE groups liable for MTT and/or DTT must file tax returns on their top-up tax liability in Singapore.

In accordance with the GloBE Model Rules, all registered MNE groups must file a GloBE Information Return (GIR) with Singapore, unless the GIR is filed with another jurisdiction that has an in-force exchange of information agreement with Singapore. In the latter case, a GloBE notification must still be filed with Singapore annually.

Record-keeping requirements

According to the IRAS e-Tax Guide, the records to be kept for MTT and DTT purposes are generally aligned with the records to be kept for corporate income tax or accounting purposes. The record-keeping periods are as follows:

- MTT: Until 31 December of the fifth year after the year in which the MTT tax return is due
- DTT: Until 31 December of the fifth year after the financial year to which the DTT relates

Under certain circumstances, the GloBE Model Rules require a revisit to past years' GloBE computations

¹ Note that the constituent entity (CE) owner that is an in-scope entity for DTT purpose may still be subject to DTT on its share of the GloBE income of the flow-through entity.

(e.g., election under Article 3.2.6, deferred tax liability recapture rule under Article 4.4.4, post-filing adjustments under Article 4.6.1, deemed distribution recapture under Article 7.3.5). In such a case, an extended record-keeping period may be applicable and further guidance will be published by the IRAS.

Income tax treatment of Pillar Two taxes
 Sections 15(1) of the Income Tax Act 1947 has been updated to disallow deduction in respect of:

- Any amount paid or payable in respect of income tax in Singapore (including MTT and DTT), or in respect of any tax on income (by whatever name called) in any country outside Singapore
- Any amount paid or payable in respect of any excluded top-up tax or QDMTT

Income tax treatment for recovery or on-charging of Pillar Two taxes

The Pillar Two taxes recharged will not be deductible and the Pillar Two taxes recovered will not be taxable for corporate income tax purposes.

However, the Pillar Two treatment of the recovery or on-charging of Pillar Two taxes would be dependent on facts and the accounting treatment. This would be an area of focus for groups that intend to re-charge Pillar Two taxes amongst group entities.

Foreign tax credit (FTC) claim

Subject to conditions, FTC may be claimed against Singapore corporate income tax payable in respect of foreign domestic minimum top-up tax (DMTT) or equivalent paid or payable on:

- Income of a foreign permanent establishment, of which its main entity is a Singapore CE
- Income of a foreign dividend-paying company, out of which dividend is paid to entities resident in Singapore

This is provided that the foreign DMTT can be clearly attributed to the foreign-sourced income received (or deemed to have been received) in Singapore or profits out of which the dividend is paid to the Singapore CE (as the case may be). The IRAS expects the allocation of the foreign DMTT to be in accordance with Article 5.2.4 of the GloBE Model Rules as follows:

$$\text{Top-up tax of a CE} = \text{Jurisdictional top-up} \times \frac{\text{GloBE income of the CE}}{\text{Aggregate GloBE income of all CEs for the jurisdiction}}$$

Top-up taxes paid or payable under income inclusion rule or undertaxed payment rule will not be creditable for the purpose of FTC claim.

Foreign DMTT will be considered when determining whether the “subject to tax” condition is met under Singapore’s foreign sourced income exemption and FTC pooling system. However, the “foreign headline tax rate of at least 15%” condition under these schemes will not take foreign DMTT into account.

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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