No.

MULTINATIONAL ENTERPRISE (MINIMUM TAX) ACT 2024

MULTINATIONAL ENTERPRISE (MINIMUM TAX) REGULATIONS 2025

In exercise of the powers conferred by section 93 of the Multinational Enterprise (Minimum Tax) Act 2024, the Minister for Finance makes the following Regulations:

PART I

PRELIMINARY

Citation and commencement

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

Definitions

2.—(1) In these Regulations, unless the context otherwise requires —

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

"other comprehensive income", in relation to a constituent entity of 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;

"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 equivalents 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 section 16(6)) or a disqualified refundable imputation tax (as defined in section 16(6));

(2) In these Regulations, a tax credit (not being a qualified refundable tax credit) is a transferable tax credit —

(*a*) in relation to an originator, if, under the law of the jurisdiction granting the tax credit, the tax credit may be transferred by the originator to an entity not related to the originator within 15 months of the end of the financial year in which the tax credit was granted to the originator;

(*b*) in relation to a purchaser, if, under the law of the jurisdiction granting the tax credit, the tax credit may be transferred by the purchaser to an entity not related 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 a purchaser.

(3) In these Regulations, a transferable tax credit is a marketable transferable tax credit —

(*a*) in relation to an originator —

(i) if the tax credit is transferred by the originator to an entity not related 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) if the tax credit is not transferred by the originator, or is transferred by the originator to an entity related to the originator, within the relevant period —

(A) tax credits of the same type are traded between entities not related to each other in the relevant period; and

(B) all such trades are at a price not less than 80% of the net present value of the tax credit traded;

(*b*) in relation to a purchaser, if the tax credit is acquired by the purchaser from an entity not related to the purchaser at a price not less than 80% of the net present value of the tax credit.

(4) In paragraph (3), the net present value of a tax credit is computed based on 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, 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 a purchaser, or, if the tax credit is not transferred by the originator or to a purchaser, in the financial year in which the tax credit is granted to the originator.

(5) In these Regulations, an entity is related to another entity if —

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

(*b*) a third entity owns (directly or indirectly) 50% or more of the ownership interests in both entities, and 50% or more of the voting rights in each of the entities (whichever is a company);

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

(*d*) a third entity directly or indirectly controls both entities.

(6) In Parts 2 and 3 of these Regulations, a reference to a constituent entity of an MNE group includes a reference to a joint venture or JV subsidiary, and a reference to an MNE group includes a reference to a JV group.

PART 2

ADJUSTMENTS TO FANIL AND GLOBE INCOME OR LOSS

Profits adjusted to be before tax

3.—(1) The FANIL of a constituent entity of an MNE group for a financial year is adjusted by adding back any positive amounts and excluding any negative amounts of tax expense amounts reflected in the FANIL.

(2) In paragraph (1), "tax expense amount" means an amount of tax expense (including a deferred tax expense) in respect of —

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

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

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

(*d*) a qualified UTPR;

(*e*) any disqualified refundable imputation tax (as defined in section 16(6));

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

Profits adjusted to be profits before certain purchase accounting adjustments

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

(2) In paragraph (1), "relevant 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 as a result of 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 relevant 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

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

(2) The following are not 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 16(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 in 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 paragraph (3) must not be made (whether in Singapore or in another jurisdiction) in respect of the constituent entity for that and 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.

Exclusion of excluded equity gain or loss

6. The FANIL of a constituent entity of an MNE group for a financial year is adjusted by excluding any amount of gain, and adding back any amount of loss, for any excluded equity gain or loss.

Included revaluation method gain or loss

7.—(1) The FANIL of a constituent entity of an MNE group for a financial year is 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 making any adjustment to reflect tax expense amounts (as defined in regulation 3(2)), 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; and

"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

8.—(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 a 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 is 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 a 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 is adjusted to exclude that gain or loss.

(4) Where, for a financial year —

(*a*) the constituent entity has a gain or a 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 is 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 a constituent entity of an MNE group are kept;

"tax currency" means the currency in which the profits of that 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; and

"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

9.—(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 is 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 the constituent entity is located; or

(*b*) the jurisdiction 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 are aggregated.

Adjustment for changes in accounting policies and prior period errors

10. 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 is 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 31(2).

Accrued pension expense

11.—(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 is 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

12.—(1) The FANIL of a constituent entity of an MNE group for a financial year is 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 (4), other tax credits are accounted for as a negative amount of tax expense (and regulation 3 applies accordingly).

(2) 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 within 15 months after the financial year in which it is granted, the consideration for the transfer is accounted for as income for the financial year in which the transfer occurs;

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

(*c*) if the tax credit is subsequently transferred by the entity 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 is 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 is accounted for as a loss for the financial year in which the tax credit expires.

(3) 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 is 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 is 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 aggregate amount of income recognised by the constituent entity under sub-paragraph (*a*) in respect of the tax credit for that financial year and all previous financial years;

(*c*) if the tax credit expires, the following amount is accounted for as a loss for the financial year in which the tax credit expires: $(F+G)-E.$

(4) Where the constituent entity is the purchaser of a non-marketable transferable tax credit (as defined in regulation 32) and incurs a net loss (applying the formula in paragraph (3)(*b*) or (*c*), as the case may be) on the transfer of the tax credit to another person or on the expiry of the tax credit, the net loss is accounted for as a loss for the financial year in which the transfer or the expiry of the tax credit occurs.

Arm's length requirement for certain transactions

13.—(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 is 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 was 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 was 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 27, including where that section may be applied by section 40) 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 32, including where that section may be applied by section 40) 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 33, including where that section may be applied by section 40) 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%;

(*e*) where it is an investment entity or an insurance investment entity, the effective tax rate (as determined under section 34) 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%; or

(*f*) where it is a joint venture or a JV subsidiary of a JV group, the effective tax rate (as determined under section 35, including where that section may be applied by section 40) for the joint venture or JV subsidiaries of that JV group located in that jurisdiction for any of the previous 2 financial years is less than 15%.

(7) In this regulation, "arm's length conditions" means conditions which would be made or imposed between 2 related entities in their commercial or financial relations if they were not related entities and dealing independently with one another in comparable circumstances.

Adjustments for insurers

14.—(1) The FANIL of a constituent entity of an MNE group that is a life insurer for a financial year is 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 3(2)(*f*)) in its FANIL.

(2) The FANIL of a constituent entity of an MNE group that is a life insurer for a financial year is 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 is 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).

(4) The FANIL of a constituent entity of an MNE group that is an insurer for a financial year is 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.

Exclusion of intra-group financing arrangement expenses

15.—(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 is 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 16.

(3) In paragraph (1) —

"high tax constituent entity" means a constituent entity of an MNE group located in a jurisdiction where the relevant

effective tax rate of that constituent entity would, ignoring intra-group financing arrangements, be 15% or more;

"intra-group financing arrangement" means an arrangement between two or more constituent entities of an MNE group under which a constituent entity directly or indirectly provides credit or otherwise makes an investment in another 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%; and

"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 27, including where that section may be applied by section 40) 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 32, including where that section may be applied by section 40);

(*c*) where it is a minority-owned constituent entity, the effective tax rate (as determined under section 33, including where that section may be applied by section 40) for the constituent entities of that MNE group that are minority-owned constituent entities located in that jurisdiction;

(*d*) where it is an investment entity or an insurance investment entity, the effective tax rate (as determined under section 34) for the constituent entities of that MNE group that are investment entities or insurance investment entities located in that jurisdiction; or

(*e*) where it is a joint venture or a JV subsidiary of a JV group, the effective tax rate (as determined under section 35, including where that section may be applied

by section 40) for that joint venture or JV subsidiaries of that JV group located in that jurisdiction.

Additional tier one capital

16.—(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 is 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 is 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

17.—(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 is adjusted to exclude the amount of such income (or loss).

(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 international shipping profits is effectively carried on within the jurisdiction where the constituent entity is located.

(3) In paragraph (1), 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 paragraph (1), 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;

(*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; and

(*c*) the deduction of any ancillary international shipping income cap adjustment for the constituent entity for that financial year.

(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 (4)(*c*), the ancillary international shipping income cap adjustment 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 aggregate of the ancillary international shipping income (before taking into account paragraph (4)(*c*)) for that financial year of the constituent entities of the MNE group located in the same jurisdiction, less the ancillary international shipping income cap, except that if the resulting amount is a negative amount, A is nil;

(*b*) B is the ancillary international shipping income (before taking into account paragraph (4)(*c*)) for that financial year of the constituent entity if it has a positive amount of ancillary international shipping income for that financial year, otherwise B is nil; and

(*c*) C is the aggregate of the ancillary international shipping income (before taking into account paragraph (4)(*c*)) for that financial year of the constituent entities of the MNE group located in the same jurisdiction that have a positive amount of ancillary international shipping income for that financial year.

(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 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 50% of the aggregate of the international shipping income for that financial year of the constituent entities of the MNE group located in that jurisdiction;

"international shipping" means the transportation of passengers or cargo by ship between different territories, and 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*) arranging for another person to carry out 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.

Adjustments in relation to permanent establishments and flow-through entities

Adjustment for main entity

18. Subject to regulation 19, where a constituent entity of an MNE group is a main entity of a permanent establishment, its FANIL is

adjusted to not take into account the FANIL of the permanent establishment.

Allocation of loss to main entity

19.—(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 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, the FANIL of the permanent establishment for that financial year is allocated from the permanent establishment to the main entity of the permanent establishment until an amount of 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

20. 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 (A) of that MNE group, the FANIL so allocated is to be adjusted under these regulations as if the FANIL is part of the FANIL of A for that financial year.

Optional adjustments

Election for company in distress

21.—(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 related to 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 related to it; or

(iii) is made by a creditor who is not related to 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 should 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 is 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 is adjusted by deducting the lower 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; or

(*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

22.—(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 the 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 accounting 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, the FANIL for the financial year of each of those constituent entities is adjusted to take the following into account:

(*a*) gains and losses in respect of 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, or

(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 is

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 in 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 paragraph (1) must not be made (whether in Singapore or in another jurisdiction) in respect of the constituent entities located in that jurisdiction for that and 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

23.—(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 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 is adjusted to take the following into account:

(*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; and

(*b*) where any of the stock-based compensation is an option that expires without exercise in the financial year, the aggregate 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 aggregate of those expenses exceeds the aggregate of what those expenses would have been under paragraph (2)(*a*) had the election been in effect for those financial years,

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

(4) Where an election in paragraph (1) is revoked, 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 aggregate amount of expenses recognised in accordance with paragraph (2)(*a*) for that stock-based compensation exceeds the aggregate amount of expenses that would be recognised for that stock based compensation if the election had not been made,

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

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

Election to recognise gains over five years

24.—(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 from the disposal of local tangible assets by the constituent entities of the MNE group located in a jurisdiction in a financial year (called the "relevant gain") is to be allocated between those constituent entities as gains in that financial year 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 allocated between the constituent entities located in the jurisdiction 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 as a gain for that financial year in the following manner:

(i) 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 aggregate net losses of those constituent entities, the relevant gain is allocated proportionately between those constituent entities according to the amount of the net loss of each constituent entity 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 the constituent entities that have a net loss from the disposal of local tangible assets in the second financial

year of the carry-back period 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 the constituent entities that have a net loss from the disposal of local tangible assets in the third financial year of the carry-back period 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 the constituent entities that have a net loss from the disposal of local tangible assets in the fourth financial year of the carry-back period 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 the constituent entities that have a net loss from the disposal of local tangible assets in the fifth financial year of the carry-back period 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 the constituent entities that have a net gain from the disposal of local tangible assets in the fifth financial year of the carry-back period (called the specified constituent entities) in the following manner:

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

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

specified constituent entity over the amount of all such net gains;

(*g*) if, in the application of sub-paragraph (*f*), there is no specified constituent entity that is located in the jurisdiction of the local tangible assets for any financial year in the carry-back period, the amount specified in sub-paragraph (*f*)(i) for that 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 the constituent entities of the MNE group.

(4) If an election in paragraph (1) is made, the FANIL of a constituent entity located in the jurisdiction for each financial year in the carry-back period is 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 27, including where that section may be applied by sections 32, 33, 35 or 40, or section 34, including where that section may be applied by section 40, as the case may be) for the constituent entities of the MNE group located in the same jurisdiction for that financial year; and

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

section 31(4) (or as that section may be applied by sections 32, 33, 34, 35 or 40, 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.

Election to exclude intra-group transactions

25.—(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 that 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 in relation to the constituent entities located in a jurisdiction, the FANIL for that financial year of each of those constituent entities is adjusted accordingly.

(3) Where an election is made under paragraph (1), the FANIL of the constituent entities to which the election applies are adjusted —

(*a*) 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; and

(*b*) if the election is subsequently revoked in accordance with paragraph (5), in the first financial year for which the election ceases to apply, to ensure that there are no duplications or omissions of items of income, expenses, gains or losses arising from the revocation of the election.

(4) 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.

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

Election for excluded equity gains and losses to be included

26.—(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 (2) of the constituent entities of the MNE group located in a jurisdiction are to be included in the FANIL of those constituent entities.

(2) 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; and

(*b*) excluded equity gains or losses (being changes in fair value of 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.

(3) Despite an election in paragraph (1), excluded equity gains or losses in respect of a qualified ownership interest (as defined in regulation 33) owned by a constituent entity must not be included as income in the FANIL of a constituent entity.

(4) 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 6, and

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

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

Election for foreign exchange risk hedges

27.—(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 (2) of that constituent entity.

(2) 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 a 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 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.

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

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

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

28.—(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 made in respect of a constituent entity for a financial year —

(*a*) that constituent entity has an adjustment amount in respect of each of its asset or liability that is 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 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 by —

(*a*) 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 immediately after the occurrence of that event; and

(*b*) if that event results in a non-qualifying gain or loss (as defined in regulation 43) for the constituent entity —

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

(ii) in the case of a non-qualifying loss, 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 4th 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 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; and

"trading stock" has the meaning given by section 10J(9) of the ITA.

PART 3

ADJUSTMENTS TO QUALIFYING CURRENT TAX EXPENSE, QUALIFYING DEFERRED TAX EXPENSE AND ADJUSTED COVERED TAXES

Amounts excluded from qualifying current tax expense

29.—(1) The qualifying current tax expense of a constituent entity of an MNE group for any financial year is 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 not included in 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 three years commencing with 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 24) in the financial year for which an election in regulation 24 is made for the constituent entity;

(*f*) any amount of credit or refund for the constituent entity for the financial year, in respect of a tax credit (whether refundable or not) 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 current tax expense refunded or credited to the constituent entity for the financial year, other than a qualified refundable tax credit or a marketable transferable tax credit.

Amounts taken into account in qualifying current tax expense

30.—(1) The qualifying current tax expense of a constituent entity of an MNE group for any financial year is 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 3) 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 that constituent entity for that 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;

(*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;

(*d*) add any positive amount (and subtract any negative amount) of covered taxes relating to an amount taken into account in the GloBE income or loss of the constituent entity as a result of regulation 10 for the financial year.

(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

31.—(1) If an adjustment is recorded in the financial statements for a financial year that increases the adjusted covered taxes of a constituent entity for a previous financial year, the amount of the adjustment is to 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 aggregate adjusted covered taxes for that financial year of the constituent entities of the MNE group located in the same jurisdiction, the following are to 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 that constituent entity;

(*b*) the effective tax rate (as determined under section 27, including where that section may be applied by sections 32, 33, 35 or 40, or section 34, including where that section may be applied by section 40, as the case may be) for the constituent entities of the MNE group located in the same jurisdiction; and

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

and section 31(4) (or as that section may be applied by sections 32, 33, 34, 35 or 40, as the case may be) applies accordingly.

(3) If the decrease in the aggregate adjusted covered taxes for a financial year of the constituent entities of an MNE group located in a jurisdiction mentioned in paragraph (2) is immaterial, 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 that constituent entity for the financial year in which the adjustment was made.

(4) 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 is to be adjusted in accordance with regulation 36(3) or (4) where applicable.

(5) Where a 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 a deferred tax asset arising in the firstmentioned financial year and regulation 36 applies accordingly; and

(*b*) the deferred tax asset is deemed to have been used in the previous financial year.

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

(*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

specified in sub-paragraph (*b*) to increase the corresponding qualifying deferred tax expense of that constituent entity for a previous financial year up to a maximum amount specified 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 three years of the last day of that financial year, and the unpaid qualifying current tax expense is not immaterial —

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

(*b*) the following are to be recalculated for that financial year —

(i) the effective tax rate (as determined under section 27, including where that section may be applied by sections 32, 33, 35 or 40, or section 34, including where that section may be applied by section 40, as the case may be) for the constituent entities of the same MNE group located in the same jurisdiction; and

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

section 31(4) (or as that section may be applied by sections 32, 33, 34, 35 or 40, as the case may be) applies accordingly.

(9) In paragraphs (3) and (8), an amount is immaterial if it is less than EUR 1 million.

Non-marketable transferable tax credits

32.—(1) The adjusted covered taxes for a financial year of a constituent entity of an MNE group that is an originator who transfers a non-marketable transferable tax credit in the financial year is adjusted by treating the consideration for the transfer as a negative amount of tax expense (and the non-marketable transferable tax credit is treated 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 is adjusted by the following adjustments:

(*a*) any amount of the tax credit used in the financial year is multiplied by:

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

where:

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

(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 net gain under 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 utilised 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 aggregate amount of income recognised by the entity under sub-paragraph (*a*) in respect of the tax credit for that financial year and all previous financial years; and

(*c*) any other tax expense in respect of the tax credit is excluded from the adjusted covered taxes.

(3) In this regulation, a tax credit is a non-marketable transferable tax credit —

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

(*b*) in relation to a purchaser, if it is not a marketable transferable tax credit.

Qualified flow-through tax benefits

33.—(1) Where an election in regulation 26(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 is adjusted to —

(*a*) exclude the amount of any qualified flow-through tax benefits from a qualified ownership interest received by the constituent entity in the financial year;

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

(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 aggregate value of the proceeds, distributions and flow-through tax benefits received from the qualified ownership interest 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;

(ii) where the aggregate value of the proceeds, distributions and flow-through tax benefits received from the qualified ownership interest 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;

(*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 aggregate value of the proceeds, distributions and flow-through tax benefits received from the qualified ownership interest by the constituent entity in the financial year and all previous financial years does not exceed the investment in the qualified ownership interest.

(3) 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.

Allocation of covered taxes

Permanent establishments

34.—(1) Where any GloBE income or loss of a permanent establishment is allocated to the main entity of the permanent establishment in regulation 19(2), the qualifying current tax expense in relation to such GloBE income or loss is allocated to that main entity.

(2) But the amount allocated in accordance with paragraph (1) is not to exceed the amount given by multiplying the amount of those profits 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 the permanent establishment is located with respect to a loss that is allocated to the main entity of a permanent establishment in regulation 19(1) is to be disregarded in determining the adjusted covered taxes of the permanent establishment.

Reallocation of tax expense

35.—(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 is allocated to the 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 that constituent entity for that controlled foreign company;

(ii) B is the sum of the blended CFC allocation keys of that 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 that 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 is —

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

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

(3) In computing the blended CFC allocation key of a constituent entity for a controlled foreign company in paragraph (2), the effective tax rate for the constituent entities of the same MNE group that are located in the jurisdiction of the controlled foreign company is determined under section 27 (including where that section may be applied by sections 32, 33 or 35, or section 34, as the case may be) with the following modifications:

(*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 that 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) 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 group in which that constituent entity has a direct ownership interest, that qualifying current tax expense or qualifying deferred tax expense is allocated to that other constituent entity.

(5) 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 the income of a hybrid entity (in which that constituent entity holds any direct ownership interest), that qualifying current tax expense or qualifying deferred tax expense is allocated to the hybrid entity.

(6) Where any qualifying current tax expense or qualifying deferred tax expense for a financial year of a constituent entity of an MNE group is to be allocated to another constituent entity 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 maximum amount of qualifying current tax expense and qualifying deferred tax expense that may be allocated is determined by the formula:

$$(15\% - D) \times E,$$

where:

(*a*) D is the relevant effective tax rate of that other constituent entity;

(*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 that constituent entity.

(7) In this regulation —

"blended CFC allocation key of a constituent entity" means, in relation to a controlled foreign company of a constituent entity, the amount of the income of the controlled foreign company in the jurisdiction where it is located that is attributable to that constituent entity under a blended CFC regime, multiplied by the difference between the applicable rate for the blended CFC regime and the effective tax rate for the constituent entities of the same MNE group that are located in the jurisdiction of the controlled foreign company (as determined under section 27 (including where that section may be applied by sections 32, 33 or 35, or section 34, as the case may be) with the modifications in paragraph (3));

"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*) which operates if the tax rate applicable to the controlled foreign companies is less than a minimum threshold, being a threshold below 15% (called the "applicable rate").

"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 (called "the controlled foreign company") is subject to current taxation on its share of part or all of the income of the controlled foreign company, 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*) of this definition;

"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 27, including where that section may be applied by section 40) 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 32, including where that section may be applied by section 40);

(*c*) where it is a minority-owned constituent entity, the effective tax rate (as determined under section 33, including where that section may be applied by section 40) for the constituent entities of that MNE group that are minority-owned constituent entities located in that jurisdiction;

(*d*) where it is an investment entity or an insurance investment entity, the effective tax rate (as determined under section 34) for the constituent entities of that MNE group that are investment entities or insurance investment entities located in that jurisdiction; or

(*e*) where it is a joint venture or a JV subsidiary of a JV group, the effective tax rate (as determined under section 35, including where that section may be applied by section 40) for that joint venture or JV subsidiaries of that JV group located in that jurisdiction.

(8) In paragraphs (5) and (6), an entity is a "hybrid entity" with respect to any of its income, expenditure, profit or loss attributable to the owner of 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.

Deferred taxes

Adjustments to qualifying deferred tax expense

36.—(1) The following adjustments are 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 not taken into account in 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 disallowed accrual or 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;

(*g*) any amount not reflected in the deferred tax asset for the financial year 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 (3) for the financial year is added;

(*i*) any recaptured deferred tax liability (as determined under regulation 37) 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 24) in the financial year for which an election in regulation 24 is made for the constituent entity.

(2) The amount of a qualifying foreign tax credit that may 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 less than 15% that is attributable to a loss that would have been taken into account in determining 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 any financial year relates to covered taxes where the tax rate is greater than 15%, the amount of that deferred tax expense is adjusted to the amount it would be had the tax rate been 15%.

(5) In this regulation —

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

(*a*) any movement in deferred tax expense which would be (if not for regulation 3) taken into account in the GloBE

income or loss 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 3) taken into account in the GloBE income or loss 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 located in a jurisdiction for a financial year, means a tax credit in that jurisdiction 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 35(7)).

"unclaimed accrual" means an increase in a deferred tax liability which would be (if not for regulation 3) taken into account in the GloBE income or loss 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 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.

Recaptured deferred tax liabilities

37.—(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 before the end 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 is to be excluded for that year, and

(*b*) the following are to be recalculated for the initial year —

(i) the effective tax rate (as determined under section 27, including where that section may be applied by sections 32, 33, 35 or 40, or section 34, including where that section may be applied by section 40, as the case may be) for the constituent entity and the other constituent entities of that group located in the same jurisdiction, and

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

section 31(4) (or as that section may be applied by sections 32, 33, 34, 35 or 40, 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 in the same jurisdiction; or

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

GloBE loss election

38.—(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 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 first financial year in which the GloBE rules apply to any constituent entity in that jurisdiction; and

(*b*) cannot be made for a jurisdiction that has an eligible distribution tax system (as defined in regulation 39(8)).

(3) Where this regulation applies to the constituent entities located in a jurisdiction for a financial year —

(*a*) none of those constituent entities has any qualifying deferred tax expense for that financial year; and

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

(4) Where this regulation applies to the constituent entities located in a jurisdiction for a financial year —

(*a*) the aggregate of the GloBE income or loss for that financial year of those constituent entities is positive; 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 assets that is to be used in paragraph (4) is the lower of —

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

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

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

(6) Any special loss deferred tax asset used in paragraph (4) is allocated between the constituent entities with a positive amount of GloBE income or loss for the financial year proportionately according 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 assets 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.

Deemed distribution tax election

39.—(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 this regulation applies to the constituent entities of the MNE group located in that jurisdiction for a financial year.

(2) Where an election is made in paragraph (1) —

(*a*) the constituent entities have a deemed distribution tax amount for that financial year, being the lower of —

(i) an amount that, when added to A in section 27(1) for those constituent entities, would result in the effective tax rate (as determined under section 27, including where that section may be applied by sections 32, 33 or 35, or section 34, as the case may be) of 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 is 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 an aggregate negative amount of GloBE income or loss for that financial year, the amount of that aggregate 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 is remaining 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*) first, 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 27, including where that section may be applied by sections 32, 33 or 35, or section 34, 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 31(4) (or as that section may be applied by sections 32, 33, 34 or 35, 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*) is excluded from the adjusted covered taxes for that financial year of that constituent entity.

(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 who is not a constituent entity of the MNE group or to an individual; or

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

(*f*) then, the effective tax rate (as determined under section 27, including where that section may be applied by sections 32, 33 or 35, or section 34, as the case may be) for those constituent entities is recalculated; and

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

section 31(4) (or as that section may be applied by sections 32, 33, 34 or 35, 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 aggregate of the GloBE income or loss for the financial year of the constituent entities, and where —

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

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

(8) In this regulation, "eligible distribution tax system" means a system of tax on company profits that —

(*a*) is generally only payable when a company distributes, or is deemed to distribute, those profits to its shareholders, or when it incurs certain non-business expenses;

(*b*) is charged at a rate of at least 15%; and

(*c*) was in force on or before 1 July 2021.

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

Modifications for DTT purposes

Modifications in relation to Part 3 of the Act

40.—(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 must not be allocated to X; and

(*d*) where a constituent entity located in Singapore (X) is a hybrid entity and another constituent entity located outside Singapore (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 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 (called "the controlled foreign company") is subject to current taxation on its share of part or all of the income of the controlled foreign company, whether or not any of that income is distributed to the entity;

(3) In this regulation, an entity is a "hybrid entity" with respect to any of its income, expenditure, profit or loss attributable to the owner of 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.

PART 4

MNE GROUP REORGANISATIONS

Constituent entity joining or leaving MNE group

41.—(1) Where, in a financial year, an entity becomes or ceases to be a constituent entity of an MNE group —

(*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 28),

is regarded as that of a constituent entity of that MNE group to the extent that such amount is 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 28) as a constituent entity of that MNE group is the proportion of its tangible asset carve-out amount for the full financial year that corresponds to the proportion of the financial year when it is 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 are 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 38) 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 has 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 deemed to have 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 37 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 of assets and liabilities

42.—(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 under the laws of —

(i) where the constituent entity is a flow-through entity, the jurisdiction where the assets are located, or

(ii) in any other case, 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 41 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

43.—(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, in computing its GloBE income or loss, any gain or loss arising from that asset or liability is determined on the basis of —

(*a*) where regulation 42 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 a qualifying reorganisation —

(*a*) any gain or loss on the transfer is excluded from the FANIL of the transferor, except to the extent it is a non-qualifying gain or loss of the transferor;

(*b*) any gain or loss on a subsequent transfer of the asset or liability by the transferee is determined on the basis of the carrying value of the asset or liability recognised by the transferor immediately before the transfer, adjusted for any non-qualifying gain or loss of the transferor (in accordance with the GloBE rules).

(4) In this regulation, a transfer of an asset or liability is made in the course of a qualifying reorganisation if the transfer takes place as a result of a merger, de-merger, liquidation or a change in form of an entity, or a similar event, and —

(*a*) any of the following is satisfied:

(i) any consideration for the transfer is, or the transfer involves, wholly or mostly equity interests issued by the transferee, or by a person connected with the transferee;

(ii) in the case of a liquidation, any consideration for the transfer is, or the transfer involves, wholly or mostly, the cancellation of equity interests in the entity subject to the liquidation; or

(iii) the reorganisation does not result in a change in the ownership of an entity;

(*b*) any gain or loss of the transferor that arises from the transfer is not, in whole or in part, subject to tax; and

(*c*) 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 for any subsequent disposition of the asset or liability is the value of the asset or liability for the tax purposes of the transferor immediately before the transfer, adjusted for any non-qualifying gain or loss (in accordance with the GloBE rules).

(5) In this regulation, "non-qualifying gain or loss" means the 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.

Made on 2025.

TAN CHING YEE
Permanent Secretary,
Ministry of Finance,
Singapore.