

Annex A: MOF's responses to key feedback on the draft Multinational Enterprise (Minimum Tax) Bill

1. Policy parameters

- a) Feedback: Limit the application of Domestic Top-up Tax ("DTT") to only wholly-owned constituent entities within the multinational enterprise ("MNE") group located in Singapore, instead of all constituent entities within the MNE group located in Singapore regardless of the parent entity's ownership interest in the constituent entities.

Response: **Not accepted.** Singapore will impose DTT on all constituent entities within the MNE group regardless of the parent entity's ownership interest in the constituent entities. This will ensure that our regime can qualify for the Qualified Domestic Minimum Top-up Tax ("QDMTT") Safe Harbour, which relieves MNE groups from having to undertake separate top-up tax calculations in the other jurisdictions where they operate. This helps alleviate their compliance burden.

- b) Feedback: Give MNE groups the option to adopt for DTT purpose, their ultimate parent entity ("UPE")'s accounting standards used in preparing the consolidated financial statements.

Response: **Not accepted.** In order to qualify for the QDMTT Safe Harbour, jurisdictions are required to specify the financial accounting standard to be adopted for DTT purpose i.e. either the UPE's financial accounting standard or the local financial accounting standard. After careful consideration of industry preferences between the two accounting standards, we have decided to adopt the local financial accounting standard since taxpayers and tax administrators are familiar with the standard. This will ease tax compliance and administrative burden.

2. Technical areas

- a) Feedback: Remove mention of shares that carry only voting rights in the definition of "portfolio shareholding".

Response: **Accepted.** The definition of "portfolio shareholding" is used in determining whether income in respect of an ownership interest (e.g. dividends) can be excluded in the computation of Global Anti-Base Erosion ("GloBE") income or loss. Since shareholders with only voting rights do not have rights to the profits, capital or reserves of an entity, we will remove the mention of such shares in the definition.

3. Administration

- a) Feedback: Allow a branch registered in Singapore to be appointed as the designated local GloBE Information Return ("GIR") filing entity ("GFE") and designated local DTT filing entity ("DFE").

Response: **Accepted.** IRAS will allow a branch registered in Singapore to be appointed as the GFE and DFE subject to specified conditions. We will provide details on the criteria for the appointment of GFE and DFE in the subsidiary legislation.

- b) Feedback: Allow the Comptroller to grant an extension of time for re-designating another constituent entity as the DFE and GFE. Based on the draft Bill, a constituent entity that is deemed as a DFE and GFE by the Comptroller will be given one month from the date of notice to re-designate another constituent entity as the DFE and GFE.

Response: **Accepted**. The Comptroller will be given powers to grant an extension of time where the deemed constituent entity can justify the need for more time to find a replacement.

- c) Feedback: Provide guidance on the records required to be kept for Multinational Enterprise Top-up Tax ("MTT") and DTT purposes to ease taxpayer's compliance.

Response: **Accepted**. IRAS will provide guidance on the records required to be kept by taxpayers.

- d) Feedback: Provide clarity on the dispute resolution process to eliminate double taxation.

Response: **Accepted**. The dispute resolution process is currently under discussion by the Inclusive Framework on Base Erosion and Profit Shifting ("BEPS"). Singapore supports having a process to resolve cross-jurisdictional disputes in an effective and timely manner. IRAS will provide guidance in due course.