

## Pillar Two Regional QDMTT updates

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18 March 2024



## Pillar Two Regional QDMTT Panellists:



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# Agenda



1

Latest regional developments



2

Divergence between Qualified Domestic Minimum Top-up Taxes (QDMTTs) and GloBE Rules

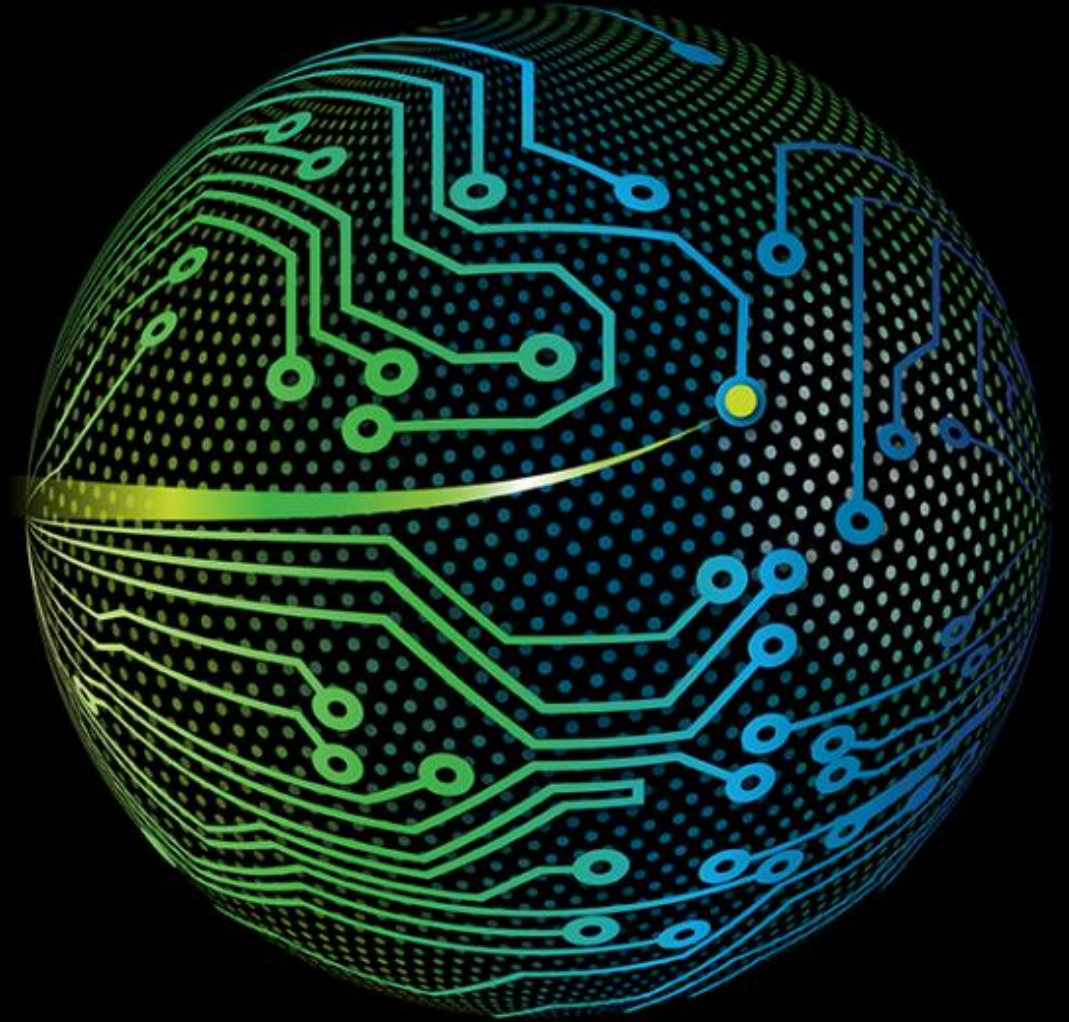


3

Application of QDMTT Rules in common FSI scenarios



# Latest regional developments



Latest regional developments  
An overview—APAC countries



**No announcement**

China  
India  
Taiwan  
Indonesia



**Consultation stage**

Hong Kong  
Singapore  
Australia  
South Korea



**Draft legislation**

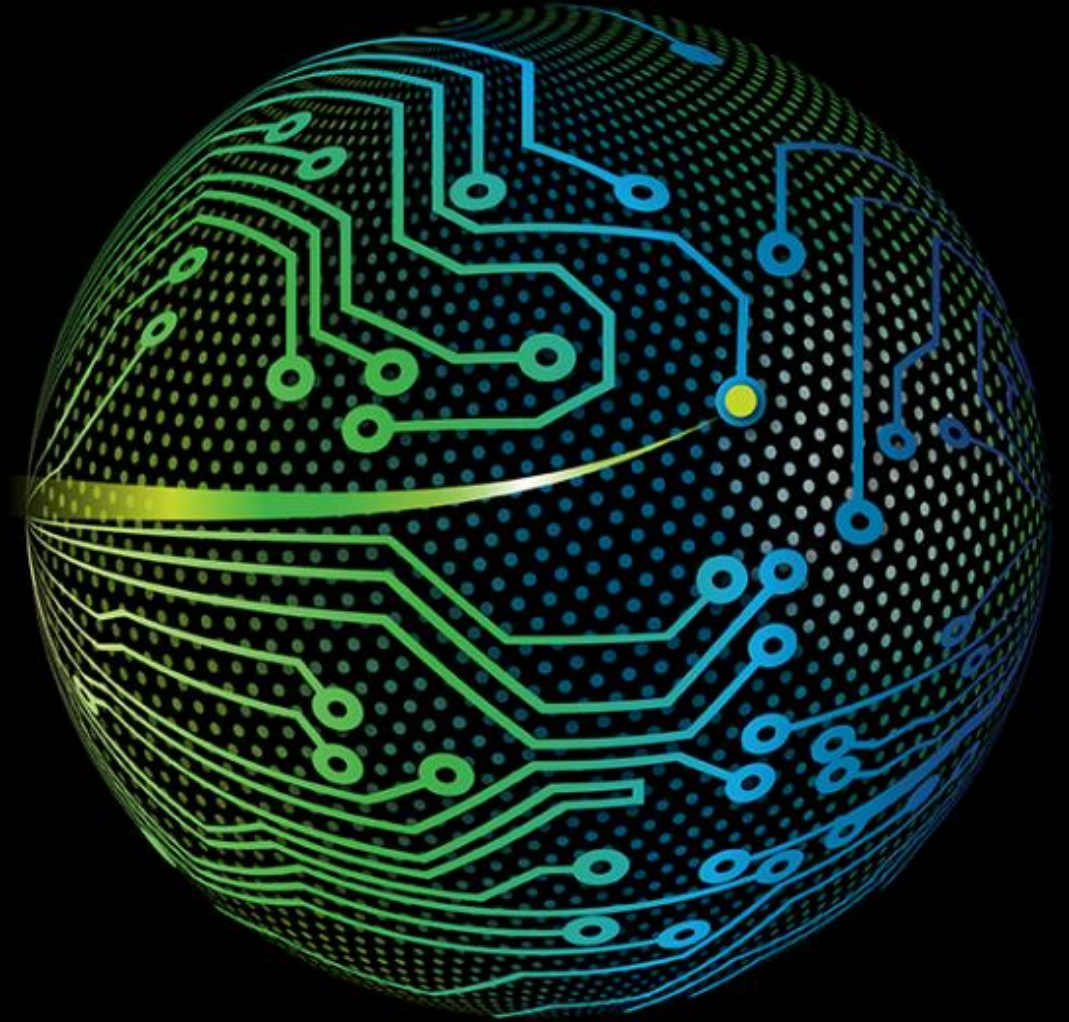
New Zealand



**Final legislation**

Japan  
Malaysia  
Vietnam

# Divergence between QDMTTs and GloBE Rules



# Divergence between QDMTTs and GloBE Rules

## Increased burden under a QDMTT



### Local Generally accepted accounting principles (GAAP)

Use of local accounts permitted under QDMTTs (as against Ultimate parent entity [UPE] FS in Model Rules)



### Controlled Foreign Corporation (CFC) Taxes

Under Model Rules, allocated to Constituent Entity (CE) (instead of CE-Owners), no such allocation permitted under QDMTTs



### Local General Anti-avoidance Rules (GAAR)

No GAAR in Model Rules, jurisdictional QDMTTs likely to include

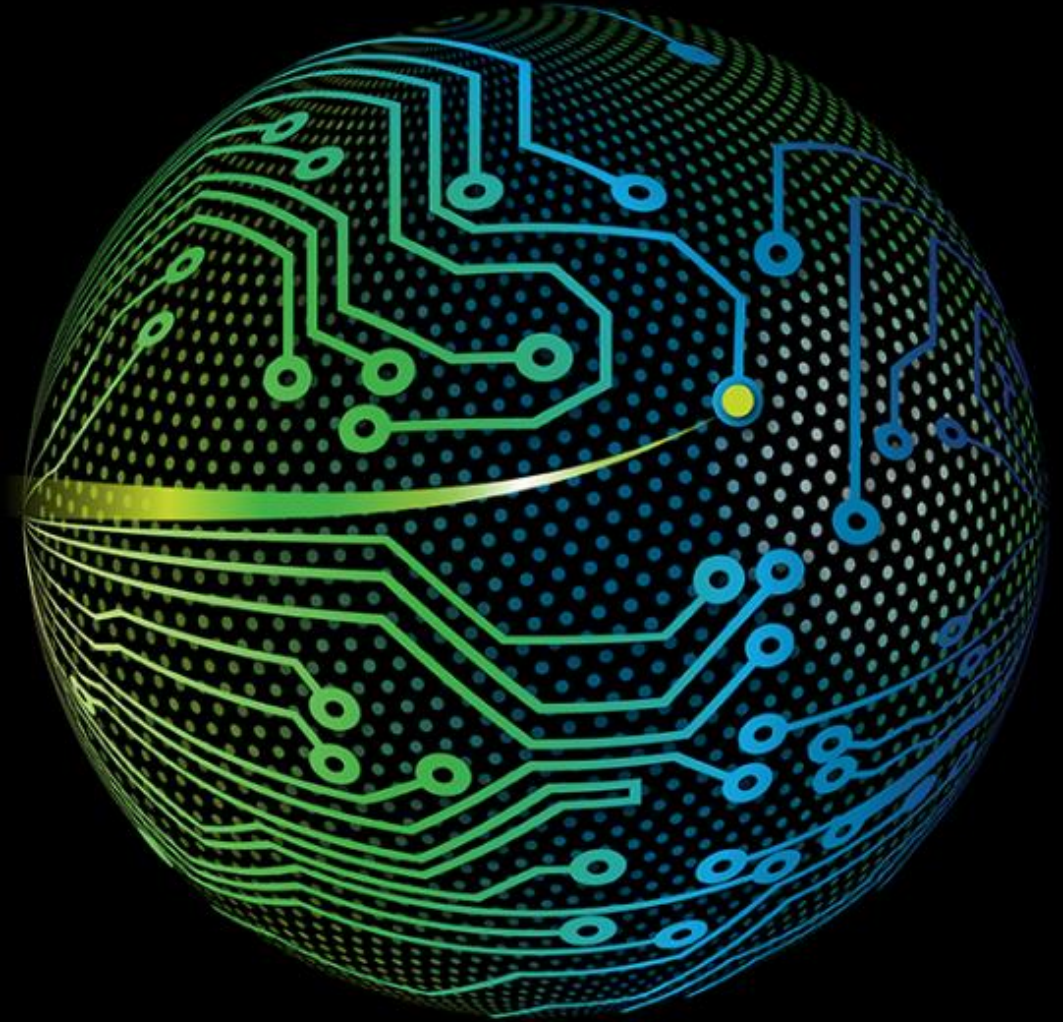


### Switch-off Rule

A policy decision available for flow-through entities, investment entities and Joint Ventures (JV) which could reduce Top-up Tax



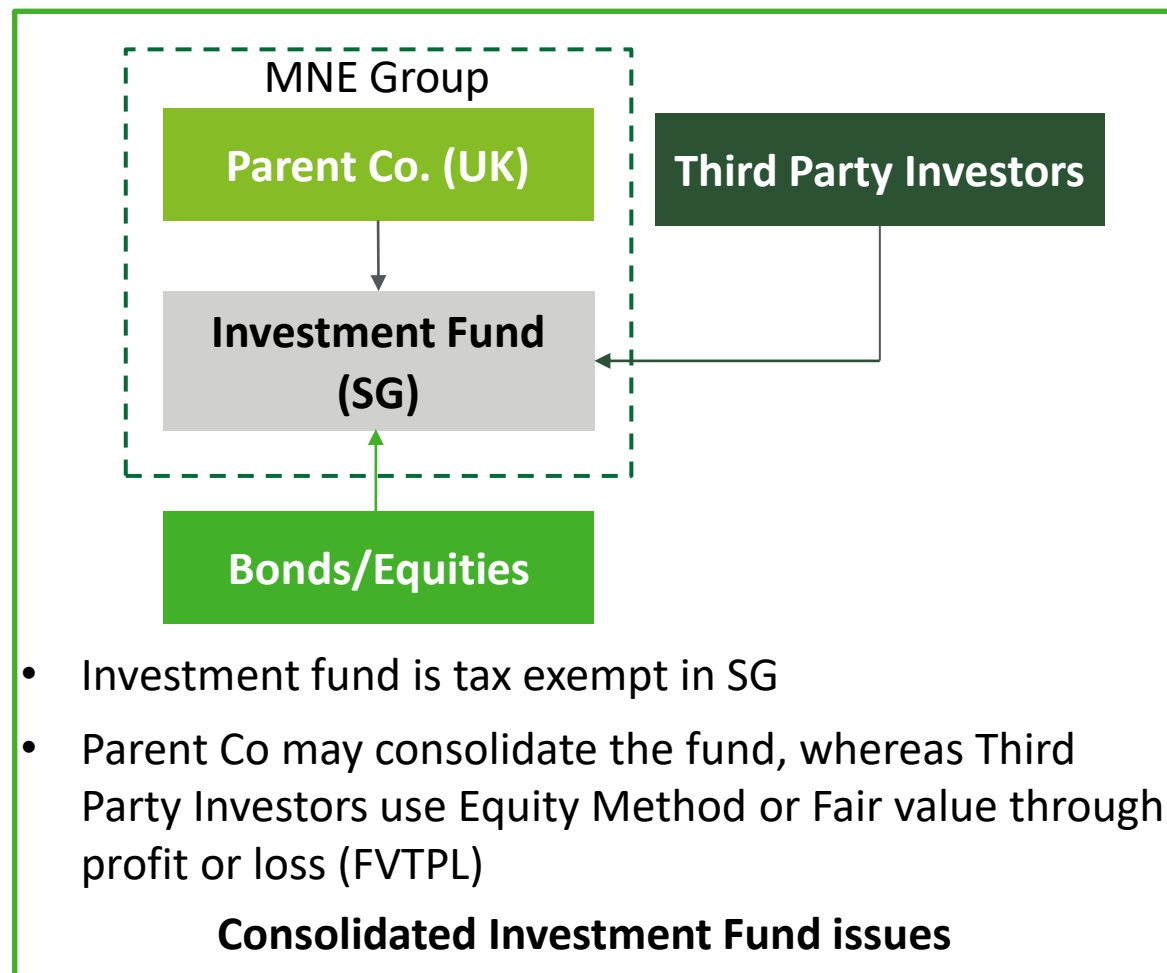
# Application of QDMTT Rules in common FSI scenarios





# Application of QDMTT Rules in common FSI scenarios

## Common Investment Fund issues for insurance



**Investment Funds:** taxed under QDMTT if no switch off rule, otherwise Income inclusion rule (IIR)



**Potential impact on top-up tax:** Implications for third party investors?



### Accounting implications:

- Implications of Parent Co accounting
- Consolidation, Equity Method, FVTPL, Fair value through other comprehensive income (FVTOCI)
- Debt versus Equity

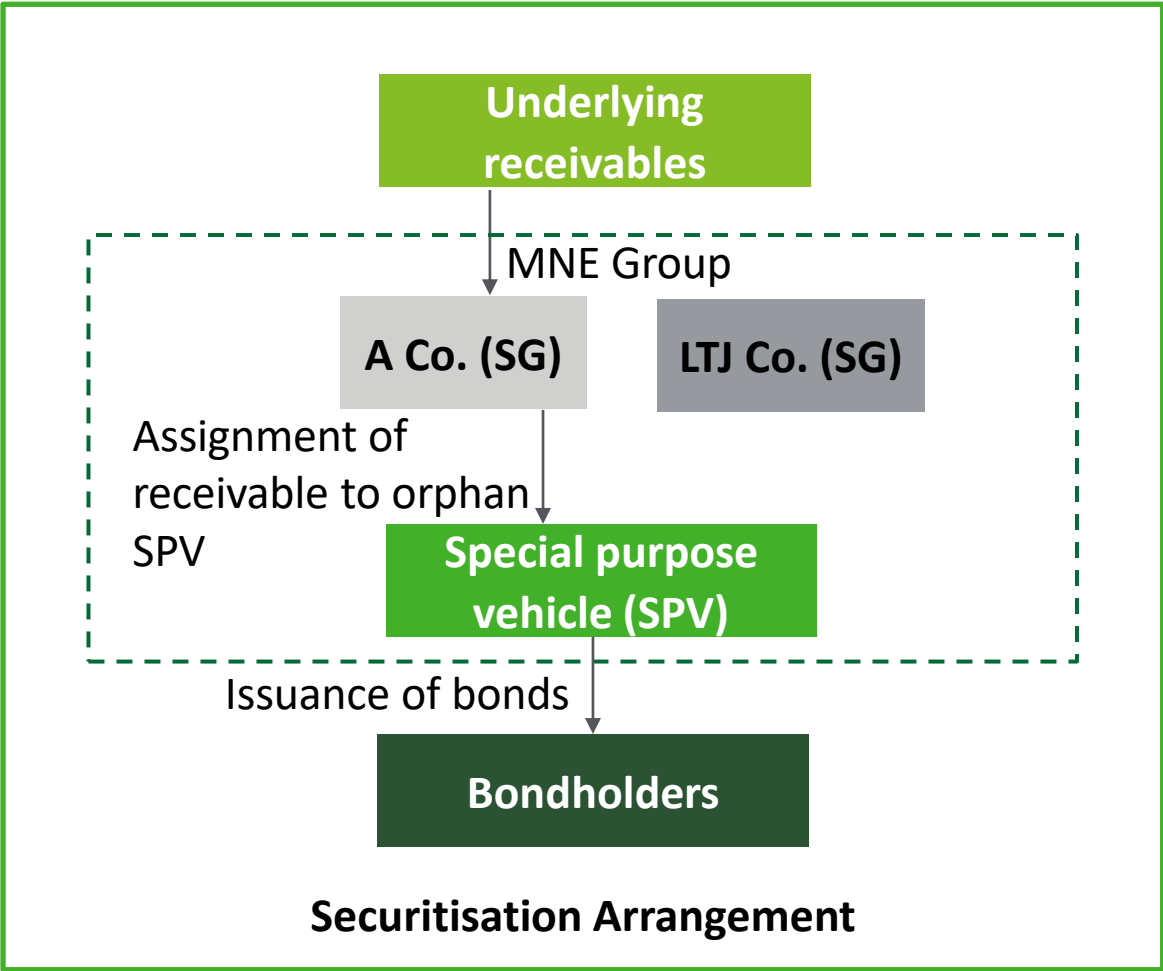


### Ring Fencing and Elections?

- Tax Transparency Election or
- Taxable Distribution Method Election

Application of QDMTT Rules in common FSI scenarios

Bankruptcy remoteness issues for securitisation structures



**Will securitisation SPV be considered a CE?**

- Consolidated due to financial control; ownership interests?



Potentially low top-up tax impact expected (due to low profit margins)

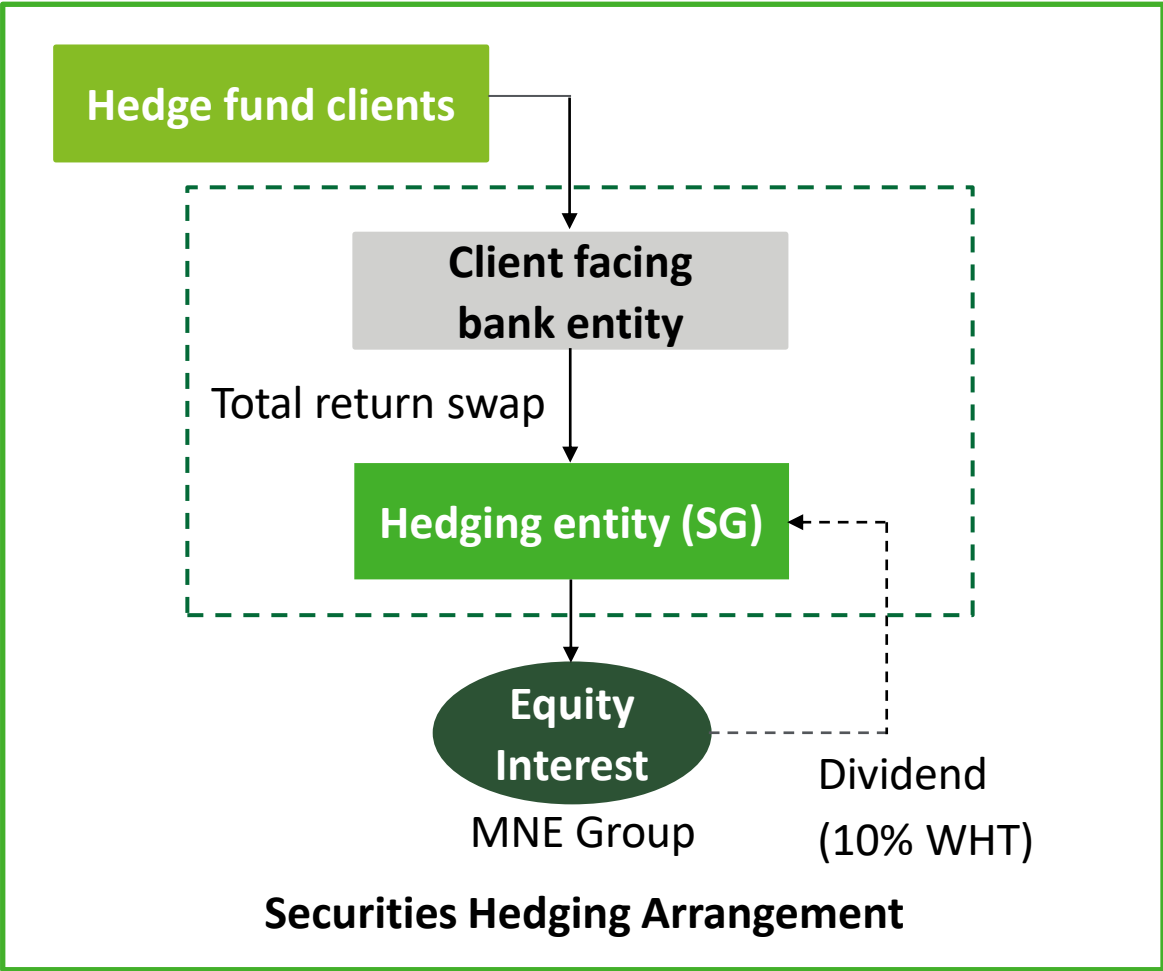


**Joint and several liability to top-up tax creates bankruptcy remoteness risk**

- **Suggestion:** Consider legislative or practical remedies

Application of QDMTT Rules in common FSI scenarios

Securities hedging considerations



Dividend income considered as ‘Excluded’?



**Ownership interest**

- Beneficial ownership/economic ownership



**Covered tax**

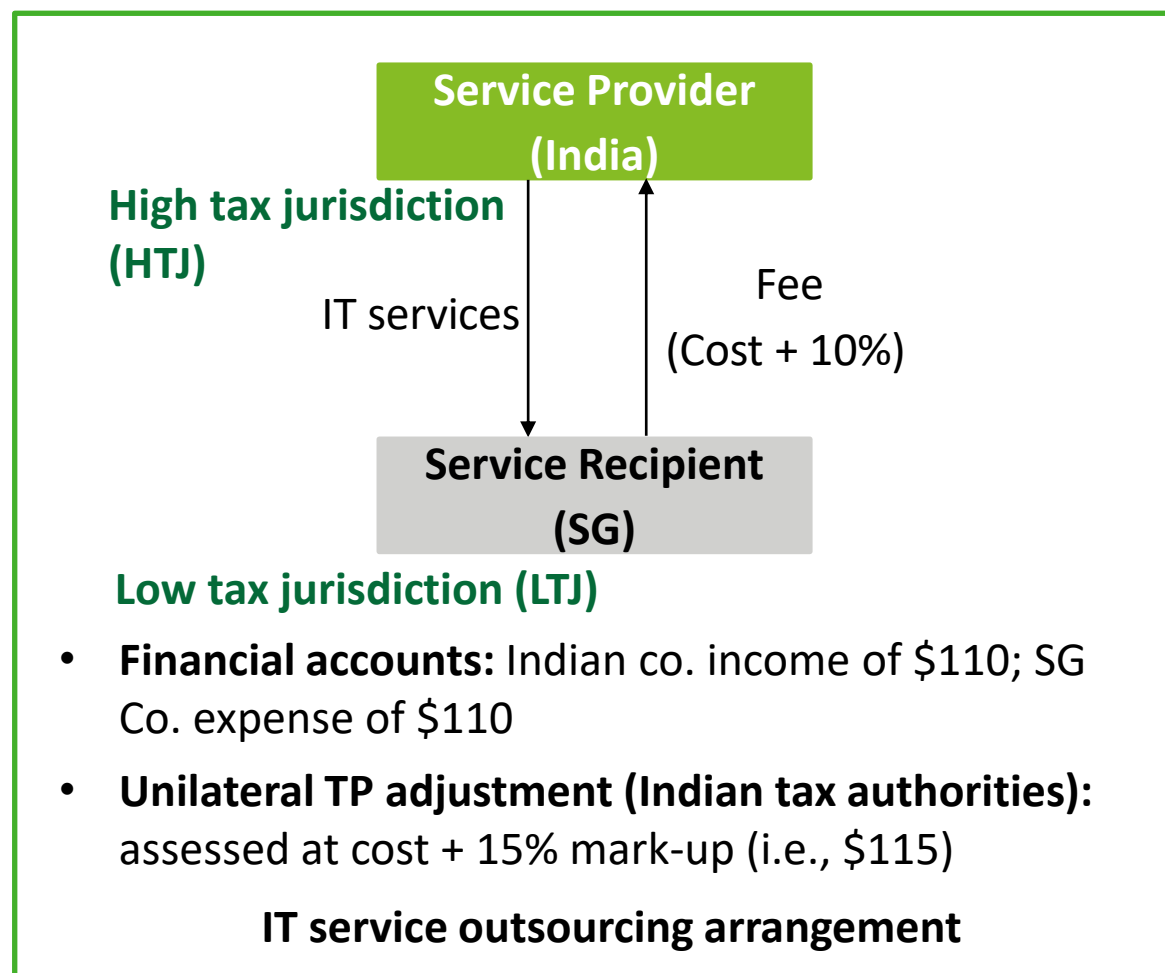
- Issues around identifying & recording Withholding tax (WHT)



Implications of Art 3.2.7. or whether Hybrid arbitrage Arrangement?

# Application of QDMTT Rules in common FSI scenarios

## Transfer pricing adjustments



### GloBE Rules:

- Adjustment to avoid double taxation (to the extent of \$5);
- Income of Indian Co. increased;
- Income of SG Co. reduced.



### Local QDMTT application

- Effect of GloBE Rules—reduction in Top-up Tax.

**Question:**  
**Will SG tax authorities agree to make reduction to income?**





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