

Singapore's Response to Pillar 2 GloBE Rules

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Global Anti-Base Erosion (GloBE) Rules



MNEs with at least €750m of annual global turnover:

Income Inclusion Rule (IIR)

Minimum tax is paid at the parent entity level in proportion to its ownership interest in entities that have low taxed income



Undertaxed Payment Rule (UTPR)

Backstop

mechanism if the parent entity jurisdiction does not implement the IIR



Global minimum effective tax rate of 15% in each jurisdiction that the MNE operates in

- If an in-scope MNE were to have an effective tax rate of **less than 15%** in a jurisdiction at the group level, **other jurisdictions** can collect the difference up to 15%.
- This **sets** a **floor** on the effective tax rates on MNEs, wherever they operate in.

This will reduce the scope for tax competition, but not global competition for investments



- BEPS 2.0 represents a **fundamental change** in the competitive environment.
- It limits the room for tax competition, e.g. curtails the flexibility of all jurisdictions to pursue their tax policy such as the use of tax incentives.
- Room for tax competition is narrowed, but competition for investment remains intense.
- Companies will review their existing and new investments.
- Governments including Singapore will need to strengthen their
 competitiveness to attract investment, such as skilled labour force, rule of law, connectivity, and certainty.

Post-BEPS 2.0, smaller economies, such as Singapore, will need to strengthen non-tax factors to stay competitive



Tax incentives

- Tax incentives will still have a role to play, especially for smaller MNE groups.
- We will continue to periodically review the tax incentives to ensure that they remain relevant, competitive and compliant with international standards.

Non-tax factors

- We want to continue to attract substantive economic activities, to create quality growth and good jobs for Singaporeans.
- The key is to double down on the non-tax
 factors that will enable us to stay
 competitive investing more in our workers,
 building new infrastructure, incentivising R&D,
 and enhancing our connectivity including
 digital connectivity.

In response to BEPS2.0 GloBE Rules, Singapore is also studying adjustments to our tax system



This includes:

1.

A domestic top-up tax to raise MNE group's effective tax rate in Singapore to 15%

2.

The implementation of the GloBE Rules (IIR and UTPR)

We will consult the industry on the technical details, and monitor international developments



Key principles:

Abide by internationally agreed standards

2

Ensure that Singapore continues to be an attractive place for investments

Minimise the compliance burden for businesses

3

Safeguard our taxing rights





Thank you