



# Preparing for Pillar Two

2025 KPMG Asia Pacific Tax Summit

Singapore

—

14 October 2025

# Agenda

- 01** Global Pillar 2 update
- 02** Asia Pacific region Pillar 2 update
- 03** Case studies

# Today's presenters



**Conrad Turley**  
Global Tax Policy  
Lead  
KPMG International



**Sunny Leung**  
ASPAC International  
Tax Lead  
KPMG China

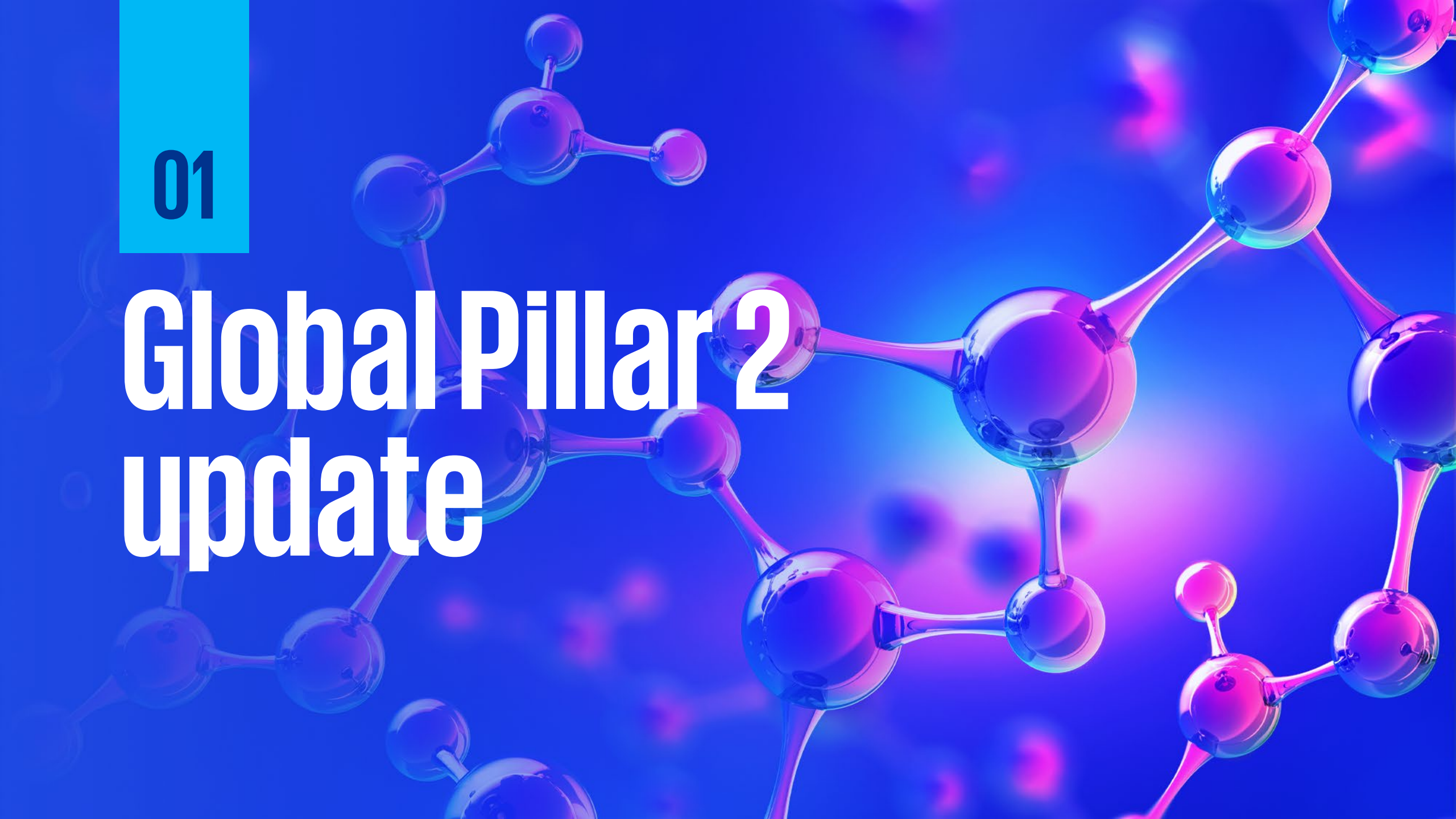


**Andy Baik**

Partner  
Head of US Tax  
Desk and Co-Head  
of BEPS COE  
KPMG in Singapore

01

# Global Pillar 2 update

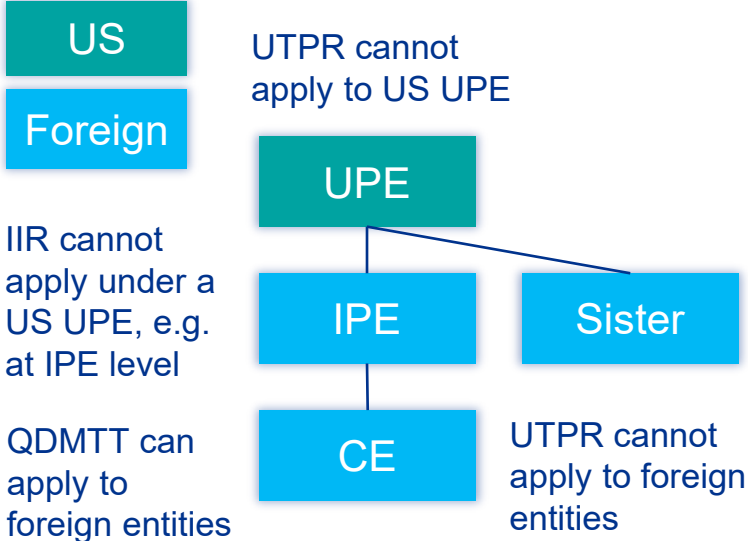


# Inclusive Framework negotiations on side-by-side

## G7 and G20 statements

- Amend P2 framework while dealing with risks to level playing field + base erosion (G7 + G20)
- Exclude** US parented groups from the **UTPR and IIR** in respect of both domestic and foreign profits (G7)
- Material simplifications** to P2 administration and compliance framework (G7)
- Enhanced P2 let outs for **substance-based tax credits** (G7; substance based incentives in G20)
- Highlighting of **success of QDMTT** implementation and its impact (G7)

### Side-by-side approach - US UPE group



## IF negotiations

- Eligible SbS regime conditions
- Taxation of home country and foreign subsidiary profits
- Tax relief for foreign QDMTTs
- P2 protection for tax incentives – expenditure linked incentives subject to limits
- Next steps for current non-P2 adopters
- Policy options for QDMTT adopters

02

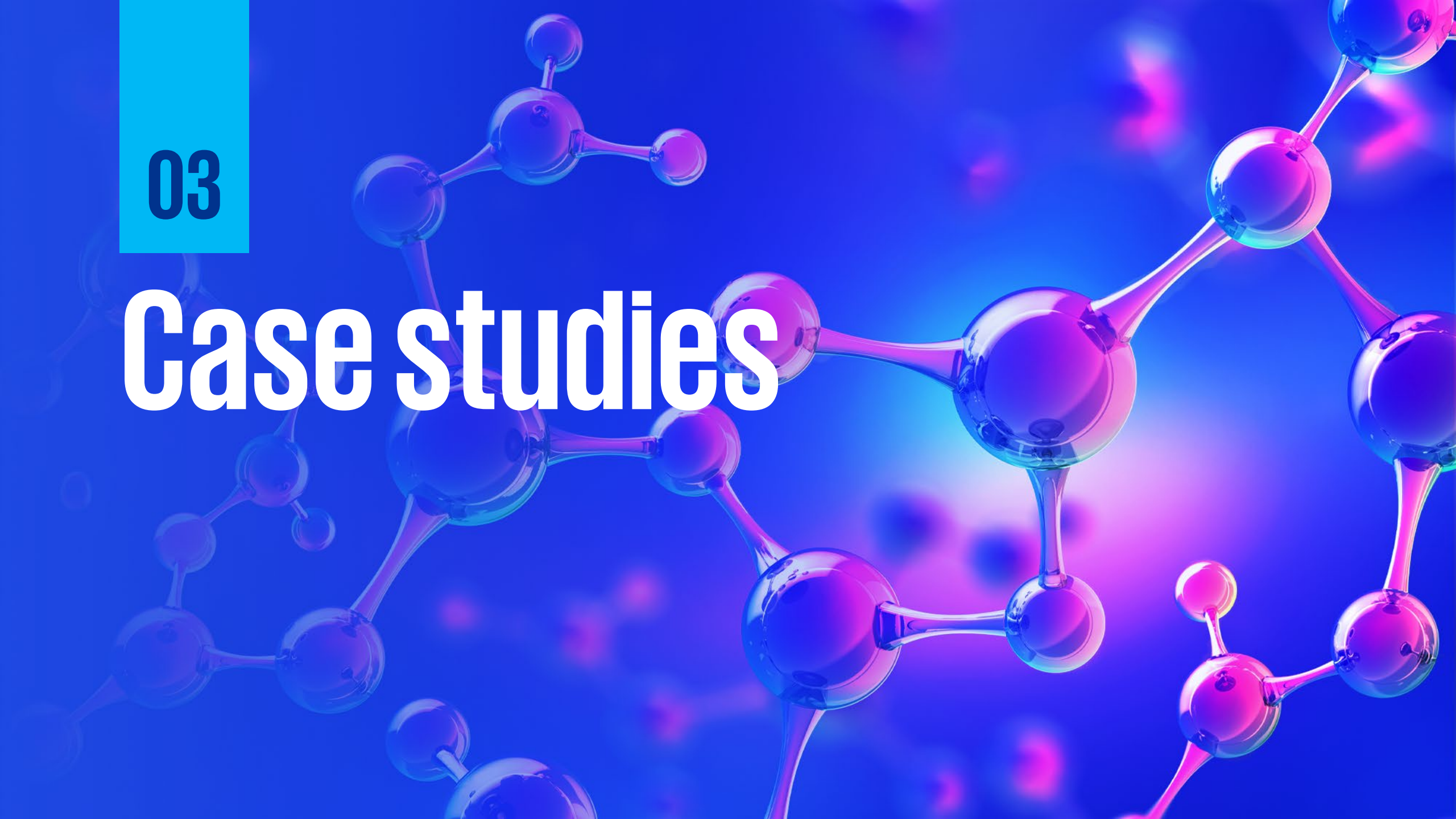
# Asia Pacific region Pillar 2 roll-out

# Preparing for ASPAC Pillar 2 roll-out

Compliance Deadlines	Scope of DMTT	Preparation Work	Jurisdiction-specific Considerations
<p><b>Two waves - Watch out for different deadlines</b></p> <ul style="list-style-type: none"> <li>• 2024 Jurisdictions: Australia, Japan (April 2024), Korea, Vietnam</li> <li>• Exceptional deadlines:               <ul style="list-style-type: none"> <li>- Vietnam DMTT</li> </ul> </li> </ul>	<p><b>Excluded entities type - Watch out for IIR/UTPR</b></p> <ul style="list-style-type: none"> <li>- Investment Entities (SG, HK, VT)</li> <li>- Securitization entities (AU unless only CE in AU)</li> <li>- MNE Groups in the initial phase of their international activity (HK, JP, VT)</li> <li>- PE taxed on deemed basis (VT)</li> </ul>	<p><b>Difference in GIR requirement</b></p> <ul style="list-style-type: none"> <li>- Whether applies domestic IIR</li> </ul> <p><b>Added Workload</b></p> <ul style="list-style-type: none"> <li>- Vietnam: GAAP reconciliation</li> </ul> <p><b>Reduced Workload</b></p> <ul style="list-style-type: none"> <li>- Thailand: If no TUT liability, no DMTT return needed, only notification</li> </ul> <p><b>Advance Ruling (AU, HK, NZ); Hotline (JP, KR)</b></p>	<p><b>Primary choice of GAAP for DMTT</b></p> <ul style="list-style-type: none"> <li>- Local GAAP (HK, MY, SG) vs. UPE GAAP</li> </ul> <p><b>Capital Gain Exemption (HK, MY, SG)</b></p> <ul style="list-style-type: none"> <li>- Share deal vs. Asset deal</li> </ul> <p><b>Dividend WHT for TSH (HK)</b></p> <p><b>CIP included in SBIE (JP, MY)</b></p> <p><b>Incentives</b></p> <ul style="list-style-type: none"> <li>- Possible planning (TH)</li> <li>- QRTC</li> </ul> <p><b>DMTT TUT allocation</b></p> <ul style="list-style-type: none"> <li>- Possible to be by agreement (HK, KR)</li> <li>- Allocation based on TUT (JP)</li> </ul>

03

# Case studies



# Examples of accounting treatments affecting TUT

1

## Debt instrument

- Option 1 – Financial liability leading to interest expense recognition
- Option 2 – Financial liability leading to fair value gain/loss recognition

2

## Equity method accounting vs. Fair value accounting

- Tricky situation when shareholding is less than 10% but has some control (e.g., seat on the board of directors)
- Further complication when there is a change in classification

3

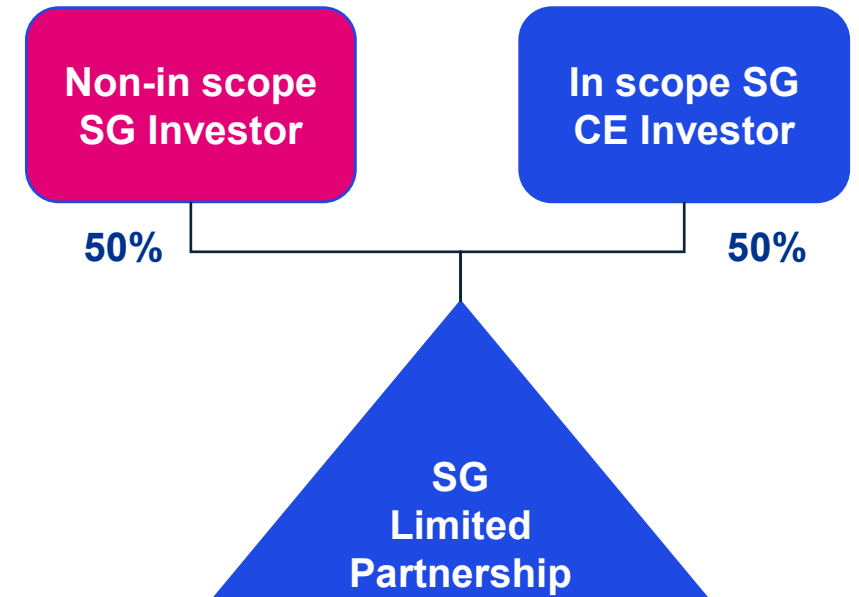
## Accounting for investment

- Fair value gain or loss recognition vs. OCI under IFRS
- Complications associated with earn-out payments

# Case Study – Co-investment structures (1/3)

## Scenario 1 – Consolidation at 100%

- UPE of in scope SG investor consolidates line-by-line 100% of SG LP's income, expenses, assets and liabilities.
- SG LP is a Constituent Entity (“CE”) located in SG.
- As Singapore LP is a flow-through entity, 50% of the Financial Accounting Net Income or Loss (“FANIL”) will be allocated to Non-in scope SG Investor and excluded from SG's GloBE Income (denominator).
- Remaining 50% of FANIL will be allocated to in scope SG investor, and blended with all the SG CEs of in scope MNE Group to determine SG effective tax rate (“ETR”) under the SG Domestic Top-up Tax (“DTT”).



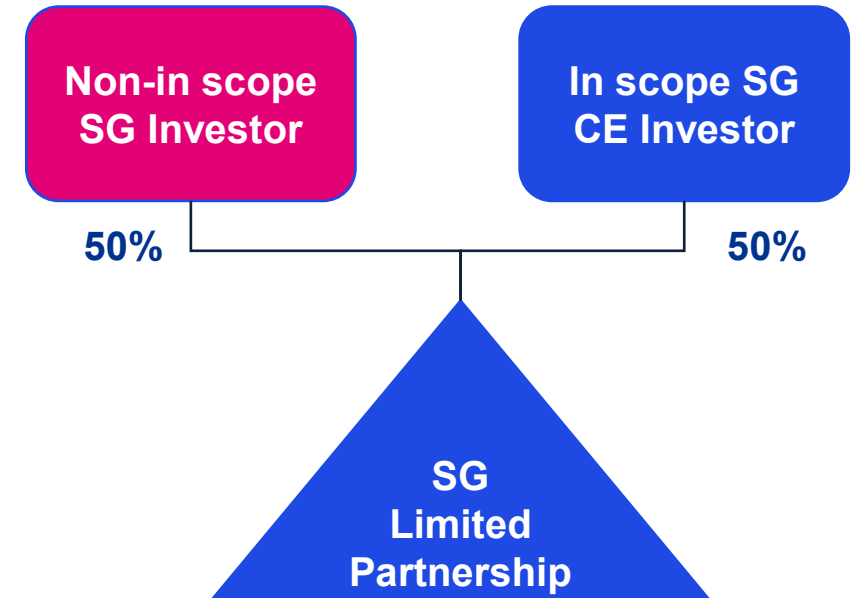
**What if the in scope SG CE Investor is an Excluded Entity?**

**If DTT is payable, can it be allocated to Singapore LP?**

# Case Study – Co-investment structures (2/3)

## Scenario 2 – Consolidation at 50% (joint operations)

- UPE of in scope investor consolidates line-by-line 50% of SG LP's income, expenses, assets and liabilities.
- SG LP is a CE located in SG.
- As SG LP is a flow-through entity, 25% (i.e., 50% x 50% of the FANIL) will be allocated to Non-in scope Investor and excluded from SG's GloBE Income (denominator).
- Remaining 25% of FANIL will be allocated to in scope investor, and blended with all the SG CEs of in scope MNE Group to determine SG ETR under the SG DTT.



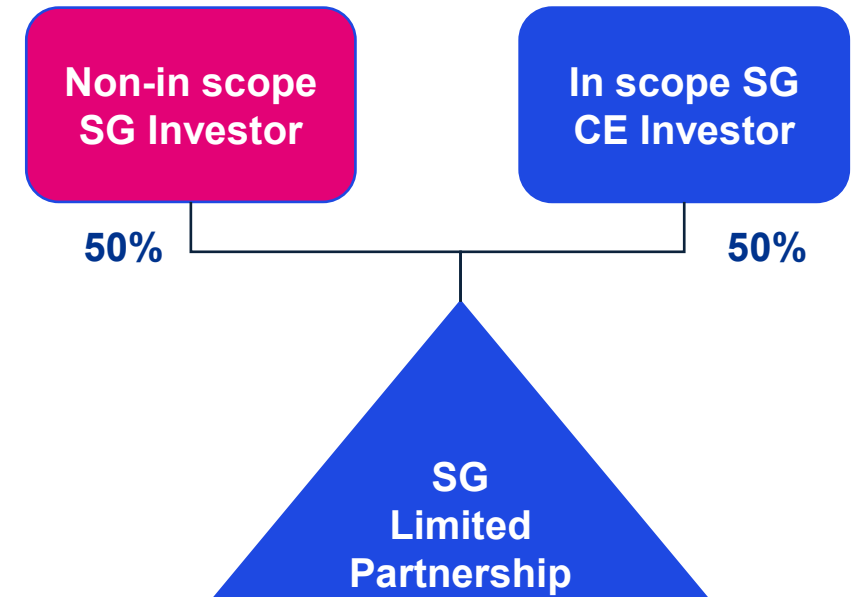
**What if the in scope SG CE Investor is an Excluded Entity?**

**If DTT is payable, can it be allocated to Singapore LP?**

# Case Study – Co-investment structures (3/3)

## Scenario 3 – Equity account at 50%

- UPE of in scope investor equity accounts SG LP at 50%.
- SG LP is a Pillar Two JV located in SG.
- Although SG LP is a flow-through entity, 100% of its FANIL will be allocated to SG LP (Note: The GloBE Rules apply to a Pillar Two JV as if it is the UPE, and for flow-through entities which are UPEs, the FANIL is allocated to the flow-through entity itself).
- After arriving at GloBE Income, the GloBE Income of SG LP will be reduced by the amount of GloBE Income attributable to relevant owners.
- SG LP's top-up tax will be separately calculated.



**If DTT is payable, can it be allocated to Singapore LP?**

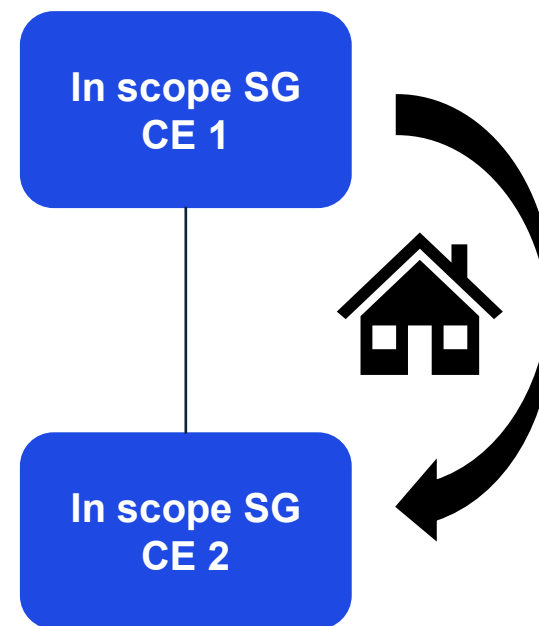
**What if SG LP is a Pillar Two Investment Fund, but does not consolidate any entities?**

# Case Study – Domestic transfer of Capital Assets

- Transfer of Investment Property (capital asset) at fair market value triggers a gain subject to DTT.
- Based on the Transfer Pricing Guidelines (7th Edition), the IRAS will not make any transfer pricing adjustment relating to any gain, loss or deduction arising from capital transactions between related parties as long as such gain, loss or deduction is not taxable or deductible under the Income Tax Act.
- Article 3.2.3 of the GloBE Rules does require the application of the Arm's Length Principle to transactions between CEs in the same jurisdiction if the sale or other transfer of an asset **produces a loss** and **that loss** is taken into account in the computation of GloBE Income or Loss.

**Possible to transfer Investment Property at Net Book Value from SG CE 1 to SG CE 2?**

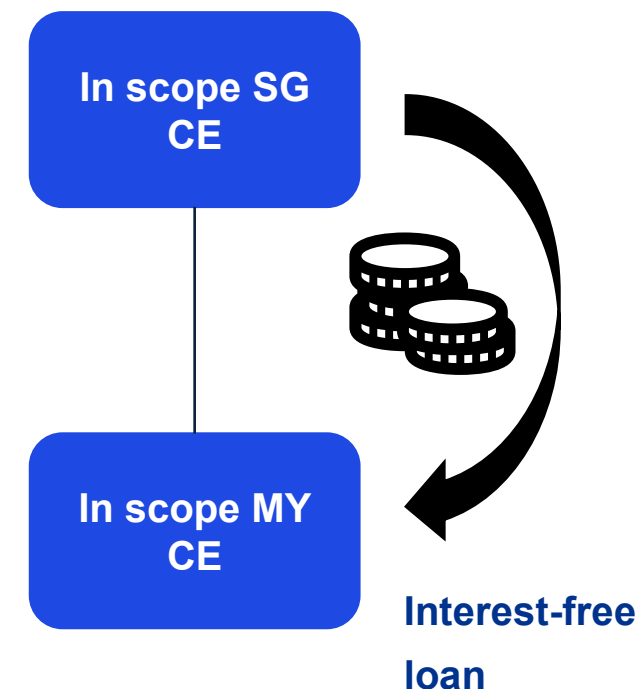
**GloBE Reorganisation / Cross-border transfers**



# Case Study – Cross-border interest-free loans

- In scope SG CE provides an interest-free loan to in scope MY CE.
- Based on the Transfer Pricing Guidelines (7th Edition), the IRAS will make adjustment on the income that is accrued in or is derived from Singapore, or is received in Singapore from outside Singapore.
- To the extent the interest is foreign-sourced, no adjustment is made to “deem” and “remit” such interest income.
- Article 3.2.3 of the GloBE Rules requires any transaction between CEs located in different jurisdictions that is not recorded in the same amount in the financial accounts of both CEs or that is not consistent with the Arm’s Length Principle to be adjusted so as to be in the same amount and consistent with the Arm’s Length Principle.

**How does this interact with notional interest (recorded under IFRS9)?**





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