

Case Study 6: Stratos's Acquisition of TechStart

Introduction

This case study brings together all concepts from Chapters 6.1 to 6.6. You will analyse a mid-year acquisition, determine entry into the MNE Group, apply partial-year rules, evaluate joint venture treatment, assess flow-through entity implications, and consider investment entity elections.

Important: Work through each task systematically. This case study involves multiple interconnected scenarios that build on each other.

Time estimate: 90-120 minutes

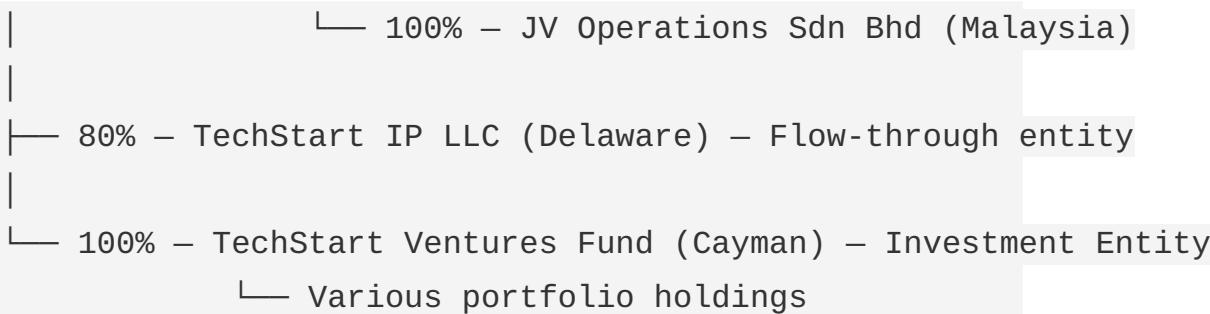
Background: Stratos Acquires TechStart

Stratos Holdings plc completed a strategic acquisition of **TechStart Inc.** on **1 July 2025** (mid-fiscal year). TechStart is a US-based technology group with operations in multiple jurisdictions.

Pre-Acquisition: TechStart Group Structure

TechStart Inc. (Delaware, USA) – UPE

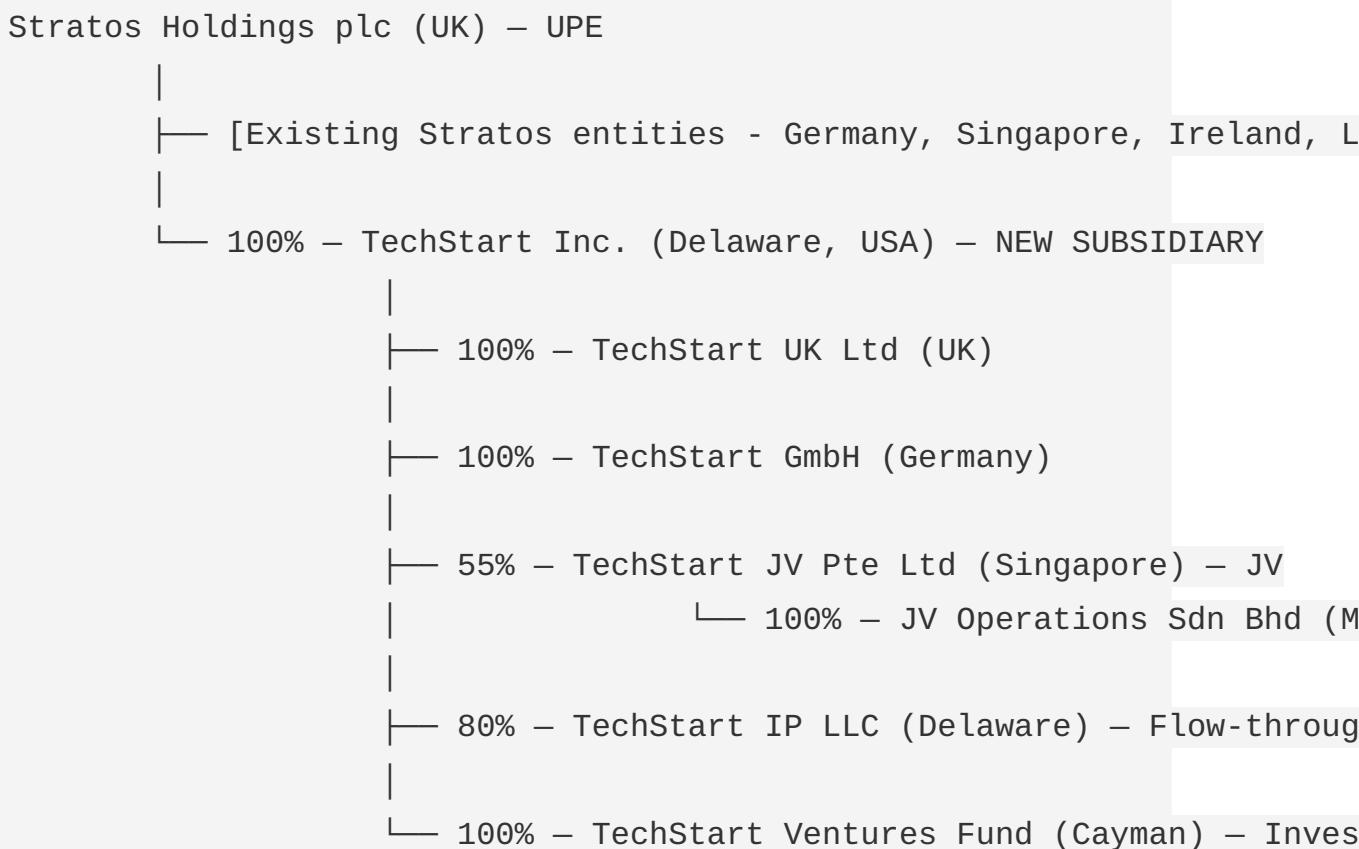




The Transaction

On **1 July 2025**, Stratos Holdings plc acquired **100% of TechStart Inc.** for €450 million. The acquisition was structured as a **share deal**.

Post-Acquisition: Combined Group Structure



Data Package

TechStart Financial Data (Full Year 2025)

Entity	Jurisdiction	Full Year GloBE Income (€)	Full Year Covered Taxes (€)
TechStart Inc.	USA	18,000,000	3,780,000
TechStart UK Ltd	UK	6,000,000	1,500,000
TechStart GmbH	Germany	12,000,000	2,760,000
TechStart IP LLC	USA	8,000,000	0 (flow-through)
TechStart Ventures Fund	Cayman	4,000,000	40,000

TechStart JV Data (Full Year 2025)

Entity	Jurisdiction	Full Year GloBE Income (€)	Full Year Covered Taxes (€)
TechStart JV Pte Ltd	Singapore	10,000,000	1,000,000
JV Operations Sdn Bhd	Malaysia	5,000,000	600,000

TechStart IP LLC — Flow-Through Details

Owner	Ownership %	Tax Rate in Owner Jurisdiction
TechStart Inc.	80%	21% (US corporate rate)

Owner	Ownership %	Tax Rate in Owner Jurisdiction
External LP investors	20%	Various (assumed ≥15%)

TechStart Ventures Fund — Investment Entity Details

Criterion	Assessment
Pools assets from multiple investors?	No — 100% owned by TechStart Inc.
Defined investment policy?	Yes
Regulated?	No (Cayman exempt fund)
Is entity an Investment Fund per Art. 10.1?	No — fails pooling test

Substance Data (TechStart Entities — Full Year)

Entity	Eligible Payroll (€)	Tangible Assets NBV (€)
TechStart Inc.	8,000,000	3,000,000
TechStart UK Ltd	3,200,000	1,800,000
TechStart GmbH	5,500,000	4,200,000
TechStart IP LLC	400,000	100,000
TechStart Ventures Fund	200,000	50,000
TechStart JV Pte Ltd	2,000,000	1,500,000
JV Operations Sdn Bhd	1,800,000	2,200,000

Existing Stratos Data (Reminder from Case Study 5)

Jurisdiction	GloBE Income (€)	Covered Taxes (€)	ETR
UK (Stratos Holdings)	8,500,000	2,125,000	25.00%
Germany (SG Germany)	53,880,000	12,393,000	23.00%
Singapore (SG Singapore)	4,000,000	392,206	9.81%
Ireland (SG Ireland)	15,000,000	1,770,000	11.80%

Task 1: Determine Entry Date and Partial-Year Treatment

Your Task

Under Article 6.2.1, determine when TechStart entities enter the Stratos MNE Group and calculate the portion of income/taxes to include for FY 2025.

Questions

1. On what date do TechStart entities become Constituent Entities of Stratos Group?
2. What portion of TechStart's FY 2025 results should be included in Stratos's GloBE calculations?
3. Calculate the partial-year GloBE Income and Covered Taxes for each TechStart entity.

Expected Deliverable

Partial-Year Calculation

Entity	Entry Date	Days in Group	Full Year Income (€)	Partial Income (€)	Full Year Tax (€)	Partial Tax (€)
TechStart Inc.		/365	18,000,000		3,780,000	
TechStart UK Ltd		/365	6,000,000		1,500,000	
TechStart GmbH		/365	12,000,000		2,760,000	
TechStart IP LLC		/365	8,000,000		0	
TechStart Ventures Fund		/365	4,000,000		40,000	

Task 2: Joint Venture Classification and Separate Treatment

Your Task

Analyse TechStart JV Pte Ltd under Article 6.4 and determine whether it should be treated as a Joint Venture or as a regular subsidiary.

Questions

1. Does TechStart JV Pte Ltd meet the JV definition under Article 10.1?
2. How should the JV and its subsidiary be treated for GloBE purposes?
3. Calculate the ETR for the JV Group (separate from main Stratos Group).
4. Determine Stratos's allocable share of any JV Top-Up Tax.

Expected Deliverable

JV Classification Checklist

Criterion	Assessment
Is entity equity-accounted in TechStart's books?	
Is ownership $\geq 50\%$?	
Is entity itself a UPE of an in-scope MNE?	
Classification	JV / NOT JV

JV Group ETR Calculation (if applicable)

Jurisdiction	JV Entity	GloBE Income (€)	Covered Taxes (€)	ETR
Singapore	TechStart JV Pte			
Malaysia	JV Operations Sdn			

Top-Up Tax Allocation (if applicable)

Item	Amount
JV Group Total Top-Up Tax	€_____
Stratos's ownership %	_____%
Stratos's allocated share	€_____

Task 3: Flow-Through Entity Analysis (TechStart IP LLC)

Your Task

Analyse TechStart IP LLC under Article 7.1 (Flow-through UPE rules do not apply as it's not the UPE) and Article 3.5 (standard flow-through allocation).

Questions

1. How is TechStart IP LLC classified for GloBE purposes?
2. Where is the LLC's income allocated for ETR calculation?
3. What is the impact on the combined US jurisdiction ETR?

Expected Deliverable

Flow-Through Analysis

Question	Answer
Is LLC fiscally transparent in US?	
Is LLC the UPE?	
Who are the owners?	
Does income flow to CE-owners?	
Classification	TTE / RHE / Standard CE

Income Allocation

Owner	Ownership %	Allocated Income (€)	Jurisdiction
TechStart Inc.	80%		USA

Owner	Ownership %	Allocated Income (€)	Jurisdiction
External LPs	20%		Outside Group

Combined US ETR Calculation

Item	TechStart Inc.	IP LLC (80% share)	Combined US
GloBE Income (partial)			
Covered Taxes (partial)			
Combined ETR			

Task 4: Investment Entity Assessment (TechStart Ventures Fund)

Your Task

Determine whether TechStart Ventures Fund qualifies as an Investment Entity under Article 10.1 and the appropriate GloBE treatment.

Questions

1. Does the fund meet the Investment Fund definition?
2. Is the fund an Excluded Entity?
3. What GloBE treatment applies?
4. Should Stratos consider any elections under Article 7.5 or 7.6?

Expected Deliverable

Investment Fund Definition Test

Criterion	Meets?	Explanation
Pools assets from multiple investors		
Some investors unrelated		
Defined investment policy		
Regulated entity/management		
Managed by professionals		
Qualifies as Investment Fund?		

Treatment Determination

If Investment Fund AND UPE: → Excluded Entity (Art. 1.5.1)

If Investment Fund AND NOT UPE: → Separate ETR (Art. 7.4)

If NOT Investment Fund: → Standard CE treatment

Conclusion: _____

ETR Calculation (if standard CE)

Item	Amount
GloBE Income (partial year)	€_____
Covered Taxes (partial year)	€_____
ETR	_%
Top-Up Tax %	_%

Task 5: Jurisdictional Blending Analysis

Your Task

Determine how the acquisition affects jurisdictional ETR calculations, particularly for jurisdictions where both Stratos and TechStart have operations.

Questions

1. Which jurisdictions have entities from both groups?
2. How does blending affect ETR in each overlapping jurisdiction?
3. Calculate the combined ETR for UK and Germany post-acquisition.

Expected Deliverable

Jurisdictional Overlap Analysis

Jurisdiction	Stratos Entities	TechStart Entities	Blending Required?
UK			
Germany			
USA			
Singapore			

Combined UK ETR (Post-Acquisition)

Entity	GloBE Income (€)	Covered Taxes (€)
Stratos Holdings plc	8,500,000	2,125,000
TechStart UK Ltd (partial)		
Combined UK		

Entity	GloBE Income (€)	Covered Taxes (€)
Combined UK ETR		

Combined Germany ETR (Post-Acquisition)

Entity	GloBE Income (€)	Covered Taxes (€)
SG Germany GmbH	53,880,000	12,393,000
TechStart GmbH (partial)		
Combined Germany		
Combined Germany ETR		

Task 6: Comprehensive Top-Up Tax Summary

Your Task

Prepare a consolidated Top-Up Tax summary for the combined Stratos Group (post-acquisition) for FY 2025, including all special structures.

Expected Deliverable

Combined Group Top-Up Tax Summary

Jurisdiction/ Entity	GloBE Income (€)	ETR	Top- Up Tax %	SBIE (€)	Top- Up Tax (€)	Notes
UK (Combined)						

Jurisdiction/ Entity	GloBE Income (€)	ETR	Top- Up Tax %	SBIE (€)	Top- Up Tax (€)	Notes
Germany (Combined)						
USA (Combined)						
Singapore (Stratos)						
Ireland (Stratos)						
Cayman (Ventures)						
JV Singapore						Separate
JV Malaysia						Separate
TOTAL						

Collection Mechanism Summary

Amount (€)	Recipient	Mechanism	Source
	UK	IIR	
	Ireland	QDMTT	
Total			

Model Answers

Answer 1: Entry Date and Partial-Year Treatment

Entry Date: 1 July 2025 (acquisition completion date)

Days in Group: 1 July to 31 December = **184 days** (assuming calendar year-end)

Partial-Year Fraction: $184/365 = 50.41\%$

Partial-Year Calculation

Entity	Entry Date	Days in Group	Full Year Income (€)	Partial Income (€)	Full Year Tax (€)	Partial Tax (€)
TechStart Inc.	1 July 2025	184/365	18,000,000	9,074,000	3,780,000	1,905,500
TechStart UK Ltd	1 July 2025	184/365	6,000,000	3,025,000	1,500,000	756,200
TechStart GmbH	1 July 2025	184/365	12,000,000	6,049,000	2,760,000	1,391,300
TechStart IP LLC	1 July 2025	184/365	8,000,000	4,033,000	0	0
TechStart Ventures Fund	1 July 2025	184/365	4,000,000	2,016,000	40,000	20,200

Note: Under Article 6.2.1, acquired entities are included from the acquisition date. The partial-year approach allocates income proportionally.

Answer 2: Joint Venture Classification

JV Classification Checklist

Criterion	Assessment
Is entity equity-accounted in TechStart's books?	Yes — 55% ownership typically equity-accounted
Is ownership $\geq 50\%$?	Yes — 55%
Is entity itself a UPE of an in-scope MNE?	No
Classification	Joint Venture

Treatment: Under Article 6.4.1, TechStart JV Pte Ltd and its subsidiary form a **separate MNE Group** for GloBE purposes. They are **not blended** with the main Stratos Group.

JV Group ETR Calculation

Jurisdiction	JV Entity	GloBE Income (€)	Covered Taxes (€)	ETR
Singapore	TechStart JV Pte	10,000,000	1,000,000	10.00%
Malaysia	JV Operations Sdn	5,000,000	600,000	12.00%

Singapore JV SBIE & Top-Up Tax:

SBIE:

Payroll: $\text{€}2,000,000 \times 9\% = \text{€}180,000$

Assets: $\text{€}1,500,000 \times 7\% = \text{€}105,000$

Total SBIE: $\text{€}285,000$

Excess Profit: €10,000,000 – €285,000 = €9,715,000

Top-Up Tax %: 15% – 10% = 5%

Singapore JV Top-Up Tax: €9,715,000 × 5% = €485,750

Malaysia JV SBIE & Top-Up Tax:

SBIE:

Payroll: €1,800,000 × 9% = €162,000

Assets: €2,200,000 × 7% = €154,000

Total SBIE: €316,000

Excess Profit: €5,000,000 – €316,000 = €4,684,000

Top-Up Tax %: 15% – 12% = 3%

Malaysia JV Top-Up Tax: €4,684,000 × 3% = €140,520

Top-Up Tax Allocation

Item	Amount
JV Group Total Top-Up Tax	€626,270
Stratos's ownership % (via TechStart Inc.)	55%
Stratos's allocated share	€344,449

Note: Stratos only acquired TechStart on 1 July. For the JV, the full year applies to the JV Group calculation, but Stratos only bears its share from the acquisition date. This is a complexity that requires careful analysis — the conservative approach is to include 55% of the full-year JV Top-Up Tax in Stratos's IIR liability, though partial-year treatment may also apply.

Answer 3: Flow-Through Entity Analysis

Flow-Through Analysis

Question	Answer
Is LLC fiscally transparent in US?	Yes — single-member LLC disregarded
Is LLC the UPE?	No — TechStart Inc. is UPE (now Stratos)
Who are the owners?	80% TechStart Inc., 20% External LPs
Does income flow to CE-owners?	Yes — under Article 3.5.3
Classification	Tax Transparent Entity (TTE)

Income Allocation

Owner	Ownership %	Allocated Income (€)	Jurisdiction
TechStart Inc.	80%	$\text{€}4,033,000 \times 80\% = \text{€}3,226,400$	USA
External LPs	20%	$\text{€}4,033,000 \times 20\% = \text{€}806,600$	Outside Group

Note: The 20% held by external LPs is excluded from GloBE calculations as they are not Constituent Entities.

Combined US ETR Calculation (Partial Year)

Item	TechStart Inc.	IP LLC (80% share)	Combined US
GloBE Income	€9,074,000	€3,226,400	€12,300,400
Covered Taxes	€1,905,500	€0	€1,905,500
Combined ETR	—	—	15.49%

Result: Combined US ETR of 15.49% exceeds 15% minimum rate. **No Top-Up Tax** for US jurisdiction.

Answer 4: Investment Entity Assessment

Investment Fund Definition Test

Criterion	Meets?	Explanation
Pools assets from multiple investors	No	100% owned by TechStart Inc.
Some investors unrelated	No	Single corporate owner
Defined investment policy	Yes	Has investment mandate
Regulated entity/management	No	Cayman exempt fund, not regulated
Managed by professionals	Yes	Professional fund manager
Qualifies as Investment Fund?	No	Fails pooling + regulation tests

Treatment Determination

If Investment Fund AND UPE: → Excluded Entity (Art. 1.5.1)

If Investment Fund AND NOT UPE: → Separate ETR (Art. 7.4)

If NOT Investment Fund: → Standard CE treatment ✓

Conclusion: TechStart Ventures Fund is a STANDARD CONSTITUENT ENTITY
Subject to normal jurisdictional ETR calculation

ETR Calculation (Standard CE — Cayman)

Item	Amount
GloBE Income (partial year)	€2,016,000
Covered Taxes (partial year)	€20,200
ETR	1.00%
Top-Up Tax %	14.00%

SBIE Calculation:

Payroll: €200,000 × 50.41% × 9% = €9,074

Assets: €50,000 × 7% = €3,500

Total SBIE: €12,574

Excess Profit: €2,016,000 – €12,574 = €2,003,426

Top-Up Tax: €2,003,426 × 14% = €280,480

Cayman Top-Up Tax: €280,480

Answer 5: Jurisdictional Blending Analysis

Jurisdictional Overlap Analysis

Jurisdiction	Stratos Entities	TechStart Entities	Blending Required?
UK	Stratos Holdings plc	TechStart UK Ltd	Yes
Germany	SG Germany GmbH	TechStart GmbH	Yes
USA	None	TechStart Inc., IP LLC	No (new jurisdiction)

Jurisdiction	Stratos Entities	TechStart Entities	Blending Required?
Singapore	SG Singapore Pte	None (JV separate)	No

Combined UK ETR (Post-Acquisition)

Entity	GloBE Income (€)	Covered Taxes (€)
Stratos Holdings plc	8,500,000	2,125,000
TechStart UK Ltd (partial)	3,025,000	756,200
Combined UK	11,525,000	2,881,200
Combined UK ETR		25.00%

Result: UK remains at 25% ETR. No Top-Up Tax.

Combined Germany ETR (Post-Acquisition)

Entity	GloBE Income (€)	Covered Taxes (€)
SG Germany GmbH	53,880,000	12,393,000
TechStart GmbH (partial)	6,049,000	1,391,300
Combined Germany	59,929,000	13,784,300
Combined Germany ETR		23.00%

Result: Germany remains at 23% ETR. No Top-Up Tax.

Answer 6: Comprehensive Top-Up Tax Summary

Combined Group Top-Up Tax Summary

Jurisdiction/ Entity	GloBE Income (€)	ETR	Top- Up Tax %	SBIE (€)	Top-Up Tax (€)	Notes
UK (Combined)	11,525,000	25.00%	—	—	0	≥15%
Germany (Combined)	59,929,000	23.00%	—	—	0	≥15%
USA (Combined)	12,300,400	15.49%	—	—	0	≥15%
Singapore (Stratos)	4,000,000	9.81%	5.19%	167,500	198,907	No QDMTT
Ireland (Stratos)	15,000,000	11.80%	3.20%	1,596,000	428,928	QDMTT
Cayman (Ventures)	2,016,000	1.00%	14.00%	12,574	280,480	No QDMTT
JV Singapore	10,000,000	10.00%	5.00%	285,000	485,750	Separate (55% = €267,163)
JV Malaysia	5,000,000	12.00%	3.00%	316,000	140,520	Separate (55% = €77,286)
TOTAL					1,534,585	

Stratos's Share of Total Top-Up Tax:

Component	Amount (€)
Main Group Top-Up Tax	908,315

Component	Amount (€)
JV Allocated Share (55%)	344,449
Total Stratos Liability	1,252,764

Collection Mechanism Summary

Amount (€)	Recipient	Mechanism	Source
198,907	UK (Stratos)	IIR	Singapore (Stratos)
280,480	UK (Stratos)	IIR	Cayman (Ventures)
344,449	UK (Stratos)	IIR	JV (allocated share)
428,928	Ireland	QDMTT	Ireland (Stratos)
1,252,764	Total		

Key Observations:

- 1. Acquisition Impact:** TechStart entities only included for 184/365 days (50.41%)
 - 2. US Jurisdiction Added:** Combined US ETR (TechStart Inc. + IP LLC flow-through) = 15.49%, just above minimum
 - 3. JV Separate Treatment:** TechStart JV treated as separate MNE Group; Stratos bears 55% of JV Top-Up Tax
 - 4. Cayman Exposure:** TechStart Ventures Fund (not an Investment Entity) creates €280,480 Top-Up Tax
 - 5. Ireland QDMTT:** Continues to offset Irish Top-Up Tax
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Learning Points

Point 1: Partial-Year Treatment Reduces Exposure

By acquiring mid-year, Stratos includes only 50.41% of TechStart's results:

Metric	Full Year	Partial Year	Savings
Cayman Top-Up Tax	~€556,000	€280,480	~€275,520

Timing consideration: Acquisitions later in the fiscal year reduce first-year GloBE exposure.

Point 2: JV Treatment Creates Separate Calculation

TechStart JV Pte Ltd cannot be blended with SG Singapore Pte Ltd even though both are in Singapore:

Entity	Treatment	Rationale
SG Singapore Pte Ltd	Main Group	100% owned, consolidated
TechStart JV Pte Ltd	Separate MNE Group	55% equity-accounted, JV

Result: Two separate Singapore ETR calculations, potentially with different outcomes.

Point 3: Flow-Through Allocation Preserves ETR

TechStart IP LLC's income flows to TechStart Inc., achieving combined US ETR of 15.49%:

Without Flow-through	With Flow-through
TechStart Inc.: 21% ETR	Combined: 15.49% ETR

Without Flow-through	With Flow-through
IP LLC: 0% ETR (separate) → 15% Top-Up Tax	No separate calculation

Key insight: Flow-through treatment avoided ~€560,000 potential Top-Up Tax on IP LLC.

Point 4: Investment Entity Definition Is Narrow

TechStart Ventures Fund failed the Investment Fund test because:

- Single corporate owner (no pooling)
- Not regulated

Result: Treated as standard CE with 1% ETR → 14% Top-Up Tax.

Planning opportunity: If restructured with multiple unrelated investors and proper regulation, might qualify for Investment Entity treatment with potential elections.

Point 5: Blending Can Improve or Worsen Position

Post-acquisition blending:

Jurisdiction	Pre-Acquisition ETR	Post-Acquisition ETR	Impact
UK	25.00%	25.00%	Neutral
Germany	23.00%	23.00%	Neutral

In this case, blending was neutral because both groups had similar ETRs. If TechStart entities had lower ETRs, blending could have reduced combined ETR.

Alternative Scenario: Asset Deal Instead of Share Deal

Question: How would the analysis differ if Stratos acquired TechStart's **assets** instead of shares?

Key Differences:

Aspect	Share Deal (Actual)	Asset Deal (Alternative)
Entry mechanism	Entities enter group	Assets transferred to existing/new CEs
Partial-year	Applies from acquisition date	May apply differently
Basis step-up	Election under Art. 6.3.4	Automatic fair value basis
DTL treatment	Existing DTLs continue	New DTLs based on FV differences
JV treatment	JV structure preserved	May acquire JV assets directly
Flow-through	LLC structure preserved	IP assets transferred

Asset Deal Consideration:

Under Article 6.2.2, an asset acquisition may allow: 1. **Immediate basis step-up** to fair value 2. **Fresh start** on deferred tax attributes 3. **Restructuring opportunity** for problematic entities (like Cayman fund)

Trade-off: Asset deals often have higher transaction taxes and may not preserve valuable tax attributes.

Integration with GIR Tools

Tool Workflow for Case Study 6

Step	Tool	Action
1. Acquisition entry	Manual	Calculate partial-year fraction
2. JV identification	Manual	Apply Article 10.1 / 6.4 tests

Step	Tool	Action
3. Flow-through allocation	Manual	Apply Article 3.5 allocation
4. Investment Entity test	Manual	Apply Article 10.1 criteria
5. Jurisdictional blending	GIR-001	Combine entities per jurisdiction
6. ETR calculation	GIR-001	Per jurisdiction (including JV separate)
7. SBIE calculation	GIR-001	Apply transition rates
8. Top-Up Tax	GIR-001	Calculate and allocate

GIR-001 Input Summary (Post-Acquisition)

Main Group Jurisdictions:

Jurisdiction	Entities	Combined GloBE Income (€)	Combined Covered Taxes (€)
UK	Stratos + TechStart UK	11,525,000	2,881,200
Germany	SG Germany + TechStart GmbH	59,929,000	13,784,300
USA	TechStart Inc. + IP LLC (80%)	12,300,400	1,905,500
Singapore	SG Singapore Pte	4,000,000	392,206
Ireland	SG Ireland Ltd	15,000,000	1,770,000
Cayman	TechStart Ventures	2,016,000	20,200

JV Group (Separate Run):

Jurisdiction	Entity	GloBE Income (€)	Covered Taxes (€)
Singapore	TechStart JV Pte	10,000,000	1,000,000
Malaysia	JV Operations Sdn	5,000,000	600,000

Key References

OECD GloBE Model Rules: - Article 6.2.1 — Acquisition entry date - Article 6.2.2 — Asset vs share deal treatment - Article 6.3.4 — Basis step-up election - Article 6.4.1 — Joint Venture treatment - Article 3.5.3 — Flow-through entity allocation - Article 7.4 — Investment Entity separate ETR - Article 10.1 — Definitions (JV, Investment Fund, REIV)

Administrative Guidance: - February 2023: Partial-year calculation methodology - December 2023: JV allocation clarifications

OECD Commentary: - Chapter 6, paragraphs 1-150 — Special structures and transactions

Summary

This case study demonstrated how Pillar Two applies to a complex acquisition involving:

Structure	Treatment	Key Article
Mid-year acquisition	Partial-year inclusion (184/365)	Art. 6.2.1
Joint Venture	Separate MNE Group calculation	Art. 6.4.1
Flow-through entity	Income allocated to CE-owner	Art. 3.5.3
	Standard CE treatment	Art. 10.1

Structure	Treatment	Key Article
Investment fund (failed test)		
Jurisdictional blending	Combined ETR for overlapping jurisdictions	Art. 5.1.1

Total Stratos Top-Up Tax Exposure: €1,252,764 - IIR to UK: €823,836 - QDMTT to Ireland: €428,928

Next Step

You have completed Part 6: Special Structures, Restructurings, and Tax Regimes. With all special structure rules covered, proceed to **Part 7: Safe Harbours and Compliance** to learn about transitional safe harbours, permanent safe harbours, and GIR filing requirements.