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# Case Study 1: Stratos's Scope Assessment
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## Introduction
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This case study brings together the concepts from Chapters 1.1 to 1.4. You will complete a full scope determination for Stratos Group plc, the same company used in the chapter worked examples. This exercise simulates the actual scope assessment process you would perform for a client or employer.

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**Time estimate:** 45-60 minutes
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## Background: Stratos Group plc
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Stratos Group plc is a UK-headquartered technology company specialising in enterprise software and cloud services. The group has grown through a combination of organic expansion and strategic acquisitions.

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### Key Facts
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Item	Detail
UPC	Stratos Group plc
Jurisdiction	UK (London Stock Exchange listed)
Fiscal year-end	31 December
Accounting standard	IFRS
Reporting currency	GBP
Current year	FY 2025 (scope assessment)

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## Task 1: Revenue Threshold Assessment
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### Data Provided
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Extract from Stratos's audited consolidated financial statements:

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**Revenue (per consolidated income statement)**
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Fiscal Year	Revenue (£ million)	Source Document
FY 2021	625.4	Annual Report 2021, p. 82
FY 2022	679.8	Annual Report 2022, p. 84
FY 2023	744.6	Annual Report 2023, p. 86
FY 2024	819.5	Annual Report 2024, p. 88

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**Exchange Rates (ECB annual averages)**
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Fiscal Year	EUR/GBP Rate
FY 2021	1.1630
FY 2022	1.1729
FY 2023	1.1499
FY 2024	1.1453

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### Your Task
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1. Convert each year's revenue from GBP to EUR
2. Determine how many of the four preceding fiscal years exceed €750 million
3. Conclude whether Stratos is in scope for FY 2025
4. Document your assessment

Expected Deliverable

Complete the revenue threshold assessment table:

Fiscal Year	Revenue (GBP)	EUR/GBP Rate	Revenue (EUR)	≥ €750M?
FY 2021	£625.4M	€_____M	Yes / No	
FY 2022	£679.8M	€_____M	Yes / No	
FY 2023	£744.6M	€_____M	Yes / No	
FY 2024	£819.5M	€_____M	Yes / No	

Conclusion: _____ of 4 years exceed the threshold. Stratos [is / is not] in scope for FY 2025.

Task 2: Constituent Entity Identification

Data Provided

Stratos Group Structure (as at 31 December 2024)

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Stratos Group plc (UK) – UPE



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█ █ █ TechStart Ltd (Ireland) 100% ← Acquired 1 July 2024
█ █ █ █ TechStart US Inc (Delaware, USA) 100%
█ █ █ █ TechStart UK Ltd (UK) 100%
█ █
█ █ SG Pension Trustees Ltd (UK) 100% ← Excluded on materiality
█ █
█ █ Stratos Foundation (UK) 100% ← Charity
█ █
█ █ Asian Technology JV Ltd (Hong Kong) 40% ← Equity method
█ █
█ █ Singapore Gov JV Pte Ltd (Singapore) 49% ← 51% Singapore gov agency
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**\*\*Consolidation Schedule Extract\*\***

| Entity                    | Ownership | Consolidation Method   | Notes                       |
|---------------------------|-----------|------------------------|-----------------------------|
| SG Holdings Ltd           | 100%      | Full                   | -                           |
| SG Germany GmbH           | 100%      | Full                   | -                           |
| SG Germany Sales GmbH     | 100%      | Full                   | -                           |
| SG France SAS             | 100%      | Full                   | Has Belgium PE              |
| SG Netherlands BV         | 100%      | Full                   | -                           |
| SG Ireland Ltd            | 100%      | Full                   | -                           |
| SG Ireland IP Ltd         | 100%      | Full                   | IP holding company          |
| SG Singapore Pte Ltd      | 100%      | Full                   | Regional HQ                 |
| SG Singapore Tech Pte Ltd | 100%      | Full                   | R&D centre                  |
| SG Hong Kong Ltd          | 100%      | Full                   | -                           |
| SG US Holdings Inc        | 100%      | Full                   | -                           |
| SG US Operating Inc       | 100%      | Full                   | Has California branch       |
| SG US Services Inc        | 100%      | Full                   | -                           |
| SG Australia Pty Ltd      | 100%      | Full                   | -                           |
| SG Japan KK               | 100%      | Full                   | -                           |
| TechStart Ltd             | 100%      | Full (from 1 Jul 2024) | Acquisition                 |
| TechStart US Inc          | 100%      | Full (from 1 Jul 2024) | -                           |
| TechStart UK Ltd          | 100%      | Full (from 1 Jul 2024) | -                           |
| SG Pension Trustees Ltd   | 100%      | Excluded               | Below materiality threshold |
| Stratos Foundation        | 100%      | Excluded               | Charitable entity           |
| Asian Technology JV Ltd   | 40%       | Equity method          | Not controlled              |
| Singapore Gov JV Pte Ltd  | 49%       | Equity method          | JV with government          |

**### Your Task**

1. Classify each entity in the schedule as CE or Not CE
2. Identify any PEs that should be treated as separate CES
3. Note any entities requiring further analysis (e.g., potential excluded entities)
4. Count total Constituent Entities

**### Expected Deliverable**

Complete the Constituent Entity classification:

| Entity            | CE?      | Reasoning |
|-------------------|----------|-----------|
| Stratos Group plc | Yes / No |           |
| SG Holdings Ltd   | Yes / No |           |
| SG Germany GmbH   | Yes / No |           |

|                                 |          |
|---------------------------------|----------|
| SG France SAS                   | Yes / No |
| [Belgium PE of SG France]       | Yes / No |
| ... (complete for all entities) |          |

\*\*Total Constituent Entities:\*\* \_\_\_\_\_

\*\*Entities requiring excluded entity assessment:\*\* \_\_\_\_\_

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## Task 3: UPE and IPE Determination

### Your Task

Using the group structure from Task 2:

1. Confirm the UPE by applying the three-step test from Chapter 1.3
2. Identify all Intermediate Parent Entities (IPEs)
3. Document the ownership chain for Top-Up Tax allocation purposes

### Expected Deliverable

\*\*UPE Confirmation:\*\*

| Question                                                 | Answer |  |
|----------------------------------------------------------|--------|--|
| ----- -----                                              |        |  |
| Which entity prepares consolidated financial statements? |        |  |
| Is it consolidated by another entity?                    |        |  |
| Does it hold controlling interest in at least one CE?    |        |  |

\*\*UPE:\*\* \_\_\_\_\_

\*\*IPE Identification:\*\*

| Entity                  | Owned by CE? | Owns >50% of another CE? | IPE?     |  |
|-------------------------|--------------|--------------------------|----------|--|
| ----- ----- ----- ----- |              |                          |          |  |
| SG Holdings Ltd         | Yes / No     | Yes / No                 | Yes / No |  |
| SG Netherlands BV       | Yes / No     | Yes / No                 | Yes / No |  |
| SG Singapore Pte Ltd    | Yes / No     | Yes / No                 | Yes / No |  |
| SG US Holdings Inc      | Yes / No     | Yes / No                 | Yes / No |  |
| SG Ireland Ltd          | Yes / No     | Yes / No                 | Yes / No |  |
| TechStart Ltd           | Yes / No     | Yes / No                 | Yes / No |  |

\*\*Total IPEs:\*\* \_\_\_\_\_

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## Task 4: Excluded Entity Assessment

### Data Provided

\*\*SG Pension Trustees Ltd\*\*

- UK-registered occupational pension scheme
- Provides defined benefit retirement benefits to Stratos employees
- Regulated by The Pensions Regulator (UK)
- Income exempt under Finance Act 2004 (registered pension scheme)
- Excluded from consolidation on materiality grounds

**\*\*Stratos Foundation\*\***

- UK-registered charity (Charity Commission No. 123456)
- Objects: advancement of education in technology for underserved communities
- Income exempt from UK corporation tax
- No shareholders; governed by independent trustees
- Constitution prohibits private benefit
- On winding up, assets must pass to similar charities
- Excluded from consolidation as charitable entity

**\*\*Singapore Gov JV Pte Ltd\*\***

- 51% owned by Singapore Economic Development Board (government agency)
- 49% owned by SG Singapore Pte Ltd
- Operates technology business park
- Generates commercial revenue from leases and services
- Subject to Singapore corporate income tax

**### Your Task**

For each of the three entities:

1. Determine which exclusion category (if any) applies
2. Apply the relevant tests from Chapter 1.4
3. Conclude whether the entity is an Excluded Entity
4. Document your reasoning

**### Expected Deliverable**

**\*\*SG Pension Trustees Ltd Assessment:\*\***

| Criterion                       | Assessment | Evidence |
|---------------------------------|------------|----------|
| Provides retirement benefits    |            |          |
| Regulated                       |            |          |
| Tax status (exempt or deferred) |            |          |

**\*\*Conclusion:\*\* Excluded Entity? Yes / No**

**\*\*Stratos Foundation Assessment:\*\***

| NPO Criterion                      | Assessment | Evidence |
|------------------------------------|------------|----------|
| Charitable purpose                 |            |          |
| Income substantially exempt        |            |          |
| No proprietary shareholders        |            |          |
| No distribution to private persons |            |          |
| Assets to charity on winding up    |            |          |

**\*\*Conclusion:\*\* Excluded Entity? Yes / No**

**\*\*Singapore Gov JV Pte Ltd Assessment:\*\***

| Criterion                     | Assessment | Evidence |
|-------------------------------|------------|----------|
| Government ownership          |            |          |
| Engaged in commercial trading |            |          |

**\*\*Conclusion:\*\* Excluded Entity? Yes / No**

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## ## Task 5: Scope Determination Summary

### ### Your Task

Consolidate your analysis into a scope determination memo for Stratos's tax director.

### ### Expected Deliverable

Complete the summary template:

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\*\*STRATOS GROUP PLC\*\*

\*\*Pillar Two Scope Determination – FY 2025\*\*

#### \*\*1. Revenue Threshold\*\*

Stratos [meets / does not meet] the €750 million revenue threshold for FY 2025.

- Years exceeding threshold: \_\_\_\_\_ of 4
- Threshold years: FY \_\_\_\_\_, FY \_\_\_\_\_, FY \_\_\_\_\_

#### \*\*2. Constituent Entities\*\*

Total Constituent Entities in scope: \_\_\_\_\_

Comprising:

- Fully consolidated subsidiaries: \_\_\_\_\_
- PEs as separate CEs: \_\_\_\_\_
- Entities excluded on materiality (but still CEs): \_\_\_\_\_

#### \*\*3. Excluded Entities\*\*

Total Excluded Entities: \_\_\_\_\_

| Entity | Exclusion Category |
|--------|--------------------|
|        |                    |
|        |                    |
|        |                    |

#### \*\*4. UPE and IPES\*\*

UPE: \_\_\_\_\_ (Jurisdiction: \_\_\_\_\_)

IPES identified: \_\_\_\_\_

| IPE | Jurisdiction |
|-----|--------------|
|     |              |
|     |              |
|     |              |
|     |              |

#### \*\*5. Key Observations\*\*

[Note any special considerations, such as mid-year acquisitions, potential JV treatm

ent, or areas requiring ongoing monitoring]

## \*\*6. Conclusion\*\*

Stratos Group plc [is / is not] within scope of the GloBE Rules for FY 2025.

The group has \_\_\_\_\_ Constituent Entities across \_\_\_\_\_ jurisdictions subject to GloBE calculations.

\*\*Prepared by:\*\* \_\_\_\_\_

\*\*Date:\*\* \_\_\_\_\_

\*\*Review date:\*\* \_\_\_\_\_

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## Model Answers

### ### Task 1: Revenue Threshold Assessment

| Fiscal Year | Revenue (GBP) | EUR/GBP Rate | Revenue (EUR) | ≥ €750M? |
|-------------|---------------|--------------|---------------|----------|
| FY 2021     | £625.4M       | 1.1630       | €727.3M       | **No**   |
| FY 2022     | £679.8M       | 1.1729       | €797.3M       | **Yes**  |
| FY 2023     | £744.6M       | 1.1499       | €856.2M       | **Yes**  |
| FY 2024     | £819.5M       | 1.1453       | €938.6M       | **Yes**  |

\*\*Conclusion:\*\* 3 of 4 years exceed the threshold. Stratos \*\*is in scope\*\* for FY 2025.

### ### Task 2: Constituent Entity Identification

| Entity                                 | CE?     | Reasoning                                                     |
|----------------------------------------|---------|---------------------------------------------------------------|
| Stratos Group plc                      | **Yes** | UPE                                                           |
| SG Holdings Ltd                        | **Yes** | 100% owned, fully consolidated                                |
| SG Germany GmbH                        | **Yes** | 100% owned, fully consolidated                                |
| SG Germany Sales GmbH                  | **Yes** | 100% owned, fully consolidated                                |
| SG France SAS                          | **Yes** | 100% owned, fully consolidated                                |
| Belgium PE (of SG France)              | **Yes** | PE treated as separate CE                                     |
| SG Netherlands BV                      | **Yes** | 100% owned, fully consolidated                                |
| SG Ireland Ltd                         | **Yes** | 100% owned, fully consolidated                                |
| SG Ireland IP Ltd                      | **Yes** | 100% owned, fully consolidated                                |
| SG Singapore Pte Ltd                   | **Yes** | 100% owned, fully consolidated                                |
| SG Singapore Tech Pte Ltd              | **Yes** | 100% owned, fully consolidated                                |
| SG Hong Kong Ltd                       | **Yes** | 100% owned, fully consolidated                                |
| SG US Holdings Inc                     | **Yes** | 100% owned, fully consolidated                                |
| SG US Operating Inc                    | **Yes** | 100% owned, fully consolidated                                |
| California branch (of SG US Operating) | **No**  | US branch, not separate CE for US domestic operations         |
| SG US Services Inc                     | **Yes** | 100% owned, fully consolidated                                |
| SG Australia Pty Ltd                   | **Yes** | 100% owned, fully consolidated                                |
| SG Japan KK                            | **Yes** | 100% owned, fully consolidated                                |
| TechStart Ltd                          | **Yes** | 100% owned, fully consolidated (from 1 Jul 2024)              |
| TechStart US Inc                       | **Yes** | 100% owned, fully consolidated (from 1 Jul 2024)              |
| TechStart UK Ltd                       | **Yes** | 100% owned, fully consolidated (from 1 Jul 2024)              |
| SG Pension Trustees Ltd                | **Yes** | Excluded on materiality—still a CE                            |
| Stratos Foundation                     | **Yes** | Excluded from consolidation—assess for Excluded Entity status |

|                          |        |                                  |  |
|--------------------------|--------|----------------------------------|--|
| Asian Technology JV Ltd  | **No** | 40% equity method—not controlled |  |
| Singapore Gov JV Pte Ltd | **No** | 49% equity method—not controlled |  |

\*\*Total Constituent Entities:\*\* 22 (pending excluded entity assessment)

\*\*Note:\*\* The California branch is not treated as a separate CE because it is a domestic branch within the same jurisdiction (US) as its main entity.

### ### Task 3: UPE and IPE Determination

#### \*\*UPE Confirmation:\*\*

| Question                                                 | Answer                                                                                            |
|----------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| Which entity prepares consolidated financial statements? | Stratos Group plc                                                                                 |
| Is it consolidated by another entity?                    | No-listed company, no parent                                                                      |
| Does it hold controlling interest in at least one CE?    | Yes—100% of SG Holdings Ltd, SG US Holdings Inc, SG Australia Pty Ltd, SG Japan KK, TechStart Ltd |

\*\*UPE:\*\* Stratos Group plc (UK)

#### \*\*IPE Identification:\*\*

| Entity               | Owned by CE?      | Owns >50% of another CE?           | IPE?    |
|----------------------|-------------------|------------------------------------|---------|
| SG Holdings Ltd      | Yes (UPE)         | Yes (Germany, France, Netherlands) | **Yes** |
| SG Netherlands BV    | Yes (SG Holdings) | Yes (Ireland, Singapore)           | **Yes** |
| SG Singapore Pte Ltd | Yes (Netherlands) | Yes (Singapore Tech, Hong Kong)    | **Yes** |
| SG US Holdings Inc   | Yes (UPE)         | Yes (US Operating, US Services)    | **Yes** |
| SG Ireland Ltd       | Yes (Netherlands) | Yes (Ireland IP)                   | **Yes** |
| TechStart Ltd        | Yes (UPE)         | Yes (TechStart US, UK)             | **Yes** |

\*\*Total IPEs:\*\* 6

### ### Task 4: Excluded Entity Assessment

#### \*\*SG Pension Trustees Ltd:\*\*

| Criterion                    | Assessment | Evidence                                     |
|------------------------------|------------|----------------------------------------------|
| Provides retirement benefits | **Yes**    | Defined benefit scheme for Stratos employees |
| Regulated                    | **Yes**    | Registered with The Pensions Regulator (UK)  |
| Tax status                   | **Yes**    | Exempt under Finance Act 2004                |

\*\*Conclusion:\*\* \*\*Excluded Entity\*\* (Pension Fund)

#### \*\*Stratos Foundation:\*\*

| NPO Criterion                      | Assessment | Evidence                           |
|------------------------------------|------------|------------------------------------|
| Charitable purpose                 | **Yes**    | Objects: advancement of education  |
| Income substantially exempt        | **Yes**    | UK charity, corporation tax exempt |
| No proprietary shareholders        | **Yes**    | No share capital; trustees         |
| No distribution to private persons | **Yes**    | Constitution prohibits             |
| Assets to charity on winding up    | **Yes**    | Constitution requires              |

\*\*Conclusion:\*\* \*\*Excluded Entity\*\* (NPO)

\*\*Singapore Gov JV Pte Ltd:\*\*

| Criterion                     | Assessment    | Evidence                                   |
|-------------------------------|---------------|--------------------------------------------|
| Government ownership          | Partial (51%) | Singapore EDB majority shareholder         |
| Engaged in commercial trading | **Yes**       | Operates business park, commercial revenue |

\*\*Conclusion:\*\* \*\*Not an Excluded Entity\*\* – engaged in commercial trading activities despite government ownership. However, this entity is not a CE either (49% equity method investment), so it falls outside GloBE scope regardless.

### ### Task 5: Scope Determination Summary

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\*\*STRATOS GROUP PLC\*\*

\*\*Pillar Two Scope Determination – FY 2025\*\*

#### \*\*1. Revenue Threshold\*\*

Stratos \*\*meets\*\* the €750 million revenue threshold for FY 2025.

- Years exceeding threshold: \*\*3\*\* of 4
- Threshold years: FY 2022, FY 2023, FY 2024

#### \*\*2. Constituent Entities\*\*

Total Constituent Entities in scope: \*\*20\*\*

Comprising:

- Fully consolidated subsidiaries: \*\*18\*\*
- PEs as separate CEs: \*\*1\*\* (Belgium PE)
- Entities excluded on materiality (but initially counted as CEs): \*\*1\*\* (SG Pension Trustees Ltd)

#### \*\*3. Excluded Entities\*\*

Total Excluded Entities: \*\*2\*\*

| Entity                  | Exclusion Category      |
|-------------------------|-------------------------|
| SG Pension Trustees Ltd | Pension Fund            |
| Stratos Foundation      | Non-Profit Organisation |

#### \*\*4. UPE and IPES\*\*

UPE: \*\*Stratos Group plc\*\* (Jurisdiction: \*\*UK\*\*)

IPES identified: \*\*6\*\*

| IPE                  | Jurisdiction |
|----------------------|--------------|
| SG Holdings Ltd      | UK           |
| SG Netherlands BV    | Netherlands  |
| SG Singapore Pte Ltd | Singapore    |

|                          |
|--------------------------|
| SG US Holdings Inc   USA |
| SG Ireland Ltd   Ireland |
| TechStart Ltd   Ireland  |

## \*\*5. Key Observations\*\*

1. \*\*Mid-year acquisition:\*\* TechStart Ltd and its subsidiaries were acquired on 1 July 2024. GloBE calculations for these entities will cover only the post-acquisition period (1 July - 31 December 2024) for FY 2024.
2. \*\*Belgium PE:\*\* SG France SAS has a PE in Belgium that must be treated as a separate CE. Belgium PE income and taxes must be calculated separately from the French main entity.
3. \*\*IIR application:\*\* The UK has implemented a Qualified IIR. Stratos Group plc (UK UPE) will apply the IIR and bear Top-Up Tax liability for low-taxed jurisdictions.
4. \*\*Jurisdictional spread:\*\* The group operates in 10 jurisdictions: UK, Germany, France, Belgium, Netherlands, Ireland, Singapore, Hong Kong, USA, Australia, Japan. Each requires separate ETR calculation.
5. \*\*Low-tax risk jurisdictions:\*\* Based on statutory rates, Singapore (17%), Ireland (12.5%), and Hong Kong (16.5%) may produce ETRs below 15% and require detailed analysis in Parts 3-5.

## \*\*6. Conclusion\*\*

Stratos Group plc \*\*is within scope\*\* of the GloBE Rules for FY 2025.

The group has \*\*20 Constituent Entities\*\* across \*\*10 jurisdictions\*\* subject to GloBE calculations.

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## ## Learning Points

1. \*\*Revenue threshold is applied at group level\*\* – individual entity revenues are irrelevant for scope purposes.
2. \*\*Currency conversion matters\*\* – a group that appears below threshold in local currency may exceed €750 million after EUR conversion, or vice versa.
3. \*\*PEs are separate CEs\*\* – Belgium PE income must be carved out from France and calculated separately for Belgian jurisdictional ETR.
4. \*\*Excluded entities are still identified through the CE process\*\* – SG Pension Trustees was initially a CE (excluded from consolidation on materiality, not on substance), then separately assessed for Excluded Entity status.
5. \*\*Not all equity method investments need Excluded Entity analysis\*\* – Asian Technology JV Ltd and Singapore Gov JV Pte Ltd are not CEs (under 50% ownership), so they are outside GloBE scope without needing exclusion analysis.
6. \*\*IPE identification is critical for IIR application\*\* – if the UK did not have a Qualified IIR, the IPE chain would determine which jurisdiction's IIR applies.
7. \*\*Document everything\*\* – the scope determination memo creates an audit trail for regulators and advisors.

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## ## Next Step

You have completed Part 1: Scope Determination. Proceed to \*\*Part 2: The Charging Mechanism—IIR and UTPR\*\* to learn how Top-Up Tax is allocated through the ownership chain you have just mapped.