

Case Study 1: Stratos's Scope Assessment

Introduction

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.

Time estimate: 45-60 minutes

Background: Stratos Group plc

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.

Key Facts

Item	Detail
UPE	Stratos Group plc
Jurisdiction	UK (London Stock Exchange listed)
Fiscal year-end	31 December
Accounting standard	IFRS
Reporting currency	GBP

Item	Detail
Current year	FY 2025 (scope assessment)

Task 1: Revenue Threshold Assessment

Data Provided

Extract from Stratos's audited consolidated financial statements:

Revenue (per consolidated income statement)

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

Exchange Rates (ECB annual averages)

Fiscal Year	EUR/GBP Rate
FY 2021	1.1630
FY 2022	1.1729
FY 2023	1.1499
FY 2024	1.1453

Your Task

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)

```
Stratos Group plc (UK) – UPE
  |
  └── SG Holdings Ltd (UK) 100%
    |
    └── SG Germany GmbH (Germany) 100%
      └── SG Germany Sales GmbH (Germany) 100%
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|   |
|   |   └── SG France SAS (France) 100%
|   |       └── [Belgium PE] ← Branch, not separate legal entity
|   |
|   └── SG Netherlands BV (Netherlands) 100%
|       |
|       └── SG Ireland Ltd (Ireland) 100%
|           └── SG Ireland IP Ltd (Ireland) 100%
|       |
|       └── SG Singapore Pte Ltd (Singapore) 100%
|           |
|           └── SG Singapore Tech Pte Ltd (Singapore) 100%
|               └── SG Hong Kong Ltd (Hong Kong) 100%
|
└── SG US Holdings Inc (Delaware, USA) 100%
    |
    |   └── SG US Operating Inc (Delaware, USA) 100%
    |       └── [California branch] ← Branch
    |
    └── SG US Services Inc (Delaware, USA) 100%
|
└── SG Australia Pty Ltd (Australia) 100%
|
└── SG Japan KK (Japan) 100%
|
└── 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

Entity	Ownership	Consolidation Method	Notes
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	

Entity	CE?	Reasoning
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: _____

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?	Owes >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: _____

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		

NPO Criterion	Assessment	Evidence
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

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:

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 treatment, 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:

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

Entity	CE?	Reasoning
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	

Entity	CE?	Reasoning
		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

Entity	Owned by CE?	Owns >50% of another CE?	IPE?
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

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.

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.