Chapter 6.4: Multi-Parented Groups

Learning Objective

After completing this chapter, you will be able to identify when two or more parent entities form a Multi-Parented MNE Group, distinguish between Stapled Structures and Dual-Listed Arrangements, determine how Top-Up Tax is allocated across multiple UPEs, and ensure correct GIR filing obligations for combined groups.

1. Why Special Rules for Multi-Parented Groups?

Multi-Parented MNE Groups present unique challenges because there is no single Ultimate Parent Entity:

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┌─────────────────────────────────────────────────────────────────┐
│ THE MULTI-PARENTED PROBLEM                                      │
│                                                                 │
│ Standard GloBE structure:                                       │
│ → ONE UPE at top of ownership chain                            │
│ → All Constituent Entities trace back to single parent         │
│ → Top-Up Tax charged to that UPE via IIR                       │
│                                                                 │
│ Multi-Parented reality:                                         │
│ → TWO OR MORE parent entities operate as unified group         │
│ → Entities share economic ownership but not legal ownership    │
│ → No single UPE to bear IIR liability                          │
│                                                                 │
│ THE SOLUTION (Article 6.5):                                     │
│ → Treat the combined structure as a SINGLE MNE Group           │
│ → Each parent entity becomes a "Joint UPE"                     │
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│ → Allocate Top-Up Tax proportionally to each UPE                    │
│ → Coordinate GIR filing obligations                                  │
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2. Definition: Multi-Parented MNE Group *(Article 6.5.1)*

A **Multi-Parented MNE Group** exists when two or more entities (that would otherwise be separate UPEs) enter into an arrangement that creates a combined group. There are two qualifying arrangements:

2.1 Stapled Structure *(Article 10.1)*

A **Stapled Structure** arises when:

Criterion	Requirement
Ownership stapling	50% or more of the ownership interests in each entity are **stapled together**
Trading restriction	Stapled interests cannot be transferred independently — must be traded as a unit
Exchange listing	Typically listed as a combined instrument on a securities exchange

What "stapling" means:

```
 STAPLED STRUCTURE VISUAL

Before Stapling:
┌──────────────┐     ┌──────────────┐
│   Alpha Co   │     │   Beta Co    │
│    Shares    │     │    Shares    │
│              │     │              │
```

```
│  (Trade        │      │  (Trade        │
│   separately)│      │   separately)│
└───────────────┘      └───────────────┘


After Stapling:
┌──────────────────────────────────────┐
│   STAPLED UNIT (Alpha + Beta)        │
│                                      │
│   1 share Alpha + 1 share Beta       │
│   = 1 Stapled Unit                   │
│                                      │
│   Traded together on exchange        │
│   Cannot be separated                │
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```

Common examples: - Property trusts paired with operating companies - Infrastructure groups with trust and company components

2.2 Dual-Listed Arrangement (DLA) *(Article 10.1)*

A **Dual-Listed Arrangement** arises when:

Criterion	Requirement
Separate listings	Each parent entity is **separately listed** on a securities exchange (often in different countries)
Equalisation agreement	Parents enter into an agreement to **equalise** economic interests (dividends, voting, liquidation)
Combined management	The entities operate as a **single economic enterprise** with shared management
No ownership consolidation	One parent does NOT own a controlling stake in the other

DLA Structure:

```
DUAL-LISTED ARRANGEMENT VISUAL

┌─────────────────────────────────────────────────────────────────┐
│                    EQUALISATION AGREEMENT                       │
│                                                                 │
│  ┌──────────────┐                         ┌──────────────┐      │
│  │   UK Co plc  │◄───────────────────────►│  AU Co Ltd   │      │
│  │              │   "Single economic      │              │      │
│  │  Listed on   │    enterprise"          │  Listed on   │      │
│  │  London SE   │                         │  Sydney ASX  │      │
│  └──────────────┘                         └──────────────┘      │
│         │                                        │              │
│         │ owns                                   │ owns         │
│         ▼                                        ▼              │
│   ┌───────────┐                          ┌───────────┐          │
│   │ UK Subs   │                          │ AU Subs   │          │
│   └───────────┘                          └───────────┘          │
│                                                                 │
│  COMBINED GROUP treated as SINGLE MNE Group for GloBE           │
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```

Key features of DLAs: - Shareholders in each parent effectively share equally in the combined group - Dividend policies aligned across both parents - Often structured to access capital markets in multiple jurisdictions - Well-known historical examples: BHP Group (UK/Australia), Rio Tinto (UK/Australia), Unilever (UK/Netherlands)

3. The 50% Ownership Threshold

For both structures, the **50% or more** threshold is critical:

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STAPLED STRUCTURE TEST

If ≥50% of ownership interests are stapled:
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→ Multi-Parented MNE Group exists
→ Combined treatment applies

If <50% of ownership interests are stapled:
→ No Multi-Parented MNE Group
→ Each parent treated as separate UPE of its own group
```

Example: Partial Stapling

Scenario	Stapled %	Treatment
Alpha and Beta 100% stapled	100%	Multi-Parented MNE Group
Alpha and Beta 60% stapled; 40% trade freely	60%	Multi-Parented MNE Group
Alpha and Beta 45% stapled; 55% trade freely	45%	**No** Multi-Parented Group — separate UPEs

4. Combined Treatment as Single MNE Group *(Article 6.5.2)*

When entities form a Multi-Parented MNE Group:

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│ COMBINED TREATMENT (Article 6.5.2)                                   │
│                                                                      │
│ All Constituent Entities of ALL parent entities are treated as:     │
│                                                                      │
│ → Members of a SINGLE MNE Group                                     │
│ → Subject to jurisdictional blending across the combined group      │
│ → Assessed against single €750M revenue threshold                   │
│ → Each parent = "Joint UPE" with IIR obligations                    │
│                                                                      │
```

```
│ NO duplication:                                                   │
│ → Revenue counted ONCE (not doubled for each parent)             │
│ → GloBE Income calculated ONCE per jurisdiction                  │
│ → Top-Up Tax calculated ONCE, then ALLOCATED                     │
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```

4.1 Revenue Threshold Test

The €750M threshold is applied to the **combined group**:

Example:

Parent	Standalone Revenue	Combined Group Revenue
Alpha plc	€500,000,000	—
Beta Ltd	€400,000,000	—
Combined	—	**€900,000,000**

- Combined revenue exceeds €750M
- **Both** Alpha and Beta are within GloBE scope
- Even if neither alone exceeds €750M, the combined test brings them in scope

5. Top-Up Tax Allocation *(Article 6.5.3)*

5.1 The Allocation Principle

When a Multi-Parented MNE Group has Top-Up Tax liability, it must be **allocated** between the Joint UPEs:

```
Top-Up Tax Allocation = Group Top-Up Tax × Allocable Share
```

5.2 Determining Allocable Share

The **Allocable Share** for each UPE is based on its relative economic interest in the combined group:

Method	Application
Ownership interest ratio	Proportion of combined ownership interests held through each parent
Agreement terms	Equalisation agreement may specify allocation percentages
Default: 50/50	If no clear basis, equal allocation applies

5.3 Example: Stapled Structure Allocation

Scenario: Alpha plc and Beta plc are 100% stapled. Combined group has €400,000 Top-Up Tax.

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 Alpha shareholders: 60% of stapled units
Beta shareholders: 40% of stapled units

Allocation:
├── Alpha plc: €400,000 × 60% = €240,000
└── Beta plc:  €400,000 × 40% = €160,000

Each pays via IIR based on allocable share.
```

5.4 Example: DLA Allocation

Scenario: UK Co plc and AU Co Ltd have a DLA with 50/50 equalisation. Combined Top-Up Tax is €600,000.

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 Equalisation agreement: 50/50
```

```
Allocation:
├── UK Co plc: €600,000 × 50% = €300,000
└── AU Co Ltd: €600,000 × 50% = €300,000

Each bears IIR based on equalisation terms.
```

6. Jurisdictional Blending in Multi-Parented Groups

6.1 All CEs Blend Together

Under combined treatment, Constituent Entities blend **across the entire Multi-Parented Group**:

```
 JURISDICTIONAL BLENDING EXAMPLE

Alpha plc (UK)                Beta Ltd (Australia)
     │                              │
     ├── Alpha Germany Sub          ├── Beta Germany GmbH
     │   GloBE Income: €30M         │   GloBE Income: €20M
     │   Covered Taxes: €6.9M       │   Covered Taxes: €4.2M
     │                              │
     └── Alpha Ireland Ltd          └── Beta Singapore Pte
         GloBE Income: €15M             GloBE Income: €25M
         Covered Taxes: €1.8M           Covered Taxes: €2.5M

COMBINED GERMANY:
├── Total GloBE Income: €30M + €20M = €50M
├── Total Covered Taxes: €6.9M + €4.2M = €11.1M
└── Combined ETR: 22.20% ✓ (≥15%, no Top-Up Tax)

COMBINED IRELAND:
├── Total GloBE Income: €15M
├── Total Covered Taxes: €1.8M
└── Combined ETR: 12.00% (Top-Up Tax applies)
```

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COMBINED SINGAPORE:
├── Total GloBE Income: €25M
├── Total Covered Taxes: €2.5M
└── Combined ETR: 10.00% (Top-Up Tax applies)
```

Key point: Germany entities blend together even though owned by different parents. The combined 22.20% ETR means no Top-Up Tax for Germany.

7. GIR Filing Obligations

7.1 Both UPEs Have Filing Obligations

Each Joint UPE has obligations under GloBE:

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┌─────────────────────────────────────────────────────────────────────┐
│ GIR FILING FOR MULTI-PARENTED GROUPS                                │
│                                                                     │
│ Option 1: SEPARATE FILING                                           │
│ → Each UPE files its own GIR                                        │
│ → Both report the SAME combined group data                          │
│ → Must coordinate to ensure consistency                             │
│                                                                     │
│ Option 2: SINGLE DESIGNATED FILING ENTITY (DFE)                     │
│ → One UPE appointed as DFE                                          │
│ → DFE files GIR on behalf of both                                   │
│ → Other UPE notifies its tax authority of DFE arrangement           │
│                                                                     │
│ RECOMMENDED: Appoint single DFE to avoid duplication and errors.    │
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7.2 IIR Application

Both UPEs apply IIR to their allocable share:

UPE	Jurisdiction	IIR Status	Obligation
UK Co plc	UK	IIR implemented	Pays IIR on UK Co's allocable share
AU Co Ltd	Australia	IIR implemented	Pays IIR on AU Co's allocable share

If one UPE is in non-IIR jurisdiction: - That UPE does not pay IIR - UTPR may apply in other jurisdictions to collect the allocable share - The IIR-jurisdiction UPE pays only its share, not the other's

8. Stratos Worked Example: Potential DLA Analysis

8.1 Background

Stratos Holdings plc is exploring a potential Dual-Listed Arrangement with **NordicTech ASA** (Norway) to access Scandinavian capital markets. The combined entity would operate as a single enterprise.

8.2 Proposed Structure

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PROPOSED DLA STRUCTURE

┌─────────────────────────────────────────────────────────────────┐
│                    EQUALISATION AGREEMENT                          │
│                        (60% / 40%)                                 │
│                                                                    │
│  ┌────────────────────┐                ┌────────────────────┐   │
│  │ Stratos Holdings   │◄──────────────►│   NordicTech ASA   │   │
│  │     plc (UK)       │                │     (Norway)       │   │
│  │                    │                │                    │   │
│  │   Listed on LSE    │                │  Listed on Oslo    │   │
│  └────────────────────┘                └────────────────────┘   │
│         │                                    │                     │
```

```
│         │                                    │                      │
│         ▼                                    ▼                      │
│  ┌─────────────┐                      ┌─────────────┐               │
│  │  Stratos    │                      │ NordicTech  │               │
│  │  Existing   │                      │    Subs     │               │
│  │  CEs        │                      │             │               │
│  └─────────────┘                      └─────────────┘               │
│                                                                     │
└─────────────────────────────────────────────────────────────────────┘
```

Step 1: Confirm Multi-Parented MNE Group Status

Criterion	Assessment
Separate listings?	Yes — LSE and Oslo Børs
Equalisation agreement?	Yes — 60/40 split proposed
Combined management?	Yes — unified board proposed
Control by one parent?	No — neither controls the other
Classification	**Dual-Listed Arrangement for GloBE**

Step 2: Apply Combined Revenue Test

Entity	Current Revenue
Stratos Group	€1,850,000,000
NordicTech Group	€650,000,000
Combined	**€2,500,000,000**

Result: Combined revenue exceeds €750M threshold (both groups already exceed independently, so this merely confirms).

Step 3: Identify Combined Group Jurisdictions

Stratos existing jurisdictions: - UK (Stratos Holdings plc) - Germany (Stratos GmbH) - Singapore (Stratos Asia Pte Ltd) - Ireland (Stratos Ireland Ltd) - Luxembourg (Stratos Finance S.à r.l.)

NordicTech jurisdictions: - Norway (NordicTech ASA) - Sweden (NordicTech AB) - Germany (NordicTech GmbH)

Overlap: Germany — entities from both groups must blend.

Step 4: Calculate Combined ETR (Germany Example)

Germany Blending:

Entity	GloBE Income	Covered Taxes
Stratos GmbH	€50,000,000	€11,500,000
NordicTech GmbH	€18,000,000	€3,960,000
Combined Germany	**€68,000,000**	**€15,460,000**

```
 Combined Germany ETR = €15,460,000 ÷ €68,000,000 = 22.74%

ETR ≥ 15% → No Top-Up Tax for Germany
```

NordicTech GmbH has 22% standalone ETR, but blending with Stratos GmbH still results in no Top-Up Tax (both are adequately taxed).

Step 5: Calculate Top-Up Tax for Low-Tax Jurisdictions

Singapore (Stratos only):

Item	Amount
GloBE Income	€32,000,000

Item	Amount
Covered Taxes	€3,136,000
ETR	**9.80%**
Top-Up Tax %	5.20%
SBIE	€1,892,000
Excess Profit	€30,108,000
Top-Up Tax	**€1,565,616**

Sweden (NordicTech only — assumed undertaxed):

Item	Amount
GloBE Income	€12,000,000
Covered Taxes	€1,320,000
ETR	**11.00%**
Top-Up Tax %	4.00%
SBIE	€800,000
Excess Profit	€11,200,000
Top-Up Tax	**€448,000**

Step 6: Allocate Top-Up Tax Between Joint UPEs

Total Combined Group Top-Up Tax:

Jurisdiction	Top-Up Tax
Singapore	€1,565,616
Sweden	€448,000
Total	**€2,013,616**

Allocation per Equalisation Agreement (60/40):

UPE	Allocation %	Allocated Top-Up Tax
Stratos Holdings plc	60%	**€1,208,170**
NordicTech ASA	40%	**€805,446**
Total	100%	**€2,013,616**

Step 7: Determine Payment Mechanism

UPE	Jurisdiction	IIR Status	Payment
Stratos Holdings plc	UK	IIR implemented	Pays €1,208,170 via UK IIR
NordicTech ASA	Norway	IIR implemented	Pays €805,446 via Norway IIR

Result: Both UPEs pay their allocable share via IIR in their respective jurisdictions.

Summary: DLA Impact on Stratos

Metric	Stratos Standalone	Combined DLA
Total Top-Up Tax	€198,907 (current)	€2,013,616 (combined)

Metric	Stratos Standalone	Combined DLA
Stratos's Share	€198,907	€1,208,170
Increase	—	+€1,009,263

Observation: The DLA brings NordicTech's Swedish undertaxation into Stratos's allocable share. Stratos would bear 60% of the combined group's Top-Up Tax, including tax on jurisdictions it doesn't directly operate in.

Planning Considerations for Multi-Parented Groups

Pre-Formation Analysis

Before entering a Stapled Structure or DLA:

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PRE-FORMATION CHECKLIST

□ What is each parent's current GloBE position?
   - Low-tax jurisdictions that will blend
   - Existing QDMTT coverage
   - Current Top-Up Tax exposure

□ How will combined thresholds affect scope?
   - Revenue threshold (€750M) on combined basis
   - De Minimis Exclusion may be lost for some jurisdictions

□ What is the proposed allocation methodology?
   - Equalisation terms
   - Impact on IIR liability distribution
   - Tax cashflow implications

□ Which jurisdiction will be primary GIR filer?
```

```
    - Designate DFE early
    - Coordinate data collection processes
```

Post-Formation Monitoring

```
ONGOING COMPLIANCE

□ Annual reconciliation of allocation percentages
    - Changes in equalisation terms
    - Shifts in shareholder composition

□ Coordinated GIR preparation
    - Single data collection process
    - Consistent methodology across both UPE tax teams

□ Monitor for structural changes
    - Unstapling events (trigger exit)
    - DLA termination provisions
```

9. Termination of Multi-Parented Status

When Does Multi-Parented Status End?

Event	Effect
Unstapling	If stapled interests fall below 50%, Multi-Parented status ends
DLA termination	Cancellation of equalisation agreement ends combined treatment
Merger	If one parent acquires the other, standard single-UPE structure applies

9.2 Year of Termination

In the fiscal year of termination: - Prorate combined treatment to date of termination - Separate treatment applies from termination date forward - Complex transition calculations may be required

10. Common Pitfalls

10.1 Pitfall 1: Double-Counting Top-Up Tax

Error: Each UPE calculates and reports 100% of the combined group's Top-Up Tax.

Correct approach: Each UPE reports and pays only its **allocable share**. Total paid by both UPEs should equal combined group Top-Up Tax (no more, no less).

10.2 Pitfall 2: Failing to Blend Cross-Parent Jurisdictions

Error: Treating Alpha's Germany sub and Beta's Germany sub as separate jurisdictions.

Correct approach: Under combined treatment, **all** Constituent Entities in a jurisdiction blend together regardless of which parent owns them.

10.3 Pitfall 3: Ignoring Revenue Threshold Impact

Error: Assuming each parent tests €750M threshold independently.

Correct approach: Combined group revenue is used for the threshold test. A parent below €750M individually may still be in scope through the combined test.

10.4 Pitfall 4: Inconsistent GIR Filings

Error: Each UPE files different data in their respective GIRs.

Correct approach: Both UPEs must report the **same** combined group data. Appoint a DFE to ensure consistency.

10.5 Pitfall 5: Misallocating Based on Ownership Rather Than Agreement

Error: Allocating based on actual ownership percentages when an equalisation agreement specifies different terms.

Correct approach: Allocation follows the **equalisation agreement** terms for DLAs, not underlying ownership ratios.

11. Multi-Parented Group Assessment Checklist

Use this checklist when evaluating a potential Multi-Parented MNE Group:

```
 MULTI-PARENTED GROUP ASSESSMENT CHECKLIST
Structure: _________________________
Parties: _________________________
Fiscal Year: _________________________

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SECTION A: STRUCTURE QUALIFICATION
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☐ TYPE OF ARRANGEMENT:
   ☐ Stapled Structure
   ☐ Dual-Listed Arrangement
   ☐ Other (describe): _________________________

STAPLED STRUCTURE CRITERIA:
☐ Are ownership interests stapled together?                  YES / NO
☐ Percentage of interests stapled:                           ________%
☐ Are stapled interests traded as a unit?                    YES / NO

   If <50% stapled: NOT a Multi-Parented MNE Group.

DLA CRITERIA:
☐ Are both entities separately listed?                       YES / NO
```

```
   □ Entity 1 exchange: _________________________
   □ Entity 2 exchange: _________________________
□ Is there an equalisation agreement?                YES / NO
□ Do entities operate as single enterprise?          YES / NO
□ Does one parent control the other?                 YES / NO

   If one controls other: NOT a DLA — standard parent-sub structure.

□ **CONCLUSION: Is this a Multi-Parented MNE Group?**   YES / NO

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SECTION B: COMBINED GROUP IDENTIFICATION
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PARENT ENTITY 1:
□ Name: _________________________
□ Jurisdiction: _________________________
□ IIR status: _________________________
□ Number of CEs: _________________________

PARENT ENTITY 2:
□ Name: _________________________
□ Jurisdiction: _________________________
□ IIR status: _________________________
□ Number of CEs: _________________________

□ Combined Group revenue:                           €__________________
□ Exceeds €750M threshold?                           YES / NO

□ Jurisdictions with CEs from BOTH parents (will blend):
   1. _________________________
   2. _________________________
   3. _________________________

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SECTION C: ALLOCATION DETERMINATION
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☐ Allocation method:

  ☐ Stapled unit ownership ratio
  ☐ Equalisation agreement terms
  ☐ Other (specify): ____________________________

☐ Parent Entity 1 allocable share: _________%
☐ Parent Entity 2 allocable share: _________%
☐ Total (must equal 100%): _________%

SECTION D: ETR CALCULATION (Combined Jurisdictions)

Jurisdiction: ______________________________

☐ CEs from Parent 1 in this jurisdiction: ____________________________
☐ CEs from Parent 2 in this jurisdiction: ____________________________

☐ Combined GloBE Income: €____________________
☐ Combined Adjusted Covered Taxes: €____________________
☐ Combined ETR: ____________________%

If ETR ≥ 15%: No Top-Up Tax. Move to next jurisdiction.

☐ Combined SBIE: €____________________
☐ Combined Excess Profit: €____________________
☐ Top-Up Tax %: ____________________%
☐ Jurisdictional Top-Up Tax: €____________________

(Repeat for each jurisdiction)

SECTION E: TOP-UP TAX ALLOCATION

☐ Total Combined Group Top-Up Tax: €__________________

☐ Allocation:
  ☐ Parent Entity 1 (_______%): €__________________
  ☐ Parent Entity 2 (_______%): €__________________

☐ IIR payment responsibility:
  ☐ Parent 1 jurisdiction: _____________ IIR? YES / NO
  ☐ Parent 2 jurisdiction: _____________ IIR? YES / NO

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SECTION F: GIR FILING
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☐ Filing approach:
  ☐ Each UPE files separately (coordinate data)
  ☐ Single DFE appointed

☐ If DFE appointed:
  ☐ DFE name: _________________________
  ☐ DFE jurisdiction: _________________________
  ☐ Notification filed by other UPE? YES / NO

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SECTION G: SUMMARY
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☐ Combined Group Total Top-Up Tax: €__________________
☐ Parent Entity 1 Allocable Share: €__________________
☐ Parent Entity 2 Allocable Share: €__________________

☐ Documentation complete? YES / NO
☐ GIR coordination process established? YES / NO