

Case Study 4: Stratos's Covered Tax Computation

Introduction

This case study brings together the concepts from Chapters 4.1 to 4.6. You will compute Adjusted Covered Taxes for Stratos's key jurisdictions, applying tax classification, current and deferred tax adjustments, and tax allocation rules to determine jurisdictional ETRs.

Important: Work through each task systematically using the Covered Tax Workpaper. Complete each jurisdiction fully before moving to the next. Do not skip steps.

Time estimate: 90-120 minutes

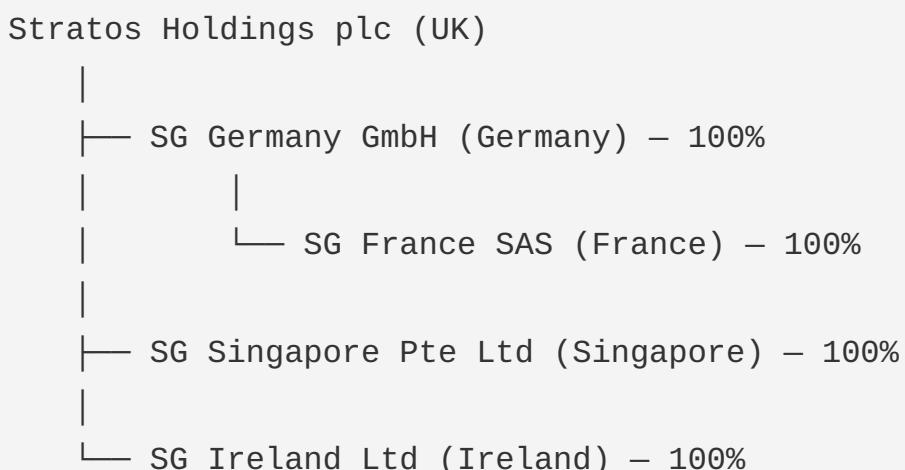
Background: Stratos Group — FY 2025 Covered Tax Computation

Following the GloBE Income calculations in Case Study 3, Stratos Group's tax team must now compute Adjusted Covered Taxes for each jurisdiction to determine jurisdictional ETRs. The CFO has requested a comprehensive analysis for three key jurisdictions: Germany, Singapore, and Ireland.

Entity Overview

Entity	Jurisdiction	Statutory Rate	Role
Stratos Holdings plc	UK	25%	Ultimate Parent Entity
SG Germany GmbH	Germany	30%	Operating subsidiary
SG Singapore Pte Ltd	Singapore	17%	IP holding company
SG Ireland Ltd	Ireland	12.5%	European HQ

Ownership Structure



Data Package

Tax Data: SG Germany GmbH

Current Tax Expense (from P&L)

Line Item	Amount (€)	Notes
Corporate income tax (Körperschaftsteuer)	8,200,000	15% federal CIT
Solidarity surcharge	451,000	5.5% of CIT
Trade tax (Gewerbesteuer)	3,100,000	~14% effective
Subtotal Current Tax (P&L)	11,751,000	

Taxes Outside P&L

Line Item	Amount (€)	Location
Tax on pension actuarial adjustment	45,000	OCI
Tax on hedging reserve movement	22,000	OCI

Tax Credits

Credit Type	Amount (€)	Refundable?	Within 4 Years?
R&D tax credit (Forschungszulage)	180,000	Yes	Yes

Non-Income Taxes (for classification)

Tax Type	Amount (€)	Classification
VAT (net payable)	2,400,000	?
Wage tax (employer)	890,000	?
Real property tax	125,000	?

Deferred Tax Expense

Item	Movement (€)	Rate	Nature
DTL on intangibles (IP amortisation)	+900,000	30%	Non-REA
DTL on PP&E (accelerated depreciation)	+400,000	30%	REA
DTA on provisions (accrued expenses)	-250,000	30%	
Valuation allowance release	-150,000	—	On Irish sub DTA
Rate change impact	+80,000	—	Country X rate reduction
Net Deferred Tax Expense	+980,000		

Uncertain Tax Positions

UTP Item	Amount (€)	Status
Transfer pricing reserve (current year)	280,000	Not yet resolved
Prior year UTP (settled and paid in FY 2025)	150,000	Paid

Excluded Income

Item	Amount (€)	Tax Impact
Dividend from SG France SAS (100% sub)	3,100,000	WHT: €0 (EU exemption)

GloBE Income (from Case Study 3): €53,700,000

Tax Data: SG Singapore Pte Ltd

Current Tax Expense

Line Item	Amount (€)	Notes
Singapore corporate tax	680,000	17% rate
Foreign tax credits utilised	(530,000)	On royalty income
Net Current Tax	150,000	

CFC Tax Exposure (in UK parent accounts)

Item	Amount (€)	Income Type
UK CFC charge on Singapore passive income	320,000	IP royalties
Singapore passive income under UK CFC	1,800,000	

Deferred Tax

Item	Movement (€)	Rate
DTL on IP capitalisation	+85,000	17%
DTA on tax losses	-40,000	17%
Net Deferred Tax	+45,000	

GloBE Income (from Case Study 3): €4,000,000

Tax Data: SG Ireland Ltd

Current Tax Expense

Line Item	Amount (€)	Notes
Irish corporation tax	1,875,000	12.5% rate
R&D tax credit	(225,000)	Knowledge Development Box

Dividend to UK Parent

Item	Amount (€)
Dividend paid to Stratos Holdings plc	500,000
Irish dividend WHT	0
UK WHT on receipt	0

Deferred Tax

Item	Movement (€)	Rate
DTL on R&D assets	+120,000	12.5%
Net Deferred Tax	+120,000	

GloBE Income (from Case Study 3): €15,000,000

Task 1: Covered Tax Classification—Germany

Your Task

Classify each tax line item as Covered Tax or Non-Covered Tax using the Article 4.2.1 framework. For the R&D credit, apply the QRTC test from Article 10.1.

Expected Deliverable

Classification Workpaper

#	Tax Item	Amount (€)	Category Test	Result
1	Corporate income tax	8,200,000		
2	Solidarity surcharge	451,000		
3	Trade tax (Gewerbesteuer)	3,100,000		
4	VAT	2,400,000		
5	Wage tax (employer)	890,000		
6	Real property tax	125,000		
7	R&D credit	(180,000)		

QRTC Verification (R&D Credit)

Question	Answer	Reference
Is the credit refundable as cash?		
Is refund available within 4 years?		
Can it settle non-tax liabilities?		

Question	Answer	Reference
Is refund limited to tax liability?		

Conclusion: _____

Classification Summary

Category	Items	Total (€)
Covered Taxes (P&L)		
Non-Covered Taxes		
QRTC (reclassify to income)		

Task 2: Current Tax Adjustments—Germany

Your Task

Apply Article 4.1.2 additions and Article 4.1.3 subtractions to the current tax starting point. Remember to consider the QRTC treatment and UTP adjustments.

Expected Deliverable

Starting Point

Current tax expense (P&L) : €_____

Additions (Article 4.1.2)

#	Item	Article	Amount (€)	Calculation
1	Tax in OCI (pension)	4.1.2(a)		

#	Item	Article	Amount (€)	Calculation
2	Tax in OCI (hedging)	4.1.2(a)		
3	Prior year UTP paid	4.1.2(c)		
4	QRTC reversal	4.1.2(d)		
	Total Additions			

Subtractions (Article 4.1.3)

#	Item	Article	Amount (€)	Calculation
1	Tax on excluded dividend	4.1.3(a)		
2	Current year UTP	4.1.3(d)		
	Total Subtractions			

Adjusted Current Tax

Current tax expense (P&L):	€_____
Additions:	€_____
Subtractions:	€_____

Adjusted Current Tax:	€_____

Corresponding GloBE Income Adjustment (if QRTC applies)

GloBE Income (from Case Study 3):	€_____
Add: QRTC (Article 3.2.4):	€_____

Adjusted GLOBE Income:	€_____

Task 3: Deferred Tax Adjustments—Germany

Your Task

Calculate the Total Deferred Tax Adjustment Amount (DTAA) by:

1. Applying the 15% rate cap (Germany's rate exceeds 15%)
2. Excluding valuation allowance movements (Article 4.4.1(c))
3. Excluding rate change impacts (Article 4.4.1(d))
4. Identifying REA vs non-REA items for tracking

Expected Deliverable

Starting Point

Deferred tax expense (P&L): €_____

Step 1: Apply 15% Rate Cap

Item	Original (30%)	Recast (15%)	Adjustment
DTL intangibles			
DTL PP&E			
DTA provisions			
Rate cap adjustment			

Step 2: Items to Exclude (Article 4.4.1)

Item	Amount	Article	Treatment
Valuation allowance release		4.4.1(c)	
Rate change impact		4.4.1(d)	

Step 3: DTAA Calculation

Item	Amount (€)
Items included at 15% cap	
Less: Items excluded	
Total DTAA	

Step 4: REA Classification for DTL Tracking

DTL	Amount (at 15%)	REA?	5-Year Tracking Required?

Task 4: Tax Allocation—Germany

Your Task

Determine whether any tax allocation adjustments are required for Germany under Article 4.3. Consider: - CFC tax push-down from UK parent - WHT allocation on dividends received

Expected Deliverable

CFC Tax Push-Down Analysis

Question	Answer
Does UK have CFC charge on German income?	
Is Germany a low-tax jurisdiction?	
CFC tax push-down to Germany	€____

WHT Allocation Analysis

Question	Answer
Was WHT paid on dividend from SG France?	
WHT reallocation amount	€____

Allocation Summary—Germany

Total tax allocation adjustments: €_____

Task 5: Total Adjusted Covered Taxes—Germany

Your Task

Combine your results from Tasks 2-4 to calculate Total Adjusted Covered Taxes and the ETR for Germany.

Expected Deliverable

Final Calculation

Component	Reference	Amount (€)
Adjusted Current Tax	Task 2	
Deferred Tax Adjustment (DTAA)	Task 3	
Tax Allocations	Task 4	
Total Adjusted Covered Taxes		

ETR Calculation

GloBE Income (adjusted): €_____

Adjusted Covered Taxes: €_____

ETR = _____ ÷ _____ = _____ %

Top-Up Tax assessment: _____

Task 6: Covered Tax Computation—Singapore

Your Task

Complete the full Covered Tax computation for Singapore, including: 1. Current tax adjustments 2. CFC tax push-down from UK (with passive income limitation) 3. Deferred tax adjustments (15% cap) 4. ETR calculation

Expected Deliverable

Current Tax Starting Point

Current tax expense (P&L): €_____

CFC Tax Push-Down (Article 4.3.2(c))

Step	Calculation	Result
Step 1: Singapore pre-push ETR	Local tax ÷ GloBE Income	
Step 2: Top-Up Tax %	15% – Pre-push ETR	
Step 3: Passive income cap	Passive income × Top-Up Tax %	
Step 4: Push-down amount	MIN(CFC tax, Cap)	

Adjusted Current Tax

Current tax expense: €_____

CFC tax push-down: €_____

Adjusted Current Tax: _____ € _____

Deferred Tax Adjustments (15% cap applies)

Item	At 17%	At 15%	DTAA
DTL on IP			
DTA on losses			
Total DTAA			

Total Adjusted Covered Taxes—Singapore

Component	Amount (€)
Adjusted Current Tax	
DTAA	
Total Adjusted Covered Taxes	

ETR Calculation—Singapore

GloBE Income: € _____

Adjusted Covered Taxes: € _____

ETR = _____ ÷ _____ = _____ %

Top-Up Tax % = 15% - _____ % = _____ %

Task 7: Covered Tax Computation—Ireland

Your Task

Complete the full Covered Tax computation for Ireland, including: 1. Current tax adjustments (analyse whether the R&D credit is a QRTC) 2. WHT allocation analysis 3. Deferred tax adjustments (note: Irish rate 12.5% is below 15%) 4. ETR calculation

Expected Deliverable

Current Tax Starting Point

Irish corporation tax:	€_____
Less: R&D credit:	€_____
Net per accounts:	€_____

QRTC Analysis—Irish R&D Credit

Question	Answer
Is the Knowledge Development Box a refundable credit?	
Conclusion: Is this a QRTC?	

Adjusted Current Tax

Adjusted Current Tax:	€_____
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WHT Allocation (Article 4.3.2(e))

Question	Answer
Was WHT paid on dividend to UK parent?	
WHT allocation from UK to Ireland	€____

Deferred Tax Adjustments

Item	At 12.5%	At 15%	Treatment
DTL on R&D assets			Rate < 15%, no change

DTAA: € _____

Total Adjusted Covered Taxes—Ireland

Component	Amount (€)
Adjusted Current Tax	
DTAA	
Total Adjusted Covered Taxes	

ETR Calculation—Ireland

GloBE Income: € _____

Adjusted Covered Taxes: € _____

ETR = _____ ÷ _____ = _____ %

Top-Up Tax % = 15% - _____ % = _____ %

Task 8: Consolidated Summary and UK Parent Position

Your Task

Prepare a consolidated summary of all jurisdictions and show the UK parent position after tax allocations.

Expected Deliverable

Jurisdiction Summary Table

Jurisdiction	GloBE Income (€)	Adj. Covered Taxes (€)	ETR	Top-Up Tax Exposure
Germany				
Singapore				
Ireland				

UK Parent Position (Post-Allocations)

Item	Original (€)	Allocated Out (€)	Remaining (€)
UK corporate tax	5,000,000	—	
CFC tax (Singapore)	320,000		
WHT on Irish dividend	0	—	
UK Covered Taxes			

Notes: _____

Model Answers

Answer 1: Germany Covered Tax Classification

Classification Workpaper

#	Tax Item	Amount (€)	Category Test	Result
1	Corporate income tax	8,200,000	Tax on own income? YES	COVERED
2	Solidarity surcharge	451,000	Component of CIT? YES	COVERED
3	Trade tax (Gewerbesteuer)	3,100,000	Tax on trading profits? YES	COVERED
4	VAT	2,400,000	Indirect tax? YES	NOT COVERED
5	Wage tax (employer)	890,000	Payroll tax? YES	NOT COVERED
6	Real property tax	125,000	Property tax? YES	NOT COVERED
7	R&D credit	(180,000)	QRTC test—see below	Special treatment

QRTC Verification (R&D Credit)

Question	Answer	Reference
Is the credit refundable as cash?	Yes	German Forschungszulage is refundable

Question	Answer	Reference
Is refund available within 4 years?	Yes	Paid with annual assessment
Can it settle non-tax liabilities?	Yes	Cash payment
Is refund limited to tax liability?	No	Paid regardless of tax position

Conclusion: R&D credit qualifies as QRTC → Treat as **income**, not reduction of Covered Taxes

Classification Summary

Category	Items	Total (€)
Covered Taxes (P&L)	CIT + Solidarity + Trade Tax	11,751,000
Non-Covered Taxes	VAT, Wage tax, Property tax	3,415,000
QRTC (reclassify to income)	R&D credit	180,000

Answer 2: Germany Current Tax Adjustments

Starting Point

Current tax expense (P&L) : €11,751,000

Additions (Article 4.1.2)

#	Item	Article	Amount (€)	Calculation
1	Tax in OCI (pension)	4.1.2(a)	+45,000	Direct from data

#	Item	Article	Amount (€)	Calculation
2	Tax in OCI (hedging)	4.1.2(a)	+22,000	Direct from data
3	Prior year UTP paid	4.1.2(c)	+150,000	Settled in FY 2025
4	QRTC reversal	4.1.2(d)	+180,000	R&D credit add-back
Total Additions			+397,000	

Subtractions (Article 4.1.3)

#	Item	Article	Amount (€)	Calculation
1	Tax on excluded dividend	4.1.3(a)	-0	No German tax on EU dividend
2	Current year UTP	4.1.3(d)	-280,000	TP reserve not resolved
Total Subtractions			-280,000	

Adjusted Current Tax

Current tax expense (P&L):	€11,751,000
Additions:	+€397,000
Subtractions:	-€280,000
 Adjusted Current Tax:	 €11,868,000

Corresponding GloBE Income Adjustment

GloBE Income (from Case Study 3):	€53,700,000
Add: QRTC (Article 3.2.4):	+€180,000

Adjusted GloBE Income: €53,880,000

Answer 3: Germany Deferred Tax Adjustments

Starting Point

Deferred tax expense (P&L): €980,000

Step 1: Apply 15% Rate Cap

German combined rate (30%) exceeds 15%. All deferred tax movements must be recast.

Item	Original (30%)	Recast (15%)	Adjustment
DTL intangibles	€900,000	€450,000	-€450,000
DTL PP&E	€400,000	€200,000	-€200,000
DTA provisions	(€250,000)	(€125,000)	+€125,000
Rate cap adjustment			-€525,000

Step 2: Items to Exclude

Item	Amount	Article	Treatment
Valuation allowance release	€150,000	4.4.1(c)	Exclude from DTAA
Rate change impact	€80,000	4.4.1(d)	Exclude from DTAA

Step 3: DTAA Calculation

Items to include at 15% cap: DTL intangibles (€450,000) + DTL PP&E (€200,000) – DTA provisions (€125,000) = **€525,000**

Excluded items (VA release and rate change) were not included above.

Total DTAA:	€525,000
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Step 4: REA Classification

DTL	Amount (at 15%)	REA?	5-Year Tracking Required?
Intangibles	€450,000	No	Yes—monitor 5 years
PP&E	€200,000	Yes (tangible assets)	No

Answer 4: Germany Tax Allocation

CFC Tax Push-Down Analysis

Question	Answer
Does UK have CFC charge on German income?	No — Germany is high-tax
Is Germany a low-tax jurisdiction?	No — ~30% rate
CFC tax push-down to Germany	€0

WHT Allocation Analysis

Question	Answer
Was WHT paid on dividend from SG France?	No — EU exemption
WHT reallocation amount	€0

Allocation Summary—Germany

Total tax allocation adjustments: €0

Answer 5: Germany Total Adjusted Covered Taxes

Final Calculation

Component	Reference	Amount (€)
Adjusted Current Tax	Task 2	11,868,000
Deferred Tax Adjustment (DTAA)	Task 3	525,000
Tax Allocations	Task 4	0
Total Adjusted Covered Taxes		12,393,000

ETR Calculation

GloBE Income (adjusted): €53,880,000

Adjusted Covered Taxes: €12,393,000

$$\text{ETR} = \frac{\text{Adjusted Covered Taxes}}{\text{GloBE Income (adjusted)}} = \frac{€12,393,000}{€53,880,000} = 23.0\%$$

Since 23.0% > 15%: NO TOP-UP TAX for Germany

Answer 6: Singapore Covered Tax Computation

Current Tax Starting Point

Current tax expense (P&L): €150,000

CFC Tax Push-Down (Article 4.3.2(c))

UK parent has CFC charge of €320,000 on Singapore passive income (€1,800,000).

Apply Passive Income Limitation (Article 4.3.3):

Step	Calculation	Result
Step 1: Singapore pre-push ETR	$\text{€150,000} \div \text{€4,000,000}$	3.75%
Step 2: Top-Up Tax %	$15\% - 3.75\%$	11.25%
Step 3: Passive income cap	$\text{€1,800,000} \times 11.25\%$	€202,500
Step 4: Push-down amount	MIN(€320,000, €202,500)	€202,500

Adjusted Current Tax

Current tax expense:	€150,000
CFC tax push-down:	+€202,500
Adjusted Current Tax:	€352,500

Deferred Tax Adjustments

Singapore rate (17%) > 15%, so cap applies:

Item	At 17%	At 15%	DTAA
DTL on IP	€85,000	€75,000	€75,000
DTA on losses	(€40,000)	(€35,294)	(€35,294)
Total DTAA	€45,000		€39,706

Calculation: Underlying timing differences recast at 15%

Total Adjusted Covered Taxes—Singapore

Component	Amount (€)
Adjusted Current Tax	352,500
DTAA	39,706
Total Adjusted Covered Taxes	392,206

ETR Calculation—Singapore

GloBE Income: €4,000,000

Adjusted Covered Taxes: €392,206

$$\text{ETR} = \text{€392,206} \div \text{€4,000,000} = 9.8\%$$

$$\text{Top-Up Tax \%} = 15\% - 9.8\% = 5.2\%$$

Answer 7: Ireland Covered Tax Computation

Current Tax Starting Point

Irish corporation tax: €1,875,000

Less: R&D credit: (€225,000)

Net per accounts: €1,650,000

QRTC Analysis—Irish R&D Credit

Question	Answer
Is the Knowledge Development Box a refundable credit?	No — KDB is a reduced tax rate (6.25%), not a refundable credit
Conclusion: Is this a QRTC?	No — remains as reduction to Covered Taxes

Adjusted Current Tax

Adjusted Current Tax: €1,650,000

WHT Allocation (Article 4.3.2(e))

Question	Answer
Was WHT paid on dividend to UK parent?	No — EU Parent-Sub exemption + Treaty
WHT allocation from UK to Ireland	€0

Deferred Tax Adjustments

Item	At 12.5%	At 15%	Treatment
DTL on R&D assets	€120,000	€120,000	No change (12.5% < 15%)

DTAA: €120,000

Note: Irish rate (12.5%) is below 15%, so DTLs remain at accounting rate.

Total Adjusted Covered Taxes—Ireland

Component	Amount (€)
Adjusted Current Tax	1,650,000
DTAA	120,000
Total Adjusted Covered Taxes	1,770,000

ETR Calculation—Ireland

GloBE Income:	€15,000,000
Adjusted Covered Taxes:	€1,770,000

$$\text{ETR} = €1,770,000 \div €15,000,000 = 11.8\%$$

$$\text{Top-Up Tax \%} = 15\% - 11.8\% = 3.2\%$$

Answer 8: Consolidated Summary

Jurisdiction Summary Table

Jurisdiction	GloBE Income (€)	Adj. Covered Taxes (€)	ETR	Top-Up Tax Exposure
Germany	53,880,000	12,393,000	23.0%	None
Singapore	4,000,000	392,206	9.8%	Yes (5.2%)
Ireland	15,000,000	1,770,000	11.8%	Yes (3.2%)

UK Parent Position (Post-Allocations)

Item	Original (€)	Allocated Out (€)	Remaining (€)
UK corporate tax	5,000,000	—	5,000,000
CFC tax (Singapore)	320,000	(202,500)	117,500
WHT on Irish dividend	0	—	0
UK Covered Taxes	5,320,000	(202,500)	5,117,500

Note: €117,500 of CFC tax remains in UK (passive income limitation applied)

Covered Tax Workpaper Template

Use this template for each jurisdiction:

COVERED TAX COMPUTATION WORKPAPER

Entity: _____

Jurisdiction: _____

Fiscal Year: _____

SECTION A: CURRENT TAX

A1	Current tax expense (P&L)	_____
A2	Add: Tax in OCI/Equity (Art. 4.1.2(a))	_____
A3	Add: Prior year UTP paid (Art. 4.1.2(c))	_____
A4	Add: QRTC reversal (Art. 4.1.2(d))	_____
A5	Less: Tax on excluded income (Art. 4.1.3(a))	_____
A6	Less: Current year UTP (Art. 4.1.3(d))	_____
A7	ADJUSTED CURRENT TAX	=====

SECTION B: DEFERRED TAX (DTAA)

B1	DT expense per P&L	_____
B2	Rate cap adjustment (if rate > 15%)	_____
B3	Exclude: Valuation allowance (Art. 4.4.1(c))	_____
B4	Exclude: Rate change (Art. 4.4.1(d))	_____
B5	Exclude: Tax credits (Art. 4.4.1(e))	_____
B6	TOTAL DTAA	=====

SECTION C: TAX ALLOCATIONS

C1	CFC tax push-down received	_____
C2	WHT allocated to this entity	_____
C3	PE tax allocated	_____
C4	TOTAL ALLOCATIONS	=====

SECTION D: TOTAL ADJUSTED COVERED TAXES

D1	Adjusted Current Tax (A7)	_____
D2	DTAA (B6)	_____

D3	Tax Allocations (C4)	_____
D4	TOTAL ADJUSTED COVERED TAXES	=====
SECTION E: ETR CALCULATION		
E1	GloBE Income	_____
E2	Adjusted Covered Taxes (D4)	_____
E3	ETR (E2 ÷ E1)	_____
E4	Top-Up Tax % (15% - E3, if positive)	_____

Learning Points

Point 1: QRTC Dual Adjustment

The German R&D credit is a QRTC and requires adjustments to BOTH: - **Covered Taxes:** Add back €180,000 (reverse accounting treatment) - **GloBE Income:** Add €180,000 (treat as income)

Forgetting either adjustment distorts the ETR calculation.

Point 2: Passive Income Limitation Prevents Full Push-Down

The UK CFC charge of €320,000 on Singapore could only be pushed down to the extent of €202,500 due to the passive income limitation. The remaining €117,500 stays in UK Covered Taxes.

Without this limitation, Singapore's ETR would be: - $(€150,000 + €320,000) ÷ €4,000,000 = 11.75\%$

With limitation: - $(€150,000 + €202,500) ÷ €4,000,000 = 8.8\%$

The limitation ensures the CFC push-down doesn't artificially eliminate Singapore's Top-Up Tax exposure.

Point 3: Rate Cap Creates Significant Adjustment

Germany's 30% rate means all deferred tax movements are recast at 15%—halving their GloBE impact. The €525,000 rate cap adjustment represents a material reduction from the €1,050,000 that would have been included at accounting rates.

Point 4: Irish KDB Is Not a QRTC

Unlike Germany's R&D credit, Ireland's Knowledge Development Box is a reduced tax rate (6.25% on qualifying IP income), not a refundable credit. It therefore reduces Covered Taxes directly rather than being treated as income.

Point 5: Document Classification Decisions

Each tax item requires explicit classification with reference to Article 4.2.1. The classification workpaper provides audit defence and ensures consistency across fiscal years.

Alternative Scenario: What If CFC Push-Down Were Unlimited?

For additional practice, consider this alternative scenario:

Assume: The passive income limitation under Article 4.3.3 did not exist.

Questions: 1. What would be Singapore's Adjusted Covered Taxes? 2. What would be Singapore's ETR? 3. What would be the impact on UK parent's Covered Taxes?

Analysis:

Without passive income limitation:

Singapore Adjusted Current Tax:

Local tax:	€150,000
Full CFC push-down:	+€320,000
Total:	€470,000

Singapore DTAA: €39,706

Singapore Total Covered Taxes: €509,706

Singapore ETR:

$$€509,706 \div €4,000,000 = 12.7\%$$

$$\text{Top-Up Tax \%} = 15\% - 12.7\% = 2.3\%$$

Impact comparison:

Scenario	Singapore ETR	Singapore Top-Up Tax %	UK CFC Tax Remaining
With limitation	9.8%	5.2%	€117,500
Without limitation	12.7%	2.3%	€0

Key insight: The passive income limitation preserves approximately 2.9% additional Top-Up Tax exposure in Singapore, preventing a high-tax parent from sheltering a low-tax subsidiary's income through CFC taxes.

Integration with GIR Filing

The Adjusted Covered Taxes calculated in this case study feed directly into **GIR-001 GloBE Calculator**:

GIR-001 Input	Data From This Case Study
Jurisdiction	Germany / Singapore / Ireland
GloBE Income	From Case Study 3 (adjusted for QRTC)

GIR-001 Input	Data From This Case Study
Adjusted Covered Taxes	€12,393,000 / €392,206 / €1,770,000

Tool Workflow:

1. Enter GloBE Income and Adjusted Covered Taxes into **GIR-001 GloBE Calculator**
2. GIR-001 Step 1 calculates the ETR automatically
3. GIR-001 Step 2 calculates SBIE (Substance-Based Income Exclusion)
4. GIR-001 Step 3 calculates Top-Up Tax

Use **GIR-001 GloBE Calculator** at tools.mojitax.com to verify your calculations and practice the complete ETR → SBIE → Top-Up Tax workflow.

Key References

OECD GloBE Model Rules: - Article 4.1.1 — Current tax starting point - Article 4.1.2 — Additions to Covered Taxes - Article 4.1.3 — Subtractions from Covered Taxes - Article 4.2.1 — Covered Tax definition (four categories) - Article 4.3.2(c) — CFC tax push-down - Article 4.3.3 — Passive income limitation - Article 4.4.1 — DTAA and 15% rate cap - Article 4.4.1(c) — Valuation allowance exclusion - Article 4.4.1(d) — Rate change exclusion - Article 3.2.4 — QRTC treatment as income - Article 10.1 — QRTC definition

Administrative Guidance: - February 2023: CFC push-down allocation rules - July 2023: Passive income limitation clarification - December 2023: QRTC verification guidance

OECD Commentary: - Chapter 4, paragraphs 1-68 — Covered Tax computation guidance

Next Step

You have completed Part 4: Adjusted Covered Taxes. With GloBE Income (Part 3) and Adjusted Covered Taxes (Part 4) calculated, you now have both components needed for the ETR calculation. Proceed to **Part 5: Top-Up Tax Calculation** to learn how to compute SBIE, the Top-Up Tax Percentage, and allocate Top-Up Tax under the IIR and UTPR charging mechanisms.