Potential Impact of Pillar II (Global Anti-Base Erosion Rules) to the Philippine Tax Incentives System*

I. INTRODUCTION

The Pillar II Model rules [Organisation for Economic Co-operation and Development (OECD), 2021] provide governments with a tool to address the tax challenges arising from digitalization and globalization of the economy. Pillar II attempts to limit tax competition by introducing a globally uniform floor, below which low tax rates or certain fiscal policy measures would be largely ineffective.

The rules define the scope and set out the mechanism for the so-called Global Anti-Base Erosion (GloBE) rules, which will introduce a global minimum corporate tax rate of 15%. The minimum tax will apply to multinational entities (MNEs) with revenue above EUR 750 million.

The GloBE rules provide a coordinated system of taxation intended to ensure large MNE Groups pay the 15% minimum tax on income arising in each of the jurisdictions in which they operate. The rules create a "top-up tax" to be applied on profits in any jurisdiction whenever the effective tax rate (ETR), determined on a jurisdictional basis, falls below the minimum 15% tax rate.

As tax incentives offered under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act [i.e., income tax holiday (ITH), enhanced deductions (ED), and 5% special corporate income tax (SCIT)] generally lower the ETR of registered business enterprises (RBEs), any top-up tax paid by MNEs in their home jurisdiction on income earned in the Philippines may be considered as tax forgone by the Philippine Government.

In the initial analysis based on the 2020 Tax Incentives Management and Transparency Act (TIMTA) reports, the average ETR of the majority of foreign-owned RBEs that may be subject to global minimum tax is 4%, making income earned in the Philippines vulnerable to top-up taxes collectible in other jurisdictions.

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Had the GloBE rules been implemented in 2020, the estimated top-up tax to be paid to other jurisdictions would amount to P19.60 billion, representing potential taxes that the Philippine Government would have forgone. From this amount, P14.68 billion is attributable to Japan, United States of America, and Netherlands, all of which are members of the OECD.

As it stands, Pillar II is a legitimate reason to revisit the implementation of the current tax incentives offered in the Philippines and the changes needed thereto to manage the impact in terms of tax revenue and attracting foreign direct investments.

II. BACKGROUND OF BASE EROSION AND PROFIT SHIFTING

Based erosion and profit shifting (BEPS) practices enable MNEs to exploit loopholes and mismatches in the tax systems of different jurisdictions resulting in a race to the bottom for corporate tax. Per OECD, BEPS practices cost countries around USD 100 to 240 billion in lost revenue annually, which is the equivalent of 4% to 10% of the global corporate income tax (CIT) revenue (OECD, 2020).

The concern about BEPS is so prevalent that the OECD/Group of Twenty (OECD/G20) countries developed the BEPS Project in 2015. The BEPS Project provides 15 actions that equip governments with domestic and international instruments to manage tax avoidance. These instruments are used to ensure that profits are taxed where economic activities generating such profits are performed and where value is created.

In 2016, the OECD/G20 Inclusive Framework (IF) on BEPS was established. It allows interested countries and jurisdictions, including developing economies, to participate on an equal footing in the development, implementation, and monitoring of the OECD/G20 BEPS Project.

Action 1 of the BEPS Project addresses the tax challenges raised by digitalization, which is currently the top priority for the OECD/G20 IF and has been a critical area of focus of the OECD/G20 BEPS Project since its inception. A two-pillar solution was proposed to solve these tax challenges:

a. Under Pillar I, market jurisdictions (i.e., those territories where sales arise) are given taxing rights over a portion of the residual profits of the largest and most profitable MNEs to ensure a fairer distribution of profits. With this, more than USD 125 billion of profit is expected to be reallocated to market jurisdictions annually; and

b. Under Pillar II, large MNEs are guaranteed to pay a global minimum corporate tax of 15% on the income arising in each jurisdiction they operate to limit competition on corporate tax. Based on the latest estimates of the OECD, Pillar II is expected to generate an additional USD 175 to 261 billion in new tax revenues annually.

As of December 2022, 142 countries and jurisdictions are members of the IF on BEPS, of which more than two-thirds are non-OECD/non-G20 countries, and nearly half are developing economies (OECD, 2022) (See Annex A.). Of this number, 138 countries and jurisdictions have also joined the statement on the Two-Pillar Solution (OECD, 2022). Several Association of Southeast Asian Nations (ASEAN) member countries are members of the IF which include Indonesia, Malaysia, Singapore, Thailand, and Vietnam. As of date, the Philippines is not a member and signatory of the IF.

Membership in the IF on BEPS has several implications for the Philippines. By joining the IF, the country can gain access to BEPS minimum standards such as rules on transfer pricing and harmful tax practices. Further, the country can enhance its cooperation with other members, improve tax transparency through Common Reporting Standards (CRS)[9], and potentially improve revenue collection by implementing the BEPS recommendations that prevent profit shifting. A country's reputation can also benefit from membership in the IF as it signals to the global community that it is committed to international tax cooperation and transparency.

On the other hand, joining the IF can increase compliance costs for taxpayers due to additional reportorial requirements. The Bureau of Internal Revenue (BIR) will need additional capacity building and more staff to enforce the BEPS rules. Implementing the BEPS recommendations may also require amendments to the tax law and regulations. Finally, joining the IF may be seen as a loss of tax sovereignty as the country must commit to implementing OECD's CRS for the automatic exchange of financial information.

III. PILLAR II GLOBE RULES

Pillar II introduced the GloBE rules which attempt to address the tax challenges by limiting tax competition and ensuring that MNEs pay a minimum level of tax regardless of where they operate. The rules create a "top-up tax" to be applied on profits whenever the ETR, determined on a jurisdictional basis, falls below the minimum 15% corporate income tax rate. Effectively, Pillar II will introduce a globally uniform floor for income taxes, below which low tax rates or certain fiscal policy measures would be largely ineffective.

The GloBE rules mainly consist of two interlocking types of rules: the income inclusion rule (IIR) and the undertaxed payments rule (UTPR) (See Annex B.). Together, the IIR and UTPR are known as the GloBe rules which operate to impose a top-up tax at a jurisdictional level based on a common definition of covered taxes and tax base using an ETR test (OECD, #2021). Ultimately, implementing the GloBe rules could potentially increase the tax collections of the Philippine Government as the measure prevents MNEs from shifting profits to low-tax jurisdictions. The GloBE rules can likewise promote a more equitable tax system as it prevents tax avoidance.

[9] CRS refers to OECD's automatic exchange of financial information between tax authorities.

A. The IIR

The IIR will be applied by and collected in the jurisdiction of the parent entities of the MNE, but will be based on the ETR computed for each jurisdiction it operates or has subsidiaries. Under the IIR, MNEs are required to compute the ETR for each jurisdiction they are operating and pay "top-up tax" for the difference between the ETR per jurisdiction and the 15% minimum tax rate. The minimum tax is paid at the level of the parent entity, in proportion[10] to its ownership interests in those entities with low-taxed income.

B. The UTPR

The UTPR serves as a backstop to the IIR and guarantees that the minimum tax is paid in cases where an entity located in a low-taxed jurisdiction is held through a chain of ownership that does not result in the imposition of the IIR on the low-taxed income. Such is usually the case when the jurisdiction of the ultimate parent entity does not impose the GloBE rules.

Under the UTPR, an adjustment (such as a denial of a deduction) shall be required to increase the tax at the group entity level. The adjustment shall be sufficient to result in the group entities paying their share of the top-up tax remaining after the IIR. The UTPR allocates the top-up tax among jurisdictions where the group has constituent entities based on where the group´s tangible assets and employees are located instead of by ownership.

Mechanism for GloBE rules

The GloBE rules will apply to MNEs with consolidated revenues of at least EUR 750 million. Nonetheless, countries can apply the IIR to MNEs headquartered in their jurisdiction regardless of the threshold (OECD, 2023).

However, there are entities that are excluded even if the MNE group remains subject to the GloBE rules. The Pillar II model rules do not apply to government entities, international organizations, and non-profit organizations (preserving domestic tax exemptions for sovereign, non-profit, and charitable entities). They also do not apply to entities that meet the definition of a pension, investment, or real estate fund.

Pillar II also provides for de minimis exclusion when there is a relatively small amount of revenue and income in a jurisdiction. The top-up tax for the constituent entities located in a low-taxed jurisdiction shall be deemed to be zero for a fiscal year if the following thresholds are met: the average GloBE revenue from the jurisdiction is less than EUR 10 million, and the average GloBE income or loss from the jurisdiction is a loss or is less than EUR 1 million.

[10] Generally, the IIR is applied at the level of the ultimate parent entity and works its way down the chain of ownership. However, rules are also provided to allow the IIR to be applied by a parent entity in which there is a significant minority interest, to minimize leakage of low-taxed income.

In computing for the income subject to the GloBE rules, the Pillar II Model rules also provide for substance-based carve-outs to encourage companies to have a physical presence and create jobs in jurisdictions where they operate. Under the substance-based carve-out rule, the income to be multiplied by the top-up tax percentage shall be reduced by a 5% payroll carve-out[11] and an 8% tangible asset carve-out[12], ultimately reducing the top-up tax liability. Both carve-out rates shall be phased down to 5% over 10 years (OECD, 2023).

Qualified Domestic Minimum Top-up Tax

The Pillar II Model rules also contemplate the possibility that jurisdictions would introduce their own qualified domestic minimum top-up tax (QDMTT) based on the GloBE mechanics. Any QDMTT to be imposed shall be entirely creditable against any liability under the GloBE, thereby preserving a jurisdiction's primary right of taxation over its own income (OECD, 2023).

Implementation of the GloBE Rules

The GloBE rules were envisioned to be implemented by 2023. However, jurisdictions such as the European Union, the United Kingdom, and Hong Kong already expressed that they are to delay the implementation of the IIR from the original OECD timeline to 2024 at the earliest (Ernst & Young, 2022).

As for the ASEAN region, the implementation of GloBE rules remains at the policy development stage, with the majority of the region reviewing the technical details of implementing IIR, UTPR, and QDMTT (See Annex C.). Singapore and Thailand are also reported to be reviewing their tax incentive schemes to ensure that they remain competitive in attracting investments (See Annex D.).

III. PHILIPPINE TAX INCENTIVES SYSTEM

Generally, domestic corporations are subject to 25% or 20%[13] regular corporate income tax (RCIT) on net taxable income depending on the amount of net taxable income and total assets. Alternately, a 2%[14] minimum corporate income tax (MCIT) on gross taxable

[11] Eligible payroll costs of eligible employees that perform activities for the MNE Group in such jurisdiction.

[12] Based on the carrying value of eligible tangible assets located in such jurisdiction (i.e., property plant and equipment, natural resources and lessee's right of use of tangible assets).

[13] Corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million, excluding land, shall be subject to 20% RCIT in accordance with Section 27 of the Tax Code, as amended by the CREATE Act.

[14] The MCIT was reduced to 1% from 1 July 2020 until 30 June 2023 under the CREATE Act.

income may be imposed if the resulting RCIT is lower than the MCIT computed (National Internal Revenue Code of 1997, as amended).[15]

However, like other jurisdictions, the Philippines offers tax incentives to attract foreign investments, which can decrease the ETR of an RBE below the 15% minimum tax rate.

Under the CREATE Act (2021), the available tax incentives to RBEs include: (a) ITH; (b) 5% SCIT rate; (c) ED; (d) duty exemption on importation of capital equipment, raw materials, spare parts, or accessories; (e) value added tax (VAT) exemption on importations; and (f) VAT zero-rating on local purchases.

The ITH is generally followed by the SCIT or the ED. The SCIT is a tax rate equivalent to 5% based on the gross income earned in lieu of all national and local taxes and is only available to export-oriented enterprises. On the other hand, the ED is available to both export-oriented and domestic market enterprises. In no case shall the ED be granted simultaneously with the SCIT.[16]

The CREATE Act also provides for up to a 40-year tax incentive package for highly desirable projects or activities. Projects with an investment capital of at least P50 billion or those which will generate at least 10,000 jobs may be granted an ITH not exceeding eight years and, thereafter, a 5% SCIT, with a total incentive period of up to 40 years.[17]

Earlier version of tax incentives reform

As part of the tax reform to rationalize tax incentives, the Department of Finance previously proposed in earlier versions of Package 2 of the Comprehensive Tax Reform Program, which eventually resulted in the enactment of CREATE Act, to reduce the CIT of incentivized projects of RBEs at 15% of the net taxable income (Corporate Income Tax and Incentives Reform Act, H.B. No. 7982, 2010)[18]. However, this proposal was replaced in favor of the tax incentives package available today. Had this provision materialized, the 15% CIT could have addressed the potential tax foregone by the Philippine Government in the face of the GloBE rules.

[15] Section 27 of the Tax Code, as amended by the CREATE Act.

[16] Section 295 of the Tax Code, as amended by the CREATE Act.

[17] Section 301 of the Tax Code, as amended by the CREATE Act.

[18] Section 292 (A) (b), Chapter II of House Bill No. 7982.

IV. POTENTIAL IMPACT OF GloBE RULES TO THE TAX INCENTIVES SYSTEM

The GloBE rules will have an immediate impact on the overall tax burden and tax compliance of large internationally operating businesses. MNEs will need to be able to calculate the jurisdictional top-up tax in each country where they operate and allocate any top-up tax amount accordingly. Further, a re-examination of existing global transfer pricing documentation is needed. There are also significant implications for international investment and investment policies. Tax is an important determinant of foreign direct investment, and tax rates enter into investment decisions that may affect locational choices.

Policy Implication

As the Philippine headline CIT rate is well above the proposed 15% global minimum tax rate, income from corporations subject to the RCIT rate is almost assured to be spared from being taxed in other jurisdictions.

However, if an MNE subject to the GloBE rules operates or has subsidiaries in the Philippines and such subsidiaries are availing tax incentives, the MNE may be forced to pay an additional top-up tax in its home jurisdiction in case the ETR of the Philippine subsidiaries fall below the 15% minimum tax rate due to tax relief provided by income-based tax incentives.

The mechanism under Pillar II is expected to significantly reduce the effectiveness of income-based tax incentives in attracting efficiency-seeking investments, or those whose primary motivation for choosing a location is cost-effectiveness. Nonetheless, the GloBE rules do not affect non-income-based tax incentives such as customs duty exemption, VAT exemption on importations, and VAT zero-rating on local purchases.

Based on the TIMTA data from 2016 to 2020, the VAT and customs duty incentives comprise the largest share of tax forgone on average at 60.42% and 12.96%, respectively (See Annex E.).

Implication on government revenues

As of November 2022, there are 2,762 RBEs[19] which are majority foreign-owned. Out of the 2,762 firms, 807 firms are majority-owned[20] by Japanese stockholders (See Annex F.). Japan has already included the IIR under Pillar II in its proposed 2023 Tax Reform Package. Once passed, this will be deemed effective from the fiscal year beginning in or after April 2024 (PricewaterhouseCoopers, 2023).

[19] Based on the IPA-submitted masterlist of RBEs as of 31 December 2021, monthly list of IPA-approved projects with investment capital P1 billion and below, and list of Fiscal Incentives Review Board (FIRB)-approved projects.

[20] With at least 50% foreign ownership interest.

To estimate the potential revenue impact of the GloBE rules, a sample of majority foreign-owned RBEs with net sales of at least P582.75 million (EUR 10 million)[21] and net taxable income of P58.27 million (EUR 1 million) were selected following the de minimis rules of the Pillar II guidelines. The following observations may be noted (See Table 1 and Annex G.):

a. The average ETR for RBEs is 4% based on net taxable income, bringing the average potential top-up tax to 11%[22];

b. Had the GloBE rules been implemented in 2020, the estimated top-up tax to be paid to the home jurisdiction of the MNEs for the year would have been P19.6 billion representing tax forgone for the Philippine Government; and

c. The ETR for revenues under the regular tax regime (after the ITH) is expected to be above the 15% minimum tax rate, but this must be reevaluated once RBEs are already applying its ED.

Table 1

Estimated Top-Up Tax (in million pesos)

Particulars	Exempt	Special	Regular	Total
Net taxable income	29,832.28	138,914.19	5,327.81	174,074.28
Income tax due	-	4,616.41	2,003.03	6,619.44
Average ETR	-	3%	20%	4%
Average top-up tax rate	15%	12%	0%	11%
Total top-up tax	4,468.80	16,173.33	(1,040.64)	19,601.49

Note: As the top-up tax is computed on a jurisdictional level, losses per tax regime are considered in the computation.

Analyzing the potential revenue impact based on the distribution of tax regimes applicable, the average ETR of RBEs purely subject to SCIT is only 3.74%, while RBEs subject to both ITH and SCIT have a lower average ETR at 2.65%.

[21] EUR 1 = PHP 58.27.

[22] Due to lack of available data on financial income of RBEs, net taxable income per 2020 TIMTA is used to compute for the ETR in lieu of GloBE income.

Table 2

Distribution of Estimated Top-Up Tax on a Per RBE-Level (in million pesos)

Particulars	Pure ITH	Pure SCIT	ITH + SCIT	ITH + Regular	SCIT + Regular	Mixed	Total
No. of RBEs	4	93	53	2	48	36	236
Net taxable Income	839.84	39,587.43	60,876.57	380.37	19,492.43	52,897.63	174,074.28
Income tax due	0.00	1,486.01	1,435.43	102.03	1,025.47	2,570.50	6,619.44
Average ETR	0.00%	3.74%	2.65%	26.01%	5.78%	4.19%	4.10%
Average top-up tax rate	15.00%	11.26%	12.35%	0.00%	9.54%	10.81%	11.05%
Total top-up tax	125.98	4,452.10	7,696.05	0.00	1,963.22	5,364.14	19,601.49

Note: As top-up tax is computed on a jurisdictional level, losses per tax regime are not taken out of the computation.

While the Philippines will forgo tax collections due to the non-implementation of the GloBE rules, the tax leakage per registered activity is only anticipated to last a maximum of 17 years. Thereafter, RBEs shall be subject to a CIT rate of 25% which is well above the proposed 15% minimum tax rate.

Conversely, there are also a number of Philippine conglomerates with foreign subsidiaries (See Annex H.). This list includes the International Container Terminal Services Inc. (ICTSI)[23], which operates in at least 36 jurisdictions.

Should the Philippines implement a qualified IIR, additional top-up tax may be collected by the Government from income arising from other jurisdictions that have less than 15% ETR. On the contrary, failure to introduce a qualified IIR means that the additional top-up tax that should have been collected in the Philippines may be subject to a qualified UTPR by jurisdictions where constituent entities of the MNE are located.

Estimating the IIR will depend on a number of factors, including global profits and jurisdictional ETRs (See Annex B.). Due to data limitations on each of the foreign subsidiaries' financial information and tax payments, the revenue impact of the IIR cannot be reliably determined.

[23] Per GloBE rules, income derived from international shipping and from qualified ancillary international shipping are excluded from the computation of GloBE income or loss, provided that the entity will demonstrate that the strategic or commercial of all ships concerned is effectively carried on from within the jurisdiction where the entity is located. However, net income obtained from transporting passengers or cargo by ships via inland waterways within the same jurisdiction are not excluded.

Alternate measures to the IIR and the UTPR

True to the goal of Pillar II to stop the race to the bottom among jurisdictions, policymakers can propose the abolition of the current income tax incentives and propose the gradual reduction of the CIT rate for incentivized projects of RBEs to 15% of the net taxable income. However, the abolishment of current CIT incentives would require legislative action as this is considered an amendment to the NIRC of 1997, as amended. Nonetheless, this proposal is expected to bring fewer complications to the tax system, address transfer pricing issues at the project level, and make monitoring and administration easier for the tax authorities making this the optimal solution in the long run.

As a short-term response, policymakers can propose to implement a QDMTT to reduce the amount of top-up tax that may otherwise be collectible in another jurisdiction. However, aside from the fact that implementing a QDMTT requires legislative action, the operability of a QDMTT is based on a complex set of rules and calculations which can increase the cost of compliance for taxpayers and make the tax system more difficult to administer. Ultimately, while the QDMTT addresses concerns about the GloBE rules, it would only serve as a band-aid solution to the changing tax landscape.

Instead of providing income tax incentives, the Government can also consider promoting investment tax credits[24] to businesses that invest in certain areas or industries. This can be a more targeted approach to encourage specific types of investments. Investment tax credits may be offered as a percentage of the total investment, as a fixed amount, or as a percentage of the cost savings associated with the investment. Further, tax credits may be refundable in cases where the tax credits exceed the company's tax liability.

Other tools which may be employed to attract investments that are not tied to income tax incentives include a range of incentives such as tax credits, grants, loans, workforce training programs, and other forms of financial assistance.

Policymakers can also consider stricter implementation of the grant and monitoring of income tax incentives to reduce the possible tax forgone for the Philippines in the face of the GloBE rules. One way to achieve this is by implementing a more stringent and narrower list of eligible activities for tax incentives under the Strategic Investment Priorities Plan (SIPP), and considering the potential impact of the GloBE rules in conducting the ex-ante cost-benefit analysis.

Furthermore, stricter guidelines may be established by the BIR for monitoring tax incentives. This may be applied by limiting the qualified additional deductible expenses for the ED, as well as stricter interpretation of direct costs when computing the GIE under the 5% SCIT.

By implementing these measures, policymakers can help ensure that tax incentives are given only to performing businesses and industries while minimizing potential revenue losses due to the GloBE rules.

[24] Investment tax credit permits businesses to deduct a specified percentage of certain investment costs from their tax liability.

V. CONCLUSION

Pillar II is a legitimate reason to revisit the implementation of the current tax incentives of the country and the changes needed thereto. Ignoring the impacts of Pillar II will result in forgone revenues for the Philippines that will otherwise be collected by other countries. Also, this could leave the country with tax incentives that are ineffective in attracting investments.

However, it is important to note that there are factors, other than tax incentives, that are more compelling and are given more weight in investment decisions, such as government bureaucracy, infrastructure, and the magnitude of corruption.[25] The use of tax incentives to remedy structural inefficiencies can only offer short-term results and requires reinforcement through permanent solutions that fall beyond the scope of fiscal incentives.

[25] Based on the Global Competitiveness Report published by the World Economic Forum (2017-2018).

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Annex A

Members of the OECD/G20 Inclusive Framework on BEPS as of December 2022[26]

1. Albania
2. Andorra
3. Angola
4. Anguilla
5. Antigua and Barbuda
6. Argentina
7. Armenia
8. Aruba
9. Australia
10. Austria
11. Azerbaijan
12. The Bahamas
13. Bahrain
14. Barbados
15. Belarus
16. Belgium
17. Belize
18. Benin
19. Bermuda
20. Bosnia and Herzegovina
21. Botswana
22. Brazil
23. British Virgin Islands
24. Brunei Darussalam
25. Bulgaria
26. Burkina Faso
27. Cabo Verde
28. Cameroon
29. Canada
30. Cayman Islands
31. Chile
32. China (People's Republic of)
33. Colombia
34. Congo
35. Cook Islands
36. Costa Rica
37. Côte d'Ivoire
38. Croatia
39. Curaçao
40. Czech Republic
41. Democratic Republic of the Congo
42. Denmark
43. Djibouti
44. Dominica
45. Dominican Republic
46. Egypt
47. Estonia
48. Eswatini
49. Faroe Islands
50. Finland
51. France
52. Gabon
53. Georgia
54. Germany
55. Gibraltar
56. Greece
57. Greenland
58. Grenada
59. Guernsey
60. Haiti
61. Honduras
62. Hong Kong, China
63. Hungary
64. Iceland
65. India
66. Indonesia
67. Ireland
68. Isle of Man
69. Israel
70. Italy
71. Jamaica
72. Japan
73. Jersey
74. Jordan
75. Kazakhstan
76. Kenya
77. Korea
78. Latvia
79. Liberia
80. Liechtenstein
81. Lithuania
82. Luxembourg
83. Macau, China
84. Malaysia
85. Maldives
86. Malta
87. Mauritania
88. Mauritius
89. Mexico
90. Monaco
91. Mongolia
92. Montenegro
93. Montserrat
94. Morocco
95. Namibia

[26] Members of the OECD/G20 Inclusive Framework on BEPS. Retrieved 8 February 2023, from https://www.oecd.org/tax/beps/inclusive-framework-on-beps-composition.pdf

96. Netherlands	112. Saint Kitts and Nevis	127. Sri Lanka
97. New Zealand	113. Saint Lucia	128. Sweden
98. Nigeria	114. Saint Vincent and the Grenadines	129. Switzerland
99. North Macedonia		130. Thailand
100. Norway	115. Samoa	131. Togo
101. Oman	116. San Marino	132. Trinidad and Tobago
102. Pakistan	117. Saudi Arabia	133. Tunisia
103. Panama	118. Senegal	134. Türkiye
104. Papua New Guinea	119. Serbia	135. Turks and Caicos Islands
105. Paraguay	120. Seychelles	136. Ukraine
106. Peru	121. Serra Leone	137. United Arab Emirates
107. Poland	122. Singapore	138. United Kingdom
108. Portugal	123. Slovak Republic	139. United States
109. Qatar	124. Slovenia	140. Uruguay
110. Romania	125. South Africa	141. Viet Nam
111. Russian Federation	126. Spain	142. Zambia

Source: OECD website

Out of 142 members of the OECD/G20 Inclusive Framework on BEPS, only Kenya, Nigeria, Pakistan, and Sri Lanka did not join the Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalization of the Economy as of 16 December 2022.[27]

[27] Members of the OECD/G20 Inclusive Framework on BEPS joining the October ... (n.d.). Retrieved February 13, 2023, from https://www.oecd.org/tax/beps/oecd-g20-inclusive-framework-members-joining-statement-on-two-pillar-solution-to-address-tax-challenges-arising-from-digitalisation-october-2021.pdf

Annex B

Summary of GloBE Rules Pillar II Principles and Mechanics

Income Inclusion Rule (IIR)	
Mechanics	The tax imposed under the IIR is a “top-up tax” calculated and applied at a jurisdictional level. The IIR uses a standardized base and definition of covered taxes to identify those jurisdictions where an MNE is subject to an effective tax rate below 15%. It then imposes a coordinated tax charge that brings the MNE’s effective tax rate on that income up to the minimum rate.
Type of tax	Minimum effective income tax
Collecting jurisdiction	Jurisdiction of the parent entity, in proportion to its ownership interest in those entities in low-taxed jurisdiction.
Computation[28]	$Jurisdictional\ top\ up\ Tax = (Top\ up\ tax\ \% * Jurisdictional\ excess\ profit) - Qualified\ domestic\ minimum\ top\ up\ tax$ wherein: $Top - up\ tax\ percentage = Minimum\ Tax\ Rate - Jurisdictional\ ETR$ $Jurisdictional\ Effective\ Tax\ Rate\ (ETR) = \frac{Covered\ taxes\ calculated\ on\ a\ jurisdictional\ basis}{GloBE\ income\ calculated\ based\ on\ jurisdictional\ basis}$ $Jurisdictional\ Excess\ Profit = GloBE\ income - Substance\ based\ income\ exclusion$ **GloBE Income** Financial income adjusted for the following: *(a) net taxes expense; (b) excluded dividends; (c) excluded equity gain or loss; (d) included revaluation method gain or loss; (e) gain or loss from disposition of assets and liabilities; (f) asymmetric foreign currency gains or losses; (g) policy disallowed expenses; (h) prior period errors and changes in accounting principles; and (i) accrued pension expense.* ***Substance-Based Income Exclusion:*** *the sum of the payroll carve-out and the tangible asset carve-out for each constituent entity, except for constituent entities that are Investment entities in that jurisdiction.*

[28] *Key operating provisions of the Globe Rules - OECD*. (n.d.). Retrieved January 31, 2023, from https://www.oecd.org/tax/beps/pillar-two-GloBE-rules-fact-sheets.pdf

	Covered Taxes: *Refers to the following taxes:* *a) Taxes recorded in the financial accounts of a constituent entity with respect to its income or profits or its share of the income or profits of a constituent entity in which it owns an ownership interest;* *b) Taxes on distributed profits, deemed profit distributions, and non-business expenses imposed under an eligible distribution tax system;* *c) Taxes imposed in lieu of a generally applicable corporate income tax; and* *d) Taxes levied by reference to retained earnings and corporate equity, including a Tax on multiple components based on income and equity.* ***Qualified domestic minimum top-up tax:*** *a minimum tax that is included in the domestic law of a jurisdiction that is implemented and administered in a way that is consistent with the outcomes provided for under the GloBE Rules and the Commentary*

Undertaxed Payments Rule (UTPR)	
Mechanics	If there is low-taxed income beneficially owned by an ultimate parent entity that is not brought into charge under an IIR (i.e., the jurisdiction of the ultimate parent entity does not impose global minimum tax), then the low-taxed income is subject to the back-up mechanism of the UTPR. It can also apply in respect of the top-up tax that arises in relation to the low-tax outcomes in the jurisdiction of the ultimate parent. Constituent entities of an MNE Group subject to UTPR shall be denied a deduction (or required to make an equivalent adjustment under domestic law) in an amount resulting in those constituent entities having an additional cash tax expense equal to the UTPR top-up tax amount for the fiscal year allocated to that jurisdiction.
Type of tax	Additional income tax through disallowance of deductible expenses
Collecting jurisdiction	Jurisdictions in which the MNE Group has constituent entities based on where the group's tangible assets and employees are located instead of by ownership
Computation	$Disallowed\ deductible\ expense = \frac{Total\ Jurisdictional\ top\ up\ tax - Jurisdictional\ top\ up\ Tax\ under\ IIR}{Jurisdictional\ statutory\ tax\ rate}$ *Wherein:* *The total UTPR top-up tax amount shall be equal to the sum of the top-up tax calculated for each low-taxed constituent entity of an MNE Group reduced by a parent entity's allocable share of the top-up tax that is brought into charge under a qualified IIR.*

Annex C

ASEAN Region Response to the GloBE rules

Country	IIR	UTPR	QDMTT	Current implementation
Philippines				The Philippine House Committee on Ways and Means has formed a working group with the DOF to study the implications of imposing a minimum income tax of 15% on the book income of corporations.
Singapore	✓ **TBA***	✓ **TBA**	✓ **2025**	On 14 February 2023, Singapore announced in its Budget 2023 that it will implement GloBE rules and a QDMTT of 15% for fiscal years starting on or after 1 January 2025. The IIR and UTPR are also anticipated to be adopted by Singapore, though no specifics have been announced to date.
Malaysia			✓ **2024**	On 7 October 2022, as part of the Government's Budget 2023 proposals, the Minister of Finance reaffirmed Malaysia's commitment to implement Pillar II and stated that Malaysia is targeting to implement a QDMTT in 2024. Malaysia is currently reviewing technical details for implementing the IIR, UTPR, and QDMTT.
Indonesia	✓ **2024**	✓ **2025**	✓ **TBA**	In December 2022, the Indonesian Government issued regulation No. 55/2022 ("GR-55"), which serves as a legal basis to adopt Pillar I and Pillar II. Indonesia is planning to design regulations to implement the IIR by 2024 and the UTPR by 2025. Indonesia is also considering a QDMTT in line with the GloBE 15% minimum tax.
Thailand			✓ **TBA**	On 15 February 2023, the representative of the Revenue Department announced during the 2023 OECD conference on tax and development that a set of domestic policies will be prepared for the government's review within 2023. The policies will incorporate certain aspects of the global minimum tax and will encompass a new domestic tax incentive policy, a domestic minimum top-up tax, as well as any necessary legislation. The government intends to disclose details on tax incentives, and make adjustments to maintain consistency with Pillar II.
Vietnam			✓ **2023 -2025**	On 22 November 2022, the Ministry of Finance (MOF) issued a decision approving a tax reform plan, under which the MOF will research and propose local legislation in line with the BEPS 2.0 rules. New regulations may apply between 2023-2025. QDMTT is under consideration for Vietnam, but technical details are still under review.

Source: Implementation of Pillar Two in the Asia- Pacific Region and Capacity building initiatives, Asian Development Bank
*To be announced

Annex D

Matrix of Selected Tax Incentives in the ASEAN Region

Nature of relief	Type of incentive	To be affected by the GloBE rules?	Philippines	Indonesia[29]	Malaysia[30]	Singapore[31]	Thailand[32]	Vietnam[33]
Income-based incentives	Income tax holiday	More likely	4-7 years	5-20 years	5-10 years	5-15 years	up to 13 years	2-4 years
	Preferential GIE	More likely	5% GIE for 10 years for exporters	none	none	none	none	none

[29] The role of investment incentives in Indonesia, retrieved from: https://www.oecd-ilibrary.org/sites/b0cf41ab-en/index.html?itemId=/content/component/b0cf41ab-en#section-d1e17417; PwC Worldwide Tax Summaries, retrieved from: https://taxsummaries.pwc.com/indonesia/corporate/tax-credits-and-incentives;

[30] Malaysian Investment Development Authority: Incentives for New Investments, retrieved from: https://www.mida.gov.my/wp-content/uploads/2020/07/Chapter-2-Incentives-for-New-Investments.pdf; Malaysian PwC Tax Booklet (2021/2022), retrieved from: https://www.pwc.com/my/en/assets/publications/2021/2021-2022-Malaysian-Tax-Booklet.pdf

[31] Economic Expansion Incentives Act 1967, 2020 Revised Edition, retrieved from: https://sso.agc.gov.sg/Act/EEIRITA1967; PwC Worldwide Tax Summaries, retrieved from: https://taxsummaries.pwc.com/singapore/corporate/tax-credits-and-incentives; Singapore Customs Duties and Dutiable Goods, retrieved from: https://www.customs.gov.sg/businesses/valuation-duties-taxes-and-fees/duties-and-dutiable-goods/

[32] Thailand Investment Promotion Act (January 2002), retrieved from: https://www.boi.go.th/english/download/boi_forms/proact_eng.pdf, Thailand Amended Investment Promotion Act (2017), retrieved from: https://investmentpolicy.unctad.org/investment-policy-monitor/measures/3120/thailand-amends-the-investment-promotion-act; PwC Worldwide Tax Summaries, retrieved from: https://taxsummaries.pwc.com/thailand/corporate/tax-credits-and-incentives; Thailand: New Incentives for Investor Retention, Relocation, High-Tech, and Green Industries, retrieved from: https://www.aseanbriefing.com/news/thailand-new-incentives-for-investor-retention-relocation-high-tech-and-green-industries/

[33] Vietnam Law on Investment, retrieved from: http://amc.edu.vn/xem-van-ban/vsndoc/40/law-no-612020qh14-dated-june-17-2020-on-investment.aspx; Vietnam PwC Pocket Tax Book, retrieved from: https://www.pwc.com/vn/en/publications/2022/220505-pwc-vietnam-ptb-2022-en.pdf

Nature of relief	Type of incentive	To be affected by the GloBE rules?	Philippines	Indonesia	Malaysia	Singapore	Thailand	Vietnam
	Reduction of CIT	More likely	none	50% reduction of CIT and/or CIT rate	60% to 100% tax exemption[34]	5% or 10% reduced CIT	50% reduction of CIT rate (i.e., 10% CIT rate)	10%-17% preferential CIT rates 50% reduction of CIT after the ITH period
Expenditure-based incentives	Accelerated depreciation for tangible assets	Less likely	none	✓	✓	none	none	✓
	R&D tax allowance[35]	More likely	✓	✓	✓	✓	✓	none
	Labor & training tax allowance	More likely	✓	✓	✓	none	none	none
	Reinvestment tax allowance	More likely	✓	✓	✓	none	none	✓

Source: OECD, PwC Tax Booklets, PwC Worldwide Tax Summaries, and Investment Promotion Acts

[34] Income-based incentives of Malaysia will either be an income tax holiday or reduction of CIT, but not both.

[35] Tax allowances are tax deductions that are granted by a jurisdiction to the extent that it exceeds the expenditure to which it relates. For example, where a taxpayer is entitled to depreciate 120% of the acquisition cost of the asset, then the additional 20% is considered a tax allowance. Source: OECD.

Annex E

2016 to 2020 Tax Forgone (In PHP millions)

Year	ITH	ITH (% of total)	Special income tax rate	Special income tax rate (% of total)	Customs duties	Customs duties (% of total)	Import VAT (Gross)	Import VAT (Gross) (% of total)	Total
2016	74,526.66	19.58%	46,655.57	12.26%	57,381.54	15.07%	202,105.77	53.09%	380,669.53
2017	70,209.04	18.44%	56,731.96	14.90%	46,510.83	12.22%	267,665.37	70.31%	441,117.20
2018	66,073.90	17.36%	62,933.28	16.53%	57,006.00	14.98%	291,154.90	76.48%	477,168.08
2019	68,400.13	17.97%	66,408.39	17.45%	47,586.09	12.50%	267,111.31	70.17%	449,505.92
2020	19,963.39	5.24%	46,632.65	12.25%	71,934.13	18.90%	293,147.79	77.01%	431,677.95

Source: TIMTA Data

Annex F

Top 15 Jurisdiction with Majority Foreign-Owned RBEs as of 30 November 2022

Country	Number of RBEs
Japan	807
United States of America	361
South Korea	332
Australia	167
Singapore	166
Taiwan	149
China	115
Netherlands	99
United Kingdom	82
Hong Kong	79
British Virgin Islands	41
Germany	40
India	29
Malaysia	26
Switzerland	24
Others	245
Total	2,762

Source: Investment Promotion Agencies (IPA)-submitted masterlist of RBEs as of 31 December 2021, monthly list of IPA approved projects with investment capital P1 billion and below, and list of Fiscal Incentives Review Board (FIRB)-approved projects.

Annex G

Estimated Top-up Tax on RBEs with at least 10 million Euros Net Sales and 1 Million Euros Net Taxable Income

Table 1

Total Estimated Top-up Tax Based on 2020 Tax Incentives Management and Transparency Act (TIMTA)

Country	No. of RBEs	Net taxable income (in PhP millions)	CIT due (in PhP millions)	Average top-up tax rate	Top-up tax (In PhP millions)
Japan	109	62,142.47	2,060.95	11%	7,276.69
United States of America	25	23,956.29	1,302.67	10%	2,373.25
Netherlands	23	46,643.23	1,980.00	12%	5,016.49
Singapore	21	16,720.08	381.64	12%	2,126.37
Unknown	10	6,081.57	304.68	9%	618.60
South Korea	7	1,715.79	55.97	11%	201.40
United Kingdom	7	1,676.52	51.73	12%	199.75
Australia	6	2,105.05	81.03	11%	234.72
British Virgin Islands	4	1,771.05	87.71	11%	177.95
Taiwan	3	789.77	25.55	12%	92.92
China	3	680.09	15.10	13%	86.91
Mixed	3	575.06	21.13	10%	65.13
Hong Kong	3	1,053.29	67.40	5%	90.59
India	2	1,405.58	39.76	12%	171.08
Denmark	2	776.83	32.55	9%	83.97
Bermuda	1	369.47	12.16	12%	43.26
Ireland	1	191.69	5.75	12%	23.00
Lebanon	1	706.82	10.99	13%	95.03
Cyprus	1	3,441.97	47.36	14%	468.94
France	1	228.18	2.77	14%	31.46
New Zealand	1	135.69	4.09	12%	16.26
Mauritius	1	81.31	3.62	11%	8.57
Cayman Islands	1	826.49	24.82	12%	99.15
Total	236	174,074.28	6,619.44	11%	19,601.49

Source: TIMTA Data and IPA-submitted masterlist of RBEs as of 31 December 2021

Table 2

Total Estimated Top-up Tax per Tax Regime (in PhP millions)

Country	No. of RBES	Member of OECD BEPS framework?	Exempt	Special			Regular			Total							
			Net taxable income	Net taxable income	CIT due	Ave ETR	Net taxable income	CIT Due	Ave ETR	Net taxable income	CIT due	Ave ETR	Ave top-up tax rate	Top-up tax exempt	Top-up tax SCIT	Top-up tax regular	Total top-up tax
Japan	109	Yes	12,026.50	48,583.17	1,496.36	3%	1,532.80	564.59	23%	62,142.47	2,060.95	4%	11%	1,803.98	5,746.45	(273.74)	7,276.69
United States of America	25	Yes	1,507.19	20,441.35	699.26	3%	2,007.75	603.41	19%	23,956.29	1,302.67	6%	10%	224.54	2,364.22	(215.50)	2,373.25
Netherlands	23	Yes	6,979.77	37,753.29	1,343.55	3%	1,910.16	636.44	18%	46,643.23	1,980.00	3%	12%	1,046.97	4,319.44	(349.92)	5,016.49
Singapore	21	Yes	5,647.19	11,120.78	348.48	3%	(47.89)	33.17	20%	16,720.08	381.64	3%	12%	847.08	1,319.64	(40.35)	2,126.37
Unknown	10	CD	680.64	5,175.57	237.08	4%	225.36	67.61	21%	6,081.57	304.68	7%	9%	97.59	539.26	(18.25)	618.60
South Korea	7	Yes	367.86	1,299.05	41.30	3%	48.89	14.67	13%	1,715.79	55.97	4%	11%	55.18	153.55	(7.33)	201.40
United Kingdom	7	Yes	204.98	1,544.91	48.48	3%	(73.37)	3.25	13%	1,676.52	51.73	3%	12%	30.75	183.25	(14.25)	199.75
Australia	6	Yes	61.77	1,979.45	59.38	3%	63.82	21.65	15%	2,105.05	81.03	4%	11%	9.27	237.53	(12.08)	234.72
British Virgin Islands	4	Yes	(48.89)	2,213.53	81.43	3%	(393.59)	6.27	0%	1,771.05	87.71	4%	11%	(7.33)	250.59	(65.31)	177.95
Taiwan	3	No	15.02	808.70	24.26	3%	(33.95)	1.29	10%	789.77	25.55	3%	12%	2.25	97.04	(6.38)	92.92
China	3	Yes	79.96	605.68	15.05	3%	(5.56)	0.05	0%	680.09	15.10	2%	13%	11.99	75.80	(0.88)	86.91
Mixed	3	CD	18.82	554.32	19.95	6%	1.91	1.18	10%	575.06	21.13	5%	10%	2.82	63.20	(0.90)	65.13
Hong Kong	3	Yes	95.34	819.97	26.01	4%	137.98	41.39	30%	1,053.29	67.40	10%	5%	14.30	96.99	(20.70)	90.59
India	2	Yes	246.63	1,140.47	34.21	3%	18.49	5.55	30%	1,405.58	39.76	3%	12%	36.99	136.86	(2.77)	171.08
Denmark	2	Yes	(300.32)	1,076.27	32.29	3%	0.88	0.26	30%	776.83	32.55	6%	9%	(45.05)	129.15	(0.13)	83.97
Bermuda	1	Yes	-	365.50	10.96	3%	3.97	1.19	30%	369.47	12.16	3%	12%	-	43.86	(0.60)	43.26
Ireland	1	Yes	-	191.69	5.75	3%	-	-	0%	191.69	5.75	3%	12%	-	23.00	-	23.00
Lebanon	1	No	340.36	366.47	10.99	3%	-	-	0%	706.82	10.99	2%	13%	51.05	43.98	-	95.03
Cyprus	1	No	1,951.71	1,561.98	46.86	3%	(71.72)	0.50	0%	3,441.97	47.36	1%	14%	292.76	187.44	(11.26)	468.94
France	1	Yes	(4.60)	231.26	2.31	1%	1.52	0.46	30%	228.18	2.77	1%	14%	(0.69)	32.38	(0.23)	31.46
New Zealand	1	Yes	1.76	133.65	4.01	3%	0.28	0.08	30%	135.69	4.09	3%	12%	0.26	16.04	(0.04)	16.26
Mauritius	1	Yes	(39.43)	120.74	3.62	3%	-	-	0%	81.31	3.62	4%	11%	(5.91)	14.49	-	8.57
Cayman Islands	1	Yes	-	826.40	24.79	3%	0.09	0.03	30%	826.49	24.82	3%	12%	-	99.17	(0.01)	99.15
Grand Total	236		29,832.28	138,914.19	4,616.41	3%	5,327.81	2,003.03	20%	174,074.28	6,619.44	4%	11%	4,468.80	16,173.33	(1,040.64)	19,601.49

Note: CD= cannot be determined

Methodology of the estimate

Internal data cleaning and tagging procedures were performed by the FIRB Secretariat from which the total number of firms included in the report is trimmed down from 2,545 to 236 RBEs. The tagging and data-cleaning methodologies applied are summarized below:

A. Based on 2020 TIMTA, RBEs with at least net sales of P582,746,312.50 (10 million Euros) and net taxable income of P58,274,631.25 (1 million Euros) are selected in accordance with the de minimis rules of the Pillar II guidelines[36]. This reduced the sample size from 2,545 to 322 RBEs;

B. From the 322 RBEs, 43 firms with no tax identification number (TIN) were excluded, reducing the sample size to 279 RBEs;

C. The selected RBEs from the 2020 TIMTA data were matched with IPA-submitted master lists in order to determine the nationality of each RBE. 236 RBEs are identified to be of majority foreign ownership using the following tagging protocols:

   a. RBEs with less than 50% foreign interest are tagged as RBEs of Filipino origin;

   b. RBEs with multiple foreign investors, each of which owns less than 50% share, are tagged as RBEs of mixed origin;

   c. RBEs in the 2020 TIMTA that do not match with any RBE in IPA-submitted master lists are tagged as RBEs of unknown origin;

D. While the data (i.e., net taxable income, income tax due, average ETR, average top-up rate, and top-up tax) is summarized on a per country and per tax regime basis, the estimated top-up tax is computed on a per legal entity level;

E. Due to data limitations, the average ETR is computed by dividing the income tax due by the net taxable income based on the income tax returns submitted by the RBEs; and

F. To compute the top-up tax, the ETR is deducted from the minimum tax rate of 15% to get the top-up rate to be applied to the net taxable income.

[36] 1 Euro = 58.27 pesos

Annex II

Global Filipino Companies and Foreign Subsidiaries

No.	Conglomerate name	Foreign subsidiary	Country of incorporation	CIT headline rate[37]
1	Top Frontier Investment Holdings Inc	San Miguel Yamamura Packaging International Limited and subsidiaries	British Virgin Islands	0%
		San Miguel International Limited and subsidiary San Miguel Holdings Limited and San Miguel Insurance Company, Ltd.	Bermuda	0%
2	SM Investments Corporation	Springfield Global Enterprises Limited	British Virgin Islands	0%
		Simply Prestige Limited and Subsidiaries	British Virgin Islands	0%
		SM Land (China) Limited and Subsidiaries	Hongkong	16.5%
		Prime Central Limited and Subsidiaries	British Virgin Islands	0%
3	Manila Electric Company	MPG Asia Limited ("MPG Asia")	British Virgin Islands	0%
		Lighthouse Overseas Insurance Limited ("LOIL")	Bermuda	0%
		Meridian Power Ventures Limited ("MPV Limited")	Hongkong	16.5%

[37] See Notes for detailed CIT Headline Rates.

No.	Conglomerate name	Foreign subsidiary	Country of incorporation	CIT headline rate
4	Ayala Corporation	AC International Finance Limited	Cayman Islands	0%
		AYC Finance Ltd	Cayman Islands	0%
		Azalea International Venture Partners Limited	British Virgin Islands	0%
		Bestfull Holdings Limited	Hongkong	16.5%
		Purefoods International , Ltd.	British Virgin Islands	0%
5	JG Summit Holdings, Inc.	URC Philippines, Limited	British Virgin Islands	0%
		URC International Co. Ltd.	British Virgin Islands	0%
		Universal Robina (Cayman), Ltd.	Cayman Islands	0%
		URC China Commercial Co., Ltd.	China	25%
		Robinsons (Cayman) Limited	Cayman Islands	0%
		RLC Resources Ltd.	British Virgin Islands	0%
		Land Century Holdings, Ltd.	Hong Kong	16.5%
		World Century Enterprise Ltd.	Hong Kong	16.5%
		First Capital Development, Ltd.	Hong Kong	16.5%
		Chengdu Xin Yao Real Estate Development Co. Ltd.	China	25%
		JGSOC Philippines Limited	British Virgin Islands	0%
		JG Digital Capital Pte. Ltd.	Singapore	17%
		JG Summit Cayman, Ltd.	Cayman Islands	0%
		JGSH Philippines, Limited	British Virgin Islands	0%
		JG Summit Philippines Ltd.	Cayman Islands	0%
		Telegraph Developments, Ltd.	British Virgin Islands	0%
		Summit Top Investments, Ltd.	British Virgin Islands	0%

No.	Conglomerate name	Foreign subsidiary	Country of incorporation	CIT headline rate
6	International Container Terminal Services Inc.	International Container Terminal Holdings Inc and Subsidiaries	Cayman Islands	0%
		ICTSI Ltd.	Bermuda	0%
		ICTSI Mauritius Ltd.	Mauritius	15%
		Aeolina Investments Limited	British Virgin Islands	0%
		ICTSI Far East Pte. Ltd	Singapore	17%
		New Muara Container Terminal Services Sdn Bhd	Brunei	22%
		PT ICTSI Jasa Prima Tbk and Subsidiaries	Indonesia	22%
		PT PBM Olah Jasa Andal	Indonesia	22%
		PT Makassar Terminal Services Inc	Indonesia	22%
		PT Container Terminal Systems Solutions Indonesia	Indonesia	22%
		ICTSI Hongkong Limited	Indonesia	22%
		Yantai International Container Terminals Limited	Hongkong	16.5%
		Pentland International Holdings Ltd	China	25%
		ICTSI Georgia Corp	British Virgin Islands	0%
		Global Procurement Ltd	Cayman Islands	0%
		ICTSI Hondura Ltd	Bermuda	0%
		International Container Terminal Services Private Limited	India	25%
		Container Terminal de Venezuela Conterven CA	Venezuela	34%

No.	Conglomerate name	Foreign subsidiary	Country of incorporation	CIT headline rate
		Australian International Container Terminals Limited	Australia	30%
		ICTSI (M.E.) DMCC	United Arab Emirates	0%
		ICTSI Capital B.B.	The Netherlands	25.8%
		Icon Logistiek B.V.	The Netherlands	25.8%
		Royal Capital B.V.	The Netherlands	25.8%
		ICTSI Cooperatief U.A.	The Netherlands	25.8%
		Global Container Capital, B.V.	The Netherlands	25.8%
		ICTSI Treasury B.V.	The Netherlands	25.8%
		ICTSI Americas B.V.	The Netherlands	25.8%
		ICTSI Africa B.V.	The Netherlands	25.8%
		ICTSI Sudan B.V.	The Netherlands	25.8%
		CMSA B.V	The Netherlands	25.8%
		Tecplata B.V.	The Netherlands	25.8%
		SPIA Colombia B.V.	The Netherlands	25.8%
		TSSA B.V.	The Netherlands	25.8%
		CGSA B.V.	The Netherlands	25.8%
		SPIA Spain S.I.	Spain	25%
		CGSA Transportadora S.L.	Spain	25%
		Crixus Limited	British Virgin Islands	0%
		VIctoria International Container Terminal Ltd.	Australia	30%
		ICTSI Tuxpan B.V.	The Netherlands	25.8%
		ICTSI Global Finance B.V.	The Netherlands	25.8%
		ICTSI Oceania B.V.	The Netherlands	25.8%
		ICTSI Project Delivery Services	Singapore	17%

No.	Conglomerate name	Foreign subsidiary	Country of incorporation	CIT headline rate
		Co. Pte. Ltd.		
		ICTSI QFD LLC	Qatar	10%
		ICTSI South Asia Pte. Ltd.	Singapore	17%
		ICTSI Middle East DMCC	United Arab Emirates	0%
		ICTSI Global Cooperatief U.A.	The Netherlands	25.8%
		Consultports S.A. de C.V.	Mexico	30%
		Asiastar Consultants Limited	Hongkong	16.5%
		ICTSI Americas B.V.	Panama	25%
		ICTSI South Pacific Limited	Papua New Guinea	30%
		Motukea International Terminal Limited	Papua New Guinea	30%
		South Pacific International Container Terminal Limited	Papua New Guinea	30%
		Tungsten RE Ltd.	Bermuda	0%
		Tartous International Container Terminal Inc	Syria	12%
		Madagascar International Container Terminal Services Ltd.	Madagascar	20%
		Baltic Container Terminal Ltd.	Poland	19%
		Adriatic Gate Container Terminal	Croatia	18%
		Batumi International Container Terminal LLC	Georgia	15%
		Lekki International Container Terminal Services LFTZ Enterprise	Nigeria	30%
		ICTSI DR Congo S.A.	DR Congo	30%
		ICTSI (M.E.) DMCC Iraq Branch	Iraq	15%
		Africa Gateway Terminal	Sudan	25%

No.	Conglomerate name	Foreign subsidiary	Country of incorporation	CIT headline rate
		Kribi Multipurpose Terminal	Cameroon	33%
		International Container Terminal Services Nigeria Ltd.	Nigeria	30%
		Pakistan International Container Terminal	Pakistan	29%
		Contecon Guayaquil, S.A.	Ecuador	22%
		Contecon Manzanillo, S.A.	Mexico	30%
		Tecon Suape, S.A.	Brazil	34%
		ICTSI Oregon Inc	USA	21%
		C. Ultramar, S.A.	Panama	25%
		Future Water, S.A.	Panama	25%
		Kinston Enterprise Inc	Panama	25%
		International Ports of South America and Logistics SA	Uruguay	25%
		Tecplata S.A.	Argentina	35%
		Nuevos Puertos S.A.	Argentina	35%
		Operadora Portuaria Centroamericana, S.A.	Honduras	25%
		Terminal Maritima de Tuxpan, S.A. de C.V.	Mexico	30%
		CMSA Servicios Portuarios SA De CV	Mexico	30%
		CMSA Servicios Profesionales Y De Especialistas SA De CV	Mexico	30%
		Logipuerto S.A.	Ecuador	22%
		Libra Terminal Rio S.A.	Brazil	34%
		IRB Logistica	Brazil	34%

Source: Consolidated financial statements and PWC worldwide tax summaries

Notes:

1. United States CIT Headline Rate: Federal CIT: 21%. State CITs range from 1% to 12% (although some states impose no CIT) and are deductible expenses for federal CIT purposes
2. Mauritius CIT Headline Rate: 15% (3% for companies exporting goods)
3. United Kingdom CIT Headline Rate (including London): 19 (main rate to increase to 25% from 1 April 2023)
4. India CIT Headline Rate: Domestic companies: 25% or 30% (applicable surcharge and cess) depending on turnover, 15% or 22% (applicable surcharge and cess) subject to certain conditions
5. United Arab Emirates CIT Headline Rate: Based on existing Emirate-level income taxation regimes, there is income tax at 55%+ rates for UAE concession-based oil and gas and petrochemical activities, 20% rate for branches of foreign banks, and (in practice) no taxation or 0% rate for most other companies and branches
6. Qatar CIT Headline Rate: 10% (except for petrochemical/petroleum companies/operations, for which a minimum rate of 35% applies)
7. Croatia CIT Headline Rate: 18 (10% for companies realizing less than HRK 7.5 million / EUR 995,421.06 in revenues)
8. Georgia CIT Headline Rate: 15 (20 for banks, credit unions, microfinance organizations, and Loan providers)
9. Iraq CIT Headline Rate: 15 (35 for certain companies in the oil and gas sector)
10. Cameroon CIT Headline Rate: 33% for entities with turnover above 3 billion, 30.8% for entities with turnover below or equal to 3 billion
11. Ecuador CIT Headline Rate: 22%, 25%, or 28%, depending on the company's shareholders structure (corporate structure) and disclosure compliance