Model: text example
Problem Type: BEAT (Base Erosion & Anti-Abuse Tax)

Given Calculate the additional tax due under BEAT.

GWP	370
InvInc	90
losses	190
expenses	15

<==== coverage starts Jan 1 so GWP = GEP for year

base erosion payment to related foreign party	180

* the base erosion payment in the text example was for reinsurance

Step 1   calculate RIT (Regular Income Tax)

Note that for this example, TBIL includes: *losses, expenses, base erosion payments*

RTI	=	TBEP	+	InvInc	-	TBIL
	=	370	+	90	-	385
	=	75				

RIT	=	RTI	x	(regular tax rate)
	=	75	x	21%
	=	15.75		

Step 2a   calculate Modified Taxable Income (MTI)

MTI	=	RTI	+	(base erosion payments)
	=	75	+	180
	=	255		

Step 2b   calculate Modified Income Tax (MIT)

MIT	=	MTI	x	(BEAT tax rate)
	=	255	x	10%
	=	25.50		

Step 3   calculate the additional tax due under BEAT

additional tax	=	max (	0	,	MIT	-	RIT	)
	=	max (	0	,	25.50	-	15.75	)
	=	max (	0	,	9.75			)
	=	9.75	<==== *final answer*					

Reading: Odomirok - Chapter 26   BEAT (Taxes) - practice 02 - problem
Model: text example
Problem Type: BEAT (Base Erosion & Anti-Abuse Tax)

Given   Calculate the additional tax due under BEAT.

GWP	390
InvInc	80
losses	105
expenses	20

$\Longleftarrow$ *coverage starts Jan 1 so GWP = GEP for year*

base erosion payment to related foreign party	125

* the base erosion payment in the text example was for reinsurance

Step 1   calculate RIT (Regular Income Tax)

Note that for this example, TBIL includes: *losses, expenses, base erosion payments*

RTI	=	TBEP	+	InvInc	-	TBIL
	=	390	+	80	-	250
	=	220				

RIT	=	RTI	x	(regular tax rate)
	=	220	x	21%
	=	46.20		

Step 2a   calculate Modified Taxable Income (MTI)

MTI	=	RTI	+	(base erosion payments)
	=	220	+	125
	=	345		

Step 2b   calculate Modified Income Tax (MIT)

MIT	=	MTI	x	(BEAT tax rate)
	=	345	x	10%
	=	34.50		

Step 3   calculate the additional tax due under BEAT

additional tax	=	max (	0	,	MIT	-	RIT	)
	=	max (	0	,	34.50	-	46.20	)
	=	max (	0	,	-11.70			)
	=	0.00	<==== *final answer*					