ITB International Tax Bytes by Steve Towers

"International tax news, explained"

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HAPPY FRIDAY!

The **US** has put **France** in the **China basket**. **American readers**, you'd better quickly stock up on **champagne** and **Roquefort**! And the chances are that the UK will be tarred with the same brush - this will require all of **Boris Johnson's** highly-tuned diplomatic skills!

In **Australia**, the ATO shoots itself in the foot on **interest withholding tax**; in **Latvia**, the tax authorities scream **"tax abuse"** – and then can't say what the tax abuse is; in **India**, folks are talking more about the **cricket** than the **Budget**; and in **Europe**, everyone is now reading the **second Kokott Hungarian Opus**!

Meanwhile: timing is everything in **Nigeria**, but **750 days** is simply not long enough in **Brazil**!

Have a great weekend!
Steve

#AskSteve

Episode 4
What big changes have you seen in international tax practice over your career?

Episode 3
Is foreign experience important for an international tax career?

Episode 2
How do you become a successful international tax advisor?

Episode 1
Why do you like International Tax?

IN TODAY'S VIDEO PODCAST

(For ITB video subscribers, please log in to access the video and documents/reports)

1. Digital taxation
2. Trade & other global developments
3. Asia Pacific
   - Australia, India, Indonesia, Malaysia, Singapore
4. Europe
   - ECJ, EU, France, Greece, Switzerland, UK
5. Africa
   - Nigeria
6. Americas
   - Brazil, Chile, Costa Rica, US
7. Treaties
8. Worth reading

WORTH READING

Gary Sprague
"Another Front in Trade Disputes: European Digital Services Taxes and WTO Commitments"
Tax Management International Journal, Bloomberg BNA, July 12, 2019 (subscription service)

Mike Hammer
"Brave New World: Automation, Unemployment and Robot Taxes"
White Paper, IBFD, 3 July 2019 (subscription service)

INTERNATIONAL TAX QUIZ

Article 5(2) of the OECD model double tax treaty commences: "The term 'permanent establishment' includes especially:", and then it sets out 6 paragraphs, (a) to (f). Paragraph (c) is "an office".

RCO (resident of country R) owns an office in country S.

Does RCO have a "permanent establishment" in country S under the R / S treaty (identical to the OECD model treaty) – yes, no, or possibly? Why?

Answer in next week's ITB email alert!

Last week's question & solution

XCO is a resident of country A. XCO has a PE in country B. XCO borrows money from YCO, another resident of country A. XCO borrows the money for the purposes of its PE in country B, and the interest on that borrowing is borne by that PE. YCO does not have a PE in country B. YCO is the beneficial owner of the interest. The country A / country B double tax treaty is identical to the OECD model treaty. Is country B permitted (by the country A / country B treaty) to impose tax on the interest paid to YCO by XCO?

Yes, with a limit of 10% on the gross amount of interest: Art. 11(2).

The phrase, "interest arising in [country B]", is defined in Art. 11(5). In the first sentence, the interest arises in country A. However, under the second sentence, the interest arises in country B. The second sentence "trumps" the first, as shown by the introductory words, "Where, however", in the second sentence.

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