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8 November 2024



HIGHLIGHTS

- **GloBE news**
 - From EU, South Africa, Hong Kong, OECD
- **President-elect Trump's tax plan**
 - Corporate income tax reductions
 - Tariff increases
- **UK Budget**
 - Government provides Corporate Tax Roadmap

HAPPY FRIDAY!

Donald Trump is the comeback king; Bibi fires his Defence Minister; and Germany's government falls apart!

Meanwhile, in the tax world...

The EU's DAC has many uses; Australia's thin cap rules show deference; Estonia finally agrees; the UK maps out a long road; Kenya tries again; and ExxonMobil finds a partner!

But at the end of the week, the most amazing fact is this: "The British consume more baked beans than the rest of the world combined!" Blazing Saddles!

Have a great weekend!

Steve

THIS WEEK'S PODCAST

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

1. GloBE news
2. President-elect Trump's tax plan
3. Other global developments
4. Asia Pacific
 - Australia, Singapore
5. Europe
 - EU, Italy, Norway, UK
6. Africa
 - Kenya
7. Middle East & Central Asia
 - Bahrain, Israel
8. Americas
 - Argentina, US
9. Treaty news

ITB series on Pillar One

- Report on Amount B in Pillar One (ITB, 23 February 2024)
- Consultation document on Amount B in Pillar One (ITB, 28 July 2023)
- Draft MLC provisions for commitments on DSTs and other relevant similar measures (ITB, 6 January 2023)
- Consultation document on Amount B in Pillar One (ITB, 16 December 2022)
- Progress Report on Amount A in Pillar One (ITB, 22 July 2022)
- Draft model rules for Amount A in Pillar One:
 - Tax certainty (ITB, 10 June 2022)
 - Regulated Financial Services exclusion from scope (ITB, 13 May 2022)
 - Extractives exclusion from scope (ITB, 22 April 2022)
 - Scope (ITB, 8 April 2022)
 - Tax base determinations (ITB, 25 February 2022)
 - Nexus and revenue sourcing (ITB, 11 February 2022)
- Inclusive Framework's final agreement on Pillars One & Two (ITB, 15 October 2021)

ITB series on Pillar Two

- **GloBE Implementation Framework:**
 - GloBE Information Return (ITB, 28 July 2023)
 - Tax Certainty for the GloBE rules (ITB, 13 January 2023)
 - GloBE Information Return (ITB, 13 January 2023)
 - Guidance on Safe Harbours and Penalty Relief (ITB, 6 January 2023)
- **GloBE model rules:**
 - June 2024 Administrative Guidance on GloBE rules: Divergences between GloBE and accounting carrying values (Parts 1 to 7) (ITB, 23 & 30 August; 6 & 13 September; 4, 11 & 18 October 2024)
 - June 2024 Administrative Guidance on GloBE rules: DTL recapture (Parts 1 to 4) (ITB, 28 June; 5, 12 & 19 July 2024)
 - December 2023 Administrative Guidance on GloBE rules: Transitional filing deadlines, and Simplified Calculation Safe Harbour (ITB, 26 April 2024)
 - December 2023 Administrative Guidance on GloBE rules: Allocation of blended CFC taxes (Parts 1 & 2) (ITB, 5 & 12 April 2024)
 - December 2023 Administrative Guidance on GloBE rules: Additional guidance on application of GloBE rules (ITB, 22 March 2024)
 - December 2023 Administrative Guidance on GloBE rules: Transitional CbCR Safe Harbour (Parts 1 to 4) (ITB, 19 January; 16 February; 1 & 8 March 2024)
 - GloBE rules commence operation in 2024 (ITB, 12 January 2024)
 - December 2023 Administrative Guidance on GloBE rules: overview (ITB, 22 December 2023)
 - July 2023 Administrative Guidance on GloBE rules: Transitional UTPR Safe Harbour & Summary of Safe Harbours (ITB, 8 December 2023)
 - July 2023 Administrative Guidance on GloBE rules: QDMTT Safe Harbour (Parts 1 & 2) (ITB, 10 & 17 November 2023)
 - July 2023 Administrative Guidance on GloBE rules: QDMTTs (Parts 1 to 6) (ITB, 15, 22 & 29 September; 6 & 27 October; 3 November 2023)
 - July 2023 Administrative Guidance on GloBE rules: Substance-based Income Exclusion (Parts 1 & 2) (ITB, 18 & 25 August 2023)
 - July 2023 Administrative Guidance on GloBE rules: Tax credits (Parts 1 to 3) (ITB, 4, 11 & 18 August 2023)
 - July 2023 Administrative Guidance on GloBE rules: overview (ITB, 28 July 2023)
 - Administrative Guidance on GloBE rules: Transition (Parts 1 to 3) (ITB, 16 & 23 June; 14 July 2023)
 - Administrative Guidance on GloBE rules: Income & taxes (Parts 1 to 8) (ITB, 31 March; 14, 21 & 28 April; 5, 12 May; 2 & 9 June 2023)
 - Administrative Guidance on GloBE rules: Scope (Parts 1 to 3) (ITB, 10, 17 & 24 March 2023)
 - Administrative Guidance on GloBE rules: Allocation of taxes arising under Blended CFC Tax Regimes (ITB, 3 March 2023)
 - Administrative Guidance on GloBE rules: QDMTTs (Parts 1 & 2) (ITB, 10 & 24 February 2023)
 - Art. 7.4 on ETR computation for Investment Entities (ITB, 2 December 2022)
 - Corporate Restructurings and Holding Structures (Parts 1 to 7) (ITB, 23 & 30 September; 7, 14 & 21 October; 11 & 18 November 2022)
 - Scope (Parts 1 & 2) (ITB, 24 June; 1 July 2022)
 - Charging Provisions (Parts 1 to 5) (ITB, 6, 13 & 20 May; 10 & 17 June 2022)
 - Computation of Effective Tax Rate and Top-up Tax (Parts 1 to 6) (ITB, 18 & 25 March; 1, 8, 22 & 29 April 2022)
 - Flow-through Entities and Hybrid Entities (ITB, 4 March 2022)
 - Computation of Adjusted Covered Taxes (Parts 1 to 9) (ITB, 11, 18 & 25 February; 29 July; 5, 12, 19 & 26 August; 16 September 2022)
 - Computation of GloBE Income or Loss (Parts 1 to 4) (ITB, 7, 14, 21 & 28 January 2022)
- **Subject to Tax Rule (STTR):**
 - STTR (Part 4) (ITB, 15 December 2023)
 - STTR (Parts 1 to 3) (ITB, 6 & 20 October; 3 November 2023)
 - Subject to Tax Rule (STTR): overview (ITB, 28 July 2023)

WORTH READING

Ruth Mason and Stephen Daly
["Rotten to the Core: The EU's Court of Justice Decision in Apple"](#)
Tax Notes Today International, Tax Analysts, 5 November 2024.

Harmen van Dam and Declan Blom
["The Dutch Court of Appeal Rules on Fundamental Transfer Pricing Questions Regarding a Business Reorganization"](#)
International Transfer Pricing Journal, IBFD, 2024 (Vol. 31), No. 6.

Ana Paula Dourado, Jessica M. Müller, Leidson Rangel, and Christoph Spengel
["Tax Neutrality Treatment of Investment Funds in the European Union"](#)
World Tax Journal, IBFD, 2024 (Vol. 16), No. 3.

INTERNATIONAL TAX QUIZ

THIS WEEK'S NEW QUIZ

XCo, a company located in jurisdiction X, is a Constituent Entity in an MNE Group which is "within scope" of the GloBE rules. The UPE of the MNE Group is located in jurisdiction U, which implemented an IIR effective 1 January 2024. Please assume that all Fiscal Years are calendar years.

XCo has a significant business located in jurisdiction X. Also, for many years, XCo has had a branch located in jurisdiction Y. The branch has a significant business located in jurisdiction Y. The branch constitutes a PE under the XY double tax treaty. Please assume that the corporate income tax (CIT) rate in both jurisdiction X and jurisdiction Y is 15%.

Neither jurisdiction X nor jurisdiction Y has implemented a QDMTT.

In regard to jurisdiction X, the MNE Group qualifies for the Transitional CbCR Safe Harbour in 2024, 2025, and 2026.

On 1 July 2024, XCo's head office "transferred" valuable IP to the branch. The "transaction" was reflected in the financial accounts of both the head office and the branch as occurring for a consideration equal to fair market value (which was 1,000 on 1 July 2024). For accounting and tax purposes, the branch depreciates the IP at 10% p.a.

At the time of the "transaction", the IP had (1) accounting carrying value, (2) GloBE carrying value, and (3) jurisdiction X tax basis, all equal to nil.

Under the jurisdiction Y CIT law, the branch obtains a tax basis of 1,000 in the IP. The jurisdiction X CIT law does not tax capital gains - thus, the "transaction" is not taxable for the XCo head office.

Based on these limited facts, what is the GloBE carrying value of the IP as at 31 December 2024?

Answer in next ITB email alert!



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