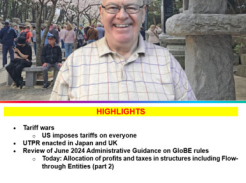


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**4 April 2025**


## HIGHLIGHTS

- **Tariff wars**
  - US imposes tariffs on everyone
- **UTPR enacted in Japan and UK**
- **Review of June 2024 Administrative Guidance on GloBE rules**
  - Today: Allocation of profits and taxes in structures including Flow-through Entities (part 2)

## HAPPY FRIDAY!

**Le Pen is not mightier than the Court; Trump makes America poorer again; and Mourinho nose bleed!**

Meanwhile, in the tax world...

**Tariffs are for everyone; UTPR still has life; India is most agreeable; Germany looks through; and in New Zealand, close enough is good enough!**

But at the end of the week, the most important question is this: **"How many jurisdictions will impose reciprocal tariffs in response to the US's reciprocal tariffs?"**

Have a great weekend!

Steve

## THIS WEEK'S PODCAST

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

1. Tariff wars
2. GloBE news
3. June 2024 Administrative Guidance on GloBE rules: Allocation of profits and taxes in structures including Flow-through Entities (part 2)
4. Asia Pacific
  - Australia, India, Japan, New Zealand, Taiwan
5. Europe
  - Bulgaria, Finland, Germany
6. Americas
  - Mexico, US
7. 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: Allocation of profits and taxes in structures including Flow-through Entities (Parts 1 & 2) (ITB, 28 March; 4 April 2025)
  - June 2024 Administrative Guidance on GloBE rules: Allocation of Cross-border Deferred Taxes (Parts 1 to 3) (ITB, 24 January; 14 & 21 February 2025)
  - June 2024 Administrative Guidance on GloBE rules: Allocation of Cross-border Current Taxes (Parts 1 to 5) (ITB, 15 & 22 November; 6, 13 & 20 December 2024)
  - 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

Wes Cornwell, Ana Maria Romero, and Kirsten Spears  
**"Tariffs, Trade, and Transfer Pricing: A Guide to Navigating Economic Uncertainty"**  
 Tax Notes Today International, Tax Analysts, 1 April 2025.

Anuar Estefan  
**"Full-Fledged Distribution in Times of Tariffs"**  
 Tax Notes Today International, Tax Analysts, 2 April 2025.

Dhruv Janasan-Sanghavi and Anirudh Srinivasan  
**"Tax Residence Certificates and Treaty Entitlement in India"**  
 Tax Notes Today International, Tax Analysts, 1 April 2025.

## INTERNATIONAL TAX QUIZ

### THIS WEEK'S NEW QUIZ

XCo, a company which is treated as a tax resident entity under Juris. X tax law, is the UPE of an MNE Group which is "within scope" of the GloBE rules.

XCo owns 80% of YCo, which is formed in Juris. Y and is treated as fiscally transparent under Juris. Y tax law. The other 20% of YCo is owned by several minority owners.

YCo owns 100% of ZCo, which is formed in Juris. Z and is treated as fiscally transparent under Juris. Z tax law.

ZCo has \$1 million of Financial Accounting Net Income or Loss (FANIL). For GloBE purposes, how will the FANIL of \$1 million be allocated?

**Answer in next ITB email alert!**

### LAST WEEK'S QUESTION

PCo (formed in Juris. P) is treated as opaque for Juris. P tax purposes.

PCo owns 100% of XCo (formed in Juris. X). XCo is treated as: (1) transparent for Juris. P tax purposes, and as (2) opaque for Juris. X tax purposes.

XCo owns 100% of YCo (formed in Juris. Y). YCo is treated as transparent for tax purposes in each of (1) Juris. P, (2) Juris. X, and (3) Juris. Y.

YCo owns 100% of ZCo (formed in Juris. Z). ZCo is treated as transparent for tax purposes in each of (1) Juris. P, (2) Juris. X, and (3) Juris. Z. However, ZCo is treated as opaque for Juris. Y tax purposes.

ZCo has a Financial Accounting Net Income or Loss of \$1 million. For GloBE purposes, to which entity will that FANIL of \$1 million be allocated?

### LAST WEEK'S ANSWER

This question requires the application of Art. 3.5.1 and Art. 10.2.1. The question assumes that ZCo does not have a PE.

YCo and ZCo are each "Flow-through Entities", as defined in Art. 10.2.1: each is fiscally transparent in the jurisdiction where it was created.

PCo and XCo are not Flow-through Entities, as each is opaque in the jurisdiction where it was created.

ZCo will be a "Tax Transparent Entity" (as defined in Art. 10.2.1), if it is fiscally transparent in the jurisdiction in which its owner is located. Which entity is ZCo's owner, for the purposes of Art. 10.2.1?

According to the Comm to Art. 10.2.1:

"Whether a Flow-through Entity (the tested Entity) is a Tax Transparent Entity or a Reverse-Hybrid Entity depends on how the tax law of the jurisdiction in which the Reference Entity is located treats the tested Entity and each Entity through which the Reference Entity owns its Ownership Interest in the tested Entity. The Reference Entity is the Constituent Entity-owner that is closest in the ownership chain to the tested Entity and that is either (a) not a Flow-through Entity or (b) where there is no such Constituent Entity-owner, a Flow through Entity that is the Ultimate Parent Entity of the MNE Group (Flow-through UPE)."

XCo is ZCo's Reference Entity, and thus its owner, for the purposes of Art. 10.2.1.

Under the Juris. X law, ZCo is fiscally transparent. Thus, ZCo is a Tax Transparent Entity.

Therefore, ZCo's FANIL of \$1 million is allocated to XCo: Art. 3.5.1(b).

Do you agree?



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