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ITB International Tax Bytes by Steve Towers

"International tax news, explained"

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25 April 2025

HIGHLIGHTS

- **Tariff wars**
  - **A pause in the rollercoaster ride**
- **GloBE rules**
  - **EU tries to accommodate US**
- **3 international tax cases**
  - **India and Norway**

HAPPY FRIDAY!

Musk rushes back to the office; the **UAE** will use AI to write legislation; and **Harvard** tries to stop a **US** brain drain!

Meanwhile, in the tax world ...

Apple is exceptional in the **US**; **EU** wants to keep the **US** inside the tent; **Vanguard** and **Shah** share wins; **Taiwan** doubles the time; **South Africa** and **Chile** withdraw; and **Loper Bright** needs no comment!

But at the end of the week, the most important point is this: **If you're totally sick of Trump 2.0, there's only 1,361 days to go!**

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. Other global developments
4. Asia Pacific
   - India, New Zealand, Sri Lanka, Taiwan
5. Europe
   - Cyprus, EU, Gibraltar, Ireland, Italy, Norway, Lithuania, UK
6. Africa
   - South Africa, Uganda
7. Middle East & Central Asia
   - Kazakhstan, Saudi Arabia, UAE
8. Americas
   - Canada, Chile, 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: Allocation of profits and taxes in structures including Flow-through Entities (Parts 1 to 3) (ITB, 28 March; 4 & 11 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

Mindy Herzfeld
"What Role for International Tax in a Trump Tariff World?"
Tax Notes Today International, Tax Analysts, 14 April 2025.

Roland Pfeiffer, Nina Bressler, Doreen Baier, and Martin Lagarden
"Intercompany Service Fee and Licence Charges under Extraordinary Circumstances"
International Transfer Pricing Journal, IBFD, 2025 (Vol. 32), No. 3.

Karl Berlin
"Pillar 2 Makes Waves for Vessel Sales and Shipping Income"
Tax Notes Today International, Tax Analysts, 21 April 2025.

INTERNATIONAL TAX QUIZ

THIS WEEK'S NEW QUIZ

XCo, YCo and ZCo are 100% subsidiaries in an MNE Group which is "within scope" of the GloBE rules.

XCo is formed in jurisdiction X, where it is treated as opaque for tax purposes.

YCo is formed in jurisdiction Y, where it is treated as opaque for tax purposes.

ZCo is formed in jurisdiction Z. ZCo is treated as transparent under the jurisdiction X and Z tax laws, but it is treated as opaque under the jurisdiction Y tax law.

YCo owns 100% of ZCo, and XCo owns 100% of ZCo.

ZCo has Financial Accounting Net Income of 100, on which it incurs Z tax of 20.

Under the jurisdiction Y CFC rules, YCo incurs tax of 5 (after foreign tax credit for ZCo tax) in respect of YCo's indirect interest in ZCo.

Q1: What will be the allocation of ZCo's FANIL of 100 and tax of 20, and YCo's tax of 5? Please ignore: (i) Art. 4.3.3; (ii) Blended CFC Regime; and (iii) cross-crediting of FTCs.

Q2: Same as Q1, except that XCo owns 100% of YCo, and YCo owns 100% of ZCo.

Answer in next ITB email alert!

LAST WEEK'S QUESTION

ACo and BCo are sister subsidiaries in an MNE Group which is "within scope" of the GloBE rules.

ACo is formed in jurisdiction A, where it is treated as opaque for tax purposes.

BCo is formed in jurisdiction B, where it is treated as opaque for tax purposes.

ACo owns a 40% interest in CCo, which is formed in jurisdiction C. BCo owns the remaining 60% interest in CCo.

CCo is treated as opaque under the jurisdiction B tax law, but as transparent under the jurisdictions A and C tax laws.

CCo has Financial Accounting Net Income of 100, on which it incurs C tax of 20.

Q1: What will be the allocation of CCo's FANIL of 100 and tax of 20?

Q2: Now assume that, under the jurisdiction B CFC rules, BCo incurs tax of 5 (after foreign tax credit for CCo tax) in respect of BCo's interest in CCo. What will be the allocation of CCo's FANIL of 100 and tax of 20, and BCo's tax of 5? Please ignore: (i) Art. 4.3.3; (ii) Blended CFC Regime; and (iii) cross-crediting of FTCs.

LAST WEEK'S ANSWER

CCo is a Flow-through Entity: Art. 10.2.1. It is a Tax Transparent Entity to the extent of ACo's 40% interest (Art. 10.2.1(a)), and it is a Reverse Hybrid Entity to the extent of BCo's 60% interest (Art. 10.2.1(b)).

Q1:

See para. 67, chapter 5, of June 2024 AG.

CCo's FANIL of 100 will be allocated: 40 to ACo (Art. 3.5.1(b)), and 60 to CCo (Art. 3.5.1(c)).

CCo's tax of 20 will be allocated: 8 to ACo (Art. 4.3.2(b)), and 12 to CCo.

Q2:

CCo's FANIL of 100 will be allocated: 40 to ACo (Art. 3.5.1(b)), and 60 to CCo (Art. 3.5.1(c)).

CCo's tax of 20 will be allocated: 8 to ACo (Art. 4.3.2(b)), and 12 to CCo.

BCo's CFC tax of 5 will be allocated: 5 to CCo (Art. 4.3.2(c)). It will not be further allocated to ACo: see para. 68, chapter 5, of June 2024 AG.

Do you agree?

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