International Tax Bytes
by Steve Towers

"International tax news, explained"

23 May 2025

HIGHLIGHTS

- **US House of Representatives passes One Big Beautiful Bill**
  - **By 1 vote**
- **Netherlands**
  - **Tax authorities issue guidance which shows weakness in country's dividend withholding tax rules**
- **Continuation of review of June 2024 Administrative Guidance on GloBE rules**
  - **Today: Treatment of securitisation vehicles**

HAPPY FRIDAY!

Ramaphosa is ambushed; **Star Wars** is back; and **Postecoglou** is a second season serial winner (again!)

Meanwhile, in the tax world…

US wants to be side-by-side the **OECD**; **New Zealand** tries to make itself a small target; **Netherlands** publicises an effective tax planning strategy; and the **One Big Beautiful Bill** squeaks through the House!

But at the end of the week, the most important question is this: **"Have you entered the AI trough of disillusionment?"**

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. Other global developments
3. June 2024 Administrative Guidance on GloBE rules: Treatment of Securitisation Vehicles
4. Asia Pacific
   - Australia, Hong Kong, New Zealand
5. Europe
   - Albania, France, Netherlands, Sweden, UK
6. Middle East & Central Asia
   - UAE
7. Americas
   - US

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: Treatment of Securitisation Vehicles (ITB, 23 May 2025)**
  - **June 2024 Administrative Guidance on GloBE rules: Allocation of profits and taxes in structures including Flow-through Entities (Parts 1 to 5) (ITB, 28 March; 4 & 11 April; 2 & 9 May 2025)**
  - **June 2024 Administrative Guidance on GloBE rules: Allocation of profits and taxes in structures including Flow-through Entities (Parts 1 to 4) (ITB, 28 March; 4 & 11 April; 2 May 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
"The United States' Sharp Turn Toward Tax Unilateralism"
Tax Notes Today International, Tax Analysts, 19 May 2025.

Joachim Englisch
"EU Excess Profits Tax Ultra Vires? On the Limits of Article 122 TFEU in EU Tax Policy"
EC Tax Review, Kluwer, 2025-3.

Robin Tulp
"Top-Up Tax Allocation in M&A Transactions and Among Subgroups: A Wicked Problem?"
Tax Notes Today International, Tax Analysts, 21 May 2025.

INTERNATIONAL TAX QUIZ

THIS WEEK'S NEW QUIZ

ACo, a company located in jurisdiction A, is a securitisation entity established by an MNE Group (which is "within scope" of the GloBE rules).

ACo is included in the MNE Group's consolidated financial statements.

The MNE Group has 3 other Constituent Entities located in jurisdiction A.

Jurisdiction A imposes a QDMTT.

ACo is included within the scope of the QDMTT.

However, the QDMTT law requires that the QDMTT liability is not imposed on a securitisation entity, but it is instead imposed on other Constituent Entities located in the jurisdiction. If there are no other Constituent Entities located in the jurisdiction, the QDMTT is not imposed at all.

Q1: Based on this limited information: (a) will jurisdiction A qualify for the QDMTT Safe Harbour; and (b) will the MNE Group be required to compute Top-up Tax (under the GloBE rules) in respect of jurisdiction A?

Q2: Same as above, except that, if there are no other Constituent Entities located in jurisdiction A, the QDMTT liability is imposed on ACo. Do your answers to Q1(a) & (b) change?

Answer in next ITB email alert!

LAST WEEK'S QUESTION

XCo (located in jurisdiction X) owns 100% of YCo (located in jurisdiction Y).

The jurisdiction X corporate income tax (CIT) treats XCo as opaque.

YCo is treated as transparent for the purposes of the jurisdiction X CIT, but it is treated as opaque for the purposes of the jurisdiction Y CIT.

YCo owns 100% of ZCo, which is formed in jurisdiction Z.

ZCo is treated as opaque for jurisdiction Y CIT purposes, but ZCo is treated as transparent for the purposes of both the jurisdiction X CIT and the jurisdiction Z CIT.

ZCo derives a Financial Accounting Net Income or Loss (FANIL) of 100.

XCo pays 10 of jurisdiction X CIT on ZCo's 100 FANIL.

YCo pays 5 of jurisdiction Z CIT on ZCo's FANIL.

ZCo does not pay any jurisdiction Z CIT on its (ZCo's) 100 FANIL.

What will be the allocation of ZCo's FANIL of 100, YCo's CIT of 5, and XCo's CIT of 10?

Please answer this question (1) under the GloBE rules, and (2) under jurisdiction Z's QDMTT.

Please assume that YCo does not have a PE (as defined in the GloBE rules) in jurisdiction Z.

LAST WEEK'S ANSWER

YCo is the Reference Entity in regard to ZCo, because it is the closest Constituent Entity-owner to ZCo that is not a Flow-through Entity: para.154.1 of Comm to Art. 10.2.1.

As jurisdiction Y's CIT treats ZCo as opaque, ZCo's FANIL will not be subject to tax in jurisdiction Y. ZCo would therefore be treated as a Reverse Hybrid Entity: Art. 10.2.1(b).

ZCo's FANIL remains with ZCo: Art. 3.5.1(c).

1. GloBE rules:

For the purposes of the GloBE rules, both XCo's tax and YCo's tax will be allocated to ZCo, under Art. 4.3.2(d).

Note that para. 59 of the Comm to Art. 4.3.2(d) states that the provision applies to both Hybrid Entities and Reverse Hybrid Entities.

2. Jurisdiction Z's QDMTT:

For the purposes of jurisdiction Z's QDMTT, XCo's tax will not be allocated to ZCo, but YCo's tax will be allocated to ZCo: para. 118.30 of Comm to definition of QDMTT in Art. 10.1.

3. Final answer:

FANIL of 100 retained by ZCo (for both GloBE rules and QDMTT).

For GloBE rules: both XCo tax and YCo tax allocated to ZCo.

For QDMTT: YCo tax allocated to ZCo.

Do you agree?

If you have a friend or colleague who you think might find this email alert interesting, please forward it to them.