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30 May 2025



HIGHLIGHTS

- **Tariff wars**
 - Trump Administration blocked by court
 - EU and Apple threatened with tariffs
- **EU**
 - Advocate General Kokott expresses doubt on whether ATAD is authorised
- **Commencement of review of January 2025 Administrative Guidance on GloBE rules**
 - Today: Application of Article 9.1 to deferred tax assets arising from tax benefits provided by General Government

HAPPY FRIDAY!

Harvard is under attack; Musk exits; and France bans smoking almost everywhere!

Meanwhile, in the tax world...

Trump's tariffs hit a (temporary?) roadblock; Vietnam tax auditors promise not to visit; AG Kokott says the ATAD emperor has no clothes; South Africa goes back to the beginning; and Brazil makes the wrong move (but adjusts quickly)!

But the most surprising comment this week is this (from the Economist): "If India chokes less, it will fry more. Pollution may have shielded it from the worst of global warming."

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. January 2025 Administrative Guidance on GloBE rules: Application of Article 9.1 to deferred tax assets arising from tax benefits provided by General Government
5. Asia Pacific
 - Australia, Hong Kong, New Zealand, Vietnam
6. Europe
 - ECJ, UK
7. Africa
 - South Africa
8. Middle East & Central Asia
 - Qatar
9. Americas
 - Brazil, Mexico
10. 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:**
 - January 2025 Administrative Guidance on GloBE rules: Application of Article 9.1 to deferred tax assets arising from tax benefits provided by General Government (ITB, 30 May 2025)
 - 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, 16 & 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, 16, 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

Wolfgang Blumers and Lars Kahle
"Artificial Intelligence and Unstaffed PEs: The Favourable German Interpretation of the 2010 OECD Report"
European Taxation, IBFD, 2025 (Vol. 65), No. 6.

Dhruv Janssen-Sanghani
"Hyosung Corp.: The Tax Treaty - Domestic Tax Law Interaction"
Tax Notes Today International, Tax Analysts, 27 May 2025.

Pieter-Jan Wouters
"Belgian Tax Consolidation Regime Violates EU Parent-Subsidiary Directive (2011/96)"
European Taxation, IBFD, 2025 (Vol. 65), No. 6.

INTERNATIONAL TAX QUIZ

LAST WEEK'S QUESTION

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?

LAST WEEK'S ANSWER

See para. 48.1 of the Commentary to the QDMTT Safe Harbour.

Q1:

- a. Jurisdiction A will satisfy the Consistency Standard. Therefore, if the other 2 standards are satisfied, jurisdiction A will qualify for the QDMTT Safe Harbour.
- b. The Switch-Off Rule will apply to the MNE Group. This means that the MNE Group must compute Top-up Tax (under the GloBE rules) in respect of jurisdiction A.

Q2:

- a. Answer is the same as for Q1(a).
- b. The MNE Group would be allowed to apply the QDMTT Safe Harbour in respect of jurisdiction A. That means that it will not be required to compute Top-up Tax (under the GloBE rules) in respect of jurisdiction A.

Do you agree?



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