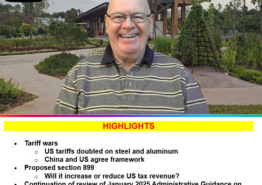


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13 June 2025


HIGHLIGHTS

- **Tariff wars**
 - US tariffs doubled on steel and aluminum
 - China and US agree framework
- **Proposed section 899**
 - Will it increase or reduce US tax revenue?
- **Continuation of review of January 2025 Administrative Guidance on GloBE rules**
 - Today: Application of Art. 9.1 to deferred tax assets arising from tax benefits provided by General Government (part 2)

HAPPY FRIDAY!

Musk goes too far; Alex Padilla is muzzled; and it's dangerous to serve on a jury in New York!

Meanwhile, in the tax world...

Malaysia targets stamp duty as a major revenue source; Singapore confirms that a holding company doesn't need a lot of substance; TaxWatch provides support for both sides of the DST targeting argument; Mauritius wants companies to pay their fair share; and JCT estimates that section 899 will eventually lose money!

But at the end of a week in which we said farewell to Brian Wilson, the most important question is this: "What is your favourite Beach Boys song?"

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. January 2025 Administrative Guidance on GloBE rules: Application of Article 9.1 to deferred tax assets arising from tax benefits provided by General Government (Part 2)
4. Asia Pacific
 - Australia, Cambodia, India, Malaysia, Singapore, Vietnam
5. Europe
 - Belgium, Denmark, Germany, UK
6. Africa
 - Mauritius
7. Middle East & Central Asia
 - Pakistan
8. Americas
 - Bahamas, Bermuda, Brazil, 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:**
 - January 2025 Administrative Guidance on GloBE rules: Application of Article 9.1 to deferred tax assets arising from tax benefits provided by General Government (Parts 1 & 2) (ITB, 30 May & 13 June 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, 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; 28 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

Rezan Ökten, Davy Schoorl, and Martin Kleimann

"Comparability Analysis in Practice: Recent Developments from Transfer Pricing Audits and Court Cases"

International Transfer Pricing Journal, IBFD, 2025 (Vol. 32), No. 4.

Abe Zhao

"Audit, Assert, Appeal: China's Evolving Tax Dispute Framework"

Tax Notes Today International, Tax Analysts, 10 June 2025.

Ruth Mason and Stephen Daly

"What Went Wrong in the Apple State Aid Case: Part 1 – The Case"

Freely available on www.ssm.com.

INTERNATIONAL TAX QUIZ

THIS WEEK'S NEW QUIZ

ACo, a company located in jurisdiction A, is a Constituent Entity in an MNE Group which is "within scope" of the GloBE rules. It is the only Constituent Entity located in jurisdiction A.

ACo uses the calendar year as its Fiscal Year. ACo owns and operates a large manufacturing plant in jurisdiction A.

In 2023, ACo made a significant capital investment in expanding the size of the plant. Under the jurisdiction A CIT law, if a company makes a large capital investment and that investment is pre-approved by a government agency, the company is given a choice of tax treatment: either (1) a reduced CIT rate for 5 years, or (2) an immediate deduction for 100% of the capital investment.

Company A initially chose option (1). However, it then sought approval from the government agency (which was granted) to change to option (2). Despite the immediate deduction, ACo did not incur a tax loss (for jurisdiction A CIT purposes) in 2023 or 2024.

For financial accounting purposes, ACo established a deferred tax asset of 2,000 at the beginning of 2024. The 2,000 reflected the jurisdiction A standard CIT rate of 10%. ACo then reversed that deferred tax asset by 200 in each of the years 2024 to 2033.

Please assume that ACo does not qualify for the Transitional CbCR Safe Harbour.

Jurisdiction A has not implemented a QDMTT.

In the residence jurisdiction of the UPE of the MNE Group, the GloBE rules have been implemented, effective 1 January 2025.

Based on this information, what impact will the annual reversals of the deferred tax asset have on ACo's Adjusted Covered Taxes in each of 2025, 2026, and 2027?

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