International Tax Bytes
by Steve Towers

"International tax news, explained"



18 July 2025


## HIGHLIGHTS

- **Tariff wars**
  - **US sends letters to Canada, Mexico, and EU**
- **GloBE news**
  - **Germany's chancellor makes shock announcement**
  - **And then changes his mind**
- **Netherlands**
  - **Issues guidance on "royalties" definition in Korea / Netherlands treaty**

## HAPPY FRIDAY!

**Epstein's** ghost returns; **Trump** u-turns on **Putin**; and **OBBBA** is not a 1970s Swedish pop group!

Meanwhile, in the tax world ...

**Chancellor Merz** scares the horses; **GILTI** pushdown is the new conflict point; **OECD** plays good copper with a draft toolkit; **WHO** wants to tax; **Nigeria** copies GloBE, but pays no royalties; and **Taiwan** refuses to subsidise other jurisdictions!

But at the end of the week, the most important question is this: **"Will AI make us stupid?"**

**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. US: One Big Beautiful Bill Act
4. Other global developments
5. Asia Pacific
   - Indonesia, Taiwan, Vietnam
6. Europe
   - EU, Germany, Italy, Netherlands, Poland, Romania
7. Africa
   - Cabo Verde, Nigeria, Niger
8. Middle East & Central Asia
   - Bahrain
9. Americas
   - Argentina, Brazil

## 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; 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

Frank Pötgens and 15 others
"Interpretation under the Multilateral Instrument (MLI) – Part One"
Bulletin for International Taxation, IBFD, 2025 (Vol. 79), No. 6/7.

Antoni Bergas Forteza
"Europe Between Giants: Trump's Tax Policy and the Two-Pillar Solution's End"
Tax Notes Today International, Tax Analysts, 11 July 2025.

Shee Boon Law
"Compliance with Global Minimum Tax Rules in the First Years – Application of the Transitional CbCR Safe Harbour Rules"
Bulletin for International Taxation, IBFD, 2025 (Vol. 79), No. 6/7.

## INTERNATIONAL TAX QUIZ

## THIS WEEK'S NEW QUIZ

XCo is located in jurisdiction X and is the UPE of an MNE Group.

XCo owns the Controlling Interests in 3 Constituent Entities: YCo, ZCo, and ACo, respectively located in jurisdictions Y, Z, and A.

XCo owns 60% of the Ownership Interests in YCo, while the remaining 40% are held by third parties.

YCo wholly owns ZCo, and ZCo wholly owns ACo.

The Ownership Interests of YCo, ZCo, and ACo are common shares that carry an equal right to profit distributions and capital.

Jurisdictions X, Y and Z have implemented the GloBE rules, but jurisdiction A has not.

ACo is the only Constituent Entity located in jurisdiction A. 100 of top-up tax exists in regard to jurisdiction A.

How much top-up tax will each of XCo, YCo, and ZCo be required to pay?

**Answer in next ITB email alert!**

## LAST WEEK'S QUESTION

XCo, a company located in jurisdiction X, is the UPE of an MNE Group which is "within scope" of the GloBE rules. Jurisdiction X has not implemented the GloBE rules.

XCo owns 100% of the shares in YCo 1, a company located in jurisdiction Y. XCo also owns 80% of the shares in YCo 2, another company located in jurisdiction Y. The remaining 20% of the shares in YCo 2 are owned by YCo 1. Jurisdiction Y has implemented the GloBE rules (IIR, UTPR, and QDMTT).

YCo 2 owns 90% of the shares in ZCo, a company located in jurisdiction Z. The other 10% of the shares in ZCo are owned by YCo 1. Jurisdiction Z has not implemented a QDMTT.

ZCo is the only Constituent Entity located in jurisdiction Z. 100 of top-up tax exists in regard to jurisdiction Z.

How much top-up tax will each of XCo, YCo 1, and YCo 2 be required to pay?

## LAST WEEK'S ANSWER

IIR tax will not be imposed on XCo, because jurisdiction X has not implemented the GloBE rules.

Each of YCo 1 and YCo 2 is an Intermediate Parent Entity (Art. 10.1.1 definition).

YCo 1: Subject to IIR tax under Art. 2.1.2. Its "Allocable Share" of ZCo's top-up tax is, prima facie, 28% (10% due to its direct ownership of ZCo, plus 18% due to its indirect ownership of ZCo through YCo 2 – i.e., 20% x 90%).

YCo 2: Subject to IIR tax under Art. 2.1.2. The exclusion in Art. 2.1.3(b) does not apply, because YCo 1 does not own a Controlling Interest in YCo 2. Its "Allocable Share" of ZCo's top-up tax is, prima facie, 90%.

Prima facie, there is double taxation: 28% + 90% = 118%.

However, double tax is avoided by Arts. 2.3.1 & 2.3.2: YCo 1's Allocable Share is reduced to 10%.

Final answer: XCo: nil; YCo 1: 10; and YCO 2: 90.

Do you agree?