ITB International Tax Bytes by Steve Towers

"International tax news, explained"

1 August 2025

HIGHLIGHTS

- **Tariff wars**
  - **US announces trade deals with EU and Korea, and penalty tariffs on Brazil and India**
- **3 international tax cases**
  - **On PE status, meaning of POEM, and interaction between domestic law and a double tax treaty**

HAPPY FRIDAY!

Countries line up to recognise **Palestine**; the **Fed** doesn't move; and video evidence suggests that **Trump**, um, cheats at golf!

Meanwhile, in the tax world…

Brazil threatens the **US**; **France** would like to help low-capacity countries (but no-one qualifies); **Luxembourg** aims to be competitive; **Pakistan** has second thoughts; and **India** really upsets the **US**!

But at the end of the week, the most important question is this: **"Is Norway the richest country in the world?"**

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. Other global developments
3. Asia Pacific
   - Hong Kong, India, Indonesia, Korea
4. Europe
   - EU, France, Ireland, Italy, Luxembourg, Netherlands, UK
5. Middle East & Central Asia
   - Pakistan, UAE
6. Americas
   - US
7. 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 (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

Reuven S. Avi-Yonah
"Is the OBBBA Compatible With Pillar 2?"
Tax Notes Today International, Tax Analysts, 25 July 2025.

Jorn Steenbergen
"Collectively the Same: Comparability of Investment Funds for Tax Purposes in the EU"
EC Tax Review, Kluwer, 2025/4.

Robert Goulder
"Does Belgium Understand ATAD Better Than the European Commission?"
Tax Notes Today International, Tax Analysts, 18 July 2025.

INTERNATIONAL TAX QUIZ

THIS WEEK'S NEW QUIZ

A Co is the UPE of an MNE Group and owns 70% of the Ownership Interests in B Co, a POPE located in Country B. The remaining 30% of the Ownership Interests in B Co are owned by persons that are not Group Entities.

B Co owns 20% of the Ownership Interests in C Co, an LTCE located in Country C. A Co directly owns 70% of the Ownership Interests in C Co. A person that is not a Group Entity owns the remaining 10% of the Ownership Interests in C Co.

A Co owns 100% of the Ownership Interests in D Co, an LTCE located in Country D.

The Ownership Interests of B Co, C Co, and D Co are ordinary common shares that carry an equal right to profit distributions and capital.

The Top-up Tax computed for Country C and allocated to C Co for the Fiscal Year is 1,000.

The Top-up Tax computed for Country D and allocated to D Co for the Fiscal Year is 500.

The Financial Accounting Net Income of C Co and D Co reflected in the Consolidated Financial Statements of A Co is 18,000 and 0, respectively. C Co's GloBE Income is 20,000 and D Co's GloBE income is 35,000. The difference between C Co's GloBE Income and the income reflected in the Consolidated Financial Statements is attributable to 2,000 of expenses that are not taken into account in computing GloBE Income or Loss. The difference between D Co's GloBE Income and its income reflected in the Consolidated Financial Statements is attributable to the fact that all of its transactions were conducted with Group Entities located outside of Country D.

What is: (1) B Co's Allocable Share of the Top-Up Tax of C Co?; (2) A Co's Allocable Share of the Top-Up Tax of C Co?; and (3) A Co's Allocable Share of the Top-Up Tax of D Co?

Answer in next ITB email alert!

LAST WEEK'S QUESTION

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 owns 90% of the Ownership Interests in ZCo, while the remaining 10% are held by third parties.

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?

LAST WEEK'S ANSWER

YCo is a Partially-Owned Parent Entity (POPE) (Art. 10.1.1 definition), because: (i) it owns an Ownership Interest in ZCo; and (ii) 40% of its Ownership Interests are owned by persons that are not Constituent Entities of the MNE Group. It is therefore not an Intermediate Parent Entity (Art. 10.1.1 definition).

ZCo is also a POPE, because: (i) it owns an Ownership Interest in ACo; and (ii) 36% (40% x 90% = 36%) of its Ownership Interests are owned indirectly by persons that are not Constituent Entities of the MNE Group, and 10% of its Ownership Interests are owned directly by persons that are not Constituent Entities of the MNE Group; thus, in total, 46% of its Ownership Interests are owned by persons that are not Constituent Entities of the MNE Group. It is therefore not an Intermediate Parent Entity.

ACo is not a POPE, because it does not own an Ownership Interest in any Constituent Entity of the MNE Group.

Prima facie: (1) XCo applies the IIR (Art. 2.1.1); (ii) YCo applies the IIR (Art. 2.1.4); and (iii) ZCo applies the IIR (Art. 2.1.4). For XCo, the Allocable Share of the jurisdiction A top-up tax is 54: Art. 2.2. For YCo the Allocable Share is 90: Art. 2.2. And for ZCo, the Allocable Share is 100: Art. 2.2.

Art. 2.1.5 does not apply because ZCo is not wholly-owned by YCo.

Triple tax is avoided by: (a) Art. 2.3 reduces XCo's Allocable Share to zero; and (b) Art. 2.3 also reduces YCo's Allocable Share to zero.

Thus, final answer: ZCo is required to pay 100 of top-up tax.

Do you agree?