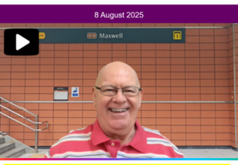
ITB International Tax Bytes by Steve Towers

"International tax news, explained"

8 August 2025



HIGHLIGHTS

- **Tariff wars**
  - **US's reciprocal tariffs start operation, and India is given 50% tariff**
- **2 international tax cases**
  - **Both on EU Parent Subsidiary Directive**

HAPPY FRIDAY!

GPT-5 is launched; **Germans** fall out of love with beer; and **Trump** and **Putin** start rehearsing their lines!

Meanwhile, in the tax world ...

US hits **India** for 6; **Korea** goes for the minimum; **Australia** takes the low-risk option; **Netherlands** requires employees and premises; **UAE** privately clarifies; and **China** wants its share of interest!

But at the end of the week, the most important question is this: **"Will we see the transcript of Trump's discussion with Putin?"**

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. Asia Pacific
   - Australia, Cambodia, China, Korea, Malaysia, Philippines, Singapore
4. Europe
   - ECJ, France, Ireland, Italy, Netherlands
5. Middle East & Central Asia
   - 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

Karl Berlin and Louise Blichfeldt Fjord
"The Sea as a Place of Business"
Tax Notes Today International, Tax Analysts, 5 August 2025.

Claudia Dias Soares
"EU VAT in the Space Economy: Challenges and Normative Perspectives"
International VAT Monitor, 2025 (Vol. 36), No. 4

INTERNATIONAL TAX QUIZ

LAST WEEK'S QUESTION

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

YCo owns 20% of the Ownership Interests in ZCo, a Constituent Entity located in Country Z. XCo directly owns 70% of the Ownership Interests in ZCo. A person that is not a Group Entity owns the remaining 10% of the Ownership Interests in ZCo.

XCo owns 100% of the Ownership Interests in ACo, a Constituent Entity located in Country A.

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

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

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

The Financial Accounting Net Income of ZCo and ACo reflected in the Consolidated Financial Statements of XCo is 18,000 and 0, respectively. ZCo's GloBE Income is 20,000 and ACo's GloBE Income is 35,000. The difference between ZCo'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 ACo'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 A.

What is: (1) YCo's Allocable Share of ZCo's TUT (Top-up Tax of ZCo)?; (2) XCo's Allocable Share of the Top-Up Tax of ZCo?; and (3) XCo's Allocable Share of the Top-Up Tax of ACo?

LAST WEEK'S ANSWER

1. YCo's Allocable Share of ZCo's Top-Up Tax (1,000):

Ownership Interests in ZCo held by persons other than Group Entities = 80% (which includes XCo's 70%: Art. 2.2.3(d)).

ZCo's GloBE Income, reduced by amount of GloBE Income attributable to Ownership Interests held by other owners = 20,000 minus 16,000 = 4,000.

Inclusion Ratio: 4,000 / 20,000 = 20%: Art. 2.2.2

Thus, YCo's Allocable Share of ZCo's TUT = 1,000 x 20% = 200.

2. XCo's Allocable Share of ZCo's TUT (1,000):

Ownership Interests in ZCo held by persons other than Group Entities: 10% + (30% x 20%) = 10% + 6% = 16%.

ZCo's GloBE Income, reduced by amount of GloBE Income attributable to Ownership Interests held by other owners = 20,000 minus 3,200 = 16,800.

Inclusion Ratio: 16,800 / 20,000 = 84%: Art. 2.2.2

XCo's prima facie Allocable Share of ZCo's TUT = 1,000 x 84% = 840.

Reduction to reflect portion of XCo's Allocable Share that is brought into charge by YCo (a POPE) = 1,000 x 14% = 140.

Thus, XCo's final Allocable Share of ZCo's TUT = 840 minus 140 = 700.

3. XCo's Allocable Share of ACo's TUT (500):

Ownership Interests in ACo held by persons other than Group Entities: 0%.

ZCo's GloBE Income, reduced by amount of GloBE Income attributable to Ownership Interests held by other owners = 35,000 minus 0 = 35,000.

Inclusion Ratio: 35,000 / 35,000 = 100%.

Thus, XCo's Allocable Share of ACo's TUT = 500 x 100% = 500.

Do you agree?