International Tax Bytes by Steve Towers

"International tax news, explained"

12 September 2025

HIGHLIGHTS

- **Many of President Trump's tariffs declared invalid by US Appeals Court**
- **US threatens its "revenge tax" (section 899) if an agreed deal with the OECD is not made by 31 December**
- **China updates its VAT refund policy**

HAPPY FRIDAY!

Mandelson is outed; **Israel** makes a **Qatarstrophic** error; and **Bolsonaro** will serve **Brazil** for another 27 years!

Meanwhile, in the tax world…

Federal Circuit selects "no"; **Malta** provides an elective tax; **Australia** wants to remove the nuisance; **Romania** becomes less ambitious; and the **Kenyan** tax authorities write their own transition rule!

But at the end of the week, the most important question is this: **"Are Trump's tariffs too big to fail?"**

Have a great weekend!
Steve

PS: Credits: (1) The Economist for the Qatarstrophic line; and (2) Robert Goulder of Tax Analysts for the "too big to fail" line. Thank you!

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. Asia Pacific
   - Australia, China, India, Philippines, Singapore, Sri Lanka
5. Europe
   - Czech Republic, EU, Finland, Ireland, Netherlands, Poland, Romania, UK
6. Africa
   - Kenya, South Africa
7. Middle East & Central Asia
   - UAE, Uzbekistan
8. Americas
   - Canada, Colombia, Ecuador, US
9. 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

Frank Pötgens and 15 others
"Interpretation under the Multilateral Instrument (MLI) – Part Two"
Bulletin for International Taxation, IBFD, 2025 (Vol. 79), No. 8. [Part One was listed in "Worth Reading" on 24 July 2025.].

Dhruv Janssen-Sanghavi
"Stability, Substance, and Strain on Precedent: Indian Supreme Court's PE Decision in *Hyatt International*"
Tax Notes Today International, Tax Analysts, 4 September 2025.

Artur Torres Pereira
"Squaring the Triangle – The Triangulation Simplification and the ECJ Decision in *Hans Bühler*"
International VAT Monitor, IBFD, 2025 (Vol. 36), No. 5.

INTERNATIONAL TAX QUIZ

THIS WEEK'S NEW QUIZ

XCo is the UPE of an MNE Group.

XCo, a company located in Country X, owns Controlling Interests in three subsidiary companies: YCo, ZCo and ACo, respectively located in Countries Y, Z and A.

XCo, YCo, ZCo and ACo are the only Constituent Entities in the MNE Group. Only Countries Y and Z have implemented the GloBE rules.

XCo has a direct 100% Ownership Interest in YCo and a direct 60% Ownership Interest in ZCo. YCo has the remaining 40% Ownership Interest in ZCo (not a Controlling Interest).

ZCo has a direct 100% Ownership Interest in ACo.

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

ACo has Top-up Tax of 1,000.

Based on these facts, what is the IIR tax liability of: (1) XCo; (2) YCo; and (3) ZCo?

Answer in next ITB email alert!

LAST WEEK'S QUESTION

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

XCo directly or indirectly owns Controlling Interests in two subsidiary companies: YCo and ZCo, respectively located in jurisdictions Y and Z.

XCo, YCo and ZCo are the only Constituent Entities in the MNE Group.

XCo has a direct 60% Ownership Interest in YCo and third parties own the remaining 40%.

XCo has a direct 50% Ownership Interest in ZCo and YCo directly owns the other 50%.

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

For the relevant year, ZCo has Top-up Tax of $1 million.

Based on these facts, what is the IIR tax liability of: (1) XCo; and (2) YCo?

LAST WEEK'S ANSWER

YCo is a POPE (Art. 10.1.1 definition). It is not an Intermediate Parent Entity (Art. 10.1.1 definition).

YCo will be subject to an IIR tax liability equal to its Allocable Share of ZCo's Top-up Tax (Art. 2.1.4).

YCo's Inclusion Ratio for ZCo is 50% (Art. 2.2.2 & 2.2.3).

Therefore, YCo's Allocable Share of ZCo's Top-up Tax is: $1 million x 50% = $500,000.

XCo will also be subject to an IIR tax liability equal to its Allocable Share of ZCo's Top-up Tax (Art. 2.1.1).

XCo's Inclusion Ratio for ZCo is 50% + (60% x 50%) = 80% (Art. 2.2.2 & 2.2.3).

Therefore, prima facie, XCo's Allocable Share of ZCo's Top-up Tax is $1 million x 80% = $800,000.

However, to avoid the double counting, Art. 2.3.1 & 2.3.2 reduce XCo's Allocable Share by $300,000.

Thus, final answer: XCo: $500,000; YCo: $500,000.

Do you agree?