

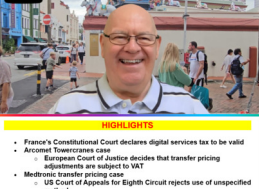
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19 September 2025



HIGHLIGHTS

- France's Constitutional Court declares digital services tax to be valid
- Arcomet Towercranes case
 - European Court of Justice decides that transfer pricing adjustments are subject to VAT
- Medtronic transfer pricing case
 - US Court of Appeals for Eighth Circuit rejects use of unspecified method

HAPPY FRIDAY!

Trump enjoys the pomp and circumstance; Jimmy Kimmel goes too far; and Brigitte Macron will prove she is female!

Meanwhile, in the tax world...

France classifies a win; the Netherlands takes care; Nigeria thinks its FCB levy might add to inflation; Mexico builds a tax platform; and the Eighth Circuit wants similarity!

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, Hong Kong
4. Europe
 - France, ECJ, Germany, Netherlands, Poland
5. Africa
 - Nigeria
6. Middle East & Central Asia
 - Bahrain
7. Americas
 - Chile, Mexico, Paraguay, US
8. 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 6) (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

Lee A. Sheppard,
["Will the Supreme Court Sustain the Tariffs?"](#)
Tax Notes Today International, Tax Analysts, 15 September 2025.

Amanda de Oliveira Valdo,
["The Impact of ESG and the Carbon Border Adjustment Mechanism on Transfer Pricing"](#)
International Transfer Pricing Journal, IBFD, 2025 (Vol. 32), No. 6.

Robert Goulder,
["U.S. Selections, Part 1: Are Trump's Tariffs Too Big to Fail?"](#)
Tax Notes Today International, Tax Analysts, 12 September 2025.

INTERNATIONAL TAX QUIZ

LAST WEEK'S QUESTION

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?

LAST WEEK'S ANSWER

The IIR tax liability of XCo is obviously zero, as Country X has not implemented the GloBE rules.

ZCo is an Intermediate Parent Entity (Art. 10.1.1 definition). ZCo is therefore required to apply the IIR because it owns an Ownership Interest in ACo (Art. 2.1.2). ZCo's Allocable Share of ACo's Top-up Tax is, prima facie, 1,000 (Art. 2.2).

ZCo's obligation to apply the IIR is not "switched off" by Art. 2.1.3, because (i) XCo (the UPE) is not required to apply an IIR; and (ii) YCo does not own a Controlling Interest in ZCo.

YCo is also required to apply the IIR because it is an Intermediate Parent Entity (Art. 10.1.1. definition) that owns indirectly an Ownership Interest in ACo (Art. 2.1.2). YCo's Allocable Share of ACo's Top-up Tax is, prima facie, 400 (Art. 2.2).

YCo's obligation to apply the IIR is not "switched off" by Art. 2.1.3, because XCo (the UPE) is not required to apply an IIR.

Double counting is avoided by the IIR offset mechanism in Art. 2.3: YCo's Allocable Share is reduced to zero.

Thus, final answer: (1) XCo: 0; (2) YCo: 0; and (3) ZCo: 1,000.

Do you agree?



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