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ITB International Tax Bytes by Steve Towers

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14 November 2025

HIGHLIGHTS

- **Brazil imposes 10% dividend withholding tax**
- **Banks are targeted for increased tax in Hungary and Lithuania**
- **2 international tax cases**
    - **India and European Court of Justice**

HAPPY FRIDAY!

US government is back in business; the **Fedora** detective is unmasked; and the **BBC** apologises to **Donald Trump**!

Meanwhile, in the tax world …

GloBE compliance costs are low, says the **EU**; **Hong Kong** goes digital; **eBay** sells at the right level; **Malaysia** looks for "fit and proper" employees; **Massimo Dutti** pays higher customs duty by leaving its options open; banks are targeted in **Hungary** and **Lithuania**; and **Nigeria** avoids a stock market crash!

Have a great weekend!
Steve

THIS WEEK'S PODCAST

(For ITB video subscribers, please log in to access the video and documents/reports)

1. GloBE news
2. Other global developments
3. Asia Pacific
    - Australia, Hong Kong, India, Malaysia, New Zealand, Singapore, Vietnam
4. Europe
    - EU, Finland, Germany, Hungary, Lithuania, Netherlands, UK
5. Africa
    - Liberia, Nigeria, South Africa
6. Americas
    - Brazil, 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

Bob Michel
"International Association of Tax Judges (IATJ) Webinar: Turbulent Times for Tax Treaties"
Bulletin for International Taxation, IBFD, 2025 (Vol. 79), No. 12.

Lucas de Lima Carvalho
"Paradis Fiscaux and the Role of Minilateralism"
Tax Notes Today International, Tax Analysts, 5 November 2025.

Eleni Detsaridou
"Simplified Triangulation Scheme in the EU VAT System: Simplification or Increased Complexity for Businesses?"
International VAT Monitor, IBFD, 2025 (Vol. 36), No. 6.

INTERNATIONAL TAX QUIZ

LAST WEEK'S QUESTION

XCo is a Constituent Entity located in Country X where a 10% CIT rate applies.

YCo is a Constituent Entity of the same MNE Group located in Country Y where a 30% CIT rate applies.

Prior to the transaction described below, the ETR of Country X for the MNE Group is 10% and for Country B is 30%.

XCo issues an interest-bearing instrument to YCo in exchange for cash (i.e., XCo borrows from YCo), that is treated as debt for financial accounting purposes, and also as debt for tax purposes in both Country X and Country Y. At the time the instrument is issued, XCo is highly-leveraged and cannot deduct any additional interest expense for Country X tax purposes. YCo is also highly-leveraged and has carried forward previously denied interest expense deductions for Country Y tax purposes sufficient to shelter the interest income with respect to the instrument issued between YCo and XCo.

What impact does this transaction have on the GloBE Income or Loss of XCo and YCo, respectively?

LAST WEEK'S ANSWER

Relevant definitions are in Art. 10.1.1.

The first issue is whether the loan is an "Intragroup Financing Arrangement" (IFA).

YCo is a "High-Tax Counterparty" because, notwithstanding this transaction, its ETR of 30% exceeds the Minimum Rate and therefore it is not located in a "Low-Tax Jurisdiction". As XCo has an ETR of 10% which is lower than the Minimum Rate notwithstanding this transaction, XCo is a "Low-Tax Entity".

Thus, the loan is an IFA, and accordingly, Art. 3.2.7 is relevant.

Under Article 3.2.7, it is necessary to determine whether, over the expected duration of the arrangement, it can be reasonably anticipated that: (a) the arrangement will increase the amount of expenses taken into account in calculating the GloBE Income or Loss of the Low-Tax Entity (XCo); and (b) without resulting in a commensurate increase in the taxable income of the High-Tax Counterparty (YCo).

Because the instrument is treated as interest-bearing debt for financial accounting purposes, it will increase the amount of expenses taken into account in calculating the GloBE Income or Loss of XCo, satisfying para. (a).

Para. (b) is also satisfied because there is no commensurate increase in the taxable income of YCo in Country Y, due to its excess interest expense carry-forward: see para. 127 of Comm to Art. 3.2.7.

Therefore, under Art. 3.2.7, the interest expense shall be excluded from the computation of GloBE Income or Loss for XCo. There will be no impact on the computation of GloBE Income or Loss of YCo.

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