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31 July 2026



HIGHLIGHTS

- Netherlands issues updated Hybrid Mismatches Decree
- China changes tax treatment of offshore trusts
- 4 international tax cases
 - India, Germany, and the European Court of Justice

THIS WEEK'S PODCAST

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

1. Global developments
2. Asia Pacific
 - China, Hong Kong, India, Indonesia
3. Europe
 - Belgium, ECJ, EU, Germany, Hungary, Italy, Netherlands, Poland
4. Americas
 - Canada, Chile, Colombia
5. 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:
 - Simplified ETR Safe Harbour (Parts 1 to 10) (ITB, 13 & 27 February; 6, 13, 20 & 27 March; 17 & 24 April; 15 & 22 May 2026)
 - Substance-based Tax Incentive Safe Harbour (ITB, 30 January 2026)
 - UPE Safe Harbour (ITB, 23 January 2026)
 - Side-by-Side Safe Harbour (ITB, 16 January 2026)
 - Side-by-Side Package: Overview (ITB, 9 January 2026)
 - 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

Annet Wanyana Oguttu

"Some Policy Reflections on the Envisaged New Article 12AA (Fees for Services) of the Upcoming Update to the UN Model"

Bulletin for International Taxation, IBFD, 2026 (Vol. 80), No. 8.

Oliver R. Hoor

"The Commission's Trojan Horse: How the Tax Omnibus Directive Would Eliminate EU Tax Sovereignty"

Tax Notes Today International, Tax Analysts, 20 July 2026.

Filippo Calatroni and Katia Scordia

"Home Office and Senior Executives: Navigating Permanent Establishment and Transfer Pricing Risks"

International Transfer Pricing Journal, IBFD, 2026 (Vol. 33), No. 5.

INTERNATIONAL TAX QUIZ

THIS WEEK'S NEW QUIZ

XCO is a company which is resident in country X. XCO has a "fixed place of business" PE in country Y. The PE carries on an IP licensing business – it licenses IP to customers in various countries, in return for royalties. One of those customers is ZCO, which is a company resident in country Z. XCO is the beneficial owner of the royalties, and it does not have a PE in country Z.

The X/Y, X/Z and Y/Z double tax treaties are identical to the 2014 OECD model treaty (with Art. 23B), except that the source country tax on royalties is limited by Art. 12 in each of the 3 treaties to : 15% (X/Y); 5% (X/Z); and 10% (Y/Z). The MLI does not apply to any of those 3 treaties.

Under the domestic tax law of each of the 3 countries : (i) the corporate income tax rate is 30%; (ii) the worldwide income of residents, and the domestic source income of non-residents, is taxed; (iii) a foreign tax credit regime applies, but only to residents; and (iv) the royalty withholding tax rate is 20%. In calculating foreign tax credits in each of the 3 countries, please disregard the allocation of deductions or (notional expenses) against foreign source income.

If \$100 of royalties are paid by ZCO to the PE, what amount of tax will be levied on that \$100 in each of the 3 countries?

Answer in next ITB email alert!

LAST WEEK'S QUESTION

XCO is a company which is incorporated in country A, but which has its central management and control in country B. It is a resident under country A tax law, and it is a resident under country B tax law. XCO's place of effective management is in country B.

XCO licenses (for arm's length royalties) a patent to YCO, which is a company resident in country C.

The A/B, A/C and B/C double tax treaties are all identical to the 2014 OECD model treaty, with the exception of the source country tax rate under Art. 12 – the rates are 5% (A/B), 10% (A/C), and 15% (B/C). The MLI does not apply to any of the 3 treaties. XCO is the beneficial owner of the royalties, and XCO does not have a PE in country C. Country C's domestic law withholding tax rate on outbound royalties is 30%.

What tax rate is country C permitted to levy on the royalties paid by YCO to XCO? Why?

LAST WEEK'S ANSWER

15% : Art. 12, B/C treaty.

Reasons:

1. Prima facie, XCO is a resident of country A and also a resident of country B, under Art. 4(1) of the A/B treaty. However, under Art. 4(3) of that treaty, it is deemed to be a resident only of country B, for the purposes of the A/B treaty. [Note that Art. 4(3) has no impact on XCO's status as a resident of country A under the country A domestic tax law.]
2. The various operative provisions in the A/B treaty (e.g., Art. 7, Art. 12, Art. 21, etc.) therefore have the effect that XCO is exempt from country A tax on income from sources outside country A.
3. According to the OECD Commentary, XCO is therefore "liable to tax" in country A only in respect of income from sources in country A, and consequently XCO does not satisfy the definition of "resident of [country A]" in Art. 4(1) of the A/C treaty. Paragraph 8.2 of the 2014 Commentary : "[The second sentence of Art. 4(1) in the A/C treaty] excludes companies and other persons who are not subject to comprehensive liability to tax in a Contracting State [i.e., country A] because these persons, whilst being residents of that State under that State's tax law, are considered to be residents of another State [i.e., country B] pursuant to a treaty between these two States [i.e., the A/B treaty]."
4. XCO therefore cannot claim benefits under the A/C treaty : Art. 1.
5. However, XCO does satisfy the definition of "resident of [country B]" under Art. 4(1) of the B/C treaty.
6. Therefore, country C is permitted by Art. 12 of the B/C treaty to levy tax on the royalties, with a limit of 15% on gross. As country C's domestic law withholding tax rate on outbound royalties is 30%, country C will therefore levy a 15% tax on XCO's royalties.

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