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[Subscribe](#)**7 August 2026****HIGHLIGHTS**

- **Korea releases its 2026 tax reform proposals**
- **Poland publishes bill to introduce 3% digital services tax**
- **2 international tax cases**
 - From India and European Court of Justice

THIS WEEK'S PODCAST

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

1. Asia Pacific
 - Australia, China, India, Indonesia, Japan, Korea, Malaysia, Philippines
2. Europe
 - ECJ, France, Luxembourg, Netherlands, Poland, Portugal, UK
3. Africa
 - Nigeria, South Africa
4. 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

Poonam Khaira Sidhu

["Ernst & Young US: Secondment, Substance, and Post-BEPS Indian Tax Law"](#)

Tax Notes Today International, Tax Analysts, 31 July 2026.

Reuven S. Avi-Yonah, Domenico Imparato, and Karen Sam

["Data Centers as Engines of Corporate Tax Base Restructuring"](#)

Tax Notes Today International, Tax Analysts, 30 July 2026.

INTERNATIONAL TAX QUIZ**THIS WEEK'S NEW QUIZ**

XCO is a resident of country A.

XCO owns a building in country B. The building contains 10 residential apartments, all of which are leased to tenants who are unrelated to XCO. A real estate agent in country B (YCO) manages the building for XCO. XCO financed its purchase of the building by borrowing money from ZCO, which is an unrelated bank resident in country C. The loan is secured by a mortgage on the building.

The A/B, A/C, and B/C double tax treaties are identical to the 2014 OECD model treaty, with Art. 23A. The MLI does not apply to any of those treaties.

ZCO is the beneficial owner of the interest which is paid by XCO on the loan, and ZCO does not have a PE in country A or country B.

In regard to (i) rent paid to XCO, and (ii) interest paid to ZCO, what is the treatment under each of the A/B, A/C, and B/C treaties?

Answer in next ITB email alert on 21 August 2026!

LAST WEEK'S QUESTION

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?

LAST WEEK'S ANSWER

Z tax: \$5: Art. 12, X/Z treaty.

Y tax:

Prima facie tax, before applying Art. 24(3), would be \$30: Art. 7(1), 2nd sentence, X/Y treaty.

Art. 24(3), X/Y treaty, requires that: "The taxation on a [PE] which an enterprise of [X] has in [Y] shall not be less favourably levied in [Y] than the taxation on enterprises of [Y] carrying on the same activities".

Imagine a hypothetical enterprise of Y ("YCO") which carries on the same activities as the PE. YCO would be subject to 30% corporate income tax on its profits from those activities (same as the PE), and it would be entitled to a credit for the Z tax under Y domestic law and under Art. 23B(1) of the Y/Z treaty (not the same as the PE: the non-residence status of the PE means that it does not satisfy the conditions for credit under Y domestic law and that it does not satisfy the residence condition in Art. 1 of the Y/Z treaty). YCO's credit would reflect the 10% tax rate on royalties under the Y/Z treaty, not the actual 5% tax imposed under the X/Z treaty. Thus, hypothetically, the Y tax levied on YCO in regard to the royalties paid by ZCO would be \$30 - \$10 = \$20.

Thus, the Y tax levied on the PE would be \$20.

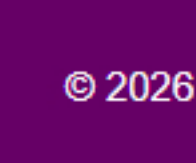
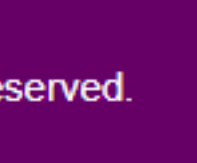
Apart from the issue of credit for Z tax, consider whether the taxable profits of the PE (determined under the Y domestic law and Art. 7(2), X/Y treaty) and the taxable profits of the hypothetical YCO (determined under Y domestic law) would be calculated as the same amount. To the extent that the taxable profits of the PE would be greater than the taxable profits of YCO, the resulting amount of excess Y tax would also generally (with some exceptions) trigger Art. 24(3), causing a reduction in the Y tax on the PE. This issue is not further considered here.

X tax:

X must grant a credit of \$5 under Art. 23B(1) of X/Z treaty, and a credit of \$20 under Art. 23B(1) of X/Y treaty.

Thus, X tax = \$30 - \$5 - \$20 = \$5.

Total tax: \$5 (Z) + \$20 (Y) + \$5 (X) = \$30.

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