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23 October 2026



HIGHLIGHTS

- **US puts "on hold" 500% tariffs on Russian imports**
- **ECJ decides landmark Neo Group case**
  - **Anti-abuse rule in Parent-Subsidiary Directive just got bigger**

THIS WEEK'S PODCAST

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

1. Tariff wars
2. Other global developments
3. Asia Pacific
   - Australia, Hong Kong, New Zealand, Philippines, Singapore
4. Europe
   - ECJ, EU, France, Hungary, Ireland, Netherlands, Sweden, UK
5. Africa
   - Ghana, Kenya
6. Americas
   - Uruguay, 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:**
  - **September 2026 Administrative Guidance on GloBE rules: Explicitly Conditional Taxes; Use of local financial accounting standard under a QDMTT in case of mismatching fiscal periods (ITB, 25 September 2026)**
  - **Simplified ETR Safe Harbour (ITB, 10 to 15 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 Equity (ITB 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 Registration deadline 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 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 (Part 1 to 5) (ITB, 6, 13 & 20 May; 10 & 17 June 2022)**
  - **Computation of Effective Tax Rate and Top-up Tax (Part 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

Alexander F. Peter
"No Meeting in the Middle? Europe's Courts Question Default Median"
Tax Notes Today International, Tax Analysts, 16 October 2026.

Maxine Avilchou
"VAT Tax Representative: A Role with Increased Liability and No Decision-Making – A Comment on Case T-366/25, Rivera"
International VAT Monitor, IBFD, 2027 (Vol. 38), No. 1.

Robert Goulder
"Does Manchester City Have a Tax Problem?"
Tax Notes Today International, Tax Analysts, 16 October 2026.

INTERNATIONAL TAX QUIZ

THIS WEEK'S NEW QUIZ

XCO is a company resident in country X. It owns a small parcel of shares in YCO, a company resident in country Y. YCO's shares are listed on the country Y stock exchange.

YCO declares a dividend, and issues dividend vouchers to its shareholders. The dividend vouchers are transferable. YCO will redeem the dividend vouchers, for cash, on presentation after 30 days.

XCO sells its dividend vouchers to ZCO, a company resident in country Z, for a price equal to 95% of the face value of the vouchers. The sale is unconditional – in particular, XCO does not guarantee that YCO will redeem the vouchers for face value or indemnify ZCO if YCO does not. No shares in YCO are sold by XCO to ZCO. At the end of the 30 days, ZCO receives cash from YCO for the vouchers.

The XY treaty and the YZ treaty are identical to the 2014 OECD model treaty, except that the tax limit in Art. 10(2)(a) is 5% for dividends and 10% (YZ treaty). Under domestic law, country Y levies a withholding tax of 30% on outbound dividends.

In regard to the vouchers which are issued to XCO and then sold to ZCO, and assuming the MLI does not apply to the 2 treaties, what rate of country Y tax will apply?

Would your answer be different if the MLI did apply to both treaties?

Answer in next ITB email alert!

LAST WEEK'S QUESTION

ACO, a company which is resident in country A, owns the global copyright to a film.

ACO sells that global copyright to BCO, a company which is resident in country B. The sale contract states that the consideration has 2 components: (i) a lump sum of $10 million (payable upfront), and (ii) a royalty of 3% of annual revenue which is derived by BCO from commercial exploitation of the copyright (payable annually for 10 years).

2 years later, BCO discovers that ACO is deriving revenue from the copyright from third parties in country A. BCO sues ACO, in a country A court, for breach of copyright. The court awards damages to BCO of $2 million.

The A/B treaty is identical to the 2011 UN model treaty, and it is not covered by the MLI.

What is the treatment, under the treaty, for the 3 payments?

LAST WEEK'S ANSWER

(i) Lump sum of $10 million (payable upfront):

1. This amount will fall within Art. 13(6) (capital gains - residual paragraph). Thus, it will be exempt in country B.

2. This amount will not be "royalties" within the definition in Art. 12(3), because it is not consideration for the use of, or the right to use, any copyright.

(ii) Royalty of 3% of annual revenue which is derived by BCO from commercial exploitation of the copyright (payable annually for 10 years):

1. These 10 annual amounts should also fall within Art. 13(6) (and not be "royalties" within the Art. 12(3) definition), and therefore should be exempt in country B, for the same reasons as stated in (i) above. Regardless of the calculation of the amounts and regardless of the name given to the amounts in the sale contract, their character is of payments for the sale of the whole copyright.

2. See paragraphs 15 & 16 in the OECD Commentary on Art. 12 (reproduced in the UN Commentary on Art. 12). India and Colombia do not accept the positions stated in those 2 paragraphs.

3. Art. 13(6) is identical to the 2011 UN model treaty, and it is not covered by the MLI.

4. See paragraph 8 in the OECD Commentary on Art. 12 (reproduced in the UN Commentary on Art. 12):

"The definition covers both payments made under a license and compensation which a person would be obliged to pay for fraudulently copying or infringing the right."

3. Thus, country A would be entitled to tax the amount up to the limit described in Art. 12(2) (assuming BCO is the beneficial owner of the amount and does not have a PE in country A). Country B would be required to give a foreign tax credit under Art. 23A(2) or Art. 23B(1).

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