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30 October 2026



HIGHLIGHTS

- **UK government presents its 2026 Autumn Budget**
- **Israel issues 2 important transfer pricing rulings**
- **3 international tax cases**
  - **From Netherlands, Switzerland, and UK**

THIS WEEK'S PODCAST

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

1. Asia Pacific
   - Hong Kong, Malaysia, New Zealand
2. Europe
   - Cyprus, Finland, Germany, Italy, Netherlands, Switzerland, UK
3. Africa
   - Kenya, Tunisia
4. Middle East & Central Asia
   - Israel
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:**
  - **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 (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 November; 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

Raffaele Petruzzi and Siddharth Jain
"Reflections on the 2025 Update to the OECD Model Tax Convention"
Tax Notes Today International, Tax Analysts, 20 October 2026.

Deniz Oliver
"An Examination of the Inclusion of Stock-Based Compensation in Cost Contribution Arrangements and Cost Sharing Agreements through OECD Principles and Guidelines, National Law, Case Law and Practical Implications"
International Transfer Pricing Journal, IBFD, 2026 (Vol. 33), No. 6.

INTERNATIONAL TAX QUIZ

LAST WEEK'S QUESTION

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 transferrable. 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 X/Y treaty and the Y/Z treaty are identical to the 2014 OECD model treaty, except that the tax limit in Art. 10(2)(b) is 20% (X/Y treaty) and 10% (Y/Z 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?

LAST WEEK'S ANSWER

(i) Assuming MLI does not apply to both treaties:

1. The first issue to determine is whether, under the Y domestic tax law, the taxing point is the issue of the vouchers to XCO or ZCO's receipt of cash from YCO on redemption of the vouchers. That will determine who the relevant taxpayer is and thus which treaty is relevant.
2. If the taxing point is the issue of vouchers to XCO, then the X/Y treaty applies. The issue of vouchers would fall within the definition of "dividends" in Art. 10(3). XCO would clearly be the beneficial owner of the dividends. The word, "paid", in Art. 10(1) & (2) "has a very wide meaning" (OECD Comm.). Art. 10(2)(b) would allow Y tax up to a limit of 20%.
3. If the taxing point is ZCO's receipt of cash from YCO on redemption of the vouchers, such that ZCO is the relevant taxpayer, the Y/Z treaty applies. The cash would probably fall within the definition of "dividends", on the basis that there is a sufficient connection with the shares to be "income from shares", even though ZCO does not own the shares to which the redeemed vouchers relate (and possibly owns no shares in YCO). ZCO would probably be the beneficial owner of the "dividends": see Royal Dutch Shell case (Hoge Raad, Netherlands, 6 April 1994). Art. 10(2)(b) would allow Y tax up to a limit of 10%.

(ii) Assuming MLI applies to both treaties:

1. If the X/Y treaty applies, the MLI would not change the analysis.
2. If the Y/Z treaty applies, Art. 7(1) of the MLI (the principal purposes test, PPT) would be relevant. The facts in this question are based on Example A in para. 182 of the OECD Comm. on Art. 29(9). In the absence of other facts, it is likely that the PPT would apply to deny the treaty benefit to ZCO – which would mean that the domestic tax rate of 30% would apply.

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