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6 September 2024



HIGHLIGHTS

- **GloBE news**
 - Bahrain, Singapore, and Switzerland
- **3 international tax cases**
 - Bulgaria, Germany, and India
- **Detailed review of June 2024 Administrative Guidance on GloBE rules**
 - Today: Divergences between GloBE and accounting carrying values (part 3)

HAPPY FRIDAY!

Putin "supports" Harris; Russia's spy whale is shot; and the Pope doesn't like pets!

Meanwhile, in the tax world ...

Singapore insists on local rules; **Tiger Global** roars; **USTR** accuses **Canada** of discrimination; **New Zealand** withholds secondary guidance; foreign currency becomes cheaper in **Argentina**; and **Yazaki** keeps on losing!

But at the end of the week, the most important question is this: "Who shot Russia's spy whale?"

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. June 2024 Administrative Guidance on GloBE rules: Divergences between GloBE and accounting carrying values (part 3)
4. Asia Pacific
 - India, New Zealand
5. Europe
 - Bulgaria, Finland, Germany
6. Americas
 - Argentina, 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:**
 - June 2024 Administrative Guidance on GloBE rules: Divergences between GloBE and accounting carrying values (Parts 1 to 3) (ITB, 23 & 30 August; 6 September 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

Kyle Pomerleau and Carol Wang
"Evaluating Three Minimum Taxes on The Foreign Profits of Multinationals"
Tax Notes International, Tax Analysts, 2 September 2024.

Simone Zucchetti, Oreste Lanfranchi, Tommaso Marchetti, and Mauro Erb
"Pillar One, Amount B: The First Step towards a More Modern Transfer Pricing Practice: What is Next?"
International Transfer Pricing Journal, IBFD, 2024 (Vol. 31), No. 5.

Xaver Ditz and Alexander Szychalski
"German Tax Courts' Approach to Define Permanent Establishments for Service Providers."
Tax Notes International, Tax Analysts, 2 September 2024.

INTERNATIONAL TAX QUIZ

THIS WEEK'S NEW QUIZ

XCo, a company located in jurisdiction X, is a 100%-owned Constituent Entity in MNE Group 1, which is "within scope" of the GloBE rules.

XCo owns plant and equipment ("assets") with accounting carrying value, jurisdiction X corporate income tax (CIT) basis, and GloBE carrying value all equal to 100.

MNE Group 1 sells 100% of the shares in XCo to unrelated MNE Group 2, for a price of 250. This price reflects the fact that MNE Group 2 places a market value of 250 on XCo's assets.

XCo is the only Constituent Entity (in MNE Group 2) located in jurisdiction X.

Based on these limited facts, after the acquisition by MNE Group 2, what is: (i) the GloBE carrying value of XCo's assets?; and (ii) the carrying value of XCo's assets for the purposes of the tangible asset carve-out under the Substance-based Income Exclusion?

Answer in next ITB email alert!

LAST WEEK'S QUESTION

ACo, a company located in jurisdiction A, is a Constituent Entity in an MNE Group which is "within scope" of the GloBE rules. ACo is the only Constituent Entity located in jurisdiction A.

ACo owns and operates in jurisdiction A a large item of plant & equipment ("asset").

For a fiscal year, ACo has these numbers in respect of the asset:

- Accounting carrying value (before impairment): 200
- GloBE carrying value (before impairment): 150

During the fiscal year, ACo undertakes impairment testing in respect of the asset, which results in the post-impairment accounting carrying value of the asset being 170.

Q1: Based on this limited information, what is the asset's (i) GloBE carrying value; and (ii) carrying value for the purposes of computing the tangible asset carve-out under the Substance-based Income Exclusion? Please ignore current year depreciation.

Q2: What would be your answer to Q1 if the post-impairment carrying value of the asset was 120?

LAST WEEK'S ANSWER

Q1 (post-impairment accounting carrying value = 170):

- GloBE carrying value = 150; para. 68.5 of Comm to Art. 4.4.
- Carrying value for tangible asset carve-out under Substance-based Income Exclusion (SBIE) = 170; paras. 49 & 50.1 of Comm to Art. 5.3.5.

Q2 (post-impairment accounting carrying value = 120):

- GloBE carrying value = 120; para. 68.5 of Comm to Art. 4.4.
- Carrying value for tangible asset carve-out under SBIE = 120; para. 50.1 of Comm to Art. 5.3.5.

Do you agree?



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