www.pwc.com/its

International Tax News

Edition 81

November/December 2019

Welcome

Keeping up with the constant flow of international tax developments worldwide can be a real challenge for multinational companies. International Tax News is a monthly publication that offers updates and analysis on developments taking place around the world, authored by specialists in PwC's global international tax network.

We hope that you will find this publication helpful, and look forward to your comments.

Featured articles

Bernard Moens
Global Leader International Tax Services Network
T: +1 703 362 7644
E: bernard.moens@pwc.com

In this issue

Legislation | Administrative | Judicial | EU/OECD | Treaties

Australia

Draft legislation expands definition of Significant Global Entity

Treasury released revised exposure draft legislation to amend the definition of a 'significant global entity' (SGE) so that it applies consistently to all types of entities. The new definition covers members of large business groups (i.e. global annual income of at least AUD 1 billion) that may be headed by entities that may not be required to prepare consolidated financial statements. These may include private companies, trusts, partnerships, and members of groups headed by investment entities and individuals.

The draft law proposes an expanded concept of an SGE that will ensure the criteria for determining an SGE will not be affected by the exceptions to requirements for consolidating or materiality in the applicable accounting rules.

The proposed law also introduces the narrower concept of a 'country-by-country reporting entity' (CbCRE), which will be subject to CbC reporting and potentially required to lodge general purpose financial statements with the ATO (if not already lodged with Australian Securities and Investments Commission). Broadly, an entity will be a CbCRE if the entity would have been an SGE if the notional listed company group rules took into account exceptions to consolidation other than the materiality rule and did not include individuals.

The proposed amendments will apply to income years commencing on or after 1 July 1, 2018, with a two-year transitional period with respect to the application of SGE penalties.

PwC observation:

Groups that traditionally do not consolidate all their subsidiaries or prepare consolidated accounts, will need to carefully analyze these rules (including creating notional accounts) to determine whether their subsidiaries and incorporated joint ventures will be SGEs and / or subject to CbC reporting.

Peter Collins
Sydney
T: +61 0 438 624 700
E: peter.collins@pwc.com

David Earl
Melbourne
T: +61 0 403 416 958
E: david.earl@pwc.com

China

China released new measures for non-resident taxpayers claiming tax treaty benefits

The State Taxation Administration (STA) issued the administrative measures on non-resident taxpayers claiming tax treaty benefits (STA Public Notice [2019] No.35) in October 2019. Effective January 1, 2020, non-resident taxpayers can utilize tax treaty benefits via the 'self-assessment of eligibility, claiming treaty benefits, retaining documents for inspection' mechanism. Non-resident taxpayers who have self-assessed their eligibility for the treaty benefits can claim such tax treaty benefits provided they have collected and retained relevant supporting documents for inspection by the tax authorities in their post-filing administration process. With the introduction of the new measures, the record-filing procedure for non-resident taxpayers claiming treaty benefits has been replaced by the retaining documents for inspection mechanism.

The relevant materials to be retained include: 1) non-resident taxpayers' tax resident certificate, 2) income-related contracts, agreements, resolutions of the board of directors or shareholders, payment vouchers and other ownership certifying materials, and 3) relevant materials to justify 'beneficiary owner' status under the treaty article of dividends, interest or royalties.

For more details, please refer to **China Tax/ Business News Flash [2019] Issue 36.**

PwC observation:

The retaining documents for inspection mechanism reduces the responsibilities of withholding agents and facilitates the claiming of treaty benefits by non-resident taxpayers. However, the new mechanism has not mitigated the responsibilities of the non-resident taxpayers and the uncertainty of the treaty benefit claim. Non-resident taxpayers are required to have a good understanding of tax treaties and tax filing procedures, and maintain sufficient communication with the tax authorities to reduce the tax risks in the post-filing administration process.

Matthew Mui

China

T: +86 10 6533 3028
E: matthew.mui@cn.pwc.com

China

China simplifies the 2019 negative list for market access

Under prevailing negative-list administration, China successively had introduced the negative list for foreign investment and the negative list for market access. The negative list for foreign investment applies to foreign investors only. The negative list for market access is a consistent administrative measure applicable to both domestic and foreign investors. After fulfilling the conditions in the negative list for foreign investment, foreign-invested enterprises can receive equal treatment in market access as China state-owned enterprises and private enterprises.

The National Development and Reform Commission and Ministry of Commerce jointly issued the negative list for market access (2019 Version) in October 2019. Compared with the 2018 negative List, the 2019 negative list is simpler. It is comprised of 131 items in two categories, i.e., 'prohibited access' (5 items) and 'allowed access upon pre-approval' (126 items).

PwC observation:

The 2019 negative list further relaxes market access to market players, which helps to create a stable, fair, transparent and predictable business environment, stimulate the market vitality and bring more investment opportunities for all market players. However, the post-investment supervision of the market players' investment activities may be strengthened by the market supervision department in the future, setting forth stricter requirements on corporate compliance.

Matthew Mui

China

T: +86 10 6533 3028
E: matthew.mui@cn.pwc.com

Colombia

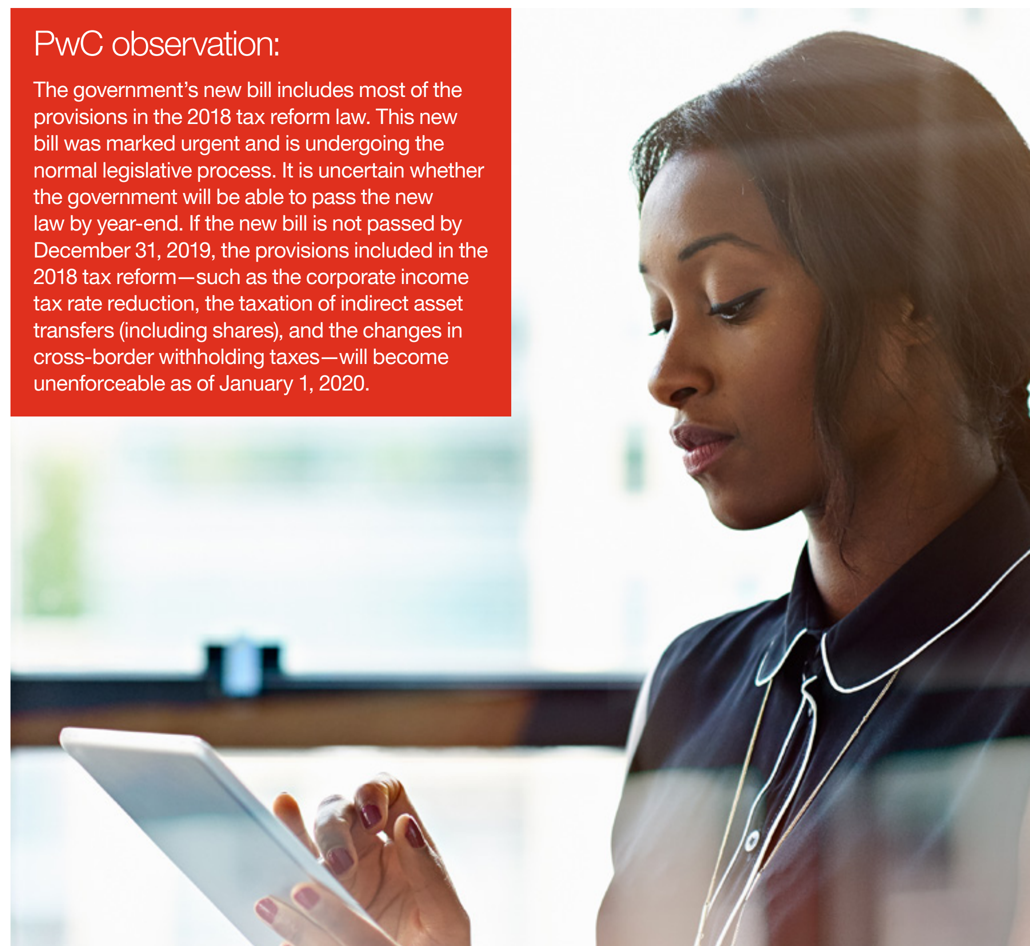
Colombian tax bill would mitigate the repeal of previous tax reform efforts

The Colombian government filed a tax bill with the Colombian Congress on November 26, 2019. The bill would mitigate the impact of the repeal of the previous tax reform (Law 1943 of 2018) by the Constitutional Court (see our **PwC Insight** issued November 18). The tax bill mirrors most of the provisions contained in the original tax reform, including:

- progressive reduction of the corporate income tax (CIT) rate from 33% to 32% for FY 2020; 31% for FY 2021; and 30% for FY 2022 and onwards
- thin-capitalization rules would apply only to related-party debt transactions (local and cross-border) and should observe a 2:1 debt-to-equity ratio
- phasing out of the presumptive income tax regime (down to 0.5% for FY 2020 and 0% for FY 2021 and onwards)
- repeal of the ability to claim as a tax credit the amount of value added tax paid with respect to the acquisition or importation of fixed assets
- a new holding entity regime
- income tax exemption with respect to income from agricultural activities
- creation of a controlled foreign company regime
- adjustments to the permanent establishment rules
- taxation of indirect transfers of Colombian assets (including shares)
- creation of a net wealth tax
- Colombian tax authorities and municipal tax authorities' ability to conclude administrative tax procedures through conciliation
- a temporary increase of the CIT rate for financial institutions (an additional 4% for FY 2020 and 3% for FY2021 and FY 2022)
- an increase in the withholding tax rate on dividend payments to foreign parties to 10% (from 7.5%)
- the general income withholding tax rate on cross-border payments would be 20%
- an increase in the income withholding tax rate on cross-border payments related to administrative services to 33%.

PwC observation:

The government's new bill includes most of the provisions in the 2018 tax reform law. This new bill was marked urgent and is undergoing the normal legislative process. It is uncertain whether the government will be able to pass the new law by year-end. If the new bill is not passed by December 31, 2019, the provisions included in the 2018 tax reform—such as the corporate income tax rate reduction, the taxation of indirect asset transfers (including shares), and the changes in cross-border withholding taxes—will become unenforceable as of January 1, 2020.



Luis Vargas
United States
T: +1 646 471 0582
E: maximo.l.vargas@pwc.com

Miguel Chaparro
Colombia
T: +57 1 634 0555
E: carlos.chaparro@pwc.com

Ramón Mullerat
Europe
T: +34 91 568 5534
E: ramon.mullerat@es.pwc.com

Ecuador

Ecuadorian Congress approves tax reform bill

The Ecuadorian Congress, on December 9, approved a bill proposing tax law changes ('the Bill'), which the President of Ecuador had submitted on November 21, 2019. The Bill includes amendments relating to financial expense deductibility, dividend distribution tax treatment, and the creation of a temporary tax that would apply to entities with taxable revenues exceeding USD 1 million in 2018. The President will review the Bill, and if he approves, it will be published in the Official Gazette. If these steps happen before year end – most of the proposed changes would become effective in January 2020.

Under the Bill, 40% of dividend distributions to foreign shareholders would be subject to withholding tax at a 25% rate (generally), although dividends distributed to resident entities would remain exempt. Under current law, post-tax dividends are subject to withholding tax only if the beneficial owner is an Ecuadorian resident or if the local company has not shared fully its shareholder/beneficial ownership structure with the Ecuadorian tax authority. Additionally, the Bill would change the rule on financial expense deductibility with respect to related and unrelated party debt. The current thin-capitalization ratio is 3:1. However, under the Bill, interest would be deductible only up to 20% of the fiscal-year's profit before compulsory labor profit sharing, interest, depreciation, and amortization.

Please see our **PwC Insight** for more information.

PwC observation:

Multinational enterprises currently investing in Ecuador should review their existing structures and determine the impact of the proposed rules. Specifically, corporations should analyze the potential effects related to dividend income tax withholding, thin capitalization, and the temporary tax.

Pablo Aguirre
Ecuador
T: +593 2382 9350
E: pablo.aguirre@pwc.com

David Cornejo
Ecuador
T: +593 2382 9350
E: david.cornejo@pwc.com

France

France implements DAC6

The French government on October 21, adopted Ministerial Order #2019-1068 (the Order) transposing into French law the EU Council Directive 2018/822/EU on cross-border tax arrangements (DAC6). DAC6 has been in force since June 25, 2018.

The Order was published in the French Legal Gazette on October 22, 2019. The Order's provisions take effect July 1, 2020, with specific transitional measures applicable to arrangements implemented between June 25, 2018 and June 30, 2020. The Order closely follows the EU Directive's scope, hallmarks and reporting requirements.

The DAC6 reporting obligations to local tax authorities focus on cross-border tax planning arrangements that meet certain characteristics or hallmarks intended to highlight risk of tax avoidance and enable more effective audits. Pursuant to the Order, only cross-border arrangements are in scope of the reporting obligation. The arrangements must involve France and another jurisdiction (whether or not in the European Union). Domestic arrangements are therefore excluded. Cross-border arrangements that are within scope of DAC6 may involve all types of taxpayers (individuals, corporations, etc.). Although the Order does not provide a precise definition of what constitutes an arrangement, additional details are provided with respect to its form (i.e., an agreement, a scheme or a plan, whether legally enforceable or not) and its structure (i.e., it can involve several arrangements, several parties, or several steps).

Please see our **PwC Insight** for more information.

PwC observation:

Taxpayers and intermediaries operating in France and in Europe need to understand the importance and impact of DAC6. Impact assessment, analysis and timely action are needed to ensure compliance on and after July 1, 2020. The use of technology through appropriate data and reporting tools will be key to satisfying these multiple new reporting requirements in a coordinated manner.

Guillaume Barbier
United States
T: +1 347 276 7441
E: g.barbier@pwc.com

Emmanuel Raingeard de la Bletiere
France
T: +33 1 56 57 40 14
E: emmanuel.raingeard@avocats.pwc.com

Germany

Germany Federal Ministry of Finance circulates draft bill on ATAD implementation

The German Federal Ministry of Finance on December 10 circulated for consultation purposes a draft bill providing for the implementation of ATAD in Germany. The draft bill in particular includes the implementation of anti-hybrid rules into German tax law, as well as the amendment of existing German CFC rules.

Draft anti-hybrid rules

The draft anti-hybrid rules particularly seek to prevent situations that give rise to a hybrid mismatch outcome, including a double deduction outcome and a deduction without inclusion outcome. The German draft anti-hybrid rules generally have been designed to apply to arrangements between related parties and arrangements affecting a company and its permanent establishment. However, anti-hybrid rules also can apply to certain 'unrelated' party situations, particularly in cases of structured arrangements. Based on the draft bill, the anti-hybrid rules would enter into force as of January 1, 2020. The draft bill would not abolish any existing anti-hybrid rules under current German tax law (e.g., on double deductions in certain partnership and income tax group structures). Hence, those rules still need to be considered.

Draft changes to existing German CFC rules

The draft changes to existing German CFC rules include comprehensive modifications with an extended scope. While the low taxation threshold remains at 25%, the definition of active income is amended (e.g., regarding dividends, capital gains, and reorganizations), as well as the prerequisites for benefitting from the substance-based test. Based on the draft bill, amendments to German CFC rules generally would enter into force effective January 1, 2020. However, taxpayers need to consider complex effective date and transition rules.

Please see our **PwC Insight** for more information.

PwC observation:

The draft legislation on ATAD implementation in Germany should be considered by all German taxpayers, particularly those that are part of multinational groups. Taxpayers should consider whether and how these rules might impact them. Taxpayers should monitor the legislative process, since it currently remains unclear as to whether the draft version of the rules will be subject to (significant) change.

Thomas Loose
United States
T: +1 917 825 7014
E: thomas.x.loose@pwc.com

Volker Käbisch
Germany
T: +49 211 981 1527
E: volker.kaebisch@pwc.com

Arne Schnitger
Germany
T: +49 30 2636 5466
E: arne.schnitger@pwc.com

Greece

Greece introduces non-domicile regime

Greece introduced an alternative way of taxing income derived abroad for individuals transferring their tax residence to Greece (non-domicile) by providing significant incentives.

To be eligible for this regime, taxpayers must not have been Greek tax residents for the previous 7 of the 8 years prior to the transfer of their tax residence to Greece and invest at least EUR 500,000 in real estate or businesses or transferable securities or shares in legal entities based in Greece.

Individuals will have to pay a lump sum tax of EUR 100,000 per tax year, irrespective of the amount of income earned abroad, for a maximum of 15 fiscal years. Moreover, it is possible to extend the regime to any of their close relatives by paying an additional tax equal to EUR 20,000 per person per tax year. Furthermore, where persons who have opted for the non-domicile regime earn taxable income that arises in Greece, this income will be taxed in accordance with the general provisions of the Income Tax Code.

The relevant application for the transfer of tax residence and for obtaining the non-domicile status must be submitted by March 31 of each tax year.

Please see our **PwC Insight** for more information.

PwC observation:

This is a significant incentive, similar to those already in place in several European countries, aiming to repatriate Greeks living away from the country for many years or to attract foreigners earning significant incomes abroad to Greece.

Stavroula Marousaki

Greece

T: +30 210 687 4027
E: stavroula.marousaki@pwc.com

Greece

Greece expands participation exemption regime on capital gains

The already applicable participation exemption on dividend income is expanded on capital gains, while losses arising from the transfer of shares may also be recognized for tax purposes under certain conditions.

Beginning July 1, 2020, capital gains derived from the sale of shares in an EU subsidiary are tax exempt in case the participation is greater than 10% and has been maintained for at least 24 months. This income is not further taxed at the distribution or at the capitalization of these profits, however no possibility of deducting the business costs associated with this participation is provided.

Moreover, any losses resulting from the above transfer of shares exceptionally may be recognized for deduction after January 1,2020, provided that they have been valuated by December 31, 2019, and recorded in the books or included in the audited financial statements of a company. However, the deduction of such losses will only be recognized if they become final by December 31, 2022 and will be limited to either the amount of the evaluation or that of the definitive loss, whichever is smaller.

Please see our **PwC Insight** for more information.

Stavroula Marousaki

Greece

T: +30 210 687 4027
E: stavroula.marousaki@pwc.com

PwC observation:

The expansion of the participation exemption regime to cover also capital gains, results to creation of a more competitive investment environment, rendering Greece an attractive holding jurisdiction.

Italy

Italy's draft 2020 budget calls for unilateral digital services tax

The 2020 Italian draft budget (Draft Budget) introduces a 3% unilateral 'Digital Services Tax' (DST). The DST will apply beginning January 1, 2020. The Italian government expects the DST to generate roughly 708 million EUR in tax revenue per year.

Although it does not contain any specific references, the Italian DST is structured similarly to the recently introduced French DST and the European Commission's proposal (2018/0073 (CNS) – Proposal for a Council Directive on the common system of a digital services tax on revenues resulting from the provision of certain digital services). The Draft Budget could undergo further changes, as the Italian Parliament has until the end of 2019 to approve it. However, Parliament already appears to have reached a consensus regarding the new unilateral DST.

The DST appears to target revenues from digital services that underpin 'user participation,' such as the:

1. channeling of advertisements on a digital platform targeting the users of the same platform ('targeted online advertising')
2. availability of online platforms and multi-sided digital interfaces that allow user interaction and may facilitate the sale of goods and services among them, and
3. transmission of data collected about users and generated from user activities on digital interfaces.

In addition, the following digital services appear to be out of scope, per the Draft Budget:

4. online intermediation activity in the context of direct sales of goods and services from business to consumer
5. online sales of goods and services from the web portal of the business to the consumer (i.e., 'no intermediation')
6. the availability of a digital platform with the sole or main objective to provide its users with digital content, communication services, or payment services
7. organizing and managing digital platforms for exchanging electricity, gas, environmental certificates and fuels, as well as transmitting related data collected therefrom and any other connected activity
8. digital interfaces to manage Interbank or financial instruments' settlement systems, trading platforms, wholesale market of government securities, consulting activities related to equity investments, as well as other connecting systems, the activity of which is subject to authorization, and the performance of services is subject to an authority's supervision, and
9. sale of data by persons supplying services (4) and (5).

Please see our **PwC Insight** for more information.

PwC observation:

The Draft Budget re-introduces and modifies the Italian unilateral DST. Unlike the previous budget, the DST's entry into force this time is not contingent upon any further legislative intervention by the government or the Finance Minister. Multinational enterprises that derive a significant portion of their revenues from providing digital services should begin assessing the extent to which the Italian DST could affect their operations. Such assessment includes determining whether the digital services they provide fall within the scope of taxable digital services, as well as determining obligations that should be fulfilled and procedures that should be implemented.

Alessandro Di Stefano
Italy
T: +39 348 8 408 195
E: alessandro.di.stefano@pwc.com

Franco Boga
Italy
T: +39 029 1 605 400
E: franco.boga@pwc.com

Dario Sencar
Italy
T: +39 346 1 368 643
E: dario.sencar@pwc.com

Mexico

2020 Mexico tax reform modifies the application of the tax law to digital commerce

The 2020 Mexico tax reform modifies the Income Tax Law (MITL) and the Value Added Tax Law (VATL), impacting companies and users engaged in the Mexican digital market. While the new tax reform requirements become effective June 1, 2020, preparations for timely compliance need to begin immediately. Mexican residents are subject to tax on their worldwide income. Regardless of the nature of the commercial activity that gives rise to the income, the MITL subjects to tax all income in the hands of Mexican residents. Income arising from digital commerce presents challenges for sourcing and enforcement, given the often minimal physical presence in the consumer country and the subjectivity of the allocation of value to the related intangibles.

Currently, the MITL, VATL and the Federal Fiscal Code (FFC) do not provide specific rules for taxing electronic commerce. The 2020 Mexico tax reform addresses this issue through modifications to the MITL and VATL related to Mexican consumers receiving digital services or using digital platforms to perform business activities.

Effective June 1, 2020, the MITL imposes a new income tax withholding obligation on payments made to Mexican-resident individuals selling certain goods or rendering certain services through the internet, pursuant to technology platforms or applications.

Please see our **PwC Insight** for more information.

PwC observation:

The 2020 Mexico Tax Reform imposes incremental information gathering, reporting, and payment obligations on nonresident entities that provide digital services to Mexican customers. Although the new requirements are not effective until June 1, 2020, the systems, business considerations, and tax function preparations necessary for timely compliance should begin immediately in order to lessen business and economic impacts.

Lissett Tautfest
Mexico
T: +52 555 263 5756
E: margarita.tautfest@pwc.com

Mario Alberto Gutierrez
Mexico
T: +52 555 263 5827
E: mario.alberto.gutierrez@pwc.com

Carlos Orel Martinez
Mexico
T: +52 555 263 5798
E: carlos.orel.martinez@pwc.com

Portugal

Portugal 2020 budget proposals would increase corporate tax benefits

Following Portugal's October election, the newly elected government on December 16 delivered the 2020 State Budget law proposal to Parliament. While the proposal generally increases tax pressure on individuals and the real estate market, corporations may expect an increase in available tax benefits under existing schemes.

Patent box regime: The proposal would provide that 50% relief from taxation applies to income from computer programs' copyrights.

Deduction for reinvestment of retained earnings: The proposal would provide that the benefit, which consists of a tax credit, is allowed throughout a four-year period (currently three years), increasing the eligible amount to EUR 12 million (currently EUR 10 million), and covering the acquisition of intangibles. Also proposed is legislative authorization that would increase the type of beneficiary and eligible investments under this scheme.

R&D tax incentive scheme (SIFIDE II): The proposal would extend until 2025 (currently 2020) the regime that includes a tax credit, and new stricter rules for contributions to investment funds that finance R&D companies. Those rules include a five-year mandatory holding period by the unit holder and the need to provide thorough detail of the investment fund portfolio.

Please see our **PwC Insight** for more information.

PwC observation:

Following the presentation of the 2020 State Budget law proposal, discussions on details will follow. Since the government does not have an absolute majority, political compromises with other Parliamentary parties may be necessary. Therefore, the Budget's final version may differ significantly from the proposed Budget. Publication is expected in late February.

Jaime Esteves
Portugal
T: +351 213 599 601
E: jaime.esteves@pwc.com

Catarina Gonçalves
Portugal
T: +351 225 433 121
E: catarina.goncalves@pwc.com

Switzerland

Swiss tax reform implementation

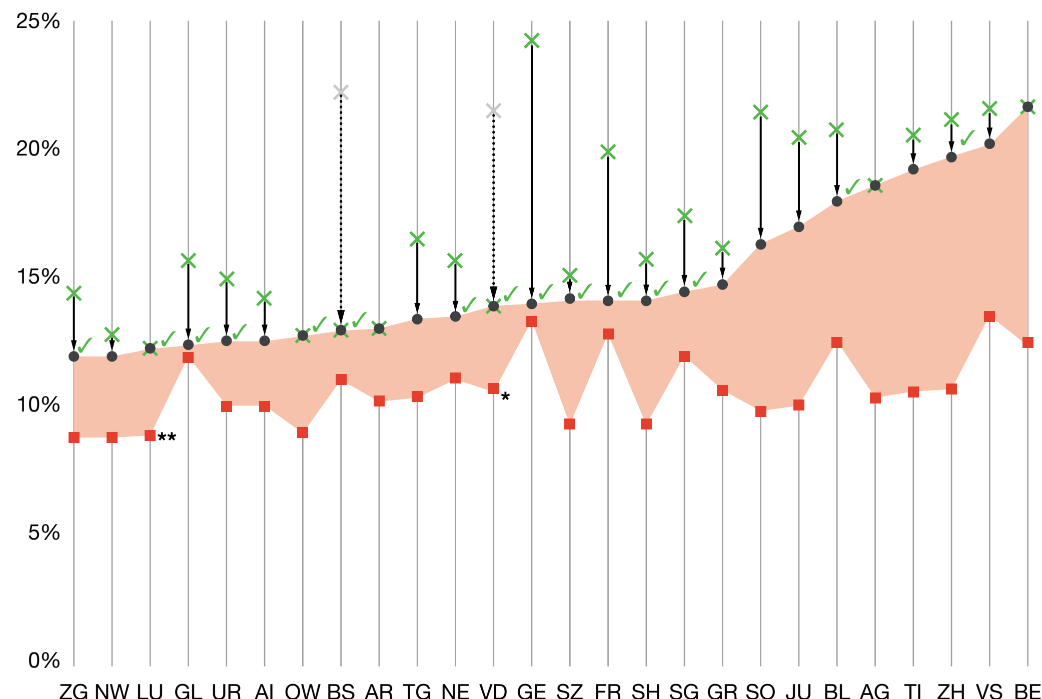
With Swiss tax reform voted on May 19, 2019, Switzerland introduces new, internationally compliant tax measures, and its tax law will align with current international standards. Switzerland's current tax regimes for holding, domiciliary, and mixed companies, as well as the principal company status and the tax rules for so-called 'finance branches,' will be abolished effective January 1, 2020. The tax reform introduces transitional measures to ease the movement from the current tax regimes to the new tax measures. Most cantons also reduce their tax rate, resulting in an ETR of 12% – 14% in many cantons. Most but not all cantons have completed the cantonal legislative procedures and thus, (substantial) enactment may vary between cantons.

In light of year end and tax accounting purposes, companies should:

- review the applicable effective tax rate post-tax reform in their canton of residence and monitor the cantonal implementation of the Swiss tax reform
- review tax accounting implications
- review the impact of Swiss tax reform on existing structures, analyze and model the application of transition rules upon abolition of tax regimes, and, if necessary, interact with tax authorities as soon as possible
- analyze and model how the company can benefit from the new measures such as the patent box, R&D super deduction, or notional interest deduction (applicable in Zurich), and
- consider whether a transfer of activities to Switzerland could be beneficial under the new Swiss tax law.

PwC observation:

Switzerland's current tax regimes for holding, domiciliary, and mixed companies, as well as the principal company status and the tax rules for so-called 'finance branches,' will be abolished effective January 1, 2020.



✕ Current ETR 2019
● Target ordinary ETR with Reform (as of 25/11/2019)
■ Possible ETR with maximum relief with Reform measures
✕ ETR prior to 2019

Note: Some Cantons announced a staggered reduction of the ETRs. The graph depicts the rate applicable as of 2020 (Zyrich 2021). In addition, specific Cantonal rules for relief and measures need to be observed.

* No published information on maximum relief available so far.
** 11.4% if no Step-up.
✔ Cantonal ligislative process completed.

Stefan Schmid
Switzerland
T: +41 58 792 4400
E: stefan.schmid@ch.pwc.com

Martina Walt
Switzerland
T: +41 79 286 6052
E: martina.walt@ch.pwc.com

Australia

Reportable tax position schedule required for private groups

Based on the feedback received in response to an ATO consultation paper released in July 2019, the ATO has agreed to defer the requirement for large private groups to lodge the RTP until the 2020-21 financial year.

Certain large public companies are currently required to disclose to the Australian Taxation Office (ATO) their most contestable and material tax positions on the reportable tax position (RTP) schedule to the company income tax return.

The ATO's consultation paper requested feedback on expanding the requirement to lodge an RTP schedule to large private companies and corporate groups.

Consistent with the current reporting thresholds for large public business, it is proposed that all companies will need to lodge the RTP schedule for the 2020-21 financial year if:

- total business income exceeds AUD 250 million for the year, or
- total business income is between AUD 25 and AUD 250 million for the current year, and they are part of an economic group and the total income of the group (sum of the income labels in the tax return of each group member) exceeds AUD 250 million in the current or the immediate prior year.

The ATO does not intend to expand the RTP schedule to trusts or individuals at this stage.

PwC observation:

Taxpayers that meet the above criteria should be prepared to lodge an RTP schedule in the 2020-21 financial year.

Peter Collins
Sydney
T: +61 0 438 624 700
E: peter.collins@pwc.com

David Earl
Melbourne
T: +61 0 403 416 958
E: david.earl@pwc.com

Australia

ATO guidance on hybrid mismatch rules and US global intangible low-taxed income

The Australian Taxation Office released Draft Taxation Determination TD 2019/D12 that outlines the Commissioner of Taxation's preliminary view that in applying Australia's hybrid mismatch rules, the US global intangible low- taxed income (GILTI) rules do not correspond to Australia's controlled foreign company (CFC) rules.

In general terms, the foreign hybrid mismatch rules apply to income years starting on or after January 1, 2019. The rules are meant to neutralise certain hybrid mismatches which arise where entities exploit differences in the taxation treatment across jurisdictions to defer or reduce income tax. The concept of 'subject to foreign tax' (STFT) is relevant for applying these rules, including calculating whether a 'deduction/non-inclusion' outcome arises in respect of a payment (resulting in potential denied deduction) and in determining whether a taxpayer has sufficient 'dual inclusion income' (which can reduce the adverse impacts of certain hybrid mismatches).

Broadly an amount of income or profit is STFT in a foreign country to the extent it is subject to 'direct' foreign taxation (except credit absorption tax, unitary tax or a withholding-type tax) or the amount is included in calculating the tax base of another entity under a foreign CFC regime that corresponds to Section 456 or 457 in Australia's CFC regime.

PwC observation:

Australian taxpayers could be denied deductions for certain payments, notwithstanding those payments are included in the tax base of a US taxpayer, thereby possibly resulting in double tax.

Peter Collins
Sydney
T: +61 0 438 624 700
E: peter.collins@pwc.com

David Earl
Melbourne
T: +61 0 403 416 958
E: david.earl@pwc.com

Australia

Update to MIT withholding — information exchange countries

The list of countries whose tax residents can access a 15% withholding tax rate on certain income distributions from managed investment trusts (MIT) has been updated with amending regulations that include the following countries and territories as 'information exchange countries': Curaçao, Lebanon, Nauru, Pakistan, Panama, Peru, Qatar and the United Arab Emirates.

The amending regulations apply to a fund payment made to a resident of one of these newly added foreign countries on or after January 1, 2020. If a recipient of an MIT fund payment is not a resident of an 'information exchange country' listed, then any fund payment is generally subject to withholding at 30%.

PwC observation:

Taxpayers should identify if they are residents of 'information exchanges countries,' to determine if they can access a lower withholding tax rate of certain income distributions from MITs.

Peter Collins
Sydney
T: +61 0 438 624 700
E: peter.collins@pwc.com

David Earl
Melbourne
T: +61 0 403 416 958
E: david.earl@pwc.com

Australia

Treasury proposes guidance for concessional infrastructure projects

Treasury has released for public consultation a draft guidance note regarding the processes for applications to the Treasurer for the economic infrastructure staples tax concession which, if approved, will provide a 15% withholding tax on distributions of income to non-residents to the extent that the income is rent from an investment in land attributable to an approved new economic infrastructure facility (or approved improvement to an economic infrastructure facility).

To qualify, projects must have an estimated capital expenditure of AUD 500 million or more and cover a diverse range of economic infrastructure projects in the areas of transport, energy, communications and water. The application must be made before construction has commenced in relation to the facility or the improvement, which is to enhance significantly the long-term productive capacity of the economy. Comments are due January 17, 2020.

PwC observation:

Taxpayers should monitor the release of the Treasury guidance, as eligibility for the economic infrastructure staples tax concession may significantly reduce the effective tax rate of the project.

Peter Collins
Sydney
T: +61 0 438 624 700
E: peter.collins@pwc.com

David Earl
Melbourne
T: +61 0 403 416 958
E: david.earl@pwc.com

Italy

Recent clarifications from the Italian Revenue Agency

Withholding tax exemption on interests under Interests and Royalties EU Directive

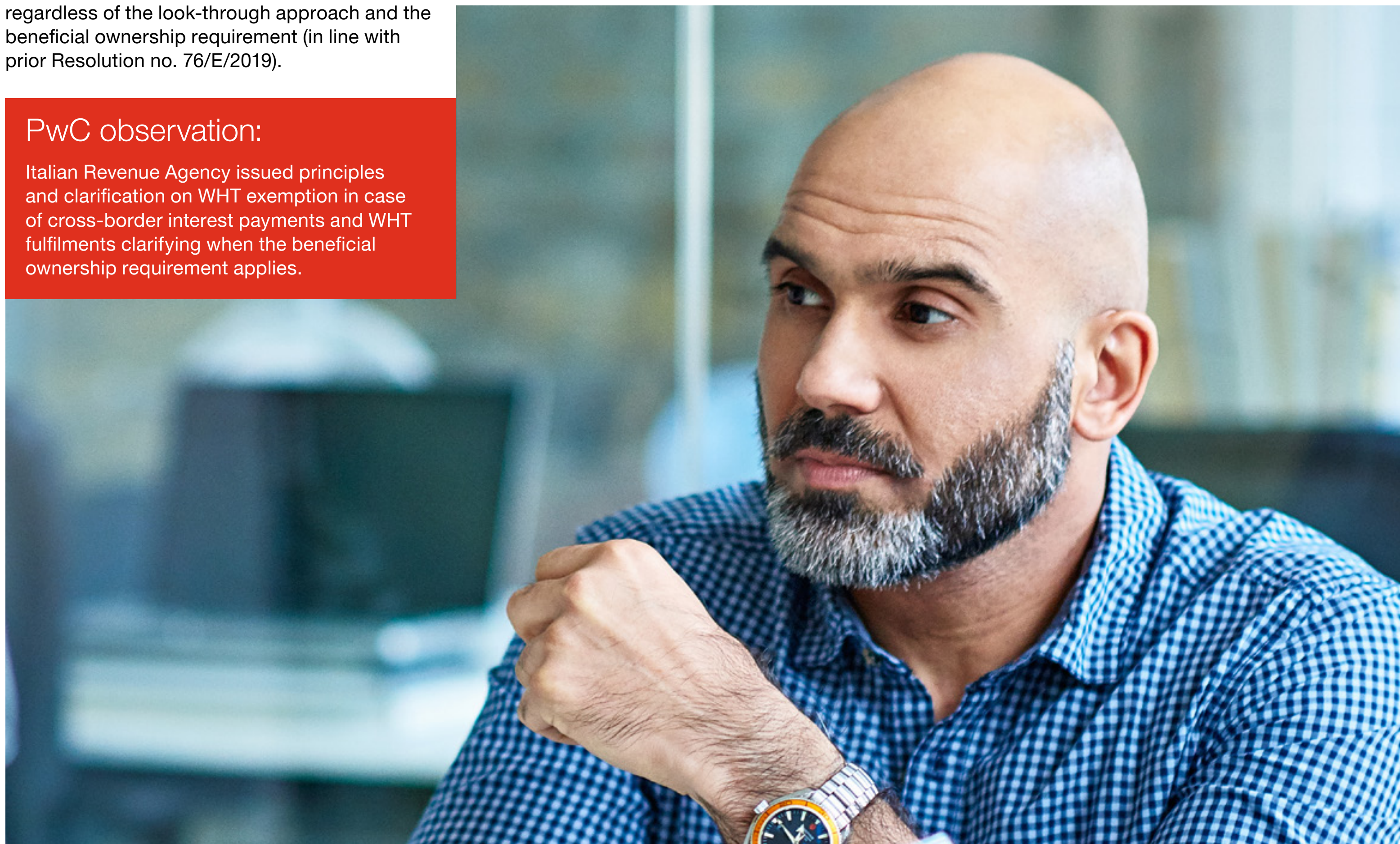
With resolution no. 78/E/2019, the IRA clarifies the conditions required for the WHT exemption under Art. 26-quarter of the Presidential Decree no. 600/1973 (i.e. Interests and Royalties EU Directive), especially on the 'beneficial ownership clause'. The IRA leveraged, for the first time, on indicia set out in CJEU decisions of February 26, 2019 in Cases C-115/16, C-118/16, C-119/16 and C-299/16 (so called 'Danish cases'). The IRA held that the WHT exemption did not apply given that the payee (i) is not the person who has the full economic right to use and enjoy interests received, and (ii) acts as a nominee considering that the credit was assigned to a bond trustee for the related securing.

WHT exemption on interests and other income deriving from long-term loans

With answer no. 423/E/2019, the IRA clarified the conditions required for the WHT exemption regime on interest paid on long-term loans granted by EU qualified institutional investors (Art. 26 (5-bis) of the Presidential Decree no. 600/1973). The case is related to a sub-participation agreement on a long-term loan issued by a Dutch qualified institutional investor. The IRA affirmed that when the legal criteria are satisfied, the foreign institutional investor issuing the loan may benefit from the WHT exemption as the payee of interests, regardless of the look-through approach and the beneficial ownership requirement (in line with prior Resolution no. 76/E/2019).

PwC observation:

Italian Revenue Agency issued principles and clarification on WHT exemption in case of cross-border interest payments and WHT fulfilments clarifying when the beneficial ownership requirement applies.



Franco Boga
Milan
T: +39 02 9160 5400
E: franco.boga@pwc.com

Alessandro Di Stefano
Milan
T: +39 02 9160 5401
E: alessandro.di.stefano@pwc.com

Andrea Porcarelli
Milan
T: +39 02 9160 5438
E: andrea.porcarelli@pwc.com

Madagascar

Digitalization of tax payment

Madagascar has introduced a new electronic tax payment system, 'e-hetra payment'. This digitalization introduces measures designed to streamline the tax payment procedures by a secured technology solution. For now, this new tool is dedicated only to taxpayers managed by Direction des Grandes Entreprises (DGE), specifically, taxpayers with turnover that exceeds 4 billions MGA. Its extension to other taxpayer categories currently is being studied.

This e-hetra payment allows taxpayers to settle their tax obligations through an online platform provided by the tax administration. However, it also aids in the administration of tax collection.

The digitalization enables users to track their tax return and the processed payments up until the due date, and monitor their ongoing payment orders as well as those previously made.

The tax administration collaborated with almost all of the banks in Madagascar thereby giving taxpayers easy access. Accordingly, taxpayers must subscribe and request access to the platform with the Service du recouvrement of the DGE.

PwC observation:

The proposed digitalisation is designed to ease tax payment by the Grande enterprise when there is no need for them to approach the tax administration.

Andriamisa Ravelomanana
Antananarivo Madagascar
T: +00 261 320 700 524
E: andriamisa.ravelomanana@pwc.com

Lanto Ralison
Antananarivo Madagascar
T: +00 261 222 1 763
E: lanto.ralison@pwc.com

Landivola Andrianarisoa
Antananarivo Madagascar
T: +00 261 222 1 763
E: landivola.andrianarisoa@pwc.com

New Zealand

Multinational compliance focus guide and BEPS disclosure requirements

Inland Revenue issued a **Multinational Enterprises — Compliance Focus 2019 guide ('MECF')**, summarizing New Zealand's implementation of BEPS measures and highlighting focus areas for future activity. The guide includes:

With resolution no. 78/E/2019, the IRA clarifies the conditions required for the WHT exemption under Art. 26-quarter of the Presidential Decree no. 600/1973 (i.e. Interests and Royalties EU Directive), especially on the 'beneficial ownership clause'. The IRA leveraged, for the first time, on indicia set out in CJEU decisions of February 26, 2019 in Cases C-115/16, C-118/16, C-119/16 and C-299/16 (so called 'Danish cases'). The IRA held that the WHT exemption did not apply given that the payee (i) is not the person who has the full economic right to use and enjoy interests received, and (ii) acts as a nominee considering that the credit was assigned to a bond trustee for the related securing.

- a continuing focus on international tax issues, with cash pooling, guarantees and derivatives identified as risk areas
- risk factors likely to prompt Inland Revenue scrutiny of taxpayers
- post-BEPS 'top 10' actions taxpayers should undertake
- governance and transfer pricing documentation checklists, and
- a desire for ever-increasing transparency between Inland Revenue and taxpayers.

A new compulsory BEPS disclosure form has also been introduced (required to be filed by 31 March 2020 for some taxpayers), requiring detailed disclosure of information to Inland Revenue in relation to:

- inbound related party debt exceeding NZ$10m
- hybrid instruments, entities and branches, and
- thin capitalization.

For more detail, see our **October Tax Tips.**

PwC observation:

The MECF contains useful tools for multinational enterprises to assess their situation under Inland Revenue scrutiny. Multinationals can also use the material to report their tax risk to key stakeholders, including the local board.

Multinational enterprises with New Zealand operations must also consider their new disclosure obligations. The disclosures will be used as an investigative tool as well as to monitor compliance with the new rules. Multinationals who fail to file disclosures quickly may face increased Inland Revenue attention.

Allison X Curle
Auckland, New Zealand
T: +64 21 620 588
E: allison.x.curle@pwc.com

Helen Johnson
Auckland, New Zealand
T: +64 27 501 9007
E: helen.n.johnson@pwc.com

United States

Treasury and IRS remove Section 385 documentation regulations and announce intention to pare back funding rule

Treasury and the IRS have published in the Federal Register final regulations ('the Final Regulations') that remove the documentation rules under Treas. Reg. sec. 1.385-2, and an advance notice of proposed rulemaking (the ANPR) announcing a plan to streamline the rules under Treas. Reg. sec. 1.385-33 ('the Distribution Regulations'). This agency action, released November 4, was taken on the heels of Executive Order 13789, which instructs Treasury to review all significant tax regulations issued on or after January 1, 2016, and take action with respect to regulations that impose undue financial burden on taxpayers, add undue complexity to the federal tax laws, or exceed the IRS's statutory authority.

The rules under Treas. Reg. sec. 1.385-2 set forth minimum documentation requirements that taxpayers would have to satisfied in order for certain related-party debt to be treated as debt for federal tax purposes (the Documentation Regulations). Treasury and the IRS delayed the effective date of the Documentation Regulations twice before proposing their removal altogether in a notice of proposed rulemaking published on September 24, 2019 ('the Proposed Regulations'). The Final Regulations remove Treas. Reg. sec. 1.385-2 and make conforming amendments to Treas. Reg. sec. 1.385-1 and -3.

The Distribution Regulations apply for taxable years ending on or after January 19, 2017, and treat as stock certain debt that a corporation issues to a related person in a distribution or other economically similar transaction ('the General Rule').

The Distribution Regulations also treat as stock a debt instrument that is issued as part of a series of transactions that achieves a result similar to the distribution of a debt instrument ('the Funding Rule'). The Distribution Regulations include a per se Funding Rule pursuant to which a debt instrument is deemed to fund a distribution or economically similar transaction if the debt instrument was issued 36 months before or after the distribution or economically similar transaction. The ANPR provides that the per se Funding Rule will be withdrawn and future proposed regulations would treat a debt instrument as funding a distribution or economically similar transaction only if there is a sufficient factual connection between the two. The ANPR also confirms that, in light of the expiration of Treas. Reg. sec. 1.385-3T and -4T, taxpayers may rely on identical proposed regulations.

Please see our **PwC Insight** for more information.

PwC observation:

The Final Regulations remove the Documentation Regulations under Treas. Reg. sec. 1.385-2, but Treasury and the IRS announced that they continue to study the issue and may propose a modified version of the Documentation Regulations. In addition, although Treasury and the IRS announced in the ANPR that they intend to make the Distribution Regulations more streamlined and targeted, future regulations only would apply prospectively. As a result, the ANPR is effectively a request for comments on how best to streamline and target the Distribution Regulations. Until such regulations are released, the Distribution Regulations under Treas. Reg. sec. 1.385-3 (including the per se Funding Rule) continue to apply, and taxpayers should continue to evaluate how those regulations apply to their debt instruments.

Bernard Moens
United States
T: +703 362 7644
E: bernard.moens@pwc.com

Alessandro Di Stefano
United States
T: +703 965 9353
E: julie.allen@pwc.com

Andrea Porcarelli
United States
T: +202 413 4459
E: oren.penn@pwc.com

United States

Final and proposed BEAT regulations

Treasury and the IRS on December 2 released 343 pages of Final Regulations and 59 pages of Proposed Regulations for the Base Erosion and Anti-abuse Tax (BEAT) under Section 59A as enacted by the 2017 tax reform legislation (the Act). The BEAT rules require certain corporations to pay a minimum tax on taxable income as computed without certain deductions for certain payments to foreign related parties.

The Final Regulations incorporate with modifications the rules described in prior Proposed Regulations under Section 59A and provide guidance related to the mechanics of determining, among other things, the applicable taxpayer status, a taxpayer's base erosion percentage, and a taxpayer's modified taxable income (MTI). The Final Regulations also address the application of Section 59A to certain partnerships, banks, registered securities dealers, insurance companies, and consolidated groups.

The 2019 Proposed Regulations provide additional guidance on determining the aggregate group, allow taxpayers an election to waive deductions for purposes of calculating their base erosion percentage, and provide certain rules applicable to partnerships.

Please see our **PwC Insight** for more information.

PwC observation:

The Final Regulations provide additional guidance related to the mechanics of determining a taxpayer's BEAT liability, and clarify the application of Section 59A to partnerships, banks, registered security dealers, and US consolidated groups. The Final Regulations also provide an anti-abuse rule that generally disregards certain transactions undertaken with a principal purpose of avoiding Section 59A. Taxpayers should review and assess the impact of the provisions in the Final and Proposed Regulations.

Michael DiFronzo
United States
T: +202 603 5419
E: michael.a.difronzo@pwc.com

Nita Asher
United States
T: +202 870 2462
E: nita.asher@pwc.com

Alex Voloshko
United States
T: +704 219 2792
E: alex.voloshko@pwc.com

United States

Final and proposed foreign tax credit regulations

Treasury and the IRS on December 2 released Final Regulations under Sections 861, 901, 904, 905, 954, 960, 965, 986, and 988, and Proposed Regulations under Sections 704, 861, 904, 905, 954, 960, 965, 1502, 6227, and 6889. The Final Regulations are the first comprehensive binding administrative guidance with respect to the new foreign tax credit (FTC) regime following the enactment of the 2017 tax reform act ('the Act'). Of relevance to the Final Regulations, the Act limited the FTC for US corporate taxpayers by repealing the indirect credit under Section 902, amending the deemed-paid credit under Section 960, introducing two new FTC limitation baskets under Section 904, and modifying the treatment of certain foreign tax redeterminations under Section 905.

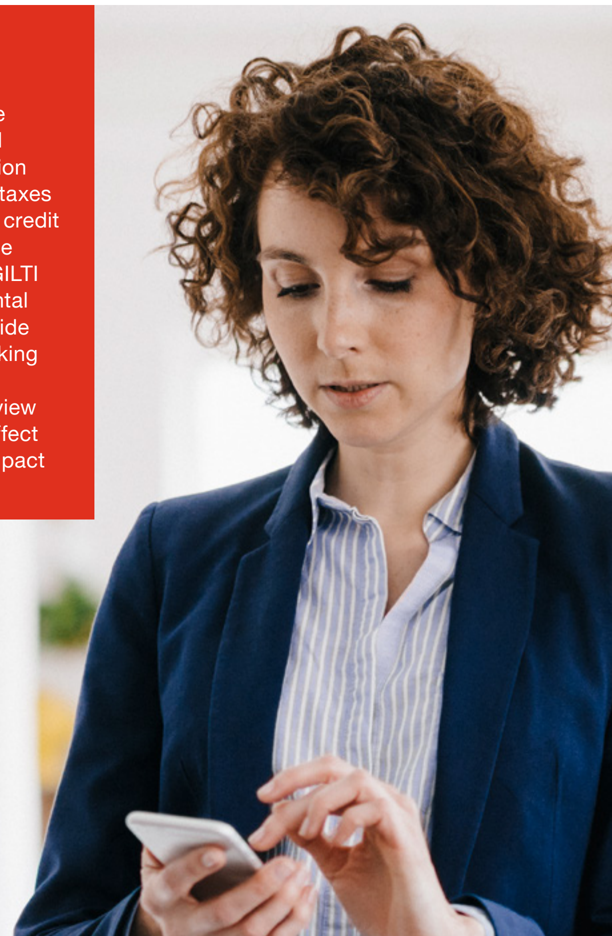
The Final Regulations provide needed guidance related to the mechanics of determining the FTC limitation under Section 904 (including the allocation and apportionment of expenses), the scope of the new foreign branch basket, and the extent of deemed-paid FTCs with respect to subpart F and global intangible low-taxed income (GILTI) inclusions. The Final Regulations confirm the possibility of incremental US tax for US shareholders of foreign subsidiaries that are subject to high foreign tax rates by apportioning expenses to net GILTI inclusions and also provide complex rules for categorizing and tracking foreign subsidiary stock and earnings.

The new Proposed Regulations supplement the Final Regulations and provide important guidance with respect to other aspects of the new FTC regime, including the allocation and apportionment of creditable foreign taxes and other expenses and certain aspects of foreign tax redeterminations. The Final and new Proposed Regulations were published in the Federal Register on December 17, 2019. Varying effective dates apply to different provisions of the Final Regulations and of the New Proposed Regulations.

Please see our **PwC Insight** for more information.

PwC observation:

The Final Regulations provide needed guidance with respect to calculating the amount of foreign taxes that are treated as paid or accrued, the separate limitation categories with respect to which those taxes are allocable, and the extent to which a credit is allowed for those taxes. This guidance includes limiting FTCs with respect to GILTI inclusions, which can result in incremental US tax. The Final Regulations also provide complex rules for categorizing and tracking foreign subsidiary stock and earnings. Taxpayers and their advisors should review the guidance carefully and model the effect of the new regulations to assess the impact of the final and proposed rules.



David Sotos
United States
T: +408 808 2966
E: david.sotos@pwc.com

Elizabeth Nelson
United States
T: +202 312 7562
E: elizabeth.nelson@pwc.com

Carl Dubert
United States
T: +202 414 1873
E: carl.dubert@pwc.com

Italy

Recent judgments on the beneficial ownership clause

The Italian Supreme Court held in several decisions (no. 24287, 24288, 24289, 24290, 24291) dated September 30, 2019, that the reduced WHT on dividends (at a 15% rate) provided by article 10 of the tax treaty between Italy and Japan shall apply even though a US special vehicle (set up in the form of limited partnership) was interposed between the Italian payee and the Japanese beneficial owner of the dividend.

Article 10 of the tax treaty between Italy and Japan, concluded on the basis of the 1963 OECD Model, does not expressly provide for the beneficial ownership clause (which was included only in the 1977 OECD Model version) but simply refers to the recipient of the dividends.

According to the Supreme Court decisions, the beneficial ownership clause was introduced in order to counteract the treaty abuse practices. Since the tax treaty provisions shall be interpreted on the basis of Art. 31-32 of the Vienna Convention (which, inter ali, provides for the bona fide principle), the term 'recipient' provided by article 10 of the tax treaty between Italy and Japan shall be interpreted as referring to the beneficial owner (note, this position seems to be in contrast with the decision no. 4600/2009 of the Supreme Court).

PwC observation:

The Supreme Court's interpretation could help taxpayers mitigate the WHT exposure – in case of tax audit – by claiming the application of the reduced WHT according to the tax treaty (if any) in force with the State of the beneficial ownership who indirectly received the dividends.

Franco Boga
Milan
T: +39 02 9160 5400
E: franco.boga@pwc.com

Alessandro Di Stefano
Italy
T: +39 348 8 408 195
E: alessandro.di.stefano@pwc.com

Giuseppe Fortunato
Milan
T: +39 02 9160 5876
E: giuseppe.fortunato@pwc.com

Russia

Suspicious payments abroad may be taxed as dividends

A US-based group acquired a UK-based group at the global level. As part of the ongoing integration process, the Russian company (belonging to US group) acquired a 100% interest in another Russian company belonging to the UK group from a UK-based seller. The purchase was performed after the merger on a global level. The tax authorities concluded that the seller was a technical entity, the business purpose of the purchase is disputable, and, effectively, the taxpayer's retained earnings were repatriated to the US. As a result, they charged an additional 5% withholding tax on the total payouts under the Russian transaction.

PwC observation:

Any cross-border transaction may attract the attention of the Russian tax authorities, especially intra-group transactions. Active income under a contract arrangement may be classified as passive income (dividends or other income) subject to withholding tax. In most cases, courts have upheld the position of the Russian tax authorities, making the relevant tax risk significant.

Mikhail Filinov

Moscow

T: +796 76 000
E: mikhail.filinov@ru.pwc.com

EU

EU starts to review foreign source income exemption regimes and recommends EU blacklist defensive measures

The EU (via the Economic and Financial Affairs Council, or ECOFIN) invited the Code of Conduct Group (CoCG) on December 5, to start reviewing foreign source income exemption regimes and endorsed its recommendations related to defensive measures against uncooperative tax jurisdictions. Nine jurisdictions' exemption regimes initially will be considered for harmful elements. There are currently eight other jurisdictions on the blacklist of uncooperative jurisdictions, although the list will be reviewed in light of commitments by additional jurisdictions to make changes by December 31, 2019. The main deadline the COCG recommends for EU Member States to introduce at least one of the recommended defensive measures is January 1, 2021. A number of the measures have features similar to some of the proposals put forward under Pillar 2 of the digitalisation/globalisation project being considered by the G20/OECD Inclusive Framework.

Please see our **PwC Insight** for more information.

PwC observation:

The CoCG and its subgroup on external issues (non-Member States), meet regularly before submitting recommendations for ECOFIN endorsement and subsequent adoption by Member States.

They have agreed guidance in recent months on interpretation of how to address the harmful nature of foreign source income exemptions. This will be of great interest to non-EU jurisdictions already being assessed on such regimes and those now identified for future review. They may need to consider justification of their existing rules or the need for changes in order to continue with a regime of that nature without EU sanctions.

Non-EU jurisdictions that have committed to reforms in order to stay off the EU's blacklist of uncooperative tax jurisdictions will need to discuss whether they have met December 31, 2019 deadlines. Jurisdictions already on the blacklist (or likely to be added to it), will need to assess the impact of, and monitor, EU Member States' adoption of recommended defensive measures.

Stef van Weeghel
Netherlands
T: +31 0 88 7926 763
E: stef.van.weeghel@pwc.com

Edwin Visser
Netherlands
T: +31 0 88 7923 611
E: edwin.visser@pwc.com

Pam Olson
United States
T: +1 703 627 8925
E: pam.olson@pwc.com

Japan

Ratification of US-Japan protocol

A protocol to the US-Japan tax treaty, which implements various long-awaited changes, entered into force on August 30, 2019, upon the exchange of instruments of ratification between the government of Japan and the government of the United States of America.

Key treaty changes that the protocol implements

Article 10 (Dividend) and Article 11 (Interest)
The protocol provides for exclusive residence country taxation of interest and of an expanded category of non-taxable dividends.

Article 13 (Capital gains)
Real property situated in the other contracting state shall include:

a. real property referred to in Article 6
b. in case of Japan, shares or interests in a company, partnership or trustderiving the value of its property directly or indirectly principally from real property referred to in Article 6 and situated in Japan, and
c. in case of the US, a US real property interest.

Under the existing treaty, it applies only to a Japanese resident company, etc., while under the protocol, it could apply to any company including a foreign company.

	Existing Treaty	Protocol
Dividend	Requirement for exemption:	Requirements for exemption:
	1. Holding more than 50%	1. Holding at least 50%
	2. Holding period of 12 months or more	2. Holding period of 6 months or more
Interest	In principle: 10%	In principle: Exempt (certain exceptions)
	Bank, etc.: Exempt	

Article 15 (Director's remuneration)
The diplomatic note adds an explanation that if a resident of a contracting state does not serve as a member of a company's board of directors, this article does not apply to his remuneration regardless of his title or position. Also, where a member of a company's board of directors also has other functions (for example, as ordinary employee, advisory or consultant) with the company, this article does not apply to remuneration paid to such a person on account of such other functions.

Article 23 (Avoidance of double taxation)
This article is to be revised in accordance with the introduction of foreign dividend exemption rules. The shareholding requirement of 10% of a company's voting stock shall be changed to 10% of the total shares issued by the company.

Article 25 (Mutual agreement procedure)
The protocol provides for resolution through mandatory binding arbitration of certain cases that the revenue authorities of the US and Japan have been unable to resolve after a reasonable period of time (i.e., two years).

The Protocol is effective with respect to taxes withheld at source, for amounts paid or credited on or after or after November 1, 2019. For all other taxes the protocol is effective for taxable years beginning on or after January 1, 2020.

PwC observation:

Repatriation of profits from joint ventures:
The change of the threshold under the protocol for exemption from dividend withholding tax to 50% or more places 50%/50% joint ventures in the same position as other majority-owned subsidiaries. This change should be welcome news to existing US/Japanese joint ventures, who have been outside the scope of the dividend withholding tax exemption under the treaty until now. Likewise, the Protocol's new six-month holding period aligns the treaty with other Japanese tax treaties, and may work to facilitate additional cross-border investment and trade.

Cross border financing:
Support for the establishment and development of business between the US and Japan using intercompany loans has historically been disadvantaged by the 10% withholding tax on interest payments under the existing treaty, in comparison to business operations between Japan and other key OECD jurisdictions. The elimination of this withholding tax should provide more flexibility in relation to treasury operations for multinational groups headquartered in the US or Japan and entitled to treaty benefits, subject to any other restrictions on interest deductibility under either US or Japanese domestic law (e.g., BEAT in the former and earnings stripping in the latter).

Treaty not subject to OECD's multilateral instrument (MLI), but binding arbitration option will be available to taxpayers:
The US is one of a few OECD member states that did not ratify the OECD's 'MLI. Thus, certain measures that will apply under other Japanese tax treaties as a result of the MLI; including, for example, the new Principal Purpose Test (PPT), will not apply to the Treaty. The protocol will, however, make another provision from the MLI, mandatory binding arbitration, available to taxpayers where the competent authorities of the US and Japan fail to otherwise resolve any question of double taxation. The Protocol will thus make it possible for taxpayers to benefit from arbitration under the Treaty, without the necessity of satisfying certain standards required under the MLI.

Ability to request information regarding persons not resident in either state:
The increased ability of the respective competent authorities to obtain information puts additional emphasis on the importance of compliance by taxpayers with each country's financial reporting and declaration standards.

Naoya Uchiyama
Tokyo, Japan
T: +81 0 80 4104 5481
E: naoya.a.uchiyama@pwc.com

Shintaro Yamaguchi
Tokyo, Japan
T: +81 0 3 5251 2503
E: shintaro.yamaguchi@pwc.com

Yoko Kawasaki
Tokyo, Japan
T: +81 0 3 5251 2450
E: yoko.kawasaki@pwc.com

Glossary

Acronym	Definition
ANPR	advance notice of proposed rulemaking
ATAD	Anti-Tax Avoidance Directive
ATO	Australian Tax Office
BEAT	Base Erosion and Anti-abuse Tax
BEPS	Base Erosion and Profit Shifting
CbCRE	country-by-country reporting entity
CFC	controlled foreign corporation
CIT	corporate income tax
CJEU	Court of Justice of the European Union
CoCG	Code of Conduct Group
DAC6	EU Council Directive 2018/822/EU on cross-border tax arrangements
DGE	Direction des Grandes Entreprises
DST	digital services tax
DTT	double tax treaty
ECOFIN	Economic and Financial Affairs Council
EU	European Union
FTC	Foreign Tax Credit
FFC	Federal Fiscal Code

Acronym	Definition
GILTI	Global Intangible Low-Taxed Income
ITA	Italian Tax Authorities
MECF	Multinational Enterprises — Compliance Focus 2019 guide
MIT	managed investment trusts
MITL	Mexican Income Tax Law
MLI	Multilateral Instrument
MNC	Multinational corporation
MTI	modified taxable income
PE	permeant establishment
OECD	Organisation for Economic Co-operation and Development
R&D	Research & Development
RTP	Reportable Tax Position
SGE	significant global entity
STFT	subject to foreign tax
STA	State Taxation Administration
VATL	Value Added Tax Law
WHT	withholding tax

Contact us

For your global contact and more information on PwC's international tax services, please contact:

Bernard Moens
Global Leader International Tax Services Network

T: +1 703 362 7644
E: bernard.moens@pwc.com

Geoff Jacobi
International Tax Services

T: +1 202 414 1390
E: geoff.jacobi@pwc.com

www.pwc.com/its

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with more than 250,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2019 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

Design Services 32298 (12/19).