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International Tax News

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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.

Featuered articles

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

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Canada

2019 Canadian Federal budget

Canada, released the 2019 Budget on March 19.

The international tax measures are relatively limited in scope, focusing on targeted measures rather than broad changes. The budget does not contain new measures relating to the base erosion and profit shifting (BEPS) project (such as hybrid mismatch rules). The Budget restates Canada's existing commitment to ratify the multilateral instrument (MLI), which will implement certain tax treaty changes resulting from the BEPS project.

The 2019 Budget did not contain any proposed changes to the corporate tax rates in Canada.

Refer to our **analysis** for more details on the 2019 Budget.

PwC observation:

Based on the Canadian federal government's comments regarding their commitment to implement tax treaty changes developed by the BEPS project, taxpayers should review their treaty positions and the MLI's impact on those positions.

Kara Ann Selby
Toronto
T: +1 416 869 2372
E: kara.ann.selby@pwc.com

Maria Lopes
Toronto
T: +1 416 365 2793
E: maria.lopes@pwc.com

Michael C. Black
Toronto
T: +1 416 814 5876
E: michael.c.black@pwc.com

France

French government proposes digital tax and delay in corporate tax rate reduction

France recently launched the legislative process to introduce a tax on digital sales realized by large internet and technology companies and to partially postpone the corporate income tax rate reduction initially intended to apply effective January 1, 2019.

The proposed 3% digital tax would apply to companies providing certain digital services in France with global annual revenue in excess of EUR 750M and revenue in France exceeding EUR 25M. The proposed tax would apply to digital gross sales realized as of January 1, 2019.

The draft bill also includes a provision postponing the decrease of the corporate income tax rate from 33-1/3% to 31% for companies or tax groups with global revenue in excess of EUR 250M.

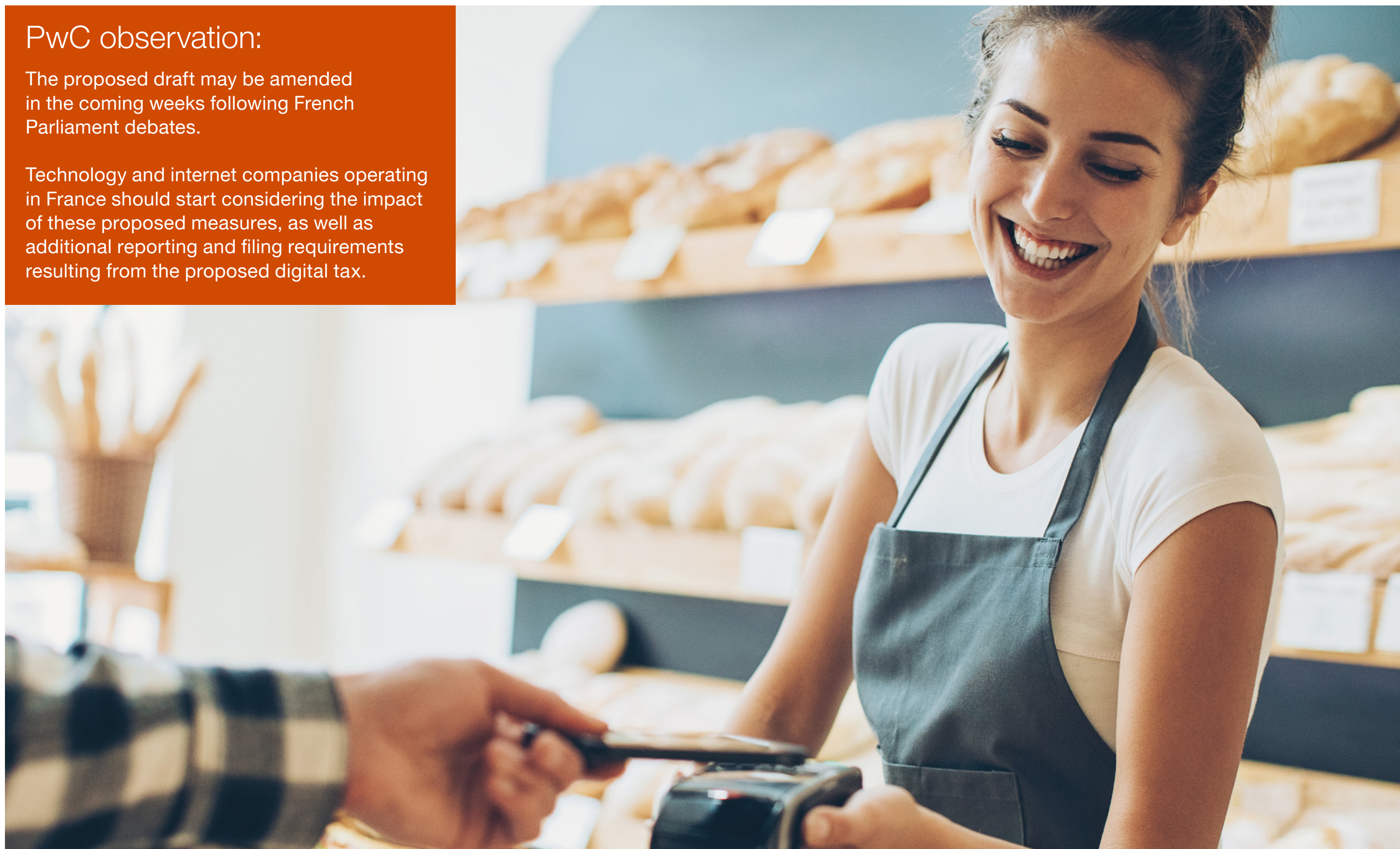
The draft bill, which was submitted to the Parliament on March 6, will be discussed according to the 'fast-track procedure.' The parliamentary debate calendar is not yet available.

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

PwC observation:

The proposed draft may be amended in the coming weeks following French Parliament debates.

Technology and internet companies operating in France should start considering the impact of these proposed measures, as well as additional reporting and filing requirements resulting from the proposed digital tax.



Guillaume Barbier
United States
T: +1 646 471 5278
E: g.barbier@pwc.com

Baptiste Allais
United States
T: +1 646 574 9834
E: b.allais@pwc.com

Guillaume Glon
France
T: +33 156 574 072
E: guillaume.glon@pwcavocats.com

Hong Kong

Hong Kong's profits tax exemption for privately offered funds

On March 1, the Inland Revenue Ordinance 2019 (profits tax exemption for funds – amendment) was gazetted. The Ordinance provides profits tax exemption for eligible onshore and offshore funds operating in Hong Kong.

The Ordinance introduced the following provisions:

1. Unification of the profits tax exemptions for privately offered funds (onshore or offshore, regardless of their structure, location of central management and control, their size, or the purpose they serve) into one comprehensive regime;
2. Widening the application scope of the profits tax exemptions; and
3. Removal of the 'tainting' effect whereby profits tax exemption would still be available for the 'good' transactions of the fund, even if the fund carries out 'bad' transactions.

The new profits tax exemption regime for privately offered funds will come into operation on April 1, 2019

PwC observation:

The enactment of the Ordinance unifies the profits tax exemptions for privately offered funds into one comprehensive regime. In addition, the application scope of the profits tax exemption is widened significantly. This places Hong Kong in a much more competitive position as a regional and international asset and fund management center.

Fergus WT Wong
Hong Kong
T: +852 2289 5518
E: fergus.wt.wong@hk.pwc.com

Hong Kong

Ordinance on changes related to certain loss-absorbing capacity debt instruments gazetted

The financial institutions rules (loss-absorbing capacity requirements – banking sector – resolution) and the Inland Revenue Ordinance 2019 (amendment) were gazetted by the Hong Kong government on October 19, 2018, and February 15, 2019, respectively. The rules and the ordinance were introduced to align Hong Kong with the international standards on loss-absorbing capacity (LAC) requirements on banks as well as to clarify the profits tax treatments for LAC debt instruments.

Key provisions in the Ordinance include:

1. The definitions of 'banking LAC requirement' and 'LAC banking entity' have been added to the Ordinance. A LAC banking entity will be ineligible for being a qualifying corporate treasury center for purposes of the profits tax concession;
2. New deeming provision on interest income received by a LAC banking entity in respect of a regulatory capital security (RCA) or in connection with its business from the sale or other disposal, or on the redemption, of a RCA will be applied; and
3. Interest payable on money borrowed by a LAC banking entity by way of issuing a RCA will be deductible from the chargeable profits.

The rules entered into force on December 14, 2018, while the Ordinance applies to sums payable on or after February 15, 2019.

PwC observation:

The business sector generally welcomes the Hong Kong government's move to modify Hong Kong's financial system.

Fergus WT Wong
Hong Kong
T: +852 2289 5518
E: fergus.wt.wong@hk.pwc.com

Italy

The Italian decree implementing the ATAD provisions is effective beginning in fiscal year 2019.

The budget law for 2019 (Law n. 145/2018) introduces several tax law changes applicable starting in fiscal year (FY) 2019. The main changes include:

Repeal of the Notional Interest Deduction (NID)

The NID was repealed; however, excess NID accrued as of December 31, 2018 can be carried forward.

Digital Services Tax (DST)

DST will apply to resident and non-resident entities providing certain digital services to users located in Italy and is equal to 3% of such digital services. DST is owed only by taxpayers with a minimum worldwide turnover of EUR 750M at a group level and Italian taxable revenues higher than EUR 5.5M. Entry into force is expected beginning July 2019.

Reduced CIT rate

A reduced 15% CIT rate (instead of the 24% ordinary rate) applies to the portion of the annual profit reinvested in qualifying assets and recruitment of new personnel resulting in a net increase of those assets and personnel.

Tax incentives

The hyper-depreciation allowance has been extended to FY 2019 and, under certain conditions, to FY 2020. The allowance consists of a virtual increase of the qualifying assets purchase cost for amortization purposes. Such a virtual increase depends on the amount of the overall eligible investments (170% for investments up to EUR 2.5M, 100% for investments between EUR 2.5M and EUR 10M and 50% for investments between EUR 10M and EUR 20M).

PwC observation:

Abolishment of the NID allowance requires the implementation of new financing structures for multinational investments in Italy.

In addition, digital entities should assess their potential exposure to the Italy's new DST provision.

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

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

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

Luxembourg

Luxembourg 2019 budget: corporate tax rate reduction and revamp of tax unity regime

Luxembourg's government submitted its draft 2019 budget law on March 5, 2019 to Parliament. The bill foresees two notable corporate tax measures:

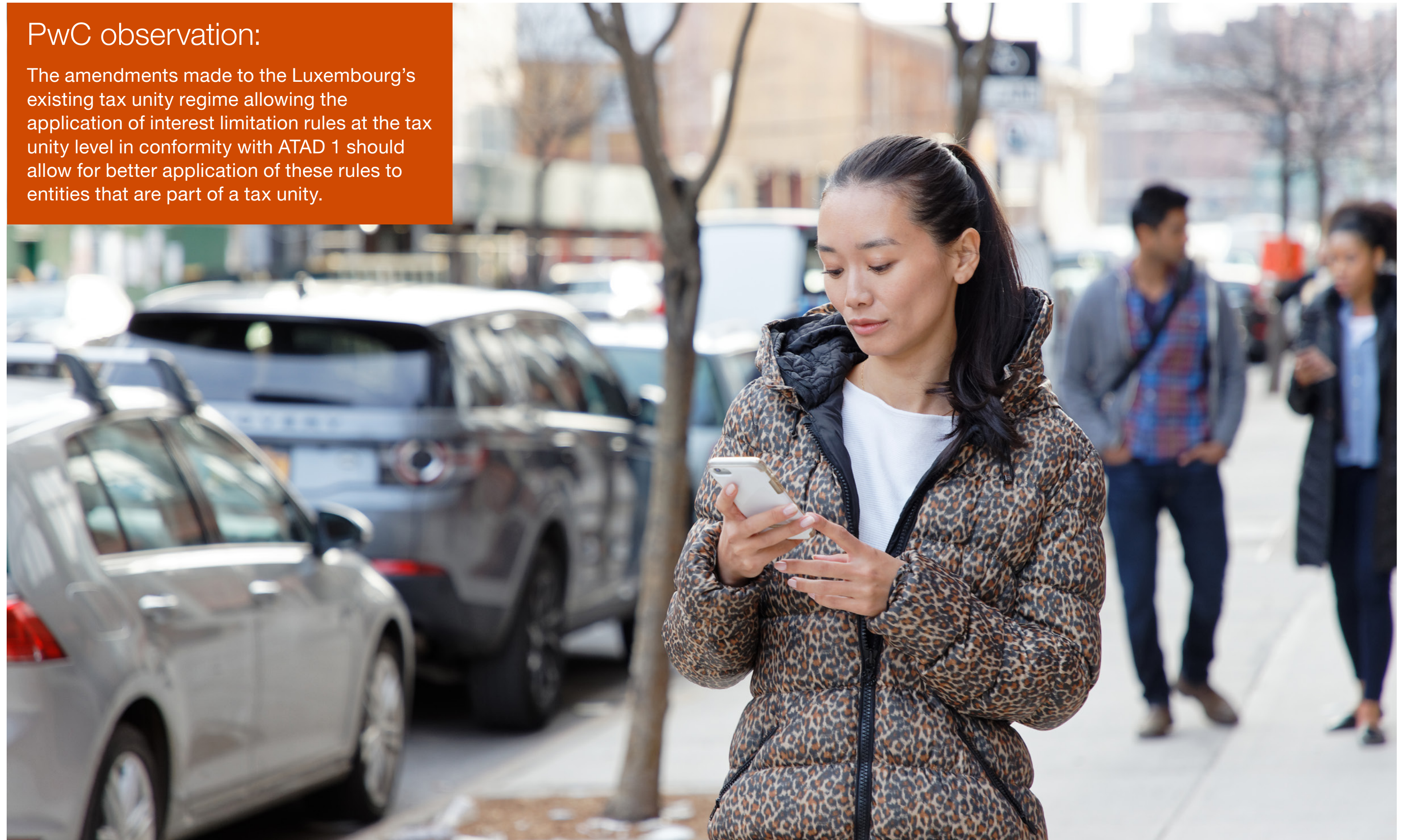
1. A reduction of the corporate income tax rate leading to a decrease in the overall corporate tax rate from 26.01% to 24.94% for companies in Luxembourg City, and
2. The bill rewrites legislation governing the Luxembourg tax unity regime to permit the application of the ATAD 1 interest limitation rules at the Luxembourg group level.

The changes in the corporate income tax rate should apply for the 2019 tax year while changes regarding Luxembourg's tax unity regime should apply for accounting years starting on or after January 1, 2019.

Please refer to our **Flash News** for further details.

PwC observation:

The amendments made to the Luxembourg's existing tax unity regime allowing the application of interest limitation rules at the tax unity level in conformity with ATAD 1 should allow for better application of these rules to entities that are part of a tax unity.



Sami Douenias
PwC Luxembourg
T: +352 49 48 48 3060
E: sami.douenias@lu.pwc.com

Singapore

Singapore 2019 budget

Singapore's Minister for Finance, on February 18, 2019, delivered the budget statement (the 2019 Budget) for the financial year 2019. The 2019 Budget focuses on sustainability and security through economic transformation.

The 2019 Budget introduces and enhances support for Singapore businesses and workers on their transformation journey, amid technological developments and demographic shifts.

Recognizing the need for a competitive and resilient tax system that is meant to help attract and retain investments, the Minister for Finance also proposed extensions and enhancements to various tax schemes, particularly for those in the asset and wealth management sector. These include:

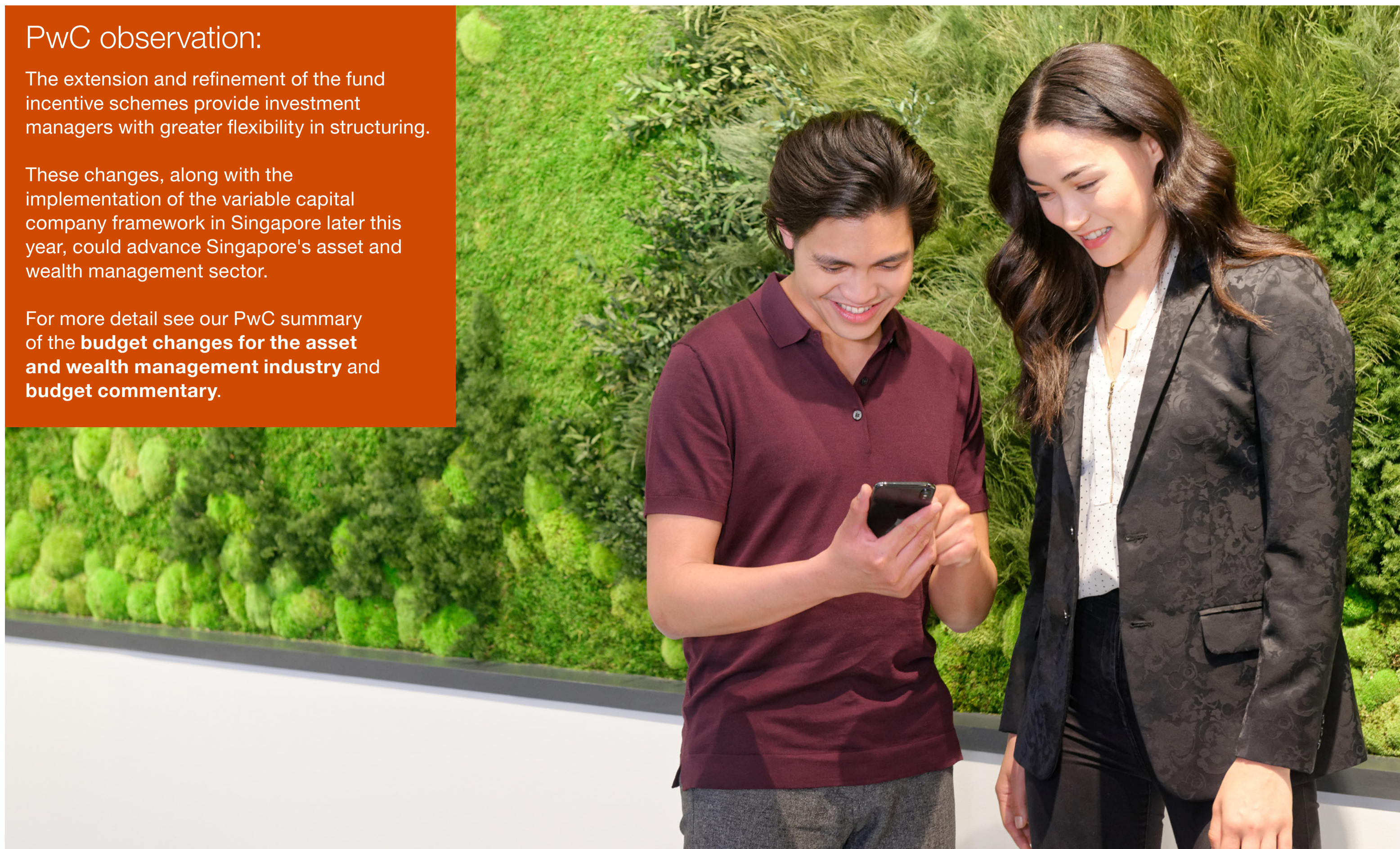
- The tax incentive schemes for qualifying funds managed by Singapore-based fund managers are refined and extended to December 31, 2024.
- The income tax concessions for Singapore-listed Real Estate Investment Trusts (S-REITS) and Real Estate Investment Trusts Exchange-Traded Funds (REIT ETFs) are extended to December 31, 2025.
- The writing-down allowance scheme for capital expenditure incurred on acquiring qualifying intellectual property rights is extended to year of assessment 2025.

PwC observation:

The extension and refinement of the fund incentive schemes provide investment managers with greater flexibility in structuring.

These changes, along with the implementation of the variable capital company framework in Singapore later this year, could advance Singapore's asset and wealth management sector.

For more detail see our PwC summary of the **budget changes for the asset and wealth management industry** and **budget commentary**.



Chris Woo
Singapore
T: +65 9118 0811
E: chris.woo@sg.pwc.com

Paul Lau
Singapore
T: +65 8869 8718
E: paul.st.lau@sg.pwc.com

Paul Cornelius
Singapore
T: +65 8876 9887
E: paul.cornelius@sg.pwc.com

Singapore

Proposed tax treatment for variable capital companies

The Ministry of Finance conducted public consultations on the proposed income tax, goods and services tax and stamp duty treatment for variable capital companies.

The Variable Capital Companies Act 2018, expected to be effective sometime in 2019, will introduce a new corporate structure for investment funds.

Key aspects of the proposed income tax features include:

- An umbrella variable capital company (VCC) only needs to file a single corporate income tax return, regardless of the number of sub-funds, to ease its compliance burden
- A VCC whose business is controlled and managed in Singapore may qualify as a Singapore tax resident
- Tax incentives under Sections 13R and 13X of the Income Tax Act will be extended to VCCs
- Deductions and allowances for umbrella VCCs will be applied at the sub-fund level for determination of the sub-funds' chargeable or exempt income.

PwC observation:

The introduction of the VCC framework will complement and expand the existing suite of fund structures available in Singapore and will strengthen Singapore's position as an international fund management center. It will also provide spin-off opportunities for fund managers and fund-servicing professionals. The proposed tax treatment for VCCs recognizes their unique characteristics, combining the advantage of a single legal entity at the VCC level with segregation of assets and liabilities at the sub-fund level to cater to different investment strategies for investors of each particular sub-fund.

Chris Woo
Singapore
T: +65 9118 0811
E: chris.woo@sg.pwc.com

Paul Lau
Singapore
T: +65 8869 8718
E: paul.st.lau@sg.pwc.com

Paul Cornelius
Singapore
T: +65 8876 9887
E: paul.cornelius@sg.pwc.com

United Kingdom

UK changes permanent establishment definition

The UK Finance Act 2019, which became law on February 12, 2019, includes the legislation required to update UK domestic law to align with the UK's position on the changes to the permanent establishment (PE) definition arising from the OECD's BEPS project and included within the Multilateral Instrument. This effectively expands the definition of PE in the UK which – together with forthcoming changes to many tax treaties – is likely to result in more PEs arising.

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

PwC observation:

Any business that is relying on the Article 5(4) exemptions to assert that it does not currently have a UK PE should review its situation carefully to understand whether the activities of a closely related party in the United Kingdom would mean its ability to rely on these exemptions has ceased and it should be filing corporation tax returns in the United Kingdom effective January 1, 2019.

Philip Greenfield
London
T: +44 0 7973 414521
E: philip.greenfield@pwc.com

Michael Cooper
London
T: +44 0 20 721 35212
E: michael.j.cooper@pwc.com

Ben Proctor
London
T: +44 0 20 780 41887
E: ben.m.proctor@pwc.com

Uruguay

New free zones regulations

Uruguayan tax authorities released new regulations applicable to the free zones (FZ) regime based on the amendments introduced in local legislation, with the aim of aligning the regime with the international standards of tax transparency.

Resolution 231/019, issued by the Tax Office, clarifies that the services rendered from FZ to taxpayers subject to corporate income tax (CIT) (domiciled outside FZ territory) must be linked to the taxable income of the beneficiary. In addition, CIT taxpayers must inform the FZ user that they meet the mentioned conditions before the service is rendered.

The resolution addresses several formalities with which FZ users must comply, particularly regarding R&D, and exceptional, auxiliary, or supplementary activities carried out outside the FZ territory. FZ users must also provide more information annually than is currently required. The resolution also establishes a due date by which FZ users must be compulsorily included in the electronic invoicing regime.

The FZ authority also issued resolutions revealing the investment project template to be submitted beginning March 1, 2019. Companies must submit this completed template in order to obtain authorization to operate in the FZ. New rules also include a due date schedule for FZ users to file statements.

PwC observation:

Companies with operations in Uruguay should analyze the viability of acquiring FZ status in order to provide services to non-FZ territories.

Eliana Sartori
Montevideo
T: +598 2916 0463 ext 1542
E: eliana.sartori@uy.pwc.com

Eduardo Rodríguez
Montevideo
T: +598 2916 0463 ext 1600
E: eduardo.h.rodriguez@uy.pwc.com

Argentina

Argentina releases anticipated income tax and VAT regulations

The Argentine government issued Regulatory Decree No. 1170/2018, relating to some of the amendments that were introduced in the Income Tax Law under Law 27,430. The regulations contain guidance as to when an indirect transfer of Argentine assets may be exempt from the indirect transfer tax under the intra-group relief regime. A transfer is considered to be made within an 'economic group' and thereby tax exempt when (i) the transferor directly or indirectly holds 80% or more of the paid-in capital of the transferee (or vice-versa), or when one or more entities directly or indirectly jointly holds 80% or more of both the transferor and the transferee, and (ii) the relationship exists for at least two years prior to the indirect transfer. The tax exemption does not apply if the sole motivation for the transfer is to obtain favorable tax treatment. The regulations also address transfer pricing changes, dividend withholding and equalization taxes, and thin capitalization rules.

The government also published General Resolution No. 4356/2018, relating to the mechanism to pay VAT on certain services rendered by nonresidents.

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

PwC observation:

Given the wide scope, nature, and relevance of the income tax reform and newly enacted regulations, multinational enterprises operating in Argentina should review how the new rules may impact their investments, as well as existing financing and cash repatriation structures. Initial application of the new income tax rules also reveals several issues that must be addressed on a case-by-case basis.

Jose Leiman
United States
T: +1 305 381 7616
E: jose.leiman@pwc.com

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

Ignacio Rodríguez
Argentina
T: +5411 4850 6714
E: ignacio.e.rodriguez@ar.pwc.com

Australia

ATO finalizes controversial guideline on tax residency of foreign companies

On December 20, 2018, after almost two years, the Australian Taxation Office (ATO) released its final guidance (PCG 2018/9) related to determining tax residency for foreign incorporated companies.

A company that is not incorporated in Australia will be a tax resident if:

1. the company carries on a business in Australia and has its central management and control (CM&C) in Australia (the 'CM&C test').
2. the company carries on a business in Australia and its voting power is controlled by shareholders who are residents of Australia (the 'voting power test').

The ATO has traditionally accepted both of these tests The requirement to carry on business in Australia is considered separately from either the CM&C requirement or the voting power requirement i.e., a foreign incorporated company trading outside of Australia would not be a tax resident of Australia because it is not carrying on business in Australia, notwithstanding that it's CM&C was located in Australia.

Following the High Court decision in in Bywater Investments Limited and Ors v Commissioner of Taxation and the related matter in Hua Wang Bank Berhad v Commissioner of Taxation (the Bywater case), the ATO released Draft TR 2017/D2 (later finalized as TR 2018/5) which provided that CM&C is factually part of carrying on a business.

Finalized PCG 2018/9 aims to provide practical guidance (with examples) to assist in applying the principles set out in TR 2018/5. Aside from an extension of the 'transitional compliance approach' to June 30, 2019, there were no substantive changes from draft PCG 2018/D3.

PwC observation:

Even with the extended transitional period, there is limited time available for considering the ATO's revised view on corporate residency, review existing governance protocols and, if required, make necessary changes.

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

David Earl
Melbourne
T: +61 3 8603 6856
E: david.earl@pwc.com

Australia

More ATO guidance on hybrid mismatch rules – structured arrangements

The ATO has issued further draft guidance (in the form of a Law Companion Ruling (LCR) and a Practical Compliance Guideline (PCG)) on the application of the hybrid mismatch rules. This guidance deals with the scope of the rules in relation to certain payments that are made between related or unrelated parties under a 'structured arrangement.'

LCR 2018/D9 and PCG 2018/D9 consider the concept of a 'structured arrangement,' which is relevant for determining the scope for application of the rules. Specifically, this is critical for determining:

- whether the hybrid mismatch rules can apply to certain transactions where the entities are not related persons or part of a control group; and
- how the imported mismatch rules apply, and, importantly, whether the imported mismatch rules apply to arrangements for income years commencing on or after January 1, 2019, or January 1, 2020, (the start date for non-structured imported mismatch arrangements).

In brief, the structured arrangement concept is satisfied if:

- the hybrid mismatch is priced into the terms of a scheme under which the payment is made, or it is reasonable to conclude that the hybrid mismatch is a design feature of a scheme under which the payment is made.

PwC observation:

Taxpayers who may have taken a view that the imported mismatch rules are deferred until January 1, 2020, will need to carefully consider their position to determine whether deductions will be denied beginning January 1, 2019.

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

David Earl
Melbourne
T: +61 3 8603 6856
E: david.earl@pwc.com

Germany

German tax authorities: No withholding tax on online advertising payments to nonresidents

Some German tax auditors recently have taken the position that online advertising payments made by a German taxpayer to a nonresident taxpayer could be subject to German (royalty) withholding tax. On March 14, a consensus was reached between the German Federal government and the German Federal states according to which no German withholding taxes need to be withheld on payments for online advertising.

PwC observation:

The German tax authorities stated that payments for online advertising should not be subject to German withholding tax. Taxpayers that had discussions in this regard with the German tax authorities should take appropriate measures.

Thomas Loose
United States
T: +1 212 671 8395
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

Italy

Securitization transactions: Italian tax authorities clarify ReoCos tax treatment

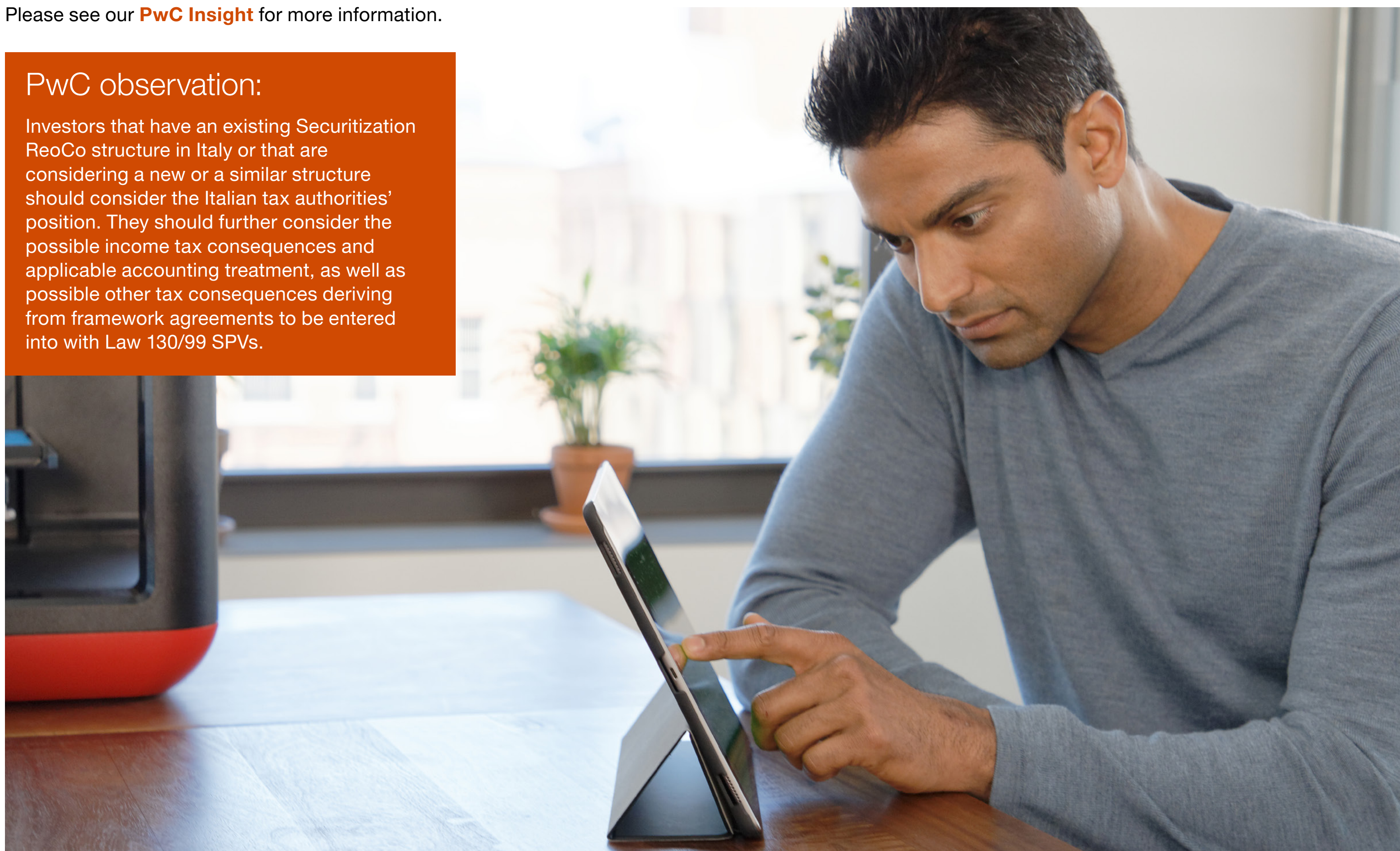
The Italian tax authorities, replying to two ruling requests (Responses n. 18, dated January 30, 2019 and n. 56, dated February 15, 2019) clarified the tax treatment of proceeds derived from activities performed by companies established pursuant to Article 7.1, paragraph 4, of Italian securitization law 'Law n. 130/99). Such companies generally are referred to as real estate owned companies (ReoCos).

According to Law n. 130/99, in the context of a securitization transaction, special purpose vehicles (Law 130/99 SPVs) always had the exclusive purpose of performing one or more loan securitization transactions. However, Article 7.1, paragraph 4, of Law n. 130/99 recently was introduced to allow, within the framework of certain loan securitization transactions, creation of a corporate vehicle (a 'Securitization ReoCo'). The sole purpose of these vehicles is purchasing, managing, and increasing the value of, among others, real estate properties used as collateral to secure the loans purchased by the Law 130/99 SPV, in the exclusive interest of the securitization transaction.

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

PwC observation:

Investors that have an existing Securitization ReoCo structure in Italy or that are considering a new or a similar structure should consider the Italian tax authorities' position. They should further consider the possible income tax consequences and applicable accounting treatment, as well as possible other tax consequences deriving from framework agreements to be entered into with Law 130/99 SPVs.



Emanuele Franchi
United States
T: +1 646 574 0998
E: emanuele.f.franchi@pwc.com

Alessandro Di Stefano
Italy
T: +39 348 840 8195
E: alessandro.di.stefano@pwc.com

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

Luxembourg

Luxembourg tax authorities clarify permanent establishment definition

Luxembourg tax authorities issued a circular on February 22, that clarifies recently-added paragraph 5 to § 16 StAnpG of October 16, 1934 ('New Paragraph 5'). This paragraph was introduced by Draft Bill 7318 (dated December 21, 2018), which implemented anti-tax avoidance directive 1 (ATAD 1) into Luxembourg domestic tax law.

New Paragraph 5 is not related to ATAD 1 implementation, but instead is designed to resolve conflicts of interpretation on the existence of a permanent establishment (PE) resulting from the interaction between domestic law and relevant tax treaty provisions.

Under New Paragraph 5, Luxembourg tax authorities may request from a taxpayer evidence that the other contracting state effectively recognizes a PE in its territory. The circular clarifies how the taxpayer should provide this evidence.

New Paragraph 5 applies to tax years beginning on or after January 1, 2019.

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

PwC observation:

The circular helps clarify, and in some cases confirms, the recognition of a PE in a tax treaty country.

Taxpayers should assess their fact pattern and, if appropriate, prepare evidence that a PE is recognized in a tax treaty country.

Evi Boutsioulis
United States
T: +1 973 494 6892
E: evanthia.boutsioulis@pwc.com

Valéry Civilio
Luxembourg
T: +352 49 48 48 3109
E: valery.civilio@lu.pwc.com

Alina Macovei
Luxembourg
T: +352 49 48 48 3122
E: alina.macovei@lu.pwc.com

United States

Treasury issues proposed rules related to FDII and GILTI deductions under Section 250

Treasury released proposed regulations (the Proposed Regulations) under Section 250 on March 4. The Proposed Regulations are the first comprehensive form of administrative guidance with respect to the foreign-derived intangible income (FDII) regime and the Section 250 deduction following enactment of the 2017 tax reform act (the Act). Of relevance to the Proposed Regulations, the Act allowed domestic corporations a deduction equal to the sum of 50% of their global intangible low-taxed income (GILTI) inclusion and Section 78 gross-up amount and 37.5% of their FDII.

The Proposed Regulations provide needed guidance related to the mechanics of determining a domestic corporation's FDII, including detailed guidance on determining deemed eligible income (DEI), deemed intangible income (DII), and foreign-derived deduction eligible income (FDDEI). The Proposed Regulations also provide guidance on the application of the Section 250 deduction in the consolidated group and partnership settings and the interplay of Sections 163(j), 172(a), and 250.

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

PwC observation:

The Proposed Regulations provide needed guidance with respect to the determination of the Section 250 deduction and its various components. This guidance includes detailed categories of sales and services that are eligible for FDDEI treatment, each with their own rules. The Proposed Regulations also introduce stringent documentation requirements that may prove burdensome for some taxpayers. Taxpayers and their advisors should be mindful of these requirements and pay close attention to the technical requirements for FDDEI treatment of the various sale and service categories. Treasury and the IRS are likely to receive comments on many issues, including those identified above. As a result, it is possible certain aspects of the Proposed Regulations will change prior to finalization.

Michael DiFronzo
United States
T: + 202 312 7613
E: michael.a.difronzo@pwc.com

Charles Markham
United States
T: + 202 312 7696
E: charles.s.markham@pwc.com

Ethan Atticks
United States
T: + 202 697 3525
E: ethan.a.atticks@pwc.com

Australia

Commissioner of Taxation v. BHP Billiton Limited: an influential consideration of sufficient influence

The Full Federal Court issued its decision in Commissioner of Taxation v BHP Billiton Limited. The case concerned the application of the controlled foreign company provisions to a marketing entity (BMAG) which was jointly held by the dual-listed companies, BHP Billiton Limited and BHP Billiton Plc. BHP has applied for special leave to appeal to the High Court.

The decision was an appeal from the anonymized Administrative Appeals Tribunal judgment MWYS v Commissioner of Taxation (Taxation). The technical question at issue in the case concerned the meaning of 'associate' and whether there was sufficient influence between the parties to make Plc's Australian entities 'associates' of BMAG. The majority found that Plc's Australian subsidiaries were 'associates' of BMAG because there was the requisite level of 'sufficient influence' in each of the relevant relationships. The single dissenting judgment found a lack of 'sufficient influence.'

PwC observation:

The definition of 'associate' is widely used within the tax law and therefore the decision is relevant in a wide range of legislative contexts, including, for example, thin capitalization, debt equity rules, and the non-portfolio interest test, which is relevant to the non-resident capital gains tax (CGT) rules, participation exemptions, and withholding tax provisions. The decision could also be relevant to a wide range of business relationships beyond dual-listed companies, including, for example, stapled structures and joint ventures.

Peter Collins
Sydney
T: +61 0 438624700
E: peter.collins@pwc.com

David Earl
Melbourne
T: +61 3 8603 6856
E: david.earl@pwc.com

Denmark

EU issues judgments in Danish cases on beneficial ownership

The Court of Justice of the European Union (CJEU) issued judgments on February 26 in T Denmark and Y Denmark vs. the Danish Ministry of Taxation (**Joined Cases C-116/16 and C-117/16** – 'the dividend cases') and in N Luxembourg 1, X Denmark A/S, C Denmark I and Z Denmark ApS vs. the Danish Ministry of Taxation (**Joined Cases C-115/16, C-118/16, C-119/16 and C-299/16** – 'the interest cases'). The underlying issue in the cases was whether dividend and interest payments were exempt from withholding tax when the payments were made from a Danish company to a company resident within the European Union which then fully or partially passed on the payments to an ultimate parent company residing in a third country.

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

PwC observation:

The Danish High Court now must decide the final outcome of each case based on the guidance from the CJEU on whether the recipients are beneficial owners or whether there has been an abuse of rights. In the meantime, these judgments will be important for applying the Parent-Subsidiary Directive or the Interest/Royalty Directive going forward, and more generally for interpreting terms such as 'beneficial owner' and 'abuse of rights.'

The cases may impact most international group structures and the flow of funds from EU subsidiaries to parent companies when the ultimate parent resides in a third country.

Pam Olson
United States
T: + 202 414 1401
E: pam.olson@pwc.com

William Morris
United States
T: + 202 312 7662
E: william.h.morris@pwc.com

Maarten Maaskant
United States
T: + 646 471 0570
E: maarten.p.maaskant@pwc.com

France

Recent French developments relating to royalties and dividends paid to foreign beneficiaries

Pursuant to the French Tax Code, a withholding tax (WHT) is levied in France on royalties paid by a French company to a foreign entity (including sums paid in consideration for services rendered or used in France). The withholding tax rate equals the standard French CIT rate (31% currently).

In the absence of a tax treaty between Denmark and France, the guidelines of the French tax authorities provide for a repayment if the French WHT cannot be offset completely against the Danish tax paid on the corresponding income. According to the French Administrative Supreme Court, the absence of effective taxation in Denmark of royalties paid by a French subsidiary to its Danish parent company does not exclude the repayment of the WHT paid in France on this income (Conseil d'Etat, October 24th, 2018, n°413935).

Another favorable decision could result from a priority preliminary ruling before the French Constitutional Court regarding the French WHT. Currently, a foreign recipient in a loss-making position can be subject to the domestic WHT while a French recipient is not be subject to any taxation if its losses can be offset against the royalties.

The Constitutional Court was asked whether this difference of treatment can be considered contrary to the principle of equality. The decision of the Constitutional Court will be rendered by the end of May 2019.

Finally, following an ECJ decision (ECJ, November 22nd, 2018 aff.575/1), the Conseil d'Etat ruled that levying a WHT on dividends paid by a French subsidiary to its foreign parent company, which is in a loss-making position, is contrary to the free movement of capital. In this case, Conseil d'Etat specified that the loss-making position would be characterized based on the law of the recipient's country (Conseil d'Etat, February 27th, 2019, Sofina, n°398662).

PwC observation:

Recent French developments relating to royalties and dividends paid to foreign beneficiaries mark a trend towards a greater alignment of the taxation of non-tax residents with the taxation of French tax residents.

Julie Copin
PwC Paris
T: +33 0 1 56 57 44 17
E: julie.copin@pwcavocats.com

Guilhem Calzas
PwC Paris
T: + 33 0 1 56 57 15 40
E: guilhem.calzas@pwcavocats.com

Renaud Jouffroy
PwC Paris
T: + 33 0 1 56 57 42 29
E: renaud.jouffroy@pwcavocats.com

Saudi Arabia

Saudi Arabia approves tax treaty with the UAE

On March 1, the Kingdom of Saudi Arabia (KSA) published the tax treaty with the United Arab Emirates (UAE) in its Official Gazette (Ummul Quraa). The tax treaty between the UAE and KSA (the 'contracting states') has not yet been published in the UAE Official Gazette.

Some of the key provisions include:

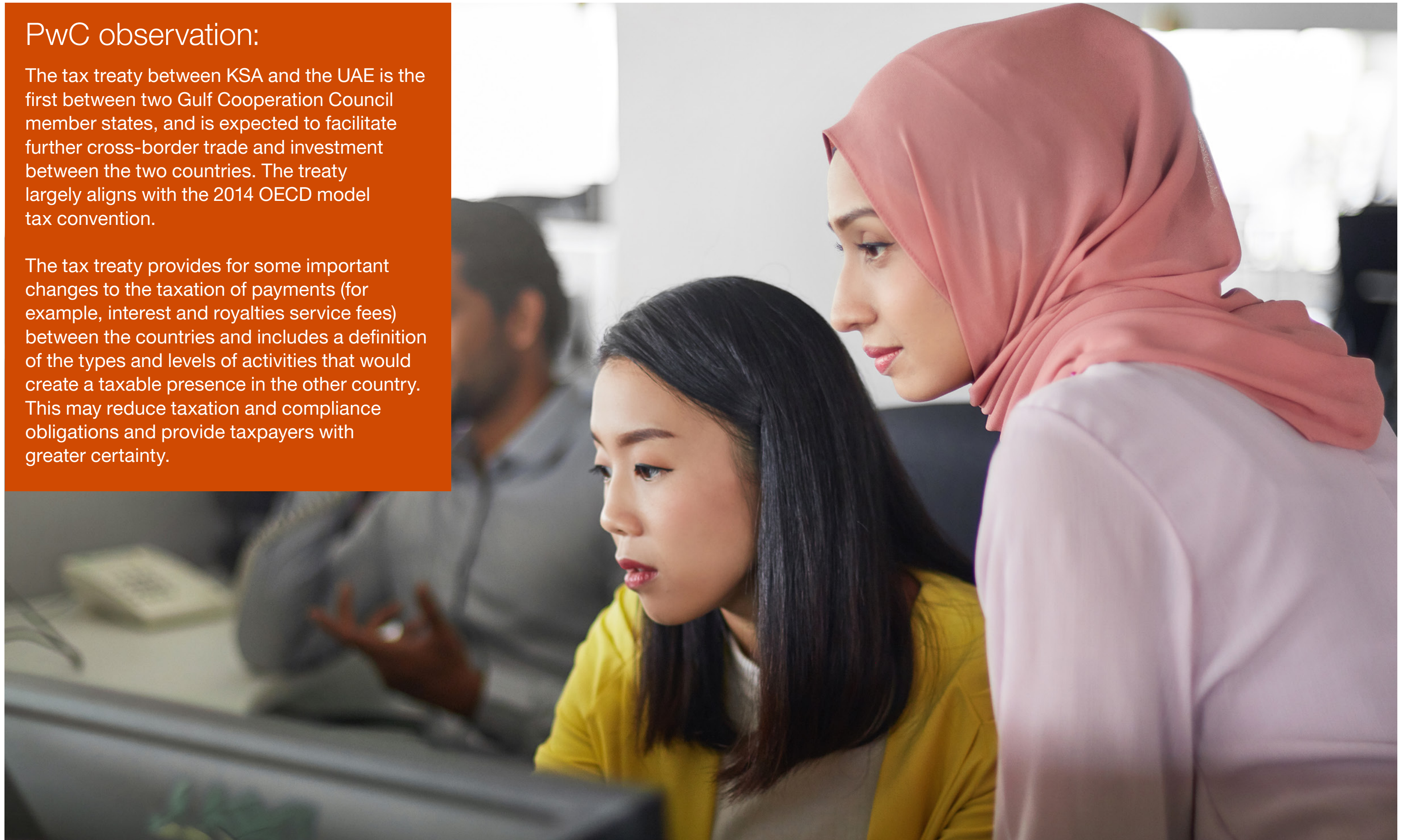
- an exemption from withholding tax (WHT) on interest and service fees
- a reduced WHT rate of 10% on royalty payments
- a maximum 5% WHT on dividends (same as the domestic dividend WHT rate in KSA)
- no relief from non-resident taxation on the transfer of shares or immovable property
- foreign national residents of the UAE or KSA may also benefit from the tax treaty
- sovereign wealth funds and certain entities that are exempt from tax expressly qualify for tax treaty benefits.

The tax treaty is expected to enter into force on the first day of the second month following the month in which the UAE publishes the treaty in its official gazette. For example, if the UAE publishes the treaty in its gazette in April 2019, the tax treaty should come into force on June 1, 2019.

PwC observation:

The tax treaty between KSA and the UAE is the first between two Gulf Cooperation Council member states, and is expected to facilitate further cross-border trade and investment between the two countries. The treaty largely aligns with the 2014 OECD model tax convention.

The tax treaty provides for some important changes to the taxation of payments (for example, interest and royalties service fees) between the countries and includes a definition of the types and levels of activities that would create a taxable presence in the other country. This may reduce taxation and compliance obligations and provide taxpayers with greater certainty.



Mohammed Yaghmour
KSA
T: +966 12 610 4400 (ext. 2228)
E: mohammed.yaghmour@pwc.com

Suleman Mulla
KSA
T: +966 12 610 4400 (ext. 2285)
E: suleman.mulla@pwc.com

Jochem Rossel
UAE
T: +971 0 4 304 3445 4
E: jochem.rossel @pwc.com

Glossary

Acronym	Definition
ATAD	Anti-tax Avoidance Directive
ATO	Australian Taxation Office
BEPS	Base Erosion and Profit Shifting
CFC	controlled foreign corporation
CIT	corporate income tax
CM&C	central management and control
DEI	deduction eligible income
DST	digital services tax
DTT	double tax treaty
ETF	Exchange-Traded Funds
EU	European Union
FDDEI	Foreign-derived deduction eligible income
FDII	Foreign Derived intangible Income
FZ	free zones

Acronym	Definition
GILTI	global intangible low tax income
IRS	internal revenue service
LAC	loss absorbing capacity
LCR	law companion ruling
MLI	Multilateral Instrument
NID	notional interest deduction
OECD	Organisation for Economic Co-operation and Development
PCG	practical compliance guidelines
PE	Permanent Establishment
RCA	regulatory capital security
REIT	Real Estate Investment Trusts
VCC	variable capital company
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

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