INTERNATIONAL TAXATION OF PERMANENT ESTABLISHMENTS
Principles and Policy

The effects of the growth of multinational enterprises and globalization in the past fifty years have been profound, and many multinational enterprises, such as international banks, now operate around the world through branches known as permanent establishments. The business profits Article (Article 7) of the OECD model tax treaty attributes a multinational enterprise’s business profits to a permanent establishment in a host country for tax purposes. Michael Kobetsky analyses the principles for allocating the profits of multinational enterprises to permanent establishments under this Article, explains the shortcomings of the current arm’s length principle for attributing business profits to permanent establishments and considers the alternative method of formulary apportionment for allocating business profits.

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ABBREVIATIONS

BIAC Business and Industry Advisory Committee (OECD)
OECD Organisation for Economic Co-operation and Development
EU European Union
UN United Nations
UK United Kingdom
US United States

OECD Discussion Drafts

2001 Discussion Draft OECD, Discussion Draft on the Attribution of Profits to Permanent Establishments (Parts I (General Considerations) & II (Banks)) (2001)

OECD Reports


Model Tax Treaties

Pre-2008 Commentary Commentary on Article 7 last published in the OECD, Model Tax Convention on Income and on Capital (2005)
UN Model UN, United Nations Model Tax Convention Between Developed and Developing Countries (2001)
LIST OF ABBREVIATIONS

Transfer Pricing Guidelines