Stockholm Centre for Commercial Law
Faculty of Law

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Introduction to International Taxation

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General objectives

- Allocate the taxing rights
- Eliminate double taxation
- Prevent tax avoidance
- Fairness

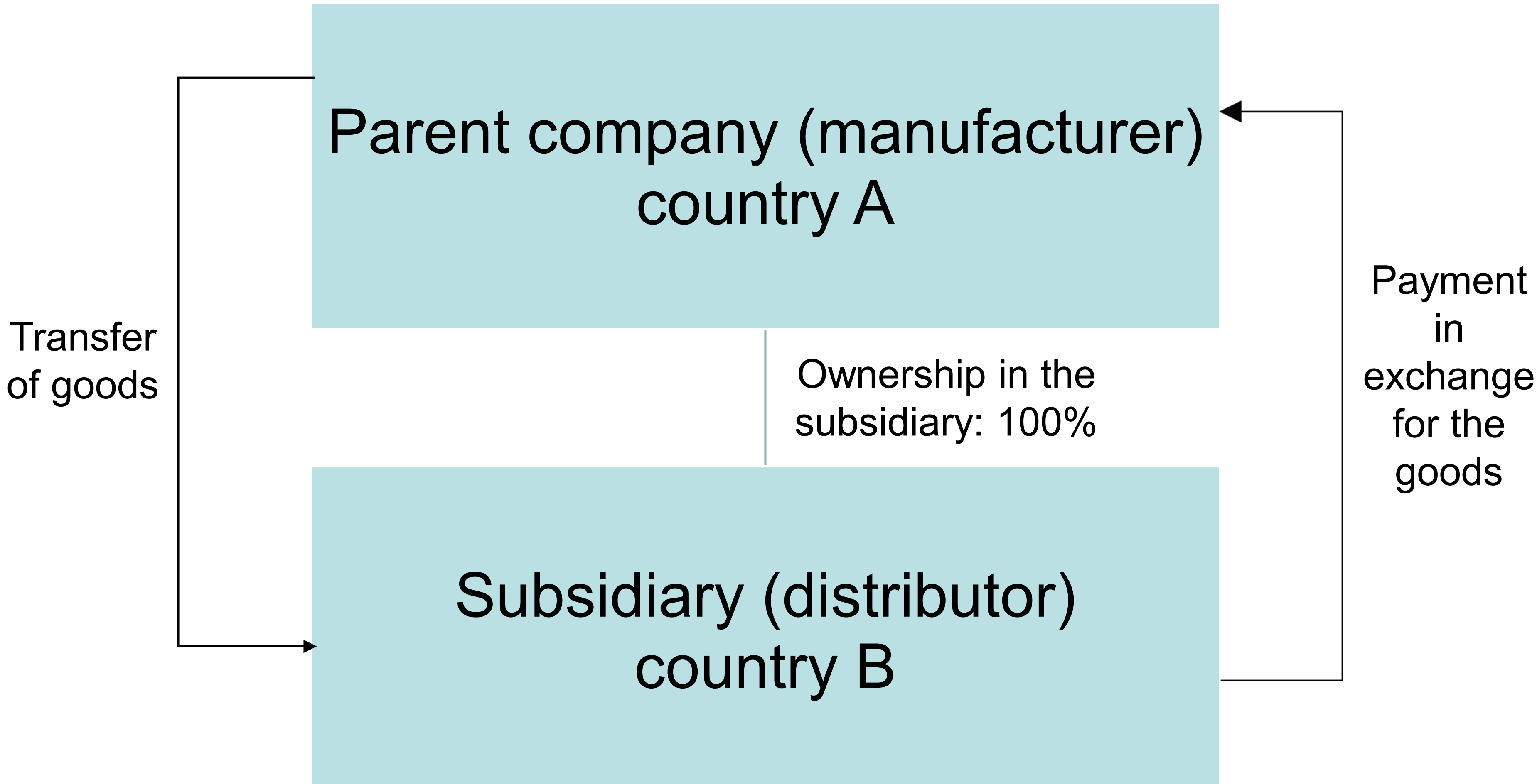
Which country should tax?

- Country where an enterprise is registered? Managed?
- Country where an enterprise has R&D? Production? Employees? Sales?
- Country where an item of income comes from?

Transfer pricing

- Fundamentals
- The arm’s length principle
- Risk of double taxation
- The notion of comparability

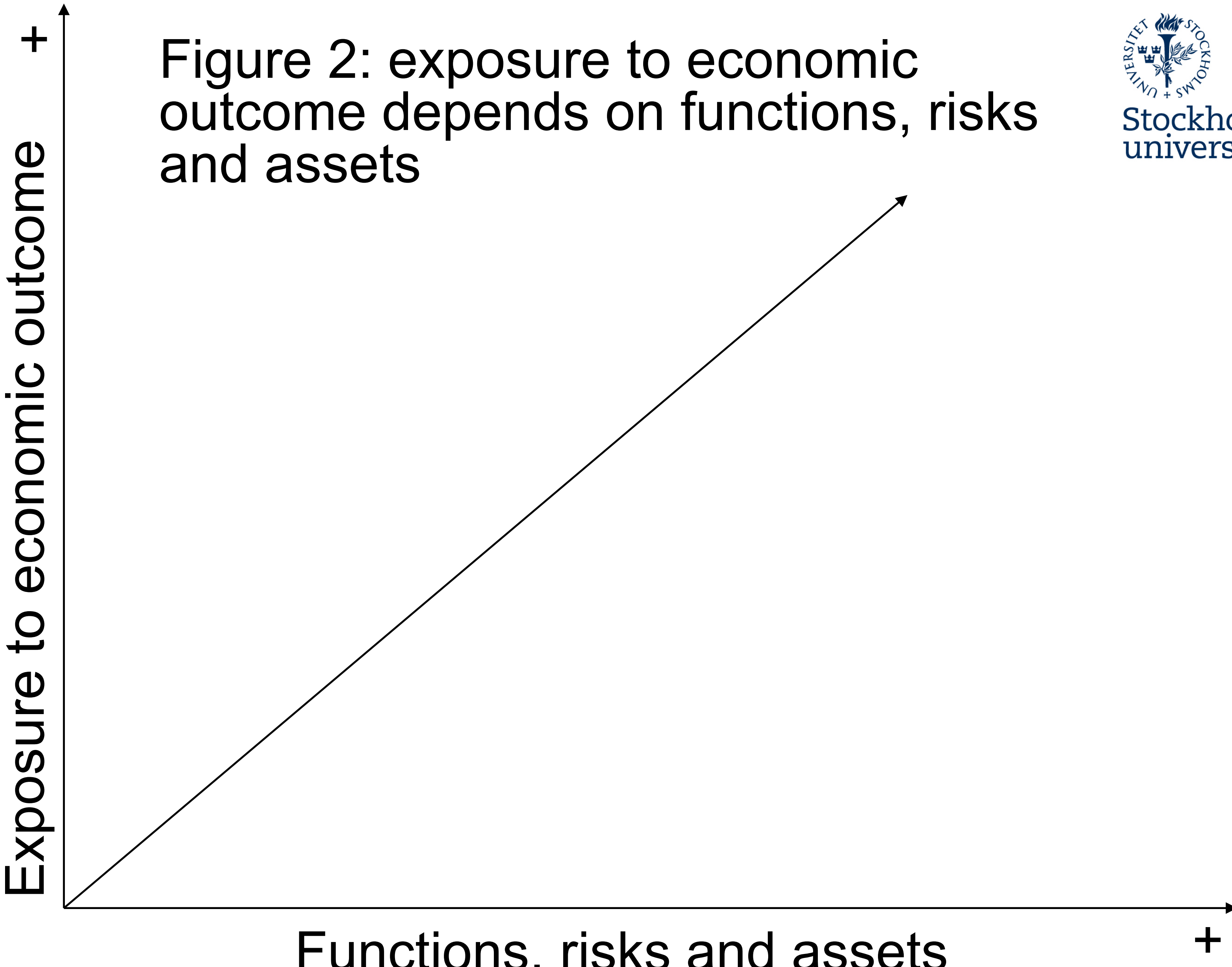
Figure 1: payment in exchange for goods



Transfer pricing: how to set prices/margins?

- The functional analysis:
  - Functions performed
  - Risks assumed
  - Assets owned/used
- The comparability analysis

Figure 2: exposure to economic outcome depends on functions, risks and assets



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International tax enters the political arena

- Scandals in the public opinion
- Mandate given by the G20 to the OECD
- BEPS package in 2015
- BEPS 2.0: move to the market jurisdiction and minimum taxation

Transfer pricing: a fair system?

- Enables tax avoidance?
- Fair to developing countries?
- Captures the access to consumers, users, data, location savings, market specific advantages?

- Currently discussed: move to the market jurisdiction

BEPS 2.0 pillar 1: move to the market