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Administration publishes regulations on branch profits

On December 22, 2016 the finance ministry has finally published its detailed administrative principles on the allocation of profits between a business and its foreign branches.

https://blogs.pwc.de/de/german-tax-and-legal-news/article/229754/

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The finance ministry has published its proposed regulations, “administrative principles”, on the allocation of business profits between a head office and its foreign permanent establishments. The same principles apply to cross-border profit allocations between two branches of a business from a third country. These regulations follow the “authorised OECD approach” (AOA) now enshrined in the Foreign Tax Act and generally applicable unless a double tax treaty determines otherwise – typically the case with older treaties – and the other country insists on an unchanged treaty application with double taxation of income as a result.

Schlagwörter

AOA, administrative principles, branch, permanent establishment (PE)