

By PwC Deutschland | 01 January 2017

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.

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.

Keywords

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