



International Fiscal Association



# **77th Annual IFA Congress Lisbon, Portugal**

## **MAIN SUBJECT 1 SESSION REPORT**

### **Residence of Legal Entities for Corporate Income Taxation**

**Monday, 6 October 2025 | 08:30**

#### **Chair**

Pasquale Pistone

#### **Panel members**

Philip Baker (UK)

Sebastiaan de Buck (the Netherlands)

Asma Charki (Morocco)

Gabriella Erdös (Hungary)

Narendra Kumar Jain (India)

Omri Marian (USA)

João Félix Pinto Nogueira (Portugal)

Carmel Peters (New Zealand)

#### **Prepared by Secretary**

Trudy Muscat

## **1. Introduction**

The Main Subject One at the 77th Annual IFA Congress addressed the increasingly complex issue of corporate residence as a nexus for income taxation. The session was set against the backdrop of rapid globalisation and digitalisation, which have challenged traditional concepts of tax residence and exposed multinational enterprises to the risk of dual and multiple residence. This subject is highly relevant in current international tax debates, as tax authorities and businesses alike seek greater certainty and consistency in the application of tax residence rules. The main objectives of the session were to analyse how corporate tax residence is established under domestic law, explore the practical and policy challenges associated with multiple residence findings, and discuss potential reforms and harmonisation efforts at both domestic and treaty levels. Through a case study, role plays, and expert panel discussions, the session provided a comprehensive overview of the issues and potential solutions facing multinational groups today.

## **2. Main Topics Discussed**

### **2.1. Topic 1: Residence for Domestic Law Purposes**

Following an overview of the General Report on the subject, the session began with a detailed case study of Videoadd, a company incorporated in the United States but with a complex international footprint. Following a change in shareholding, where an Australian resident acquired a significant stake and was granted majority voting rights, Videoadd underwent substantial governance changes. These included the creation of a dual governance board (Board of Directors and Executive Board), the requirement for General Assembly approval for major decisions, and the relocation of headquarters to India. The Board of Directors, composed of UK residents, met quarterly outside the UK but frequently exchanged emails about company affairs. The Executive Board, comprising C-level executives, met in India, with members residing in Singapore, Italy, Colombia, and India, and technical staff based in Bolivia. Sales and support were handled from Australia.

This case study illustrated the multitude of factors that could trigger residence claims in different jurisdictions, including the place of incorporation, location of board meetings, shareholder control, and operational substance. Panellists referenced national reports to provide further insights, revealing that the USA, Australia, India, UK, Singapore, Italy, Colombia, and Bolivia could all plausibly claim Videoadd as a resident for tax purposes. The

discussion underscored the growing indeterminacy in residence determination, as companies' governance and operational structures become more dispersed.

## **2.2. Topic 2: Usurpation/De Facto Management**

The panel then shifted to the issue of usurpation and de facto management, using a role play involving SoundFinCo, the treasury company of Videoadd. The discussion focused on the challenges faced by multinational groups in ensuring that decision-making processes are properly managed to mitigate tax residence risks. The head of TrustmeCo in MicroState described a rigorous system where all major decisions for the companies he manages are finalised during quarterly board meetings held in MicroState, with preparatory discussions taking place over secure communications linked to the jurisdiction. This approach was intended to meet the parameters of corporate tax residence in MicroState.

The panel explored how structured governance, centralised board meetings, and strict documentation policies help maintain a company's residence in a chosen jurisdiction. The discussion also highlighted the increasing vigilance of tax authorities in detecting cases of de facto management and usurpation, within the context of strategies companies use to secure residence in a jurisdiction different from where real decisions are made.

## **2.3. Topic 3: Practical Approaches to Reduce Exposure to Dual and Multiple Residence**

The third topic addressed practical strategies for reducing the risk of dual and multiple residence. The panel discussed the impact of globalisation and digitalisation, which have led to more complex governance and operational structures. Strategies included centralising governance functions, ensuring consistency in the location of board meetings, maintaining robust documentation of decision-making processes, and reinforcing jurisdictional ties. The panel also considered the legislative trend in several countries to broaden the nexus for corporate residence, which may increase the risk of dual or multiple residence cases in the future.

Panellists shared best practices and pitfalls in managing residence exposure, emphasising the need for clear and consistent procedures. The discussion highlighted the importance of early engagement with tax authorities and the value of transparent governance in reducing the risk of residence disputes.

## **2.4. Topic 4: POEM as a Tie-Breaker**

The panel examined the place of effective management (POEM) as a tie-breaker under bilateral tax treaties. The panel discussed whether POEM can be determined univocally in complex cases, particularly in the context of dual governance structures and dispersed decision-making. Panellists debated the essential elements of effective management, referencing both domestic law and international guidance, such as the OECD Model Tax Convention. The discussion considered the practical difficulties in applying POEM, especially when key decision-makers are located in different jurisdictions or participate in meetings remotely.

The panel also explored the implications of POEM for corporate reorganisations, such as mergers, and the challenges faced by tax authorities in guiding effective management. Examples from various jurisdictions, including conflicting jurisprudence and legislative reforms, were shared to illustrate the diversity of approaches and the need for greater clarity and consistency.

## **2.5. Topic 5: Mutual Agreement Procedure (MAP)**

The fifth topic focused on MAP as a mechanism for resolving dual residence disputes. A role play illustrated the practical and procedural challenges faced by taxpayers and tax authorities, including lengthy timelines, lack of binding outcomes, resource constraints, and differences in treaty interpretation. The discussion highlighted the uncertainty and business impact caused by prolonged MAP processes, with taxpayers often unable to finalise audited accounts or ensure tax compliance.

Simulated tax authority representatives from Australia, Bolivia, and Colombia shared the perspectives of the respective regions, noting the need for improved resources, clearer guidance, and enhanced cooperation. The panel considered possible reforms, such as bilateral administrative arrangements, capacity building, technical assistance, and the introduction of standstill agreements to prevent enforcement until MAP is concluded. The importance of robust documentation and early engagement with both authorities was emphasised as critical for successful dispute resolution.

## **2.6. Topic 6: Amending Article 4(3) of the OECD Model Tax Convention**

The sixth topic addressed potential reforms to Article 4(3) of the OECD Model Tax Convention, which governs the resolution of residence disputes in treaty contexts. The panel discussed the indeterminacy created by current rules and the need for clearer criteria and procedures. Suggestions included revising the definition of effective management, introducing binding deadlines for dispute resolution, and enhancing transparency and accountability in the MAP process. The discussion reflected a growing consensus among panellists that reform is necessary to address the challenges posed by dual and multiple residence in an increasingly globalised business environment.

## **3. Outlook, Conclusions and Key Takeaways**

Following an outlook on future developments in the determination of corporate residence, the panel concluded with statements from the chair, general rapporteur, and the panellists, reflecting on the key insights from the session. There was broad agreement that the determination of corporate residence is becoming more complex and susceptible to indeterminacy, as companies expand internationally and governance structures evolve. The panel emphasised the need for ongoing reform and synchronisation at both domestic and treaty levels, with international organisations such as the OECD and UN playing a critical role in reducing double taxation and facilitating dispute resolution. Key insights included the importance of structured governance, transparent decision-making, and early engagement with tax authorities. The regional and global co-ordination of residence rules was identified as a priority to reduce double taxation and facilitate smoother dispute resolution. The overarching message was that effective management, robust documentation, and international cooperation are essential for navigating the evolving landscape of corporate tax residence. The session ended with a call for continued dialogue and collaboration among stakeholders to address the challenges and opportunities presented by globalisation and digitalisation in corporate tax residence.