International Fiscal Association
Chapter in Saudi Arabia

ZAKAT & TAX INTERNATIONAL

Shaping Global Fiscal Thought

Issue 01 | 2026

What Is the Next Frontier in International Taxation?

Insights from the Zakat and Tax Association



Published by the Zakat and Tax Association,
the IFA Chapter in Saudi Arabia



ABOUT ZAKAT & TAX INTERNATIONAL

Zakat & Tax International (ZTI) is a publication of the Zakat and Tax Association that brings together perspectives on significant and emerging issues in zakat, taxation, and related areas.

Drawing on expertise and experience from Saudi Arabia and around the world, each issue focuses on a specific theme, bringing together academics, policymakers, practitioners, business leaders, and other experts to contribute to informed dialogue and provide perspectives relevant to policy and practice.

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PUBLICATION INFORMATION

Zakat & Tax International (ZTI)
Issue 01 | 2026

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PUBLISHED BY

Zakat and Tax Association

Language: English.

Suggested Citation

Zakat & Tax International, Issue 01 (2026).

Individual contributions should be cited by author, contribution title, *Zakat & Tax International*, issue, year, and page number.

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INTERNATIONAL TAXATION

Global Perspectives from the Zakat and Tax Association



International Fiscal Association
Chapter in Saudi Arabia

01

WHAT IS THE NEXT FRONTIER IN INTERNATIONAL TAXATION?

This inaugural issue brings together leading international tax experts from around the world to consider the forces, ideas, and developments likely to shape the next frontier of international taxation.

MESSAGE FROM **THE IFA PRESIDENT**



Natalia Quiñones

President, International Fiscal Association (IFA)

Examining the new frontiers in international taxation is a true IFA endeavour, especially in these times when uncertainty rules almost every aspect of cross-border interactions. Rapid technological change, the digitalization of business models, evolving global value chains and renewed geopolitical tensions are placing unprecedented pressure on the principles that have traditionally governed the allocation of taxing rights. These developments require tax policymakers, administrations, businesses, practitioners and academics to engage in open, rigorous and international dialogue. It is therefore a great pleasure to welcome the first edition of this publication, which brings timely technical analysis and a valuable regional perspective to the debate on the future of international taxation in the Middle East and beyond.

The role of Saudi Arabia in international taxation has increased dramatically in importance in the last two decades, in parallel with the growth of its geopolitical influence in the global arena. During the presidency of the G20 in 2020, Minister Mohammed bin Abdullah Al-Jadaan emphasized the need to modernize international tax rules to address digital business models and cross-border profit shifting. These are still the main tensions facing the future of international tax reform, as OECD Pillar One failed and Pillar Two and the Side-by-Side agreement are being adopted at different speeds and with differing implementation challenges worldwide.

Providing technical insights on how to address these novel issues from a Saudi perspective is an achievement that the International Fiscal

> **These developments require tax policymakers, administrations, businesses, practitioners and academics to engage in open, rigorous and international dialogue."**

Association celebrates, with the hope that this first edition and the ones to come will enrich the discussion and contribute fresh perspectives and creative solutions to the challenges posed by rapid technological advances in a difficult geopolitical environment.

For more than eight decades, IFA has provided an independent and technical forum for the study of international tax law, making it one of the largest and most prestigious technical organizations dealing with international tax matters worldwide. Initiatives such as this publication carry that mission forward, offering technical contributions to the field from diverse perspectives, matched by the highest standards of technical and academic quality.

My sincere congratulations to the IFA Chapter in Saudi Arabia, and to everyone who has made this inaugural edition possible, with special gratitude for the authors who contributed to this first edition that explores the frontiers of international taxation. I invite readers to engage with its ideas, test its analysis and carry its conversations into their own professional and academic communities. I look forward to reading the next edition of this publication, which I am sure will become an enduring platform for thoughtful debate in international taxation.

FROM THE **FOUNDER & EDITOR-IN-CHIEF**



Prof. Dr. Ahmed A. Altawyan

At the Frontier of International Taxation

International taxation has spent much of the past decade responding to one major development after another. BEPS, digitalization, the Two-Pillar project, the growing role of the United Nations, and now artificial intelligence have each brought new rules, proposals, and debates. At the same time, geopolitical tensions have made international agreement more difficult, while governments and businesses continue to seek greater certainty from an increasingly complex system.

In such an environment, it is easy to move from one technical question to the next. But occasionally, the time is right to step back, reflect, and return to the basics. I believe that profound insight often begins with simplicity. In the growing crowd of rules, standards, and technical detail, we should not lose sight of fundamental questions such as taxing rights, fairness, the purposes a tax system is ultimately meant to serve, and the role of international institutions in shaping and sustaining that system. Returning to these fundamentals may also help us prepare for a future that could look very different from the world for which many of today's tax concepts were originally designed. So perhaps the right place to begin is with a simpler and broader question:

Where is international taxation actually heading?

That is the question behind the inaugural issue of Zakat & Tax International:

What Is the Next Frontier in International Taxation?

When we invited contributors from different jurisdictions and professional backgrounds to address this question, we deliberately did not define what the “next frontier” should mean. Their responses show why leaving the question open was important.

For some, the central issue lies in the institutions and mechanisms through which countries cooperate. For others, it lies in the allocation of taxing rights, the pressure on traditional concepts of nexus and profit allocation, or the growing difficulty of resolving cross-border disputes. Several contributions turn to artificial intelligence, not simply as a tool for tax administrations, but as a development that may change the economic activity to which tax rules apply. Others examine transfer pricing, intangibles, tax infrastructure, and the consequences of a more fragmented international order.

These are different answers, but they are not unrelated. They raise a broader question about whether a system built around concepts developed in an earlier economic and political environment can continue to provide workable answers as that environment changes.

My own experience in international taxation, through academic work and tax adjudication, has made me cautious about viewing these questions from only one perspective. A rule that appears coherent in

theory may look different when applied in a dispute. A solution that makes sense from the perspective of one jurisdiction may be viewed quite differently from another. Institutional reform also cannot be separated entirely from the political and economic conditions in which it must operate.

That experience influenced the approach taken in this publication. Rather than asking contributors to write on separate topics, we asked them to respond to the same question. Their contributions are intentionally concise. The purpose is not to produce a common position, but to place different judgments alongside one another and allow the reader to consider where they agree, where they differ, and what those differences may tell us.

This first issue also reflects the broader purpose of Zakat & Tax International: to provide a forum in which scholarship, policy, and practice can meet around questions that matter beyond a single jurisdiction. Future issues will build on this approach, examining significant questions and emerging developments through diverse perspectives, conversations, and analysis.

I am grateful to the distinguished contributors who have joined us for this inaugural issue and shared their views.

> **“Their answers differ. That is precisely why they are worth reading together.”**

FROM THE **GUEST SENIOR EDITOR**



Prof. H. David Rosenbloom

What is the next frontier in international taxation?

It is somewhat jarring for me to think about the “next frontier” in “international taxation.” I do not conceive of cross-border taxation in terms of a frontier, in the sense of a body of knowledge with a border to breach. In addition, I am of the view that “international taxation” does not really exist. What I believe we have is a multiplicity of national rules governing the taxation of cross-border activities and income. There are, of course, international organizations such as the OECD and the UN that provide templates for nations to consider in formulating and applying such rules. Recently, these organizations have reached out to suggest what the content of the rules might be. But the pronouncements of these organizations are not international taxation and there is no supranational source of tax law or some global adjudicative forum.

Nevertheless, I do not propose to dwell on these linguistic quibbles. I understand what is being asked, and I think the answer is clear: dispute resolution. There is a wave of disputes regarding cross-border taxation that is staring the world in the face and the rules of cross-border taxation are going to be substantially and negatively affected if improvements to the means of resolving such disputes are not found. The resolution of cross-border tax disputes is the issue calling most urgently for attention.

The disputes I have in mind are not readily resolved in tribunals of any one country. They are by nature bilateral or even multilateral. With no authority available to provide a satisfactory resolution, we should attempt to identify the available options.

> **The resolution of cross-border tax disputes is the issue calling most urgently for attention."**

A judicial approach, whether by court or by arbitration, is unappealing. Courts are slow and court proceedings are expensive and time-consuming. Arbitration panels used for bilateral investment treaties are worse; the members of such panels have vested interests in rendering their services and a tendency to stake out positions in any given proceeding that will make them attractive for the next one. Moreover, the arbitration process under a bilateral investment treaty can take years and require outlays of considerable sums. This is not appropriate for taxation, which is an annual affair and with us year after year. It may give great satisfaction to one side or the other to prevail in a multi-year dispute but the same parties will probably be back in dispute mode for the next taxable period, perhaps with the same issues. Something more efficient is needed.

Tax treaties offer the best hope. They contain their own dispute-resolution mechanism in the form of the Mutual Agreement Procedure, a flexible tool for bringing an end to a dispute, as long as the parties employ the tool in good faith. It is, unfortunately, the case that some countries do not fully appreciate the potential of the MAP and view it as a revenue-raising opportunity. This problem can presumably be rectified with education, perhaps in the process of treaty negotiation. In any event, this is not the major problem with the MAP.

That designation belongs to the natural human tendency to defer the discussion of difficult issues, with the result that a MAP resolution can require a lengthy period of time. There have been instances of MAP discussions ranging over many years, with only a partial or even no solution at the end.

Enter mandatory arbitration, which should be understood as an obvious improvement, since it is simple, inexpensive, and efficient. In this process, completely different from a bilateral investment treaty

arbitration, a panel chooses between the two competing resolutions offered by the treaty counterparties. Mandatory arbitration has the tendency to raise the game of the competent authorities and, in essence, to make them do their jobs. It has become a commonplace to observe that the basic goal of a mandatory arbitration provision is to render such arbitration unnecessary. When arbitrators are called in, the negotiators know they have failed in their task – that is, to resolve double taxation by compromise within the confines of the treaty text.

Unfortunately, some countries have negative views of MAP arbitration by reason of other types of arbitration in which they have unhappily participated. These countries routinely cite their sovereignty as a basis for rejection of mandatory arbitration. This, to me, makes little sense. Sovereignty was surrendered when the tax treaty was negotiated in the first place and the treaty partners agreed to avoid double taxation, through compromise if necessary. Why would a country wish to enter into a treaty and yet recoil from the prospect of making the treaty effective?

Others have argued that the MAP mandatory arbitration process is insufficiently judicial. No witnesses? No oral arguments? No written decisions? No precedents? Surely a country that believes in the rule of law cannot accept these absences.

Yes, they can, if they pause to think about what is going on. The competent authorities are not able by themselves to come to a resolution of the problem, so a third party is asked to show them the way. Not everything needs to be placed before a tribunal or quasi-tribunal. By definition we are dealing with nations that have entered into solemn agreements to avoid or eliminate double taxation. Their representatives should have the presence of mind not to allow problems to go so far as an arbitration panel except in the rarest of circumstances.

In my judgment, this is the way forward in cross-border taxation. Focus on the resolution of disputes. That should precede the revamp of a system of taxation that has stood the world well for over 100 years. Appreciate the unique role that tax treaties can play and have played in the resolution of disputes. And open your eyes and see mandatory arbitration as a welcome extension and improvement of a MAP process that is known throughout the world.

International Fiscal Association
Chapter in Saudi Arabia



02

GLOBAL VOICES

One Question. Different Perspectives.

INTERNATIONAL TAXATION IN A FRAGMENTED WORLD



Prof. Wolfgang Schön

Director, Max Planck Institute for Tax Law and Public Finance, Germany

International taxation used to be a well-organized function of the "rules-based global order" that had been established in the aftermath of the Second World War. This global order was (and is) built on the legitimacy and reliability of international law, on the capacity of international or supranational institutions, and on the willingness of sovereign states to recognize the benefits of this order for global peace, international trade and intercultural exchange. In tax law, this rules-based order was widely reflected in the prominent role of OECD and the global network of more than 3,000 bilateral tax treaties concluded between independent countries. The emerging role of the UN in this context – e.g. in the current drafting of a "UN Framework Convention" for international tax – follows the same paradigm: tax coordination as a multilateral exercise. In the context of "Base Erosion and Profit Shifting" we have seen remarkable activity to establish binding global tax standards by the G20 of which Saudi-Arabia is a member.

This world is in serious danger. Geopolitical fragmentation, new trade barriers, and outright military conflicts have destroyed the very notions of mutual benefit and mutual trust that have undergirded the long-standing expectation of ever-growing political coordination – including tax coordination. Today, many governments emphasize their national sovereignty and seek a realignment of alliances to further their own interests. While large countries attempt to project economic and military strength vis-à-vis other states, middle-sized countries have to find a way to benefit from bilateral or regional alliances without giving up the ability to organize their own affairs.

The tax world is no different as can be shown by reference to the two "Pillars" of the OECD/G20 Inclusive Framework's efforts to coordinate international taxation of the digital

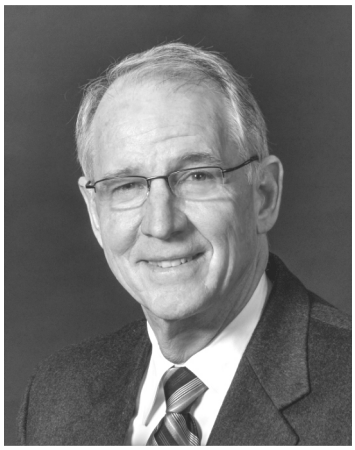
economy. The work on Pillar One, which culminated in the release of a multilateral convention on the taxation of residual profits derived by very large multinationals, has ground to a halt. What we see in practice is a huge variety of individual attempts by market countries to increase their share in the global tax cake. The toolbox is impressive: extending withholding taxation of royalties, introducing withholding taxation of service fees, implementing self-standing digital service taxes, applying changes to profit allocation under transfer pricing rules. It is even fair to say that the new wave of tariffs coming out of the United States is one of many examples for market countries asserting taxing rights vis-à-vis foreign sellers of goods and providers of services. Pillar Two on Global Minimum Taxation is more advanced, but the coordinating effect has been reduced by the U.S. insistence on a tailor-made side-by-side agreement and the current lack of commitment by major jurisdictions like China and India.

Having this in mind, the “next frontier” in international taxation seems to be the following: How do we maintain the benefits of the rules-based global order while adapting it to the new reality of fragmentation and conflict? Is it possible to create new templates and networks for international coordination that are both robust and resilient in the long term? For this venture, all relevant voices need to be consulted and heard. IFA Saudi-Arabia, being a new hub of international tax expertise in the Arab world, is invited by its peers to contribute to this conversation.



How do we maintain the benefits of the rules-based global order while adapting it to the new reality of fragmentation and conflict?”

THOUGHTS ON THE **NEXT FRONTIER OF INTERNATIONAL TAXATION**



Brian J. Arnold

Senior Adviser, Canadian Tax Foundation, Canada

Predictions about the future, including the future of international taxation, are usually far from accurate; this is especially true today with the international economy in turmoil, wars in Ukraine and the Middle East, and the world's most powerful country, economically and militarily, in a phase of self-centredness.

In contrast, the international tax system has experienced a sustained period of stability over the past half-century. Despite frequent tweaking, the fundamental rules for allocating tax revenues from cross-border transactions through the vast network of bilateral tax treaties – the concept of a permanent establishment as the nexus for source country taxation of business profits, arm's length transfer pricing rules for allocating income from intercompany transactions between the members of multinational groups, and taxation of passive investment income by source countries on a gross basis at a limited rate, and relief of double taxation through an exemption of foreign source income or a credit for foreign taxes by the residence country – have been remarkably stable.

In the past two decades, however, the international tax system has faced serious challenges from aggressive tax avoidance by multinational corporations, emerging technologies that enable multinational enterprises to earn substantial revenues from source countries without any significant physical presence there, and developing countries demanding a larger share of tax revenues from cross-border transactions. These challenges have exposed serious structural flaws in the existing international tax system that threaten its continued existence.

In my view, the next frontier of international taxation will be how countries, regional groups such as the EU, and international organizations (primarily the OECD and the United Nations) respond to these challenges. There are three broad possibilities.

First, through the work of the OECD, supported by the Inclusive Framework and the UN, and following negotiations in good faith over years or decades, a sufficient number of countries will reach a compromise on fundamental reforms to the allocation of tax revenues among countries that is acceptable, or at least tolerable, for most countries. Currently, this possibility seems remote since the United States is unwilling to make any concessions that adversely affect the U.S. government or U.S. multinationals. Second, negotiations on international tax reforms will break down completely and each country (or group of countries) will be left to impose and enforce taxes in accordance with its own laws and resources, to the detriment of international trade and investment. This is a worst-case scenario that might result from the failure of developed and developing countries to compromise. Third, the existing system might continue, with developing countries remaining dissatisfied and powerless and developed countries content with the status quo, willing to keep negotiating but unwilling to make substantial concessions.

In my view, the third possibility is the most likely to happen. The complete abandonment of the fundamental aspects of the current international tax system, without any replacement, would be disastrous for the international economy and most countries. As a result, the current system will likely be maintained while countries continue to muddle through to a marginally better system. Whatever happens, it will be important for countries to support the institutional arrangements for negotiating a new and improved international tax system.

“The complete abandonment of the fundamental aspects of the current international tax system, without any replacement, would be disastrous for the international economy and most countries.”

WHAT IS THE **NEXT FRONTIER IN INTERNATIONAL TAXATION?**



Miranda Stewart

Faculty Director, International Tax Program, NYU School of Law; Professor, University of Melbourne Law School, Australia.

As we near the fourth decade of the 21st century, governments have yet to solve the fundamental problem of international corporate income taxation: how to define taxable nexus and attributable profit to a jurisdiction for source tax purposes. This is a problem of the global digital era, and the transition to value in services (IMF 2026), which is here to stay despite "deglobalization" from the US perspective (Avi-Yonah 2026). The problem is contested, as it has distributional consequences between states, and concerns taxation of the largest, most powerful and most profitable multinational enterprises (MNEs).

This international tax challenge concerns how to tax returns to all forms of digitalized return to corporate investment including digitally delivered services, Artificial Intelligence (AI) activity, and other related activities. However, it does not relate only to "digital" returns. The OECD was correct in its Action 1 BEPS report that we cannot separate the digital economy from the rest of the economy. The international tax challenge today arises from the intersection of digital or intangible activities and value with physical activities on the territory of states, including resource extraction, energy generation, data storage, manufacture, and people.

A new frontier for addressing this international tax challenge is the United Nations negotiations for the Framework Convention on International Tax Cooperation (see the Terms of Reference). The Convention aims broadly to establish inclusive and effective international tax cooperation in substance and process, and to establish a system of governance for the future. At its heart is the goal of ensuring effective taxation of MNEs in Article 5 on the fair allocation of source taxing rights, a core element of taxing MNEs (Eden 2025). The

> **There is no doubt that the UN Framework Convention process is a new frontier, and there is considerable doubt as to whether it can succeed."**

Intergovernmental Negotiating Committee aims to deliver the text of a Convention to the UN General Assembly by mid-2027. Early Protocol 1 on taxation of services and Protocol 2 on dispute prevention and resolution are also to be supplied, but the Committee may seek an extension of this short timeframe for these negotiations.

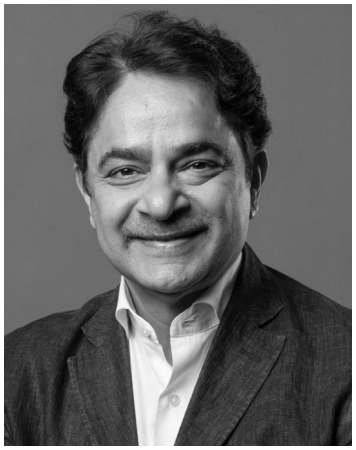
There is no doubt that the UN Framework Convention process is a new frontier, and there is considerable doubt as to whether it can succeed. The two main previous attempts at achieving a multilateral solution at the UN failed (Picciotto, 2023; Teo, 2023), while the seemingly "comprehensive" solution for reforming source taxation of large MNEs attempted in Pillar One of the BEPS project also failed.

The goal of achieving the first steps towards a transformation in the fair allocation of taxing rights in the UN requires states to accept both the decision-making process and the outcome as legitimate. 1 The nearly universal membership of the United Nations gives it a unique advantage to address legitimacy deficits based on the General Assembly system of "one country one vote" (Charter of the United Nations art. 18). Yet consensus is, ultimately, crucial. Both the process and text of the Convention must sufficiently accommodate the divergent political interests of states to enable delegates to defend the outcome to their respective governments to enable adoption of the Convention and future protocols.

Multilateralism has the potential to establish principles as a framework for diversity and commitment to transformation of international tax jurisdiction over time. The question is, will states recognize this opportunity presented by coordination at the new frontier of international tax?

Daniel Bodansky, *The Art and Craft of International Environmental Law* (Harvard University Press, 2010) 186; but see George W. Downs, Kyle W. Danish & Peter N. Barsoom, *The Transformational Model of International Regime Design: Triumph of Hope or Experience?*, 38 Colum. J. Transnat'l L. 465, 475 (2000).

WHAT IS THE **NEXT FRONTIER IN INTERNATIONAL TAXATION?**





Mukesh Butani

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The future of international tax will be forged in the crucible of geopolitical flux, fiscal exigency, and digital transformation. Three forces will shape its trajectory: the drive to curtail base erosion and profit shifting, the imperative to mobilise domestic resources for sustainable development, and the aspiration to craft a multilateral order that is both equitable and administrable. Yet, the fault lines beneath multilateralism now run deeper than at any point since the two-pillar agreement of 2021.

The evidence lies in the architecture itself. Pillar Two is in force across more than sixty jurisdictions, while Pillar One's Amount A remains unsigned and unilateral digital services taxes proliferate in its absence. The OECD's side-by-side package of January 2026 accommodated United States concerns within the GloBE rules, demonstrating that consensus can bend to a single jurisdiction. In practice, US-parented groups are now excluded from the Income Inclusion Rule and Undertaxed Profits Rule altogether. US-parented groups thus gain a shield abroad without extending a reciprocal one to foreign multinationals operating onshore, leaving Pillar Two intact, but its universality resting on one major, asymmetric holdout. Parallelly, the UN Framework Convention on International Tax Cooperation has moved from scoping to drafting, with texts of the Convention and its two early protocols, on cross-border services and on dispute prevention and resolution, released in July 2026 ahead of adoption targeted for

2027. The United States withdrew from that process in February 2025 and has undertaken to oppose its outcomes.
The risk, therefore, is that of misalignment between a UN platform and an OECD one: divergent definitions, timing disparities and competing interpretations between two architectures with different memberships and different decision rules. The consequence could be a two-track world where developing economies face parallel, overlapping regimes with inconsistent interpretations, elevating compliance costs and causing severe uncertainty rather than delivering simplicity for large taxpayers.

Moreover, the global order is rapidly evolving from a digitalised hub to a glocal hyperscale of the future. There is a serious lack of substantive guidance on how to characterise and tax AI-driven value, robotics, and crypto assets from both the OECD and the UN, leading to inconsistent domestic application. Artificial intelligence and automation technologies rewire value creation and data flows, while crypto assets blur traditional asset classes and taxable events. The absence of robust, globally harmonised guidelines on how to tax AI-driven value, robotic process automation, and decentralised finance creates a jurisdictional vacuum. Developing economies bear a heavier burden when trying to design futuristic regimes that are both robust and adaptable. Without explicit norms on AI revenue, portability of tax bases in digital ecosystems, and crypto transaction taxation, emerging economies gamble with uncertain revenue streams, potentially stunting investment in essential digital infrastructure. The next decade should see principled approaches take shape through guardrails for algorithmic decision making in tax administration, privacy protections, data sharing protocols, and clear tax treatment for crypto-based activities, to prevent a fragmented, punitive, or opportunistic regime.
The next decade will also redefine the role of taxation as an instrument of sustainable development, with tax policy increasingly assessed through its alignment with the United Nations' Sustainable Development Goals (SDGs). Tax systems will be expected to facilitate domestic and international resource mobilisation (SDG 17), foster greater equity through progressive design (SDG 10), support climate objectives through green taxation and revenue recycling mechanisms (SDG 13), and secure reliable funding for health and education outcomes (SDGs 3 and 4).

The next frontier, then, is not another rule. It is interoperability: making competing architectures legible to one another and measuring both against what they deliver for the economies least able to absorb their complexity.

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The next frontier, then, is not another rule. It is interoperability: making competing architectures legible to one another and measuring both against what they deliver for the economies least able to absorb their complexity.”

FROM **TAX RULES TO TAX INFRASTRUCTURE**



Bristar Mingxing Cao

Professor, Central University of Finance and Economics, China

International taxation has spent the past decade renegotiating the allocation of taxing rights. Yet the decisive question is no longer whether rules should change; it is whether political compromise can be converted into shared fiscal capacity. The next frontier is therefore global tax infrastructure: the legal, digital and institutional architecture that enables every jurisdiction to identify, value and tax cross-border economic participation fairly, while giving business credible certainty.

This requires three linked transitions. First, the world must move from competing forums to interoperable governance. Implementation of the global minimum tax and negotiation of a United Nations Framework Convention should not produce parallel universes. They should form complementary layers: common floors against base erosion, workable source and market rights, and genuinely inclusive procedures for future rule-making. For developing economies, a seat at the table is insufficient if the resulting rules are too costly to administer. Simplification is not merely technical; it is distributive justice.

Second, taxation must move beyond physical presence without ring-fencing the digital economy. Artificial intelligence, cloud computing, platforms and remote services increasingly allow value to be created through networks spanning production, capital, data, users and markets. The response should be a principled measure of sustained economic participation. Where highly integrated activities make separate-entity pricing unreliable, standardized or formulaic approaches deserve a larger role; where comparables remain credible, the arm's-length principle can continue to operate.

> **The objective is not to tax technology as such, but to replace metaphysical debates over mobile intangibles with allocation rules that are measurable, auditable and stable.”**

Third, cooperation must move from retrospective enforcement to trusted, near-real-time compliance. Machine-readable rules, interoperable e-invoicing, secure information exchange and AI-assisted risk assessment can reduce both evasion and compliance costs. But digital efficiency must be matched by legal safeguards: confidentiality, cybersecurity, purpose limitation, explainability, human review and effective remedies. In the digital age, tax sovereignty also means the capacity to govern the technology through which tax is administered.

China has a distinctive stake in this transition. As a major market, manufacturing center, digital economy and source of outward investment, China needs both fair recognition of market and location-specific contributions and predictable treatment of enterprises abroad. China and Saudi Arabia could help pioneer digitally enabled cooperative-compliance corridors - combining advance certainty, joint risk assessment, dispute prevention and capacity sharing across expanding trade and investment networks. Such practical experimentation can turn global principles into administrable trust.

The next frontier, then, is cooperative tax sovereignty: states retain the authority to tax, but exercise it through shared standards, trusted digital rails and balanced rights. Its success will be measured less by the elegance of new rules than by three outcomes: revenue reaches the jurisdictions that sustain value creation; cross-border investment receives timely certainty; and developing economies participate on equal operational terms.

THE FUTURE OF THE **INTERNATIONAL TAX SYSTEM**

Some global and regional thoughts



Prof. Dr. Robert J. Danon

Professor of International Tax Law (University of Lausanne) and Partner at DANON Lausanne (Switzerland)

As the immediate past chairman of Global IFA's Permanent Scientific Committee (PSC), it is an honor and a pleasure to contribute to this series of papers published by the IFA Branch of Saudi Arabia.

I have been asked to comment on the future evolution of the international tax system. The question deserves both a global and regional perspective.

From a global point of view, one may ask whether a notion of *"international tax system"* does in fact exist. We have recently argued that contemporary international taxation has evolved to a stage at which it is now appropriate to recognize the existence of an international tax system composed of a coherent body of international tax norms, reflected in corresponding state practice and given concrete expression through *inter alia* soft law instruments (such as the OECD commentaries and transfer pricing guidelines) and, more recently, the standards, common approaches and best practices adopted by the OECD/G20 Inclusive Framework on BEPS[1]. Yet, several challenges remain. First, norms forming part of the international tax system do not represent customary international law because states do not feel automatically bound to implement them[2]. In that sense, the international tax system may be described as "a menu of coherent rules" which states may choose to implement or not (or only partially), either by concluding double taxation conventions (DTCs) or through the incorporation of global tax standards into their domestic tax system. The Global Minimum Tax

(Pillar Two) is in this regard an emblematic example: the rules undoubtedly represent a coherent framework but, at the same time, may be implemented with differences (if at all). The so-called "side-by-side" package released in January 2026 has exacerbated this trend further[3]. Moreover, even DTCs patterned upon common models (e.g. the OECD and UN MCs) remain essentially a bilateral bargain. For example, whether an investment into the source country through an intermediary structure should be considered as legitimate or abusive (e.g. defeating the object and purpose of the relevant provisions of the convention[4]) cannot be examined in isolation from the concrete bilateral treaty bargain agreed between the two contracting states. More broadly, in the interest of legal certainty and the long-term promotion of foreign investment, there is a need for states to interpret their tax treaty obligations consistently with international law, notably the principles set out by the Vienna Convention on the Law of Treaties (VCLT). The idea that DTCs are special and cannot strictly be interpreted in light of the VCLT is outdated, unsustainable and promotes undesirable "fragmentation" of international tax law within the broader international legal framework. The recent volume released by Global IFA on tax treaty interpretation aims at contributing to this discussion and to assist in particular courts, competent tax

"The idea that DTCs are special and cannot strictly be interpreted in light of the VCLT is outdated, unsustainable and promotes undesirable 'fragmentation' of international tax law within the broader international legal framework."

authorities and policymakers[5]. The future evolution of the international tax presents however three additional challenges.

The first one relates to the fact that dispute prevention and resolution under international tax law is mainly limited to the mutual agreement procedure ("MAP") provided by art. 25 OECD MC[6]. However, this procedure is essentially confined to tax disputes rooted in tax treaty obligations and therefore does not

provide any remedy for cross-border tax disputes involving for example the application of domestic tax law (even if such law is based on globally accepted tax standards). In that sense, there is a mismatch between the normative evolution outlined above, on the one hand and the scope of dispute prevention and resolution under international tax law, on the other hand. Add to that the fact that the MAP is a procedure which remains rooted in state-to-state diplomatic protection in which taxpayers have no formal standing while, from a substantive perspective, DTCs shall precisely "apply to persons"[7]. It is also for these reasons that we have argued that Investor-State Dispute Settlement (ISDS) provided by International Investment Agreements (IIAs) should continue to complement DTCs when it comes to the promotion of foreign investment through tax systems based on legal certainty and non-arbitrariness. Rather than overriding ISDS through DTCs – as the 2025 UN MC erroneously suggests[8] – the proper approach is to coordinate international tax law with investment treaty protection which in our view may be achieved in several ways[9].

We conclude with some regional considerations for the broader Middle East/ GCC region. We of course recognize the challenges posed by the current geopolitical context. We are impressed however by the "resilience" of the region when it comes to international tax law. For example, several jurisdictions have engaged with the global minimum tax (among others United Arab Emirates, Bahrain, Kuwait and more recently Israel) and continue to modernize their tax systems and tax treaty network in line with most recent best practices. Moreover, in these challenging times, several countries of the region remain proactive when it comes to the taxation of high-net worth individuals and global families. The long-term stability of the international tax system in the region, and more broadly regional economic growth, requires however geopolitical stability. Another important question for the region going forward will be the role of tax incentives. The recent Qualified Tax Incentive (QTI) framework provided by the OECD[10] could in this regard contribute to shape tax systems with a view to attract legitimate foreign investments[11].

[1] R.J. Danon, 'Notion and Evolution of the International Tax System', Kluwer, 2026.

[2] R.J. Danon, 'Notion and Evolution of the International Tax System', Kluwer, 2026.

[3] OECD, 'Pillar Two: Side-by-Side Package', OECD, 2026.

[4] R.J. Danon, 'The PPT in Post-BEPS Tax Treaty Law', Bulletin for International Taxation, 2020.

[5] R. Danon, G. Maisto & A. Martín Jiménez, 'Tax Treaty Interpretation under the VCLT', IBFD, 2026.

[6] Mandatory tax treaty arbitration clause, where applicable.

[7] Art. 1 OECD Model Tax Convention.

[8] R.J. Danon & A. Martín Jiménez, 'The UN Model Tax Convention's Attempt to Override Investment Treaties', Kluwer, 2026; R.J. Danon, 'The Rise of Tax Treaty Supremacy', Bulletin for International Taxation, 2026.

[9] R.J. Danon, 'Tax-Related Disputes in the Jurisdictional and Merits Phases', Kluwer, 2026.

[10] OECD, 'Pillar Two: Side-by-Side Package', OECD, 2026.

[11] R.J. Danon & P. Hinny, 'The Swiss Research and Development Tax Credit', SwissHoldings, 2026.

INCOME ATTRIBUTION TO PEs: THE NEXT FRONTIER IN INTERNATIONAL TAXATION



Monique van Herksen

Member, UN Transfer Pricing Subcommittee

As global MNE activities digitalize increasingly, local footprints become infinitely small. Combined with great pressure on domestic revenue mobilization, proliferation of permanent establishment determinations is likely. If the resulting income allocation is not accepted, double taxation and disputes arise, (over)burdening existing dispute resolution mechanisms. Therefore, a review of income attribution for permanent establishments under Article 7 of the Model Conventions is necessary.

Court decisions clarify that permanent establishments need neither be permanent nor an establishment. The Indian Hyatt International Southwest Asia Ltd. and Formula One World Championship Ltd. decisions of 2017 and 2025 indicate that the definition of a “fixed place of business” need not be fixed. The entire agreement and business relationship between the foreign entity/deemed head office and the domestic activity/deemed permanent establishment needs to be considered. Once there is some stability (an agreement to conduct an activity or render a service over an extended period of time, even if intermittently), a level of productivity that leads to revenue for the foreign entity from the source country, and control over the domestic activity in the source country, there can be a fixed place of business at the disposal of the foreign entity through which the business is wholly or partly carried on. This conclusion does not result from Indian jurisprudence alone. In 2024 the German Bundesfinanzhof decided similarly in the Taxi case. A Swiss control centre with therein a locker to which a taxi driver had exclusive access led the control centre to be “at the disposal” of the taxi driver, qualifying as a permanent establishment.

> **If the resulting income allocation is not accepted, double taxation and disputes arise, (over)burdening existing dispute resolution mechanisms. Therefore, a review of income attribution for permanent establishments under Article 7 of the Model Conventions is necessary."**

Servers have already been characterized as permanent establishments at the relevant equipment location. The Significant Economic Presence (SEP) concept for digitally rendered services is the next permanent establishment characterization candidate.

Once a permanent establishment, the inevitable next question regards income attribution. The OECD Model Convention's Authorized OECD Approach requires a fictional attribution of assets, creating a hypothesized balance sheet to determine capital requirements and determining notional costs. As permanent establishments are not legally separate and distinct from their head office, they do not have assets or liabilities. Those belong to the enterprise as a whole. Apportionment as mentioned in Article 7(4) of the UN Model Convention may offer a more pragmatic approach.

The Subcommittee on the Digitised and Global Economy of the UN Tax Committee has been tasked with preparing an initial report exploring possible work on profit attribution to permanent establishments outlining options and potential areas for further guidance in liaison with the Transfer Pricing Subcommittee.
This opens the door to reviewing formulary apportionment models. The main difference with the proposals and practices of the past is that the apportionment factors that may be needed for today's highly digitalized business models may not fit squarely in the "labour", "assets", and "sales" factors that were used before. Nevertheless, developing apportionment methods for income attribution would contribute materially to reducing the workload on the available dispute mechanisms that will be invoked to resolve the coming deluge of disputes about income attribution to permanent establishments.

THE NEXT WAVE OF TRANSFER PRICING DISPUTES: INTANGIBLES AND AI



Steven Wrappe

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Former IRS Advance Pricing Agreement (APA) Program Official, USA

In the decade following the OECD's Base Erosion and Profit Shifting ("BEPS") project in 2015, the number of global transfer pricing disputes and the amounts in issue have continued to rise. Further, investment in artificial intelligence ("AI") threatens to accelerate this trend.

Transfer pricing is one of the largest tax issues facing large multinationals with complex global supply chains. According to the U.S. Census Bureau's 2025 foreign trade statistics, over 42% of all U.S. imports and exports of goods were between related parties, and all these transactions involve transfer pricing.

Following the conclusion of the BEPS project, which heightened government scrutiny and taxpayer recordkeeping requirements for intercompany transactions, the number of transfer pricing disputes has steadily increased. According to OECD Mutual Agreement Procedure statistics, the number of bilateral transfer pricing cases filed annually increased from 1,209 cases in 2016 to 2,525 cases in 2024.

Possibly more important than the number of disputes, the amounts in dispute have risen dramatically. For example, in the aggregate, the four largest transfer pricing disputes in the U.S., involving Coca-Cola, Amgen, Microsoft, and Meta, involve taxpayer exposure to over $100 billion in tax underpayments, penalties, and interest. For perspective, U.S. corporate income tax revenues in 2025 were just over $452 billion.

> **For the next few years, transfer pricing disputes, especially those involving intangibles, are likely to proliferate and grow substantially in amount. The greatest uncertainty surrounds the development and use of AI-generated capabilities."**

Several factors have contributed to the increasingly large amounts in dispute. A large percentage of transfer pricing disputes involve intangible transactions, and there has been an enormous increase in the value of intangibles in the global operations of multinationals. According to Ocean Tomo's 2025 Intangible Asset Market Value Study, the value of intangible assets relative to the overall value of S&P 500 companies increased from 17% in 1975 to 92% in 2025. To the extent that transfer pricing disputes focus on intangibles, it is not surprising that the amounts in dispute have risen.

Multiple years are also generally included in transfer pricing disputes due to the factual development necessary to analyze transfer pricing issues and the time needed to analyze that information, further adding to the size of the tax deficiency asserted. In addition, the IRS has taken a more assertive stance regarding the imposition of §6662 20% and 40% penalties, while interest rates associated with tax underpayments have also recently increased. The combination of large proposed adjustments, long examination periods, and increased interest rates can produce substantial amounts of interest.

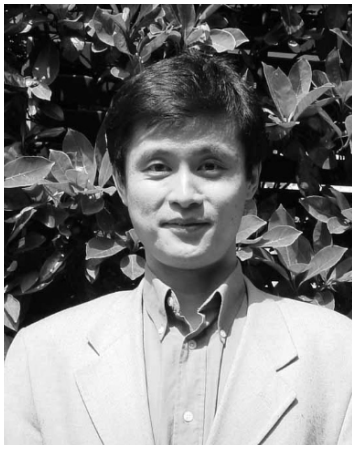
Multinationals are currently spending billions to design and deploy AI within their operations. Enterprise AI cuts across virtually all functions, can be deployed by non-technical staff, and can scale rapidly. Companies expect these investments to generate productivity gains, new insights, and competitive advantages.

These developments will create practical transfer pricing challenges for multinationals, including determining when AI-powered capabilities become an intercompany transaction to which transfer pricing should be applied, or represent an intangible asset requiring compensation; whether AI capability development should be treated as IP development or as service activities; how ownership of AI-developed IP should be allocated among related parties; and how to quantify the benefits conveyed to related parties through access to AI-powered capabilities.

Failure to adequately address these issues may leave multinationals exposed to substantial transfer pricing risks across multiple jurisdictions.

For the next few years, transfer pricing disputes, especially those involving intangibles, are likely to proliferate and grow substantially in amount. The greatest uncertainty surrounds the development and use of AI-generated capabilities.

AI AS THE NEXT FRONTIER IN INTERNATIONAL TAXATION



Yoshihiro Masui

Chair, IFA Japan Branch; Professor of Law, The University of Tokyo, Japan

For much of the past decade, the "next frontier" in international taxation has been defined by the digitalization of the economy. The international tax community has debated nexus without physical presence, allocation of residual profits, global minimum taxation, and the appropriate balance between residence and market jurisdictions. Artificial intelligence (AI), however, may prove to be more than another chapter in this process. It may be a genuine game changer.

AI matters because it can alter not only where profits are booked, but also the underlying composition of economic activity and taxable income. Bill Gates has recently revived his proposal to tax robots and has extended it to AI tokens. His argument is straightforward: if AI substitutes for human labor, governments may simultaneously face (i) declining revenues from labor income and payroll taxes and (ii) increasing expenditures on re-training, income support, and social protection.

There is a further frontier. AI will transform tax administration itself: risk assessment, transfer pricing analysis, audit selection, treaty interpretation, and taxpayer compliance processes will increasingly be mediated by artificial intelligence. The next frontier, therefore, is not simply the taxation of AI. It is the redesign of international tax principles for an economy in which AI changes who works, where value and rents arise, how taxing rights should be allocated, and how those rights are administered.

Seen from Japan, a country facing both rapid technological adoption and profound demographic change, these questions are especially immediate. I therefore welcome this timely initiative by the IFA Chapter in Saudi Arabia and look forward to its insights becoming an important forum for this next generation of international tax debate.

> **The jurisdiction that bears the social and fiscal costs of AI-driven displacement may not be the jurisdiction in which the associated AI rents are taxed.”**

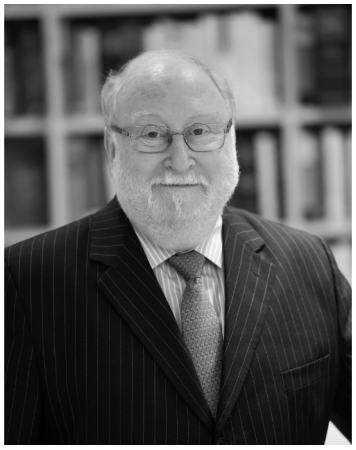
In an international setting, the issue acquires an additional dimension. Consider a Japanese enterprise that replaces part of its domestic workforce with AI services supplied by a foreign provider. The transformation is not merely from labor to capital. It may also be a shift from domestically taxable labor income to profits earned by a foreign AI enterprise.

AI may therefore produce a double shift: from labor to capital, and from domestic labor income to foreign business profits. This raises a question that conventional discussions of “value creation” do not fully address. The jurisdiction that bears the social and fiscal costs of AI-driven displacement may not be the jurisdiction in which the associated AI rents are taxed.

This does not mean that an “AI tax” or a tax on tokens is necessarily the answer. Such taxes raise formidable problems of definition, measurement, neutrality, and administration. Nor should international taxation become a form of protectionism against technological progress. A stronger case can be made for reconsidering the balance of taxing rights in a world in which highly scalable AI services can replace domestic economic activity without establishing a conventional taxable presence.

The Pillar Two GloBE rules seek to address under-taxation, but do not by themselves resolve the allocation of taxing rights between AI-producing and AI-consuming jurisdictions. The debate over the future of market-jurisdiction taxing rights therefore assumes renewed significance. Market-country taxation may need to be reconsidered not only through the familiar language of “value creation,” but also through the lens of inter-nation equity and the geographic mismatch between fiscal costs and taxable rents.

TAXPAYERS' RIGHTS AS A NEW FRONTIER



Prof. Philip Baker KC

Visiting Professor, University of Oxford, United Kingdom

Why should taxpayers' rights be a new frontier in international taxation? There are several reasons, but it may be helpful before turning to those to make an important distinction. It is important to distinguish between taxpayers' rights on the one hand, and human rights in the taxation context on the other.

To take the latter concept, this is the application of the existing human rights law – based upon the various covenants and conventions which states may or may not have signed guaranteeing human rights – and their application in the tax context. None of these human rights instruments were drafted with a central focus on taxation. However, nearly all of them have some relevance to tax. To take an example, Article 2 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) requires states to progressively fulfil their obligations to provide economic and social rights "to the maximum of their available resources". The most important resource for achieving these rights is often tax revenue, and one reading of this article is that states have an obligation to maximise their available tax revenue to achieve the fulfilment of economic, social and cultural rights. Since human rights covenants and conventions are part of international law, one can say that this is part of the frontier of international taxation.

At the same time, there are many rights enjoyed by taxpayers under virtually every country's tax system but which cannot be derived from human rights instruments. Rights such as: the ability to pay principle, the right to be represented by a tax advisor of your choice, the prohibition or restriction on retrospective tax legislation - these cannot be derived from human rights instruments, but they are recognised in the tax systems of many countries. These taxpayers' rights derive from a variety of sources: constitutions,

tax laws, administrative laws, charters of taxpayers' rights, and other sources. They apply to all taxpayers, including both individuals and corporates.

So far as human rights in the field of taxation are concerned, this is definitely a new frontier as governments and human rights bodies develop their understanding of the implications of these instruments for the tax system. To give an example, in March 2025 the United Nations Committee on Economic Social and Cultural Rights adopted a statement on tax policy, identifying certain policies that are likely to be more or less consistent with the obligations under the ICESCR. These principles of tax policy are already being used by that UN Committee when examining periodic reports by states parties to the Covenant.

At the same time, there is a growing recognition that respect for taxpayers' rights in general is a fundamental building block of strong tax systems.

> **"Any modern tax system requires a great deal of voluntary compliance by taxpayers, and that level of 'tax morale' is likely to be significantly enhanced if the taxpayer considers that their rights are being respected."**

Again, there are frontiers here where tax administration is encountering entirely new issues. One of the most significant current issues of discussion is AI in respect of taxation. In principle, the use of AI could assist both taxpayers and the tax administration. On the other hand, AI out of control could cause immense damage to the operation of the tax system: for example, if an AI agent breaks into confidential tax data and starts misusing or making public that data. Developing suitable safeguards to protect taxpayers' rights is clearly part of this new frontier.

One cannot say that one new frontier of international tax is more important than another. However, the frontier of taxpayers' rights and human rights in the taxation context is clearly an aspect that deserves to be given consideration.



International Fiscal Association
Chapter in Saudi Arabia

03

CLOSING SYNTHESIS

Beyond the Next Rule

Prof. Dr. Ahmed A. Altawyan

In this inaugural issue of Zakat & Tax International, we asked a single question:

What Is the Next Frontier in International Taxation?

Understanding the next frontier of international taxation, whatever we may call it, requires looking at the future through different lenses. The contributions to this issue do exactly that. They approach the question from different directions, and together provide a broader view of what may lie ahead and what tax systems should be prepared to confront.

Despite their differences, several concerns recur. Technological change is testing established concepts, and may test them again in ways we do not yet anticipate. Cross-border disputes are becoming more difficult, while international cooperation is taking place in a more fragmented political environment. The institutions responsible for applying increasingly complex rules are themselves under pressure. These pressures also raise broader questions about the legitimacy and effectiveness of international tax institutions, making the preservation of taxpayers' rights and confidence in the system increasingly important.

The next frontier may therefore lie in how international taxation responds when the economy, technology, and the institutions around it change faster than the rules themselves. This requires attention not only to emerging problems, but also to the purposes taxation is meant to serve, the allocation of taxing rights, fairness, and the preservation of a reasonable degree of certainty.

“The next frontier may therefore lie in how international taxation responds when the economy, technology, and the institutions around it change faster than the rules themselves.”

AI, Rules, and Disputes

Artificial intelligence is no longer a distant development. It is already changing tax administration through compliance, risk assessment, audit, and data analysis. A more fundamental question arises, however, when AI begins to change the economic relationships on which tax systems themselves are based.

As those relationships change, established concepts of nexus, permanent establishment, profit allocation, and taxing rights may increasingly be tested in economic settings for which they were not originally designed. The problem may change before the rule does. AI may ultimately challenge more than particular tax rules. It may challenge the assumptions on which international taxation has long connected people, functions, assets, markets, and value to taxing rights.

The response should be careful, but it cannot be postponed. As technology changes the relationships to which tax rules apply, timeless principles of taxation should not be lost. Fairness, certainty, neutrality, proportionality, and taxpayers' rights remain important. The challenge is how tax systems can respond to technological change without losing sight of the principles on which they rest.

The contributions also reveal a close relationship between substantive rules and the disputes they generate. Digitalization, intangibles, and AI raise difficult questions of characterization, valuation, ownership, profit attribution, and taxing rights. Transfer pricing makes this particularly clear: uncertainty in substantive rules can itself become a source of cross-border disputes.

Some jurisdictions, particularly developing countries, have expressed reservations about mandatory binding arbitration, including concerns about sovereignty, institutional capacity, and cost. Those

> **The problem may change before the rule does.”**

concerns should not be dismissed. Yet some transfer pricing disputes are inherently cross-border, technically complex, and require specialist expertise. The question may therefore be whether, in carefully defined circumstances, arbitration could complement the Mutual Agreement Procedure when such disputes cannot otherwise be resolved, while also providing access to expertise where specialist capacity is limited.

This may become more important as AI creates new forms of economic activity and new business models develop faster than domestic rules. In such circumstances, alternative dispute resolution mechanisms, including arbitration, may provide an important safeguard while also offering access to specialized expertise.

International cooperation plays a vital role in enhancing both cross-border coordination and domestic tax capacity across the entire tax lifecycle—from administration and interpretation to enforcement, dispute resolution, and adjudication. While international institutions support local capacity through adaptable model rules and frameworks, their effectiveness also depends on how those models are applied and adapted in practice. Domestic expertise and institutional experience therefore matter not only in applying international frameworks, but also in informing their continued development.

But resolution is only part of the answer. Prevention matters as well. Clearer and more predictable transfer pricing rules can reduce the scope for disagreement, while better coordination between tax authorities can help identify and address differences before they develop into prolonged cross-border disputes. The next frontier in dispute resolution may therefore be as much about preventing disputes as resolving them.

When Different Systems Meet

Rosenbloom's contribution begins with a fundamental observation: what we call international taxation is, in practice, a multiplicity of national tax systems interacting across borders. That observation raises another question. What happens when those systems do not simply apply different tax rules, but begin from different legal concepts and classifications?

International tax cooperation involves more than agreeing on common rules. Those rules must operate across legal systems that do not always describe, classify, or understand economic relationships in the same way. This becomes particularly important when concepts rooted in one domestic legal or fiscal tradition must be understood and characterized within another.

Two examples help illustrate the problem: Islamic finance and Zakat as applied in KSA.

Islamic finance provides the first. It operates across different jurisdictions and may perform economic functions comparable to conventional financing through different legal structures. Sharia-compliant arrangements may alter ownership, asset exposure, risk, and the legal form through which financing returns arise. Tax analysis cannot therefore end with the observation that two arrangements are economically similar. It must also ask which legal differences matter for the particular tax rule being applied.

The practical stakes were highlighted by Peter Barnes in "Sharia Law Is Already Here—The IRS Must Respond" (The Hill, October 2019): absent clear guidance, taxpayers may rely on the substance of a transaction when beneficial and on its form when that produces a better result.

The challenge is to determine when different structures warrant comparable treatment and when their differences remain relevant. Economic similarity does not necessarily erase legal identity.

Zakat provides a different example in Saudi Arabia. Here, the domestic obligation may retain the same underlying function while being classified differently as it moves across international frameworks.

The Saudi Organization for Chartered and Professional Accountants (SOCPA), in its March 2026 presentation to the Accounting Standards Advisory Forum on the presentation of Zakat under IFRS 18, illustrates the practical consequences. Under one presentation, two entities with the same revenue and the same net profit can report different operating profits solely because Zakat is classified within operating expenses rather than alongside income tax.

Classification may therefore change the reported meaning of an economic reality without changing the underlying economic reality itself.

The example becomes more revealing when viewed across frameworks. Zakat may fall outside the scope of IAS 12 for financial reporting purposes, while many Saudi tax treaties include Zakat within "Taxes Covered," and the Pillar Two framework treats it as a covered tax for purposes of the GloBE Rules.

These classifications need not be inconsistent. Different frameworks may

> **International coordination therefore requires more than agreement. It also requires translation between legal and fiscal systems.”**

legitimately characterize the same domestic obligation differently because they serve different purposes.

Islamic finance and Zakat as applied in KSA thus reveal two sides of the same problem. Different legal structures may perform comparable economic functions. Conversely, the same domestic obligation may be characterized differently across international frameworks. Neither economic equivalence nor domestic legal classification provides the answer by itself.

This suggests what might be described as **Functional Translation**: an analytical approach that begins by identifying a concept’s domestic legal identity and economic function, and then considers its characterization and consequences under the particular international framework being applied.

Functional Translation does not presume that economically comparable arrangements must receive identical legal or tax treatment. It also does not require an international framework to adopt the characterization of the originating domestic system. The point is to begin international characterization with an understanding of the domestic concept: what it is, what function it performs, and which of its characteristics matter for the purpose of the international rule being applied.

Different classifications may remain justified where frameworks serve different purposes. The objective is informed characterization across systems rather than equivalence for its own sake. International characterization should follow understanding, rather than substitute for it.

Scholarship has a role here as well. Concepts rooted in different domestic systems need to be explained in a language that international institutions, scholars, and practitioners can engage with if they are to be properly understood internationally. The current United Nations discussions on international tax cooperation may provide one forum for that exchange.

International coordination therefore requires more than agreement. It also requires translation between legal and fiscal systems.

The Next Frontier

The contributions to this issue do not produce a single definition of the next frontier, nor should they. Instead, they point to a deeper question of balance: can international taxation become more adaptive without becoming less certain, more effective without weakening taxpayers' rights, and more international without becoming less plural?

Taken together, these perspectives suggest that the next frontier may lie in a better way of thinking about tax architecture amid accelerating economic and technological change. The challenge is to ask the right questions before choosing the response: when should established principles be preserved, when should taxing rights be reconsidered, when should institutions adapt, and when should disputes be resolved through better mechanisms?

Artificial intelligence is reshaping work, business, and economic activity in ways we are only beginning to understand. As it does, some of the foundations of existing tax systems may need to be reconsidered. The response should not simply be more rules, but a return to timeless first principles—and a commitment to preserve and strengthen them.

The less certain the future, the more essential those principles become.

This leads naturally to the subject of our next issue. Rules matter to investors, but so do certainty, administration, stability, and the way a tax system operates in practice.

Our next defining question is therefore:

WHAT MATTERS MOST TO GLOBAL INVESTORS IN A TAX SYSTEM?

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ZAKAT & TAX INTERNATIONAL
ISSUE 01 | 2026

Shaping Global Fiscal Thought

Published by the Zakat and Tax Association



International Fiscal Association

Chapter in Saudi Arabia