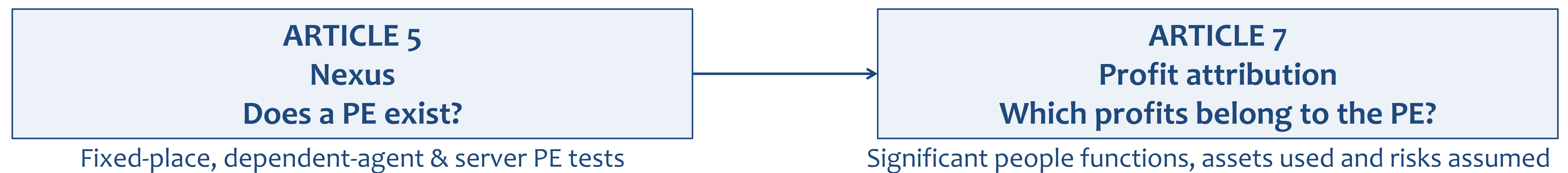


Rethinking the Permanent Establishment Concept in the Age of Artificial Intelligence: Traditional Taxable Presence, Profit Attribution and Alternatives

Research Question and Legal Framework

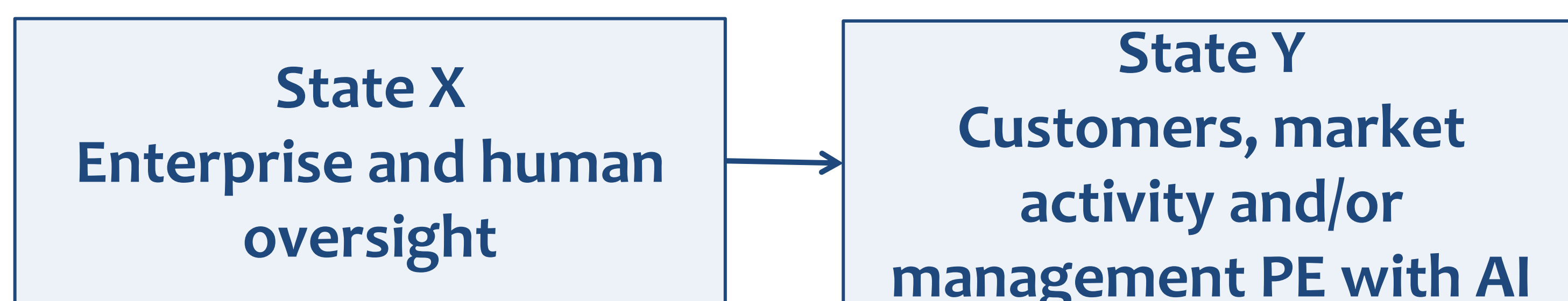
Can the PE concept and associated profit attribution rules adequately allocate taxing rights in an economy shaped by AI-driven business models?

The thesis tests the existing framework, previous reform proposals and develops alternatives for AI-driven activity, with attention to source-country taxing rights.



AI Business Models

Illustrative cross-border scenario



The company in Country X provides AI-powered services to customers in Country Y, with no office or employees there. Consider also a scenario where the company has the equivalent of a management office operationalised by AI.

AI performs key business tasks with limited or in the absence of human involvement. Does country Y have taxing rights? Under what basis will profit be attributed?

Compare AI used as a tool with systems acting with greater operational autonomy.

Nexus and Attribution Challenges

ARTICLE 5

Test fixed-place and dependent-agent criteria where activity spans infrastructure, enterprise oversight and markets.

ARTICLE 7

Examine how AI-related functions, assets and risks affect attribution when operational activity and decision-making are conducted by AI

Research Design and Reform Alternatives

Doctrinal and comparative assessment of Articles 5 and 7 and their interpretation, using illustrative AI business models.



Alternatives to assess

Significant economic presence, significant digital presence and virtual PE proposals. Compare Pillar One Amount A as a distinct approach to nexus and profit reallocation.

Evaluation criteria: allocation of taxing rights, administrability, legal certainty and avoidance of double taxation.

Intended contribution of research: assess the traditional PE concept & already proposed alternatives and examine the corresponding profit attribution rules in light of authorised OECD approach in the era of AI-driven business models.