SAMPLE CASE STUDY

Principles of International Business Taxation

The below sample case study is an example of the type of topics and skills you will learn during this online course.

Startup Co is a recently established enterprise resident in State A. Startup Co has developed revolutionary technology to facilitate businesses in their B2B dealings. Startup Co decides to expand its business to State B. Startup Co organizes an event in State B and contracts an independent local expert resident in State B as their representative. The representative established initial contacts with possible clients in State B and refers potential clients to the sales team of Startup Co in State A.

Question: Is there permanent establishment exposure in State B under the OECD and UN Model Conventions?

The business in *State B* is very successful and Startup Co decides to set up a subsidiary in *State B*. Startup Co sends a promising young manager to *State B* to manage the subsidiary. The subsidiary receives a loan from Startup Co as well as the necessary intellectual property (IP). Furthermore, Startup Co provides several services to its subsidiary in *State B*.

Questions:

1. **Which state(s) may tax the interest paid by the subsidiary under the OECD and UN Model Conventions?**
2. **Which state(s) may tax the payments by the subsidiary for the right to use the IP under the OECD and UN Model Conventions?**
3. **Which state(s) may tax the payments for the services by the subsidiary under the OECD and UN Model Conventions?**

After several years, Startup Co decides to sell 50% of its shares in the subsidiary and realizes a substantial capital gain.

Question: Which state(s) may tax the capital gain from the alienation of the shares in the subsidiary under the OECD and UN Model Conventions?