IBFD Online Course: Passive Income

Learning objectives
- Explain the basic treaty distributive rules for income from immovable property, dividends, interest, royalties and capital gains and when these rules are applicable
- Define the various tax treaty rules that may be applicable to technical services fees
- Categorize the similarities and differences in the tax treaty treatment of various types of passive income
- Apply the distributive rules to payments of passive income, including when they are derived by permanent establishments and when the payments are under non-arm's length terms
- Define the areas of potential difficulty in connection with the application of the tax treaty rules for passive income

Pre-requisites
This course introduces the tax treaty rules that may be applicable to cross border passive income such as income from immovable property, dividends, interest, royalties, capital gains and technical services fees. Participants should be familiar with the basic principles of tax treaties in addition to the domestic law of at least one country, in particular as it relates to the taxation of cross-border income. Participants, particularly those with limited knowledge of tax treaties, are recommended to first complete the course ITA101 “Fundamentals of Tax Treaties”.

Study time
Audio lessons: 4.5 hours
Self study: 8.5 hours (includes video)
Further reading (optional): 15 hours
Extra: video interview with international tax expert

Advanced preparation
No advanced preparation is necessary. All required study material is provided in the online course.

Course program

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<th>Lessons</th>
<th>Topics Covered</th>
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| Lesson 1: Introduction to passive income | · What is passive income?  
  · Taxation of cross border passive income  
  · Application of tax treaties to cross border passive income  
  · Overview of different treaty allocation rules for passive income |
| Lesson 3a: Income from immovable property | · Allocation of taxing rights  
  · What is “immovable property”?  
  · When is income “from” immovable property? |
| Lesson 3b: Dividends | · Taxation of cross border dividends under domestic law  
  · Distributive rules under tax treaties  
  · What are dividends under tax treaties?  
  · Dividend income derived by a permanent establishment  
  · Extra-territorial taxation  
  · Branch profits tax |
| Lesson 3c: Interest | · Allocation of taxing right between the Contracting States  
  · General rules and alternative provisions  
  · What is interest?  
  · What is the “source” of interest?  
  · Interest income derived by permanent establishments  
  · Treatment of non-arm’s length interest payments |
| Lesson 3d: Royalties | · The allocation of taxing rights on royalty income  
  · Basic definition of royalties  
  · Royalty income derived by permanent establishments  
  · Treatment of non-arm’s length royalty payments |
| Lesson 3e: Technical fees | · Taxation of cross border technical fees  
  · Allocation of taxing rights regarding technical fees as  
  · Active income  
  · Passive income |
| Lesson 3f: Capital gains | · What are capital gains?  
| · Taxation of capital gains from alienation of:  
| · Immovable property  
| · Shares in immovable property company  
| · Substantial shareholdings in a company  
| · Other shares, debt securities, tangible and intangible property  
| · Taxation of capital |

| Revision quiz | · Reinforce the key aspects of the treaty distributive rules  
| · Test your understanding and ability to apply the concepts discussed |

| Lesson 5a: Introduction to further issues | · Classification problems associated with passive income  
| · Application of anti-avoidance rules to passive income  
| · The “beneficial ownership” concept |

| Further reading | · Articles further exploring Passive Income |

**Also included in this course:** Wim Wijnen (Counsel to the Academic Chair of IBFD, teacher of International Tax Law at Libera Università Internazionale degli Studi Sociali in Rome, Italy and a part-time judge of the Court of Appeal in the Netherlands) provides insight into the tax policy issues that have to be addressed when negotiating tax treaty provisions on passive income including:

- the choice of withholding tax rates on passive income and policy reasons for choosing either a high or low rate;
- potential differences between OECD countries and developing countries; and
- why the withholding tax rate differentials are significant in practice

**How to register:**
To register for an IBFD online course, please visit [www.ibfd.org](http://www.ibfd.org) or contact [onlinecourses@ibfd.org](mailto:onlinecourses@ibfd.org)