Table of Contents

Preface v

Chapter 1: Beneficial Ownership: Recent Trends 1
David G. Duff

1.1. Introduction 1
1.2. The meaning of beneficial ownership in judicial decisions 4
1.3. Beneficial ownership without treaty references 10
1.4. Beneficial ownership as an anti-abuse provision 12
1.5. Beneficial ownership as an allocation of income rule 16
1.6. Beneficial ownership and EU law 17
1.7. Historical context and the OECD Discussion Draft 17
1.8. Conclusions 22

Chapter 2: United Kingdom: Indofood International Finance Ltd v. JP Morgan Chase Bank NA 27
Philip Baker

2.1. Introduction 27
2.2. The facts of the case 28
2.3. The decisions of the High Court and Court of Appeal 30
2.4. Some comments on the case 31
2.5. The consequences of the decision – HMRC guidance 33
2.6. Concluding comments 38

Chapter 3: The Concept of Beneficial Ownership under Canadian Tax Treaties 39
Brian J. Arnold

3.1. Introduction 39
3.2. Prévost Car 40
  3.2.1. Facts 40
  3.2.2. Decision 41
  3.2.3. Comments on the decision 42
3.3. Velcro Canada 44
  3.3.1. Facts 44
  3.3.2. Decision 45
  3.3.3. Comments on the decision 46
3.4. Conclusion 48
# Table of Contents

## Chapter 4: Switzerland: Broad vs Narrow Interpretation of the Beneficial Owner Concept

*René Matteotti and Fabian M. Sutter*

4.1. Introduction 51  
4.2.1. Factual background 51  
4.2.2. The Commission’s findings 52  
4.3.1. Factual background 54  
4.3.2. The Court’s findings 54  
4.4.1. Factual background 55  
4.4.2. The Court’s findings 57

## Chapter 5: The Concept of Beneficial Ownership and Possible Alternative Remedies in Netherlands Case Law

*Daniël S. Smit*

5.1. Introduction 59  
5.2. Beneficial ownership: Netherlands Supreme Court  
5.2.1. Facts of the case and dispute 62  
5.2.2. Decision of the Court of Appeals of Amsterdam 63  
5.2.3. Decision of the Supreme Court 64  
5.2.4. Evaluation 65  
5.2.4.1. A technical rather than an economic interpretation 65  
5.2.4.2. Relationship with the non-statutory *fraus legis, fraus conventionis* and substance-over-form doctrines 68  
5.2.4.2.1. Fraus legis 68  
5.2.4.2.2. Fraus conventionis 70  
5.2.4.2.3. Substance-over-form doctrine: Recharacterization of the facts 72  
5.2.4.3. The aftermath: A new definition of beneficial owner under domestic law: Treaty override? 74  
5.2.5. Conclusion 75
5.3. Possible alternative remedies: Netherlands Supreme Court 28 June 1989, BNB 1990/45 76
5.3.1. Facts of the case and dispute 76
5.3.2. Decision of the Court of Appeals of The Hague 78
5.3.3. Decision of the Supreme Court of 8 January 1986, BNB 1986/127 79
5.3.4. Decision of the Court of Appeals of Amsterdam 79
5.3.5. Decision of the Supreme Court of 28 June 1989, BNB 1990/45 80
5.3.6. Evaluation and conclusion 81
5.4. Possible alternative remedies: Netherlands Supreme Court 18 May 1994, BNB 1994/252 and BNB 1994/253 84
5.4.1. Facts of the case and dispute 84
5.4.2. Decision of the Court of Appeals of Arnhem 85
5.4.3. Decision of the Supreme Court 86
5.4.4. Evaluation and conclusion 87
5.5. General conclusions 88
5.5.1. Beneficial ownership under Netherlands case law 88
5.5.2. Possible alternative remedies 89
5.5.3. Final remarks 89

Chapter 6: The Notion of Beneficial Ownership in Danish Tax Law: The Creation of a New Legal Order with Uncertainty as a Companion
Jakob Bundgaard

6.1. Background 91
6.2. The Danish withholding tax regime on dividends and interest payments 92
6.3. Traditional starting point in Danish law regarding income allocation 94
6.4. The first Danish High Court decision in the ISS case – SKM 2011.121 Ø 94
6.4.1. Introduction 94
6.4.2. Facts of the case 95
6.4.3. The decision of the Eastern High Court 96
6.4.4. Comments on the Court’s reasoning 97
6.5. The second ISS case – SKM 2010.729 LSR 99
6.5.1. Introduction 99
6.5.2. Facts of the case 99
6.5.3. The decision of the Tax Tribunal 99
6.5.4. Comments on the Tax Tribunal’s reasoning 100
Table of Contents

6.6. The *HHU* case – SKM 2011.57 LSR 101
   6.6.1. Introduction 101
   6.6.2. Facts of the case 101
   6.6.3. The decision of the Tax Tribunal 102
   6.6.4. Comments on the Tax Tribunal’s reasoning 103

6.7. The *COOK* case – SKM 2011.485 LSR 104
   6.7.1. Introduction 104
   6.7.2. Facts of the case 104
   6.7.3. The decision of the Tax Tribunal 105
   6.7.4. Comments on the Tax Tribunal’s reasoning 106

6.8. The *Nycomed* case – SKM 2012.409 LSR 107
   6.8.1. Introduction 107
   6.8.2. Facts of the case 107
   6.8.3. The decision of the Tax Tribunal 108
   6.8.4. Comments on the Tax Tribunal’s reasoning 109

   6.9.1. Introduction 109
   6.9.2. Facts of the case 110
   6.9.3. The decision of the Tax Tribunal 110
   6.9.4. Comments on the Tax Tribunal’s reasoning 112

6.10. The reaction pattern of the taxpayers: Binding rulings and tax planning 113

6.11. Liability issues 114

6.12. Beneficial ownership in recent legislative measures 115

6.13. Conclusion 117

Chapter 7: *P No 13 of 1995, ABC in re Authority of Advance Ruling*

*D.P. Sengupta*

7.1. Introduction 119

7.2. Facts of the case 119
   7.2.1. Issues for determination 119
   7.2.2. Provisions of relevant article of the Tax Treaty 121

7.3. The ruling of the Authority 123
   7.3.1. Factual background 123
   7.3.2. The essential question and the ruling 123

7.4. Comments on the AAR’s reasoning 124

7.5. Conclusion 126
### Table of Contents

**Chapter 8: Beneficial Ownership as a Broad Anti-Avoidance Provision: Decisions by Spanish Courts and the OECD’s Discussion Draft**  
*Adolfo Martín Jiménez*

- 8.1. Introduction 127
- 8.2. The *Real Madrid* cases: “royalty payments” to Hungarian conduits 128
- 8.3. The case of a UK holding company controlled by a UAE resident 134
- 8.4. Comments on the Spanish decisions 136
  - 8.4.1. Right decisions but wrong reasoning? Confusion about the correct meaning of beneficial owner? 136
  - 8.4.2. Can the OECD 2011 Discussion Draft justify the decisions of the Spanish courts? 138
  - 8.4.3. Is the broad definition of beneficial ownership “an abuse by tax authorities”? 139
  - 8.4.4. Uncertainty for withholding agents derived from a broad reading of “beneficial owner” 141

**Chapter 9: Beneficial Ownership in and outside US Tax Treaties**  
*Yariv Brauner*

- 9.1. Introduction 143
  - 9.1.1. Beneficial ownership clauses in US tax treaties 143
  - 9.1.2. Internal law context 144
- 9.2. *Aiken Industries* (1971) 146
  - 9.2.1. Facts 146
  - 9.2.2. In the court 146
  - 9.2.3. Comments on the decision 148
  - 9.3.1. Facts 149
  - 9.3.2. In the courts 150
  - 9.3.3. Comments on the decision 151
  - 9.4.1. Facts 151
  - 9.4.2. In the court 152
  - 9.4.3. Comments on the decision 154
  - 9.5.1. Facts 155
  - 9.5.2. In the courts 156
Table of Contents

9.5.3. Comments on the decision 157
9.6. The alternatives 158
  9.6.1. Limitation on benefits clauses 158
  9.6.2. The anti-conduit regulations 159

Chapter 10: Beneficial Ownership without Specific Beneficial Ownership Provision 161
Daniel Gutmann

  10.1. Introduction 161
  10.2. Facts of the case 161
  10.3. The Court decision 162
  10.4. Comments on the Court’s reasoning 163
  10.5. Conclusion 164

Chapter 11: Beneficial Ownership as Anti-Abuse Provision: The Bank of Scotland Case 167
Daniel Gutmann

  11.1. Introduction 167
  11.2. Facts of the case 167
  11.3. The Court decision 168
  11.4. Comments on the Court’s reasoning 170
  11.5. Conclusion 172

Chapter 12: Italy: Beneficial Ownership as Anti-Abuse Provision in International Taxation 175
Pasquale Pistone

  12.1. Introduction 175
  12.2. The beneficial ownership requirement and the need to counter abusive practices in the OECD Model Convention 175
  12.3. Facts of the case and judgment 179
  12.4. The implications of the judgment for the relation between beneficial ownership and the reaction to anti-abuse practices in the interpretation of Italian courts 183

Chapter 13: Aditya Birla Nuvo Ltd v. DDIT High Court of Bombay 187
D.P. Sengupta

  13.1. Introduction 187
# Table of Contents

13.2. Facts of the case 189  
13.2.1. Proceedings before the tax department 190  
13.2.2. Arguments on behalf of the taxpayers 192  
13.3. The Court decision 193  
13.4. Comments on the Court’s reasoning 195  
13.5. Conclusion 197  

## Chapter 14: Beneficial Ownership as an Attribution-of-Income Rule in Spain: Source and Residence Country Perspectives  
Adolfo Martín Jiménez  
14.1. Introduction 199  
14.2. Royalties received by societies for the management of author’s rights 199  
14.3. Beneficial ownership from the point of view of the country of residence 202  
14.4. Comments on the cases 204  
14.4.1. Beneficial owner as an attribution-of-income rule 204  
14.4.2. Legal or economic interpretation of beneficial owner in the Goldman Sachs cases? 205  
14.4.3. The Goldman Sachs cases and the 2011 OECD Discussion Draft on beneficial ownership 207  

## Chapter 15: Italy: Beneficial Ownership and the Entitlement to Treaty Benefits in the Presence of Transparent Entities  
Pasquale Pistone  
15.1. Introduction 209  
15.2. Facts and judgment 210  
15.3. Reconstructing the entitlement to treaty benefits in the presence of partnerships 211  

## Chapter 16: Beneficial Ownership and EU Law  
Juan Lopez Rodriguez and Georg Kofler  
16.1. Introduction 215  
16.2. Entitlement to the benefits under the Interest and Royalty Directive: “Anti-avoidance measures” in historical context 216  
16.2.1. Overview 216  
16.2.2. Beneficial ownership 218  

xiii
Table of Contents

16.2.3. “Subject to tax” 222
16.2.4. Exclusion of certain payments 225
16.2.5. Fraud and abuse 226
16.2.6. Non-application in cases of low taxation 230
16.2.7. Conclusions 232

16.3. The “beneficial ownership” requirement 234
  16.3.1 Overview 234
  16.3.2. Companies as beneficial owners 240
    16.3.2.1. “Own benefit” 241
    16.3.2.2. “Intermediary, such as an agent, trustee or authorised signatory” 241
  16.3.3. Permanent establishments as beneficial owners 245
    16.3.3.1. Effective connection 246
    16.3.3.2. Subject to tax 246
  16.3.4. Conclusions 247

16.4. Summary 247

Chapter 17: Switzerland: Beneficial Ownership and EU Law 249
  René Matteotti and Fabian M. Sutter

  17.1. Beneficial ownership concept and EU law 249
  17.2. Luxembourg Holding – Federal Tax Appeals Commission, 28 February 2001, VPB 65.86 249
    17.2.1. Factual background 249
    17.2.2. The court’s findings 250

Chapter 18: How To Conceptualize Beneficial Ownership 253
  Ekkehart Reimer

  18.1. Introduction 253
  18.2. Who is the beneficial owner in beneficial ownership? 253
  18.3. What kind of norms are the beneficial ownership norms? 255
  18.4. Pinpointing legal intuition 256
  18.5. Two basic sets of elements: Payment parameters and asset parameters 257
    18.5.1. The payment as such 258
      18.5.1.1. Pre-payment parameters 258
18.5.1.2. Payment default risk, payment currency risk 259
18.5.1.3. After-payment parameters 259
18.5.2. The income-generating object 260
  18.5.2.1. Irrelevance where split between asset and yields is economically justified 260
  18.5.2.2. Asset ownership 261
  18.5.2.3. Asset-related activities 262
  18.5.2.4. Asset-related risks and gains 263
18.5.3. Provisional finding 263
18.6. How do these elements interact? 264
18.7. Summary and outlook 265

Chapter 19: Beneficial Ownership: What Does History (and Maybe Policy) Tell Us 267
Richard Vann

19.1. Introduction 267
19.2. League of Nations intimations: Beneficiaries 268
  19.2.1. Intellectual property, movable capital and pensions 269
  19.2.2. Beneficiaries of deceased estates 270
19.3. The UK influence 271
  19.3.1. Beneficial ownership of subsidiaries’ shares 271
  19.3.2. Nominees, agents and trustees 273
  19.3.3. Pre-OECD summary 280
19.4. OEEC/OECD to 1977 281
  19.4.1. Beneficial ownership 282
  19.4.2. Abuse of treaties 288
19.5. Making it up: 1977 to 2011 296
  19.5.1. Base and conduit companies 296
  19.5.2. Harmful tax competition 298
  19.5.3. Partnerships and collective investment vehicles 301
  19.5.4. 2011 Discussion Draft 304
19.6. Conclusion 306

Chapter 20: The Beneficial Ownership Concept Was Never Necessary in the Model 333
John F. Avery Jones

xv
# Table of Contents

*Daniel Gutmann*

Contributors 345