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FOR IMMEDIATE RELEASE

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### **IBFD Research Fellow Sandra Fernandes wins ATTA 2012 prize for Best paper presented by a postgraduate student**

On 17 January 2012, IBFD research fellow Sandra Martinho Fernandes, won ATTA (Australasian Tax Teachers Association Conference) 2012 prize for Best paper presented by a postgraduate student.

#### **A possible solution to a rising issue of double taxation related to capital attribution in international tax scenarios**

In the context of her research conducted at IBFD (International Bureau of Fiscal Documentation), Sandra Fernandes is researching one of the effects of the different tax treatment of debt and equity capital in corporate income tax. With interest on debt capital being usually deductible whilst dividends are not, multinational groups have recently come up with new planning structures for their worldwide leverage to minimize their overall tax liability, thereby creating a risk of taxable base erosion. This has led some states to introduce new rules, commonly called "**comprehensive interest barriers**".

In a comparative study of the comprehensive interest barriers in several countries Sandra Fernandes suggests that as cross-border interest payments are subject to a plethora of domestic rules restricting their deductibility which operate according to standards that are disconnected from basic tax principles, the interest barriers put in place by some states could lead to economic double taxation of interest in an international tax scenario.

In her presentation based on the paper "*Capital attribution – Towards an international standard?*", submitted for the ATTA 2012, Sandra Fernandes developed a hypothetical solution to this issue that would rely on reaching an international understanding regarding the attribution of capital to an entity.

She explained: "Creating a common standard to determine the adequate capitalization of entities is the right step towards solving or, at least, minimizing any unsolved economic double taxation of cross-border interest. This aim could be achieved by setting aside domestic rules and using the new Article 7 of the OECD Model Convention as a paradigm to establish an international consensus for the capital structure of both permanent establishments and subsidiaries in line with the arm's length principle. The main consequence would be that those two entities would be treated alike and would therefore have an appropriate amount of "free" capital in order to support the functions they perform and the assets and risks attributed to them."

Her presentation given on 17 January 2012 was appraised by several professors in the jury, and was subsequently awarded the prize for best paper presented by a postgraduate student.

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#### **About IBFD**

IBFD is a leading provider of cross-border tax expertise, with offices in Amsterdam, Beijing, Washington and Kuala Lumpur. IBFD serves Fortune 500 companies, governments, international consultancy firms and tax advisors. Renowned as the authoritative centre for cross-border tax expertise, IBFD utilizes her global network of Tax Experts and Knowledge Centre to remain at the forefront of global tax information.

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### **About IBFD Academic**

IBFD Academic pursues the study of taxation through research fellowships, the publication of scientific books and journals, cooperation with universities and in house academic activities.

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### **About ATTA 2012**

On 16 - 18 January 2012, the Sydney Law School and the University of Sydney Business School hosted the 2012 Australasian Tax Teachers Association Conference, on topic "Tax Change: Convergence or Divergence".

This world-renowned tax conference attracted tax experts from Austria, Australia, Hong Kong, The Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, the UK and the US, including representatives of both New Zealand Island Revenue and the Australian Tax Office.

The three-day conference featured 80 papers, including 9 teaching papers, 5 plenary papers, 50 academic papers, and 12 PhD papers as well as 6 PhD posters and a wealth of related activities. They granted three prizes during the event, which included, Best Paper, Best paper upon the subject of tax teaching, and Best paper presented by a postgraduate student.

<http://sydney.edu.au/law/parsons/ATTA/index.shtml>