

# First experiences with the global minimum tax and the difficulties of determining tax residency: key takeaways from the IFA's 77<sup>th</sup> Congress in Lisbon in 2025

**Dr. Gabriella Erdős<sup>1</sup> – István Fábics<sup>2</sup>**

**DOI:** [https://doi.org/10.35551/PFQ\\_2025\\_4\\_7](https://doi.org/10.35551/PFQ_2025_4_7)

The International Fiscal Association (IFA) was founded in the Netherlands in 1938 with the aim of promoting the development of international and comparative tax law and public finance. The organization is unique in that its members include an equal proportion of experts from the public and private sectors, including tax authority leaders, ministry decision-makers, scientists, lawyers, consultants, and corporate tax directors. Headquartered in Rotterdam, it currently has more than 70 national branches and approximately 14,000 members. The IFA's annual World Congress is the most important forum for international taxation, where theoretical research and practical experience converge. The 77<sup>th</sup> Congress, held in Lisbon in 2025, was particularly significant because 2024 marked the first year of implementation of the global minimum tax (Pillar II) in the European Union. Key topics included redefining corporate residency in the digital age and combating the misuse of double taxation agreements. Representatives from the OECD, the European Commission, the IMF, the World Bank Group, IOTA, CIAT, and ICC, and the presentations and seminars provided a comprehensive overview of the rapidly changing international taxation system, the balance between legal certainty and competitiveness, and the directions for developing a modern, transparent, and coherent tax policy.

---

1 Dr. Gabriella Erdős, Corvinus University of Budapest, Department of Business Law, Head of Department, Associate Professor

2 István Fábics, Corvinus University of Budapest, Department of Accounting, Assistant Professor

## Overview of the IFA 2025 Congress

The 77<sup>th</sup> Annual Congress, held in Lisbon in 2025, was one of the largest and most topical events in the organization's history. The congress was attended by 2,267 participants representing 71 IFA branches, and the event covered the entire spectrum of the current transformation of the global tax system. The conference was organized by the IFA headquarters in collaboration with the Portuguese branch, and the main venue for the event was the Centro de Congressos de Lisboa. The special significance of the congress is demonstrated by the fact that, in addition to trade journals, Forbes also reported on it in detail. The congress dealt in detail with current issues in tax treaties, focusing on the relationship between the place of effective control and the residence of multinational companies, and the fight against the misuse of tax treaties. Beyond initial experiences, the OECD's experiments with parallel treatment of the US tax system equivalent to a global minimum tax highlighted the topicality of the global minimum tax issue, but also provided fresh information on transfer pricing, arbitration and dispute resolution, some upcoming EU tax legislation, and how governments use ESG standards to demonstrate their social contribution through taxation. The congress was attended by representatives of the most important institutions in the international economy and taxation: the OECD, the European Commission, the IMF, the World Bank Group, IOTA, CIAT, and the ICC, as well as experts from numerous regional and national tax authorities, academic institutions, and multinational companies.

## Program structure and thematic build

The IFA Congress traditionally consists of two major plenary "Main Topics" and several seminars. The Main Topics address the two main themes of the annual Cahiers de Droit Fiscal International, for which the branches prepare separate national reports. These reports are then compared and discussed at the congress, based on the General Report and the Branch Reports. The seminars, on the other hand, focus on current policy, technical, and practical issues.

- ▶ The Lisbon program followed a clearly structured arc:
- ▶ Main Topic 1 – Corporate Tax Residence
- ▶ Main Topic 2 – Improper Use of Tax Treaties and Source Taxation
- ▶ Seminars A–G and YIN + TLP Lunch Dialogue: on Pillar II, wealth tax, intermediary liability, ESG, tax certainty, transfer pricing, EU harmonization, and global mobility.

### Main Topic 1: Corporate Tax Residence

The central issue of Main Topic 1 was the definition of corporate tax residence – the legal and economic connection that determines in which country a company is considered tax resident. The topic was led by Professor Pasquale Pistone (IBFD),

and the panel included several renowned international experts, academics, and practitioners.

The presentations and discussions were organized around three key questions:

- ▶ What constitutes the legal basis for residence?

Residence refers to the nexus between a given company and the state. The state in which the company is resident has unlimited taxing rights, extending to the company's worldwide income. Two main principles govern the determination of residency in legal systems worldwide: the place of incorporation and the place of effective management (POEM). Prior to 2017, tax treaties clearly defined residency based on POEM, while the 2017 amendment emphasizes agreement between tax authorities. One of the central elements of the debate was that, in a globalized and digitalized world, determining POEM is becoming increasingly difficult, while achieving mutual agreement is time-consuming and often unsuccessful.

Determining POEM is difficult because the board of directors and other decision-makers often work remotely and hold meetings via online platforms. Strategic decisions are made physically in different countries, blurring the actual "location" of residence. Additionally, the location of strategic decision-making is often distinct from that of operational decisions.

- ▶ How can dual or multiple residence situations be handled?

The role of the Mutual Agreement Procedure (MAP) has grown in recent years, as Article 4 of the OECD Model Convention no longer automatically prescribes a decision based on POEM, but leaves the question of residence to be resolved through a mutual agreement procedure between tax authorities. Several countries, including the United Kingdom, Australia, and Canada, have provided specific examples of how such cases are resolved. One typical problem arises when the management of a multinational company operates in multiple countries and decisions are made online. The goal of MAP is usually the determination of POEM based on specific facts and circumstances, although there are tax systems (e.g., the US) where only the place of registration is considered.

- ▶ How is the digital age changing all this?

The presentations pointed out that modern corporate management is decentralized and that the concept of "actual place of management" is not necessarily a geographical but a functional category. Additionally, the role of teleworking is expanding. In the case study presented, in addition to the online meetings of the board of directors, the location of senior and middle managers, as well as the work carried out under their supervision, played a decisive role in determining the company's residence. OECD experts have indicated that a new recommendation on modernizing residence rules is expected by 2026, with a particular focus on online decision-making and virtual corporate presence.

The panel proposed amending the OECD Model Convention to transform POEM into a tie-breaker rule, similar to the determination of an individual's residence.

The panel also made practical recommendations for companies:

- localizing and documenting internal governance rules and decision-making processes,
- consistent recording of the location and participants of board meetings,
- preparation of residence risk maps and regular review of legal evidence.

One important conclusion of the debate was that in future tax systems, corporate residency will not only be a legal status but also a risk management issue.

## **Main topic 2: Improper Use of Tax Treaties and Source Taxation**

The second main topic, led by Professor Luís Eduardo Schoueri (Brazil), examined the issue of the improper use of double taxation treaties and the strengthening of source taxation. The discussion focused on Action 6 of the OECD/G20 BEPS Action Plan, which introduced the Principal Purpose Test (PPT) in 2015, largely based on the US Limitation on Benefits (LOB) tests. The experts evaluated the experiences of the past decade: do these mechanisms really prevent abuse, and what impact do they have on the investment environment?

Several famous court cases were presented at the plenary session:

- ▶ Methanex (UK) – the application of PPT in a holding structure where the aim was to obtain tax advantages while avoiding double taxation.
- ▶ Alta Energy (Canada) – the decision of the Canadian Supreme Court, which set a new standard for assessing treaty shopping and “real economic substance”.
- ▶ Danish Beneficial Ownership Cases – judgments of the European Court of Justice that took the concept of beneficial owner to a new level in EU law.

The panel devoted a separate chapter to the “principle of origin,” according to which the country of source deserves fairer and stronger taxation rights, especially in order to protect the revenue stability of developing countries. The lessons learned from the discussions are that anti-tax avoidance rules alone are not enough: transparent and automatic exchange of information, capacity building of tax authorities, and international cooperation are at least as important in curbing tax avoidance.

## **Detailed description of the seminars**

The afternoon sessions of the congress explored specific aspects of the main topics from a practical perspective.

- ▶ Seminar A – Implementation of Pillar II and Corporate Income Tax Decluttering

The seminar examined the most important tax development of the year, the introduction of the global minimum tax (Pillar II). Experts have noted that the GloBE rules have already been introduced in more than 45 countries, and most

EU member states will apply the rules starting in 2024. The spread of QDMTT (Qualified Domestic Minimum Top-up Tax) means that source countries will ensure that multinational groups pay at least a 15% effective tax rate through their own supplementary tax. The debate centered on the concept of “decluttering”: how to simplify the complex, thousand-page rulebook that emerged after BEPS so that tax systems remain transparent and functional. The key conclusion of the seminar was that Pillar II can only be successful if coherence is maintained in national legislation and the Safe Harbour rules are permanently incorporated into the system.

▶ Seminar B – Wealth Taxation

The panel analysed the revival of wealth taxation, focusing on the dilemma between tools for reducing wealth inequality and administrative feasibility. Participants analysed different country models, the difficulties of valuing assets, liquidity problems, and constitutional constraints. A key topic within this theme was harmful tax competition, in which an increasing number of countries are offering tax advantages to encourage high-net-worth individuals to move to their country.

▶ Seminar C – Intermediaries’ Liability

This section has discussed the responsibility of intermediaries and advisors in the fight against tax avoidance in connection with DAC 6, which imposes reporting obligations on all participants, advisors, etc., in cross-border structures with certain characteristics. The discussion highlighted that authorities are increasingly looking not only at the responsibility of taxpayers, but also at that of advisors, especially in cross-border transactions.

▶ Seminar D – ESG and Taxation

The panel analysing the relationship between ESG (Environmental, Social, Governance) and taxation focused on the links between tax transparency, responsible corporate behaviour, and sustainable tax policy. Participants provided examples from Latin America, where tax policy and environmental goals are becoming increasingly intertwined.

▶ Seminar E – OECD / Tax Certainty and Growth

Representatives from the OECD and several tax authorities presented global statistics on MAP and APA procedures, the functioning of the ICAP program, and the administrative challenges associated with global minimum taxation.

The main message of the seminar was that legal certainty and the system of advance agreements pay off not only for taxpayers but also for governments, as they reduce the number of disputes and speed up investment decisions.

▶ Seminar F – Transfer Pricing for Services and Financial Transactions

The transfer pricing section analysed the pricing of services and financial transactions within corporate groups, with a particular focus on the benefit test and the distinction between low- and high-value-adding services.

▶ Seminar G – The EU Corporate Tax Environment in a Changing World

The panel presenting the EU legal environment examined the legal basis for tax harmonization, the case law of the CJEU, and the integration of Pillar II into the EU. The discussion raised the idea of an EU-level advance pricing agreement system, which could harmonize the legal solutions of the Member States.

▶ YIN – 21st-Century Workers: Global Mobility and Tax

The forum for young professionals discussed taxation issues related to global labour mobility, including digital nomad visas, the risk of tax residency, cross-border work, and the practical application of social security agreements.

▶ TLP Lunch Dialogue – Pillar II and Its Ramifications

The Travelling Lectureship Programme lunch seminar analysed the effects of the G7 side-by-side agreement, examining how the system aligns with US regulations and what regional experiences have been gained in Europe, Asia, Africa, and Latin America.

## Summary

The plenary sessions and seminars provided a comprehensive overview of the current transformation of international taxation. The panel discussing corporate residence examined the practical difficulties of distinguishing between the place of incorporation and the place of effective management (POEM), with particular regard to remote working, hybrid management, and virtual decision-making. The discussion highlighted the growing role of the Mutual Agreement Procedure (MAP) in addressing multiple residence situations and the increasingly limited applicability of residence as a concept in determining taxing rights in the digital world. The second main topic, concerning the abusive use of double taxation agreements, assessed the practical effectiveness of the PPT and LOB rules set out in Action 6 of the BEPS Action Plan, supplemented by an analysis of significant court cases. Participants emphasized the need to strengthen the source principle, which would enable more equitable enforcement of the taxing rights of source countries.

The seminars addressed the most important current issues in international practice related to the main topics. The session on the implementation of the global minimum tax presented the experiences of more than 45 countries, highlighting the role of QDMTT and Safe Harbour solutions in promoting legal certainty and administrative simplification. The Wealth Taxation panel focused on the social and legal dilemmas of wealth taxation, Intermediaries' liability, and the relationship between ESG and taxation in terms of sustainability and transparency. The OECD / Tax Certainty and Growth seminar examined the investment-promoting role of APA, MAP, and ICAP procedures, while the EU Corporate Tax Environment analysed the development of EU tax harmonization and CJEU case law. The YIN program for young experts addressed tax issues related to global labour mobility, digital nomads,

and cross-border employment, while the TLP Lunch Dialogue assessed the impact of the G7's "side-by-side" agreement and the regional experiences under Pillar II. According to the summary of the Lisbon congress, the future of international taxation depends on coordinated regulation, legal certainty, and a new balance between the source and residence principles. Participants agreed that the success of global tax reform hinges on transparency, predictability, and the strengthening of international cooperation. ■