

# Group Discussion Session

## CASE STUDY 5 - ITALY

## QUESTIONS/ISSUES FOR GROUP DISCUSSION

1. *Is Mexican tax laws give rise to “Disregarded Branch Structures”?*
  - B co is seen as a branch from the perspective of all 3 countries, so it is arguable if it can be considered a hybrid entity, however it is only a formal recognition of the branch, in substance there is no TIN and no tax return, which are strong arguments to apply mismatch rules and deny deduction
  - A TIN number would be a strong base to defend the position of not being a hybrid
  - Also depends on domestic definitions of hybrid mismatch
  - Another version is that mismatch accrued because of Mexico’s choice not to tax the branch, and not because of hybrid mismatch



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1. *Is Mexican tax laws give rise to “Disregarded Branch Structures”?*
  - We have a situation where there is a deduction in Italy but not a full inclusion in head office of Switzerland Ideally Switzerland would had changed it's Tax treaty with Mexico
  - We don't think that in this case we have a disregarded branch structure because the branch is a subject to tax but exempted
  - According to recommendation number 2 on 2017 report this maybe a case of diverted branch payment if Mexico introduce this recommendation
  - .....