Selected US Tax Developments

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APPEALS COURT INVALIDATES US-NETHERLANDS “DOUBLE-DIP” FINANCING STRUCTURE

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An appellate court recently found a US corporation liable for a failure to withhold on interest paid to its Netherlands affiliate. Applying the step-transaction doctrine, the appellate court disregarded the actual loan and treated the interest as paid to the corporation’s Canadian affiliate. Consequently, the US-Netherlands treaty exemption was not available.

Keywords: Treaty; withholding; conduit companies; financing.

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