

Recent Changes concerning the notion of a permanent establishment

The reforms introduced by the Multilateral BEPS Treaty, which was signed by Italy on 7 June 2017, there is also a new notion of permanent establishment that will be introduced to the individual bilateral treaties to which Italy is party automatically, calling for a careful reflection with regard to multinational groups to verify the existence of concealed permanent establishments.

The elaboration of Action 7 in the context of the BEPS project has included a proposal on a number of changes to the notion of permanent establishment set forth in art. 5 of the OECD Model against double taxation.

The objective is to counter the transfer of taxable bases deriving from bad practices aimed at eluding a finding of a permanent establishment. In the wake of these reforms, a process of review or verification of the supply chain in place within groups as well as contractual agreements with the branch has become necessary in order to limit the risk of contestations deriving from the OECD/BEPS indications on permanent establishments.

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