

Telecommunications & Methods for Avoiding Double Taxation

By Paul DePasquale and Alyssa Varley, Baker & McKenzie Zurich

Abstract

Cross-border business and investment activity invariably involves the tax rules of more than one jurisdiction. When multiple jurisdictions impose separate and sometimes conflicting tax rules, cross-border activities can be subject to double taxation. The principal mechanisms for avoiding double taxation are (i) to exempt the income from taxation in one or more jurisdictions (the "exemption method") or (ii) to allow double taxation but permit the taxpayer to claim a credit or deduction for taxes paid in one jurisdiction against his or her tax liability in another jurisdiction (the "credit method"). .

This paper provides a brief overview of the mechanisms governments use for avoiding double taxation. After a brief discussion of the current treatment of the joint provision of international wireless telecommunications services under the International Telecommunications Regulations ("ITRs"), we discuss the principal mechanisms for avoiding double taxation and principal variations for each method. Finally, we illustrate the U.S. experience in mitigating state-level double taxation on telecommunications services.