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# PKF worldwide tax update

March 2026

The content of this PKF Worldwide Tax News has been compiled and coordinated by Stefaan De Ceulaer (**stefaan.deceulaer@pkf.com**) of PKF International. If you have any comments or suggestions please contact Stefaan directly.



# Contents

# Welcome

In this first quarterly issue for 2026, the PKF Worldwide Tax Update newsletter again brings together notable tax changes and amendments from around the world, with each followed by a PKF commentary which provides further insight and information on the matters discussed. PKF is a global network with more than 510 offices, operating in over 150 countries across our five regions, and our tax experts specialise in providing high-quality tax advisory services to international and domestic organisations in all our markets.

In this issue featured articles include discussions on:

- Significant personal and corporate income tax changes in Austria, India, Luxembourg, Malta, Puerto Rico, Romania, Spain and Ukraine
- Indirect taxes and VAT (case law) in Germany, Italy, Portugal, Slovak Republic and the United Arab Emirates
- International tax developments (CFC/thin cap, CbC reporting, BEPS, MLI, Pillar 2, double tax treaties, transfer pricing, etc.) in Hong Kong, Hungary, Peru, Singapore, Switzerland, Taiwan and the United States.

We trust you find the PKF Worldwide Tax Update for the first quarter of 2026 both informative and interesting and please do contact the PKF tax expert directly (mentioned at the foot of the respective PKF commentary) should you wish to discuss any tax matter further or, alternatively, please contact any PKF firm (by country) at **www.pkf.com/pkf-firms**.

# Austria

## New real estate transfer tax legislation since 1 July 2025

The Austrian Budget Accompanying Act 2025 (Budgetbegleitgesetz 2025 – 'BBG 2025') introduced extensive changes to real estate transfer tax (RETT) with effect from 1 July 2025. The objective was to tax large real estate transactions more effectively. To achieve this, the previous RETT provisions were significantly expanded. The new provisions are quite complex but the major changes are summarised below.

### Change in the shareholder composition

Previously, the tax liability only applied to partnerships. RETT was levied if at least 95% of the partnership interests of a partnership (owning Austrian real property) were transferred to new partners within five years.

This rule is now extended to companies. Furthermore, the participation threshold is reduced to 75% and the observation period extended from five to seven years. For the calculation of the 75% threshold, publicly traded shares are disregarded ('stock exchange clause').

### Share consolidation

This provision already applied to corporations and partnerships. RETT was triggered if at least 95% of the company shares were unified within the hands of one person (or Austrian tax group) or at least 95% of the company shares were transferred.

The participation threshold is also reduced to 75%. One of the major changes is that not only direct participations but also indirect participations are covered. For example, anyone who holds 90% of A-GmbH, which in turn holds 85% of B-GmbH (which owns the Austrian real property) has an indirect holding of 76.5% in B-GmbH (90% x 85% = 76.5%) and thus exceeds the decisive threshold of 75%.

If such a combination of shares is not held by a single person, it is sufficient for tax purposes if the shares are held by a 'group of acquirers' (i.e. persons who are grouped under uniform management or are under the controlling influence of one person, e.g. based on syndicate or voting agreements).

### Tax basis and tax rate

The tax rate is generally 0.5% based on the real estate value. Another significant change is the increase in the tax rate and the tax base for transactions involving so-called 'real estate entities'. The tax rate will be 3.5% based on the fair market value.

A partnership or company qualifies as a 'real estate entity' for the purposes of the new RETT rules if its main business purpose is the sale, rental or management of real estate.

### Application of new rules

The new rules apply to transactions after 30 June 2025.

### Example

Mrs Maier holds a 94% stake in a limited partnership that owns an Austrian real property, while M GmbH (which is wholly owned by Mrs Maier) holds the remaining 6%. Mrs Maier sells her limited partnership shares and M GmbH to an industrial company. Under the previous legal situation, this did not trigger any RETT. Under the new rules, RETT is levied. If the limited partnership is a real estate entity, the RETT amounts to 3.5% of the fair market value of the Austrian real property (otherwise 0.5% of the property value).

### PKF Comment

If you believe the above measures may impact your business or require any advice with respect to Austrian taxation, please contact Stephan Roesslhuber at **Stephan.roesslhuber@pkf-roesslhuber.at** or call **+43 662 84 22 90**.

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# Germany

## EU to abolish €150 duty-free allowance from 2026

At the Council meeting of finance ministers on 13 November 2025, the EU agreed, among other things, to abolish the €150 duty-free allowance from the year 2026.

Currently, parcels sent from a non-EU country to a consumer in the EU are not subject to customs duties if the value of the goods is less than €150 (known as the de minimis customs threshold). In addition to import VAT, a customs declaration is also required, but no customs duties are levied. Due to unfair competition from the influx of cheap goods from non-EU countries (especially China), EU finance ministers already agreed in the past to abolish the €150 duty-free limit. This was planned for 2028 following the introduction of a central EU customs data platform. At the Council meeting on 13 November 2025, due to the urgency of the situation, it was agreed to create a simple, temporary solution as soon as possible in 2026. Another reason for this was to avoid individual EU Member States creating unilateral regulations in advance. It remains to be seen what the exact transitional solution will look like.

Entrepreneurs who currently benefit from the €150 duty-free limit are strongly advised to consider how to deal with the imminent new circumstances (e.g. adjustment of the flow of goods, if necessary) and should follow developments in the coming weeks.

## Intra-Community triangular transaction involving four parties

The intra-Community triangular transaction is a special form of a chain transaction. One of the prerequisites for an intra-Community triangular transaction is that the moved supply must be attributed to the first delivery in the chain transaction. This means that the middle entrepreneur must generally declare an intra-Community acquisition of goods in the country of destination. Intra-Community triangular transactions simplify matters for the middle entrepreneur in that their intra-Community acquisition of goods is considered to be taxed and the VAT treatment of the subsequent delivery in the country of destination is the responsibility of the final customer under the reverse charge procedure. Both of these factors ensure that the middle entrepreneur does not have to register for VAT purposes in the country of destination in the course of the triangular transaction.

It is questionable whether the simplification also applies to scenarios involving more than three entrepreneurs. In section 25b.1 para. 2 of the VAT application degree, the German tax authorities assume that, in a chain transaction involving four parties, an intra-Community triangular transaction only applies to the 'last triangle'. This means that the simplification rule does not apply to entrepreneurs that are not in the middle of the 'last triangle'. Other Member States of the European Union take a different view and also apply the simplification of intra-Community triangular transactions to middle entrepreneurs in four-party scenarios. If the application of an intra-Community triangular transaction is refused, the penalty tax that arises as a result of the middle entrepreneur inevitably using the wrong VAT identification number must also be taken into account (declaration of the intra-Community acquisition of goods without

input VAT deduction in the country whose VAT identification number has been used).

Against the background of this inconsistent handling, the ruling of the General Court of the European Union ('EGC') of 3 December 2025 (case T-646/24) is significant. The case concerned a four-party chain transaction in which the supply chain was formed between a German (UDE), a Slovenian (USI) and two Danish entrepreneurs (UDK1, UDK2) and in which the goods were supplied directly from UDE in Germany to UDK2 in Denmark. The EGC had to clarify whether UDK1 actually had to physically receive the goods in order to apply the simplification of the intra-Community triangular transaction. The court ruled that the simplification of the intra-Community triangular transaction can also be applied to four parties, provided that the conditions for the intra-Community triangular transaction are met. UDK1 does not have to physically receive the goods but merely has legal power of disposal over them. The latter was the case, as UDK1 resold the goods to UDK2. In addition, the EGC held that the simplification cannot be applied if USI knew or should have known that it was participating in VAT evasion.

The German tax authorities' view on four-party intra-Community triangular transactions therefore conflicts with the EGC ruling. It remains to be seen how the German tax authorities will respond to the ruling. An amendment to the VAT application degree is indicated.

Entrepreneurs who carry out similar four-party chain transactions are advised to review their supply chains in order to take advantage of simplification options or, if necessary, to defend themselves against existing claims relating to 'penalty tax'.

### PKF Comment

If you believe any of the above measures may impact your business or require any advice with respect to German indirect taxes, please contact Dr Mario Wagner at **mario.wagner@pkf-fasselt.de** or call **+49 40 180401 162**.

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# Hong Kong

## New comprehensive double taxation agreement with Norway

Hong Kong has further strengthened its international tax treaty network with the signing of a new comprehensive double taxation agreement (CDTA) with Norway, bringing the total number of CDTAs to 55. The Hong Kong–Norway CDTA, signed on 16 December 2025, aims to eliminate double taxation, provide greater tax certainty and enhance cross border investment flows between the two jurisdictions. Under the agreement, Norway's withholding tax on dividends, currently up to 25%, will be reduced to 5% or 15%, depending on the shareholder's level of ownership.

## Launch of Pillar Two Portal for top-up tax notifications and top-up tax returns

In late September 2025, the Hong Kong Inland Revenue Department (IRD) issued letters to Hong Kong entities of multinational enterprise (MNE) groups that may fall within the scope of the global minimum tax (GMT) and the Hong Kong minimum top up tax (HKMTT). The letters invited these entities to apply for group codes in preparation for the upcoming electronic filing of top up tax notifications and top-up tax returns through the new Pillar Two Portal.

Entities of in-scope MNE groups are required to file top-up tax notifications and top-up tax returns in the form of an electronic record using the Pillar Two Portal designated by the IRD. The first phase of the Pillar Two Portal was launched in January 2026, enabling entities to file annual top-up tax notifications relating to their obligations for filing top-up tax returns. The second phase is scheduled for launch in the fourth quarter of 2026 to accommodate the filing of top-up tax returns, as well as to enable entities to view and download notices of top-up tax assessments.

The Pillar Two Portal is an extended function of the existing Business Tax Portal (BTP). The entities that are required to file top-up tax notifications for the MNE groups ('notifying entities') must register their dedicated business accounts under the BTP to access the Pillar Two Portal directly. The notifying entities are required to file their top up tax notifications online through the Pillar Two Portal within six months after the end of their fiscal year. The notifying entities may authorise a duly appointed service provider or tax representative to access the online services of the Pillar Two Portal on their behalf for both GMT and HKMTT purposes.

### PKF Comment

The recent developments reflect Hong Kong's continued efforts to strengthen cross border economic cooperation and facilitate compliance processes. The new CDTA with Norway reinforces Hong Kong's commitment to expanding its international tax treaty network and improving tax efficiency for outbound and inbound investments. Meanwhile, the launch of the Pillar Two Portal represents a significant milestone in implementing GMT requirements, enabling MNE groups to manage their obligations more efficiently. Businesses operating in or through Hong Kong should review the potential implications of these updates and consider early preparation for the increasingly complex compliance landscape.

For further information concerning the above or any service request with respect to Hong Kong taxation, please contact Henry Fung (Tax Partner) at **henryfung@pkf-hk.com** or call **+852 2806 3822**.

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# Hungary

## New Hungarian transfer pricing regulations introduced

Hungary has introduced a new transfer pricing decree (NGM Decree No. 45/2025 (XII. 23.)), modernising its documentation and reporting framework in closer alignment with the OECD Transfer Pricing Guidelines. While the regulation partly aims to reduce the administrative burden for taxpayers, it also introduces several substantive changes that multinational groups should carefully assess.

### Higher documentation threshold – HUF 150 million (€395,000)

The documentation threshold has been increased from HUF 100 million to HUF 150 million (net, VAT excluded). While the principle of aggregating related-party transactions already existed under the previous rules, the new decree redefines and further specifies the aggregation criteria.

Similar or economically linked transactions must still be assessed together; however, different categories of transactions (production, distribution, services, financial transactions and transactions involving intangible assets) may not be aggregated.

### Master file obligation linked to a new value threshold

Under the new regulation, a master file is required only if the total value of transactions subject to local file documentation exceeds HUF 500 million (€1.3 million). This change further supports the legislator's objective of reducing the administrative burden for smaller and less complex taxpayer profiles.

### Stricter benchmarking requirements

The decree introduces explicit minimum methodological requirements for benchmarking studies and database searches. While these requirements largely reflect established international practice, their formalisation means that existing benchmark studies – particularly those obtained from foreign group companies – may no longer be compliant and may require revision or replacement.

### Introduction of the benefit test

For intra-group services, the regulation formally introduces a mandatory benefit test. Taxpayers must demonstrate that the services received provide a genuine economic or commercial benefit and that an independent party would have been willing to pay for such services under comparable circumstances.

### Segmentation requirements – including foreign counterparties

The new decree strengthens financial segmentation requirements, explicitly requiring that profitability indicators be calculated using only revenues and costs attributable to the relevant controlled transaction or activity. Importantly, this requirement applies even where the counterparty is a foreign related entity. No unallocated residual items may remain after segmentation.

### Revised framework for low value-adding services

The decree significantly updates the framework for low value-adding intra-group services, while continuing to allow simplified treatment under stricter conditions. Only services that are not provided by any group member to independent third parties, are not capable of creating or enhancing valuable intangibles and do not give rise to significant risks for the service provider may qualify as low value-adding services.

With respect to pricing, the regulation clarifies that for received low value-adding services, the applicable markup is capped at 5% and for provided low value-adding services, the applicable markup must be at least 5%.

A key practical requirement is the robust substantiation of the cost base. The cost base must be traceable and supportable through the accounting system and must be built and allocated in a way that is consistent with the regulation's segmentation requirements.

The new rules will apply to tax years starting in 2026. Taxpayers may choose to apply the new documentation requirements to local files prepared for the 2025 tax year, while transfer pricing data reporting in the corporate income tax return will continue to follow the previous rules.

### PKF Comment

While the higher thresholds reduce the number of taxpayers and transactions subject to documentation, the new regulation introduces significantly higher qualitative, quantitative and transparency requirements for transactions that remain in scope. Given that the decree is new and materially changes several core elements of the Hungarian transfer pricing framework, a number of interpretation uncertainties and practical application risks have already emerged.

In response, the Ministry is expected to issue official interpretative guidance. However, based on current experience, this guidance is unlikely to address all taxpayer-specific situations. As a result, case-by-case clarification requests and individual interpretations are expected to become increasingly necessary, particularly in relation to transaction aggregation, benchmarking methodologies, benefit testing and segmentation.

Multinational groups with Hungarian operations should therefore take a proactive and risk-aware approach, review their transfer pricing policies and documentation well ahead of filing deadlines and closely monitor both official guidance and emerging administrative practice.

## New corporate income tax incentives for environmentally friendly investments

### Corporate income tax credit for investments aimed at providing clean manufacturing technologies

The scope of the current development tax credit has been extended to investments aimed at ensuring manufacturing capacity for clean technologies. The legislative amendment defines the concept of 'clean technology', which essentially refers to environmentally sustainable technologies based on EU standards (Commission Communication C/2025/3602). The tax credit is accessible without minimum investment value thresholds; however, the claimant must comply with the strict administrative requirements prescribed by the implementing decree (i.e. Government Decree No. 165/2014 (VII. 17.)).

### New corporate income tax credit for a wider range of environmentally friendly investments

The 2025 year-end tax amendment package has introduced a new environmental investment tax credit. This incentive is not limited to greenfield investments, but may also be claimed for any investment or renovation with a present value of at least HUF 100 million, provided that its objective is the prevention or remediation of environmental damage, the rehabilitation of degraded ecosystems, adaptation to the effects of climate change or the preservation of ecosystems that are still in a good condition.

The tax credit may be utilised in the tax year of the investment and in the five subsequent tax years; in other words, it can be spread over a total period of six tax years.

The amount of the tax credit available to the taxpayer depends on the type of investment and the amount of eligible costs incurred. Small and medium enterprises are entitled to a higher tax credit for the same investment. The total amount of the tax credit, in any case, may not exceed the HUF equivalent of €30 million and may not be

combined with other tax credits provided by the Hungarian corporate income tax regime. Investment costs financed from central subsidies may not be considered for the purposes of the tax credit.

Prior to claiming the tax credit, official notification must be submitted to the Ministry of National Economy, confirming the exact nature of the underlying investment. The detailed conditions for eligibility and the applicable procedural rules for claiming the tax credit are laid down in a ministerial decree.

### PKF Comment

The new tax credit related to environmentally friendly investments is subject to strict conditions, which must be assessed separately for each individual investment before the taxpayer notifies the Ministry of National Economy of its intention to claim the tax credit. The legislation excludes certain types of investments from the scope of the tax credit (e.g. investments aimed at remedying the damages caused by natural disasters or the recultivation of mining areas), and taxpayers in financial difficulty or subject to enforcement proceedings are similarly not eligible to claim the tax credit. Determining the extent to which a given investment serves the remediation of environmental damage or the protection of existing ecosystems is a matter of professional judgement, on which the ministry responsible for environmental protection takes a position.

## Implementation rules for global minimum tax

**The Hungarian Ministry for National Economy has very recently introduced two important decrees which set out detailed implementation rules for the application of exemptions available under Pillar 2 tax as well as the implementation rules relating to registration, tax returns and tax payments concerning global minimum tax in Hungary.**

Decree No. 38/2025 establishes detailed rules for the application of exemptions under the global minimum tax, replacing earlier high-level references to OECD model rules with concrete domestic provisions. It defines key anti-avoidance concepts such as deduction without inclusion, double deduction and double tax credit, and introduces the notion of non-material group entities. The decree also sets out the conditions and time limits for applying transitional exemptions based on country-by-country reporting, as well as specific exclusions aimed at mitigating tax avoidance risks. Additional exemptions are provided for qualified domestic minimum top-up taxes (QDMTT) and for undertaxed profits rule (UTPR) liabilities, subject to strict eligibility criteria and annual elections.

Decree No. 4/2026 complements these rules by introducing detailed procedural requirements relating to registration, advance payments, tax returns and tax payments under the global minimum tax. It clarifies the role of designated local entities, specifies correction obligations in the event of data changes and defines the data content of advance and final tax returns for QDMTT, income inclusion rule (IIR) and UTPR liabilities. The decree also addresses practical issues such as foreign currency reporting, payment mechanics and exchange rate conversion. Together, these decrees provide a comprehensive and more predictable domestic framework for complying with Pillar 2 obligations in Hungary, while offering targeted simplifications and transitional relief for affected multinational groups.

### PKF Comment

For further information or advice concerning the above or any advice with respect to Hungarian taxation, please contact Krisztián Vadkerti at **vadkerti.krisztian@pkf.hu** or call **+36 1 391 4220**.

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# India

## Key features of the Finance Bill 2026

The Finance Bill 2026 was introduced in the Lok Sabha on 1 February 2026 by Finance Minister (FM) Nirmala Sitharaman to give legal effect to the government's budget proposals for the financial year 2026–27. This Bill seeks to amend existing tax laws and introduce new provisions that support the Union Budget's objectives of economic growth, tax simplification and fiscal discipline. Presenting her ninth consecutive budget, the FM focused on broad-based structural reforms amid a challenging global environment.

### Key features of the Finance Bill 2026 – Direct tax:

Income tax

#### 1. Tax and compliance reforms

- The new Income Tax Act, 2025 – intended to simplify and modernise tax law – is set to come into effect from 1 April 2026, replacing the decades-old 1961 Act.
- Income tax slabs remain unchanged, but several compliance and procedural measures are reworked to reduce burden and litigation.

#### 2. Measures for ease of doing business

- Reporting obligations and penalties are rationalised in several areas, including greater reliance on trust-based disclosure and reduced prosecution for minor offences.

### Key features of the Finance Bill 2026 – Indirect tax:

Goods and services tax

#### 1. Simplification of valuation rules

- Amendments are proposed to clarify how taxable value is determined under the CGST Act, especially for post-sale discounts, reducing disputes and litigation.

#### 2. Place of supply for intermediaries

- The Budget proposes to align the place of supply rules for intermediary services with general GST principles – this aims to reduce interpretation issues in cross-border service transactions.

The Finance Bill will attain the status of an Act only after receiving the assent of the Honourable President of India, following which it is published in the Official Gazette and brought into force as per the notified provisions.

## Supreme Court ruling on tax residency certificate

### **Supreme Court: Tax residency certificate not sufficient proof of residency, Tiger Global not exempt from taxation on sale of shares in Flipkart** (The Authority for Advance Rulings vs. Tiger Global International II Holdings, The Authority for Advance Rulings vs. Tiger Global International III Holdings and The Authority for Advance Rulings vs. Tiger Global International IV Holdings)

### Overview

The Supreme Court of India (SC) has ruled, in the cases of The Authority for Advance Rulings vs. Tiger Global International II Holdings, The Authority for Advance Rulings vs. Tiger Global International III Holdings and The Authority for Advance Rulings vs. Tiger Global International IV Holdings, that the Tiger Global entities in Mauritius (the taxpayers) executed an impermissible avoidance arrangement under the domestic general anti-avoidance rules (GAAR) provisions. Accordingly, they cannot claim the grandfathering benefit on capital gains under Article 13 of the India–Mauritius Income Tax Treaty (1982) on the sale of shares of a Singapore company that derived substantial value from assets in India. Further, a mere tax residency certificate (TRC) is not conclusive evidence for establishing tax residency, and the tax authority can make an enquiry into the commercial substance of the entity.

## Facts

The taxpayers, being Mauritius tax residents holding a category 1 global business licence (GBL) and a TRC, held shares of Flipkart Singapore ('SCO'). SCO made multiple investments in India, and the value of its shares was derived substantially from assets located in India. In 2018, the taxpayers sold the shares of SCO to a Luxembourg company (as part of a broader transaction involving the majority acquisition of SCO by Walmart US, from several shareholders, including the taxpayers).

The taxpayers approached the Authority for Advance Rulings (AAR) for an advance ruling on whether the sale transaction would be chargeable to tax in India. The AAR concluded that the transaction was prima facie designed for the avoidance of income tax and therefore rejected the application for an advance ruling considering the jurisdictional bar to maintainability.

The taxpayers approached the High Court (HC), which held that they were entitled to treaty benefits and that their income would not be chargeable to tax in India.

The SC stayed the decision of the HC, stating that the issues required thorough consideration and that the AAR was right in rejecting the advance ruling application.

## Findings of the apex court

- **Upholding the AAR's rejection**

  The AAR was correct in rejecting the application as being non-maintainable as it is barred from allowing an application if the issue relates to a transaction 'prima facie' designed for the avoidance of tax.

- **TRC is not conclusive evidence**

  A TRC is merely an 'eligibility condition' and is not sufficient on its own to establish the tax residence of a taxpayer. The tax authority is entitled to make an enquiry. In the given case, the tax authority had established that the transaction lacked commercial substance. Further, income from the transfer of shares of SCO was taxable in India as those shares derive substantial value from Indian assets, as per the provisions of the Act.

- **Control and management test**

  The residence of a company is determined by its situs of control and management. In this case, the real control over transactions exceeding $250,000 was exercised by a non-resident in the USA, rather than the Board in Mauritius, rendering the Mauritius entities 'see-through' conduit structures.

- **Applicability of GAAR**

  The SC emphasised that, while investments made before 1 April 2017 are generally grandfathered, there is no absolute benefit under the Act. In other words, treaty provisions would not be available if a GAAR is invoked to prevent treaty abuse through aggressive tax planning. As the transaction was found to be an 'impermissible avoidance arrangement', the taxpayers were not eligible for capital gains tax exemption under articles of the treaty.

- **Assertion of tax sovereignty**

  The SC highlighted that tax sovereignty is an inherent right of a nation to tax income arising from its soil and retaining it is a vital tool against tax avoidance.

## Judgment passed

The SC's decision in Civil Appeal Nos. 262, 263 and 264 of 2026 was pronounced on 15 January 2026. The SC held that the transactions in the present case constitute impermissible tax avoidance arrangements and, on a prima facie basis, fail to qualify as lawful. Hence, the advance ruling application was held to be not maintainable.

Accordingly, the judgment of the Delhi HC was set aside, and the AAR's rejection of the application was upheld.

### PKF Comment

If you believe the above measures may impact your business or require any advice with respect to Indian taxation, please contact Sudha Ashok at **sudha.a@pkfindia.in** or call **+91 44 2811 2985**.

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# Italy

## Italy expands automatic tax information exchange to crypto and e-money

As of 1 January 2026, Italy has expanded its international tax information exchange regime to include electronic money and crypto assets. The reform, introduced by a ministerial decree dated 30 December 2025, published on 31 December 2025, updates the procedures for cooperation with foreign tax authorities.

The changes implement EU Directive 2023/2226 (DAC8), which extends automatic information exchange among EU Member States to crypto-asset transactions and e-money, integrating digital tools into the existing fiscal cooperation framework.

The scope of 'financial activities' and 'financial institutions' has been broadened to explicitly cover e-money, central bank digital currencies and crypto assets. As a result, intermediaries holding these assets for clients are now subject to reporting and exchange obligations, aligning them with traditional financial accounts.

Each year, by 15 May, the Ministry of Economy and Finance and the Italian Tax Agency must publish updated lists of jurisdictions participating in the automatic exchange of information.

From an operational standpoint, institutions must keep client data up to date in line with AML and KYC requirements. Temporary transitional rules apply for reporting years 2026 and 2027, allowing limited use of previous reporting procedures for accounts existing as of 31 December 2025, where additional information is not yet available.

Overall, the reform aligns Italy with EU and OECD standards, including the Crypto-Asset Reporting Framework, strengthening tax transparency and reducing cross-border tax evasion in the digital economy.

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### PKF Comment

This reform significantly expands Italy's tax transparency framework by extending automatic information exchange obligations to crypto assets and electronic money. Financial intermediaries operating in these sectors will need to assess the impact on their reporting, compliance and client due diligence processes, particularly in light of the new DAC8 requirements and the transitional rules for 2026–2027.

If this measure may affect your clients or operations, our VAT team in Italy is available to provide guidance on the regulatory implications and assist with compliance.

You can contact our professionals at PKF Studio TCL - Tax Consulting Legal at **studiotcl@pkf-tclsquare.it** or call **+39 010 8183250** (Genoa office).

## EU cross-border VAT exemption for small businesses

On 18 December 2025, Italy's Revenue Agency issued guidance on the new EU-wide VAT exemption regime for small businesses, introduced by Legislative Decree No. 180/2024 implementing EU Directive 2020/285.

The reform allows eligible small businesses established in one EU Member State to supply goods and services in other Member States without charging VAT, while benefiting from simplified compliance. This marks a major shift from the previous system, under which VAT exemptions applied only domestically and cross-border activities required separate VAT registrations in each country.

To qualify, businesses must meet two thresholds: the national turnover limit set by each Member State of exemption and an overall EU-wide turnover cap of €100,000 per year. Participation in the cross-border regime is optional and independent from domestic VAT exemption schemes, meaning businesses may apply the national regime, the EU cross-border regime or both.

For Italian-established businesses, access to the regime requires a prior online notification to the Revenue Agency, which assesses eligibility in coordination with other Member States.

Overall, the new framework aims to reduce the administrative burden, support small businesses in cross-border trade and strengthen the EU single market by simplifying VAT compliance.

### PKF Comment

This new VAT exemption regime represents a significant simplification for small businesses engaged in cross-border activities, removing the need for multiple VAT registrations and reducing the compliance burden. Businesses will need to carefully assess their eligibility against both national and EU turnover thresholds and evaluate whether opting into the cross-border regime is beneficial compared to domestic VAT schemes.

If this reform may impact your business or your clients' cross-border operations, our VAT team in Italy is available to provide guidance on eligibility, procedural requirements and practical implementation.

You can contact our professionals at PKF Studio TCL - Tax Consulting Legal at **studiotcl@pkf-tclsquare.it** or call **+39 010 8183250** (Genoa office).

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# Luxembourg

## Luxembourg taxes: What should you be looking for in 2026?

2026 will see the implementation of a series of tax changes that will affect companies and funds in Luxembourg. The following key measures are newly applicable in 2026 or require first reporting in 2026 and may be of interest to international investors.

### Pillar 2, global minimum tax and DAC9 reporting

The first reporting deadline for in-scope multinational groups is 30 June 2026. The dedicated online procedure for registration in Luxembourg is now available.

Luxembourg entities that are members of in-scope multinational groups will have to register, update their registration and deregister, as applicable, according to Luxembourg law from the year during which the group becomes subject to Pillar 2.

The GloBE information return (GIR) will also have to be filed before 30 June 2026. Luxembourg entities may be exempted from filing the GIR if it is filed by a parent entity (either the ultimate parent entity or another designated entity in a country that has an eligible tax agreement with Luxembourg). In this case, Luxembourg entities will have to indicate the name of the filing entity and the related jurisdiction.

Parent or designated entities in Luxembourg must also declare and pay their income inclusion rule (IRR) tax, undertaxed profits rule (UTPR) tax and qualified domestic minimum top-up tax (QDMTT). Depending on the entities paying IRR, UTPR and QDMTT, several top-up tax returns may have to be filed.

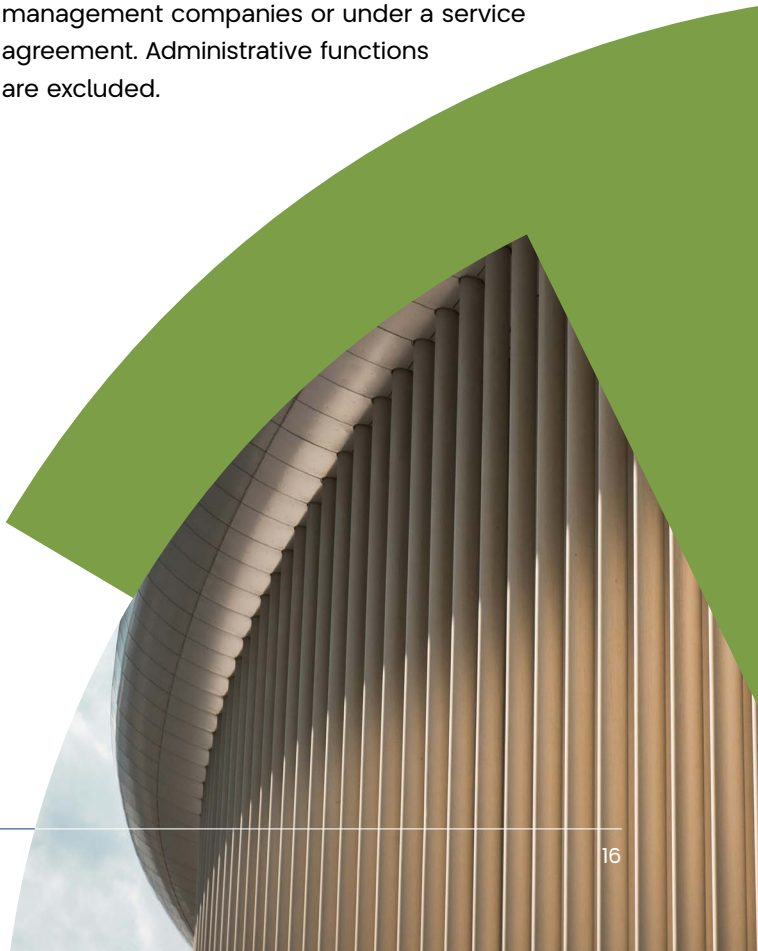
Entities failing to comply with registration/ deregistration requirements may be liable to penalties of €5,000 and entities failing to comply with GIR requirements may be liable to penalties of up to €250,000.

### New carried interest regime

Luxembourg has introduced a new carried interest regime. Carried interest is defined as profit-sharing in the outperformance achieved by an alternative investment fund (AIF) management team for an AIF. The aim of the new regime is to clarify and broaden the existing regime and reinforce Luxembourg as the preferred European hub for the alternative investment industry.

Two types of carried interest are now targeted: contractual carried interest and participation-linked carried interest, both earned by the AIF management team. Contractual carried interest, not requiring any equity stake from the beneficiary, is taxed in the case of individuals who are beneficiaries as speculative gains at one quarter of the taxpayer tax rate (i.e. approximately 13%). Participation-linked carried interest is also taxed as speculative gains but fully exempt from taxation, provided that the shareholding was acquired at least six months ago and the beneficiary does not hold a significant interest (i.e. not more than 10%).

The new regime applies to individuals managing AIFs whether as employees, directors, managers, management companies or under a service agreement. Administrative functions are excluded.



## Start-up tax credit

Luxembourg has implemented a tax credit for individuals investing in innovative and young enterprises. Individuals can claim a 20% tax credit for qualifying cash subscriptions between €10,000 and €100,000 per year. To qualify for the new investment tax credit, the subscription must be made in cash for newly issued shares, directly held by the taxpayer. The taxpayer must also hold the shares for at least three years, with a maximum investment of 30% in the enterprise's share capital. Qualifying start-ups must focus on innovation and development and the qualifying investment is limited to €1,500,000 per entity.

## Public country-by-country reporting

EU country-by-country reporting (CbCR) applies in Luxembourg to financial periods starting on or after 22 June 2024. Most companies will be subject to public CbCR for financial year 2025 and reporting should take place before the end of 2026.

Public CbCR is an additional compliance requirement to non-public CbCR obligations. While some financial and tax data might overlap with non-public CbCR, public CbCR must be understandable to stakeholders and include notes, charts and any other relevant statements of clarification.

## DAC8 and crypto assets tax reporting

From 1 January 2026, crypto asset service providers (CASP) will have to report users' transactions. The first reporting will take place in June 2027 and will apply to Luxembourg CASP and non-EU CASP servicing EU users. Luxembourg's draft law has not yet been approved.

### PKF Comment

For further information or advice with respect to Luxembourg taxation, please contact Audrey Mertz at **audrey.mertz@pkf.lu** or call **+352 28 80 12**.

BACK

# Malta

## Some key 2026 tax developments

### Update to the tax bands on employment income

A revision to the tax bands covering employment income was declared during the 2026 Budget speech which came into effect from 1 January 2026, with a new tax band being introduced to benefit parents in a bid to increase the birth rate. This change will be phased in over three years, starting with income earned in 2026.

### Streamlined special tax regime

The government has also introduced the 'Tax Treatment of Highly Skilled Individuals Rules' which seek to consolidate several specialised programmes into one, whereby a 15% flat tax rate on qualifying employment income is charged for eligible expatriates working in specified sectors.

### Final income tax without imputation regulations

Malta introduced an optional tax regime through Legal Notice 188 of 2025. This provides companies registered in Malta with an alternative to the traditional full imputation system.

Under this regime, a qualifying company may elect to pay a flat 15% tax on its chargeable income without the option of claiming a tax refund as is possible with the traditional system.

Once a company elects to adopt this approach, it must apply this regime for the upcoming five years and cannot opt out before the end of that period. Similarly, having opted out, an entity cannot opt back in for a period of five years.

This mechanism was created to offer an alternative, more predictable system which is more aligned with the OECD's Pillar 2.

### Benefits of investing in AI

From 2026, the Maltese government has introduced a 175% deduction for eligible research and innovation expenditure with an aim to boost research into the field of artificial intelligence (AI). Through this deduction, companies may claim €1.75 for every €1 spent on such qualifying research expenditure.

Other key benefits include accelerated depreciation over two years for investments in AI, digitalisation, automation, modernisation and cybersecurity as well as a €100 million budget to incentivise the adoption of technologies such as AI, cybersecurity and robotics, amongst others.

**PKF Comment**

If you believe the above measures may impact your business or personal situation or require any advice with respect to Maltese taxation, please contact Isaac Vella at **isaac.vella@pkfmalta.com** or call **+356 2149 3041**.

BACK

# Peru

## Peru ratifies the MLI

Through D.S. 013-2025-RE (published 27 May 2025), Peru ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI), adopted in Paris on 24 November 2016, signed by Peru on 27 August 2019 and approved by Legislative Resolution No. 32285, dated 2 April 2025. The MLI is an OECD/G20 instrument that allows coordinated modification of double tax treaties and incorporates anti-abuse clauses and BEPS minimum standards, without the need to renegotiate each bilateral treaty.

It does not apply automatically to all double tax treaties, but only to those declared as covered tax agreements (CTA) by both parties. In Peru's case, the double tax treaties notified as CTA are those concluded with Brazil, Canada, Chile, South Korea, Mexico, Portugal and Switzerland.

The MLI entered into force for Peru on 1 October 2025. Its effects on each double tax treaty depend on the MLI being in force in both jurisdictions. The MLI takes effect as follows:

- Withholding taxes: Effective from 1 January of the year following the last entry into force.
- Other taxes (non-withholding): Effective for periods beginning six months after the last entry into force.

In practice, if the counterparty already had the MLI in force in 2025, the effects operate from 1 January 2026 (withholding taxes) and 1 April 2026 (non-withholding taxes). If the counterparty puts the MLI into force in 2026, the effects are deferred to 1 January 2027 (withholding taxes) and six months after the date of entry into force for other taxes.

### PKF Comment

If you believe the above measures may impact your business or require any advice with respect to Peruvian taxation, please contact Renato Vila at **rvila@pkfperu.com** or call **+51 142 16 250**.

BACK

# Portugal

## Recent tax developments: Reduction in CIT rate, VAT group regime and global minimum tax

### Reduction in the CIT rate

The standard corporate income tax rate, which was 20% in 2025, has been reduced to 17% with effect from 2028. During the transitional period between 2025 and 2028, the CIT rate is progressively reduced to 19% in 2026 and to 18% in 2027.

Furthermore, companies qualifying as a small or medium-sized enterprise (SME) or as a small mid-cap company will benefit from a reduced rate of 15% on the first €50,000 of taxable income (with the excess taxable at the standard rate).

### VAT group regime

Portugal has introduced a VAT group regime applicable to tax periods beginning on or after 1 July 2026. The regime allows VAT to be assessed at a group level through the aggregation of the VAT payable and deductible balances of the entities included in the VAT group.

The members forming part of a VAT group must have a close financial, economic and organisational link with the dominant company, as follows:

- Financial link – The dominant entity must hold, directly or indirectly, at least 75% of the share capital and more than 50% of the voting rights in the companies included in the VAT group.
- Economic link – Group entities must carry out similar, complementary or interdependent economic activities.
- Organisational link – The entities must operate under a common management structure or a shared business strategy.

The regime is optional and must be maintained for a minimum period of three years.

The dominant entity is responsible for complying with the reporting and payment obligations at group level. The dependent entities are jointly and severally liable for the VAT debts of the group.

VAT credits generated at group level may be carried forward or refunded under the general VAT rules. VAT credits arising before a company is included in the group can only be offset against the group VAT liability up to the corresponding amount imputable to that entity.

If a VAT credit remains at the time the VAT group ceases, the dominant entity may request a VAT refund under the general VAT rules.

### Global minimum level of taxation/Pillar 2 – Registration return (form 62)

Constituent entities located in Portugal and subject to the Pillar 2 regime are required to present to the Portuguese Tax Authorities (PTA) a registration return of the local constituent companies (form 62). The deadline for submission of this return was initially established as 31 December 2025, but it has been extended to 31 March 2026.

By filing this form, the constituent declaring entity reports the information below to the PTA:

(i) the different constituent entities that locally form part of an MNE group or large-scale domestic group subject to the Pillar 2 regime;

(ii) the ultimate parent entity (UPE); and

(iii) the designated entity appointed to file the GloBE information return (GIR).

There are two alternatives for submitting form 62: (i) submission of one form by each local constituent entity; or (ii) submission of a single form by a designated local constituent entity. Under option (ii), the other group entities located in Portugal must confirm their assigned designation on the PTA portal within 15 days of the submission of form 62. If any of the constituent entities identified in the registration return fails to submit such confirmation, all the constituent group entities are notified to submit a new form 62.

Fines for non-submission of the return range from €5,000 to €100,000, plus a penalty of 5% for each day of delay. Fines for omissions or inaccuracies (not constituting tax crime, tax fraud or falsification of fiscally relevant documentation) range from €500 to €23,500.

**PKF Comment**

For further information or advice concerning Portuguese tax matters, please contact José Parada Ramos at **paradaramos@pkf.pt** or call **+351 213 182 720**.

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# Puerto Rico

## Key tax highlights

### Puerto Rico strengthens oversight of tax incentives

Puerto Rico continues to promote itself as an attractive location for international business, particularly for US-linked operations, manufacturing and nearshoring initiatives. At the same time, tax authorities have increased their focus on compliance and transparency for companies benefiting from local tax incentives under Act 60 (Puerto Rico Incentives Code).

During late 2025 and early 2026, authorities emphasised that incentive benefits must be supported by real economic activity on the island, including local employees, physical operations and active business functions. Companies holding incentive decrees are facing closer review of their annual filings and reporting obligations.

### Growing attention on US–Puerto Rico cross-border transactions

Although Puerto Rico is not covered by US income tax treaties, cross-border transactions involving Puerto Rican entities are receiving increased attention from tax authorities. This includes arrangements involving management services, intellectual property and inter-company charges between Puerto Rico and related entities abroad.

Tax authorities are increasingly focused on whether these structures reflect genuine business activity and appropriate pricing. For international groups, this means that Puerto Rican operations are being evaluated under principles similar to those applied in other global tax jurisdictions, including substance and transfer pricing considerations.

### Increased enforcement by the Puerto Rico Treasury Department

The Puerto Rico Treasury Department has continued to strengthen enforcement efforts, particularly in relation to:

- withholding taxes on payments to non-residents;
- related-party transactions, including management fees and royalties; and
- consistency across income tax, payroll and sales tax filings.

Greater use of electronic reporting and data analysis tools has made it easier for authorities to identify discrepancies and compliance gaps.

### Puerto Rico's role in nearshoring and supply chain strategies

Puerto Rico remains an important player in US and global nearshoring strategies, especially in the life sciences and advanced manufacturing sectors. Tax incentives remain available and competitive, but authorities are placing greater emphasis on long-term compliance, operational substance and alignment with broader supply chain objectives.

For international investors, Puerto Rico continues to offer a compelling combination of tax benefits, skilled workforce and access to US markets – provided that structures are properly designed and maintained.

### Key takeaways for international businesses

- Puerto Rico tax incentives remain attractive, but compliance expectations are increasing.
- Substance, documentation and consistent reporting are becoming more important than ever.
- Proactive tax planning and local guidance can help businesses manage risk and preserve incentives.

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### PKF Comment

PKF Puerto Rico advises international clients on structuring, compliance and cross-border tax matters involving Puerto Rico, helping businesses navigate both opportunities and evolving regulatory expectations.

For further information concerning taxes in Puerto Rico, please contact Edwin Torres Castro at **etorres@pkfpuertorico.com** or call **+1 787 400 9548**.

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# Romania

## Recent tax and legislative updates

### 1. Law No. 239 of 15 December 2025 (Official Gazette No. 1160 of 15 December 2025)

#### 1.1 Payment account in Romania

The law requires companies to hold a payment account in Romania or at a unit of the State Treasury.

#### 1.2 New fines for local tax authorities

The new regulations introduce, among other things, a fine for local tax authorities, ranging from 2,000 to 10,000 lei for failing to transmit to the central tax authority information regarding:

- real estate owned by residents of other European Union Member States; or
- real estate and means of transport owned by natural or legal persons who are obliged to declare them in Romania.

#### 1.3 Restrictions on the assignment of shares

Within 15 days of a share transfer, the transferor, transferee or company must notify the tax authority with the deed of transfer of the shares and the updated articles of association. If the company has outstanding tax obligations at the time the transfer is registered, evidence issued by the tax authority proving the absence of tax liabilities is required prior to the transfer registration at the Trade Registry.

#### 1.4 New share capital limits for LLCs

New limits are introduced regarding the share capital of companies as follows:

- New limited liability companies must be established with a minimum share capital of 500 lei.
- The minimum value of share capital required for existing limited liability companies depends on the net turnover reported in the financial statements for the previous year. Companies with a net turnover exceeding 400,000 lei must have a minimum share capital of 5,000 lei. The companies concerned have a period of two years to modify the share capital according to the new limits.

#### 1.5 Restrictions on dividends and repayment of shareholder loans

Restrictions have been introduced on the distribution of interim dividends and the simultaneous granting of loans to shareholders or affiliated persons, including imposing sanctions and joint and several liability in cases of non-compliance.

#### 1.6 Increase in crypto transactions derived individual income tax from 10% to 16%

Gains from the transfer of virtual currency will be taxed at a rate of 16% with effect from 1 January 2026.

Gains below 200 lei per transaction are not taxed, provided that the total gains in a fiscal year do not exceed 600 lei.

#### 1.7 Parcel tax

A tax of 25 lei is introduced for parcels with a value under €150 ordered from non-EU platforms, such as Temu or Shein.

#### 1.8 New sanctions for undeclared work

If an employer has not concluded an individual employment contract with an employee, the employer will be subject to a fine of 40,000 lei for each undeclared employee.

### 2. GEO No. 89 of 24 December 2025 (Official Gazette No. 1203 of 24 December 2025)

#### 2.1 Reduction of minimum turnover tax to 0.5%

For large taxpayers subject to the minimum turnover tax, the ordinance reduces the rate to 0.5% for the fiscal year 2026. The rule is

temporary, applicable until 31 December 2026 (i.e. until the end of the modified fiscal year ending in 2027).

## 2.2 Simplification of micro-enterprise regime

The flat tax rate on micro-enterprise income is set at 1%. This means that, from 2026, all micro-enterprises taxed under the micro regime category will pay 1% of income regardless of their activity or income level, within the limits of the regime.

## 2.3 Changes to individual income tax withholding

The income tax withholding rule has been modified, explicitly establishing that a rate of 16% applies for income from other sources obtained by individuals (provided for in art. 114 para. (2) letters h) and i)) consisting of:

- goods and services received by a participant in a legal entity (associate) for their personal benefit; or
- amounts paid in excess of the market price to a participant in a legal entity (associate) for goods or services.

For other types of income listed in the same article, the 10% tax is maintained.

In practice, we estimate that this new tax treatment will typically apply to payments made by a company for the personal interest of the partners.

## 2.4 Authorisation, guarantees and monitoring rules for operators of excise products; mandatory re-authorisation of operators in the field of excise duty (March – May 2026)

Authorised warehouse keepers with high fiscal risk must provide a guarantee of 120% of the excise duties related to the shipped products. Between 1 March and 31 May 2026, excise operators must request re-authorisation or registration, as appropriate.

## 2.5 Changes to the gross minimum wage and tax-free allowance

The gross minimum wage in Romania is 4,050 lei per month during the period from 1 January to 30 June 2026, and for this period an amount of 300 lei per month remains excepted (non-taxable and excluded from the contribution base).

Starting from 1 July 2026, with the increase in the monthly minimum wage to 4,325 lei, the tax-free allowance is reduced to 200 lei per month, while maintaining the principle of net income protection for low wages.

## 2.6 Repeal of construction tax in 2027

The special construction tax (commonly known as the 'pole tax') is repealed with effect from 2027/amended fiscal year beginning in 2027.

## 2.7 Building tax amendments

In the area of building tax, the ordinance includes an allowance for agricultural infrastructure for certain buildings used in agriculture (such as greenhouses/solar houses, silos, etc.). These building categories will benefit from a tax exemption in 2026 and a 50% reduction from 2027.

### PKF Comment

If you believe the above measures may impact your business or personal situation, or require any advice with respect to Romanian taxation, please contact Anca Grapini at **anca.grapini@pkf.ro** or call **+40 747 100 007**.

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# Singapore

## Navigating key amendments made to Singapore's Transfer Pricing Guidelines (8th edition) – What you need to know and do

### Introduction

The Inland Revenue Authority of Singapore (IRAS) has recently issued the eighth edition of the Singapore Transfer Pricing (TP) Guidelines, enhancing TP compliance requirements, expanding guidance with respect to complex inter-company transactions and introducing a pilot simplified and streamlined approach (SSA) for qualifying transactions.

These new amendments have key implications from an overall TP documentation perspective, arm's-length principles and standards, and TP compliance risks for both Singapore constituent entities and the multinational enterprise (MNE) group as a whole as well.

### Summary of Singapore TP documentation requirements

Companies with inter-company or related-party transactions (whether domestic or cross-border) are required to maintain comprehensive and contemporaneous TP documentation on an annual and recurring basis, to substantiate, demonstrate and validate adequate and appropriate compliance with the arm's-length principle as per each local jurisdiction.

| Particulars | Details |
|---|---|
| Prescribed thresholds from financial year (FY) 2025 and onwards | With effect from 1 January 2025, the individual thresholds applicable for each inter-company transaction for any Singapore company are as follows:<br>▪ For inter-company sales, purchases or loans, the individual threshold is S$15 million per transaction, which remains unchanged from previous years.<br>▪ For all other transactions (i.e. provision or receipt of inter-company services, management fees, royalty fees, trademark fees, license fees, etc.), the individual threshold is S$2 million per transaction. |
| Full-fledged TP documentation | ▪ To be prepared if the Singapore company's standalone or entity level revenue is S$10 million or more in the relevant FY with inter-company transactions exceeding the prescribed thresholds (as mentioned above). |
| Simplified TP documentation | ▪ To be prepared if the Singapore company's standalone or entity level revenue is less than S$10 million in the relevant FY but the inter-company transactions exceed the prescribed thresholds (as mentioned above). |
| No TP documentation required | ▪ If the Singapore company's standalone or entity level revenue is less than S$10 million and none of the inter-company transactions exceed the prescribed thresholds, then only a benchmarking analysis for each inter-company transaction is required to determine the arm's-length price, as this requirement is not subject to any thresholds. |

## Key amendments made

### 1. Simplified TP documentation

Previously, the simplified TP documentation was not required to be dated as compared to the full-fledged TP documentation. Now, the simplified TP documentation is also required to reflect the date of preparation as proof that it was prepared on a 'contemporaneous basis'.

Further, the IRAS has also mentioned in the updated TP Guidelines that the simplified TP documentation is, in essence, a TP documentation prepared under section 34F of the Singapore Income Tax Act as prescribed under the TP documentation rules. Additionally, it has also been clarified that the simplified TP documentation will not qualify as a qualifying past TP documentation.

### 2. Disregard of an actual inter-company or related-party transaction and TP adjustments relating to capital transactions

IRAS has updated the specific circumstances under which it will disregard an actual related-party transaction or replace it with an alternative transaction.

Companies are also required to substantiate their basis for treating the gain, loss or deduction as capital in nature, wherein they did not prepare the TP documentation for such capital transactions. Further, this basis should be consistent for both income tax and TP documentation.

If companies are unable to substantiate their basis, IRAS will make TP adjustments accordingly. At the same time, IRAS has also clarified the objection and appeal process if companies are in disagreement with any TP adjustments proposed by the IRAS.

### 3. Revision of surcharge following a revision of TP adjustment

IRAS has clarified that, notwithstanding that a company may not agree with the TP adjustment, IRAS will issue the assessment if it determines that the adjustment is in order, and a surcharge of 5% will duly apply once the assessment is issued.

However, after the conclusion of the IRAS objection and appeal process, if the TP adjustment is reduced, increased or annulled, then the surcharge will be adjusted accordingly.

### 4. Strict pass-through costs

It has been clarified that for pass-through costs, invoices from the group service provider to its related parties requesting payment are not considered written agreements.

Thus, a formal written agreement or valid email correspondence will suffice, as long as the arrangement is properly mentioned and documented.

## 5. Intra-group financing

A new paragraph has been inserted which clarifies the distinction between debt and equity in intra-group financing. Moreover, companies must ensure that any hybrid instrument does not lead to any tax avoidance arrangement to which section 33 of the Singapore Income Tax Act may apply.

## 6. Inter-company loans

It has been clarified that for inter-company loans entered into from 1 January 2025 onwards, if the lending party and borrowing party are not in the business of lending and borrowing money, companies may either apply the IRAS indicative margin or determine the interest rate based on the arm's-length principle by way of a proper database-based benchmarking analysis, depending upon the principal loan amount.

However, an interest-free rate mechanism will not be accepted by the IRAS. Further, IRAS will not make section 34D TP adjustments in respect of a related-party domestic loan (not applicable to cross-border loans).

## 7. Simplified and streamlined approach for baseline marketing and distribution activities

The IRAS has introduced a new section under which it is implementing an optional simplified and streamlined approach (SSA) on a pilot basis from 1 January 2026 to 31 December 2028 ('pilot implementation period').

For any FY falling within this period, qualifying companies may choose to apply the SSA on the qualifying transactions if they meet the qualifying conditions. However, the qualifying conditions must be strictly and exactly met before the SSA can be applied. If there is not an exact match, then the SSA cannot be applied.

### PKF Comment

The timing of the release of the eighth edition of the Singapore TP Guidelines reflects IRAS' commitment to being fully aligned with the current and evolving TP landscape and environment and, at the same time, places greater emphasis on the arm's-length principle while also addressing practical issues such as TP documentation compliance requirements, along with clarifying other key issues pertaining to related-party domestic loans, capital transactions, strict pass-through costs and the introduction of the pilot SSA.

If you believe the above measures may impact your business or personal situation, or require any advice with respect to Singaporean taxation, please contact Bun Hiong Goh at **bunhiong@pkf.com** or call **+65 6500 9366**.

BACK

# Slovak Republic

## Recent key developments: Transfer pricing documentation, mandatory e-invoicing and digital VAT reporting

### Transfer pricing documentation

The Ministry of Finance issued a new guideline on the content of transfer pricing documentation. The new guideline will apply for the first time to documentation prepared for tax periods with a corporate income tax return filing deadline after 31 December 2025.

The overall classification of transfer pricing documentation remains unchanged (full, standard and simplified), with only limited adjustments to the content requirements. Although the template for simplified documentation continues to exist, its practical relevance will be reduced. This is due to the extended reporting obligations in the corporate income tax return form.

The changes represent a key element of the new approach of the tax authorities to transfer pricing. The required information stated in the corporate income tax return form would be more structured and include a transaction type, the volume of the transaction, the identification of the related party and the country of its tax residence. It will provide the tax authorities with more detailed information on significant controlled transactions carried out and give the tax authorities more scope for analysis and detection of potential irregularities.

### Mandatory e-invoicing and digital VAT reporting

An amendment to the VAT Act introducing a legal framework for mandatory electronic invoicing and digital reporting of transaction data to the Financial Administration was adopted.

Mandatory application is planned in stages. From 1 January 2027, the obligation will apply to domestic supplies of goods and services, while from 1 July 2030, it is expected to be extended to cross-border supplies. In parallel with the full introduction of digital reporting for both domestic and cross-border transactions, the VAT control statement and the recapitulative statement are expected to be abolished.

The framework allows voluntary use of electronic invoicing already in the initial phase, starting in 2026, currently limited to business-to-business (B2B) transactions, provided that both parties agree to use electronic invoicing. This gives businesses an opportunity to familiarise themselves with the new processes and technical infrastructure ahead of the mandatory roll-out.

### Other

- **Registration of sales (cash receipts)**

  The legislation expands the scope of sellers required to register sales in cash registers, as most existing exemptions are abolished, and the group of affected taxpayers is substantially widened.

  Moreover, the sellers will be required, from 1 March 2026, to enable cashless payment options (such as card payments, QR codes or other cashless methods) for sales exceeding €1.

- **Limit for cash transactions**

  From 1 January 2026, the original limits for cash transactions were reintroduced. Specifically, it is forbidden to pay/receive payment in cash exceeding:

  — €15,000 for transactions between individuals (non-entrepreneurs); and

  — €5,000 in other cases.

- **New double tax treaty**

  The double tax treaty with the Kyrgyz Republic has entered into force from 1 January 2026.

### PKF Comment

If you believe the above measures may impact your business or personal situation, or require any advice with respect to Slovak taxation, please contact Pavol Schwartz at **schwartz@pkf.sk** or call **+421 948 274 280**.

BACK

# Spain

## Recent tax developments affecting foreign individuals and businesses

During the last quarter of 2025, certain tax regulations underwent significant changes that will affect some tax obligations of foreign taxpayers in Spain. Particularly noteworthy are the postponement of the VERI*FACTU system (standardisation of invoicing systems for companies and professionals) and the recent case law adopted by the Spanish Supreme Court, extending the limits on the wealth tax to non-resident taxpayers in Spain.

### 1. The entry into force of the VERI*FACTU system (secure invoicing software) has been postponed.

The obligation for entrepreneurs and professionals to adapt their invoicing systems to ensure integrity, traceability and immutability of records (VERI*FACTU) has been postponed for a year. This is due to the lack of technical development of the system, as well as the complexity of the affected parties adapting to the new requirements in time, especially small and medium-sized businesses.

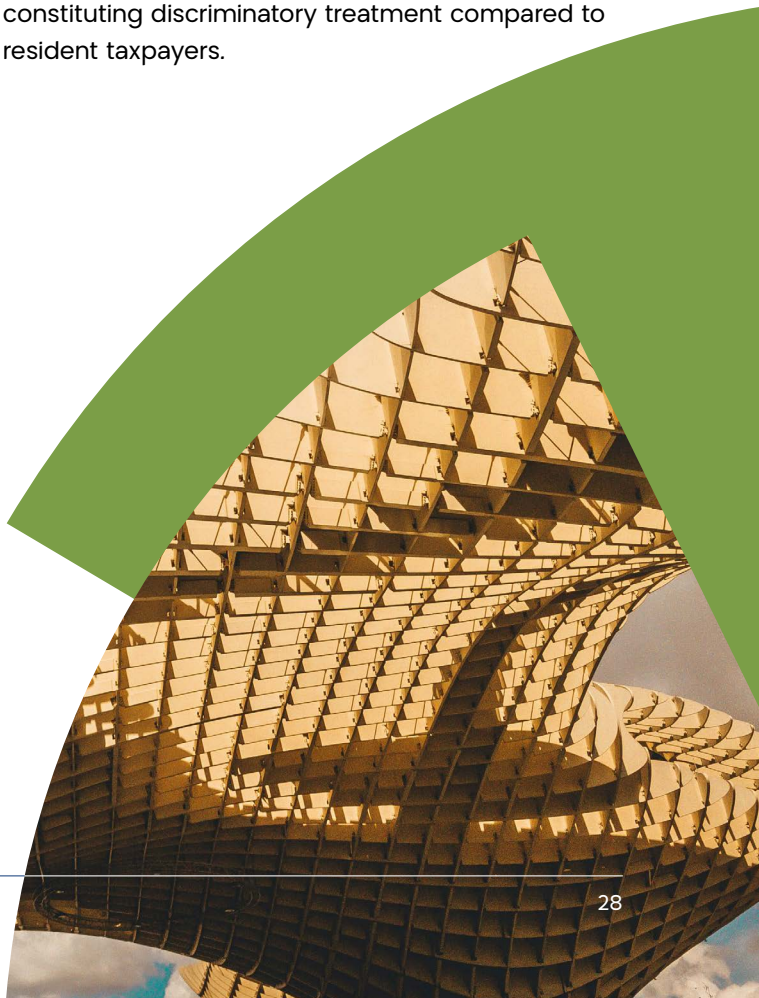
- Legal basis: Royal Decree-Law 15/2025, which modifies Royal Decree 1007/2023.
- Objectives: Although the date of entry into force has changed, the purpose of the VERI*FACTU system regulation remains the same, i.e. combating fraud and 'slush funds' through comprehensive, unalterable and traceable invoicing systems.
- New timelines:
  - **1 January 2027** for corporate taxpayers (corporate income tax); and
  - **1 July 2027** for self-employed individuals, partnerships and non-residents with a permanent establishment in Spain.
- Technical features: Digital signature, QR code, chained records and optional real-time transmission to the Spanish Tax Agency ('AEAT') under the VERI*FACTU modality.

**Who is affected?** Companies and professionals are required to adapt their computerised invoicing systems to the requirements imposed by Royal Decree 1007/2023. Both have an additional year to do so.

The essential content of the standard remains unchanged: the obligations remain in place. Professionals and entrepreneurs who carry out economic activities must adapt their computerised invoicing systems to the requirements and conditions set out in Royal Decree 1007/2023.

### 2. Extension of the quota limit (tax shield) on Spanish wealth tax to non-resident taxpayers

Two recent rulings by the Spanish Supreme Court, dated 29 October 2025 (STS 1372/2025) and 3 November 2025 (STS 1402/2025), have ruled in favour of non-resident taxpayers being able to apply the 'tax shield' on their wealth tax (IP, by its Spanish acronym) liability, on the grounds that denying non-residents this benefit violated the constitutional principles of equality and non-confiscation, as well as the free movement of capital within the EU, thus constituting discriminatory treatment compared to resident taxpayers.



## Main consequences of the rulings

- So-called 'taxpayers with real obligation' (i.e. those who are not tax resident in Spain, but who own assets in Spain) can now apply the same tax liability limits to their wealth tax as Spanish resident taxpayers.
- This tax shield, established by article 31 of the Spanish Wealth Tax Act ('ILP'), stipulates that the sum of the wealth tax and IRPF (Spanish income tax) cannot exceed 60% of the IRPF tax base. If it does, the wealth tax can be reduced until that limit is reached, up to a maximum reduction of 80% of the total wealth tax due.
- Non-residents are not subject to Spanish income tax, so the limit should be applied to the taxpayer's taxable income in their country of residence. It is anticipated that the legislator will have to amend the current wording of the LIP.
- Although the court rulings refer only to wealth tax, their reasoning must also be extended to the temporary solidarity tax on large fortunes ('ITSGF'), given their shared, essentially identical regulation and complementary nature.

**Who will benefit?** Foreign individuals who own assets (property and economic rights) in Spanish territory, particularly those with significant ones, such as high-value real estate or investment portfolios.

It opens up the possibility that affected taxpayers may request a refund of the excess tax paid to the Spanish Tax Agency for not applying the reduction in respect of tax years that are not time-barred (tax periods 2021, 2022, 2023 and 2024). Spain shall be more attractive to foreign investment.

On the other hand, it should also be noted that an appeal against the constitutionality of the IP has been admitted for consideration by the Spanish Constitutional Court, which is expected to be resolved during 2026.

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### PKF Comment

The Spanish tax system continues to be updated and aligned with economic reality and taxpayers' rights, not only through changes in tax regulations, but also through court decisions. The postponement of the entry into force of the VERI*FACTU system and the recent Supreme Court rulings should help to ease the tax burden on non-resident taxpayers during fiscal year 2026.

If you believe the above measures may impact your business or personal situation or require any advice with respect to Spanish taxation, please contact Jesús González Ruíz-Jarabo at **jesus.gonzalezrj@pkf-attest.es** or call **+34 915 561 199**.

BACK

# Switzerland

## Initiative for the future – Implementation of a federal gift and inheritance tax clearly rejected

On 30 November 2025, the Swiss people clearly voted against the introduction of a federal gift and inheritance tax with a majority of 78.3% of the votes. Had the initiative gone ahead, a federal inheritance and gift tax of 50% would have been introduced on assets above CHF 50 million.

### PKF Comment

With the rejection of the initiative, Switzerland remains attractive for entrepreneurs and wealthy people. In particular, it will be possible to pass on traditional Swiss businesses to the future generation without having to suffer a severe tax liability.

## Safe harbour rates for interest payments to/from related parties

The federal tax authorities published the applicable safe harbour interest rates for Swiss as well as foreign currency applicable for the tax year 2026. Interest payments to/from related parties not in line with the safe harbour rates can trigger adverse Swiss tax consequences.

### PKF Comment

Interest payments between related parties are always subject to discussions with the tax authorities in cases where they do not meet the safe harbour rates – good documentation of meeting the arm's-length principle is highly recommended in case of a deviation.

## International developments

Switzerland and Jordan have entered into a double tax agreement (DTA) which entered into force on 1 January 2026. The DTA allows the Swiss network of double taxation agreements to be expanded in the Middle East.

Switzerland has further amended the DTAs with Belgium, Croatia, the United Arabian Emirates, Germany and Hungary.

Last but not least, retroactively from 14 November 2025, the US is applying a tariff ceiling of 15% on imports from Switzerland (previously 39%).

### PKF Comment

For further information or advice concerning Swiss unilateral and international taxation, please contact Dominique Kipfer at **dominique.kipfer@pkf.ch** or Rilana Wolf-Bayard at **rilana.wolf@pkf.ch** or call **+41 44 285 75 00**.

BACK

# Taiwan

## Taiwan MOF clarifies pre-approval requirements for applying dividend and interest withholding tax rates under double tax treaties

On 13 January 2026, the Taiwanese Ministry of Finance (MOF) clarified the pre-approval requirements for foreign institutional investors ('FINIs') seeking to apply favourable withholding tax rates on dividends and interest under a double tax treaty (DTT).

FINIs that invest in domestic stocks or bonds in the Republic of China (Taiwan) and derive Taiwan-source dividend or interest income may apply in advance for approval to apply the preferential ceiling tax rate on dividends or interest under an applicable DTT. Upon payment of dividends or interest by the investee company, withholding and reporting may be conducted at the more favourable treaty rate, thereby eliminating the inconvenience of filing for tax refunds and avoiding the tying up of funds.

The Taipei National Taxation Bureau of the MOF explained that, in order to enhance the efficiency of reviewing FINI applications for advance approval to apply the treaty ceiling tax rate and to effectively implement the tax benefits granted under tax treaties, the MOF issued an interpretive ruling on 24 June 2019 (TW-Fin-Int No. 10800577770). Under this ruling, where a FINI is organised as a fund or trust and such fund or trust qualifies as a resident of one of the other treaty signing countries, it may submit a self-declaration stating that the fund or trust is the beneficial owner of the income in question as supporting evidence. In such cases, it is exempt from submitting the documents prescribed under article 25, paragraph 5 of the regulations governing the application of DTTs, including, but not limited to, a register of beneficiaries of the fund or trust, proof that individual beneficiaries are residents of the other treaty signing countries or documents indicating the proportion of beneficiaries who are residents of the other treaty signing countries.

Article 228-1, paragraph 1 of the Company Act provides that a company's articles of incorporation may stipulate that profit distribution or loss offsetting may be conducted after the end of each quarter or each half of a fiscal year; accordingly, domestic companies may distribute dividends on a quarterly or semi-annual basis. To facilitate FINIs in obtaining advance approval to apply the treaty ceiling tax rate on dividends or interest prior to dividend distribution – so that withholding may be made at the ceiling rate at the time dividends are paid – FINIs are requested to submit their application documents by the end of February of the relevant year. This will enable the tax authority to complete the issuance of the approval letter by 31 March of the same year.

In addition, for applications that have obtained approval letters within the past three years, given that such cases have previously been reviewed and approved by the Bureau and that the FINIs demonstrate an ongoing intention to invest in Taiwan, the competent tax authority may, upon reviewing the FINI's certificate of residence, power of attorney and self-declaration of beneficial ownership and finding no material irregularities, grant an extension of the approved application period for up to a maximum of 24 months.

FINIs intending to apply for advance approval to apply the treaty ceiling tax rate on dividends or interest are advised to submit their application documents as early as possible in order to obtain the approval letter in advance. Relevant application forms may be downloaded from the following websites for use:

https://www.etax.nat.gov.tw/etwmain/en/download-document-file/profit-seeking-enterprise-income-tax/lpnmnpn

https://www.ntbt.gov.tw/singlehtml/c877bab3060747febe48425e06d072f3?cntId=c871558501944921ba2ac4db7f137632

### PKF Comment

If you believe the above measures may impact your business or personal situation or require any advice with respect to Taiwanese taxation, please contact Jamie Ho at **jamieho@pkf.com.tw** or call **+886 8792 2628**.

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# Ukraine

## Ukraine adopts the NACE classification

From 1 January 2027, Ukraine will implement a new classification system for economic activities – NACE 2.1-UA. The new system is fully aligned with the EU standards and will replace the current national classification of economic activities approved in 2010 – KVED:2010.

NACE 2.1 is the latest version of the classification, which the EU introduced into statistical practice in 2025. Its implementation in Ukraine will standardise statistical methodologies and ensure compatibility of Ukrainian economic data with EU statistics, improve the accuracy of reporting and facilitate business operations with European partners.

The transition to NACE 2.1-UA is motivated by several factors:

- Ukraine's commitment to European integration;
- harmonisation of statistical methods with EU practice;
- adoption of international standards for data collection, processing, analysis and dissemination; and
- the need to accurately reflect current market realities and the types of economic activity actually conducted.

The new classification reflects the modern economic structure and features an updated framework with more detailed sections, new codes for the digital economy and a revised classification of traditional activities.

The full transition to NACE 2.1-UA will take place gradually over several years.

KVED:2010 is used for business registration, statistical reporting, tax accounting and other purposes. Changes from KVED:2010 to NACE 2.1-UA will affect all accounting and registration documents containing company activity codes.

2026 has therefore been set as a transitional period. During 2026, businesses will be able to check their codes in the new classification and update their registration documents (as necessary).

For most companies, new codes will be applied automatically where there is a direct correspondence between old KVED:2010 and new NACE 2.1-UA codes. However, some enterprises will need to update their registration in cases where:

- an existing KVED:2010 code has been split into multiple new codes, providing a more detailed description of activities; or
- the existing code has a complex ('indirect') correspondence, for example, when several old codes are merged or redistributed into new ones.

It is worth mentioning that, although KVED:2010 is a local Ukrainian classification system, it is nevertheless harmonised with the European equivalent, NACE Rev. 2. However, the upcoming standardisation of economic statistics through NACE 2.1-UA will enhance the accuracy of reporting, improve monitoring of market trends and streamline international collaboration.

### PKF Comment

Adopting NACE 2.1-UA is a key step in Ukraine's European integration, which represents a major modernisation of Ukraine's economic data infrastructure. By aligning with EU standards, the country not only strengthens its statistical reliability but also creates clearer conditions for domestic and foreign investors, supporting informed decision-making and promoting sustainable economic growth.

If you believe any of the above measures may impact your business or require any advice with respect to Ukrainian taxation, please contact Sviatoslav Biloblovskyi at **s.biloblovskyi@pkf.ua** or Yuliia Yaniv at **y.yaniv@pkf.ua** or call **+380 44 501 25 31.**

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# United Arab Emirates

## Recent updates on corporate tax and VAT

### Corporate tax

The Federal Tax Authority (FTA) of the United Arab Emirates (UAE) has released the Corporate Tax Decree-Law, i.e. 'Federal Decree-Law No. 47 of 2022 – Taxation of Corporations and Businesses' ('Corporate Tax Decree-Law'/'CT Decree-Law') effective for financial years starting on or after 1 June 2023.

The Ministry of Finance (MoF)/FTA have also released several cabinet decisions, ministerial decisions, clarifications and user manuals which provide further guidance on CT Decree-Law provisions.

Recently issued guidance in connection with Corporate Tax Decree-Law can be summarised as follows:

| Sr.no | List of cabinet/ministerial/FTA decisions and explanation |
|---|---|
| 1 | **There are certain decisions, guides, public clarifications and business bulletins that have been issued recently with regard to UAE CT law, as set out below:**<br>▪ **Cabinet Decision No. 34 of 2025 on Qualifying Investment Funds and Qualifying Limited Partnerships for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses** – The decision clarifies the conditions under which investment funds can qualify for CT exemption as qualifying investment funds and when certain limited partnerships can be treated as tax transparent qualifying limited partnerships.<br>▪ **Payment of Corporate Tax in Advance (option enabled on the EmaraTax portal)** – The FTA has now enabled an advance corporate tax payment option, allowing taxpayers to pay the tax in advance and offset this balance against their liability once the return is filed or against future tax liabilities. This is intended to mitigate last minute payment issues (e.g. bank transfer or signatory delays) and reduce the risk of interest on unintentional late payments. Taxpayers can therefore estimate their CT liability and pay in advance.<br>▪ **Corporate Tax Guide on Advance Pricing Agreements (APA) – CTGAPA1** – The guide provides a comprehensive framework on the APA programme, APA procedures and APA monitoring and review. An APA shall apply for a minimum of three tax periods and a maximum of five tax periods. As a general threshold, an APA may be requested where the total or expected value of all controlled transactions proposed to be covered is at least AED 100 million per tax period (measured at arm's length). The acceptance of an APA is at the discretion of the FTA.<br>▪ **User Manual on Registration of Deactivated Corporate Tax TRN** – The user manual provides step-by-step instructions on the reactivation of a tax registration number (TRN) for corporate tax purposes on the recommencement of a business. |

## VAT update

With respect to VAT, the UAE FTA has recently released the following amendments/updates which are given below:

| Date | Tax | Type of update | Particulars of update |
|---|---|---|---|
| November 2025 | VAT | Cabinet decision | Cabinet Decision No. 153 of 2025 – Application of the Reverse Charge Mechanism on Metal Scrap among Registrants in the State for the purposes of Value Added Tax |
| November 2025 | VAT | Federal decree-law | Federal Decree-Law No. 16 of 2025 (effective from 1 January 2026) amending certain provisions of Federal Decree-Law No. 16 of 2024 on Value Added Tax |
| November 2025 | Excise tax | Federal decree-law | Federal Decree-Law No. 17 of 2025 (effective from 1 January 2026) amending certain provisions of Federal Decree-Law No. 7 of 2025 on Excise Tax |
| November 2025 | Tax procedures | Federal decree-law | Federal Decree-Law No. 17 of 2025 (effective from 1 January 2026) amending certain provisions of Federal Decree-Law No. 17 of 2024 on Tax Procedures |
| November 2025 | Excise tax | Cabinet decision and public clarification | Cabinet Decision No. 197 of 2025<br><br>EXTP012 – Transition to a tiered-volumetric model of Excise Tax for Sweetened Drinks |

The updates may be summarised as follows:

- **Cabinet Decision No. 153 of 2025 – Application of the Reverse Charge Mechanism on Metal Scrap**

| Particulars | Comments |
|---|---|
| **Definitions** | **Metal scrap**: Ferrous or non-ferrous metal waste that has commercial value and is useable following its processing.<br><br>**Processing**: The operation through which metal scrap is converted into materials that can be used in the manufacturing of new products, whether by repairing, recycling or any other method. |
| **Applicability** | **Transactions covered**: Metal scrap supplied to a UAE VAT registered recipient of goods.<br><br>**Conditions**: Such goods would either be resold or used in processing by the recipient.<br><br>**Transactions not covered**: Metal scrap subject to a zero rate of VAT under clause 1 of article 45 of Federal Decree-Law No. 8 of 2017 on Value Added Tax and its amendments.<br><br>**Responsibility to account for VAT**: The recipient of goods under the reverse charge mechanism (RCM). |
| **Documentary evidence to be maintained by recipient and supplier for applicability of RCM** | **Recipient's responsibility**<br><br>1. To submit a written declaration indicating whether such goods would be resold or used in processing of metal scrap.<br>2. To provide a written declaration confirming UAE VAT registration.<br><br>Note: The declaration must be provided prior to the date of supply.<br><br>**Supplier's responsibility**<br><br>1. To receive and keep the declaration provided by the recipient of goods.<br>2. To verify that the recipient of metal scrap is UAE VAT registered.<br>3. To issue an invoice which includes an explicit statement indicating the application of the RCM.<br><br>Note: The declaration must be provided prior to the date of supply. |

| Particulars | Comments |
|---|---|
| **Other key points** | **Non-submission of declaration by recipient**: Payment of tax by the recipient under RCM would not be applicable. Accordingly, the supplier should charge applicable UAE VAT to the recipient of metal scrap.<br><br>**Date of applicability**: Effective from 14 January 2026 and issued by the MoF on 14 November 2025. |

- **Federal Decree-Law No. 16 of 2025 (effective from 1 January 2026) amending certain provisions of Federal Decree-Law No. 16 of 2024 on Value Added Tax**

| Article reference | Key amendments |
|---|---|
| Article 48 (1) – Reverse Charge Mechanism (RCM) | The obligation to self-account for VAT under RCM remains unchanged. The amendment clarifies that issuance of a self-invoice is no longer required, reducing administrative compliance. |
| Article 54 (bis) – Recoverable Input VAT | A new article states that the FTA shall reject recoverable input VAT under the following conditions:<br>▪ If it is established that the input VAT recovery was part of a supply or chain of supplies related to tax evasion and the taxable person was aware of this or should have been aware of this.<br>▪ A taxable person shall be considered to have been aware that the supply was related to tax evasion if they fail to verify the validity/integrity of the supplies received, in line with measures and procedures determined by the FTA. |
| Article 74 (3) – Excess Recoverable VAT | Excess recoverable VAT may only be carried forward for up to five years from the end of the tax period in which it arose. After the expiry of this period, the right to claim such excess lapses and cannot be used to settle VAT liabilities. |
| Article 79 (bis) – Statute of Limitation | Article 79 (bis), which contained provisions regarding statute of limitation, has now been removed from Decree-Law and provisions have been updated as part of Tax Procedures Law (detailed below). |

- **Federal Decree-Law No. 17 of 2025 (effective from 1 January 2026) amending certain provisions of Federal Decree-Law No. 7 of 2025 on Excise Tax**

  Article 25, which stated that 'The Taxable Person, or any other Person authorised in writing by the Taxable Person, shall state the Tax Registration Number on all correspondence and dealings with the Authority, Tax Returns and any document related to Tax', has now been cancelled.

- **Federal Decree-Law No. 17 of 2025 (effective from 1 January 2026) amending certain provisions of Federal Decree-Law No. 17 of 2024 on Tax Procedures**

| Article reference | Key amendments |
|---|---|
| Article 9 (3) – Determination of Payable Tax | This clause has been amended stating that, in case of excess payment of payable tax, the FTA may allocate the overpaid amount or credit balance to settle tax liabilities within a maximum period of five years from the end of the relevant tax period. |
| Article 10 (5) – Voluntary Disclosure | The amendment to this clause clarifies that a voluntary disclosure is now required only in cases specified by the FTA, whereas other errors or omissions that do not impact the amount of tax due may be corrected directly through the tax return. |
| Article 38 – Application for Refund of Credit Balance | The key amendments to this article are as follows:<br>▪ A taxpayer may apply for a refund of any credit balance where they are entitled to a refund and such credit balance is in excess of the payable tax and administrative penalties.<br>▪ The refund application must be submitted within five years from the end of the relevant tax period, for the following situations:<br>a) Excess tax payment – from the date of payment. |

| Article reference | Key amendments |
|---|---|
| | b) Credit from a tax return, voluntary disclosure or tax assessment – from the submission date or issuance of the assessment/decision.<br>c) Other cases – from the date the credit balance arose.<br>▪ If a credit balance arises from an FTA decision after the five-year period or during the last 90 days of such a five-year period, the taxpayer may apply for a refund within one year from the date on which the balance arises.<br>▪ For other cases, where a credit balance arises after the five-year period or during the last 90 days of such a five-year period, the taxpayer may apply for a refund within 90 days from the date on which the balance arises.<br>▪ Failure to submit a refund application as per the deadlines specified above would result in the permanent lapse of the right to claim a refund.<br>▪ **Transitional provision**: Where the period of five years has lapsed, a taxpayer who is entitled to a refund may submit an application to the FTA for refund of the credit balance or to utilise it in payment of a tax liability or administrative penalties, within a period not exceeding one year from 1 January 2026 (i.e. refund applications relating to periods that have lapsed up to now may be submitted from 1 January 2026 to 31 December 2026). |
| Article 46 – Statute of Limitation | Recent amendments introduce refund-related exceptions to the five-year limitation on audits and assessments:<br>▪ **Refund applications**: The FTA may audit or issue assessments beyond five years if they relate to a refund application submitted in the fifth year or during the periods referred to in clauses 3 and 4 of article 38. Such audits or assessments must be completed within two years from the refund submission.<br>▪ **Voluntary disclosures**: No voluntary disclosure may be submitted after five years except where it is related to a refund application for which the FTA has not yet issued a decision.<br>▪ **Transitional provision**: For refund applications submitted within one year from 1 January 2026, a voluntary disclosure may be filed within two years from the refund submission date, unless the FTA has already issued a decision. |
| Article 54 (bis) | Without prejudice to the provisions of the tax legislation in force, the FTA may issue decisions that include directives on the implementation of the provisions of this federal decree-law and the tax law in relation to tax transactions, which shall be binding on both the FTA and the taxpayer. |

- **Cabinet Decision No. 197 of 2025 and EXTP012 – Transition to a tiered-volumetric model of Excise Tax for Sweetened Drinks**

The UAE FTA has issued a public clarification outlining anticipated amendments to the excise tax regime for sweetened drinks, expected to take effect from 1 January 2026. The changes introduce a tiered-volumetric model, replacing the current fixed ad valorem approach.

| Particulars | Comments |
|---|---|
| **Key highlights** | ▪ Shift from 50% ad valorem tax to a sugar-based volumetric model for sweetened drinks.<br>▪ Excise tax will be calculated based on total sugar content per 100ml, rather than product price.<br>▪ Carbonated drinks will no longer be a standalone excise category; taxability will depend on sugar content. |

| Particulars | Comments |
|---|---|
| | ▪ Drinks containing only artificial sweeteners will be subject to excise tax at a zero rate.<br>▪ Drinks containing only natural sugars (with no added sugar or other sweeteners) will fall outside the scope of excise tax. |
| **Sugar-based categories** | ▪ **High sugar**: ≥8g per 100ml – AED 1.09 per litre<br>▪ **Moderate sugar**: ≥5g and <8g per 100ml – AED 0.79 per litre<br>▪ **Low sugar**: <5g per 100ml – AED 0 per litre<br>▪ **Artificial sweeteners only**: AED 0 per litre |
| **Compliance requirements** | ▪ Taxable persons will be required to obtain lab reports from UAE-accredited laboratories confirming:<br>— total sugar content (natural, added and other sweeteners); and<br>— presence of artificial sweeteners.<br>▪ In the absence of a lab report, products will be temporarily classified as high sugar, potentially resulting in higher excise tax.<br>▪ Registration or updates must be completed through the FTA excise goods portal. |
| **Exclusions** | The following remain outside the definition of sweetened drinks:<br>▪ energy drinks (continue to be taxed at 100% ad valorem);<br>▪ 100% natural fruit and vegetable juices (no added sugar);<br>▪ milk and dairy products;<br>▪ baby formula and baby food;<br>▪ medical and special dietary beverages; and<br>▪ freshly prepared drinks served in non-sealed containers. |

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## PKF Comment

The FTA has proactively addressed administrative challenges by drawing on experience from the first tax period. The introduction of APA guidance is also a welcome step, ensuring greater consistency and transparency for large taxpayers. Further, the FTA has released important decisions with respect to the application of the RCM on metal scrap transactions to regulate VAT refunds and tax evasion in the specific industry, important updates along with timelines for the utilisation of receivable VAT or applications for refunds on the VAT portal and clarification on voluntary disclosure, and has outlined a shift of UAE excise tax from 50% ad valorem tax to a sugar-based volumetric model for sweetened drinks.

These updates reflect the FTA's commitment to fostering transparency and ensuring compliance within the tax ecosystem. Businesses are encouraged to review their VAT return processes and excise tax processes to align with these updates.

For further information or advice concerning taxes in the UAE, please contact Mr Shailesh Kumar at **skumar@pkfuae.com** or call **+971 4 388 8900**.

BACK

# United States

## OECD reaches agreement on new 'side-by-side' Pillar 2 framework for US multinationals

The OECD Inclusive Framework recently announced a significant development for US-headed multinational companies. The OECD agreed to a new Pillar 2 'side-by-side' framework that substantially limits the application of the OECD Pillar 2 global minimum tax to US groups. The US and other G7 countries reached an agreement expected to treat the US tax system as compliant with Pillar 2 and exempt US-headed multinational enterprise (MNE) groups from certain global minimum top-up taxes.

The OECD Pillar 2 global minimum tax represents one of the most significant changes to international corporate taxation in decades, aiming to ensure that large multinational enterprises pay a minimum effective tax rate of 15% on a country-by-country basis. While many jurisdictions have moved forward with implementation, Pillar 2's interaction with the US international tax regime, particularly net tested income (previously known as GILTI), has remained a central point of tension.

The Pillar 2 side-by-side framework is a critical development for multinational businesses, allowing OECD Pillar 2 and US tax rules to coexist without triggering punitive outcomes for US-headed multinational groups. It shapes how the global minimum tax will apply in practice and provides greater certainty amid an otherwise complex and evolving tax landscape.

Below we outline the Pillar 2 rules in more detail and explain the side-by-side agreement and its potential effects.

### Pillar 2 and the side-by-side framework for US-headed multinationals

Pillar 2 is part of a global tax reform initiative led by the OECD and adopted by many countries worldwide. Its purpose is to ensure that very large multinational companies pay a minimum level of tax on their profits, regardless of where those profits are reported.

In simple terms, Pillar 2 introduces a global minimum tax rate of 15% for large multinational groups. If a company pays tax below this level in any country, Pillar 2 rules allow another country – typically where the parent company is located – to impose an additional 'top-up' tax to bring the total tax paid up to the minimum rate. The goal of Pillar 2 is to disincentivise large multinational groups from shifting profits to low-tax jurisdictions.

Pillar 2 currently applies only to large MNE groups – those with consolidated revenue of €750 million or more, again to ensure they pay a minimum level of tax in every jurisdiction where they operate, regardless of how their operations are structured.

The computation begins with accounting profit (subject to certain adjustments) determined on a country-by-country basis. An effective tax rate is then calculated by dividing the taxes paid in the jurisdiction by the adjusted accounting profit. Before any top-up tax is assessed, Pillar 2 excludes a portion of profit attributable to substantive activities, including employees (payroll) and tangible assets such as buildings, equipment and factories. If the resulting effective tax rate is 15% or higher, no Pillar 2 tax applies; if it is below 15%, a top-up tax is imposed.

## Example

A multinational earns $100 of profit in Country A and pays $10 of tax, resulting in a 10% effective tax rate. After excluding $10 of profit attributable to payroll and tangible assets, $90 remains subject to Pillar 2. Because the minimum required rate is 15%, an additional 5% top-up tax applies.
Top-up tax = 5% × $90 = $4.50.

Under the new side-by-side approach, the United States is recognised as having an eligible tax regime, allowing US tax rules to operate alongside Pillar 2 without triggering its most punitive provisions. As a result, qualifying US multinational groups are effectively exempt from top-up taxes under the income inclusion rule (IIR) and the undertaxed profits rule (UTPR), which have been the primary areas of concern for US companies operating globally.

## Safe harbours

The agreement introduces two important Pillar 2 safe harbours. The side-by-side safe harbour for US-headed MNEs protects eligible groups from IIR and UTPR exposure, while preserving the application of foreign qualified domestic minimum top-up taxes (QDMTTs). In addition, an ultimate parent entity (UPE) safe harbour effectively removes US domestic income from the OECD Pillar 2 global minimum tax, provided certain minimum tax and effective tax rate conditions are met.

## Other provisions

The OECD package also includes expanded relief for substance-based tax incentives, a permanent simplified effective tax rate calculation beginning in 2027 and an extension of transitional country-by-country reporting (CbCR) relief up to and including 2027. CbCR requires large multinational groups to report key financial and tax information for each jurisdiction in which they operate, enabling tax authorities to assess transfer pricing and profit-shifting risks.

## Takeaway

Although implementation will depend on local legislation in each jurisdiction, this announcement represents a meaningful reduction in both compliance complexity and potential tax exposure for US-headed multinational groups subject to OECD Pillar 2, particularly with respect to global minimum top-up taxes under the IIR and UTPR.

### PKF Comment

**Key takeaways**

- US-headed MNE groups are now exempt from top-up taxes under the income inclusion rule and undertaxed profits rule through the OECD side-by-side framework.
- The agreement affirms the US tax system as Pillar 2-compliant, reducing exposure to global minimum tax rules and simplifying cross-border tax compliance for qualifying US MNEs.
- New safe harbours, extended reporting relief and simplified effective tax rate rules provide operational clarity and mitigate compliance risks under the evolving OECD tax framework.

If you believe any of the above measures may impact your business or personal situation or require any advice with respect to US taxation, please contact Leo Parmegiani at **lparmegiani@pkfod.com** or call **+1 646 699 2848** or Peter Baum at **pbaum@pkfod.com** or call **+1 914 341 7088**.

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