PKF

PKF worldwide tax update

March 2025

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 2025, 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 480 offices, operating in over 150 countries across our five regions, and its 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:

- (EU) VAT and excise tax updates in the Czech Republic, Italy, Switzerland and the United Kingdom
- Significant personal and corporate income tax changes in the Czech Republic, Ecuador, Malta, Namibia, Portugal, Romania, Spain and Zambia
- International tax developments (CFC/thin cap, CbC reporting, BEPS, MLI, Pillar 2, double tax treaties, transfer pricing, etc.) in Hong Kong, Ireland, South Africa and Turkey.

We trust you find the PKF Worldwide Tax Update for the first quarter of 2025 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

Adjustment of size categories for companies from 1 January 2024

With effect from 1 January 2024, the thresholds for classifying companies into size categories under section 221 of the Austrian Commercial Code (**Unternehmensgesetzbuch**, UGB) have been adjusted.

The balance sheet total and revenue thresholds have each been increased by 25%, while the employee count criterion remains unchanged. This adjustment aims to ease auditing and reporting obligations for companies.

The new thresholds are as follows:

Size category	Balance sheet total (€)	Revenue (€)	Employees
Micro-entities	≤ 450,000 (previously 350,000)	≤ 900,000 (previously 700,000)	≤ 10
Small entities	≤ 6,250,000 (previously 5,000,000)	≤ 12,500,000 (previously 10,000,000)	≤ 50
Medium entities	≤ 25,000,000 (previously 20,000,000)	≤ 50,000,000 (previously 40,000,000)	≤ 250
Large entities	› 25,000,000 (previously › 20,000,000)	› 50,000,000 (previously › 40,000,000)	› 250

For classification purposes, an entity is deemed to fall within a specific size category if at least two out of the three criteria are exceeded or no longer exceeded in two consecutive financial years.

This classification determines the scope and content of the annual financial statements as well as the auditing and reporting obligations of the company.

These adjustments are intended to reduce the administrative burden on companies and to lower compliance costs.

Comprehensive administrative assistance with regard to income taxation

Austrian tax law requires the presence of comprehensive administrative assistance in certain cases. In particular, cross-border exchange of information is necessary with regard to the recapture of loss deductions under section 2 (8) of the Austrian Income Tax Act (EStG), the preferential tax treatment of donations under section 4a (4) EStG, and the exemption for participation income under section 10 (1) Z 6 of the Austrian Corporate Income Tax Act (KStG).

The term 'comprehensive' administrative assistance is interpreted by the Austrian Ministry of Finance (BMF) as a broad exchange of information, extending beyond what is strictly required for the application of double tax treaties. The key legal bases for this assistance include Directive 2011/16/EU, the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, exchange of information clauses in double tax treaties and specific tax information exchange agreements.

Compared to the last country list published by the BMF, Benin, Burkina Faso and Papua New Guinea have now been added as jurisdictions providing comprehensive administrative assistance. While Belarus and Russia remain on the list, they are specially marked (*), as Austria has suspended the exchange of information with both countries since March 2022 due to the (partial) suspension of the respective double tax treaties. This suspension has direct implications for Austrian taxpayers.

Allocation agreements and their impact on Pillar 2

1. Function of tax allocation agreement

In corporate groups pursuant to section 9 of the Austrian Corporate Income Tax Act (KStG), group income is taxed at the level of the group parent entity. To fairly allocate the tax burden among group members, tax allocation agreements are required.

These agreements distinguish between:

- Positive tax allocations: Group members generating profits make compensatory payments to the parent entity.
- Negative tax allocations: Loss-generating group members receive compensation, often in the form of internal loss carry-forwards instead of direct payments.

2. Accounting treatment

- Positive tax allocations are recorded as current tax expenses for the paying group member and as tax income for the parent entity.
- Negative tax allocations result in a tax expense for the parent entity and tax income for the group member.
- If an internal loss carry-forward is agreed upon, deferred tax assets may be recognised in accordance with IAS 12 and section 198 (9) of the Austrian Commercial Code (UGB).

3. Impact on Pillar 2

As tax allocations qualify as covered taxes under the Minimum Taxation Act (MinBestG), they affect the effective tax rate.

- Internal loss carry-forwards may reduce the effective tax rate, increasing the risk of top-up tax liabilities.
- Even if no deferred tax assets are recognised, corresponding tax income must be accounted for under Pillar 2 (at a rate of 15% instead of 23%).
- If the losses are not utilised within three years, fictional tax income may arise without a corresponding deductible tax expense.

4. Need for action

Corporate groups should review existing tax allocation agreements. Switching to immediate negative tax allocations may mitigate Pillar 2 risks but requires case-by-case assessment. If adjustments are necessary, they should ideally be implemented within the 2024 financial year.

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PKF Comment

If you believe the above measures may impact your business or require any advice with respect to Austrian taxation, please contact Stefan Frank at stefan.frank@pkf.at or call **+43 1 5128780 292**.

BACK

Czech Republic

Tax changes from 2025

VAT

Changes to rules for mandatory registration of VAT payers

With effect from 1 January 2025, taxpayers must monitor turnover for VAT registration purposes not for a period of 12 consecutive months but for a calendar year, as follows:

- If the annual turnover exceeds CZK 2,000,000 but is below CZK 2,536,500 (€100,000), the taxpayer will become a VAT payer from 1 January of the following year.
- If, during the year, turnover exceeds CZK 2,536,500, the taxpayer will become a VAT payer immediately, i.e. from the day following the day on which the amount is exceeded.

Corrections to the tax base

The period for correcting the tax base will be extended from three years to seven years, starting from the end of the calendar year in which the original transaction occurred. This allows for corrections relating to complaints and other issues.

Reduction in period for claiming a VAT deduction from three years to two years

The period for applying VAT deductions will be reduced to two years from the end of the calendar year when the claim arose (currently three years). However, this does not apply to advance payments and single-purpose vouchers. Taxpayers must correct or return their right to deduction if they do not pay their obligations within six months of the due date.

Simplified procedure for irrecoverable debts

Where receivables of up to CZK 10,000 are overdue by six months, taxpayers can issue a rectification document after making at least two written payment requests. This process is limited to claims of up to CZK 20,000 per borrower per year. For claims with a higher value, adjustments will be allowed earlier, i.e. one year after the first enforcement order instead of two years. Adjustments will also be allowed earlier for claims not registered in enforcement or insolvency proceedings if the debtor is unable to pay.

Change in conditions for transition to a quarterly tax period

The threshold is increased from the current amount of CZK 10 million to CZK 15 million.

Introduction of special scheme for small and medium-sized enterprises

EU entities that register under this regime whose turnover across the EU does not exceed €100,000 will be exempt from VAT in the Czech Republic. The same applies to Czech entities that can register for the small business regime.

Czech entities will therefore have to take into account not only the domestic turnover threshold of CZK 2 million, but also the EU turnover threshold of €100,000. If the turnover exceeds €100,000 in the EU, they can no longer use the regime for small businesses. However, this does not mean that they will become VAT payers in the Czech Republic, i.e. they will only become VAT payers if the domestic turnover exceeds CZK 2 million.

Cancellation of five-year period for exemption from taxation on sale of real estate

From 1 July 2025, an adjustment to the supply of buildings will be introduced.

Under current rules, any supply made within five years of the first occupation (or the first occupation after a substantial alteration) is taxable.

However, under the new rules, new constructions will only be subject to tax once within 23 months of the month of completion (or substantial alteration). Voluntary taxation of the supply of a building that would otherwise be VAT-exempt will remain available. The calculation of the substantial alteration limit will also change significantly, and an expert's report will no longer be required

Personal income tax

The threshold for the application of the 23% tax rate has been increased to an annual income of CZK 1,676,052, which corresponds to a monthly income above CZK 139,671. Income below this threshold will continue to be subject to income tax at a rate of 15%.

Changes in exemption of employee benefits

- The annual limit for the exemption of non-cash employee benefits has been increased to CZK 23,278.50 for 2025, representing an increase of CZK 1,295 compared to 2024. This includes benefits like contributions to publicly accessible cultural and sporting events, use of sports facilities, recreational stays, tours, pre-school childcare facilities and books.
- Meanwhile, another category of employee benefits is no longer counted towards the limit above. This includes the purchase of goods or services of a medical, therapeutic, hygienic or similar nature from healthcare facilities or medical devices based on a doctor's prescription (e.g. medicines, prescription glasses, vaccinations, psychological consultations, membership in a private health clinic) for which the income tax exemption limit will be CZK 46,557 (corresponding to the average wage for 2025), with effect from 1 January 2025.

Taxation of income from sale of securities

From 1 January 2025, a limitation on the tax exemption for capital gains from the sale of shares in companies will be introduced. Until the end of 2024, a full capital gains tax exemption was available on the sale of shares in the form of securities and for shares in other companies (provided that the seller had held their interest for at least three years and five years respectively). However, from 2025, the maximum annual amount of income (i.e. the sales price of the shares) that can be tax exempt will be limited to CZK 40 million, provided that the time test of three or five years is met. The excess of income over this limit will be taxed at standard personal income tax rates.

Income exceeding the threshold of CZK 40 million will have to be apportioned between taxable and exempt income due to limitations on the deductibility of expenses that may be claimed against taxable income. Simultaneously, the individual may claim the market price as at 31 December 2024 determined in compliance with the Valuation Act as an expense in the tax return.

Exemption of income from sale of crypto assets

Parliament has approved a bill exempting income from crypto assets from income tax after a holding period of three years. In addition, the bill also proposes to exempt income from crypto assets not exceeding CZK 100,000 per tax period.

Note: Income from crypto assets would fall under the CZK 40 million cumulative limit per tax period in addition to the three-year holding period, as specified in article 4(3) of the Income Tax Act (see above).

Taxation of employee share schemes

Companies will be able to choose between the old or new tax regulations (valid until the end of 2024) when it comes to taxing employee shares. Under the old regulations, income is taxed at the time the option is exercised, while under the new regulations, this occurs at a later point in time (i.e. as set out in section 6 para. 14 of the Income Tax Act).

Corporate income tax

For companies, the most significant change is a two-percentage point increase in the standard corporate income tax rate from 19% to 21%. However, many companies will pay the higher tax only when filing for this year's tax period next year.

Extension of tax support for aid to Ukraine

- Parliament has approved a bill extending tax relief (particularly concerning donations) in support of Ukraine in connection with the Russian invasion.
- The bill further extends the availability of the increased limit for total deductible donations in a tax year (for legal persons) from 10% to 30% of the taxable base. This increase will apply temporarily to tax periods ending between 1 March 2022 and 28 February 2027 (previously 29 February 2024).
- Moreover, the bill further extends the availability of the increased limit for total deductible donations in a tax year (for individuals) from 15% to 30% of the taxable base in the tax periods from 2022 up to and including 2026 (previously only in the tax periods 2022 and 2023).

Social security and health insurance

- The reduction thresholds for sickness insurance, which affect the maximum amount of sickness benefits and (indirectly) the maximum wage compensation for sickness paid by employers for the first 14 days, have increased by 5.9%.
- The income threshold for social insurance has increased from CZK 4,000 to CZK 4,500. If the agreed monthly income is less than CZK 4,500, it will be considered 'small-scale employment', and social insurance will only be deducted where this threshold is exceeded.
- As regards health insurance, the threshold is tied to the determining income for DPČ (agreement on work activity), regardless of whether it is small-scale employment, i.e. for health insurance, the amount of agreed monthly income is irrelevant. Insurance will be deducted only when the income reaches CZK 4,500.
- Further to the increase in the average wage for 2025, the annual maximum assessment base for social insurance has also risen. Once an employee reaches this limit during the year, neither the employee nor the employer pays social insurance. For 2025, this limit is CZK 2,234,736.
- The monthly threshold for withholding tax has changed to CZK 11,499 for agreements on the performance of work (DPP) and CZK 4,499 for other types of employment (mainly full-time employment and agreements on work activity, DPČ). For income within these thresholds and in the absence of a signed tax declaration, withholding tax will apply. For higher income, advance tax will be applied.

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PKF Comment

If you believe the above measures may impact your business or require any advice with respect to Czech taxation, please contact Vladimír Chylík at **vladimir.chylik@pkfapogeo.cz** or call **+420 777 170 639**.

BACK

Ecuador

Cancellation of the use of the currency exit tax as an income tax credit

On 12 January 2022, the Constitutional Court issued judgment 58-11-IN/22 by which it declared the unconstitutionality of the Law on Environmental Promotion and Optimisation of State Revenues for contravening the principle of unity of matter. One of the effects of this decision is that the foreign exchange exit tax paid for imports cannot be considered a tax credit for the settlement of the tax on foreign exchange.

The effects of this judgment were due to enter into force after 31 December 2023. However, the Constitutional Court through verification order 58-11-IN/23 of 1 November 2023 extended the term of validity of the Law on Environmental Promotion and Optimisation of State Revenues until 31 December 2024. This extension of the term is applicable only for those regulations that have not been replaced, repealed or reformed by other regulatory bodies.

Therefore, with effect from 1 January 2025, the foreign exchange exit tax paid on imports must be considered an expense or be part of the cost of inventories, according to the application of accounting standards.

Implementation of new remittance tax rates for 2025

Executive Decree No. 468 reduces the remittance tax (impuesto a la salida de divisas, ISD) rate to 0% for imports classified under specific pharmaceutical tariff codes and, in the case of certain productive sector imports, the rate is set at 2.5%. As an exceptional measure, a temporary 0% rate will apply between January and March 2025 for selected tariff codes, in response to current energy-related challenges.

Updated income tax brackets for tax year 2025

The tax authority has updated the tax brackets for individuals, estates and other gratuitous acquisitions for tax year 2025. The changes are based on adjustments in the urban consumer price index (CPI), reported by the INEC (**Instituto Nacional de Estadísticas y Censos**), at a rate of 1.51% for November 2024.

Adjustment of tax brackets for individuals

Year 2024			
Basic fraction (US$)	Excess up to (US$)	Basic fraction tax (US$)	Surplus fraction tax
-	12,801	-	0%
12,801.01	15,387	-	5%
15,387.01	19,978	165	10%
19,978.01	26,422	624	12%
26,422.01	34,770	1,398	15%
34,770.01	46,089	2,650	20%
46,089.01	61,359	4,914	25%
61,359.01	81,817	8,731	30%
81,817.01	108,810	14,869	35%
108,810.01	and above	24,316	37%

Adjustments for inheritances, donations and similar transactions

Year 2024			
Basic fraction (US$)	Excess up to (US$)	Basic fraction tax (US$)	Surplus fraction tax
-	77,708	-	0%
77,708.01	155,416	-	5%
155,416.01	310,833	3,885.39	10%
310,833.01	466,281	19,427.08	15%
466,281.01	621,718	42,744.33	20%
621,718.01	777,134	73,831.83	25%
777,134.01	932,529	112,685.76	30%
932,529.01	and above	159,304.28	35%

Resolution No. NAC-DGERCGC24-00000041 is applicable from 1 January 2025 and can be accessed here.

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PKF Comment

If you believe the above may impact your business or personal situation or require any advice with respect to Ecuadorian taxation, please contact Manuel García at mgarcia@pkfecuador.com or call **+593 4 236 7833**.

BACK

Germany

Obligation to e-invoice in Germany

From 1 January 2025, companies in Germany must be able to receive electronic invoices. Staggered transition periods apply in respect of issuing e-invoices.

1. Obligations

The requirement to issue e-invoices is being phased in gradually, depending on the issuing company's size:

- Companies with a turnover of less than €800,000 do not have to issue e-invoices until 1 January 2028.
- Companies with a higher turnover must send e-invoices from 1 January 2027.
- Standing invoices may still be issued on paper or as a PDF up to 1 January 2027 if nothing is changed.

The situation is completely different for receiving invoices: all companies must be able to receive and process e-invoices from 1 January 2025.

2. Exceptions

There is no requirement to issue an e-invoice for:

- very small amounts (under €250)
- certain travel tickets, for example bus or train tickets.

3. Formats and requirements

E-invoices must be created in a special format that can be read by machines. There are various XML-formats that are permitted. These formats enable automated processing of invoice data without manual intervention and therefore simplify the entire invoice process between companies. They contain all mandatory invoice information in a standardised, machine-readable format. This enables seamless transmission and automated processing of invoice data between the invoice issuer and invoice recipient.

As a result, companies can work more efficiently, reduce errors and increase transparency in their financial processes.

The following formats meet the e-invoicing requirements:

- ZUGFeRD: Format in accordance with the Central User Guide of the German Electronic Invoicing Forum. Hybrid invoice format that combines structured data, for example in XML format, with a PDF document, making the invoice both machine-readable and understandable for humans. In addition, the structures and fields of the XML file are standardised and uniformly named, which enables clear assignment and processing of each piece of information when it is read.
- Factur-X: Another hybrid invoice format that extends the advantages of ZUGFeRD and can be used internationally. It also enables the simultaneous exchange of structured invoice data (in XML format) and a readable PDF document.
- XRechnung: Standardised XML format that does not contain a PDF. If a user wants to open

and read an XRechnung, he or she must either understand the XML fields or use an app that prepares the structure of the XRechnung.

It is important that the invoice is correct and complete and that it remains legible.

E-invoices can be sent in various ways:

- by e-mail (though note that a PDF alone is not considered an e-invoice)
- via a special portal or an electronic interface
- within a group of companies or via an internet portal.

4. Improvements and simplifications

At the end of the legislative process, certain simplifications were introduced:

- Companies can continue to issue invoices on paper or as PDFs until the transition period has ended.
- Invoice amendments can be made in the same format as the original invoice as long as there is no e-invoicing obligation.
- USB sticks are now permitted again as a shipping method.
- Small companies that do not have to pay VAT in Germany must only be able to receive e-invoices, not issue them themselves.

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PKF Comment

The new regulations on e-invoicing are an important step towards digitalisation. There are clear rules and transition periods that should enable companies to prepare well. Companies should familiarise themselves with the new rules at an early stage so that they can make the transition successfully.

If you believe any of the above measures may impact your business or require any advice with respect to German taxation, please contact Daniel Scheffbuch at **d.scheffbuch@pkf-wulf.de** or call **+49 711 69 767 238**.

BACK

Greece

Implementation of electronic delivery notes for real-time tracking of goods

The Greek Ministry of Economy and Finance and the Independent Authority for Public Revenue (AADE) have announced the activation of the electronic delivery note on the myDATA platform to monitor the shipment of goods. This document streamlines commercial transactions, allowing real-time tracking of a product's origin and destination. The application covers both national and international shipments within Greece.

Phase A: Basic functions for issuing and transmitting shipping notes in myDATA platform

First period companies: Optional until 31 March 2025, mandatory from 1 April 2025.

'First period companies' denote businesses with a turnover exceeding €200,000, as well as businesses in specific sectors (including distribution of medicines and medical consumables, energy products and building materials). Such businesses are required to use the myDATA digital platform for issuing and sending e-delivery documents from 1 April 2025.

Second period companies: Optional until 30 September 2025, mandatory from 1 October 2025.

All other businesses not included in the first implementation period must use the myDATA digital platform for issuing and sending e-delivery documents from 1 October 2025.

Phase B: Digital monitoring of movement, shipments and delivery of goods

For all businesses: Optional from 1 May 2025 to 30 September 2025, mandatory from 1 October 2025.

All businesses must submit data relating to the movement, shipment and delivery of goods to the myDATA digital platform from 1 October 2025. Exceptions from using the system, applicable to certain businesses, come into force on the same date.

The Ministry of National Economy and Finance and the Public Revenue Authority have indicated that:

- the new framework for the digital issuance of transaction documents utilises modern digital tools and facilitates business, with the aim of both simplifying compliance procedures and tackling tax evasion.
- in the immediate future, sanctions for the movement of goods without the issuance of appropriate documents are expected to be tightened, with a tenfold increase in the relevant fines. Specifically, the fines are set to increase to:
  - €5,000 for those obliged to maintain a single-entry accounting system; and
  - €10,000 for those obliged to maintain a double-entry system.

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PKF Comment

For further information concerning the above or any service request with respect to Greek taxation, please contact Dora Kappou at kappoud@pkf.com.gr or call **+30 693 801 3360**.

BACK

Hong Kong

Pillar 2 legislation in Hong Kong

Background

In July 2021, Hong Kong joined over 130 jurisdictions in adopting the international tax reform framework known as the two-pillar solution, as announced by the OECD, to tackle base erosion and profit shifting risks associated with the digitalisation of the economy (commonly referred to as 'BEPS 2.0'). To fulfil Hong Kong's international obligations in combating cross-border tax evasion and safeguarding its taxing rights, the Financial Secretary announced in the 2024-25 Budget that Hong Kong would implement the global minimum tax in accordance with the BEPS 2.0 framework.

To facilitate this initiative, Hong Kong gazetted the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Bill 2024 ('the Bill') on 27 December 2024 as a step towards implementing the OECD's Global Anti-Base Erosion (GloBE) rules in Hong Kong.

Pillar 2 of BEPS 2.0

Under Pillar 2 of BEPS 2.0, a global minimum tax of 15% is imposed on multinational enterprise (MNE) groups with consolidated annual revenue of €750 million or more in at least two of the four fiscal years immediately preceding the current fiscal year ('in-scope MNE groups') through two interlocking rules, namely:

- Income inclusion rule (IIR) – This primary rule imposes a top-up tax on the parent entity of an in-scope MNE group for its low-taxed constituent entities (taxed at an effective tax rate (ETR) below 15%) outside the parent's jurisdiction; and
- Undertaxed profits rule (UTPR) – This serves as a backstop to the IIR, ensuring that all top-up taxes are charged where they are not levied under the IIR.

The two rules are collectively known as the GloBE rules. There is also a domestic version of the GloBE rules known as the qualified domestic minimum top-up tax (QDMTT), which is referred to as the Hong Kong minimum top-up tax (HKMTT) in Hong Kong. This domestic framework allows jurisdictions, in which an in-scope MNE group operates and for which the ETR is below the minimum rate (i.e. a low-tax jurisdiction), to collect top-up tax locally and has priority over the IIR and the UTPR.

Upon the enactment of the Bill, Hong Kong is anticipated to introduce the IIR and QDMTT in the form of the HKMTT, which will take effect for fiscal years beginning on or after 1 January 2025. Furthermore, the Bill establishes a legal framework for the UTPR, although the implementation date of this rule will be determined at a later time.

Hong Kong's implementation framework for the GloBE rules and HKMTT

1. In-scope MNE groups

The GloBE rules and HKMTT apply only to in-scope MNE groups. If an MNE group falls within the scope of the GloBE rules, the group must determine the location and income of each constituent entity and compute the ETR on a jurisdictional basis. The GloBE income or loss and adjusted covered taxes of each constituent entity located in the same jurisdiction are added together to compute the ETR.

2. Top-up tax

The top-up tax payable by an in-scope MNE group in a low-tax jurisdiction is calculated as the product of:

- Excess profits – The aggregate GloBE income or loss for all constituent entities in the low-tax jurisdiction, less a substance-based income exclusion for that jurisdiction; and
- Top-up tax percentage – The difference between the minimum rate of 15% and the ETR of the low-tax jurisdiction.

3. Location of an MNE entity

Under the GloBE rules, an entity is considered to be located where it is tax resident or where it was created. Since Hong Kong adopts the territorial source principle of taxation and does not impose tax based on an entity's residence, the Inland Revenue Ordinance (IRO) currently does not contain a definition of 'tax resident' for general purposes. As such, the Bill defines a 'Hong Kong resident entity' as follows:

(a) Where the entity is a company – The entity is incorporated in Hong Kong or, if incorporated outside Hong Kong, is normally managed or controlled in Hong Kong; or

(b) In any other case – The entity is constituted under the laws of Hong Kong or, if otherwise constituted, is normally managed or controlled in Hong Kong.

4. Nature of top-up tax

The top-up tax imposed in Hong Kong under the GloBE rules and HKMTT is deemed as Hong Kong profits tax. Consequently, the existing tax administration mechanisms outlined in the IRO, along with the provisions in relevant comprehensive double taxation avoidance agreements for addressing cross-border disputes, will generally apply to the top-up tax with certain adjustments and modifications.

5. Safe harbours

The OECD has developed safe harbours to relieve in-scope MNE groups from performing full GloBE calculations when certain conditions are met. In Hong Kong, the transitional country-by-country reporting safe harbour, the transitional UTPR safe harbour, the QDMTT safe harbour and the simplified calculations safe harbour for non-material constituent entities are provided to reduce the compliance burden for in-scope MNE groups.

6. Filing of top-up tax notification and return

Each Hong Kong constituent entity of an in-scope MNE group must file an annual top-up tax notification with the Hong Kong Inland Revenue Department (IRD) within six months after the fiscal year end. Additionally, they are required to submit a single top-up tax return under GloBE rules and HKMTT no later than 15 months after the fiscal year end, with an extended deadline of 18 months for the first transitional year.

A designated local entity can be appointed to handle both filings on behalf of the MNE group, relieving other Hong Kong entities from these obligations.

7. Penalty for non-compliance

A comparable level of penalties will be imposed for non-compliance with the reporting and administrative requirements, including failure to file a top-up tax return or top-up tax notification, as well as any wrongdoings in relation to incorrect returns and notifications. These penalties align with the existing provisions under the IRO.

8. Application to MNE entities other than Hong Kong constituent entities

The tax administration framework typically extends to encompass other entities (such as joint ventures, subsidiaries of joint ventures or stateless constituent entities) of in-scope MNE groups located or operating in Hong Kong in the same manner as it applies to Hong Kong constituent entities.

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PKF Comment

The release of the Pillar 2 legislation represents a significant step towards the implementation of the global minimum tax and HKMTT rules in Hong Kong, making these rules imminent for in-scope MNE groups operating in Hong Kong. With both rules scheduled to be enforced in Hong Kong for fiscal years starting on or after 1 January 2025, it is imperative for in-scope MNE groups to familiarise themselves with these rules as soon as possible. By doing so, they will be better prepared to navigate the upcoming changes and ensure compliance in this evolving tax environment.

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**.

BACK

Hungary

Scope of green tax narrowed

Further to the introduction of the extended producer responsibility (EPR) system, to avoid double charging and reporting, the legislator has narrowed down the scope of product categories subject to green tax ('environmental product fee', in official terms). From 2025, only 'other plasic products', 'other chemical products', and 'other oil products' (lubricating oil) are covered by green tax, with the EPR liabilities on the so-called 'circular product' categories remaining in place. As a result of the amendment, only plastic-based wet wipes and plastic bags are subject to both green tax and EPR.

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PKF Comment

The tax authority automatically closes in its database the activities which are no longer subject to green tax without any actions to be taken by taxpayers.

BACK

Majority of extra-profit taxes cancelled

As from 1 January 2025, the extra-profit taxes levied on the following sectors have been repealed:

- special tax on net revenues of petroleum product producers
- special tax on renewable energy producers
- special tax on balancing regulation service providers
- extra-profit and special tax on pharmaceutical manufacturers
- payment obligations of pharmaceutical and medical device distributors
- income tax payment obligations of energy suppliers in the manufacturing industry
- telecommunication surcharge
- mining surtax paid by mining companies in the absence of a contract
- airlines' contribution.

However, the following extra-profit taxes remain in place:

- special tax on credit institutions and financial companies under certain conditions
- surcharge on insurers
- modified tax rates for retail taxes
- 95% special tax on petroleum product producers
- 41% income tax on energy suppliers
- special rules for retail fuel distributors.

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PKF Comment

The extra-profit taxes were introduced as transitory measures. Based on the prevailing regulations, the extra tax liabilities are to be abolished from 2026.

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**.

BACK

Ireland

Residential zoned land tax

A new tax known as the residential zoned land tax (RZLT) commences in 2025. The tax applies to land which is zoned for residential use but is not in use as residential property. The tax is calculated at 3% of the market value of the land. Landowners who own land within the charge to this tax are required to file and pay the liability by 23 May each year.

Owners of a residential property that is subject to local property tax (LPT) and whose garden and yards are greater than 0.4047 hectares are not within the charge to RZLT but are required to register for RZLT if their property is included on an annually revised map.

Each year the local councils will prepare a land map showing the land which has been zoned for residential use. This will be available by 31 January each year. Landowners with land in these zoned areas can apply to the council for the land to be rezoned as non-residential use land. This can include land in use for agricultural purposes or other economic purposes. This application must be submitted between 1 February 2025 and 1 April 2025.

Where a landowner transfers ownership of a site (including by way of gifts or inheritance), a RZLT change of ownership return must be filed and any outstanding RZLT tax paid.

Pillar 2 implementation

Ireland is continuing the implementation of the Pillar 2 tax rules set out by the OECD. These rules apply to groups with a consolidated revenue of over €750 million. This threshold is based on the revenue calculated by the parent entity using the accounting standards in the parent entity's jurisdiction.

The initial stage was the introduction of the income inclusion rule (IRR) which allows Ireland to apply a top-up liability to a group where the parent entity is located in Ireland to ensure the group's effective tax rate is at least 15%. The qualified domestic top-up tax provisions allow Ireland to collect any top-up tax from Irish-based entities rather than the full amount collected in the jurisdiction of the parent entity. These rules apply to accounting periods beginning on or after 31 December 2023.

The next stage in the introduction of the Pillar 2 rules is the undertaxed profit rule (UTPR). The UTPR is designed to come into effect in circumstances where the full amount of top-up tax is not collected under an IIR. A constituent entity located in Ireland is subject to the UTPR top-up tax if the ultimate parent entity (UPE) is located in a jurisdiction which does not apply a qualified IIR or the UPE is an excluded entity. The UTPR comes into effect for fiscal years commencing on or after 31 December 2024.

Filing deadlines for Pillar 2 taxes are set at 18 months from the end of the first fiscal year in which an entity is subject to these taxes, and 15 months thereafter for subsequent returns.

Relevant contracts tax

Relevant contracts tax (RCT) applies where certain construction activities are carried out within Ireland. This applies to both tax resident and non-tax resident entities who carry out these construction activities.

Where the RCT system applies, a customer must withhold either 0%, 20% or 35% from the payment to the contractor and pay this directly to the Irish tax authority. The rate which applies depends on the compliance history of the contractor. The 0% deduction rate applies to contractors who have a record of meeting their tax compliance obligations over the previous three years. If this compliance history is not met, a 20% deduction rate applies until this compliance record is maintained. The 35% rate applies where the subcontractor is not registered for tax in Ireland or has an inadequate tax compliance record.

In a case published in January 2025, the Irish Tax Appeals Commission upheld the decision of the Irish tax authority to apply a 20% deduction rate to a new contractor who did not have a three-year compliance record.

This can have significant cashflow implications for foreign contractors seeking to undertake construction activities in Ireland. The contractor will be subject to a 20% tax deduction from payments due from customers. The contractor is then required to submit a claim to the Irish tax authority seeking a refund of this tax.

Any foreign contractors seeking to carry out construction activities in Ireland should ensure they determine if the RCT system will apply to them and if there are any options to reduce the potential cashflow effects, especially if the foreign trader is planning on engaging subcontractors themselves to carry out some of the work. If a foreign contractor is engaging subcontractors in Ireland, they may also have to register for Irish VAT to self-account for the VAT on invoices from subcontractors.

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PKF Comment

If you believe the above may impact your business or personal situation or require any advice with respect to Irish taxation, please contact Michael O'Leary at michael@pkfbl.ie or call **+353 (01) 668 9760**.

BACK

Italy

New entry requirements for fiscal representatives of non-EU companies in Italy

Pursuant to a decree published on 9 December 2024 by the Ministry of Economy and Finance, new rules were outlined for fiscal representatives of non-EU companies in Italy.

In addition to former Legislative Decree No. 13/2024, the new rules aim to prevent the fraudulent use of VAT exemptions on imports.

The key requirements to operate as fiscal representatives include not being convicted of financial crimes or involved in ongoing financial crime proceedings and not having a history of serious tax violations or convictions related to drugs, arms trafficking or corruption.

Furthermore, the potential fiscal representatives must also submit a declaration stating that they meet the aforementioned conditions.

Regarding guarantees, fiscal representatives must provide a security (government bond, bank guarantee or promissory note) based on the number of entities they represent, ranging from €30,000 (for between two and nine entities), €100,000 (for between 10 and 50 entities), €300,000 (for between 51 and 100 entities) to €1 million (for between 101 and 1000 entities).

Representatives of just one company only need to submit a self-declaration without a guarantee. The guarantee must be maintained for at least 48 months from the appointment date.

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PKF Comment

If you believe the above measure may have an impact on your clients and you need to be supported on this subject, our team in Italy is available to provide any additional information you may need.

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

BACK

Malta

Amendment to the Cooperation with Other Jurisdictions on Tax Matters Regulations

LN 18 of 2025 has revised the Cooperation with Other Jurisdictions on Tax Matters Regulations (S.L. 123.127), transposing certain provisions of Directive 2021/514 (which extended EU transparency rules to digital platforms and imposed reporting obligations on platform operators) with effect from 20 January 2023. The legal notice also revises article 52 (administrative penalties) with effect from the date of publication.

Tax exemption rules for pensions revised

LN 356 of 2024 has revised the Pensions (Tax Exemption) Rules, to update the exemption thresholds for pension income, effective from 1 January 2025.

Rule 3 of the principal rules states that pension income derived by an individual on or after 1 January 2022 shall be partially or fully exempt from tax as follows:

Applicability of the exemption	Amount exempt
Pension income derived in the year immediately preceding the year of assessment 2023	20%, but not exceeding €2,864
Pension income derived in the year immediately preceding the year of assessment 2024	40%, but not exceeding €5,987
Pension income derived in the year immediately preceding the year of assessment 2025	60%, but not exceeding €9,732
Pension income derived in the year immediately preceding the year of assessment 2026	80%, but not exceeding €13,309
Pension income derived in the year immediately preceding the year of assessment 2027 and in subsequent years	100%, but not exceeding €16,636

Amendment to the Deduction (Income from Employment) Rules

LN 358 of 2024 has increased the thresholds in rules 2 and 3 of the Deduction (Income from Employment) Rules.

These rules have been revised and now read as follows:

'2. These rules shall apply where, in the year immediately preceding the year of assessment 2014 and in subsequent years, an individual (including any spouse where the responsible spouse has opted for a separate computation for the purposes of article 50 of the Income Tax Act, hereinafter referred to as "the Act") –

(a) *derives income from employment (other than income derived from the holding of an office of a director) chargeable to tax under article 4(1)(b) of the Act, and such income does not exceed twelve thousand and fifty euro (€12,050) per annum; and

(b) does not derive any other income chargeable to tax at the rates specified in article 56(1)(b) of the Act.

3.(1) Any individual to whom rule 2 applies and who is chargeable to tax at the rates specified in article 56(1)(b) of the Act, but not at the rates specified in the provisos thereto, shall be allowed as a deduction against his income from employment, an amount determined by deducting twelve thousand euro (€12,000) from the said income.'

Changes to the Relief from Income Tax and from Duty on Documents and Transfers on Certain Property Transfers Rules

LN 363 of 2024 has revised the Relief from Income Tax and from Duty on Documents and Transfers on Certain Property Transfers Rules, extending the application of rules 3 and 7 until 31 December 2025 and excluding immovable property intended for the storage of goods or materials.

Rules 3 and 7 have been revised as follows:

'2. Sub-rule (1) of rule 3 of the principal rules shall be amended as follows:

(a) the words "31st December 2024" shall be substituted by the words "31st December 2025";

(b) in its proviso the words "in a special designated area." shall be substituted by the words "in a special designated area:" and immediately after there shall be added the following new proviso:

"Provided further that in the case of a transfer made on, or after 1st January 2025:

(a) no relief from income tax and from duty on documents and transfers shall be allowed in accordance with this rule if the property that is transferred consists of immovable property intended for the storage of goods or materials;

(b) when the property that is transferred consists of a garage, relief from income tax and from duty on documents and transfers in accordance with this rule shall be allowed only if that garage is transferred by means of the same deed together with residential property and to the same person to whom such residential property is transferred, and is a garage attached to or underlying that residential property or a garage situated in the same block of residential apartments of which that property forms part or a garage of not more than thirty square metres (30m²) situated within five hundred metres (500m) of such residential property or block of apartments."

3. Rule 7 of the principal rules shall be amended as follows:

(a) in sub-rule (1) thereof the words "31st December 2024" shall be substituted by the words "31st December 2025"; and

(b) in sub-rule (2) thereof the words "31st January 2025" shall be substituted by the words "31st January 2026".'

Reduction in personal income tax rates

The Commissioner for Tax and Customs announced that the new resident progressive tax rates have been published.

Tax rates			
Chargeable income (€)			
From	To	Rate	Subtract
Single rates			
0	12,000	0%	0
12,001	16,000	15%	1,800
16,001	60,000	25%	3,400
60,001	and over	35%	9,400
Married rates			
0	15,000	0%	0
15,001	23,000	15%	2,250
23,001	60,000	25%	4,550
60,001	and over	35%	10,550
Parent rates			
0	13,000	0%	0
13,001	17,500	15%	1,950
17,501	60,000	25%	3,700
60,001	and over	35%	9,700

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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 George Mangion at gmm@pkfmalta.com or call **+356 21 484 373**.

BACK

Namibia

Budget 2024: Changes to VAT, transfer duty and stamp duty Acts

VAT

1. Terminology update:
   - Replacing ‘Permanent Secretary’ with ‘Executive Director’ throughout the Act.

2. Changes to import declarations:
   - Reducing the period for furnishing the import declaration and payment of tax on import of services from 30 days to 20 days following the month of import.

3. Registration threshold increase:
   - Increasing the monetary threshold required for VAT registration from N$500,000 to N$1,000,000 for taxable activities over a 12-month period.

4. Cash sales invoice requirement:
   - Increasing the amount of cash sales for which a tax invoice is not required from N$100 to N$1,000.

5. Interest on refunds and overdue payments:
   - Changing the rate of interest on refunds due to registered persons to be tied to the repo rate announced by the Bank of Namibia.
   - Changing the rate of interest on overdue tax payments to be tied to the prime lending rate announced by the Bank of Namibia.
   - Providing guidelines for publishing and implementing these rates through notices in the Gazette.

6. Interest rate adjustments:
   - New provisions for calculating and compounding interest on unpaid taxes at the prime lending rate, replacing the previous fixed rate of 20% per annum.

Transfer Duty Act, 1993

Amendments and insertions to the following definitions in the Transfer Duty Act will trigger transfer duty to be levied on any residential property irrespective of whether the property has been registered in a company or corporation:

1. Terminology update:
   - Replacing ‘Permanent Secretary’ with ‘Executive Director’ throughout the Act.

2. Definition changes:
   - Inserting the definition of ‘Executive Director’ as the executive director of the ministry responsible for finance.
   - Deleting the definition of ‘Permanent Secretary’.
   - Updating the definition of ‘property’ to include:
     - land and fixtures
     - real rights in land (excluding mortgage bonds and certain leases)

- rights to mine minerals and leases/sub-leases of such rights
- shares in companies, members' interests in close corporations or trust holdings that own residential property.

— Adding a definition for 'residential property', including dwelling houses, holiday homes, apartments and land zoned for residential use, but excluding apartment complexes, hotels and similar structures rented to connected persons.

3. Rates of transfer duty:
   — Increasing the exemption threshold from N$600,000 to N$1,100,000.

   — These rates apply to non-agricultural land acquired by natural persons.

Value of property (N$)	Duty
0 – 1,100,000	nil
1,100,000 – 1,580,000	1% of value that exceeds N$1,100,000
1,580,000 – 3,150,000	N$4,800 plus 5% of value that exceeds N$1,580,000
3,150,000 – 12,100,000	N$83,300 plus 8% of value that exceeds N$3,150,000
over 12,100,000	N$799,300 plus 11% of value that exceeds N$12,100,000

Stamp duty

1. Currency and terminology update:
   — Substituting the currency symbol 'R' with 'N$'.

   — Replacing the phrase 'Permanent Secretary' with 'Executive Director' wherever it appears in the Act.

2. Definition updates:
   — Adding a definition for 'Executive Director' as the executive director of the ministry responsible for finance.

   — Deleting the definition of 'Permanent Secretary'.

   — Expanding the definition of 'stamp' to include electronic stamping.

3. Exemption and adjustment for natural persons:
   — Exempting natural persons from paying stamp duty on transfer deeds for acquiring immovable property valued up to N$1,100,000.

   — Adjusting the stamp duty rate for property transactions exceeding N$1,100,000 to N$10 for every N$1,000 or part thereof above the threshold.

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PKF Comment

If you believe any of the above measures may impact your business or personal situation or require any advice with respect to Namibian taxation, please contact Lynique Käser at lynique@pkf-fcsnam.com or call **+264 64 215 100**.

BACK

Peru

Regulations on application of new scheme for repatriation of undeclared income

Supreme Decree No. 285-2024-EF was published by the Ministry of Economy specifying the regulations on the application of the new scheme for repatriation of undeclared income, as well as the consequences of not providing the required information or filing incomplete information with the Tax Administration.

The supreme decree states that:

- the Tax Administration has a period of one year, starting from 1 January 2025, to request the information relating to the assets, rights, money and/or undeclared income subject to the new system; and
- if the taxpayer does not submit the required information within the period granted by the Tax Administration, or submits it incompletely or inaccurately, the taxpayer will be deemed not to have complied with the scheme with respect to the non-supported part.

The decree was published in the Official Gazette on 26 December 2024 and entered into effect on 27 December 2024.

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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

Budget 2025 measures

On 31 December 2024 Law 45-A/2024 was published in the Official Gazette approving the 2025 government Budget and containing the following amendments to income taxation.

Corporate income tax

Corporate income tax rate

- A reduction in the general corporate income tax rate to 20% (previously 21%).
- A reduction in the tax rate for small and medium-sized enterprises and small mid-cap companies to 16% (previously 17%) for the first €50,000 of taxable base.

Both changes are effective from 1 January 2025.

Incentive for capitalisation of companies (ICE)

The tax framework for the notional interest tax deduction under the ICE, originally established in 2023 and subsequently amended in 2024, has been revised.

Further to this amendment, the difference between the rate applicable to most companies and the rate applicable to micro, small or medium-sized enterprises or small-medium capitalisation companies (small mid cap) is eliminated. Thus, the amount to be deducted under ICE, for all companies that meet the respective requirements, corresponds to the application of the 12-month EURIBOR rate, corresponding to the average of the taxation period, calculated based on the last day of each month, added to a spread of 2%, to the amount of eligible net equity increases.

This deduction shall not exceed, in each tax year, the higher of: (i) €4 million; or (ii) 30% of the tax EBITDA, pursuant to article 67 of the CIT Code.

Eligible equity increases include:

- cash contributions made in connection with the incorporation of companies or the increase in the share capital of the beneficiary company;
- contributions in kind made within the scope of the share capital increase that correspond to the conversion of credits into capital;
- premiums for issuance of securities; and
- net accounting profits of the tax period concerned that are applied to retained earnings or, directly, to reserves or to an increase in share capital.

Personal income tax

The 2025 state Budget introduced a new personal income tax (IRS) model for young people. **IRS jovem** is a benefit that reduces the tax paid on labour income.

From 1 January 2025, this model brings changes to the age of beneficiaries and the duration of the benefit, among others.

What's new in the youth IRS?

- The age limit is raised from 30 to 35.
- The maximum duration of the benefit will be 10 years.
- Access to the **IRS jovem** no longer depends on educational level.
- The exemption limit increases by around €8,000, from 40 IAS (social support index) to 55 IAS.

The IRS exemption for young people is capped at 55 times the value of the IAS, i.e. €28,737.50 in 2025:

- 100% in the first year of earning income;
- 75% from the second to the fourth year;
- 50% from the fifth to the seventh year; and
- 25% from the eighth to the 10th year.

Individuals covered by other special tax regimes, including individuals registered as non-habitual tax residents, are not eligible for this exemption.

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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**.

BACK

Romania

Various 2025 tax updates

SAF-T reporting

Starting from 1 January 2025, the obligation to submit the standard audit file for tax (SAF-T), known as the Informative Declaration D406, will also apply to small taxpayers and non-residents registered for VAT purposes in Romania.

The SAF-T file is a standardised electronic method for transmitting financial and accounting information from companies to the National Agency for Fiscal Administration (ANAF).

Non-resident taxpayers holding a VAT code in Romania will be required to submit the D406 (SAF-T) declaration, but in a simplified form.

The reporting must be carried out either monthly or quarterly, depending on the taxpayer's VAT reporting period.

The first five reports benefit from extended deadlines (ranging from two to six months).

Tax on dividends

The dividend tax rate increases from 8% to 10% – this new rate applies to dividends distributed after 1 January 2025.

Microenterprise income tax

The revenue threshold for companies eligible to pay microenterprise income tax is reduced from €500,000 to €250,000, and further to €100,000 starting on 1 January 2026.

The condition regarding income from activities other than management or consultancy is eliminated, i.e. companies generating more than 80% of their total income from these activities will also be able to pay microenterprise income tax.

New NACE codes are introduced for which the 3% tax rate will apply.

Income tax and social contributions

The minimum gross wage increases from 3,700 lei to 4,050 lei starting on 1 January 2025.

The income tax exemption for the IT, construction, agriculture and food industry sectors is cancelled.

Tax on special constructions

The tax on special constructions is reinstated – applicable to constructions classified under group 1 of the Catalogue on the Classification and Normal Operating Durations of Fixed Assets.

The tax rate is 1%, applied to the value of constructions in the taxpayer's patrimony as of 31 December of the previous year, after deducting the value of buildings already subject to building tax.

The tax is paid in two equal instalments, by 30 June and 31 October.

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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 Florentina Susnea at florentina.susnea@pkffinconta.ro or call **+40213173190/ +40722209753**.

BACK

South Africa

The end of the 'most favoured nation'

Background

Essentially, the 'most favoured nation' (MFN) clause allows for the automatic application of a lower rate of dividend withholding tax (WHT) to be levied in the instance that South Africa has a double tax treaty (DTT) with another country that levies a lower withholding tax.

The MFN clause is included in the dividends article (Article 10) of the protocols to the South Africa and Netherlands DTT ('Dutch DTT') and South Africa and Sweden DTT ('Swedish DTT') and applies to retrospective DTTs concluded by South Africa with other countries.

Impact

The Dutch and Swedish DTTs therefore leveraged off the last remaining DTT which levied a reduced dividend WHT rate of 0%: the DTT between South Africa and Kuwait ('Kuwait DTT'). In both the Dutch DTT and Swedish DTT, the dividend WHT rate was reduced to only 5% if a shareholder was a company that owned at least 10% of the shares. For all other shareholders, the WHT rate was 10% and 15% respectively under the Dutch DTT and Swedish DTT.

Therefore, where a Dutch or Swedish tax resident held shares in a South African company and the South African company paid a dividend to the non-resident beneficial owner, South Africa was not required to withhold the 5% or 10%/15% applicable per the relevant DTTs and thus utilised the MFN clause, applying a 0% rate of WHT.

However, this has come to an end with effect from 2 October 2024 when the Kuwait DTT was amended with the ratification of the protocol. The Kuwait DTT protocol (published on 22 November 2024) updated the dividend WHT rate to 5% if a shareholder is a company that owns at least 10% of the shares. For all other shareholders, the WHT rate is 10%.

As a result of this amendment, there is currently no longer a DTT offering a lower rate of dividend WHT and the rates provided per each of the respective DTTs will be applicable. This means that, unfortunately, the MFN clause will no longer apply going forward.

South Africa introduces the global minimum tax

On 24 December 2024, President Ramaphosa signed the Global Minimum Tax Act (GMT Act) with retrospective effect to apply to tax years starting from 1 January 2024.

This marks a significant move to align South Africa with international tax reforms in line with the Global Anti-Base Erosion (GloBE) model rules which is led by the OECD's Base Erosion and Profit Shifting (BEPS) initiative.

The purpose of the GMT Act is to ensure that large multinational enterprises (MNE) contribute a minimum level of tax on their income in each jurisdiction where they operate. In addition, these rules are aimed at limiting multinationals from shifting profits from high-tax to low-tax jurisdictions or tax havens, as well as preventing certain nations from setting significantly low corporate tax rates with the intention of attracting investment.

This law applies to MNE groups with global consolidated group turnover exceeding €750 million in at least two of the tax years preceding the reporting years. With effect from 1 January 2024, the GMT Act introduces a 15% GMT rate for these qualifying MNEs.

The GMT Act will be implemented through two mechanisms:

- An income inclusion rule (IIR) which levies a top-up tax on income payable by qualifying South African-headquartered MNE group entities in foreign jurisdictions in which there is a direct or indirect ownership interest and where their effective tax rate is below 15%.

This will ensure that a South African-headquartered MNE group is required to pay top-up tax under the IIR mechanism for any foreign subsidiaries located in low-tax jurisdictions to the extent that they do not pay the minimum tax rate of 15%.

- A domestic minimum top-up tax (DMTT) which is levied as a top-up tax on the profits of South African entities of the foreign-based MNE group with low tax in South Africa. This is also applicable to branches, permanent establishments and/or joint ventures located in South Africa.

  This will ensure that a foreign-headquartered MNE group operating in South Africa with a South African jurisdictional effective tax rate of below 15% will be liable to pay the top-up under the DMTT in South Africa.

Where the local DMTT mechanism has been levied in a foreign jurisdiction, it will override the South African IIR right to tax.

These measures have been introduced to ensure global minimum tax is levied across all the jurisdictions in which the MNE group operates, thereby ensuring that the MNE and group pay additional tax if their effective tax rate falls below the 15% threshold in any one jurisdiction.

Administration

In addition to the GMT Act, the Global Minimum Tax Administration Act 47 of 2024 (GMTA Act) was signed on 9 January 2025 which sets out the administration to the GMT Act.

Specifically, it provides the due date for submission of the GloBE information return (GIR) which is due for submission 15 months after the company's year end.

However, in the case of companies whose financial year starts between 1 January 2024 and 1 January 2025, a transition period has been allowed whereby submission of the GIR will be 18 months after the company's year end.

The GMTA Act sets out the penalties for non-compliance, which are as follows:

- an administrative non-compliance penalty of up to R50,000 may be imposed by the Commissioner, regarded as a fixed amount administrative penalty imposed under section 210 and section 211 of the Tax Administration Act; and
- for unpaid top-up tax exceeding:
  - R5 million, the penalty doubles to R100,000 per month
  - R10 million, the penalty triples to R150,000 per month.

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PKF Comment

The introduction of the global minimum tax (GMT) once again places South Africa ahead of a number of countries that are also implementing the GMT in their domestic tax legislation in accordance with the OECD's international tax reforms.

We strongly advise that qualifying South African MNEs seek advice to perform necessary calculations (as set out by the OECD) to determine whether they are at risk of having an increased tax liability, i.e. top-up tax payment.

If you believe the above measures may impact your business or personal situation or require any advice with respect to South African taxation, please contact Antonia Nicoloudakis at antonian@pkfoctagon.com or call **+27 (0)10 003 0150**.

BACK

Spain

Amendments to personal and corporate income tax law

Personal income tax law

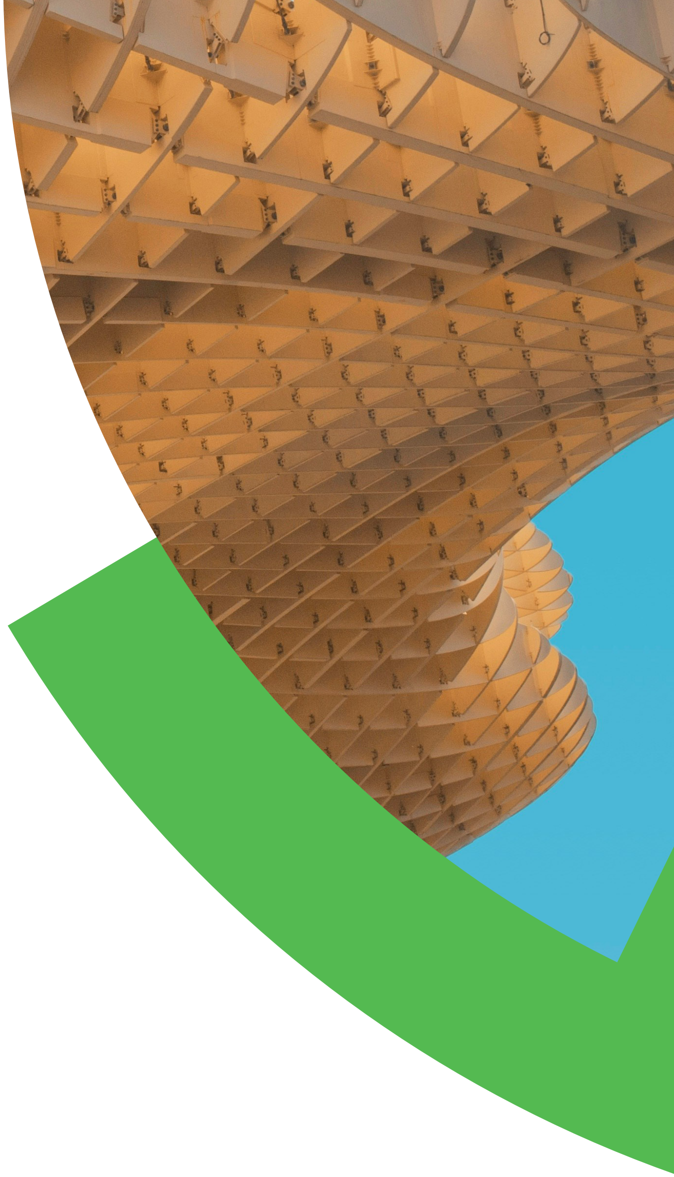
The following amendments are effective from 1 January 2025:

- The maximum savings rate is increased from 28% to 30% (for savings over €300,000), the scale being as follows:
  - up to €6,000: 19%
  - from €6,000.01 to €50,000: 21%
  - from €50,000.01 to €200,000: 23%
  - from €200,000.01 to €300,000: 27%
  - more than €300,000: 30%.
- A reduction may be applicable to income from artistic activities obtained on an exceptional basis.
- Deductions have been extended for:
  - energy efficiency in housing, until 31 December 2025; and
  - electric vehicles and charging points.
- Objective estimation method: Extension of the quantitative limits for 2025, except for agricultural, livestock and forestry activities.

Corporate income tax law

The following amendments are effective from 1 January 2024:

- Limits applicable to large companies in deductions to avoid international double taxation and compensation of negative tax bases:
  - From 1 January 2024, companies with a net turnover of €20 million or less will have a limit of 70% for offsetting tax losses. The limit is 50% for net turnovers between €20 million and €60 million and 25% for net turnovers above €60 million.
  - Deductions for double taxation cannot exceed 50% of total tax liability.
- Reversal of impairment losses on securities representing the capital or equity of entities that had been deductible for tax purposes, effective for periods beginning on or after 1 January 2024 and which have not ended on the date of entry into force of the law.
- Temporary measures in the determination of the taxable base in the tax consolidation regime, with effect for periods beginning on or after 1 January 2024 and which have not ended on the date of entry into force of the law.
- The Spanish government has introduced a new complementary tax to guarantee a minimum level of tax for large domestic groups and multinational groups with consolidated revenue of €750 million or more. Wherever they operate, from 1 January 2024, a minimum effective global tax rate of 15% will apply if the group reported a net turnover of at least €750 million in two out of four of the previous tax years. Letter b) of article 15 of the corporate income tax law is now amended to consider the expense derived from the accounting of the complementary tax as a non-deductible expense.



The following amendments are effective from 1 January 2025:

- Increased capitalisation reserve: From 1 January 2025, the capitalisation reserve, which allowed corporations to reduce their taxable income by 10% of their increase in equity, will increase to 20% (or 25% for companies with net turnover below €1 million) and up to 30% if the corporation meets specific criteria for the year.
- Reduced tax rates: From 1 January 2025, micro-enterprises and small entities in Spain will gradually benefit from lowered tax rates. The planned reductions for corporate income tax rates are as follows:

  Micro-enterprises with an annual turnover below €1 million

  - 2025 – 21% for the first €50,000 and 22% for the excess
  - 2026 – 19% for the first €50,000 and 21% for the excess
  - 2027 – 17% for the first €50,000 and 20% for the excess.

  Small entities with an annual turnover between €1 million and 10 million

  - 2025 – reduced from 25% to 24%
  - 2026 – reduced to 23%
  - 2027 – reduced to 22%
  - 2028 – reduced to 21%
  - 2029 – reduced to 20%.

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PKF Comment

If you believe the above measures may impact your business or personal situation or require any advice with respect to Spanish taxation, please contact Alberto Rodriguez at arodriguez@pkf-attest.es or call **+34 945 137 426**.

BACK

Switzerland

VAT – Abolition of net rate tax for foreign resident taxable persons

With the introduction of the amended VAT law from 1 January 2025, the option to use the net rate tax for taxable persons with foreign residence has been abolished. In such cases, the taxable person has to apply the effective method.

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PKF Comment

For taxable persons currently applying the net rate tax, this means that they have to change the respective declarations from 1 January.

BACK

International developments

Various amendments to the double tax treaty between Switzerland and Kuwait came into force from 1 January 2025.

It was clarified that the 'most favoured nation' clause is not applicable anymore in the treaty between Switzerland and India – leading to higher residual withholding tax on dividends (10% instead of 5%).

Switzerland and Hungary have agreed to amend the double tax treaty to include the minimum standards according to BEPS.

Switzerland, together with the EFTA states Iceland, Liechtenstein and Norway, has signed a free trade agreement with Thailand. Thailand did not have any free trade agreement with a European country before. In order to come into force, the agreement needs to undergo approval in the respective states.

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PKF Comment

Switzerland widens its international treaty network, not only in the area of taxes, but also economically.

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

Online application for various 'electronic tax documents' now available for foreign nationals

The Central Regional National Taxation Bureau of the Ministry of Finance announced that foreign nationals holding residency documents in Taiwan can apply for 'electronic tax documents' online via the Ministry of Finance's Tax Portal (https://www.etax.nat.gov.tw/etwmain/online-service/e-tax-document).

The Bureau explained that foreign residents applying for an alien permanent resident certificate (APRC) or related services are required to provide documents such as personal income or property statements. These documents can be obtained by logging into the aforementioned website using a registered national health insurance (NHI) card to apply online.

To facilitate access for foreign nationals, the Changhua Service Station of the National Immigration Agency's Central Service Brigade has created a dedicated section on its official website (https://servicestation.immigration.gov.tw/1477/) to meet the increased demand.

The Central Regional National Taxation Bureau of the Ministry of Finance further stated that it has collaborated with the Changhua County Local Tax Bureau and the Changhua Service Station of the National Immigration Agency's Central Service Brigade to offer integrated, cross-agency tax services at a single service point. Foreign nationals are encouraged to enquire about these services.

Optimised income tax withholding system effective from 1 January 2025

To optimise the income tax withholding system and protect the rights and interests of taxpayers, amendments to the Income Tax Act, announced on 7 August 2024, were promulgated on 1 January 2025, as approved by the Executive Yuan.

The National Taxation Bureau of Kaohsiung, Ministry of Finance, has highlighted three aspects of this optimisation of the income tax withholding system:

1. Amendments to the persons responsible for withholding tax, shifting this from the individual in charge of a company, agency, organisation or school to the entities themselves, ensuring consistency between responsibility and duty.

2. Deadlines for the payment of tax withheld from non-residents, as well as for filing, issuing and submitting withholding tax statements, have been added in accordance with resident-related provisions for extending the declaration period when the submission period coincides with consecutive national holidays. Specifically, the deadline may be extended by five days if the submission period overlaps with three consecutive national holidays. This measure helps alleviate tax withholders' burdens when they encounter consecutive holidays.

3. Amendments to the penalties for failure to file, issue and submit withholding tax statements in accordance with the law. Specifically, the tax authority may assess the severity of each violation and the degree of culpability within a prescribed range of penalties and is granted discretion in imposing appropriate sanctions to ensure fairness and justice.

The Bureau reminds tax withholders that these amendments to the Income Tax Act were promulgated on 1 January 2025. Therefore, the provisions prior to the amendments will still apply to the payment of 2024 income tax when filing withholding tax statements in 2025.

Before filing withholding tax statements, it is essential to fully understand the provisions both before and after the amendments.

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**.

BACK

Turkey

Implementation of Pillar 2 rules in Turkey from 2024

In alignment with the OECD's Pillar 2 framework, Turkey has enacted legislation introducing the global minimum top-up tax and the qualified domestic minimum top-up tax (QDMTT) into its tax regulations, following the Global Anti-Base Erosion (GloBE) rules.

This legislation, published in the Official Gazette on 2 August 2024 under Law No. 7524, known as the Pillar 2 framework, ensures that multinational enterprises (MNEs) with revenues exceeding €750 million are subject to a minimum tax rate of 15% in every jurisdiction in which they operate.

Scope of the tax

The law applies to the earnings of MNE groups whose ultimate parent entities report annual consolidated revenues exceeding €750 million in at least two of the last four accounting periods. These earnings will be subject to the global and qualified domestic minimum top-up taxes.

For the global minimum top-up tax, calculations will be based on the income inclusion rule (IIR) for fiscal years beginning on or after 1 January 2024, while the undertaxed profits rule (UTPR) will take effect for fiscal years beginning on or after 1 January 2025.

As per OECD GloBE guidelines, revenues derived from international maritime transport are excluded from GloBE income calculations.

The minimum corporate tax rate is set at 15%. The difference between this rate and the country-based tax burden will be collected as the global minimum top-up tax. If the country-based tax burden meets or exceeds the minimum tax rate, no additional global minimum tax will be due.

Calculation of tax burden

The tax burden for an MNE group with net earnings in a jurisdiction is calculated separately for each fiscal period on a country-by-country basis.

When calculating the country-based tax burden of an MNE group, the adjusted covered taxes of affiliated entities in that jurisdiction, as determined by the relevant regulations, are taken into consideration.

Payment and declaration of the top-up tax

The global minimum top-up tax is calculated based on the consolidated financial statements of the ultimate parent entity for the relevant fiscal period. Taxpayers must declare and pay the tax by the end of the 15th month following the end of the fiscal period.

For the QDMTT, the taxpayer is any resident affiliated entity or joint venture in Turkey. This tax must be declared and paid within 12 months following the end of the accounting period.

Safe harbour provisions

Temporary safe harbour provisions are included in the law, allowing MNE groups to be exempt from the top-up tax in Turkey and from submitting detailed information returns if they meet one of the following three criteria:

1. The MNE group's country-based total revenue (per qualified country-by-country reporting (CbCR) data) is less than the Turkish lira equivalent of €10 million, and pre-tax profit is below the Turkish lira equivalent of €1 million (de minimis test).
2. The MNE group's country-based effective tax rate (per CbCR data) is at least 15% for the 2024 accounting period, 16% for 2025 and 17% for 2026 (simplified effective tax rate test).
3. The MNE group's pre-tax profit does not exceed the total amount of the substance-based income exclusion (SBIE) amount (routine profit test).

If an ultimate parent entity is located in a jurisdiction where a corporate tax of at least 20% is applied, the top-up tax calculated under the UTPR will be deemed zero during the transition period. The transition period applies to fiscal years starting before 31 December 2025 and ending by 31 December 2026.

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PKF Comment

If you believe any of the above measures may impact your business or require any advice with respect to Turkish taxation, please contact Kurtulu Ozan Keser at **ozan.keser@pkf.com.tr** or call **+90 212 426 00 93**.

BACK

United Arab Emirates

UAE tax updates

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 and FTA decisions which provide further guidance on CT Decree-Law provisions. In addition to such decisions, the MoF has also released FAQs for additional clarification and guidance in this regard. The MoF has also recently released a 'Public Consolidation Document on Global Minimum Tax' ('PCD – GMT') seeking comments from the public. The MoF has also recently released guides on the computation of taxable income, real estate investment income, tax residents and tax residency certificates, tax manuals on several aspects and public clarifications.

Recently issued cabinet, ministerial and FTA decisions can be summarised as follows:

Sr. no	List of cabinet/ministerial/FTA decisions and explanation
1	**There are certain guides, public clarifications and business bulletins that have been issued recently with regard to UAE CT law, as set out below:** ▪ **Ministerial Decision No. 261 of 2024** – This decision specifies the treatment of an unincorporated partnership as a taxable person and the conditions for a partnership to not be treated as a taxable person. ▪ **Ministerial Decision No. 301 of 2024** – This decision has updated the ownership condition, requiring that 95% ownership should be maintained from the start of the tax period. Thus, where there is a change of ownership during the tax period, such an entity will not be considered eligible for forming part of the tax group. The current decision has repealed the previous Ministerial Decision No. 125 of 2023 and applies for tax periods commencing on or after 1 January 2025. ▪ **Ministerial Decision No. 302 of 2024** – This decision provides two major updates to the participation exemption. The decision has clarified that, provided the investment in the participation exceeds the minimum acquisition cost threshold of AED 4 million, the taxable person will be treated as satisfying the conditions relating to rights to 5% of profit distributions and 5% of liquidation proceeds. The other update was that the asset test of the participation only applies if the taxable person and the participation interest are related parties. ▪ **Guide on Corporate Tax Return** – This publication offers general guidance on filing and completing a corporate tax return, providing an overview of the information required in response to each field in the tax return. The guide does not provide technical guidance on the aspects of the return.

VAT and customs duties update

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

Date	Tax	Type of update	Particulars of update
December 2024	VAT	FTA decision	Federal Tax Authority Decision No. 8 of 2024 – Mechanism for Correction of Error or Omission in the Tax Return Submitted to the Federal Tax Authority for VAT
January 2025	VAT	Public clarification	VATP039 – VAT Public Clarification on Crypto currency mining

The update may be summarised as follows:

- **FTA Decision No. 8 of 2024 – Mechanism for Correction of Error or Omission in the Tax Return Submitted to the Federal Tax Authority for VAT**

  The FTA has recently issued Decision No. 8 of 2024, introducing a structured mechanism to correct errors or omissions in VAT returns submitted by businesses. The key highlights are:

Particulars	Explanation
Error or omission in VAT returns	If the taxpayer discovers an error or omission in the submitted tax return but there is no change to the amount of tax due, such an error should be corrected by submitting a voluntary disclosure if any of the cases below applies.
Cases of error or omission but no change to amount of tax due	The cases of error or omission in the tax return where there is no change to the amount of tax due are as follows: 1. Reporting standard rated taxable supplies in relation to an emirate in the box of another emirate. 2. Incorrect reporting of zero-rated taxable supplies (understating or overstating). 3. Incorrect reporting of exempt supplies (understating or overstating).
Implementation of the decision	This decision shall be published in the Official Gazette and shall come into effect after 60 days from its issuance date.

- **VATP039 – VAT Public Clarification on Crypto currency mining**

Particulars	Explanation
Meaning of crypto currency mining	Crypto currency mining is the process where specialised computers, also known as mining rigs, validate block chain transactions for a specific crypto currency, for which a reward, generally in the form of a proportional share of crypto currency paid out by the network, may be received for the contribution of computational power.
UAE VAT treatment of mining crypto for a person's own account	A person mining crypto currency for their own account is not considered to be making a taxable supply and the reward received is not considered as consideration, falling outside the scope of UAE VAT.
UAE VAT treatment of mining crypto on behalf of another person	A person mining crypto currency on behalf of another person (a 'customer') for a fee is considered to be making a taxable supply of services. Such mining services shall be taxable at the following rates: • 5%, if the service is supplied by a taxable person to a customer in the UAE; • 0%, if the supply is made to a non-resident and all the requirements for zero rating under article 31 of Executive Regulations to UAE VAT Law are satisfied.

Particulars	Explanation
UAE VAT treatment of mining services received from non-resident person	Where a UAE resident business receives mining services from a non-resident person, such a supply would be subject to VAT as follows: • If the recipient of crypto mining services is registered for VAT in the UAE, such a recipient is required to pay VAT under the reverse charge mechanism. • If the recipient of crypto mining services is not registered for VAT in the UAE, the non-resident person must register for UAE VAT and charge VAT on such services.
Recovery of input VAT on expenses incurred in connection with mining	• Mining on own account: Input VAT on personal mining expenses cannot be recovered as such expenses are not incurred for the purposes of making a taxable supply. • Mining on behalf of another person: Input VAT on expenses incurred for the purposes of making a taxable supply of mining services may be eligible to be recovered, provided the supporting documents are retained.

Source: https://www.tax.gov.ae/en

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PKF Comment

Contact us

For further information or advice concerning taxes in the UAE, please contact Mr. Shailesh Kumar at skumar@pkfuae.com, Mr. Mradul Gupta at mgupta@pkfuae.com, Mr. Anurag Sodhani at asodhani@pkfuae.com, Ms. Megha Lohia at mlohia@pkfuae.com, Mr. Harsh Modi at hmodi@pkfuae.com or Ms. Soumya Tiwari at soumya@pkfuae.com or call **+971 4 388 8900**.

BACK

United Kingdom

VAT exemption for private schools

The VAT exemption on education, vocational training and board/lodging where provided by private schools or a closely associated body has been removed from 1 January 2025, making these supplies subject to VAT at 20%.

Education provided by private schools to individuals where local authorities fund the schooling because of education, health and care plans (EHCP) will also be subject to VAT at 20% from 1 January 2025. Nursery fees for pre-school age children and supplies of closely related goods/services to education remain exempt from VAT.

The above changes present private schools with the opportunity to revisit VAT previously incurred and recover part in accordance with the Capital Goods Scheme or pre-registration input VAT rules.

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PKF Comment

If you believe the above measures may impact your business or personal situation, please contact Gavin West at gavin.west@pkfsmithcooper.com or call **+44 1332 332021**.

BACK

Employment tax

From the start of the new tax year, 6 April 2025, employer's social security contributions (NIC) will increase from 13.8% to 15% in the UK. This will have an impact on all employers with employees in the UK for whom they deduct UK NIC. In order to offset the burden of this for small and medium businesses, the employment allowance, an allowance historically only available to employers meeting certain eligibility criteria, is now available to all employers and has increased from £5,000 to £10,500.

Additionally, the National Minimum Wage and National Living Wage will increase by around 7% from 6 April 2025 which will be an additional financial burden the employer is required to meet in order to ensure compliance with UK laws and regulations.

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PKF Comment

If you believe the above measures may impact your business or personal situation, please contact Jack Bonehill at jack.bonehill@pkfsmithcooper.com or call **+44 7523 270 364**.

BACK

Foreign income and gains regime

From 6 April 2025, the foreign income and gains (FIG) regime will apply for individuals who become UK tax resident after a period of at least 10 consecutive tax years of non-residence ('qualifying new residents').

For a period of four tax years commencing when the individual first becomes UK tax resident, the individual will not pay UK tax on their FIG arising in each tax year regardless of whether these funds are brought into the UK.

After the four-year period has elapsed, the individual will be subject to UK tax on their worldwide income and gains.

The FIG regime will apply to individuals who are both UK and non-UK domiciled. Therefore, UK domiciled individuals returning to the UK after an extended period of at least 10 tax years of non-UK residence, who are currently ineligible to claim the remittance basis of taxation, could benefit from the introduction of the FIG regime.

Individuals who, on 6 April 2025, have been a UK tax resident for less than four tax years (following

10 consecutive years of non-UK residence) will be able to utilise the FIG regime for any tax year of UK tax residence which falls within the remainder of the four-year period beginning when they established UK tax residence.

A claim must be made within an individual's self-assessment tax return for each tax year in which they wish the relief to apply.

The deadline for the claim is 31 January in the second tax year following the tax year to which the claim relates. For example, a claim for relief in the 2025/26 tax year will need to be made on or before 31 January 2028.

Similar to making a claim for the remittance basis, if an individual elects to be taxed under the new FIG regime, they will lose their entitlement to the income tax personal allowance and the capital gains tax annual exempt amount.

Overseas workday relief

Under the new FIG regime, overseas workday relief (OWR) will be retained but with restrictions as follows:

1. **Financial limits:** For the first four tax years of residence, an individual who makes a FIG claim and OWR election will have their OWR restricted to the lower of £300,000 or 30% of their qualifying employment income per tax year.
2. **Trailing income (bonus & share income):** The income will be tested against the financial limit for the tax year that the income relates to, rather than the tax year of receipt.

Individuals who qualify for OWR but do not qualify for the FIG regime will benefit from OWR for the remainder of the three-tax year period they are entitled to OWR. However, their OWR will not be restricted to a financial limit.

Section 690 direction applications

For employees eligible for tax relief on their foreign workday income, from 6 April 2025, employers will need to notify HMRC online of their intention to obtain a section 690 direction to only apply PAYE to the estimated portion of an employee's earnings related to their UK workdays.

Upon receiving auto acknowledgement from HMRC, the employer will be authorised to apply PAYE on these earnings via the payroll.

This is a welcome update from previous and current HMRC practice, whereby the wait for HMRC to approve section 690 directions has become onerous for employers.

Capital gains tax changes

For non-residential property gains, the main rates of capital gains tax have increased since 30 October 2024. The lower rate has risen from 10% to 18% and the higher rate from 20% to 24%, bringing these in line with the current rates that apply on the sale of residential property.

Employer National Insurance contributions

There will be an increase in employer National Insurance contributions (NIC) from 6 April 2025, rising from 13.8% to 15%, whilst the secondary threshold (employee earnings above which employer NIC applies) will be reduced from £9,100 to £5,000.

The increase of employer NIC places greater emphasis on structuring the length of employees' assignments to and from countries with lower social security rates to mitigate the impact.

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PKF Comment

If you believe the above measures may impact your business or personal situation, please contact Brenda Hu at bhu@pkf-l.com or call **+44 20 7516 2429**.

BACK

Zambia

2025 tax updates

On 20 December 2024 Parliament issued various Amendment Acts which became effective on 1 January 2025:

1. Income Tax (Amendment) Act No. 22 of 2024
2. Value Added Tax (Amendment) Act No. 23 of 2024
3. Customs and Excise (Amendment) Act No. 24 of 2024
4. Mobile Money Transaction Levy Act No. 25 of 2024
5. Property Transfer Tax (PTT) (Amendment) Act No. 27 of 2024

1. Income Tax (Amendment) Act No. 22 of 2024

a) Deduction of 50% tax losses carried forward

A loss incurred by a person in a charge year from a source shall be deducted from 50% of the income of the person from the same source on which the loss was incurred. Where the loss exceeds 50%, the excess shall be deducted from 50% of the income from the same source in the subsequent year.

b) Deduction for approved funds

Employers are now allowed to deduct contributions made to an approved fund during the charge year when determining their gains or profits for that year.

c) Deduction of skills development levy

Businesses will now be allowed to deduct any levy paid or payable for a charge year under the Skills Development Levy Act of 2016 when calculating their gains or profits.

d) Requirement for taxpayer identification number for certain transactions

The institutions listed below shall require a taxpayer identification number in order to open and hold accounts with effect from 1 January 2025:

- water utility companies
- mobile money operators
- mobile network operators and internet service providers
- National Health Insurance Management Authority
- National Pension Scheme Authority
- professional bodies (subscription and renewal, membership registration)
- local authorities (registration of title deeds).

e) Waiver of underestimation penalties

If the Commissioner-General reasonably believes that an income tax return understates income, resulting in underpayment of tax by at least one-third, a penalty of 25% of the underpaid tax will be imposed. However, the Commissioner-General now has discretion to waive all or part of the penalty.

f) Introduction of advance income tax (AIT) on export of goods and remittances

Individuals or partnerships exporting goods for commercial purposes without a tax clearance certificate are required to pay AIT at a rate of 15% at the port of entry. Similarly, for transactions exceeding US$2,000 (or the kwacha equivalent) remitted through a commercial bank without a tax clearance certificate, a 15% AIT is also applicable.

g) **Exemption from deduction of withholding tax**

Pursuant to the provisions of subsection 1E of section 82A, the Commissioner-General may exempt a person or partnership from withholding tax on the following transactions:

- management or consultancy fees from a source within or deemed to be from a source within Zambia;
- interest and royalties from a source within or deemed to be within Zambia, other than interest payable to a bank or financial institution licensed under the Banking and Financial Services Act, 2017;
- rent from a source within Zambia; and
- commission, other than commission received by an individual whose income is from employment or office.

The exemption shall be notified in writing and will be granted for periods specified in the notice. However, the exemptions relating to interest and royalties shall only apply to interest arising from a property-linked unit of a property loan stock company and royalties.

This amendment empowers the Commissioner-General to grant an exemption from withholding tax on royalties upon meeting certain requirements. Prior to this amendment, the Act provided for exemptions on interest, commission, management and consultancy fees but did not include royalties.

h) **Late payment penalties to be levied on withholding tax agents for delays in remitting withheld taxes**

The provisions of section 84 of the Income Tax Act relating to agents for payment of tax have been amended by the insertion of subsections (6) and (7).

- (6) A person or partnership declared to be an agent for the payment of tax due by another person or partnership shall, where that person or partnership withholds tax, remit the tax not later than two days before the due date specific for the respective category of tax;
- (7) A person or partnership declared to be an agent who does not remit the tax within 14 days from the day of receiving such payment shall be liable to pay a penalty of 1% of the amount, in respect of each month or part of the month for which the remittance remains unpaid.

i) **Requirement for a tax clearance certificate in order to transact**

The following transactions will require the production of a tax clearance certificate:

- transfer of property
- registration or change of motor vehicles
- issuance of trading licence
- issuance of exploration licence, mining licence, mineral processing licence, gold panning certificate, mineral trading permit, mineral import permit or mineral export permit under the Mines and Minerals Development Act of 2015
- issuance of permits and licences by government ministries, departments or agencies
- transactions between individuals, partnerships, institutions, organisations or associations
- registration and renewal of membership with professional bodies
- issuance and renewal of licence, practicing certificate, permit or similar document by professional bodies.

However, an applicant who is a student or not carrying on any business relating to that person, institution or authority may not be required to produce a tax clearance certificate.

A holder of a tax clearance certificate shall, within 30 days after the cancellation date, return the tax clearance certificate to the Commissioner-General.

j) **Income tax exempt organisations**

The exemption from income tax for approved collective investment schemes has been extended to include private funds to the extent that the income is distributed to participants in the collective investment scheme and private fund respectively.

k) **Presumptive tax**

The presumptive tax rates have been revised as follows:

Tax on motor vehicles for the carriage of persons

Type of vehicle (sitting capacity)	Tax per vehicle per annum (ZK)
64 seater and above	15,552
50 – 63 seater	12,960
36 – 49 seater	10,368
22 – 35 seater	7,776
18 – 21 seater	5,184
12 – 17 seater	2,592
below 12 seater (including taxis)	1,296

Turnover tax

Turnover per annum (ZK)	Tax rate
12,000 or less	0%
12,000 – 5,000,000	5%

- The turnover tax rate has been increased to 5% from 4%.
- The turnover threshold has been increased from ZK800,000 to ZK5,000,000.

Rental tax

Rental income per annum (ZK)	Tax rate
12,000 or less	0%
12,000 – 800,000	4%
above 800,000	16%

- The rental income tax rate has been increased to 16% from 12.5% for earnings of rental income in excess of ZK800,000 per annum.

Tax on betting and gaming

Type of game	Monthly tax rate/ amount
Online casino live games	20% of gross takings
Online casino machine games	35% of gross takings
Casino games (brick and mortar)	ZK5,000 per table
Online lottery winnings	35% of net proceeds
Lottery winnings (brick and mortar)	15% of net proceeds
Online betting	25% of gross takings
Betting	15% of gross takings
Gaming machines	ZK500 per machine

l) **Changes to applicable tax rates**

- Export of non-traditional products – 20%
- Export of non-traditional products from farming and agro-processing – 10%
- Manufacture of products made from copper cathodes – 20%.

2. Value Added Tax (Amendment) Act No. 23 of 2024

The Value Added Tax (Amendment) Act provides the following:

a) The Commissioner-General has been empowered to approve the use of documents and devices outside the Smart Invoicing system.

b) Clarification that the recipient of imported services shall pay tax on the importation of that service if the supplied services are not under the prescribed scope of Cross-Border Electronic Services.

c) Documentation which a supplier must possess in claiming input VAT, i.e. there should be an invoice from the electronic invoicing system or an invoice issued, as prescribed, by a taxable supplier who is exempt from the use of the electronic invoicing system under section 7A (2).

d) Smart Invoicing – Effective 1 January 2025, a taxable supplier who fails to issue a tax invoice for the supply of goods and services using an electronic invoicing system commits an offence and the following penalties apply:

i. first offence, a penalty not exceeding ZK40,000 (100,000 penalty units);

ii. second offence, a penalty not exceeding ZK80,000 (200,000 penalty units); and

iii. third or subsequent offence, a penalty not exceeding ZK120,000 (300,000 penalty units) or imprisonment for a term not exceeding three years, or both.

3. Customs and Excise (Amendment) Act No. 24 of 2024

The following amendments took effect:

a) Introduction of goods surtax on a number of selected imported goods as listed below:

Item	HS code	Surtax rate
Garden hose with an internal diameter not exceeding 30mm	3917.21.20	20%
Other	3917.21.90	20%
Rigid, with an internal diameter not exceeding 203mm	3917.22.20	20%
Other	3917.22.90	20%
Other	3917.23.90	20%
Folding cartons, boxes and cases made of non-corrugated paper or paperboard	4819.20.00	5%

- This supports local manufacturers of garden hose pipes and encourages further investment in the sub-sector.

b) Inclusion of electrical energy of not more than 100kW into section 94(1) which prescribes goods that may be manufactured or produced without a licence and without payment of duty.

c) Introduction of harmonised HS codes in chapter 23 of section 72 of the first schedule as given below:

HS code	Item	Customs duty rate
2304.00.10	Oil cake	5%
2304.00.20	Soya husks	5%
2304.00.90	Other solid residues	5%

- Previously these items were classified under the same HS code 23.04 despite being distinct products.

d) Introduction of a general penalty for offences committed by licensed manufacturers of excisable goods under section 155 of the Customs and Excise Act.

- This measure aligns the penalty for excisable services as provided in subsection (3) with that of excisable goods.

e) Reduction of the number of days from 15 to 10 within which warehoused goods can be entered for consumption, re-warehousing or export after the expiry of the one-year period under section 62(2) of the Principal Act.

- This serves to limit risk to revenue and ensure that goods are promptly accounted for.

f) Reduction from five days to three days for payment of duty after the issuance of assessment, aligning with various sections of the Customs and Excise Act.

- Businesses or individuals are now required to pay the assessed duty within three days from the issue date of the assessment notice.

4. Mobile Money Transaction Levy Act No. 25 of 2024

The levy shall be administered by the Zambia Revenue Authority.

Imposition of the levy

- The mobile money service provider shall collect a levy set out in the schedule on a person-to-person transfer.
- The levy shall be paid by the sender of the electronic money.
- A mobile money service provider shall, within 10 days after the end of each month, submit a return of the levy collected and remit the total levies collected to the Commissioner-General. Failure to do so will result in a penalty of 100,000 penalty units (ZK40,000) for each month or part of the month during which the contravention continues.
- The Commissioner-General may waive the whole or part of the penalties charged.
- The Minister may, by statutory instrument, exempt a person from payment of the levy.
- A mobile money service provider shall keep and maintain a record of the operations for a period of six years. However, prior to the end of the six-year period, by notice in writing, the Commissioner-General may extend the period for keeping and maintaining a record of the operations by a mobile money service provider. A mobile money service provider that contravenes this requirement shall be liable to pay the Commissioner-General a penalty of 200,000 penalty units (ZK80,000).

Applicable rates of the levy

Amount range (ZK)	Levy (ZK)
0 – 150	0.16
150 – 300	0.20
300 – 500	0.40
500 – 1,000	1.00
1,000 – 3,000	1.60
3,000 – 5,000	2.00
5,000 – 10,000	3.00
above 10,000	3.60

5. Property Transfer Tax (PTT) (Amendment) Act No. 27 of 2024

Section 4 of the Property Transfer Tax Act has been amended to effect changes in the applicable rates of tax as follows:

Type of transaction	Applicable tax rate
Mining right for mining licence	10% of realised value
Mining right for exploration licence	8% of realised value
Mineral processing licence	10% of realised value
Sale of land	8% of realised value
Sale of shares	8% of realised value
Transfer of intellectual property	8% of realised value

Section 5A of the Property Transfer Tax Act has been amended to provide that where a financial service provider, building society or moneylender transfers a foreclosed property, the realised value of the foreclosed property shall be the actual price, if any, received by the financial service provider, building society or moneylender.

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PKF Comment

If you believe the above measures may impact your business or personal situation, please contact Simon Njelemba at snjelemba@zm.pkf.com or call **+260 213 321476**.

BACK

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