



# International Tax News

Start

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**Doug McHoney, PwC's Global International Tax Services Leader shares some of the highlights from the latest edition of International Tax News**

# Welcome

Our monthly publication offers updates and analysis on international tax developments around the world, authored by specialists in PwC's global international tax network. We hope you find this publication helpful. For more international tax-related content, please visit:

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### **When Purpose Meets Tax: How Teams Can Transform**

Doug McHoney is joined by Leo Johnson, lecturer at Oxford University's Smith School of Enterprise and the Environment. Leo is also co-founder of the advisory firm Sustainable Finance, where he chairs the Advisory Council, and previously worked at the World Bank. Known for presenting the BBC series on megatrends and innovation. Leo brings unique insight into organizational behavior, neuroscience, and purposeful leadership. Doug and Leo discuss organizational inertia, transformation resistance, and how neuroscience and behavioral science explain our resistance to change—even amid crises like climate change, geopolitical turmoil, and economic stress.

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# Legislation

## China

### China further shortens the 2025 negative list for market access

China issued the nationwide Negative List for Market Access (2025 Version) (the 2025 Negative List) on 16 April 2025. Compared to the 2022 edition, the 2025 Negative List reduced the number of restricted items from 117 to 106.

The Negative List for Market Access is a series of institutional arrangements listing industries, fields and businesses that are prohibited or allowed by the government. According to the law industries, fields and businesses not on the list can enter the market on an equal footing.

Initially issued in 2018 by the National Development and Reform Commission of China and the Ministry of Commerce, the Negative List for Market Access underwent four revisions in 2019, 2020, 2022 and 2025. The number of listed items has decreased from 151 in 2018 to the current 106, further opening sectors to private and foreign enterprises.

The revised 2025 Negative List significantly lowers entry barriers. Specifically, eight national-level measures were removed, including those pertaining to the official seal engraving industry and specialized security products for computer information systems.

At the local level, 17 measures were scrapped in sectors such as transportation and logistics, freight forwarding and vehicle rental services. Meanwhile, new business models and emerging industries, such as civil unmanned aircraft and e-cigarettes, were included in the new list.

The newly shortened list brings multiple policy benefits, especially to the development of private enterprises. It eases access, cuts costs, and stimulates market vitality.

In addition, foreign investors are required to comply with the Negative List for Foreign Investment, whereas overseas services providers offering cross-border services to China should follow the Negative List for Cross-border Service Trade. By clarifying the market access rules, market players can enjoy a stable, fair, transparent and predictable development environment in a broader field in China.

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# Legislation

## France

### France updates list of non-cooperative tax jurisdictions

France updated its list of non-cooperative tax jurisdictions with an order of 18 April 2025. As a reminder, the nature of the sanctions differs depending on whether the states and territories are on the list because:

- they do not have or do not implement a tax treaty allowing French tax authorities to obtain the information necessary for the application of French tax legislation or they fail to meet the EU criteria requiring a jurisdiction to not facilitate offshore structures or arrangements aimed at attracting profits that do not reflect real economic activity in the jurisdiction. In this case, all sanctions against cooperative jurisdictions apply.
- they fail to meet other EU criteria on tax transparency, fair taxation and implementation of anti-BEPS measures, in which case a limited number of deterrent measures apply, such as reinforced anti-abuse mechanism (CFC rules), restriction on the deduction of certain expenses or strengthening of documentation requirements for transfer pricing.

As a result of the order:

- Bahamas, Belize, and Seychelles are removed from the list and sanctions are lifted effective 7 May 2025;
- Turks and Caicos Islands are included in another category of the list, but full sanctions still apply;
- Antigua and Barbuda are also included in another category of the list and all sanctions provided for non-cooperative jurisdictions apply effective 1 August 2025.

Businesses should review the updated list and consider the potential consequences on their operations.

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# Legislation

## Hong Kong

### Hong Kong passes bill on inward company re-domiciliation regime

On 14 May 2025, the Companies (Amendment) (No. 2) Bill 2024 (Bill), as amended by way of committee stage amendments, was passed by the Legislative Council to introduce an inward company re-domiciliation regime in Hong Kong. The Bill is expected to be gazetted as an amendment ordinance and come into operation on 23 May 2025.

The Bill seeks to amend the Companies Ordinance (CO) to introduce an inward company re-domiciliation regime, allowing non-Hong Kong companies to transfer their domicile (i.e., essentially the place of incorporation) to Hong Kong while maintaining their legal identities and business continuity. Upon re-domiciliation, the re-domiciled companies must comply with the same requirements as other Hong Kong-incorporated companies under the amended CO.

In conjunction with the proposed CO changes, the Bill proposes changes to various other ordinances, including the Inland Revenue Ordinance.

A new schedule will outline the tax treatments for re-domiciled companies that have not carried on a trade, profession or business in Hong Kong prior to re-domiciliation. This includes provisions for transitional tax matters and unilateral tax credits to facilitate a tax-neutral re-domiciliation process, providing re-domiciled companies with greater certainty concerning their tax liabilities and obligations in Hong Kong.

For more information see our [PwC Alert](#).

The government took stakeholder comments and suggestions to provide more clarity and guidance for businesses exploring the re-domiciliation of their non-Hong Kong companies to Hong Kong. Recent developments, such as the implementation of global minimum tax rules, and changes in regulatory and tax-related law and practice in no or only nominal tax jurisdictions, have prompted many MNE groups to pursue entity rationalisation. Considering Hong Kong's favourable business and regulatory environment, re-domiciling is a viable option for many non-Hong Kong companies with substantial operations in the Asia Pacific region.

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# Legislation

## Kenya

### Finance Bill, 2025: Minimum Top-up Tax

The Minimum Top-Up Tax was introduced by the Tax Laws Amendment Act, 2024 (TLAA). It applies to covered persons, i.e., resident entities or permanent establishments in Kenya that are part of a multinational group with a consolidated annual turnover of at least EUR 750M. The tax is triggered when the combined effective tax rate for the Kenya Entity (covered person) falls below the 15% minimum rate.

Finance Bill 2025 proposes that the Minimum Top-up Tax shall be payable by the end of the fourth month following the close of the relevant year of income. The TLAA did not specify how and when this Minimum Top-up Tax would be payable.

Finance Bill, 2025 addresses the concern about the timing of the payment. We expect that the government will also clarify, through the Kenya Revenue Authority (KRA), the manner of payment.

The proposed date for payment of Minimum Top-up Tax being the end of the fourth month following the close of the relevant year of income, aligns with the payment of final tax for the year.

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# Legislation

## UK

### **UK consultations on transfer pricing, permanent establishments and diverted profits tax legislative reform**

Following its initial consultation in Summer 2023 and an update in Autumn 2024, the UK Government published a consultation on draft legislation aimed at reforming the rules governing transfer pricing (TP), permanent establishments (PEs), and Diverted Profits Taxes (DPTs). This is part of the Government's Corporate Tax Roadmap, which seeks to modernise and simplify the tax rules in alignment with international standards and stakeholder feedback.

In addition, the government initiated a consultation on two further TP-related proposals, which were trailed as part of the Spring Statement in March. The first would amend the existing exemption from the TP rules for small and medium enterprises (SMEs), broadly bringing medium-sized enterprises into the TP rules. The second would require all multinationals within the TP rules (not just those within CbCR) to report information on cross-border related party transactions to HMRC, a new tax compliance requirement for businesses.

### **Transfer pricing – consultation on draft legislation**

The proposed reforms to the UK's TP rules aim to simplify the application of Part 4 of the Taxation (International and Other Provisions) Act 2010 (TIOPA 2010) and other related parts of the UK tax legislation and to align the rules with international standards.

### **Transfer pricing – second TP consultation**

The second TP consultation proposes amendments to the current exemption from the UK TP rules for SMEs and the introduction of a requirement to report information on cross-border related party transactions to HMRC via a filing referred to as the International Controlled Transactions Schedule (ICTS).

### **Permanent establishment – consultation on draft legislation**

The reforms aim to align the UK's PE rules with the latest international consensus, simplifying and modernising the legislation.

### **Diverted profits tax – consultation on draft legislation**

The proposal includes the creation of a new charging provision for Unassessed Transfer Pricing Profits (UTPP) within Corporation Tax (CT) at Part 4A TIOPA 2010, replacing DPT as a tax separate from CT.

For more information, please see this [PwC article](#).

The TP/PE/DPT legislation consultation on draft legislation will run until 7 July 2025. Then the government will analyze and respond to the views expressed by stakeholders. These views will feed into the drafting of the final legislation, which the government intends to include in Finance Bill 2025-26.

The second consultation on the SME exemption and ICTS will also run until 7 July 2025. Then the government will analyse the responses and publish its response. This will address the government's findings regarding potential benefits and costs arising from the potential new measures. If the government concludes that there is merit in introducing either or both of these changes, then officials will work towards implementation at a future fiscal event.

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# Legislation

## United States

### US House of Representatives advances tax legislation

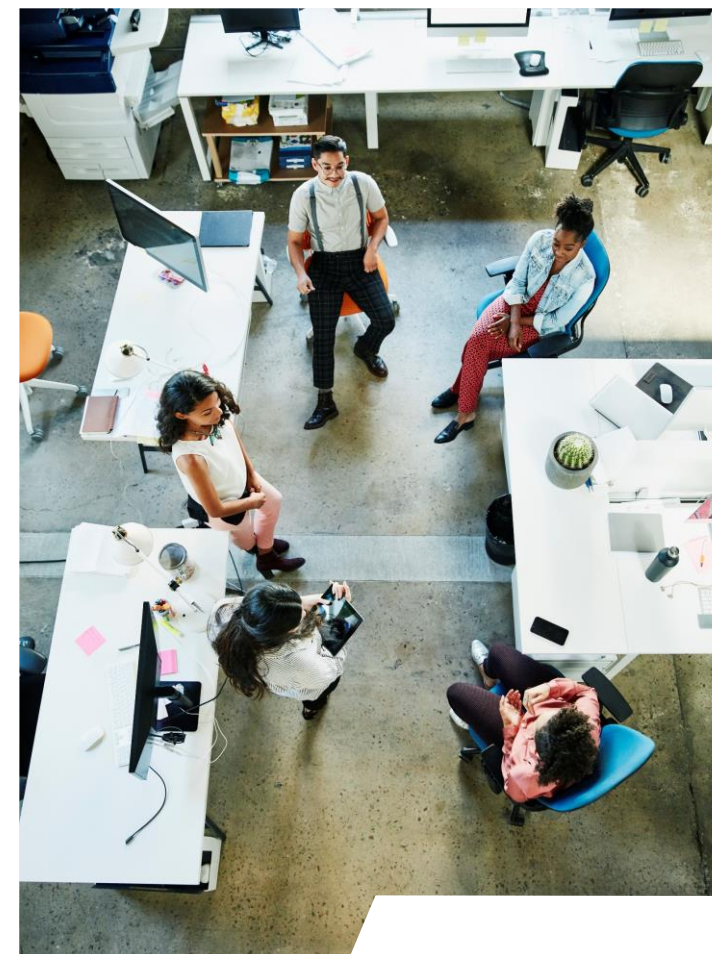
The US House of Representatives passed US tax legislation under the reconciliation process on 22 May. The proposed legislation would reduce the FDII deduction from 37.5% to 36.5%, and the GILTI deduction from 50% to 49.2%. It also would increase the BEAT rate from 10% to 10.1%.

The Bill adds a new provision, Section 899, to retaliate against countries that implement an under-taxed profits rule (UTPR), digital services tax (DST), diverted profits tax, or other 'unfair' taxes on US persons. The proposal would increase US net income, withholding, and gross-basis tax rates on residents and governments of those countries by up to 20 percentage points and would disallow an exemption for foreign governments. It also would add a targeted anti-base-erosion overlay for certain corporations that eliminates BEAT applicability thresholds and raises their BEAT rate to 12.5%, neutralizes capitalized payments and other BEAT exceptions, and reduces regular tax liability by all credits allowed.

For more information see our [PwC Insight](#).

The introduction of Section 899 is consistent with the Trump administration's desire to respond to foreign countries that are considered to impose discriminatory or extraterritorial taxes against US citizens or corporations. Based on recent Executive Orders, these taxes included various DSTs and taxes under the Pillar Two OECD global tax agreement, such as the UTPR.

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# Administrative

## Belgium

### Belgium publishes QDMTT return

The Belgian tax authorities on 10 April 2025, published a new version of the draft Belgian Qualified Domestic Minimum Top-up Tax (QDMTT) return. Belgian entities subject to the Belgian law that introduces Pillar Two must submit this QDMTT return.

This new version updates the first QDMTT return published on 18 October 2024. Although the version published on 10 April 2025 may be close to final, it remains provisional until it is formally published in the Belgian Official Gazette.

As a reminder, the Belgian QDMTT return should be filed, regardless of whether the transitional CbCR Safe Harbours are met, on an annual basis within 11 months after the last day of the reporting year in scope. For in-scope groups with a calendar year end, the first due date to file the return will be 30 November 2025.

For more information see our [PwC Alert](#).

The Belgian tax authorities noted on their website that the final Belgian QDMTT return as well as further administrative guidance on the return will be published at a later stage. The additional guidance is intended to clarify the data points to be reported in the Belgian QDMTT return as well as further information on the actual filing of the QDMTT return. The XSD scheme is also expected to be released as soon as possible.

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# Administrative

## Liechtenstein

### Liechtenstein adjusts GloBE Registration

As of 1 January 2024, Liechtenstein groups and companies (incl. trusts, establishments or foundations), with gross revenue of more than EUR 750 million, are subject to the 15% global minimum tax (GloBE). More precisely, they are subject to the Qualified Domestic Minimum Top-up Tax (QDMTT) and Income Inclusion Rule (IIR).

In this regard, the Liechtenstein tax authority published a form for the registration of domestic business units of a multinational group of companies or a large domestic group on 9 January 2025. The registration using this 'GloBE Registration Form' must be completed unsolicited within twelve months after the end of the financial year in which the group becomes subject to the GloBE Model Rules. A company subject to GloBE by the end of the financial year on 31 December 2024, must be registered by 31 December 2025.

The first Liechtenstein QDMTT and IIR return, as well as the first OECD GloBE information return (GIR), is due 18 months (15 months for following years) following the financial year end. An extension of the deadline is available upon written request.

Taxpayers subject to Pillar Two must file their registration by 31 December 2025 and file the QDMTT, IIR, and GIR by 30 June 2026.

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# Administrative

## Mexico

### Mandatory Reportable schemes and beneficial ownership on dividends

The 2020 Mexico tax reform introduced a Mandatory Reportable Disclosure (MDR) obligation for Mexican taxpayers and tax advisors regarding plans or projects that generate tax benefits (exceeding MXN 100 million determined on an aggregated basis which is ~ USD 5 million considering contemporaneous MXN/USD FX rates) and fall under one or more of 14 hallmarks included in Article 199 of the Mexican Federal Tax Code (MFTC). Due to transitory rules the first MDRs were effectively filed by taxpayers in 2021. There are two particular hallmarks (V and XII) that may apply to dividend distributions in which a reduced withholding tax rate is applied commonly due to the application of tax treaties that provide reduced rates compared to the local general rate of 10%.

The Mexican Tax Authorities have been issuing invitation letters to taxpayers in connection with the MDRs filed on dividends that in some cases have evolved into formal audit procedures. Mexican Tax Authorities are further scrutinizing the compliance of substantive treaty benefit application requirements such as beneficial ownership for dividends in addition to reviewing the compliance of the regular formalities for treaty application (e.g., securing the tax residency certificate

of the non-Mexican resident dividend recipient). On the beneficial ownership requirement, the Mexican Tax Authorities have been analyzing the substance of the dividend recipient and the use of the funds received as a dividend from Mexican subsidiaries. Therefore, Mexican taxpayers should consider the current audit trends and document formal and substantive requirements to prepare for potential audits derived from MDRs filed.

For dividend payments, the MFTC provides that Mexican tax advisors (and taxpayers in specific circumstances) would be obligated to file MDR due to the operation of the below hallmarks:

- Hallmark V – Implies the application of a tax treaty benefit for income received by the non-Mexican resident (such as a reduction or exemption from WHT tax for dividends) when the non-Mexican resident recipient of the income item is not subject to tax in its residency jurisdiction or is subject to tax at a reduced rate compared to the regular CIT rate in its residency jurisdiction (this is usually the case for participation exemption rules).
- Hallmark XII – Avoidance of applying the MX domestic rate of 10% for dividend distributions.

Since 2001, taxpayers have been filing MDRs in accordance with the MFTC. These filings may trigger invitation letters from the Mexican Tax Authorities, which could lead to formal

audit procedures. In the case of dividends, the Mexican Tax Authorities are increasingly focusing on reviewing substantive requirements, such as compliance with beneficial ownership when applying reduced withholding tax rates based on Mexican tax treaties. Taxpayers should document these requirements, along with formal requirements, for open tax years (generally 2020-2025, considering Mexico's regular five-year statute of limitations period).

Mexican Tax Laws do not define beneficial ownership. However, the OECD comments, which are recognized as a valid interpretation source in Mexican tax treaties, state that a non-Mexican resident is not considered the beneficial owner of an income item if they have very limited control over the income, such as being required to pass the payment to another person. Therefore, Mexican taxpayers should document compliance with beneficial ownership requirements for dividend payments to non-Mexican residents.

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# Judicial

## European Union

### CJEU rules on application of GAAR of the Parent Subsidiary Directive

The Court of Justice of the EU (CJEU) in the case Nordcurrent (C-228/24), has interpreted the general anti abuse provision (GAAR) of the Parent Subsidiary Directive (Council Directive 2011/96/EU of 30 November 2011 – the PSD). This case represents the first time the CJEU has addressed application of the GAAR for a domestic participation exemption under the PSD. Until now, CJEU jurisprudence has predominantly concentrated on the applicability of the PSD's exemption from withholding tax. The case was submitted to the Tax Disputes Commission under the Government of Lithuania ("TD Commission"), which subsequently chose to suspend the proceedings and refer the following questions to the CJEU that in essence read as follows:

- a. Is the denial of the PSD benefits limited to instances where the distributing entity is merely an intermediary or can the denial of PSD benefits extend to other cases as well (e.g., cases where the distributing entity distributes profits which were generated from its own activities)?
- b. If the answer to the previous question is yes, in assessing whether an arrangement is 'genuine' or not, should the approach to such assessment be static (i.e., looking at the facts and circumstances only at the time of the distribution) or dynamic (taking an overall assessment of all facts and circumstances of the arrangement)?
- c. Does the fact that an arrangement is deemed 'non-genuine' automatically lead to the conclusion that a tax benefit was obtained which is contrary to the PSD?

#### CJEU's judgment

With respect to the above questions the CJEU reached the following conclusions:

- **On the application of the PSD to intermediary/conduit entities:** Per the CJEU what is important for applying the GAAR is whether or not the arrangement (or series of arrangements) was put in place with its main or one of its main purposes being the obtainment of a tax advantage contrary to the object and purpose of the PSD. The CJEU highlighted that there is nothing in the PSD text that limits its application to arrangements of a specific type (such as intermediary or conduit arrangements). Per the CJEU, this is also evident from the dicta of the CJEU in T Danmark and Y Denmark, C-116/16 and C-117/16 where, in accordance with the CJEU,

a conduit entity is merely an example and not the only instance where the anti-abuse provisions can apply

- **On the timing of assessing the arrangement:** The CJEU clarified that an overall assessment of the arrangement will need to be undertaken and thus such assessment cannot be limited solely at the time of distribution. The CJEU indicated that this interpretation is supported by the text and preamble to the PSD.
- **On whether the fact that an arrangement is 'not-genuine' is enough for the denial of PSD benefits:** The CJEU indicated that it is not adequate that the arrangement is not genuine; it must also be put in place with its main purpose or one of its main purposes to obtain a tax advantage which defeats the object and purpose of the PSD. With respect to the definition of a 'tax advantage' for purposes of the PSD, the CJEU has assumed an 'overall tax effect' position with respect to the determination of the existence of a tax advantage: per the CJEU, the advantage of the dividend exemption cannot be taken into account in isolation. Therefore, when assessing abuse, one must look at the overall tax effect of the arrangement in question (such as, for example, in the case at hand that the profits were taxed in the United Kingdom at a higher rate than the one that would have been imposed in Lithuania had the profits been taxed there).

# Judicial

## European Union

This is the first time that the CJEU rules on applying the PSD GAAR with respect to the application of the participation exemption. Taxpayers should carefully assess the application of the participation exemption regimes within the EU, considering the CJEU guidance, which offers insights on conducting such an assessment. This involves the dynamic assessment of an arrangement and an evaluation of its overall tax effect as part of determining whether abuse is present.

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# Judicial

## European Union

### EC refers Belgium ATAD I implementation to the CJEU

The European Commission has referred Belgium to the CJEU for incorrectly transposing the CFC provisions of ATAD I. Contrary to ATAD I, Belgian law does not allow a taxpayer to deduct from its tax liability the tax already paid by a controlled foreign company in the state of tax residence. This leads in essence to double taxation, which may not be in line with the purpose of ATAD I.

It is not so much the incorrect transposition of this particular rule in Belgium that is of relevance, but rather the wider implications of a CJEU ruling on this and all other EU Directives. A critical question that we expect will be addressed is whether the CFC rule is (in part) fully harmonized, and whether therefore stricter implementation by an EU Member State is not permitted. A ruling would expectedly provide guidance on how to interpret and implement other EU Directives with mixed minimum harmonization and full harmonization language in a single directive and in a single directive article. We expect an important judgment from the CJEU that will hopefully shed more light on national implementation of EU Directives on behalf of the EU Member States.

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# Judicial

## Germany

### **CJEU rules that German tax treatment of income earned by a non-resident property fund from German property is not compatible with EU law**

The CJEU (L Fund, C-537/20) concluded that Article 63 TFEU (the free movement of capital) must be interpreted as precluding German legislation (in the version applicable until 31 December 2017) to make non-resident specialized property funds liable to corporate income tax in respect of the income from property that they receive in Germany, whereas resident specialized property funds are exempted from corporate tax.

In particular, the CJEU ruled that:

- The German legislation discourages, on one hand, non-resident specialized property funds from investing in companies established in Germany and, on the other hand, investors resident in Germany from acquiring shares in foreign specialized property funds;
- The difference in treatment between resident and non-resident specialized property funds concerns objectively comparable situations;

- This difference in treatment cannot be justified by overriding reasons in the public interest, namely the need to preserve the coherence of the tax system, and the balanced allocation of taxing rights.

The German legislator decided to minimize the above-described infringement by introducing a fully revised Investment Tax Act applicable from 1 January 2018. In principle the Act applies the same treatment to German and non-German funds.

Nevertheless, in many EU jurisdictions foreign funds may effectively be taxed differently, either because of their foreign status, or because of restrictive requirements that make it specifically burdensome for them to be equalized to a domestic fund (see also Deka case, C-156/17). All these jurisdictions will try to find a balance between the objective of single taxation on collective investments as compared to individual/direct investments, and the objective of taxing income from local real estate. It may have been too easily assumed that local taxation of local real estate would be in line with the balanced allocation of taxing rights.

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# Glossary

Acronym	Definition
AFIP	Argentine Tax Authorities
ATAD	anti-tax avoidance directive
ATO	Australian Tax Office
BEPS	Base Erosion and Profit Shifting
CFC	controlled foreign corporation
CIT	corporate income tax
CTA	Cyprus Tax Authority
DAC6	EU Council Directive 2018/822/EU on cross-border tax
DST	arrangements digital services tax
DTT	double tax treaty
ETR	effective tax rate
EU	European Union
MNE	Multinational enterprise
NID	notional interest deduction
PE	permanent establishment
OECD	Organisation for Economic Co-operation and
R&D	Development Research & Development
SBT	same business test
SiBT	similar business test
VAT	value added tax
WHT	withholding tax



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