International Tax News

Start

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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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Cross Border Tax Talks

Doug McHoney, PwC ITS Global Leader, hosts PwC specialists who share insights on issues and developments in the OECD, EU, US and other jurisdictions. Listen to the latest:

OB3 Curveballs: Federal Tax interplay and State Tax conformity

Wade Sutton (PwC's WNTS International Tax Services Leader) guest hosts the podcast and is joined by Rob Ozmun, a State and Local Tax Partner, and Monic Kechik, PwC's WNTS Federal Tax Services Leader. Together they discuss the OB3 'curveballs' to the federal changes: Section 163(j) - ATI addbacks of depreciation and amortization; Section 174A - domestic expensing; Section 168(k) - the return to 100% bonus depreciation; and Section 168(n) - qualified production property (QPP)

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In this issue

Legislation

Brazil

Brazil introduces new dividend withholding income tax

On 5 November, the Federal Senate unanimously approved Project of Law (PL) No. 1,087/2025, which introduces significant changes to personal income taxes and the reintroduction of a dividend withholding income tax (WHT) for non-residents investing in Brazil, effective from 1 January 2026. The bill was introduced earlier in the year by the Executive Branch, and recently approved by the House of Representatives. The text unanimously approved by the House was approved in the Senate without any substantive changes, and with only a few amendments to the wording of certain provisions. The approved bill will now proceed to the President of the Republic for sanction, which is expected to occur shortly.

With the new levy, Brazil's nominal tax rate on fully repatriated business profits earned by multinational firms would increase from the general rate of 34% (or 40%-45% in financial services) to 40.6% (or 46%- 50.5% in financial services).

Considering Brazil's limited tax treaty network, and that Brazil's treaties would not limit the new levy, the new WHT makes Brazil's tax rate on fully repatriated profits the highest in the world for most foreign direct investment (FDI) and most multinationals.

For more information see our PwC Insight.

Given the importance of the matter to the Federal Government and the unanimous approval of the bill in both houses of the Legislative Branch, it is expected that PL 1,087/2025 is expected to be enacted into law soon. The new rule requires immediate year-end action -- the authorization or declaration of dividends for earnings retained through 31 December 2025. The new system also prompts all multinationals to revisit their capital structures in Brazil and consider refinancing, as well as their business models and value chains, to mitigate the adverse impacts to FDI in Brazil stemming from the new levy.

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Legislation

Canada

2025 Federal Budget

On 4 November 2025, the Canadian federal government released the budget (the 2025 Budget) for the coming year. The 2025 Budget proposes significant changes to the transfer pricing rules. The proposed changes are intended to modernize Canada's transfer pricing rules and better align these rules with the international consensus on the application of the arm's length principle.

For more information on the proposals, see our Tax Insight.

Taxpayers should review their transfer pricing documentation for cross-border transactions and update the documentation to reflect the requirements in the new transfer pricing rules.

Taxpayers will need to be proactive in maintaining their transfer pricing documentation as the time limit for taxpayers to respond to a request for transfer pricing documentation from the Canada Revenue Agency would be reduced from three months to 30 days.

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Legislation

India

Tax policy working paper on ‘Enhancing certainty, transparency and uniformity in PE and profit attribution for foreign investors in India’

The concepts of permanent establishment (PE) and profit attribution to PE are fundamental to determining India’s taxing rights over the business income of foreign companies. Ambiguities in PE rules and profit attribution methodologies have led to increased tax uncertainties and higher compliance burdens, which may impact foreign direct investment (FDI) and foreign portfolio investment inflows, resulting in India becoming a less attractive destination for capital.

In response to these challenges, the Government’s Public Policy Think Tank, the NITI Aayog, through its Consultative Group on Tax Policy recently released a working paper. recommending a comprehensive, multi-pronged reform strategy, with a key focus on enhancing certainty, transparency, and uniformity in relation to PE and profit attribution for foreign investors.

Among other matters the paper seeks to introduce an optional, industry-specific Presumptive Taxation Scheme aligned with international best practices for foreign companies.

For more information see our PwC Insight.

This forward-looking framework is intended to enhance tax certainty, streamline compliance processes and bolster investor confidence, thereby securing and expanding India’s tax base by attracting high-quality, sustainable FDI.

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Legislation

Italy

Italy re-introduces hyper-tax depreciation

The draft Italian Budget Law 2026 reintroduces hyper-tax depreciation, a measure designed to encourage investments in qualified innovative capital goods, with a particular focus on digital and ecological transition. The incentive applies to investments made during 2026, with a possible extension until June 2027.

Hyper-depreciation provides for the increase in the acquisition of cost of the qualifying assets for depreciation quotas and leasing fees for CIT purposes (24% rate) as follows:

- +180% for investments up to €2.5 million;
- +100% for investments between €2.5 and €10 million;
- +50% for investments between €10 and €20 million.

For investments with energy consumption reduction purposes, the above rates are further enhanced:

- +220% up to €2.5 million;
- +140% between €2.5 and €10 million;
- +90% between €10 and €20 million.

Qualifying assets include advanced machinery, equipment, and devices enabling digitalization, automation, and interconnection (Annexes A of Law 232/2016) and Software, systems, and platforms supporting Industry 4.0 integration (Annex B of Law 232/2016), provided that they are interconnected with the undertaking's systems. It also includes plants for self-production of energy from renewable sources, storage systems, and photovoltaic modules compliant with current regulations.

The investment must be made between 1 January and 31 December 2026. An additional window until 30 June 2027 is allowed, provided that by the end of 2026 the purchase order has been accepted by the supplier and at least 20% of the down payment has been paid. Only companies compliant with workplace safety regulations and social security obligations can access hyper-depreciation. Companies in liquidation, subject to insolvency proceedings, or under restrictive sanctions are excluded. Supporting documentation must be prepared and e-filed with the competent authority. Hyper-depreciation can be combined with other incentives, with limitations. Enacting provisions will be issued.

MNEs planning investments in digitalization or ecological transition should promptly assess the impact of the reintroduced hyper-depreciation on their 2026–2027 capex strategy. The enhanced rates (up to +220%) can significantly improve cash flow and reduce the effective tax burden, but requires careful alignment with other incentives and compliance obligations. Early planning is critical to estimate the tax benefit.

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Legislation

Italy

Proposed introduction of minimum thresholds for the dividend exemption regime

The 2026 Budget Law, currently under discussion, may introduce specific minimum thresholds to benefit from the 95% CIT exemption on Italian-sourced dividends starting 1 January 2026.

In particular, the original draft Budget Law provided that dividends deriving from shareholdings of less than 10% in the company's share capital would no longer benefit from the 95% exemption and thus will be fully subject to CIT at a 24% rate in the hands of the Italian shareholder company. This change would increase the effective tax rate on such dividends from 1.2% (that is, a 24% corporate income tax rate applied to 5% of the dividend amount) to a full 24%.

However, an amendment to the draft Budget Law proposes to introduce a double threshold according to which the full taxation at 24% CIT rate would apply only to:

- shareholdings below 5% in the company's share capital (instead of 10%), or
- shareholdings with a value of less than €2.5 million.

This amendment would also apply to capital gains on direct shareholdings.

If the new draft law is approved, MNEs should promptly review shareholdings that may fall below the new thresholds (5% or €2.5 million) and assess whether reorganizations could prevent tax inefficiency.

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Legislation

Mexico

FY 2026 Tax Reform contains 'Kill-Switch' provision for Digital Platforms operating in Mexico

The Mexican Senate at the end of October approved the Economic Package for Fiscal Year 2026, originally submitted by the Executive Branch on 8 September. The package includes the Federal Revenue Bill, Federal Expenditure Budget, and the Tax Bill, which introduces amendments to the Federal Fiscal Code and the Excise Tax Law. The approved legislation has now been submitted to the Executive Branch for publication in the Official Gazette and subsequent enactment.

Real-Time Systems Access
The proposed reform introduces Article 30-B into Mexico's Federal Fiscal Code, establishing a new obligation for digital service providers to grant the tax authorities permanent, online, and real-time access to data stored in their systems or records related to the digital services they offer.

This initiative aligns with existing provisions under Article 18-B of the Value Added Tax Law (VAT Law), which defines digital services provided by non-resident entities without a permanent establishment in Mexico, such as streaming, intermediation services, online clubs, dating websites, and e-learning platforms. As of 30 August 2025, there are a total of 268 non-resident digital platforms that have been registered and are currently operating in Mexico.

The same obligation will apply to Mexican residents that render intermediation services through digital platforms in accordance with Article 1-A BIS of the VAT Law.

Rationale
The rapid expansion of the digital economy has prompted the tax authorities to strengthen data management systems and monitoring capabilities. The reform seeks to enhance tax collection efficiency, improve oversight, and promote greater equity in taxation among digital service providers operating in Mexico.

'Kill-Switch': The Consequence of Non-Compliance
Failure by digital service providers to comply with the new access obligations may lead to the temporary blocking of their digital services within Mexican territory — a mechanism informally referred to as the 'Kill-Switch.'

The Tax Administration Service (SAT) is expected to issue general rules clarifying what constitutes non-compliance, as well as the timing, process, and remediation measures applicable before this penalty may be enforced.

Effective Dates
The Executive Branch must sign and publish the Economic Package in the Official Gazette before the end of 2025 for its overall entry into force on 1 January 2026. However, the 'Kill-Switch' obligation will become effective later, on 1 April 2026.

While there is currently no defined timeline for the tax authorities to issue the general rules detailing system access procedures, non-compliance parameters, and remediation measures, these are expected to be included in the Miscellaneous Tax Rules for FY2026, which are typically published during the last two weeks of December. The intent is to allow digital platforms a three-month window to review the provisions and implement the necessary measures to ensure full compliance by April 2026.

Legislation

Mexico

FY 2026 Tax Reform contains 'Kill-Switch' provision for Digital Platforms operating in Mexico

The reform marks a significant expansion of the Mexican tax authority's digital oversight powers, reflecting a global trend toward real-time tax administration. The upcoming SAT general rules will be crucial to determine the scope, technical requirements, and safeguards for both compliance and data protection.

Digital platforms operating in Mexico should begin assessing the operational, legal, and technical implications of these measures ahead of their 2026 implementation.

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Legislation

New Zealand

Tax treatment of 'digital nomads'

The New Zealand (NZ) Government has released draft legislation which would see an overhaul of the tax treatment for visitors to NEW ZEALAND who work while in NEW ZEALAND – often referred to as digital nomads. Naturally questions around income source, residence and permanent establishment risks arise in these scenarios.

Broadly, where the work is not otherwise connected to NEW ZEALAND (i.e., not being performed for a NZ resident or branch, offering goods or services to people or businesses in NEW ZEALAND or work that is required to be performed in NEW ZEALAND), the person is in NEW ZEALAND for 275 days or fewer over a 18-month period and the person is tax resident in a jurisdiction with a tax regime that is substantially similar to NZ's income tax regime, they should not be subject to NZ personal tax obligations.

To complement the personal tax changes, the draft legislation also proposed:

- specific income tax exemptions for services income earned by a 'non-resident visitor';
- modifications to the definition of permanent establishment to exclude the activities of a non-resident visitor; and
- activities of a 'non-resident visitor' should be disregarded when considering the tax residency of a foreign company – in particular, disregarding the decisions undertaken by the non-resident visitor when applying the centre of management and director control rules (provided the foreign company is tax resident in a jurisdiction with a tax regime that is substantially similar to NZ's income tax regime).

These proposed amendments would revamp the currently outdated tax rules which do not work well with a highly mobile global workforce. We expect these proposed changes will ease the compliance burden for non-resident employers and non-resident individuals who wish to work and travel more flexibly.

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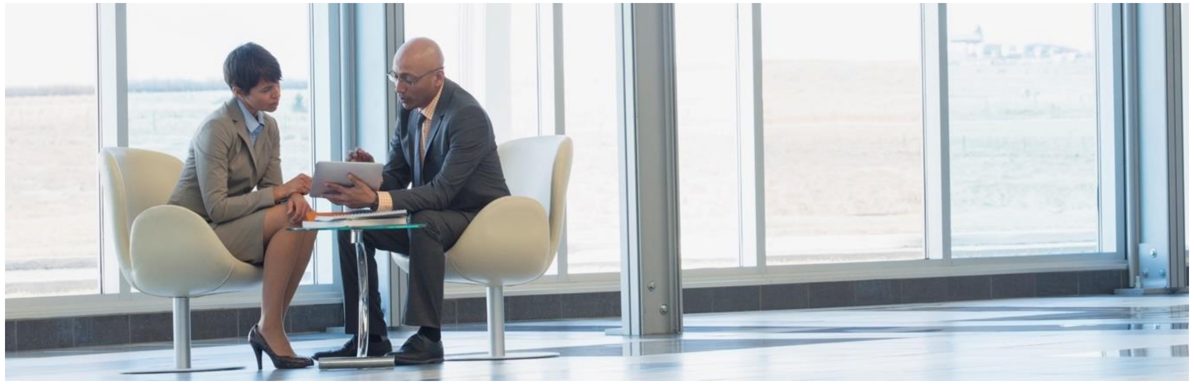

Legislation

Uruguay

International provisions of the National Budget Bill

The Uruguayan Executive Branch on 31 August 2025, submitted to Congress the National Budget Bill of Law for the five-year period 2025–2029 (the Budget Bill), which includes several tax provisions that could have a relevant impact from an international tax perspective.

The law, if passed as proposed, would enter into force on 1 January 2026, except for provisions that expressly set a different effective date. This is the case of the Domestic Minimum Top Up Tax (DMTT), being effective as from the date in which the law is passed (expected to occur before 31 December 2025).

The Budget Bill proposes amendments to the taxation of Multinational Groups (MNGs), individuals, and in general those entities and individuals doing business and investing in Uruguay.

In addition to proposing a DMTT, the bill also includes other important tax amendments and benefits. From a corporate tax perspective, it proposes changes to the taxation of indirect transfers of Uruguayan assets (including Uruguayan entities) and to the income tax withholding on dividend/profit distributions.

The Executive Branch would be empowered to grant tax credits to companies that carry out activities in Uruguay that contribute to economic development. These include companies that make significant investments, create direct or indirect employment, promote the development of new technologies, and favor Uruguay's international integration through the scale of their operations. Authorizations to implement incentive mechanisms for domestic or foreign companies that develop audiovisual projects in Uruguay also are expected.

For more information see our PwC Insight.

The proposed implementation of a DMTT in Uruguay aligns the country with the OECD's Pillar Two framework. This provision may affect MNGs operating in Uruguay, particularly those benefiting from tax incentives, by increasing their effective tax rate to meet the 15% global minimum threshold. It is important to closely monitor the legislative progress of the bill and assess its implications at a group level, from both domestic and international perspectives. US-headquartered multinational groups could potentially be exempt or excluded from Uruguayan DMTT if the United States is excluded from the application of the IIR and UTPR under an Inclusive Framework agreement.

In light of the upcoming changes, taxpayers should consider a timely assessment of the group's structure and operations in Uruguay. This assessment includes evaluating the potential application of safe harbor rules, substance-based exclusions, monitoring how the existing legal tax stability provisions (e.g., Free Trade Zones) would be reconciled with the DMTT, and other mitigating provisions.

Stakeholders are encouraged to proactively evaluate potential exposure under the proposed bill before year-end 2025, focusing on the new rules applicable to indirect transfers of Uruguayan assets and Non-Residents Income Tax (IRNR) implications on dividend distributions.

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Administrative

Australia

Pillar Two – consultation on amending legislation

The Australian Treasury has released exposure draft regulations and a draft explanatory memorandum seeking opinions on proposed changes to Australia's Pillar Two law. Minor changes needed to keep the law consistent with the OECD rules include:

- an equity investment inclusion election
- rules on qualified flow-through tax benefits
- clarifying the Investment Entity Transparency Election for regulated mutual insurance companies, and
- clarifying the limited circumstances where securitisation entities would be liable to pay Undertaxed Profits Rules (UTPR) top-up tax.

Submissions closed on 21 November 2025.

The proposed amendments aim to align the Australian legislation with the OECD rules. This is imperative so that Australia's implementation of the GloBE Rules achieves qualified status. The amendments would apply retrospectively to fiscal years commencing on or after 1 January 2024. The draft law does not change the deadline for the first filing obligations in Australia for Applicable MNE Groups. This remains 30 June 2026. Entities that potentially may be impacted by the proposed amendments should stay aware and monitor progress.

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Administrative

Belgium

Belgium extends the QDMTT return filing deadline to 30 June 2026

Belgium announced an extension of the deadline to file the Qualified Domestic Minimum Top-up Tax (QDMTT) return to 30 June 2026 for taxpayers with a financial year which:

- started at the earliest on 31 December 2023, and
- ended at the earliest on 1 January 2024 and at the latest on 30 June 2025.

In its communication, the Belgian Ministry of Finance explains that this means that an extension until 30 June 2026 at the latest is granted for filing all Belgian QDMTT returns whose statutory filing deadline under the Belgian Pillar Two law falls before 30 June 2026. The extension aligns the Belgian QDMTT return deadline with the first GloBE Information Return (GIR) deadline as well as multiple QDMTT returns in other jurisdictions.

Initially, the Belgian Pillar Two Law required the filing of a QDMTT return, regardless of whether the transitional CbCR Safe Harbours are met, within 11 months after the last day of the reporting year.

For in-scope groups with a financial year aligned with the calendar year, this meant the first due date to file the return was set for on 30 November 2025.

For more details on the Belgian QDMTT return, See our newsflash.

Taxpayers should review their current compliance planning and adjust internal timelines accordingly. Following the extension, taxpayers should also consider allocating the additional time to align on the responsibilities within their group and start gathering the necessary data to ensure a filing in due time.

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Administrative

Italy

Tax residency migration - capital gains deriving from foreign branches

With Ruling No. 185/2025, the Italian Tax Authorities (ITA) clarified that the tax residency migration of an Italian tax-resident entity with foreign permanent establishments (PEs) subject to the branch exemption (BEX) regime does not generate taxable capital gains with respect to the capital gains embedded in the PE. The Ruling clarifies the coordination existing between the Italian BEX regime (that can be adopted on an optional basis as an alternative to the ordinary tax credit regime) and the exit tax regime.

For this purpose, the ITA clarifies that in such cases, the capital gain relating to the assets and liabilities of the PE under the BEX regime must be considered exempt, as the situation is comparable to the disposal of the PE to a non-resident entity. In this latter case, any capital gain arising from the disposal or transfer of the PE - subject to the application of the so-called 'recapture' mechanism - is exempt from Italian taxation. Therefore, for purposes of the BEX regime, the same tax treatment may be applied, if the parent company of an exempt PE transfers its tax residence from Italy to a foreign jurisdiction.

Italian entities with foreign branches should consider electing the branch exemption regime (as an alternative to the tax credit regime) as it eliminates, in principle, any additional Italian tax charge in connection with the foreign PEs and it facilitates their transfer.

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Administrative

Italy

Pillar Two – Filing Deadline for the Global Information Return

With Provision No. 321488/2025, the Italian Tax Authority (ITA) released the official notification form - along with related instructions and electronic filing software - identifying the entity responsible for submitting the Global Information Return (GIR). Starting from the fiscal year in which the Group becomes in-scope for Pillar Two, entities located in Italy and stateless entities established according to Italian law are exempt from the obligation to submit the GIR if they identify a Designated Local Entity to submit it on their behalf.

Entities that do not submit the GIR independently must file with the ITA the notification form to inform of their intention to delegate another entity within the Group to submit the GIR. The notification form must be submitted to the ITA exclusively electronically, directly or through an intermediary. The provision stipulates that the submission can be made starting from the date communicated on the ITA's portal.

For calendar-year groups, the notification for FY 2024 must be filed no later than 30 June 2026 (18 months after year-end). For subsequent years, the filing deadline will be reduced to 15 months after the end of the reporting period.

Groups in scope of Pillar Two should confirm internal responsibility for the GIR filing. Early data-readiness is essential, as the first 18-month deadline (FY 2024) will shorten to 15 months thereafter. Close coordination across tax, finance, and IT functions is critical to ensure timely electronic submission and avoid compliance risks.

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Administrative

Mauritius

QDMTT notification deadline extended to 30 November 2025

The Qualified Domestic Minimum Top-Up Tax (QDMTT) applies to resident companies that are part of an in-scope multinational enterprise (MNE) group. This new tax measure came into effect for accounting periods ending on or after 1 January 2025.

Whilst the QDMTT return is due within 15 months from the end of the MNE group's fiscal year, resident companies must notify the Mauritius Revenue Authority (MRA) of the designated Mauritius resident person responsible for the filing of the QDMTT return. This notification is due within six6 months from the end of the MNE group's fiscal year.

For more information see our PwC Alert.

The notification facility only became available fromon 29 October 2025. The MRA has extended the due date to 30 November 2025 for notifications that are already due.
Relevant resident companies with year ends that fall between 1 January and 31 May 2025 must take necessary steps to notify the MRA by 30 November 2025.

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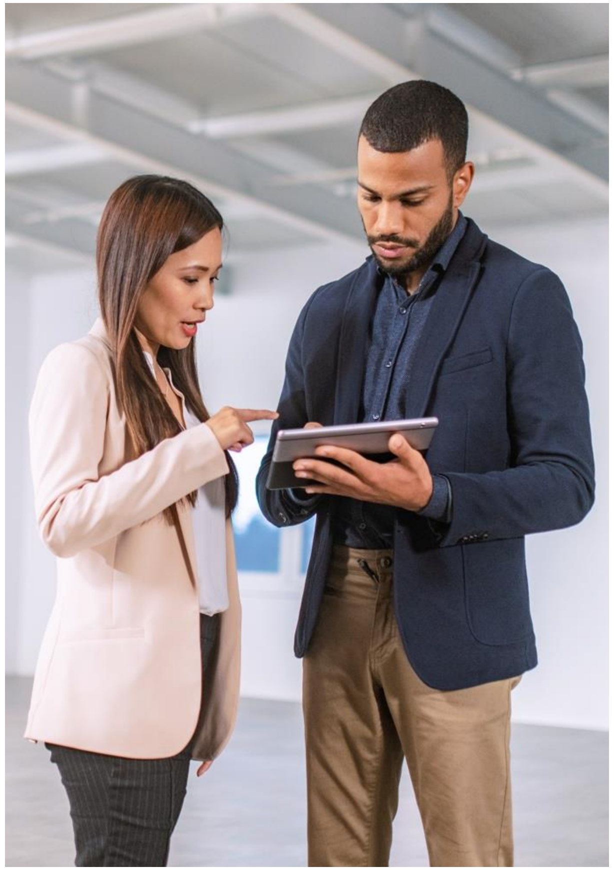

Administrative

Singapore

Singapore tax authority publishes guidance on the classification of foreign entities for Singapore income tax purposes

The Inland Revenue Authority of Singapore (IRAS) on 30 October 2025 published guidance on the factors to consider in determining the classification of foreign entities for Singapore income tax purposes.

Generally, the classification of the foreign entity will follow that of the corresponding type of Singapore entity (either a company or partnership) with which it shares similar features. This will determine the tax treatment of the foreign entity as opaque or transparent, respectively, for income tax purposes. The IRAS also published a list of common foreign entities for which it set out its preliminary view as to the appropriate classification.

For foreign entities not included in the list, the IRAS has published a set of factors to consider when assessing if it should be considered a company or partnership. If it does not meet all the prescribed factors to be considered either a company or partnership, the IRAS will consider other relevant factors (such as the foreign tax treatment) to determine the appropriate classification.

The guidance is generally consistent with the IRAS' current administrative approach to classifying foreign entities, although it is the first time this has been published.
The guidance provides a higher degree of tax certainty for business arrangements that utilize the types of foreign entities included in the list. Other foreign entity structures are expected to be added in due course. For foreign entity structures that have not yet been formally classified by the IRAS, the list of factors to consider when determining the classification provides useful guidance for businesses in their planning.

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Administrative

Singapore

Singapore tax authority revises transfer pricing guidelines

The Inland Revenue Authority of Singapore (IRAS) on 19 November 2025 issued e-Tax Guide 'Transfer Pricing Guidelines (Eight Edition)'. Significant changes include:

- The introduction, on a pilot basis from 1 January 2026 to 31 December 2028, of an optional simplified streamlined approach (SSA) for qualifying baseline marketing and distribution transactions between related parties, as provided for in the OECD Transfer Pricing Guidelines (what is widely known as Amount B under Pillar One of the OECD BEPS 2.0 project).
- Clarification of the implications arising from domestic related party loans entered into on or after 1 January 2025. In order to ease taxpayers' compliance burden, the IRAS has advised that it will no longer make transfer pricing adjustments on loans between domestic related parties that are not at arm's length, provided both the lender and borrower are not in the business of borrowing and lending.
- Updates on dispute resolution avenues and administrative requirements, particularly in relation to applications for mutual agreement procedure (MAP).
- Updates to certain documentation requirements.

The introduction of the SSA and updates to the treatment of domestic loans are welcomed as these should significantly reduce the administrative burdens on taxpayers to prove their compliance with transfer pricing rules. The updates relating to MAPs provide greater transparency to the application process and the IRAS' considerations when evaluating MAP applications. In relation to loans between domestic related parties, businesses should evaluate the feasibility of making changes to their loan arrangements in light of the clarification.

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Administrative

United States

US reaches limited trade deal with China and signs trade agreements with ASEAN partners

During the Association of Southeast Asian Nations (ASEAN) Summit in Kuala Lumpur from 26-28 October, the United States announced a series of new trade and strategic agreements with countries across Asia, including reciprocal trade deals with Malaysia and Cambodia, and framework agreements with Vietnam and Thailand. A separate economic and trade deal with China was reached following meetings between President Trump and Chinese leader, Xi Jinping in Busan, South Korea. The regional pacts focus on tariff reduction, digital trade, and critical mineral cooperation.

The economic and trade deal between the United States and China includes a reduction on fentanyl-related tariffs for imports from China, renewed agricultural purchases, and a pause on Chinese export controls. Specifically, China committed to stop the flow of fentanyl-precursor exports into the United States and to effectively eliminate its current and proposed export controls on rare earth elements and other critical minerals.

According the White House fact sheet, China also agreed to end retaliatory tariffs and non-tariff countermeasures against US agricultural and other goods, and to purchase at least 12 million metric tons of US soybeans in the last two months of 2025 and at least 25 million metric tons a year from 2026 to 2028. In turn, the US will reduce the cumulative tariffs on imports from China related to fentanyl controls by 10% (effective November 10) and suspend for one year the implementation of responsive actions under the Section 301 investigation into China's targeting of the maritime, logistics, and shipbuilding sectors. The United States will negotiate with China pursuant to Section 301 during this suspension period, while continuing its cooperation with South Korea and Japan to revitalize American shipbuilding. Together, these actions signal a temporary easing of tensions and a shift toward managed competition and sector-specific cooperation.

For more information see our PwC Insight.

Companies should assess how the renewed United States and China trade deal and related regional agreements may impact intercompany pricing, duty planning, and supply chain structures. Businesses may want to model potential tariff and sourcing changes, evaluate exposure to evolving China export control measures, and determine whether adjustments in manufacturing or distribution could create new permanent establishment risks. It will also be important to monitor forthcoming implementation guidance and bilateral regulations to anticipate indirect tax, customs, and reporting implications as these agreements are put into practice.

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Administrative

United States

Treasury issues final regulations on stock repurchase excise tax

Treasury and the IRS on 21 November 2025, released final regulations under Section 4501 (final regulations) regarding the stock repurchase excise tax (the excise tax), which was enacted as part of the Inflation Reduction Act of 2022. The final regulations remove or scale back many provisions that were included in the proposed regulations issued in 2024 (the proposed regulations) and that many practitioners and taxpayers had viewed as unduly burdensome or as giving the stock repurchase excise tax a broader reach than intended.

The final regulations revise the government's position with respect to several categories of transactions that had previously been treated as stock repurchases subject to the excise tax. Notably, the final regulations make the following changes to the proposed regulations:

- Eliminate the funding rule previously included in the proposed regulations that potentially subjected US subsidiaries of foreign-parented multinationals to the excise tax if they funded their foreign affiliates with a principal purpose of funding a repurchase or avoiding the excise tax.
- Exclude acquisitive reorganizations, leveraged buyouts, other 'take-private' transactions, and all liquidations from the excise tax.
- Exclude the repurchase of preferred stock that is described in Section 1504(a)(4) from the treatment as a repurchase of stock. In addition, an exclusion was added for mandatorily redeemable stock issued prior to 16 August 2022.
- Expand the ability for domestic covered corporations to treat stock settled under an equity compensation award to a nonemployee service provider of a specified affiliate as an issuance for purposes of the netting rule, which the proposed regulations had prohibited.

For more information see our PwC Insight.

The final regulations generally apply to (i) repurchases of stock of a covered corporation occurring after 31 December 2022, and (ii) issuances and provisions of stock of a covered corporation occurring during taxable years ending after 31 December 2022. Clients that previously filed Form 7208, Excise Tax on Repurchase of Corporate Stock, with their Form 720 reporting a liability based on a type of transaction that is now exempt under the final regulations should consider filing Form 720-X to amend their Form 720 and attach a corrected Form 7208 (identifying it as 'amended').

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Judicial

India

Delhi bench of the Tribunal denies benefit under India-Cyprus tax treaty

The Delhi bench of the Income-tax Appellate Tribunal upheld the order of lower authorities to deny the benefits of a lower tax rate on interest income as per the tax treaty between India and Cyprus. The Tribunal, based on the facts on record, upheld that the taxpayer is not the beneficial owner of the interest income from the compulsorily convertible debentures and functions as a mere conduit company. It emphasised that beneficial ownership entails use, enjoyment, risk and control, which are not with the taxpayer but with its shareholders in the instant case. Accordingly, it upheld that the interest income is taxable at 20% under section 115A of the Income-tax Act, 1961 and denied the DTAA benefit.

For more information see our PwC Insight.

The ruling emphasises the principle that merely holding a valid tax residency certificate is insufficient to obtain the benefits of a lower tax rate as per the tax treaty. The taxpayer must also substantiate beneficial ownership, which is an important criterion to satisfy with respect to passive income under the tax treaties, through relevant documentation.

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Judicial

India

Mumbai bench of the Tribunal applies Article 13(5) under India-Singapore tax treaty

The Mumbai bench of the Income-tax Appellate Tribunal ruled in favour of a non-resident Singapore taxpayer, holding that short-term capital gains (STCG) from the sale of Singapore entity shares to another Singapore entity are not taxable in India under Article 13(5) of the tax treaty between India and Singapore. The Tribunal affirmed that the Double

Taxation Avoidance Agreement (DTAA) provisions granting taxing rights to Singapore override domestic laws on indirect transfers.

For more information see our PwC Insight.

The ruling enforces the principle that DTAA provisions would prevail if more beneficial to the taxpayer as per the provisions of section 90(2) of the Income-tax Act, 1961. Indirect transfer of shares would thus not be taxable in India under Article 13(5) of the India–Singapore DTAA, which grants exclusive taxing rights on residual capital gains to the alienator’s state of residence, i.e., Singapore.

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Judicial

Poland

New developments for the Asset Management sector in Poland

More favorable framework for third-country funds

Currently, in Poland, only regulated investment funds (e.g. UCITS or AIFM managed funds) based in the European Union (EU) or the European Economic Area, (EEA) may benefit from a tax exemption (subject to meeting certain conditions). While the exemption in question formally precludes non-EU/EEA-based entities, it was a common practice that third-country comparable funds (such as US-based Regulated Investment Companies) could also claim it. Until recently, there were no plans to amend the exemption in question, so that it also formally covers third-country funds. However, on 26 June 2025, the Ministry of Finance in Poland published a draft amendment to the Corporate Income Tax (CIT) Law that would remove the discriminatory tax treatment of certain investments funds, in particularly by specifically extending the exemption available for EU/EEA funds to third-country funds.

Less discrimination for regulated investment funds

Following the verdict of the CJoEU in case C-18/23 (dated 27 February 2025) in the amendment published on 26 June 2025, the Ministry of finance also proposes to remove the condition of being "managed by entities that operate under the authorization of the competent financial market supervisory authorities of the country in which these entities are based." The condition in question was highly contested as it effectively eliminated so-called self-managed funds from the exemption, resulting in withholding tax exposure for such entities in Poland.

Funds that cannot document their tax residency

Polish regulations concerning the exemption from Polish corporate income tax (both WHT and CGT) require that the foreign investment fund must be subject to taxation on its worldwide income, regardless of the source of this income.

The Polish Ministry of Finance issued a general tax ruling in which they stated that this condition should be interpreted as having tax residency status rather than bearing an actual tax burden. There was a common and rather unilateral practice to evidence tax residency with a tax residency certificate.

In a judgment issued by the Supreme Administrative Court of 25 August, 2020, II FSK 1342/18 with respect to a Cayman Islands investment fund, in which the Court indicated that tax authorities must assess tax residency based on all available evidence confirming that the entity is subject to unlimited tax liability in its country (territory) of domicile, even if that country grants tax reliefs or exemptions, which results in no effective tax payment – hence the lack of a certificate of residence on the side of a particular may not straightaway result in not meeting the condition of being a tax resident.

Judicial

Poland

New developments for the Asset Management sector in Poland

More favorable framework for third country funds - non EU/EEA-based investment funds would have to meet a clear set of requirements in order to benefit from a tax exemption (both in terms of WHT and CGT) in Poland. In practical terms this should allow for much smother processing of the refund claims.

Less discrimination for regulated investment funds - following the recent CJoEU verdict, the requirement of having an external asset management company would be removed (i.e. self-managed funds will also be legible for a tax exemption).

Tax residency documentation - following the available jurisprudence (both local and CJoEU), taxpayers should revisit their tax residency status in order to qualify for a tax exemption (both in terms of WHT and CGT) in Poland. The eligibility to benefit from the Polish corporate income tax exemption should be analyzed case by case, especially if a fund cannot obtain a tax residency certificate.

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OECD/EU

European Union

Corporate tax shifts across the EU for 2026

Four EU Member States have unveiled significant corporate tax measures for 2026.

Starting in Portugal, a phased reduction of the standard Corporate Income Tax (CIT) rate has been proposed. The rate will fall by one percentage point to 19% in 2026, followed by further reductions to 18% in 2027 and 17% in 2028. Additionally, SMEs and Small-to-Mid Caps will benefit from a reduced 15% rate on the first EUR 50,000 of taxable profit. The measure is proposed outside the scope of the 2026 State Budget (see PwC Portugal tax news).

In Poland, on 17 October 2025, the Polish parliament approved a progressive increase in the CIT rate for banks. Beginning in 2026, banks will be subject to a 30% CIT rate (or 20% for small taxpayers with annual turnover below EUR 2 million, including VAT). The rate will then gradually decline to 26% in 2027 (16% for small taxpayers) and 23% in 2028 (13% for small taxpayers). The measure seeks to better align the financial sector's contribution with profitability levels and public revenue objectives.

In Malta, the Malta Tax and Customs Administration has published the mechanism enabling entities to elect to be taxed at a final rate of 15% under the Final Income Tax Without Imputation Regulations, 2025. Entities may opt for either the standard Income Tax Act rules or the new 15% elective regime, based on income from the preceding fiscal year. Once chosen, the election remains valid for at least five consecutive years, with no refunds, credits, or offsets allowed. The tax due cannot be lower than under the standard regime, and it is final and non-creditable against other tax liabilities.

Finally, in the Baltics, the Lithuanian State Tax Inspectorate has issued updated commentary following the adoption of comprehensive tax reform. The standard CIT rate will increase from 16% to 17% starting in 2026, while the rate for small businesses will rise from 6% to 7%. The 0% tax rate for new companies is extended from one to two years, encouraging entrepreneurship. Additional incentives include immediate depreciation, allowing companies to deduct the full cost of certain assets, such as machinery, equipment and software, n the year of acquisition.

Despite increasing international and EU-level coordination – through initiatives such as Pillar Two – corporate tax rate determination remains a core element of national fiscal sovereignty. EU Member States continue to adjust their rates and incentives in line with domestic policy goals, sectoral pressures, and competitiveness concerns. For tax directors, tracking these developments is essential to maintain control over their group's global tax position, anticipate cost impacts, and align investment and structuring decisions with each jurisdiction's evolving landscape.

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OECD/EU

OECD

OECD issues 2025 Model Tax Convention update: new Commentary on cross-border working and other issues

The Council of the OECD on 19 November 2025 approved updates to the Model Tax Convention (MTC) with accompanying Commentary. The update revises and clarifies various MTC Articles, including:

- New Commentary to Article 5 addressing situations where cross-border working from a home or other premises may constitute a permanent establishment (PE),
- The creation of a PE in the place of extraction of natural resources,
- An optional treaty provision for taxing activities connected with the exploration and exploitation of extractible natural resources,
- Changes to the Commentary in respect of the optional simplified and streamlined approach for Transfer Pricing, also known as 'Amount B,'
- Other provisions regarding dispute resolution, transfer pricing for financial transactions and utilizing information received under exchange of information mechanisms

The updated Commentary on Article 5 will be relevant to many sectors and organizational profiles. With the rise of remote workers, the creation of PEs has become an increasingly common issue for enterprises, and this guidance should provide some clarity with this issue.

For more information see our Tax Policy Alert.

Businesses may wish to review

I. any flexible working policies or approaches in general, and

II. any employee-specific arrangements that have been agreed or approved, to ensure that no PE risk exists in light of the new guidance (or, conversely, to test whether these could be relaxed to permit more cross-border working).

The new guidance offers clearer guidance to employers and employees regarding the creation of a FPoB PE; however, we would suggest businesses ensure controls and governance are put in place. Specifically, it may be helpful to monitor where cross-border employees are spending their time and consider how best to track permitted cross-border working arrangements going forward. Of course, any determination of a PE will come down to actual conduct more than contractual arrangements.

For those employees with a low risk of creating a dependent agent PE, this new clearer guidance may provide room for some employers to offer more flexibility on work location. However, broader issues may still arise from spending time working cross-border remotely. Such issues include immigration, payroll, social security contributions, and acquisition of additional employment-related rights or benefits and pensions entitlements.

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Treaties

Switzerland

Major update on US tariff developments with Switzerland and Liechtenstein

The United States, Switzerland, and Liechtenstein jointly announced agreement in principle on a new trade framework, with an objective to conclude and sign by the first quarter of 2026. Under the proposed US tariff approach, the United States intends to apply, on qualifying originating goods from Switzerland and Liechtenstein, the higher of the most-favored-nation (MFN) rate or a universal 15% ad valorem rate. For pharmaceuticals and semiconductors, total US tariffs - expressly including any Section 232 or similar surcharges - might be capped at 15% if and when tariffs on these goods are introduced. This mirrors the general approach adopted in the US-EU trade arrangement.

The joint statement did not specify when the new tariff approach would take effect. In practice, commencement would be expected upon signing and implementation of the agreement, which the parties are targeting for 2026. Only goods meeting the agreement's rules of origin would benefit; detailed origin provisions are expected to be issued as part of the final text.

Switzerland's announced commitments include facilitating at least $200 billion of investment into the United States over five years (with roughly one-third targeted by end-2026); eliminating duties on US industrial goods, seafood, and certain agricultural products, while applying tariff-rate quotas to others; facilitating acceptance of FDA-cleared or FDA-approved medical devices; addressing barriers to US poultry; enhancing cooperation on standards and conformity assessment; refraining from digital services taxes; supporting trusted cross-border data flows; and maintaining high labor and environmental protections.

The envisaged tariff cap represents a clear positive for Swiss and Liechtenstein-origin exporters in sectors such as pharmaceuticals and microelectronics, while the broader market access and regulatory cooperation elements may ease bilateral trade frictions over time.

In light of this trade development companies should consider the following:

- Check again the actual origin of goods (not just where they are shipped from);
- Explore if there are combined TP and customs strategies thatwhich can be used;
- Review or map out transactions and supply chain;
- Understand your companies' plans in terms of markets and products, as well as production locations within the next five5 years and how this fits into the current tariff situation

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Glossary

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

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