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:

Pillar Two: Decoding the G7 statement

Wade Sutton (PwC's Washington National Tax Services - International Tax Services Leader) is joined by Pat Brown, an ITS Partner and Co-Leader of PwC's Washington National Tax Services practice. Wade and Pat take a deeper dive into the future of Pillar Two, focusing on the G7's 'side-by-side' agreement.

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Welcome Video

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

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Canada

Canada draft legislation would amend Pillar Two and integrate it with Canada's foreign affiliate regime

The Department of Finance released draft legislation to amend the Income Tax Act (ITA) and the Global Minimum Tax Act (GMTA) on 15 August 2025. The draft legislation amends the ITA to ensure the appropriate amount of income or profits tax paid by a foreign affiliate (FA) of a taxpayer under a domestic minimum top-up tax (DMTT) regime is taken into account in determining the deduction available to the taxpayer as foreign accrual tax (FAT) paid in respect of the FA's foreign accrual property income (FAPI). In addition, the rules for computing foreign affiliate surplus balances are amended to specify how income or profits tax paid under DMTT regimes will be taken into account for purposes of surplus computations.

The proposed amendments to the GMTA implement a de-consolidation in respect of MNE groups when there is a private Canadian corporation that holds controlling interests in one or more public Canadian corporations. Where these rules apply, the MNE group is split into two separate MNE groups for purposes of the GMTA.

In addition, the proposed amendments to the GMTA implement certain concepts set out in administrative guidance published by the OECD, including rules that would restrict the ability to use certain deferred tax assets generated before the MNE group is subject to the Pillar Two rules.

For more information see our PwC Tax Insight.

Canadian entities that are part of an MNE group that is subject to the GMTA should model the impact of the proposed legislation on their FAPI and surplus calculations.

Private investment entities and public companies controlled by private investment entities should consider how the proposed de-consolidation rule might impact their Pillar Two compliance obligations since the de-consolidation rule only applies for purposes of the GMTA. Differences may arise when applying Pillar Two legislation in the relevant foreign jurisdiction and applying to the country-by-country report safe-harbour.

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Legislation

Iceland

Iceland's 2026 Budget includes Pillar Two implementation plan

Iceland's Ministry of Finance presented the 2026 Budget on 8 September 2025. The Budget includes plans to implement the OECD/G20 Pillar Two global minimum tax rules. The proposal covers the introduction of an Income Inclusion Rule (IIR) and a Qualified Domestic Minimum Top-up Tax (QDMTT), aiming for application from fiscal years starting on or after 31 December 2025. While the government has signaled its intention to proceed, as of September 2025, no final law has been enacted.

The Icelandic Government's approach is consistent with the EU Minimum Tax Directive, despite Iceland not being an EU member. The budget announcement demonstrates a clear policy direction, but the absence of enacted legislation means that details—including administrative guidance, safe harbors, and compliance requirements—are not yet finalized. Companies with Icelandic operations should prepare for future compliance but await further legislative developments.

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Legislation

Peru

Peru enacts new corporate tax regime for agribusiness sector

Law No. 32434 was enacted on 10 September 2025, establishing a new framework for the agribusiness sector. The law entered into force on 11 September 2025, with VAT and corporate income tax provisions applicable as of 1 January 2026.

Key income tax measures include:

- 15% corporate income tax rate for agribusiness companies operating mainly outside Lima and Callao, from 2026 to 2035. The general rate applies thereafter (29.5%).
- Exemption for small producers with annual income up to 30 tax units. A 1.5% rate applies to income between 30 and 150 tax units; above this, the general regime applies. In these cases, associative entities and companies act as withholding agents.
- 25% additional deduction for purchases from registered small producers (capped at 10% of total certified expenses).
- 20% accelerated depreciation for irrigation infrastructure.
- Exclusion of companies with non-agribusiness income above 20% of total and certain products (e.g., wheat, tobacco, oils, beer).
- No overlap with other special regimes (e.g., Amazonian regime, Tacna Free Trade Zone).

The law also creates a reimbursement mechanism for VAT credit related to exempt operations, a specific 'drawback' for agricultural exports, and rules for cooperatives and collaboration contracts.

While the regulatory framework supporting this new regime is still pending formal executive approval with deadlines extending into early 2026, investors should monitor developments closely given the clear intent to enhance Peru's agribusiness sector's attractiveness through stable, preferential direct tax treatment aligned with formalization and value chain integration goals.

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Legislation

Uruguay

Uruguayan QDMTT updates

The Executive Branch, on 31 August 2025, submitted to Parliament the National Budget Bill for the five-year period 2025–2029 for consideration. In accordance with the Constitution, each Chamber must issue a decision within 45 days of receiving the bill. If the bill approved by one Chamber is amended by the other, the Chamber that initially approved it will have 15 days to review the modifications. If the changes are rejected or the 15-day period expires, the bill will be referred to the General Assembly (joint session of both Chambers), which will also have 15 days to consider it. The law will enter into force on 1 January 2026, except for provisions that expressly establish a different effective date.

In line with the OECD's Pillar Two framework, Uruguay proposed a Qualified Domestic Minimum Top-Up Tax (QDMTT) as a part of the bill.

Some of the main features include:

- Scope: applies to entities in Uruguay that are part of multinational groups with consolidated revenues ≥ €750 millions, in at least two of the last four fiscal years.
- Trigger: when the group's effective tax rate in Uruguay is below 15%.
- Tax Basis: net admissible income, adjusted for substance exclusions (payroll and tangible assets), aligned with OECD GloBE rules.
- Calculation: difference between 15% and the local effective rate, applied to excess income, with possible additional adjustments.
- International compatibility: aligned with BEPS Inclusive Framework, including safe harbours and exclusion options.
- The Executive Branch will need to exempt or exclude Uruguayan entities from the QDMTT if they are part of a group whose ultimate parent is located in a jurisdiction excluded from the application of the Income Inclusion Rule (IIR) and the Undertaxed Profits Rule (UTPR), as agreed within the framework of the Inclusive Framework (which Uruguay is a part of).

The proposed implementation of a QDMTT in Uruguay aligns the country with the OECD's Pillar Two framework. This measure may affect multinational groups operating in Uruguay, particularly those benefiting from preferential regimes, by increasing their effective tax rate to meet the 15% global minimum threshold. MNEs should closely monitor the legislative progress and assess the implications at a group level, from both domestic and international perspectives.

In light of the upcoming changes, taxpayers should consider a timely assessment of the group's structure and operations in Uruguay. This includes evaluating the potential application of safe harbor rules, substance-based exclusions, and other mitigating provisions. Preparing for compliance and documentation requirements ahead of the bill's enactment could help ensure readiness and minimize tax exposure.

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Legislation

Uruguay

National Budget Bill 2025–2029

The National Budget Bill for the 2025–2029 five-year period, submitted by the Executive Branch on 31 August 2025, introduces several tax-related proposals. These measures are generally scheduled to take effect on 1 January 2026 and onwards, unless a different effective date is explicitly provided. In addition to introducing a Qualified Domestic Minimum Top-Up Tax (QDMTT), the bill includes a range of other tax initiatives currently under consideration.

Anti-Abuse Rule: Source Extension (CIT / IRPF / IRNR)

Amendments are proposed to extend the source of certain items of income for purposes of Corporate Income Tax (CIT), Personal Income Tax (IRPF), and Non-Residents Income Tax (IRNR) - then resulting in taxable income for the application of these taxes.

Income derived from the transfer of shares or other equity interests in non-resident entities, as well as the assignment of usufruct rights over such interests, will be deemed Uruguayan-source income when more than 50% of the entity's assets — valued in accordance with CIT rules — consist directly or indirectly of assets located in Uruguay; or when the value of such assets exceeds 31,500,000 Indexed Units (UI), which is approx. 5,000,000 USD.

The existing condition in the current version of the rules, which requires the entity to be resident, incorporated, or located in low or no-tax jurisdictions (BONT) is eliminated.

Dividends (IRNR)

Amendments are proposed to the IRNR exemption regime for dividends.

Dividends paid or credited by Uruguayan entities mandatorily subject to CIT due to their legal form will be subject to IRNR withholding (even if the underlying income is not taxable under CIT), provided that:

- The dividends are taxable in the beneficiary's country of residence, and
- The foreign jurisdiction grants a tax credit for the tax paid in Uruguay.

If the beneficiary cannot utilize the tax credit due to a tax loss position, then dividends will be exempt from IRNR in Uruguay.

The regulations are expected to establish the formal requirements to evidence the conditions necessary for the exemption.

Stakeholders should evaluate potential exposure under the proposed bill before year-end 2025, focusing on:

(i) the new source-extension rules applicable to indirect transfers of Uruguayan assets, and
(ii) IRNR implications on dividend distributions.

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Legislation

Vietnam

Vietnam issues Decree on implementation of Global Minimum Tax rules

Vietnam's Government issued Decree 236/2025/NĐ-CP, on 29 August 2025, setting out top-up tax regulations pursuant to Resolution 107/2023/QH15. This long-anticipated decree establishes the legal framework for applying the Global Anti-Base Erosion (GloBE) rules under the OECD Pillar Two framework in Vietnam, including the Qualified Domestic Minimum Top-up Tax (QDMTT) and the Income Inclusion Rule (IIR).

Initial notification and registration

Notification of authorized CE and CE list within 30 days after the financial year end ('FY end') of the MNE's ultimate parent entity (UPE).

Tax code registration within 90 days after UPE's FY end. For taxpayers having a financial year ending on or before 30 June 2025, the deadline is extended to 90 days after the effective date of Decree 236 but in no case later than the deadline for the top-up tax declaration.

For more information see our Vietnam News Briefs.

The Decree arrives at a pivotal moment, with an effective date of 15 October 2025, enabling multinational enterprises to prepare for their first top-up tax filings for the 2024 fiscal year.

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Administrative

Australia

Finalized compliance approach on restructures and thin capitalisation and debt deduction creation rules

The Australian Taxation Office (ATO) has finalised Practical Compliance Guideline PCG 2025/2, which outlines its compliance approach in relation to restructures undertaken in response to Australia's new thin capitalisation regime and the debt deduction creation rules (DDCR).

The PCG sets out a four-zone risk framework for such restructures, providing practical examples of low- and high-risk scenarios. Where restructures are considered to be low risk, the ATO will not have cause to allocate resources to intensive examinations beyond verifying the taxpayer's self-assessment of risk. While the final PCG is not significantly different from its predecessor draft issued last year, there are a number of key practical implications from the additional guidance and examples:

- There is now a low-risk scenario of genuine related party debt refinanced with external debt, where group leverage is not artificially increased and circular cash flows are not present.
- The ATO has provided examples of 'fair and reasonable' apportionment approaches to identify disallowed debt deductions under the DDCR.

For more information see our Tax Alert.

The examples and guidance have practical relevance for multinational taxpayers operating in Australia that are considering repayment of debt. The PCG affirms that maintaining contemporaneous evidence will be important, including robust records demonstrating use of funds, tracing and any apportionment methodologies. Any taxpayers undertaking restructures as a result of the introduction of Australia's new thin capitalisation rules and the DDCR should also consider self-assessing their risk zone against the ATO's framework. Whilst this is not mandatory, it is generally considered best practice, as taxpayers will generally be required to disclose their self-assessment to the ATO in the future.

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Administrative

Australia

Pillar Two determinations

The following legislative determinations that deal with the application of Pillar Two in Australia have been released:

- The Taxation (Multinational—Global and Domestic Minimum Tax) (Qualified GloBE Taxes) Determination 2025 which specifies the jurisdictions which are taken to have a Qualified Income Inclusion Rule (IIR) tax, a Qualified Domestic Minimum Top-up Tax (QDMTT) or QDMTT Safe Harbour status, and the applicable fiscal year from which this applies. It is expected that the list of jurisdictions that have qualified GloBE taxes will continue to be updated as appropriate.

- The draft Taxation Administration (Exemptions from Requirement to Lodge Australian IIR/UTPR tax return and Australian DMT tax return) Determination 2025 proposes the exemption gateways from lodging an Australian Domestic Minimum Tax (DMT) return and the Australian Income Inclusion Rule/Undertaxed Profits Rule (IIR/UTPR) return. The proposed exemptions should reduce compliance costs for affected MNE Groups by exempting those entities that could never have an Australian DMT or IIR/UTPR top-up tax amount in a fiscal year.

With the first Pillar Two lodgment obligations in Australia due in less than 12 months (by 30 June 2026), these determinations are important elements in the implementation and management of Pillar Two compliance obligations in Australia.

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Administrative

Cambodia

Implementing capital gains tax under a framework

The General Department of Taxation (GDT) has issued Instruction 23862 to clarify how capital gains tax (CGT) is implemented under tax treaty frameworks. Treaty provisions prevail over the Law on Taxation in determining capital gains taxing rights and are based on the gain-earner's source and residency. Below are the specific guidelines on the taxing rights for each type of sale or transfer.

- Immovable property: if located in Cambodia, the capital gain is taxed in Cambodia.
- Movable property: if belonging to a permanent establishment or fixed place of business in Cambodia, the capital gain is taxed in Cambodia.
- Ships, boats, aircraft or railway or other land transport means: if operating in international traffic, the capital gain is only taxed in the operating enterprise's resident country.
- Shares or similar benefits: if the value of the enterprise's immovable property in Cambodia as compared to the value of its total assets is lower than the conditional percentage set in the DTA, Cambodia will have no taxing rights on the capital gain.
- Other assets: other than 1 to 4 above, the resident country or jurisdiction generally has the right to collect the CGT.

For more information see our Cambodia News Brief.

To enjoy the CGT exemption under the tax treaty, especially numbers 3, 4 and 5 above, taxpayers must submit an online application together with relevant documents to the GDT for review and approval.

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Administrative

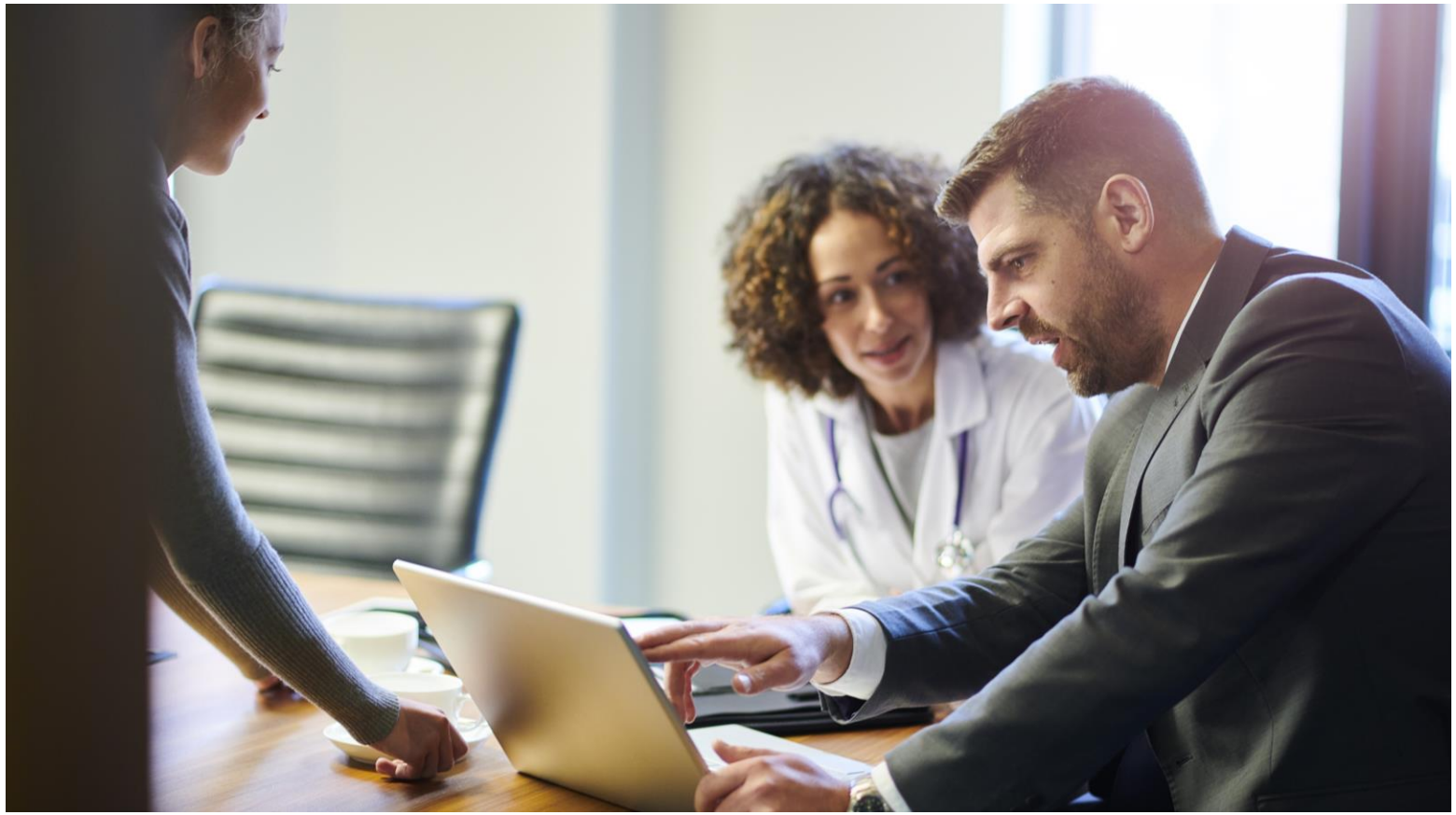
Finland

Finland's DAC9 law open for public consultation

DAC9 aims to simplify reporting requirements by incorporating the GloBE Information Return (GIR) from the OECD/G20 Inclusive Framework on BEPS (IF) into EU law. This proposal sets up a system for tax authorities to exchange information with other EU Member States.

Finland's Ministry of Finance is requesting statements on a draft law concerning the exchange of information related to minimum taxation (DAC 9). The deadline for submitting statements is 26 September 2025. The changes are intended to come into force on 1 January 2026.

EU Member States have until 31 December 2025 to implement DAC9. The first Top-up Tax information returns are due 30 June 2026, with information exchange required by 31 December 2026



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Portugal

Portugal releases official Pillar Two registration Form 62

Ordinance 290/2025/1 was published in the Portuguese Official Gazette on 2 September, approving Registration Form 62 and the respective instructions, for purposes of the Portuguese Pillar Two Regime (Regime do Imposto Mínimo Global or RIMG), approved by Law no. 41/2024, of 8 November 2024.

This form is intended to fulfill the obligation to register constituent entities located in Portugal by enterprise groups subject to the aforementioned regime, as well as to notify the commencement of the regime's application to large-scale domestic groups and multinational enterprise groups in the initial phase of international activity, in accordance with Council Directive (EU) 2022/2523, of 15 December 2022.

For groups whose fiscal year coincides with the calendar year, the first Form 62, relating to the 2024 fiscal year, must be submitted by 31 December 2025, and will remain valid for subsequent fiscal years until changes occur.
The form must be submitted by each constituent entity in Portugal or, alternatively, by a designated local entity, in which case the other group entities located in the country must confirm this designation electronically, via the Tax Authority Portal, within 15 days of notification for this purpose.
Given the short confirmation period, in-scope groups should plan ahead and have local reporting/confirmation responsibilities well established before proceeding with filing the registration.

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Administrative

Netherlands

Dutch tax authorities release Pillar Two Q&A document

The Dutch tax authorities have published a 'Question and Answers' (Q&A) document on the operation of the Dutch Minimum Tax Act 2024, the Dutch Pillar Two legislation (in Dutch only). The Q&A offers an extensive compilation of answers from the Pillar Two Expertise Team (Centrale Expertiseteam Pijler 2 Belastingdienst) to questions raised in practice on the application of the Dutch Minimum Tax Act 2024 (Dutch MTA 2024). The expert team developed the answers to practical questions in collaboration with various other units within the tax administration and the Ministry of Finance of the Netherlands. The Q&A has been based on relevant sources of law, including applicable tax legislation and supporting parliamentary papers, and – where relevant – any other documents such as the consolidated OECD commentary on Pillar Two and literature.

United States (GILTI, subpart F, reverse hybrid entities)

According to the Dutch tax authorities, the US GILTI and subpart F rules should be seen as separate and different CFC regimes that should be treated separately for the allocation of the covered taxes involved to certain types of constituent entities for Dutch minimum tax purposes.

The special allocation rules for blended CFC tax regimes (such as GILTI) do not apply to the US subpart F regime. The regular allocation rules for CFC schemes apply in this regard. Insofar as subpart F relates to both active and passive income, according to the Dutch tax authorities, the general attribution rules apply to the active income items involved.

The Dutch tax authorities further interpret the concept of 'reverse hybrid entity' in relation to a so-called 'check-the-box election' in the United States. When a US parent entity elects to treat a Dutch subsidiary company and its US sub-subsidiary company as transparent for US corporate tax purposes – while the Netherlands considers this sub-subsidiary company to be non-transparent for Dutch corporate tax purposes – then according to the Dutch tax authorities, this sub-subsidiary is to be regarded as a flow-through entity that qualifies as a reverse hybrid entity for Dutch minimum tax purposes.

For more information see the PwC NL Insight.

The Q&A provides some practical support on the operation of Dutch tax law involving the implementation of Pillar Two by the Netherlands. The Q&A is to be considered non-exhaustive and dynamic in nature. The document will be updated regularly with new questions, answers, advancing insights on the operation of the law, and such.

The Q&A is subject to relevant changes in law or policy, and any future releases of administrative guidance as published by the OECD or the European Commission. The Dutch tax authorities also clarify that no rights can be derived from the Q&A. Taxpayers who seek advance legal certainty on the application of the Dutch minimum tax legislation in a specific matter, have the possibility of submitting a request for a preliminary ruling to their tax inspector or the Pillar Two Expert Team.

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Administrative

Mexico

Revisiting 2020: Article 28, Section XXIII in the crosshairs of data-driven audits

As part of the Tax Authorities' Master Plan, enforcement continues to rely on advanced technology to monitor compliance and detect irregularities. With data-driven supervision now central to the Servicio de Administración Tributaria's (SAT's) strategy, 2025 marks a pivotal moment: five years since Mexico's 2020 tax reform, and the first fiscal year impacted by those changes is now under active audit review.

Article 28 of the Mexican Income Tax Law (MITL) states that expenses made to related parties or through a structured arrangement will be considered non-deductible when the income received by the recipient is subject to a Preferential Tax Regime (PTR). In general terms, a PTR is triggered when income is not taxed abroad or is taxed below 75% of the income tax that would have been triggered and paid in Mexico.

Nonetheless, the same article allows for an exemption that applies when such payment derives from the exercise of the recipient's business activity, provided that it is demonstrated that the recipient has the personnel and assets necessary to carry out such activity. It also establishes that such exception will only apply when the payment recipient has its effective place of business and is incorporated in a country or jurisdiction with which Mexico has a comprehensive information exchange agreement. For further details regarding PTRs and hybrid mechanisms, taxpayers should consult the applicable legislation and administrative guidance.

Multinational groups with Mexican operations should reassess positions taken in 2020—particularly under Article 28, Section XXIII of the MITL, document the recipient-level tax treatment, and resolve inconsistencies proactively -before a data-driven audit does it for you.

Mexican taxpayers should consider:

- Identifying the actual recipient foreign related party or a structured arrangement that channels income to one.
- Assessing how the payment was taxed—not just at nominal rates, but effective taxation after exemptions, rulings, credits, participation regimes, or transparency elections.
- Determining whether any mismatches—in character, entity classification, or timing—result in an under-taxed outcome.
- Interaction with anti-hybrid rules and PTR can be decisive.
- In practical terms, Mexican files should include a detailed, recipient-level tax narrative—identifying the taxpayer, how and when the payment is included, the effective rate applied, and any adjustments—rather than relying on treaty headline rates or generic substance claims.

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Administrative

Singapore

Refundable Investment Credit regulations came into operation

The Refundable Investment Credit scheme (RIC) was introduced in the 2024 Budget and is awarded to companies making sizeable investments that bring substantive economic activities to Singapore in key economic sectors and new growth areas. The RIC is designed to be consistent with the Qualified Refundable Tax Credits under the Pillar Two Model Rules.

The Income Tax (Refundable Investment Credits) Regulations 2025 were published and came into operation on 1 September 2025. They prescribe the qualifying activities, rates of computation of RICs, the types of qualifying expenditure and relevant factors that the authorities may take into account to determine the level of RIC to be provided for each type of qualifying activity. They also provide for the manner and timing of payment of RICs that the taxpayer may elect, as well as the manner in which any RIC benefits should be recovered and the impact on prior years' tax filings in the event that the taxpayer's RIC award is revised or revoked.

Legislative provisions for RIC were introduced into the Income Tax Act 1947 in 2024, and this has been supplemented by guidance issued by the various administering agencies. The regulations now formalise and provide greater transparency on the scope of activities potentially benefitting under this new incentive. Taxpayers who have been considering or negotiating RICsFINAL should review these details to aid their decision making. .

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Administrative

United Arab Emirates

UAE Corporate Tax – Expanded Scope for Qualifying Commodities in Free Zones

The UAE made major updates to its corporate tax rules for free zone companies, significantly expanding the number of businesses that may qualify for the 0% corporate tax rate regime. The UAE's corporate tax regime, introduced in 2023, provides a preferential 0% tax rate for 'Qualifying Free Zone Persons' (QFZPs) on certain types of income, provided they meet specific conditions and conduct Qualifying Activities within a UAE free zone.

The recently issued Ministerial Decision No. 229 of 2025 includes a number of updates on what constitutes a Qualifying Activity for QFZPs, particularly in relation to the trading of commodities. Previously, only the trading of metals, minerals, energy, and agricultural commodities 'in raw form' qualified. The new decision removes the 'raw form' restriction and significantly broadens the scope:

- Expanded list of commodities - QFZPs can now trade metals, minerals, industrial chemicals, energy, agricultural commodities, and associated by-products, provided a quoted price exists for the commodity and the products are not packaged for retail sale.
- Quoted price requirement - a 'quoted price' is defined as a price published by a Recognised Commodity Exchange Market or a Recognised Price Reporting Agency (as specified in Ministerial Decision No. 230 of 2025, which lists the recognised agencies).
- Environmental commodities - the update also introduces 'environmental commodities' (such as carbon credits and renewable energy certificates) as qualifying, provided they meet the quoted price requirement.

This change expands the range of trading activities that can benefit from the UAE's free zone corporate tax incentives, making the regime more attractive and accessible to a wider range of commodity traders, including those dealing in processed or value-added products and environmental assets. It also provides greater clarity and certainty for international businesses operating in or through UAE free zones.

Multinational groups in scope of Domestic Minimum Top-up Tax (DMTT) can still access the 0% UAE corporate tax rate for QFZPs, but will be subject to a 15% top-up tax under DMTT. There may still be a benefit to accessing the 0% rate even where DMTT applies, given the different basis on which UAE corporate tax and DMTT are applied and the interaction between the two.

This update strengthens the UAE's position as a commodity trading hub, with a business and investor friendly tax environment. Multinational groups now have enhanced opportunities to expand or restructure their UAE free zone operations, to leverage the broader definition of qualifying activities. The inclusion of trading in processed, value-added, and environmental commodities provides greater flexibility and the potential to access the UAE's preferential 0% corporate tax rate for a wider range of business models.

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Judicial

Australia

Royalties and DPT - Taxpayer's landmark win in the High Court

The High Court of Australia has handed down its judgment in an appeal regarding royalty withholding tax and diverted profits tax (DPT), finding by majority, that none of the taxpayers were liable to pay royalty withholding tax or diverted profits tax (DPT) in the matters in dispute.

On the matter of whether royalty withholding tax applied, the High Court found that while a local soft drink manufacturer did obtain a license to use the taxpayer's intellectual property (IP), no part of the price that the bottler paid for the soft drink concentrate was payment for that license, instead forming part of a comprehensive commercial arrangement with an unrelated third party acting at arm's length.

Even if part of the payments made under exclusive bottling agreements for concentrate was a 'royalty' as defined under Australia's income tax law, no part of those payments was 'derived by' or 'paid or credited to' the relevant non-resident taxpayer, and so there could be no liability to royalty withholding tax.

Turning to the application of the DPT provisions, the High Court agreed with the majority of the Full Federal Court in concluding that the taxpayer obtained no tax benefit, with the result that DPT did not apply. This was largely based on the taxpayer showing that it was not probable that a different arrangement would reasonably have been entered into to achieve the commercial outcomes it was seeking.

For more information see our Tax Alert.

This case sets an important benchmark for how the Australian tax law applies to intangibles and the proper construction of the Australian general anti-avoidance rules. This is a subject of considerable interest to taxpayers, particularly given the Commissioner of Taxation's focus on the characterization of payments relating to software for royalty withholding tax purposes.

We are yet to see the ATO's response to this case, including any broader impact it may have on the ATO's reasoning set out in its draft Taxation Ruling TR 2024/D1, which deals with the character of payments in respect of software and when an amount paid under a software arrangement is subject to royalty withholding tax.

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Treaties

China

Tax Treaty between China and Cameroon and Protocol between China and Brazil entered into force

The tax treaty between China and Cameroon was signed on 17 October 2023 in Beijing, and entered into force on 26 July 2025. The treaty applies to income derived in any tax year beginning on or after 1 January 2026. The key points of the tax treaty between China and Cameroon include:

- The time threshold for constituting a construction Permanent Establishment (PE), and drilling rigs or vessels used for the exploration or exploitation of natural resources or related regulatory activities is six months. The time threshold for constituting a service PE is 183 days within any twelve-month period.
- For passive income, in the premise of meeting the prescribed requirements, withholding tax (WHT) rates on dividends, interests and royalties paid to qualified beneficial owners (BOs) will be restricted to 10%.
- Capital gains arising from the transfer of property-rich shares (more than 50% of their value directly or indirectly from immovable property) may be taxed in the source state. Gains derived from the alienation of non-property rich shares may be taxed in the source state if the alienator has owned, directly or indirectly, at least 25% of the shares of that company at any time during the 365 days preceding the alienation.

The Protocol between China and Brazil, which was signed on 23 May 2022 in Beijing and Brasília, entered into force on 14 June 2025. The Protocol applies to taxes withheld at source on amounts paid or credited beginning on or after 1 January 2026. It applies to other taxes falling within the scope of the amended treaty between China and Brazil levied in any tax year beginning on or after 1 January 2026. The key changes to the Protocol of the China-Brazil treaty include:

- A clarification of treatment on income derived by or through an entity or arrangement that is treated as fiscally transparent is added to 'Persons Covered' article.
- The time threshold for constituting a Construction PE increases from six months to nine months. The Protocol includes anti-abuse provisions regarding the prevention of contract splitting.
- Introduction of reduced WHT rates brackets on dividends: 5% for government, a local authority, the Central Bank or certain financial institution stipulated in the Protocol; 10% for corporates that hold directly at least 10% shares of the company paying the dividends; and 15% for all other cases.
- Introduction of reduced WHT rate brackets on royalties: 15% for royalties relating to use of or the right to use trademarks and 10% for all other cases;
- Assessment of whether the treaty benefit is granted to a qualified person, as well as the 'principal purpose test' provision is added as Addendum to the article 26 to deny the granting of treaty benefit if the main purpose or one of the purposes of putting in place any arrangement is to take advantage of the treaty benefit.

The tax treaty between China and Cameroon enters into force, providing tax certainty for cross-border taxpayers in avoiding double taxation, and facilitating the resolution of tax-related disputes. The clauses in the Protocol of the China-Brazil tax treaty are relatively relaxed in terms of WHT rates for dividends, interests, royalties and PE constitution, compared with the one concluded in 1991. These changes positively impact enterprises by lowering their tax burdens and enhancing their flexibility in cross-border operations.

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Glossary

Acronym	Definition
ATAD	anti-tax avoidance directive
BEPS	Base Erosion and Profit Shifting
CFC	controlled foreign corporation corporate
CIT	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	notional 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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