International Tax News

January 2025

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:

From Pillar Two to Transparency: A Tax Executive's Perspective

Doug McHoney (PwC's International Tax Services Global Leader) is joined by Tadd Fowler, Senior Vice President Treasurer and Global Taxes of Procter & Gamble. With nearly two decades at P&G, Tadd shares insights from his dual leadership in tax and treasury. Doug and Tadd discuss P&G's approach to tax certainty, compliance in over 180 jurisdictions, and the strategic benefits of operating on a single ERP platform. They delve into US tax policy, the impacts of the Tax Cuts and Jobs Act, and P&G's commitment to transparency and tax advocacy. Additional topics include preparing for Pillar Two compliance, managing ESG taxation, and adapting to evolving global tax landscapes.

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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

In this issue

Legislation

Australia

Update on Australia's public country by country reporting laws

As we reported in the December 2024 update, public country by country (**CBC**) reporting obligations now apply in Australia with effect for reporting periods commencing on or after 1 July 2024. Under this new obligation, the CBC reporting parent of a large multinational group with an Australian presence is required to submit data on their global financial and tax footprint to the Australian Taxation Office (**ATO**), which will be made available publicly.

Since writing that update, the 'specified' countries for which the required information will need to be reported separately on a CBC basis has now been registered. Required information for Australia must always be reported separately. For all other jurisdictions that are not specified and in which the CBC reporting group operates, the CBC reporting parent has a choice to publish the information on either a CBC basis or an aggregated 'rest of the world' basis.

The ATO plans to issue more guidance about this new requirement, including registration obligations and exemptions, in due course. For more information about this reform, see our Tax Alert.

Although Australia has a comprehensive tax agreement with Singapore and Switzerland, both countries are specifically listed, meaning that the data for each of these countries, along with the other 38 specified countries, must be individually reported. Note that the list of specified countries is broader than that adopted under the European Union public CBC reporting regime.

Affected groups should begin to prepare for their Australian public CBC reporting obligations, including reviewing the readiness of systems and processes to gather the data needed. They also should ensure that the different data required across different CBC reporting obligations, Pillar Two, and other tax obligations can be reconciled and explained.

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Legislation

Australia

Australia's Pillar Two rules now substantively enacted

Summary: In our December 2024 Update we reported that Australia's Pillar Two legislation, which establishes the framework for which Australia will apply Pillar Two top-up tax, namely Australian Domestic Minimum Tax (DMT) and Australian Income Inclusion Rule (IIR) tax with effect for income years commencing on or after 1 January 2024, completed its passage through Federal Parliament. The subordinate legislation that augments the practical application of Australia's Pillar Two legislation with detailed definitions and top-up tax computations was registered in late December.

Registration of the Rules now means that all aspects of Australia's Pillar Two domestic and global minimum tax is now substantively enacted. Accordingly, in-scope multinational groups will now need to assess the application of the Rules to calculate any resulting DMT and/or IIR in respect of any fiscal year commencing on or after 1 January 2024. This is also relevant to determine what disclosures will need to be made in either the 31 December 2024 full financial year reporting (in the case of 31 December fiscal year end groups) or interim reporting (in the case of 30 June fiscal year end groups) in accordance with the applicable accounting standards.

Since Pillar Two has now been substantively enacted in Australia, affected multinationals must now assess the application of the rules. This is particularly relevant to those with a 31 December 2024 fiscal year end who will need to review for the first time the financial impact in their year-end financial reports. Taxpayers should prepare the necessary calculations and documentation to support their Pillar Two position (e.g., reliance on safe harbours, etc) and determine the required disclosures in their financial statements.

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Legislation

Brazil

Brazil publishes QDMTT law

On 30 December 2024, Law No. 15,079, which resulted from Bill (PL) No. 3,817/2024 was published without vetoes. This law legally established the Additional Social Contribution on Net Profit (CSLL) in the process of adapting Brazilian legislation to the Global Rules Against Tax Base Erosion ('GloBE Rules') by introducing a Qualified Domestic Minimum Top-up Tax (QDMTT) in Brazil.

Although the new Law does not exactly represent a conversion into law of Provisional Measure (MP) No. 1,262, published on 03 October 2024 (See PwC International Tax News - October 2024 for further details), the initial text of the PL reproduced the terms of the MP. Thus, in relation to most of its articles, Law No. 15,079 maintained its effectiveness as from 1 January 2025, as per the terms of Article 43 (certainly assuming the non-issuance of a legislative decree).

Note that since the legislative process was conducted through PL No. 3,817/2024 instead of MP No. 1,262/2024, there may be questions regarding the necessary observance of the ninety-day holding period rule.

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Legislation

Finland

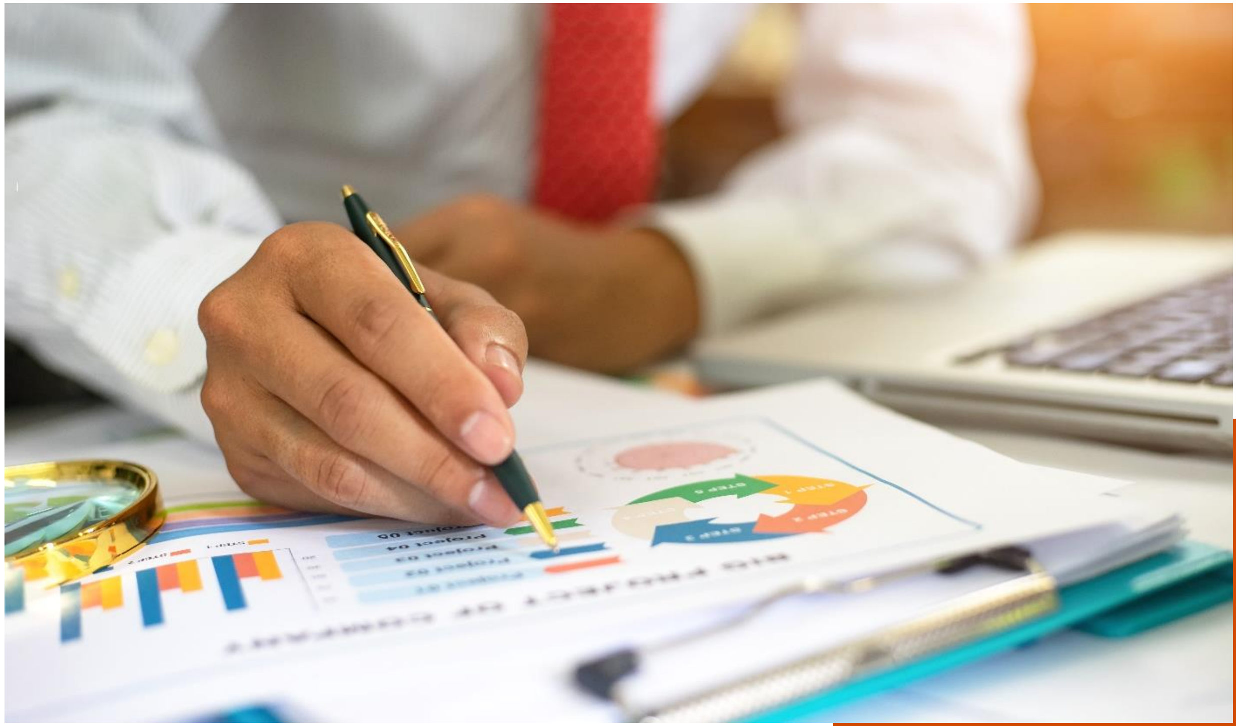
Finland's Pillar Two legislation amended

The Finnish Minimum Tax Act was amended on 19 December 2024 and applies to fiscal years commencing on or after 1 January 2024. The amendments focus on implementing the OECD's administrative guidance released in February and December 2023, which include e.g., additional rules related to the UTPR Safe Harbour, Non-material Constituent Entity Simplified Calculations, and Marketable Transferrable Tax Credits. In addition, the amendments include technical changes and clarifications of certain topics based on the OECD's guidance.

Finland is expected to adopt further amendments with respect to administrative guidance packages already released (June 2024 and January 2025) and any future administrative guidance that the OECD may release.

Applying for advance rulings from the Finnish Tax Administration with respect to Pillar Two rules is still not possible, as the Finnish legislator is waiting for the OECD IF to complete their work on mechanisms related to dispute prevention and resolution, and advance certainty.

As the possibility to obtain advance rulings on Pillar Two is currently unavailable in Finland, MNE Groups can enter into a pre-emptive discussion with the Finnish Tax Administration in order to mitigate, to certain extent, the uncertainties related to Pillar Two interpretations.



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Legislation

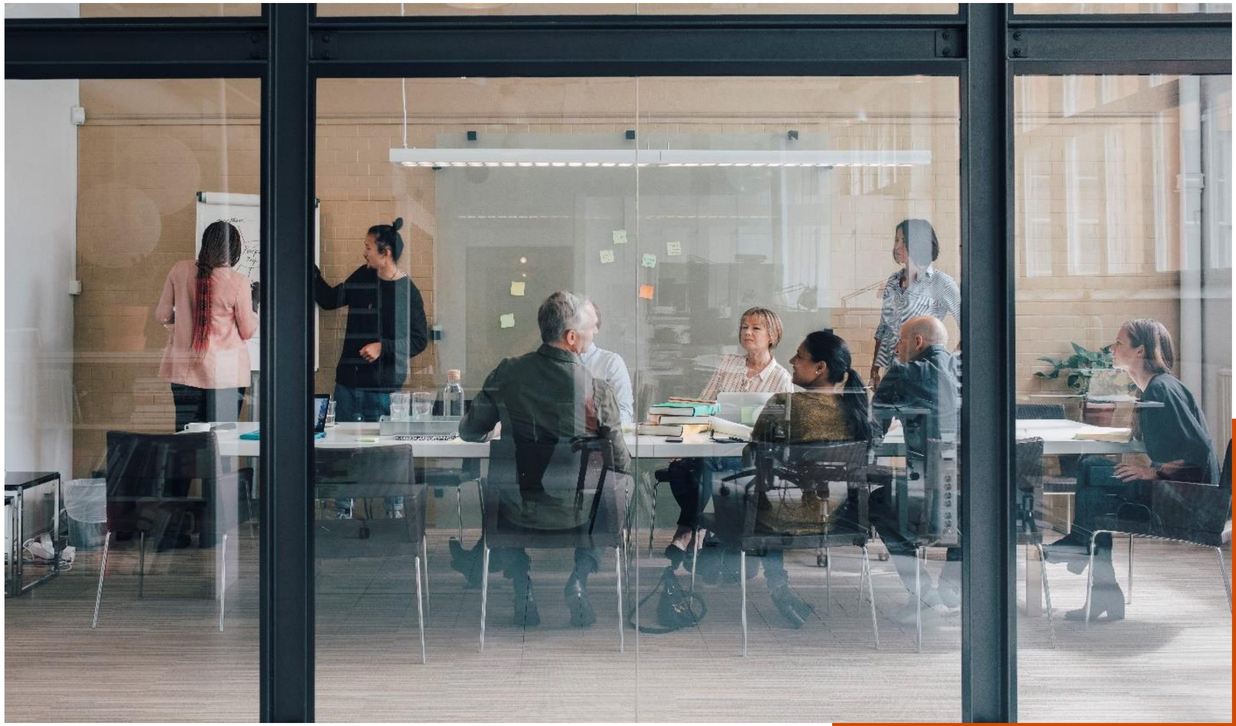
Italy

20% reduced corporate income tax rate

Multinationals with Italian presence should begin immediately considering the potential impact of the 20% reduced CIT rate measure in view of the upcoming 2024 financials approvals and prior to making decisions about distributing 2024 earnings. The relevant analysis should also be based on forecasts for 2025 and the potential for carrying out the required investments by October 2026 (for calendar-year entities).

The Budget Law, entered into force on 1 January 2025, provides that Italian entities are subject to the 20% reduced CIT rate (so-called 'Mini-IRES') instead of the 24% ordinary CIT rate for FY2025, as long as certain conditions are met:

- **FY2024 profit allocation**: at least 80% of the FY 2024 accounting profit is not distributed to the shareholders, but accrued in a net equity reserve;
- **Investment in qualifying assets**: the company makes investments in qualifying assets (falling under the so-called Industry 4.0 or 5.0 Plan) for a certain amount. The size of the investment must be equal to at least (i) 30% of FY 2024 accounting profit and (ii) 24% of FY 2023 accounting profit. The investment in new assets shall be made before the end of October 2026;
- **No reduction in the employment levels**: the average number of workers employed by the company during 2025 must not be lower than the average of the previous three years (i.e. 2022-2024);
- **Increase in permanent hiring**: increase of at least 1% in the number of the permanent employees for FY 2025 compared to FY 2024;
- **No unemployment insurance fund (Cassa Integrazione Guadagni)**: has been benefited in 2024 or will be benefitted in 2025.
- Furthermore, certain claw-back rules apply. A Ministerial Decree will be published to provide enacting provisions on such a new measure.



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Legislation

Japan

Japanese tax reform proposals introduce QDMTT and UTPR

The Japanese Government released the 2025 tax reform proposals on 27 December 2024. The proposals introduced a Qualified Domestic Minimum Top-up Tax (QDMTT) and an Undertaxed Profits Rule (UTPR), both of which would be effective for fiscal years beginning on or after 1 April 2026. Draft legislation is expected to be submitted to the parliament in early 2025.

Japan currently has in effect an Income Inclusion Rule (IIR) that applies to tax years beginning on or after 1 April 2024. The 2025 proposals further incorporate certain provisions of the OECD administrative guidance published in June 2024.

Pursuant to the 2025 proposals, Japanese constituent entities (CEs) with tax payable under either the QDMTT or UTPR also will have a filing obligation in Japan. A new process for Japanese CEs to provide QDMTT information also will be established.

For more information see our PwC Tax Alert.

In line with the OECD's GloBE rules, the Japanese Government has introduced the QDMTT and UTPR as part of the 2025 tax reform proposals. Note that, as proposed, they are to be effective for tax years beginning 1 April 2026. Further details will be released upon submission of the draft legislation.

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Legislation

Singapore

Changes to the income tax legislation including Pillar Two

Singapore enacted the following legislative changes at the end of 2024.

Income Tax (Amendment) Act 2024 (ITAA)

- The ITAA was enacted on 27 November 2024. It introduced amendments to legislate measures announced in the 2024 Budget Statement and changes arising from the Ministry of Finance's (MOF's) periodic review of Singapore's income tax regime. For more information see our Tax Bulletin.

Multinational Enterprise (Minimum Tax) Act 2024 (MMTA)

- The MMTA was enacted on 27 November 2024. It implements the Pillar Two GloBE Model Rules comprising the Income Inclusion Rule (IIR), and the Domestic Top-Up Tax (DTT) regimes. The MMTA also introduces consequential amendments to the ITA. The rules will apply to qualifying Multinational Enterprise groups for financial years beginning on or after 1 January 2025.
- The MOF and Inland Revenue Authority of Singapore have also published draft Multinational Enterprise (Minimum Tax) Regulations and Multinational Enterprise (Minimum Tax) Regulations – GloBE Safe Harbours and Transition Rules respectively for public consultation.

Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2024 (EEIAA)

- The EEIAA was published on 10 December 2024. Changes to the Economic Expansion Incentives (Relief from Income Tax) Act 1967 include:
  - Introduction of an additional concessionary tax rate of 15% for the development and expansion incentive (DEI) (as announced during the Budget).
  - Extension of the DEI renewals to 31 December 2028.
  - Enhancement to investment allowance scheme to enable projects and qualifying fixed capital expenditure to be prescribed.
  - Regulations may be made to prescribe the treatment of existing incentive recipients when any service or activity previously approved as a qualifying activity for the purposes of the Pioneer Services Companies scheme, DEI or IA is removed.

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The legislative changes will help ensure that Singapore's tax regime is aligned with international tax development and that it remains attractive to foreign investments. Businesses subject to the Pillar Two rules should evaluate the compliance requirements and the impact on their operations to engage the relevant government agencies, as needed, and as soon as possible.

Administrative

Liechtenstein

New Pillar Two registration requirement

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

In this regard, on 9 January 2025, the Liechtenstein tax authority uploaded a form for the registration of domestic business units of a multinational group of companies or a large domestic group. The registration using this 'GloBE Registration Form' must be completed unsolicited within six months after the end of the financial year after the group enters the scope of the GloBE Model Rules. A company that falls under GloBE by the end of the financial year on 31 December 2024, must be registered by 30 June 2025.

For more information see our PwC Tax Alert.

While the first OECD GloBE Information Return (GIR) is due within 18 months (15 months for following years), the Liechtenstein QDMTT and IIR return is due within 12 months following the financial year end. An extension of the deadline is available upon written request.

The OECD published details and XML schema on 15 January 2025 (OECD GIR Details). Details regarding tax return forms and the system in Liechtenstein have not yet been published.

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Administrative

OECD

Upcoming Pillar Two registration and notification deadlines

Taxpayers should begin preparing the necessary documentation for relevant countries to ensure they are ready for varying registration and notification deadlines. For missed deadlines, companies should consider remediation options.

For Pillar Two global minimum tax purposes, the OECD allows local filing requirements and local compliance dates, i.e., to be agreed by each country. Several Pillar Two registration and notification requirement deadlines for the 2024 fiscal year already have passed, with other deadlines in Q1 2025. In order to complete Pillar Two registrations and notifications, companies must compile and provide a significant amount of information, including financial data. Taxpayers also should be aware of any penalties for late registration or for providing incorrect or incomplete information.

Upcoming Q1 filing deadlines include:

- **Germany**: MNE groups with fiscal years ending 31 December 2024, that are in scope of Germany's Pillar Two rules are required to provide notification to the German Federal Central Tax Office by 28 February 2025. Those MNE groups with tax periods that deviate from the calendar year must provide notification by 28 February 2026. The notification form must be filed electronically. Any changes to the head of the German minimum tax group also must be electronically reported by both the former and the new head of the minimum tax group. In addition, the new head must inform all other German minimum tax group members of its function as head of the minimum tax group.
- **Bahrain**: MNE groups in scope of Bahrain's Pillar Two rules are required to register with the National Bureau for Revenue (NBR) within 30 days following the effective date of the Domestic Minimum Top-Up Tax (DMTT) Law (i.e., 30 January 2025). In other cases, the Filing Constituent Entity (CE) must register with the NBR within 120 days of the first day of the Transition Year, i.e., the first year in which the MNE Group falls within the scope of DMTT.
- **Vietnam**: Per a draft decree published on 15 November 2024, MNE groups in scope of Vietnam's QDMTT are required to provide notification within 30 days of the financial year end (i.e., 30 January 2025, for fiscal-year taxpayers). In addition, the nominated CE must submit an application for a tax I.D. within 90 days of the financial year end and provide the General Department of Taxation with a list of CEs subject to the QDMTT within nine months of the financial year end. These dates may vary in the final decree, currently under discussion.

For more information see our Tax Insight.

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Administrative

United States

Treasury releases final disregarded payment loss regulations

Treasury and the IRS on 10 January 2025 released **regulations** that finalize, with modifications, the portions of proposed regulations issued in August 2024 (2024 proposed regulations) that address disregarded payment losses (DPL), and the dual consolidated loss (DCL) and DPL anti-avoidance rules. The final regulations affect domestic corporate owners that own disregarded payment entities (DPEs) and that make or receive certain disregarded payments.

The regulations finalize certain rules from the 2024 proposed regulations that relate to DPLs, including portions that are also relevant for DCLs, such as the anti-avoidance rule and the ordering rule. The final regulations retain the basic approach and structure of the 2024 proposed regulations, with revisions to defer the application of the DPL rules, allow for a suspended deduction in certain fact patterns, provide limited exceptions to narrow the scope of the application of the DPL rules, and clarify the interaction of the DPL and DCL rules.

The final regulations do not contain the provisions that address the interaction of the DCL rules with the GloBE Model Rules, however forthcoming final regulations are expected to provide that the DCL rules will apply without taking into account taxes imposed in foreign jurisdictions based on the GloBE Model Rules incurred in tax years beginning before 31 August 2025. Treasury and the IRS generally indicated an intent to finalize the remaining rules from the 2024 proposed regulations.

For more information see our Tax Insight.

Taxpayers may rely on the guidance for the additional transition relief for the interaction of the DCL and GloBE Model rules until final regulations are published in the Federal Register. The transition relief is limited to an additional year to reduce potential double deduction outcomes. Taxpayers should continue to monitor the outstanding portions of the 2024 regulations and, further, the Trump administration's response to the final regulations.

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Administrative

United States

Treasury releases several guidance packages

In recent weeks Treasury and IRS released several guidance packages effecting multinationals.

Qualified derivative payments for BEAT purposes

Treasury and the IRS on 10 January 2025, released **proposed regulations** regarding the base erosion and anti-abuse tax (BEAT) rules (2025 proposed regulations). The 2025 proposed regulations relate to how qualified derivative payments (QDPs) with respect to securities lending transactions are determined and reported. The proposed regulations would modify how to determine QDPs for securities lending transactions for purposes of the BEAT and defer the QDP reporting requirement. The proposed regulations would apply to tax years beginning on or after the date that final regulations are published in the Federal Register with specific rules for QDP reporting to apply to tax years beginning on or after 1 January 2027. For more information see our Tax Insight.

Character and source of income from digital content and cloud transactions

Treasury and the IRS, on 10 January 2025, released **final regulations**, Treas. Reg. sec. 1.861-18 and -19 regarding ‘digital content’ and ‘cloud transactions’. The 2025 Final Regulations generally follow the framework of proposed regulations released in 2019 with certain key revisions, and generally are effective for tax years beginning on or after their date of publication in the Federal Register (*i.e.,* 14 January 2025). Treasury and the IRS also released long-awaited **proposed regulations** to determine the source of income from cloud transactions, based on a taxpayer-by-taxpayer approach that looks to the location of the taxpayer’s employees and assets (both tangible and intangible). Comments on the 2025 Proposed Regulations are due by 14 April 2025. For more information see our Tax Insight.

Guidance designating related-party basis shifting transactions as transactions of interest

The Treasury Department and the IRS on 10 January 2025, issued final regulations identifying certain partnership related-party basis transactions as transactions of interest, which must be disclosed to the IRS by participants and material advisors. The final regulations are expected to be published in the Federal Register and become effective on 14 January 2025. For more information see our Tax Insight.

Guidance on spin-offs and other M&A transactions

On 13 January 2025, the Treasury Department and the IRS released proposed regulations that would introduce significant changes and new rules regarding corporate separations under Section 355 and related provisions (spin-off transactions) and other M&A transactions, affecting and clarifying their eligibility for tax-free treatment. In connection with the Proposed Reporting Regulations, the IRS released a draft of a new multi-year reporting form (Form 7216) that certain taxpayers would be required to file in relation to a spin-off transaction. For more information see our Tax Insight.

Taxpayers should consult with their advisors regarding the implications of this new guidance and may want to provide comments to Treasury on areas of particular concern.

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Administrative

United States

US President Trump signals day one changes in global tax and trade policy

On day one of his Administration, President Trump signed two Executive Orders (presidential directives to the executive branch, having the force of law) signaling a clear change in direction from the Biden Administration on global tax and trade policy. The first takes aim at the OECD's two pillar project, referred to as the 'global tax deal,' and essentially nullifies the US's agreement to the project. The second is a series of directions to implement 'America First Trade Policy.' It includes reference to a retaliatory provision of US tax law, never before used, that, if triggered, could double the tax rate imposed on the US income of companies and individuals of foreign countries whose laws are found to discriminate against US citizens or companies.

Day one Executive Orders addressing tax issues are highly unusual and illustrate the significance the Trump Administration attaches to controlling the United States' ability to set the tax policy it deems best, as well as its unwillingness to support what it believes are the imposition of extraterritorial taxes or taxes discriminating against US companies. The trade focus is consistent with President Trump's first-term emphasis but suggests a broader consideration of other countries' trade practices as well as options for a US response to practices it deems unfair or harmful to national security.

For more information see our Tax Policy Alert.

While awaiting the results of the investigations and reports called for by the Executive Orders, companies (and their US-based foreign executives) should evaluate their operations for the impact of potential actions by the United States and monitor other countries' responses to President Trump's Executive Orders.

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Administrative

Uruguay

New low-or-no-taxed Jurisdictions List for 2025

The Uruguayan Tax Office published the new list of jurisdictions considered low-or-no-taxed, as of 1 January 2025. The countries, jurisdictions, and special regimes identified in this Resolution will be excluded from the list once the exchange of information upon request becomes fully applicable, and once the automatic exchange of information on financial accounts for tax purposes is bilaterally activated by the Uruguayan Ministry of Finance.
This update includes 32 jurisdictions, as Saint Martin has been removed from the previous list.

Uruguay published he Resolution in the Official Gazette on 30 December 2024. It entered into force on 1 January 2025.

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Judicial

India

Applicability of TP provisions for transactions between a foreign enterprise and its Indian PE

The Ahmedabad Special Bench of the Income-tax Appellate Tribunal (Tribunal), in a recent ruling (ITA No. 581/Ahd/2017), confirmed the applicability of transfer pricing (TP) provisions to alleged transactions between a foreign enterprise, or its head office (HO), and its Indian permanent establishment (PE). The Tribunal ruled that the HO and its PE are two separate enterprises, and since the applicability of TP provisions are linked to an ‘enterprise’ and not to a ‘person’, transactions between the HO and its Indian PE are subject to TP.

However, the Tribunal did not rule on whether the HO and its PE can be considered as an associated enterprise (AE), or whether provisions relating to deemed international transactions apply to the HO and its PE, as in the instant case. Instead, they chose to leave these issues to the Division Bench.

For more information see our PwC Insight.

The Tribunal ruling is an important pronouncement on the applicability of TP provisions to transactions between the HO of a foreign enterprise and its PE in India. It highlights the fact that TP provisions need to be interpreted bearing in mind the objective of achieving reasonable, fair, and equitable allocation of profits and tax in India. The Tribunal concluded that, in the context of TP, the general principle that one cannot transact with one’s own self is not applicable where taxing rights of more than one country are involved. The ruling certainly has ramifications for taxpayers having a PE in India, and taxpayers should be mindful of this when evaluating their TP obligations in India.

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Judicial

Italy

1.2% WHT rate application to dividends paid to non-EU entities

The Italian Tax Court of first instance issued decision no. 509/2024 concerning the withholding tax (WHT) applicable to dividends paid by an Italian company to a US tax-resident company.

The US company applied to the Tax Court arguing that the application of the 5% WHT provided by the Italy – US tax treaty gave rise to an unjustified discriminatory treatment in terms of taxation on dividends. The discrimination arises from a violation of Article 63 of TFEU, which prohibits any restrictions on the movement of capital and payments not only between EU Member States, but also between EU Member States and non-EU States (i.e. third countries).

In the law case under analysis, the disparity in treatment stems from the following:

- **dividend paid to a non-EU company**: under Article 10 of the Italy – US tax treaty the WHT is 5% if certain conditions are met (otherwise 15% WHT applies).
- **dividend paid to an EU company**: according to Italian tax law (Article 27 (3-ter), of Presidential Decree No. 600/1973) the WHT is 1.2% (unless the WHT exemption provided by the EU Parent Subsidiary applies).

Consequently, a US company is disadvantaged since the WHT under the Treaty is 5% (or 15%), whilst the WHT rate would have been lower (i.e. 1.2%) if the dividend is received by an EU entity.

The Court, aligning with case law regarding dividends distributed by companies in EU Member States to investment funds in non-EU countries, ruled that Article 10 of the Italy-US Convention must be interpreted in a way that avoids infringing the Article 63 TFEU, which concerns the free movement of capital between EU Member States and non-EU Member States. Therefore, the same WHT (i.e. 1,2% rate) that applies to dividends paid to residents in EU Member States should also apply to dividends paid to US companies.

As a result, the Italian Tax Court ruled in favor of the US company recognized the application of the 1.2% WHT rate and thus granting a refund for the excess 3.8% WHT already paid.

The judgment in question pertains to a first-instance Tax Court decision that cannot be conclusive but is a starting point. In order to assert that the 1.2% WHT tax applies to dividend payments to non-EU countries, the depicted case law and the jurisprudence decisions must be monitored. In the meantime, MNEs should consider filing tax refund claims with the Italian Tax Agency in order to formalize their right to get the tax refund.

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EU/OECD

OECD

OECD publishes Pillar Two GloBE Administrative Guidance package

The OECD on 15 January released additional Pillar Two Administrative Guidance on the Global Anti-Base Erosion (GloBE) Model Rules and several related documents aimed at streamlining the administration of the global minimum tax. This includes guidance on transition rules on deferred tax assets (Article 9.1 Model Rules), a list of countries that have (temporary) 'qualified' Pillar Two rules, an updated GloBE Information Return (GIR) and related Commentary, an updated XML Schema, and a Multilateral Competent Authority Agreement (MCAA) to facilitate central filing and exchange of the GIR.

The guidance aims to clarify the application of the GloBE Model Rules and standardize the collection and dissemination of GIR data by and between implementing jurisdictions. For many businesses, the guidance on Article 9.1 will be the most impactful. Its measures will need to be considered when calculating GloBE effective tax rates (ETR) or determining safe harbours. The 9.1 guidance may also significantly alter the Adjusted Covered Tax input, directly impacting the ETR and the amount of Top-up Tax payable.

For more information see our Tax Policy Alert.

All in-scope groups should consider how this package will impact their GloBE calculations, data management, reporting and payment strategies.

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EU/OECD

United Nations

UN asserts a greater role in global tax policy

On 24 December 2024, the UN General Assembly approved the Resolution for negotiating a UN Framework Convention on International Tax Cooperation. This follows the Economic and Social Committee's 27 November approval of a resolution on Terms of Reference (ToR). The ToR includes sub-agreements, with one focusing on cross-border services, and the other still to be decided. This initiative was launched by the African Group in December 2022, and negotiations will span three years, after which the Framework Convention will be open for signature.

The UN is expanding its role in international tax, driven by support from developing economies dissatisfied with the OECD/G20 Inclusive Framework's (IF) two-pillar solution. The business community hopes for a consensus-driven process, but the UN, like the OECD, may face challenges in balancing the interests of advanced and developing economies. G20 Leaders, including the African Union, have committed to constructive discussions at the UN, emphasizing the need for broad consensus and avoiding duplication of efforts. This initiative is expected to influence countries' domestic legislation on international tax issues, even without full consensus.

For more information see our Tax Policy Alert.

The Resolution encourages international organizations, civil society and other relevant stakeholders (including businesses) to contribute to the intergovernmental negotiating committee's work. Given the apparent fracturing of international tax multilateralism, and the wishes of developing economies and civil society to promote the UN, the UN's agenda on tax matters cannot be ignored. Companies should continue to monitor developments and engage whenever possible with the work of the intergovernmental negotiating committee.

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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 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
SBT	same business test
SiBT	similar business test
VAT	value added tax
WHT	withholding tax

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