International Tax News

March 2024

Start

www.pwc.com/its

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:

https://www.pwc.com/us/en/services/tax/multinationals.html

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:

Brazil Tax Reforms: muito complicado!

Doug McHoney and PwC Brazil's International Tax Leader Dr. Romero Tavaras discuss what makes Brazil's tax system so unique – from its transfer pricing rules to its full inclusion regime. They also dive into expected Brazilian tax changes, the many acronyms that make up the indirect tax system, Pillar One, and what effect Pillar Two will have on Brazil's taxpayers

US Tax Policy: Chairman Dave Camp

Doug McHoney and former House Ways & Means Chairman Dave Camp discuss his political career, drivers behind US tax policy, how Congress negotiates tax legislation, the expiring provisions in the Tax Cuts & Jobs Act (TCJA), the prospects of Congress implementing Pillar Two in the years ahead, and how companies can get involved in the tax legislative process.

Douglas McHoney
Global Leader - International Tax Services Network
+1 314-749-7824
douglas.mchoney@pwc.com

In this issue

Legislation

Australia
Consultation on public country-by-country reporting

Australia
Australia releases Pillar Two exposure draft legislation

Bahamas
The Bahamas moves ahead with Pillar Two

Germany
Germany enacts significant changes to interest deduction limitations

Greece
Draft Pillar Two Legislation submitted to the Greek parliament

Hong Kong
Tax measures proposed in the 2024-25 Hong Kong Budget

Italy
Italy implements Investment Management Exemption

Malta
Malta confirms derogation from IIR and UTPR

New Zealand
New Zealand releases updated Pillar Two Legislation

Poland
New reporting obligations - Draft regulations implementing DAC7 in Poland

Poland
Global minimum tax implementation

Singapore
Singapore implements global minimum tax effective January 2025

South Africa
Implementation of Pillar Two in South Africa

Thailand
Thailand issues Pillar Two draft legislation for public consultation

United Arab Emirates
Update on Pillar Two status and other developments

Administrative

Luxembourg
Impact of Pillar Two Rules on the Lux GAAP financial statements

Mexico
Immediate deduction Decree for specific industries

Mexico
Preferential tax regimes – Annual information return

UK
Spring Budget 2024

United States
President Biden's FY 2025 budget again calls for corporate and individual tax increases

Judicial

France
Potential infringement of EU law by a French withholding tax on the provision of services

Portugal
Tax arbitration court rules that WHT on non-residents is discriminatory

Spain
Spanish Constitutional Court judges certain CIT measures unconstitutional

EU / OECD

European Union
European Commission policy brief explores first 100 days of FSR reporting

European Union
Council of the EU approves changes to the EU list of non-cooperative tax jurisdictions

OECD
OECD releases report on Amount B of Pillar One

Legislation

Australia

Consultation on public country-by-country reporting

Treasury released updated draft legislation on 12 February 2024, that seeks to give effect to the Australian Government's proposal to require large multinationals to publicly disclose certain tax information on a country-by-country (CBC) basis and a statement on their approach to taxation.

The draft legislation clarifies that, unless otherwise exempt, the reporting obligation will apply to CBC reporting parents that are certain types of constitutional corporations, partnerships or trusts, and that are members of a CBC reporting group. However, the CBC reporting parent will only be subject to the reporting obligation if $10 million or more of its aggregated turnover for the income year is Australian-sourced. Penalties will apply for non-compliance.

This latest draft legislation responds to domestic and international stakeholder feedback and reflects the government's previous announcement to refine the measure to more closely align with the European Union's public CBC regime, including policy changes on the reporting threshold and approach to disaggregated reporting. These amendments are proposed to apply to reporting periods commencing on or after 1 July 2024.

For more information see our PwC Tax Alert.

With a start date as early as 1 July 2024, it is important for management, Boards and other stakeholders to plan and prepare for public CBC reporting, including taking consideration of:

- defining the Group's Approach to Tax and having a tax risk management framework that supports this public statement;
- whether to provide additional information that might be helpful to provide with the required disclosures to provide context to the public CBC reporting data;
- the systems and processes for collating, reviewing and approving the relevant data, including considering the overlapping CBC tax reporting requirements of other CBC reporting regimes, such as:
  - OECD CBC reporting (Action 13 of the OECD's BEPS project);
  - EU Directive 2021/2101;
  - Global Reporting Initiative's Sustainability Reporting Standards GRI 207:Tax (2019);
  - Qualifying CBC report in accordance with the Pillar Two/Global Anti-Base Erosion rules; and
  - Voluntary Tax Transparency Code (VTTC), including whether the VTTC is an appropriate supplement to required public CBC reporting.

Importantly, while public CBC reporting requirements overlap with other CBC reporting regimes, disclosure requirements are not the same. The compliance burden may be compounded with future changes to CBC reporting requirements over time (e.g., additional specified jurisdictions) or the introduction of new CBC reporting regimes in other territories. Reporting systems and processes will therefore need to be designed to allow for flexibility and timely updates to be made and be supported with robust governance.

Michael Bona
Brisbane
+61 (0) 405 136 010
michael.bona@pwc.com

Chris Stewart
Brisbane
+61 (0) 407 005 521
chris.d.stewart@pwc.com

Legislation

Australia

Australia releases Pillar Two exposure draft legislation

The exposure draft legislation to implement a global and domestic minimum tax in Australia was released for consultation by Treasury on 21 March 2024. As part of implementing this measure, exposure draft primary legislation, exposure draft subordinate legislation in the form of Rules, and accompanying explanatory materials have been released. The measures included in the exposure draft legislation and Rules will:

- Impose Top-up Tax under the Income Inclusion Rule (IIR) and Domestic Minimum Tax (DMT) from fiscal years commencing on or after 1 January 2024;
- Impose Top-up Tax under the Undertaxed Profits Rule (UTPR) from fiscal years commencing on or after 1 January 2025;
- Implement the framework for the imposition of Top-up Tax consistent with the OECD's Global Anti-Base Erosion (GloBE) Model Rules, Commentary, Agreed Administrative Guidance and Safe Harbour Rules; and
- Introduce consequential provisions necessary for the administration of Top-up Tax.

In addition to the above, Treasury has released a consultation paper seeking feedback on interactions with Australia's hybrid mismatch rules, foreign hybrid entity rules, foreign income tax offsets, and controlled foreign company rules.

Submissions on the exposure draft primary legislation and consultation paper are due 16 April 2024, with submissions on the exposure draft subordinate legislation due 16 May 2024.

For more information see our PwC Tax Alert.

Australia's introduction of a global and domestic minimum tax regime represents yet another significant development in the taxation laws applying to MNE groups. With the rules already in effect for some taxpayers, it is imperative that MNE groups that are within the scope of the regime consider the impact of the exposure draft legislation, determine the impact on their group and actively engage in consultation with Treasury on the design of the final legislation.

Michael Bona
Brisbane
+61 (0) 405 136 010
michael.bona@pwc.com

Chris Stewart
Brisbane
+61 (0) 407 005 521
chris.d.stewart@pwc.com

Legislation

Bahamas

The Bahamas moves ahead with Pillar Two

The Prime Minister of The Bahamas, on 21 February 2024, announced plans to forge ahead with the legislative enactment and implementation of a Qualified Domestic Minimum Top-up Tax (QDMTT) during 2024.

According to Prime Minister Davis, the Pillar Two QDMTT is expected to impact MNEs earning more than 750 million Euro annually. He clarified that the CIT is not anticipated to impact domestic companies, and that addressing only Pillar Two MNEs is the 'proper approach.' He further noted that "Any consideration of a wider business income tax would only happen if it is a more equitable approach for Bahamian businesses, and would only be done after proper consultation, with considerable lead time in order for Bahamian businesses to properly prepare."

For more information see our PwC Alert.

According to Prime Minister Davis, The Bahamas Government will prepare draft legislation by the end of May 2024 for presentation during the 2024/35 budget proposal. The draft will be circulated for public consultation over the summer months, and then moved to be finalized for submission to Parliament after the summer recess.

While the effective date has not been disclosed, Prime Minister Davis indicated that his government is "reviewing options that would entail Pillar Two multinationals accruing those taxes for 2024 in The Bahamas."

Prince Rahming
Bahamas
+1 (242) 302 5301
prince.a.rahming@pwc.com

Legislation

Germany

Germany enacts significant changes to interest deduction limitations

The German Bundesrat (Federal Council) passed the ‘Growth Opportunities Act‘ on March 22. The legislative action introduces an investment grant for certain investments aiming to achieve energy savings and makes various adjustments to national and international tax law provisions. This tax insight focuses on the significant changes with respect to the rules limiting the interest deduction and changes to the German minimum taxation rules.

Stricter rules for determining the arm’s length prices for financing relationships
The Act limits the deduction of interest expenses for cross-border financing within multinational corporate groups to a group interest rate (i.e., any rate exceeding such rate is considered not to be in line with the arm's length principle).

Expanded minimum taxation rules for income tax purposes
The deduction of a loss carry forward shall now be unlimited up to a total amount of income of 1M EUR, and beyond that, up to 70% (currently 60%) of the total amount of income exceeding 1M EUR can be deducted. The changed rules apply for four years, i.e., from the assessment period 2024 up to and including 2027. The minimum taxation rules for trade tax purposes are not amended, such that there is no longer an alignment between income / corporate tax and trade tax regarding loss utilization.

For more information see our PwC Insight.

The Act includes changes to the rules for determining the arm's length price for intercompany financing relationships. These new rules apply from the 2024 tax assessment period onwards. The Act also expands the minimum taxation rules for income tax purposes by making the deduction of a loss carry forward unlimited for income under 1M EUR, and 70% for income exceeding 1M EUR. This rule applies for assessment periods beginning in 2024 and through 2027. Multinational companies should review and evaluate relevant financing and group structures based on the new rules for interest deduction and minimum taxation.

Thomas Loose
Germany
+49 211 981 7884
thomas.loose@pwc.com

Arne Schnitger
Germany
+49 30 2636 5466
arne.schnitger@pwc.com

Legislation

Greece

Draft Pillar Two Legislation submitted to the Greek parliament

The draft law regarding the implementation of the global minimum tax has been submitted to the Greek Parliament and is expected to be enacted soon. The draft law incorporates the EU Council Directive 2022/2523 (EU Pillar Two Directive) on ensuring a global minimum level of taxation for multinational groups and large-scale domestic groups in the Union.

The draft bill closely follows the EU Pillar Two Directive. It introduces the following rules:

- an Income Inclusion Rule (IIR), applicable to financial years starting on 31 December 2023,
- an Undertaxed Profits Rule (UTPR), applicable to financial years starting on 31 December 2024. If the Ultimate Parent Entity of a MNE is located in Member States that have made the election not to apply the IIR and the UTPR for six consecutive fiscal years beginning from 31 December 2023, the Constituent Entities of that MNE located in Greece are subject to the UTPR for the financial years starting on 31 December 2023. The EU Member States that have made such an election are Estonia, Latvia, Malta, Lithuania and Slovakia.
- a Qualified Domestic Minimum Top-up Tax (QDMTT), applicable to financial years starting on 31 December 2023.

In addition, the draft law elects to adopt three safe harbors:

- QDMTT Safe Harbour,
- CbCR transitional Safe Harbours and
- UTPR transitional Safe Harbour.

The draft law explicitly provides that the safe harbors will be interpreted according to the Administrative Guidance released by the OECD regarding Pillar Two rules, while the enactment of the CbCR transitional safe harbors and the UTPR safe harbor is pending on the issuance of a decision by the Ministry of Finance. However, the OECD Administrative Guidance has not been incorporated in the draft law and there is no provision referring to it, except for the application of the safe harbors.

Following the enactment of the QDMTT all Constituent Entities located in Greece that are part of an in-scope MNE group would be subject to the new rules. As the rules will apply as of this year, all in-scope entities should assess the expected impact and start preparing to meet the new compliance obligations.

Vassilios Vizas
Greece
+30 210 6874019
vassilios.vizas@pwc.com

Stavroula Marousaki
Greece
+30 210 6874027
stavroula.marousaki@pwc.com

Legislation

Hong Kong

Tax measures proposed in the 2024-25 Hong Kong Budget

In the 2024-25 Hong Kong Budget, delivered on 28 February 2024, the Financial Secretary proposed the following tax measures aimed at boosting Hong Kong's economic development, supporting businesses and enhancing its co-operation on international taxation:

1. Allowing tax deductions for expenses incurred in reinstating the condition of leased premises to their original condition from the year of assessment 2024/25.
2. Removing the time limit for claiming industrial building and commercial building allowances from the year of assessment 2024/25.
3. Moving forward the implementation of the 15% global minimum tax and Hong Kong minimum top-up tax on large MNE groups under the OECD's Pillar Two proposal, starting from 2025.
4. Introducing a legislative proposal to implement the patent box tax incentive with a reduced profits tax rate of 5%.
5. Introducing a legislative proposal to implement the inward re-domiciliation regime, which will include amendments to the domestic tax law to address transitional matters e.g., fair deduction for trading stock, bad debts impairment losses on financial assets, depreciation etc.
6. Further enhancing the preferential tax regimes for related funds, single family offices and carried interest, including increasing the types of qualifying transactions and enhancing flexibility in handling incidental transactions.
7. Granting a one-off reduction of 100% of profits tax for the year of assessment 2022/23, subject to a ceiling of HK$3,000 per case.
8. Waiving the stamp duties payable on (i) transfer of real estate investment trust units and (ii) jobbing business of option market-makers.
9. Cancelling Special Stamp Duty, Buyer's Stamp Duty and New Residential Stamp Duty for residential properties with immediate effect.

For more information see our PwC Tax Insight.

The 2024-25 Budget gives impetus to drive the next chapter of growth for Hong Kong and centers around revitalizing the economy, fortifying our business environment, and supporting our people. The Hong Kong Government has taken a calibrated approach in tax policies, and carefully considered the response to the latest market changes and expectations.

Charles Chan
Hong Kong
+852 2289 3651
charles.c.chan@hk.pwc.com

Legislation

Italy

Italy implements Investment Management Exemption

The Vice-Ministry of Economics and Finance issued a Ministerial Decree that implements the provisions for the Investment Management Exemption (IME) on 22 February 2024. Additionally. the Italian Revenue Agency provided guidelines regarding the arm's length remuneration of the asset manager for the purpose of the IME on 28 February 2024.

The IME regime aims to exclude permanent establishment (PE) status for asset managers involved in purchasing, selling, or negotiating financial instruments on behalf of non-resident investment vehicles. The main features of the Ministerial Decree include the independence requirements for both the foreign investment vehicle and the asset manager.

The IME introduces a non-rebuttable legal presumption that considers the asset manager independent from the non-resident investment vehicle if certain conditions, including subjective and objective requirements, are met. For sake of clarity, the benefits resulting from applying the IME refer exclusively to the activities of the fund under consideration, while they do not apply with reference to the management company of the fund itself until September 2024. Those impacted should monitor developments in this regard.

Overview of the new exemption

1. The IME provides that a person, even one with discretionary powers, who habitually concludes purchases or sales, negotiates contracts, or contributes through preparatory or ancillary activities to the purchase, sale, or negotiation of financial instruments, including derivatives and shares, on behalf of a non-resident investment vehicle or its subsidiary, will be considered an independent agent for the purpose of the PE definition, provided that certain conditions are met.

The IME aims to provide a legal framework that ensures certainty for non-resident funds and investors, and avoid triggering an Italian PE. This framework aims to facilitate foreign funds' operations in Italy and maintain the appeal of Italian special tax regimes that attract high-skilled personnel, including members of foreign fund management teams.

The IME is particularly relevant considering the potential tax benefits offered to individuals relocating their tax residency to Italy under the lump sum tax regime or the special tax regime for inbound workers.

Alessandro Di Stefano
Italy
+39 348 8408195
alessandro.di.stefano@pwc.com

Andrea Porcarelli
Italy
+39 340 219 0194
andrea.porcarelli@pwc.com

Legislation

Malta

Malta confirms derogation from IIR and UTPR

Malta has published the legal notice (regulations) confirming its election for the delayed application of up to six years of the IIR and UTPR under Article 50 of the EU Minimum Tax Directive (beginning from 31 December 2023). Additionally, the Regulations do not introduce a Qualified Domestic Top-up Tax.

To ensure the proper functioning of the Directive, through the above-mentioned legal notice Malta transposed a minimum number of provisions of the Directive to enable taxpayers and other States/ jurisdictions to properly comply with and apply the provisions set out in the Directive. The Regulations also transpose into Maltese legislation the following provisions of the Directive:

- Chapter I (subject matter, scope, definitions and location of Constituent Entity);
- Chapter VIII (Administrative Provisions);
- Chapter IX (Transition Rules [in particular Articles 49 and 51]); and
- Chapter X (Final Provisions [Art. 52(1)]).

The Regulations also place certain filing obligations on Constituent Entities located in Malta that are part of an in-scope MNE group. Constituent Entities located in Malta must notify the Commissioner for Tax and Customs of the identity of the entity that is filing the Top-up Tax information return as well as the jurisdiction in which it is located. Given that Malta has elected for the delayed application of the IIR and UTPR, the Top-up Tax information return cannot be filed in Malta. To ensure the proper functioning of the Directive, Ultimate Parent Entities of in-scope MNE groups that are situated in Malta must nominate a designated filing entity in another Member State or a third country, for the latter entity to be able to file such return.

During 2024, the government will continue to follow international developments and determine future policy based on its assessment of those developments. In-scope MNE groups should continue to monitor any Maltese legislative updates in connection with the EU Minimum Tax Directive.

Neville Gatt
Malta
+356 21247000
neville.gatt@pwc.com

Bernard Attard
Malta
+356 21247000
bernard.attard@pwc.com

Steve Gingell
Malta
+356 21247000
steve.gingell@pwc.com

Legislation

New Zealand

New Zealand releases updated Pillar Two Legislation

New Zealand released updated draft legislation on 12 March confirming, if enacted, an effective date of 1 January 2025, with respect to both the Income Inclusion Rule (IIR) and Undertaxed Profits Rule (UTPR). It also confirmed, if enacted, an effective date of 1 January 2026 with respect to the Domestic Income Inclusion Rule (DIIR), which will apply when a New Zealand MNE has undertaxed income in New Zealand.

Some changes that have been introduced with the updated draft legislation, if enacted:

- companies should be able to claim foreign tax credits for Pillar Two Top-up Tax paid overseas under a QDMTT
- there is provision to allow for the release of a New Zealand entity from joint and several liability when it leaves a particular MNE group
- New Zealand's Inland Revenue will have the power to make binding rulings for taxpayers on the application of the Pillar Two rules.

The New Zealand draft legislation, if enacted, proposes that instead of repeating or translating the OECD's Model Rules, Commentary and Administrative Guidance, these texts would be incorporated into New Zealand law by reference on a dynamic basis (i.e., as new Commentary or Administrative Guidance is issued, this will automatically be incorporated into New Zealand's Pillar Two rules). The draft legislation also clarifies that where the OECD's Model Rules differs from the OECD Commentary and/or Agreed Administrative Guidance that the latter will prevail.

With New Zealand's implementation of the Pillar Two rules fast approaching, and potential penalties of up to $100,000 for failing to comply with the reporting requirements, groups within the scope should act now to analyze the potential impact to their group.

Allison Curle
New Zealand
+64 21 620 588
allison.x.curle@pwc.com

Helen Johnson
New Zealand
+64 27 501 9007
helen.n.johnson@pwc.com

Legislation

Poland

New reporting obligations - Draft regulations implementing DAC7 in Poland

A draft law amending tax exchange regulations to align with EU Directive 2021/514 (DAC7) was presented on 13 February. This bill, the second attempt to implement the directive, proposes 1 July 2024 as an effective date.

DAC7 rules pertain to digital platform operators facilitating connections between sellers and customers for remuneration regarding providing access to certain goods and services. Digital platform operators are required to disclose the Head of the National Tax Administration collective data on reportable sellers and conduct due diligence on active sellers. Information on the following activities ('relevant activities') will be reported to the Head of the National Revenue Administration:

- provision of real estate, share in real estate or parts thereof, including adjoining premises,
- provision of personal services, including time- or task-based work performed by a natural person acting for or on behalf of an entity via the platform at a user's request online or physically offline after its execution has been enabled via the platform,
- sale of goods,
- rental of means of transport.

The bill foresees penalties up to PLN 1,000,000 for non-compliance with reporting requirements.

Based on the draft law, new regulations will apply to entities that, from 1 January 2023 to 30 June 2024, met the conditions for recognition as a reporting platform operator. Whereby such reporting platform operator carries out:

- until 31 December 2024 the due diligence procedures - for sellers who were registered on the platform during this period;
- by 31 January 2025 the reporting procedures - in case of activities it has enabled reportable sellers to perform during this period.

The bill provides for the possibility that a non-resident entity meeting reporting criteria in both Poland and another EU Member State may elect either Poland or another EU Member State to fulfill those obligations.

Implementation of the bill will require entrepreneurs to verify and adapt their current business processes among others by: verifying the creation of reporting obligations, determining the impact of changes on Polish operations, support in adapting the business model to the needs of reporting obligations, revising the regulations and terms of service provision, adapting IT systems to collect and process the acquired information, and ensuring appropriate business controls.

Agata Oktawiec
Poland
+48 502 184 864
agata.oktawiec@pwc.com

Dorota Jakubowska
Poland
+48 519 504 755
dorota.jakubowska@pwc.com

Wiktor Samborowski
Poland
+48 519 504 755
wiktor.samborowski@pwc.com

Legislation

Poland

Global minimum tax implementation

The legislative agenda includes information about the government's preparation of a draft act regarding the introduction of the global minimum tax (GloBE) principles into the Polish tax system has been included in the legislative agenda. The Act must be adopted by the Council of Ministers in Q3 2024. As previously announced, the project will be subject to extensive public consultations. Poland is going to implement IIR, QDMTT and UTPR.

The global minimum tax is intended to prevent tax avoidance by the largest MNEs by shifting profits to jurisdictions where they are subject to very low taxation. The draft act is based on the assumptions of the European Union directive, which in turn refers to the OECD Model Rules. According to the project, the largest groups of companies, both multinational and domestic, will have to check every year whether their effective tax rate in individual jurisdictions is not lower than 15%. If it is, they will have to pay a Top-up Tax, which will top-up their tax burden to the minimum level.

Given the brief time remaining for the implementation of Polish Pillar Two regulations, businesses should consider conducting an impact assessment of the potential tax consequences resulting from those provisions on business conducted in Poland (in particular, when certain tax benefits/preferences, e.g. R&D relief or Special Economic Zone regimes are in place).

For more information see our PwC Alert.

Agata Oktawiec
Warsaw
+48 502 184 864
agata.oktawiec@pwc.com

Michał Małkiewicz
Warsaw
+48 519 504 605
michal.malkiewicz@pwc.com

Michał Stępień
Warsaw
+48 519 506 826
michal.stepien@pwc.com

Legislation

Singapore

Singapore implements global minimum tax effective January 2025

The Finance Minister, through the 2024 Budget Statement, announced that Singapore will proceed to implement two components of Pillar Two – the Income Inclusion Rule (IIR) and Domestic Top-up Tax (DTT) - for in-scope businesses from their financial years starting on or after 1 January 2025. However, the last component, the undertaxed profits rule (UTPR), will be considered at a later stage, as the present focus will be to ensure a smooth roll-out of IIR and DTT for affected businesses.

The IIR will apply to Singapore-parented in-scope MNE groups in respect of the profits of their low-taxed Constituent Entities outside Singapore. The DTT will apply to foreign-headquartered in-scope MNE groups in respect of the profits of their low-taxed Constituent Entities in Singapore.

With Pillar Two Top-up Taxes taking effect in home countries of MNEs, any benefit they may derive from tax incentives will be negated as taxes forgone in Singapore will be collected elsewhere. To address this, the Finance Minister proposed enhancing Singapore's investment toolkit with a new Refundable Investment Credit (RIC) scheme to complement the many other factors that encourage companies to anchor substantive and high value economic activities in Singapore. The RIC is a tax credit with a refundable cash feature, which may be used to offset corporate tax payable or be refunded in cash within four years from when the company satisfies the conditions for receiving the credit. The RIC is awarded on a case-by-case approval basis by the Economic Development Board (EDB) of Singapore and Enterprise Singapore. The RIC amount will be up to 50% of the expenditure incurred on a qualifying activity during a qualifying period. The rate will depend on the merits of the qualifying activity for which the application is made. Introduction of the RIC will offer another avenue for Singapore to remain competitive and continue to attract quality investments.

For more information see our PwC Tax Insight.

With Pillar Two implementation set for 2025 (or earlier for groups that operate in a jurisdiction that has already adopted Pillar Two), MNEs must consider whether their current tax reporting processes are adequate to capture the vast amount of data needed for complying with this new tax regime. Compliance aside, MNEs should also consider their profile and business requirements in assessing the relative merits of the RIC against existing tax incentives and grants.

Chris Woo
Singapore
+65 9118 0811
chris.woo@pwc.com

Paul Lau
Singapore
+65 8869 8718
paul.st.lau@pwc.com

Tan Tay Lek
Singapore
+9179 2725
tay.lek.tan@pwc.com

Legislation

South Africa

Implementation of Pillar Two in South Africa

The 2024 Budget Review documentation, published on 22 February 2024, announced that the Pillar Two rules, in the form of an IIR and DMTT, would enter into force in South Africa for fiscal years starting on or after 1 January 2024. No mention was made of the UTPR.

To give effect to this, the Draft Global Minimum Tax Bill and Draft Global Minimum Tax Administration Bill were published on the same day, together with an Explanatory Memorandum. The legislation is expected to be finalized and enacted following a process of public consultation, where amendments may arise. The draft legislation is stated as incorporating the OECD Model Rules, Commentary and Administrative Guidance issued by the OECD, on an ambulatory basis, subject to certain specified departures.

For more information, please see our Budget 2024 Tax Alert .

While the Pillar Two announcement was expected, the proposed 2024 implementation date comes as a surprise - most commentators had expected this to be 1 January 2025 instead.

The implementation date will add significant time pressure on qualifying groups to get 'Pillar Two ready.' Many of these groups have already commenced their 2024 financial years and will be releasing interim results for the six-months ending 30 June 2024. This is exacerbated by the fact that the legislation is likely to be finalized around September 2024. It will be important to monitor developments in this regard.

William Eastwood
Cape Town, South Africa
+27 21 529 2394
william.j.eastwood@pwc.com

Osman Mollagee
Cape Town, South Africa
+27 11 287 0360
osman.mollagee@pwc.com

Tristam Scott
Cape Town, South Africa
+27 11 287 0135
tristam.scott@pwc.com

Legislation

Thailand

Thailand issues Pillar Two draft legislation for public consultation

The Thai Revenue Department (TRD) published its public consultation paper as a draft law for implementing the Pillar Two global minimum tax rules for Thailand on 1 March 2024. The draft law closely follows the OECD guidance under the GloBE Pillar Two Model Rules and proposes to include three charging mechanisms: (i) Domestic Top-up Tax (DMTT), (ii) Income Inclusion Rule (IIR), and the (iii) UTPR for Thai taxpayers in scope.

Under the proposed draft, the Top-up Tax is governed under this new law and does not form part of the Revenue Code, therefore the mechanism of the UTPR application will unlikely be by way of denial of deduction. The draft law does not include any provisions that would delay the application of the UTPR. This likely means that, if enacted, all three tax-charging mechanisms would be brought into effect together.

The draft law still omits details of the adjustments under the GloBE calculation, including the various mechanisms under the Model Rules, such as the transitional rules and safe harbour rules. The DMTT proposed currently follows the same mechanism of the GloBE rules in determining the Top-up Tax (i.e., allowing CFC and main-entity tax for PE pushdown), therefore it is unlikely be a Qualified DMTT.

Taxpayers falling within the scope of the law, whether part of an MNE group headquartered in Thailand or an MNE group headquartered abroad, should quickly evaluate the upcoming impact of the rules in Thailand on their organisation and prepare for compliance.

Paul Stitt
Thailand
+66 (0) 2844 1119
paul.stitt@pwc.com

Orawan Phanitpojjamarn
Thailand
+66 (0) 2844 1017
orawan.phanitpojjamarn@pwc.com

Sukrit Srisakulchawla
Thailand
+66 (0) 2844 2033
sukrit.srisakulchawla@pwc.com

Legislation

United Arab Emirates

Update on Pillar Two status and other developments

The UAE Ministry of Finance (MoF) launched a digital public consultation on the Pillar Two rules based on the OECD Model Rules on 15 March 2024. The MoF states that the objective of this consultation is to gather stakeholder views with respect to the potential policy design options to respond to the implementation of the GloBE Rules worldwide. Responses to the public consultation are expected to help the UAE MoF arrive at the policy options that could be adopted as part of the UAE's GloBE Rules, considering aspects such as domestic implementation issues, interactions with the UAE's corporate tax system, and ways to minimize compliance costs.

Alongside the consultation questionnaire, a separate Guidance Paper provides details on specific aspects of the GloBE Model Rules. This provides an overview of the GloBE Model rules in accordance with the OECD Model Rules, i.e., scope, GloBE calculation criteria, collection mechanisms, safe harbours, etc. The consultation questionnaire also provides a number of policy options that the UAE may consider as it designs the Pillar Two Rules.

In general, the consultation process aims to seek stakeholder views on the different aspects of the Pillar Two Rules from a policy aspect. However, the UAE MoF has not given any clear indication on how the UAE will implement the rules. Further details are expected in due course. The public consultation will be open until 10 April 2024.

Hanan Abboud
UAE
+971 56 177 7642
hanan.abboud@pwc.com

Chris Maycroft
UAE
+971 56 418 9961
chris.i.maycroft@pwc.com

Administrative

Luxembourg

Impact of Pillar Two Rules on the Lux GAAP financial statements

On 22 December 2023, Luxembourg transposed into its domestic law the EU Directive 2022/2523 (the Pillar Two minimum taxation rules).

The law may have implications for preparing the notes to the annual and consolidated accounts established under Lux GAAP for financial years beginning no later than 30 December 2023. To clarify the impact on the annual accounts, the Luxembourg Accounting Board (CNC) recently issued Q&As.

Q&A 24/31 – Impact of the Pillar Two Law on the notes to the annual and consolidated accounts under Lux GAAP or Lux GAAP-FV

The CNC is of the opinion that Luxembourg companies and groups subject to the Pillar Two Law should give proper information in their notes to the accounts in accordance with the Luxembourg Commercial law and the Accounting law. These laws state, respectively, that consolidated accounts and annual accounts must give a true and fair view of assets, liabilities, financial situation and company and/or group results. If the application of legal provisions is not sufficient to give such true and fair view, additional information must be provided in the notes to the (consolidated) annual accounts.

The company and/or Luxembourg group should provide in the notes to its accounts the known or reasonably estimated information that would help users of the annual accounts and/or consolidated accounts understand the company's and/or group's exposure to income tax resulting from the Pillar Two law.

In case the information is not known or cannot be reasonably estimated, the company and/or Luxembourg group should indicate this fact and provide information on the progress of their exposure assessment.

According to the CNC, the following information should be provided:

- Qualitative information, in particular on how the Luxembourg company and/or group would be affected by the Pillar Two law and the main countries where the Luxembourg company and/or group could be exposed to income tax arising from the Pillar Two law;
- Quantitative information, such as:
  - An indication of the fraction of their profits that might be subject to income taxes arising from the Pillar Two law and the average effective tax rate applicable to these profits;
  - An indication of how the Pillar Two law, if it had been in force in 2023, would have changed their overall effective tax rate.

Q&A 24/32 - Pillar Two law and option to disclose deferred tax assets and liabilities in the notes to the 2023 annual accounts

In a separate Q&A, the CNC acknowledges that according to article 53 (2) of the Pillar Two law: "the MNE group or a large-scale domestic group shall take into account all the deferred tax assets and deferred tax liabilities reflected or disclosed in the financial accounts of all the constituent entities in a jurisdiction (…)".

The CNC confirms the possibility for Luxembourg entities forming part of a Pillar Two group to present their deferred tax assets and liabilities in the notes to their annual accounts for the last financial year preceding the first year of application of the Pillar Two law.

According to this Q&A, an entity can disclose in the notes to its accounts for the year 2023 the deferred tax assets and liabilities calculated based on the gross amount of the tax attributes/temporary differences. The Q&A also mentions that it is not necessary for the company to perform an analysis of the recoverability of deferred tax assets in relation to the tax losses carried forward, the company can base its disclosure on the gross amount of said tax losses carried forward.

Before finalizing the 2023 Lux GAAP financial statements, groups should assess the need to make the above disclosures for entities that are impacted by the Pillar Two rules.

Companies should consider disclosing in the notes to the accounts the deferred tax assets related to any tax attributes and deductible temporary differences in the Luxembourg standalone accounts to reduce risks of discussions on the validity of these tax attributes or deductible temporary differences for Pillar Two purposes.

Lilia Samai
Luxembourg
+352 62133 3408
lilia.samai@pwc.lu

Alexandre Leleux
Luxembourg
+352 62133 2884
alexandre.leleux@pwc.lu

Philippe Ghekiere
Thailand
+352 62133 3228
philippe.ghekiere@pwc.lu

Administrative

Mexico

Immediate deduction Decree for specific industries

The Mexican Executive published in the Official Gazette, on 11 October 2023, a Decree granting tax incentives to key sectors of the export industry consisting of the immediate deduction of the investment in new fixed assets from the date of the Decree until 31 December 2024, and the additional deduction of training expenses. The percentages of immediate deduction established in the Decree range from 56% to 89% of the acquisition cost, depending on the type of fixed asset.

The deduction of training expenses in the annual tax return for fiscal years 2023, 2024 and 2025 equivalent to 25% of the increase in training expenses incurred by workers registered with the Mexican Social Security Institute in the fiscal year in question.

Miscellaneous regulations rules related to the Decree were published on 5 December 2023, and are focused on providing guidance for tax compliance and documentary requirements to claim the benefits of the Decree and the procedure of remitting omitted taxes in the case of non-compliance.

The benefits of the decree are for specific industries/items (e.g., raw materials of Pharma Industry, electronic and electric components, machinery for medical devices, batteries, engines, among others). Additionally, it only applies to taxpayers who have income derived from more than 50% of the export of products, in addition to other requirements that must be met. Mexican taxpayers should analyze the possibility of applying the Decree benefits, especially those that align with nearshoring investments into Mexico.

Marta Milewska
Mexico
+52 55 5263 5849
marta.milewska@pwc.com

Mario Alberto Gutierrez
Mexico
+52 55 5263 6000
mario.alberto.gutierrez@pwc.com

Administrative

Mexico

Preferential tax regimes – Annual information return

All Mexican taxpayers, in addition to their particular tax filing and payment compliance obligations under the Mexican Income Tax Law (MITL), must report each February the information on income subject to a preferential tax regime (Mexican CFC rules) obtained in the immediately preceding tax year through foreign controlled corporations in which they participate directly or indirectly, including, for example, disregarded US LLCs.

As part of the filing, Mexican taxpayers must include bank account statements for deposits, investments, savings, or any other relevant documents, or where applicable, the documentation stated through General Administrative Tax Rules.

Furthermore, Mexican taxpayers that have investments in foreign transparent vehicles, or that have any type of income accrued from any of the jurisdictions listed as part of the transitory provisions of the MITL also must file the corresponding information tax return. However, if they file the return under these two specific conditions, the income would not be deemed to be from a preferential tax regime, unless they fall under any of the specific conditions set forth under the relevant tax sections.

A Mexican taxpayer will be treated as failing to file the corresponding return when the return contains errors or does not include all information in connection with the income tax the taxpayer has generated or generates subject to preferred tax regimes from the preceding calendar/tax year.

This measure is relevant for Mexican taxpayers to make sure they include and report all the relevant income and that it agrees with the income reported on the annual corporate income tax return. Moreover, this information return should match the tax liability determined and paid in the annual income tax return.

Failing to comply with the filing of this information return could trigger relevant Mexican tax implications. For example, Mexican taxpayers reporting income from preferred tax regimes would not be able to claim any deductions, and thus would pay corporate income tax on gross proceeds. Also, this could be deemed a legal felony subject to criminal penalties if it is not filed and is later formally reviewed/audited.

Marta Milewska
Mexico
+52 55 5263 5849
marta.milewska@pwc.com

Mario Alberto Gutierrez
Mexico
+52 55 5263 6000
mario.alberto.gutierrez@pwc.com

Administrative

UK

Spring Budget 2024

The UK's Chancellor of the Exchequer, Jeremy Hunt, delivered his Spring Budget on 6 March, accompanied by a full fiscal statement from the Office of Budget Responsibility. There were few surprises, with no mention of any developments in relation to Pillar Two. Key announcements included:

- main rate of National Insurance for employees cut to 8% from 6 April 2024
- non-UK Domicile tax rules (for individuals) to be replaced with a residence-based regime
- full expensing will be extended to assets for leasing when fiscal conditions allow
- over £1 billion of new tax reliefs for the UK's creative industries.

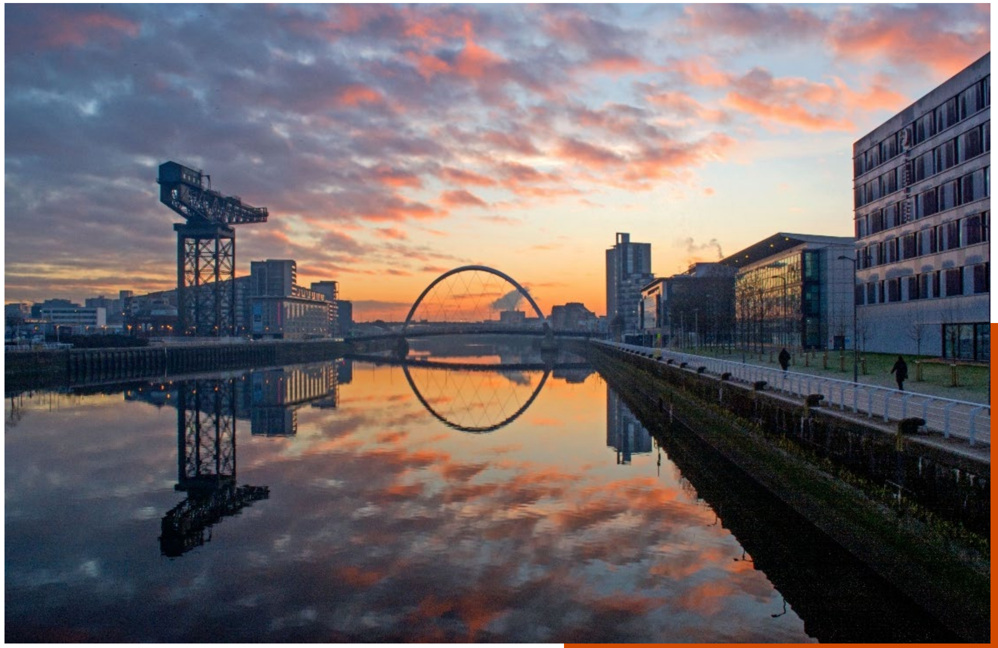
The Finance (No 2) Bill 2024 was subsequently published on 14 March. On the same day, the government announced its intention to introduce an anti-abuse rule into the UK's Pillar Two rules. The OECD published its third set of Administrative Guidance on Pillar Two on 18 December 2023. The Guidance included a technical reform to close off certain avoidance transactions which aim to exploit the Transitional Country-by-Country Reporting (CBC) Safe Harbour. The Guidance confirms that a Constituent Entity cannot qualify for the Transitional CBC Safe Harbour as a result of entering into such transactions. The UK Government intends to apply these provisions from 14 March 2024 to prevent a loss of UK tax and will legislate in a future Finance Bill.

It will consult with interested stakeholders on how the provisions are legislated, with a view to ensuring the legislation operates as envisaged without any unintended outcomes.

The government also announced that it will bring forward a further set of tax administration and maintenance announcements on 18 April 2024. Watch our on demand webcast, hosted by PwC's UK Tax Leader Laura Hinton, in which she discusses the announcements and their impact on individuals and businesses. For all our comments and insights, visit our dedicated Budget webpage.

Businesses may have been hoping to build on the momentum of the Autumn Statement, but may be disappointed. The most notable revenue raising measures announced were around taxing on non-domiciled individuals, tobacco and vaping products, extending the energy profits levy and adjusting the air passenger duty.

There cannot be a sense of 'job done', when we would like to see a clear long-term tax roadmap for business, crucial in building business confidence, boosting investment and increasing productivity, as well as facilitating the transition towards Net Zero.



Colin Graham
London
+44 (0)7764 12271
colin.graham@pwc.com

Matt Ryan
London
+44 (0)7718 981211
matthew.a.ryan@pwc.com

Administrative

United States

President Biden's FY 2025 budget again calls for corporate and individual tax increases

President Joe Biden on March 11 sent Congress a FY 2025 budget that proposes to increase taxes by nearly $5 trillion for corporations and individuals with incomes above $400,000. Many of the president's tax proposals -- including a proposal to increase the corporate tax rate to 28% and impose a 25% minimum tax on certain high-income individuals – were included in President Biden's previous budgets. New tax proposals in the FY 2025 budget include measures to increase the recently enacted corporate alternative minimum tax rate from 15% to 21% and to deny business deductions for employee compensation above $1 million.

President Biden's FY 2025 budget proposals to increase taxes will not be considered by the current Congress in which Republicans control the House, but do provide a marker for his tax policy priorities if he is re-elected.

The scheduled expiration of key 2017 Tax Cuts and Jobs Act (TCJA) provisions at the end of 2025 ensures that the next president and Congress will have to act on a major tax bill to prevent across-the-board individual tax increases. The outlook for action on President Biden's tax proposals in a potential second term will depend on which party controls the Congress next year, as well as the margin of control in the House and Senate.

For more information see our PwC Insight.

Pat Brown
United States
(203) 550-5783
pat.brown@pwc.com

Rohit Kumar
United States
(202) 841-8300
rohit.kumar@pwc.com

President Biden was unable to gain support for many of his key corporate and individual tax proposals during his first two years in office, when Democrats narrowly controlled both the House and Senate. The Senate in particular became a stumbling block and the outcome could have been significantly different if his party had held even one more seat in the Senate at that time. Republicans in the next Congress might be forced to consider some of President Biden's tax increase proposals as part of a compromise bill preserving key TCJA tax provisions that benefit families and small businesses.

Judicial

France

Potential infringement of EU law by a French withholding tax on the provision of services

A French company managing a marina made payments to foreign companies for the use of their berths. French tax authorities considered that such payments were the consideration for services rendered in France and should be subject to withholding tax. One of the foreign companies relied on the reasoning of the *Sofina ruling* of the ECJ (C575-17) relating to dividends in order to seek a discharge of the withholding tax. In the Sofina case, a breach of the free movement of capital protected under EU law was recognized as French domestic law, and created a difference in treatment between i) foreign companies taxed immediately and definitively through withholding tax when they receive payments and ii) resident companies taxed on these sums according to their recorded net profit or loss.

In the case at hand, the Administrative Court of Appeal of Marseille dismissed the claim since it was grounded on the non-conformity to both the freedom of movement and the freedom to provide services, while only the latter was relevant. The Administrative Supreme Court overruled this decision since the claim referred to the relevant freedom.

The case is now referred back to the Court of Appeal of Marseille which will have to decide whether the Sofina ruling can be transposed to the freedom to provide services.

Guilhem Calzas
Paris
+33 (0) 6 98 02 94 77
guilhem.calzas@avocats.pwc.com

Léonie Rouxel
Paris
+33 (0)7 89 43 36 63
leonie.rouxel@avocats.pwc.com

Judicial

Portugal

Tax arbitration court rules that WHT on non-residents is discriminatory

The recently adjudicated tax arbitration case (Case 400/2023-T) involved a German bank without a permanent establishment (PE) in Portugal, which received interest from a Portuguese source. The gross interest amount was subject to withholding tax at a flat rate of 15% as provided by the applicable tax treaty.

The bank considered that such taxation violates Articles 56 (freedom to provide services) and 63 (free movement of capital) of the TFEU, by providing different treatment depending on whether the interest is earned by resident or non-resident entities. This is because non-resident entities, as a general rule, are not given the opportunity to deduct expenses related to the interest income and thus are taxed on their gross income, unlike resident entities who are taxed on the net amount of interest.

The Portuguese tax authority (PTA) argued that since theburden of proof belongs to the taxpayer, it would only be possible to determine the net amount of the interest subject to taxation if the taxpayer, in an *ex officio* review, had claimed such costs and proved their deductibility.

The tax arbitration court confirmed that taxing non-resident financial institutions on the interest income received without giving them the opportunity to deduct business expenses directly related to the activity in question, whereas such an opportunity is given to resident financial institutions, constitutes unequal and discriminatory treatment. This is prohibited by Article 56 TFEU - thus following the ECJ's ruling on Brisal (Case C-18/15), and previous decisions by the Portuguese Supreme Administrative Court (Cases 0298/13, 0165/13 and 08/21).

The novelty lies on the burden of proof, as the tax arbitration court ruled that the PTA should carry out the necessary steps to determine the expenses incurred by the taxpayer, even if that includes information that is in the taxpayer's possession, or by means of exchanging information with the German tax authorities. Moreover, the taxpayer does not bear the burden of proving those costs if the PTA considers there is no room for deduction of the business expenses directly related to the activity in question and rejects the taxpayer’s complaint based on that.

This case opens the door for non-residents without a PE in Portugal to claim the annulment of withholding tax incurred, at a flat rate, on the gross interest income from a Portuguese source. A procedure can be initiated within and up to four years after the tax has been withheld. Based on this decision, it is possible to obtain a reimbursement of the full amount of tax withheld in Portugal.

Rodrigo Domingues
Portugal, Lisbon
+351 91 980 86 03
rodrigo.rabeca.domingues@pwc.com

Judicial

Spain

Spanish Constitutional Court judges certain CIT measures unconstitutional

The Spanish Constitutional Court has declared certain measures introduced by Royal Decree-Law 3/2016 as unconstitutional. These measures, which came into effect 2 December 2016, imposed stricter conditions on large companies concerning the offsetting of tax losses and the application of double taxation deductions. Additionally, the measures mandated that companies reverse any impairment losses on shareholdings that had been deducted in the past. More specifically, the Court found three measures to be unconstitutional:

- The implementation of stricter limits on the offset of net operating losses for large companies.

Based on this rule companies with revenues of at least EUR 20 million would be subject to the following limits on the offset of net operating losses: 50% in the case of revenues between EUR 20 million and 60 million and 25%, in the case of revenues of at least EUR 60 million.

- The introduction of an extra limit on the application of deductions for the avoidance of both domestic and international double taxation for large companies.

Based on this rule companies with revenues of at least EUR 20 million would be subject to a limit on the use of tax credits of 50% of the gross tax payable per year.

- The requirement for companies to include a minimum annual reversal in their tax base for the years 2016-2020 for previously deducted impairments of shareholdings.

Based on this rule impairment losses on shares that would have been considered tax deductible prior to 2013 and which were pending reversal were to be included, at least in equal parts, in the tax bases for each of the first five tax periods commencing as of 1 January 2016. The Court's decision is based on the premise that these measures exceed the regulatory scope of the Spanish decree. The Court also emphasized that the measures have significant tax implications, as they reduce the compensation of negative tax bases and limit deductions for double taxation, thus affecting the corporate income tax, which is a fundamental component of the tax system.

The judgment states that settlements not contested by the time of the judgment, along with self-assessments for which no rectification has been sought, are not subject to review. This means that only companies that have appealed settlements or requested the rectification of self-assessments before the publication of the judgment can benefit from the annulment. Obligations definitively settled by a final judicial or administrative decision as of the ruling date are also excluded from reconsideration. As a result, if you have not taken an action, you cannot benefit from the effects of the judgment.

Marcos More
Spain
+34 699 42 04 32
marcos.more@pwc.com

EU/OECD

European Union

European Commission policy brief explores first 100 days of FSR reporting

The European Commission's Directorate-General for Competition (DG COMP) published a policy brief that provides comments on the Foreign Subsidies Regulation (FSR) requirements and first cases the Directorate has addressed in the 100 days since the reporting regime began.

The brief provides statistics on the 53 notifications received in that period, as well as clarifications on some recurring issues that have arisen in the context of notifications, such as how to properly categorise relevant advantages provided by non-EU countries, i.e., Foreign Financial Contributions (FFCs), how to report those identified as most likely to distort the internal market, and how to interpret some of the exceptions to the obligation to report certain FFCs.

For more information see our Tax Policy Alert.

Multinationals are encouraged to perform an in-depth strategic review and develop a compliance roadmap promptly. The FSR gives the European Commission far-reaching powers to potentially delay or block M&A transactions and public procurement bids or impose significant redressive measures. In addition, the FSR gives the Commission wide ex-officio investigative powers in all other situations and the same ability to impose redressive measures.

Will Morris
United States
+1 (202) 213 2372
william.h.morris@pwc.com

Edwin Visser
Netherlands
+31 (0) 88 7923 611
edwin.visser@pwc.com

EU/OECD

European Union

Council of the EU approves changes to the EU list of non-cooperative tax jurisdictions

The EU General Affairs Council (acting as the Council of the EU) has approved the recommendations of the EU Code of Conduct Group in relation to the updated list of non-cooperative tax jurisdictions. The Council removed the Bahamas, Belize, Seychelles and Turks and Caicos Islands from the list of non-cooperative jurisdictions for tax purposes. With these updates, the EU list now consists of 12 jurisdictions. Why relevant? Being listed may lead to increased withholding taxes on payments to, and non-deductibility of costs incurred in, a listed jurisdiction, CFC issues, or limitations on the participation exemption on shareholder dividends.

For more information see our PwC Insight.

Businesses should review the updated lists and consider the potential consequences for entities located in impacted jurisdictions.

Will Morris
United States
+1 (202) 213 2372
william.h.morris@pwc.com

Edwin Visser
Netherlands
+31 (0) 88 7923 611
edwin.visser@pwc.com

EU/OECD

OECD

OECD releases report on Amount B of Pillar One

The OECD/G20 Inclusive Framework on BEPS (IF) released, on 19 February, the report on Amount B of Pillar One, which introduces two options for jurisdictions to elect the simplified and streamlined approach for the transfer pricing of certain baseline wholesale marketing and distribution activities. The report follows the OECD's July 2023 public consultation on Amount B (July Consultation Document) (See PwC's Tax Policy Alert for further information). The content from the report has been incorporated into the OECD Transfer Pricing Guidelines (TPG). The IF is developing additional guidance on Amount B and has committed to concluding this work by 31 March 2024, with any additions to be incorporated into the TPG at that time. The list of jurisdictions that opt into Amount B within their jurisdictions will be made available on the OECD website.

For more information see our Tax Policy Alert and also see our separate Alert for a closer look at the simplified and streamlined approach.

It will take time to analyse the full implications of today's release in light of specific fact patterns and business models. Based on an initial review, the IF has adopted an optional methodology to price certain baseline wholesale marketing and distribution activities that will likely not provide the tax certainty that companies were hoping for. It remains to be seen which countries will adopt Amount B. However, the list of concerns raised by India (in footnotes) may signal a certain level of disagreement still present among IF countries. The design choices made appear to have responded to at least some of the concerns raised during the consultation process. But the approach still falls significantly short of addressing these in a way that can be expected to deliver on Amount B's primary objectives -- administrative simplification and tax certainty. Taxpayers with distributors that may fall within scope of Amount B should start to work through these new rules and model their outcomes so they can be prepared when/if countries adopt these rules

Will Morris
United States
+1 (202) 213 2372
william.h.morris@pwc.com

Edwin Visser
Netherlands
+31 (0) 88 7923 611
edwin.visser@pwc.com

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

Contact us

For your global contact and more information on PwC's international tax services, please contact:

Douglas McHoney
Global Leader - International Tax Services Network
+1 314-749-7824
douglas.mchoney@pwc.com

Geoff Jacobi
International Tax Services
+1 202 262 7652
geoff.jacobi@pwc.com

PwC's Pillar Two Country Tracker

Our Pillar Two Tracker provides the status of Pillar Two implementation in various countries and regions to help you get #PillarTwoReady.

Worldwide Tax Summaries

If you're operating globally, are you aware of changes to the myriad tax rates in all the jurisdictions where you operate?

If not, we can help - visit our comprehensive tax guide, or explore rates in o ver 150 countries using our online tools, updated daily.