International Tax News

Start

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Welcome

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

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:

Globalized State Aid: Understanding Europe's Foreign Subsidies Regulation

Wade Sutton, PwC's International Tax Leader for the Washington National Tax Services Office, fills in as host while Doug is away on assignment. Wade welcomes Will Morris, PwC's global tax policy lead and former chair of the AmCham EU Tax Committee. In this episode, Wade and Will discuss the EU Foreign Subsidies Regulation (FSR). They cover its state-aid origins, reach into M&A and public procurement, and early enforcement record. The episode examines the European Commission's recent assessment, possible reductions in reporting burdens, and the three-step analysis from foreign financial contribution (FFC) to subsidy to market distortion. The conversation also covers tax incentives and credits, Inflation Reduction Act and Pillar Two interactions, data-collection challenges, geopolitical considerations, standstill risks, and practical steps before an EU transaction or procurement bid.

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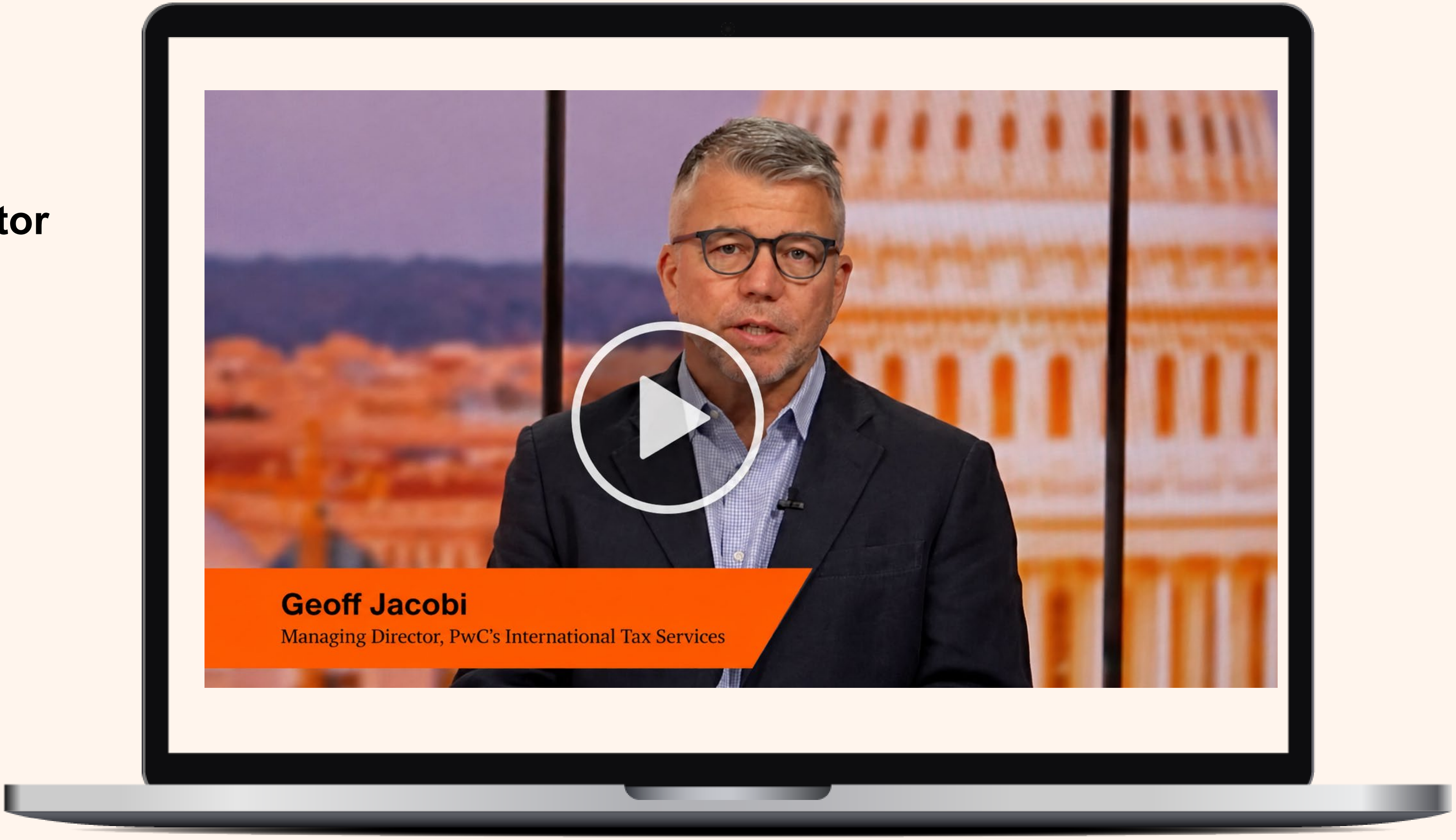
Welcome Video

Geoff Jacobi, Managing Director of International tax services shares some of the highlights from the latest edition of International Tax News



In this issue

Legislation

Hong Kong

Consultation on enhancing Corporate Treasury Centre tax concession launched

Following release of the 2026/27 Budget and Action Plan to Promote the Development of Corporate Treasury Centres in Hong Kong in the first half of 2026, the government recently launched a public consultation on the proposed enhancements to the tax concession regime for corporate treasury centres (CTCs).

The CTC regime, first introduced in 2016, has attracted more CTCs to Hong Kong, although certain operational pain points have emerged in practice. Building on that experience and earlier industry feedback, the consultation sets out a proposed two-tiered regime to further promote the development of CTCs in Hong Kong, as follows:

- Tier 1 – enhancing the existing regime applicable to all existing qualifying CTCs (QCTCs) and corporations conducting intra-group financing business in Hong Kong.
- Tier 2 – introducing a pre-approval mechanism under which a pre-approved QCTC and its pre-approved associated corporations would be entitled to additional tax benefits or greater flexibilities.

The consultation is now open for public comment until 4 September 2026. The government intends to (i) issue administrative clarifications for enhancements to the existing CTC tax concession regime within 2026, and (ii) introduce into the Legislative Council in the first half of 2027 an amendment bill to implement the tiered regime.

For more information, see our Tax News.

We welcome the government's launch of a consultation on enhancing the CTC tax concession regime, an area in which we have long advocated reform. An enhanced regime could strengthen Hong Kong's role as a key base for corporations establishing CTCs, enable them to fully leverage the city's comprehensive financial ecosystem, and enhance the city's appeal as a platform for 'bringing in and going global'.

While Tier 2 offers additional concessions, certain features remain more stringent than Singapore's Finance and Treasury Centre regime. Singapore does not impose anti-tax arbitrage limitations and permits unilateral tax credits for foreign taxes paid in non-treaty jurisdictions, whereas Hong Kong provides deductions rather than unilateral credits and relaxes anti-arbitrage rules subject to an EBITDA cap.

Businesses that are operating CTCs in Hong Kong, or are considering establishing or expanding their CTC operations in Hong Kong, should assess whether the proposed Tier 1 refinements would address immediate issues and whether their scale and operating model would support a Tier 2 application.

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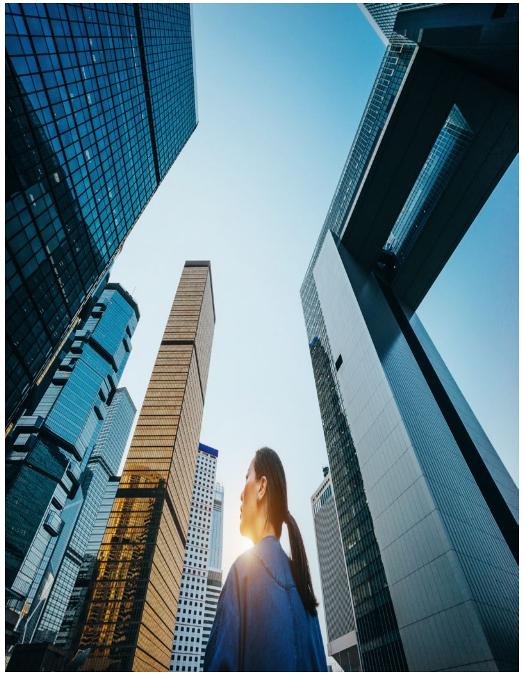

Legislation

Poland

Draft Act on the Polish Digital Service Tax

On 31 July 2026, a draft Act on the Recompensing Tax on Certain Services (reference number UD385) was published on the Government Legislation Centre website. The legislator's objective is to tax revenues generated in the Polish market by the largest global digital corporations by introducing a tax on selected digital revenues (a so-called ‘digital service tax’ or DST).

Who would be covered by the DST?

According to the draft, taxpayers subject to the DST include entities or consolidated capital groups that meet two revenue thresholds jointly in the preceding settlement period (calendar year):

- Total global revenues exceeding EUR 1 000 000 000, and
- Revenues subject to taxation in Poland exceeding PLN 25 000 000.

This threshold is intended to ensure that the tax would only burden the largest global corporations.

What revenues would be taxed?

According to the draft act, the tax would cover three key categories, digital services that:

1. **Place targeted (profiled) advertising on a digital interface,** meaning an advertising message tailored to a specific user based on data collected about them, identifying them as an individual or a member of a target group.
2. **Make a multi-sided digital interface available,** covering platforms and applications that enable user interaction or the conclusion of transactions between them.
3. **Sell or license user data,** collected through user activity on digital interfaces.

Intra-group revenues are not to be subject to taxation, which is intended to prevent double taxation within a consolidated group.

For more information read our alert

The draft has been submitted for public consultation, with a 60-day deadline for submitting comments. Please contact us if you would like to discuss the impact of the proposed regulations on your organization's activities.

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Administrative

France

Ruling on CFC for holding companies

A French couple held a Luxembourg Soparfi (holding company for financial participations), holding 100% of a French company. French-source dividends received by the Soparfi were fully tax exempt in Luxembourg.

As background, an entity falls within the scope of French CFC rules if it is not liable to tax at least equal to 60% of the tax it would have borne had it been established in France. On that basis, the tax authorities applied the CFC rules and taxed the couple as shareholders of the Soparfi. The taxpayers argued the French parent-subsidiary regime should apply for the comparison, as dividends would also have been exempt if received in France.

On 30 June 2026, the Council of State ruled in favour of the couple. Under the parent-subsidiary regime, dividends are exempt, but a 5% lump-sum is added back as deemed expenses. Where actual expenses exceed that 5%, the add-back merely offsets actual costs and dividends bear no effective tax. Since dividends would have been fully exempt whether received in Luxembourg or France, the privileged regime characterization was rejected.

This favourable court decision clarifies the methodology to perform the in concreto comparision between the tax regime applicable abroad and its French equivalent.

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Administrative

Mexico

Agreement 68/2026 and New Large Taxpayers Unit Leadership Signal a More Focused, Risk-Based Audit Approach

Two recent developments, the Ministry of Finance's Agreement 68/2026 and the ratification of a new head of the Mexican tax authorities (‘SAT’)' Large Taxpayers Unit, point towards Mexico’s attempt to make tax audits more focused, proportionate and predictable, and more explicitly driven by risk profiling. The SAT's statutory powers are unchanged, but multinationals can expect narrower, better-targeted reviews paired with published selection criteria. Strong documentation, transaction traceability, and overall tax governance remain critical.

On 4 May 2026, Mexico's Ministry of Finance published Agreement 68/2026, introducing general criteria and operational guidelines intended to promote productive investment, strengthen tax compliance, and enhance legal certainty in the relationship between taxpayers and the SAT. The Agreement follows a period in which businesses raised concerns about increasingly burdensome audit practices, particularly the extensive information requests during examinations. Its provisions are expressly orientational and programmatic: they do not create enforceable taxpayer rights and do not limit, waive, or modify the SAT's statutory powers. Rather than changing Mexico's tax laws, the Agreement seeks to moderate how existing audit powers are exercised.

Shortly thereafter, Congress ratified Jennifer Krystel Castillo Madrid as head of the SAT's Large Taxpayers Unit. Her 2026 work plan emphasized improved processes for audits, refunds and rulings; risk-based audits targeting high-risk conduct; uniform review criteria to support legal certainty; enhanced taxpayer communication; and operational efficiency and coordination, including dedicated attention to foreign investors. She noted that large taxpayers represent only 0.02% of all taxpayers, but contribute roughly 52% of federal tax revenue, keeping the segment a clear priority. The Mexican Government’s stated objective continues to be greater revenue without new taxes, paired with sharper risk-based enforcement and dialogue with large taxpayers.

The enforcement strategy is selective rather than indiscriminate, concentrating on defined risk indicators, which includes invoicing shell entities and payroll-fronting schemes, taxpayers generating recurring tax losses, abusive deductions, undeclared income, mismatches between purchases or imports and sales, abuse of tax incentives, improper refunds, and omitted payroll withholdings. Cross-border exposure features prominently, with attention to transactions with low-tax jurisdictions, including transfer pricing, substance, and beneficial ownership, and to effective income tax rates falling below sector benchmarks. AI and risk indicators will drive audit programming and reduce discretionally, though final decisions will remain with specialized human teams.

Both developments converge on a common audit methodology: as a general rule, one fiscal year per taxpayer through a single comprehensive review, representative sampling rather than full information requests, and uniform criteria intended to reduce overlapping examinations and discretion. The Agreement also reinforces adherence to statutory procedures, applicable deadlines, non-retroactivity principles, and limitation periods.

Agreement 68/2026 also calls for less disruptive enforcement measures, including treating temporary suspension of Digital Tax Certificates (which are needed by Mexican taxpayers to issue tax invoices) as a measure of last resort, and encourages more efficient refund and regularization processes. Whether these objectives translate into day-to-day practice will depend on how the SAT implements them in future examinations.

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Mexico(Continued)

These developments should not be interpreted as signaling reduced enforcement. Rather, they point to more selective, data-driven enforcement, with greater visibility into the factors the SAT may use to select and scope audits. For MNEs, audit risk will increasingly depend not only on formal compliance, but also on how the taxpayer's profile compares with peers and with the SAT's own data.

Companies should therefore consider conducting an audit readiness assessment through a "SAT lens", evaluating their exposure to the announced risk indicators, including recurring losses, below-sector effective tax rates, significant refund positions, cross-border related-party payments, and outsourcing or payroll structures. The exercise should also assess whether material or outlier positions are supported by a clear economic rationale and whether the underlying documentation and data are consistent across CFDIs, e-accounting, financial statements, customs information, and transfer pricing documentation. For cross-border and intercompany flows, contemporaneous evidence of substance and benefit received will remain particularly relevant. APAs and MAPs may also merit consideration where appropriate. More broadly, strong documentation, transaction traceability, well-supported transfer pricing positions, and timely compliance remain essential to audit readiness and effective controversy management.

If you have operations or investments in Mexico, or are currently undergoing a tax audit, please contact PwC Mexico's International Tax Services team to discuss how these developments may affect your particular circumstances.

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Administrative

Mexico

Increased scrutiny on deductibility of intangible assets

Recent judicial decisions and tax audit practices in Mexico indicate a more restrictive approach by both the courts and the Mexican Tax Authority when reviewing the deductibility of intangible assets, particularly for cross border and related party structures and transactions.

Mexican Tax Authorities and courts increasingly have been challenging and objecting to the amortization and deduction of intangible assets where there is no clear evidence or support of an actual payment for the acquisition of the intangible asset, regardless if such intangible asset is clearly relevant for the business in question or it clearly contributes to the generation of taxable income (i.e., it is a business expense). This reflects a shift towards stricter enforcement of statutory requirements and a more formal view of what constitutes a deductible investment.

This trend affects a broad range of common arrangements, including the acquisition, licensing, or use of trademarks, software licenses, and other contractual or marketing related intangibles. Structures involving deferred, contingent, or unclearly documented consideration appear to be receiving heightened attention, particularly in cross border or intragroup situations.

Furthermore, while the Mexican Income Tax Law generally allows the amortization of certain business-related intangible assets, recent court rulings have reiterated that deductions must be interpreted narrowly and applied only where all legal conditions are clearly met. In practice, this means that the existence and timing of payment have become a central focus in determining whether an amortization deduction is allowed.

Based on recent cases and audit experiences, tax authorities and courts have been emphasizing the following themes:

- **Payment as a prerequisite:** Authorities are questioning amortization where there is no payment evidence for the intangible asset in question. In the absence of an economic outflow, deductions are being denied.
- **Deferred payment structures:** Arrangements involving long term or installment payments are under closer review, with authorities scrutinizing whether amortization should be deferred until payment occurs.

Administrative

Mexico(Continued)

- **Limited treaty protection:** Tax treaties may provide relief from withholding taxes on royalties or similar payments, but they do not override domestic requirements for deductibility under Mexican tax law.
- **Audit activity:** The tax authority might be expected to align audit positions with these judicial precedents, especially in audits involving the review of related party and cross border structures.

Overall, these developments are consistent with a broader enforcement trend in Mexico focused on economic substance and formal compliance, in line with BEPS inspired audit strategies.

For multinational groups operating in Mexico, this environment may result in increased exposure, along with other audit initiatives from the Mexican tax authority, including the denial of amortization deductions on valuable intangibles, higher taxable income and cash tax costs, penalties and interest following audit adjustments, and greater uncertainty surrounding long term IP and licensing arrangements.

Groups relying on centralized IP ownership models or deferred consideration mechanisms may wish to closely monitor these developments. A proactive review of existing structures focusing on mechanics for payment, support documentation, and alignment between legal agreements, accounting records, and tax filings may help identify and mitigate potential risks.

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Administrative

Qatar

General Tax Authority Launches Pillar Two Registration on the Dhareeba Platform

Qatar's General Tax Authority (GTA) launched registration for the Global Minimum Tax and Domestic Minimum Top-up Tax on 2 August 2026. The GTA also issued a detailed Registration and Compliance Framework Guide. The guide clarifies how the GTA will administer Pillar Two through the Dhareeba portal.

Key takeaways

With the introduction of the GTA Pillar Two Registration and Compliance Framework Guide, in-scope MNE groups should immediately assess and comply with their obligations under Qatar's Pillar Two regime.

Key action include:

- Determining whether the group falls within the scope of Qatar's Pillar Two rules.
- Identifying the appropriate Designated Local Entity (DLE) responsible for fulfilling the group's Pillar Two obligations in Qatar, where applicable.
- Completing the required registration through the Dhareeba portal within the prescribed timeframe.
- Determining the FY25 Domestic Minimum Top-up Tax (DMTT) provision, where this has not already been quantified.
- Understanding the applicable filing obligations, statutory deadlines, and ongoing compliance requirements under the Pillar Two framework.
- Establishing appropriate internal governance, data collection, and reporting processes to support ongoing compliance.
- Reviewing the potential financial and administrative consequences of non-compliance, including the applicable penalties under the framework.

For more information read our Tax Insight

Navigating Qatar's Pillar Two framework requires a thorough understanding of both the OECD Global Minimum Tax rules and the GTA's administrative requirements. Given the complexity of the new requirements and the strict compliance timelines, affected groups should begin their readiness assessment as early as possible so they have sufficient time to complete the registration process and implement the necessary governance and reporting procedures.

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Singapore

Changes to the Singapore fund tax incentive schemes

The Monetary Authority of Singapore issued circular FDD Cir 05/2026 on 31 July 2026. It provides updates to the various fund tax incentive schemes of the Income Tax Act 1947.

The circular's headline changes include:

a) the removal of the annual minimum assets under management in designated investments (AUM in DI) condition for non-single family office (non-SFO) funds;

b) the recalibration of the conditions for single family office (SFO) funds; and

c) the removal of the 5% cap for physical investment precious metals (IPMs) in qualifying as designated investments (DI).

For details, refer to PwC's Tax Bulletin

The changes announced in this circular are a positive development, particularly for non-SFO funds, as it removes the annual minimum AUM in DI maintenance condition that had become one of the more commercially sensitive aspects of the section 13O, 13OA and 13U schemes. The removal of the 5% cap on physical IPMs to be treated as DI should give funds greater portfolio flexibility and reduce compliance friction. More broadly, useful clarifications have been provided on matters including tokenised DI, co-management by multiple Singapore FMCs, restrictions on investments in operating businesses of a fund investor's family and relief from tax filing obligations for certain foreign investors in incentivised Singapore limited partnership funds.

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Singapore

IRAS advance ruling on intra-group property disposal gains as capital in nature

The Inland Revenue Authority of Singapore (IRAS) published an advance ruling summary on 3 August 2026 confirming that gains realised by a Singapore company on the sale of long-term strategic investment properties to related parties pursuant to an internal group restructuring were capital in nature and therefore not taxable. The IRAS arrived at this position after considering the usual badges of trade including:

- The company's intention at the time of acquisition
- The use to which the properties had been put
- The holding period, which exceeded 15 years for each of the properties
- The circumstances for the disposals
- The absence of any financing arrangements relating to the properties.

It is important to distinguish capital gains from revenue as the former are not taxable in Singapore. However, this assessment is highly fact-dependent and typically attracts the IRAS' scrutiny when gains are sizable, as is frequently the case in real property transactions. Taxpayers with a favourable fact pattern supported by good documentation may wish to similarly consider seeking an advance ruling to secure upfront certainty that the gains are capital in nature in order to avoid protracted disputes with the IRAS after the tax return is filed.

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IRAS publishes guidance on Crypto-Asset Reporting Framework (CARF) and amendments to the Common Reporting Standard

On 11 August 2026, the Income Tax (International Tax Compliance Agreements) (Crypto-Asset Reporting Framework) Regulations 2026, which incorporate the requirements of the CARF into Singapore's domestic legislation, were enacted and will come into operation on 1 January 2027. On the same day, the Inland Revenue Authority of Singapore (IRAS) published an e-Tax Guide 'Crypto-Asset Reporting Framework (First Edition)' to provide guidance to affected entities and individuals, particularly Reporting Singaporean Crypto-Asset Service Providers (Reporting SGCASPs), in understanding the CARF and their compliance obligations. The e-Tax Guide is intended to be read together with previously published FAQs and information on the IRAS website as well as CARF resources published by the OECD.

Amendments to the Income Tax (International Tax Compliance Agreements) (Common Reporting Standard) Regulations 2016 and the Income Tax (International Tax Compliance Agreements) (United States of America) Regulations 2020 were also gazetted on 11 August 2026, mainly to incorporate the OECD's 2023 amendments to the CRS. The IRAS has revised its e-Tax Guide on the CRS accordingly. The amendments generally will come into effect on 1 January 2027.

Singapore's first exchange of information under the CARF will relate to calendar year 2027 and is slated to take place in September 2028. Reporting SGCASPs are required to conduct due diligence on all Crypto-Asset Users with whom they have established relationships with and report relevant user and transaction details to the IRAS by 31 May following the calendar year in which the relevant transactions were carried out. The IRAS will then transmit the information to the tax authorities of the relevant jurisdictions with which Singapore has a Competent Authority Agreement for CARF.

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The Netherlands

Updated Dutch policy Decree on ATAD II – Helpful clarifications for taxpayers

The Dutch State Secretary of Finance has updated the Decree on the Dutch implementation of the European ATAD II Directive (hybrid mismatch rules) with helpful clarifications for Dutch taxpayers.

GILTI/NCTI deduction not regarded as 'dual deduction' for Dutch ATAD II purposes

Under the ATAD II Directive, a deduction may be denied if a payment or expense gives rise to a dual deduction or a deduction without corresponding inclusion. A CFC measure can cause a payment to be regarded as 'included in the taxation' of another entity, in which case the hybrid mismatch rules do not apply. This requires that the relevant payment or remuneration is fully subject to tax at the regular statutory rate, and that no foreign tax credit is available in respect of that payment or remuneration. In the case of a tax base reduction for CFC income, these conditions are not met.

In his recent policy Decree, the Dutch State Secretary of Finance has clarified the interaction between the US Global Intangible Low-taxed Income (GILTI, through 2025) and Net CFC Tested Income (NCTI, as of 2026) regimes and the Dutch hybrid mismatch rules. Under GILTI, the US shareholder's taxable GILTI base could be reduced by up to 50%; under NCTI, the relevant reduction can be up to 40%. As a result, the relevant CFC income is not fully subject to tax at the regular statutory rate. It was already clear that this additional US CFC taxation did not constitute a 'dual inclusion' for purposes of the Dutch hybrid-mismatch rules. It has now been clarified that GILTI or NCTI should also not result in any 'dual deduction' under the Dutch hybrid mismatch rules.

Clarification on cost-plus situations in disregarded structures

The Decree also provides clarifications for various cost-plus situations involving disregarded structures under US-headed groups in situations that could previously result in a deduction limitation in the Netherlands, while effectively all income of the disregarded group is also subject to tax in the United States.

In line with the purpose and scope of the ATAD II Directive and the mitigation of double taxation, the ATAD II-based deduction limitation rule should not apply in a variety of specific cost-plus situations involving this fact pattern. The Dutch State Secretary of Finance has provided clarity on these examples after consulting with the European Commission, which confirmed that it could be concluded that the ATAD II limitation should not apply in these cases since there should be dual inclusion income.

Administrative

The Netherlands (Continued)

These are beneficial and welcome clarifications for US-headed groups with Dutch taxpayers within their group.

It already was established in Dutch tax practice that GILTI or NCTI would not be expected to qualify as 'dual inclusion' income for purposes of the Dutch hybrid mismatch rules. The Dutch State Secretary of Finance has now explicitly confirmed that this same reasoning works symmetrically on the deduction side. This makes it evident that a cost item that is deducted by a Dutch taxpayer while that same cost is also taken into account by its US shareholder under the GILTI/NCTI regime, should not be regarded as a 'dual deduction' for Dutch ATAD II purposes.

The clarifications on the cost-plus situations provide helpful guidance on the specific situations discussed in the Decree. The Decree's examples are very specific and need to be assessed on a case-by-case basis. If you have encountered (potential) limitations in these situations, consider revisiting these positions in light of these new clarifications.

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Administrative

USA

Treasury and IRS issue four OBBBA international tax proposed regulation packages

In less than four weeks, Treasury and the IRS released four sets of proposed regulations implementing OBBBA international tax changes and, in several cases, building on frameworks previewed in earlier notices:

- **CFC pro rata share and tax year closing rules (Sections 951 and 951A) (2[NM2.1][G(2.2]6 August 2026):** Proposed regulations generally would allocate subpart F income, tested income, and tested loss based on the period during which a US shareholder directly or indirectly owns CFC stock, generally using daily proration. The proposed regulations also would require a CFC tax year to close when a corporation becomes or ceases to be a CFC, permit an elective closing for certain ownership shifts exceeding 50 percentage points, expand ownership-change information potentially required on Form 5471, implement the transition-period dividend rule, and phase out the Reg. 1.245A-5 extraordinary-reduction rules for foreign corporation tax periods beginning after 2025.
- **DEI property disposition rules (Section 250) (20 August 2026):** Proposed rules address the new exclusion from deduction eligible income (DEI) for income and gain from sales or other dispositions of intangible property and other property of a type subject to depreciation, amortization, or depletion by the seller. Largely consistent with Notice 2025-78, the proposed regulations add definitions, examples, and anti-abuse rules, treat domestic and foreign partnerships as excluded sellers, and clarify that foreign-derived deduction-eligible income (FDDEI) is a subset of DEI and therefore cannot exceed it.
- **CFC Section 987 exemption election (14 August 2026):** Proposed rules would permit a CFC exemption election under which CFC-owned qualified business units (QBUs) and certain partnership-owned QBUs generally would not compute or recognize Section 987 foreign currency gain or loss on ordinary remittances or QBU terminations, while the rules for determining and translating QBU income and loss would continue to apply. Pre-election Section 987 gain or loss generally would be recognized over 120 months, subject to an exception for certain QBUs with average assets below $50 million, and special gain-recognition rules would apply to certain inbound nonrecognition transactions.
- **CFC tax-year transition and PTEP FTC rules (Sections 898(c) and 960(d)(4)) (3 August 2026):** Proposed rules implement the repeal of the Section 898(c)(2) one-month CFC deferral election, provide rules for allocating certain foreign taxes between the resulting short first required year and the succeeding year, and implement the 10% foreign tax credit disallowance for taxes associated with distributions of Section 951A previously taxed earnings and profits (PTEP) attributable to US shareholder tax years ending after 28 June 2025. The proposed regulations largely adopt the frameworks in Notices 2025-72 and 2025-77, while adding four elections that can alter the allocation and timing of foreign taxes.

Administrative

USA(Continued)

Although the four packages address different provisions, together they move several OBBBA international tax changes from statutory or notice-level frameworks into more detailed operating rules. The proposals may require coordinated consideration across transactions, elections, data & reporting, and implementation.

Transaction and ownership impacts: The CFC pro rata share and Section 250 proposals may be particularly relevant to acquisitions, dispositions, and restructurings. Under the proposed pro rata share rules, a shareholder that disposes of CFC stock during the year may retain an allocation of subpart F income or tested income attributable to its ownership period even if it does not own the CFC at year-end. Mandatory closings when a corporation becomes or ceases to be a CFC, and elective closings following certain significant ownership changes, also can affect the timing of inclusions, Section 956 computations, foreign tax allocations, short-period reporting, and information exchanges between buyers and sellers. The Section 250 proposal similarly makes asset and transaction characterization a threshold consideration, including the historical status of depreciable or amortizable property and, for software transactions, the nature of the rights transferred.

Election and modeling considerations: Several of the proposals provide elections that can produce materially different results depending on a taxpayer's facts. The Section 898 rules introduce four elections affecting the allocation and timing of certain foreign taxes, with potential consequences for the availability and timing of foreign tax credits. The Section 987 CFC exemption election can reduce recurring Section 987(3) compliance, but taxpayers should weigh that benefit against the treatment of pre-election gain or loss, the inability generally to recognize future Section 987 losses, consistency and revocation requirements, and potential gain on certain inbound restructurings. The CFC pro rata share proposal adds another transaction-specific decision: controlling Section 958(a) US shareholders may elect to close a CFC's tax year following certain ownership decreases exceeding 50 percentage points, subject to detailed procedural and consistency requirements.

Data and reporting requirements: Taxpayers should assess whether existing processes can support the information and reporting need to apply the proposals. The CFC pro rata share rules increase the importance of tracking changes in direct and indirect ownership, stock issuances and redemptions, and outstanding share counts for allocation and Form 5471 reporting purposes. Section 250 may require historical asset information because previously depreciable, amortizable, or depletable property can remain within the exclusion after refurbishment, remanufacturing, or conversion to inventory. Section 960(d)(4) also increases the importance of PTEP tracking because taxpayers must distinguish Section 951A PTEP based on whether the related US shareholder inclusion year ended before or after 28 June 2025. Although the Section 987 election may reduce recurring compliance, taxpayers would continue to need information necessary to determine and translate QBU income or loss and apply the transition and inbound-transaction rules.

Administrative

USA(Continued)

Early reliance and timing: Taxpayers considering early reliance should evaluate the package-specific requirements and coordinate implementation across affected entities and related parties. For example, early reliance on the CFC pro rata share proposal requires the taxpayer and its related parties to apply the proposed regulations in their entirety and consistently. Taxpayers also should consider whether provisions affecting their transactions, structures, or compliance processes warrant comments before the applicable deadlines.

For information on these proposed regulations, please see the PwC Tax Insights:

Treasury proposes new CFC pro rata share rules

Proposed regulations would ease Section 987 rules for CFCs

Proposed regulations address Section 898 transition rules and Section 960(d)(4) FTC disallowance

Proposed rules clarify Section 250 property dispositions

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Judicial

India

Supreme Court dismisses Revenue's SLP on royalty treatment of live cricket transmission rights

The issue is whether payments for rights limited to the live relay or telecast of cricket matches constitutes royalty under section 9(1)(vi) of the Income-tax Act, 1961. The underlying Delhi High Court decision held that payments for live telecast rights covering matches in a series held within 12-months were not taxable as a royalty. However, the Revenue challenged the High Court decision before the Supreme Court. The Supreme Court condoned the delay in filing the Special Leave Petition and dismissed it in view of its order in the case of Shine Satellite Public Company Limited. Although the Supreme Court's order did not separately analyse the royalty issue, the dismissal left undisturbed the principle that payments for rights restricted to live transmission of the relevant matches are not royalties.

The High Court's reasoning was that royalty presupposes an enduring benefit. Accordingly, the analysis may differ where the agreement permits the licensee to record or preserve the feed, re-telecast it, or show the matches in the future or beyond the relevant event.

Multinationals making payments for Indian sports or other live-transmission rights should review whether the agreement is limited to live-feed exhibition or also grants rights to record, preserve, re-telecast, or otherwise use the content beyond the relevant event or period. Relevant agreements and supporting documentation showing the scope, duration, and permitted use of the licensed rights need to be retained by the company.

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Judicial

Mexico

Mexican Federal Tax Courts examine beneficial ownership

The Mexican Federal Tax Court (Tribunal Federal de Justicia Administrativa – TFJA) issued several isolated precedents that examine the concept of beneficial ownership in the context of dividends and interest paid under Mexico's tax treaties. In these decisions, the court concluded that an entity resident in a treaty jurisdiction will not be regarded as the beneficial owner where, based on contractual arrangements or a broader assessment of the surrounding facts and circumstances, it is effectively required to transfer the income to a related-party resident in a third jurisdiction (even if the third jurisdiction has a tax treaty in place with Mexico).

These rulings reinforce Mexico's substance-over-form approach in assessing entitlement to tax treaty benefits and confirm that reduced withholding tax rates or exemptions could be denied where the recipient does not demonstrate effective control over, and economic enjoyment of, the income. The decisions are broadly consistent with the OECD Model Tax Convention Commentaries, and indicate an increased focus on the factual and functional analysis of holding and conduit structures involving Mexican-source income.

For more information see our PwC Insight.

Taxpayers should review their holding company or transaction structures, especially for dividend, royalty, and interest payment structures involving Mexico. They also should assess whether intermediate entities have sufficient economic substance and maintain robust documentation supporting beneficial ownership. Existing arrangements relying on treaty relief could require restructuring or additional support to mitigate potential withholding tax exposure upon a Mexican tax authorities audit.

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USA

Tax Court rejects Section 245A limitation

What happened?

The United States Tax Court, in an opinion filed 15 July 2026, held that Siemens Medical Solutions USA, Inc. was entitled to a full dividends-received deduction under Section 245A for a dividend received from a foreign subsidiary in March 2019. The court concluded that the rules governing certain extraordinary dispositions under Temp. Treas. Reg. 1.245A-5T (the ‘Extraordinary Disposition Rules’) could not reduce the deduction because the regulation conflicted with the clear statutory text.

Why is it relevant?

The opinion rejects a Treasury regulation that attempted to close a transition-period gap created by differing effective dates in the Tax Cuts and Jobs Act (TCJA). The court reasoned that Treasury may not use regulatory authority to add a limitation that Congress did not include in the statute, even where Treasury believes the limitation is consistent with the broader policy of the international tax regime and where Congress has granted limited regulatory authority.

The decision closely follows the Tax Court’s reasoning in *Varian Medical Systems, Inc. & Subs. v. Commissioner*, 163 T.C. 76 (2024), and applies the post-Loper Bright framework requiring courts to independently determine the best reading of the statute. It reinforces that a general grant of authority to issue ‘necessary or appropriate’ regulations does not permit Treasury to contradict an unambiguous statutory rule.

For more information read our Tax Insight

Taxpayers with prior year or pending Section 245A positions involving the Extraordinary Disposition Rules should identify affected years, quantify potential adjustments, and consider whether protective or affirmative refund claims, amended returns, or changes to pending controversy positions may be appropriate. Taxpayers also should consider reviewing documentation supporting the statutory qualification analysis, relevant controlled foreign corporation tax years, the source and timing of earnings and distributions, and any disclosure positions previously taken.

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Glossary

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

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