International Tax News

Start



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Welcome

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

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Cross Border Tax Talks

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

Still tariffied: Refunds, reshoring and risk

Doug McHoney (PwC's International Tax Services Global Leader) is joined by Chris Desmond, leader of PwC US's Global Trade Services practice and, as Doug puts it, a 'reformed Transfer Pricing Partner.' Doug and Chris, recording at PwC's 2026 Global Transfer Pricing, Trade, and Indirect Taxes Conference in Chicago, discuss the progress of IEEPA tariff refunds and the related accounting, legal-entity, and transfer pricing decisions; continuing US tariff authority and trade tensions involving China, the European Union, Canada, and Mexico; and selective supply-chain reshoring. They also examine pharmaceutical tariff developments, White House deals, customs valuation and reconciliation, first-sale planning, and heightened audit exposure. The conversation closes with AI's potential and limitations in trade compliance and three priorities for tax leaders: aligning customs and tax data, coordinating transfer pricing adjustments, and scenario planning.

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Welcome Video

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



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Legislation

Denmark

Finance Bill 2027

The Danish Government presented its proposal for the 2027 Finance Bill (the National Budget) on 9 October 2026. The proposal commits funding to tax cuts, but also proposes a number of new adverse initiatives.

Several of the initiatives will be implemented through separate legislation and are not expected to take effect until 2028 or later. The exact content and final effective dates will therefore depend on the ongoing legislative process.

Corporate income tax rate to be reduced by 3 percentage points in 2030

The government proposes to reduce the corporate income tax rate by 3 percentage points in 2030 (from 22% to 19%).

17-year cap on the carry forward of tax losses for companies

As part of financing measures, the government proposes to limit companies' ability to carry forward tax losses beyond 17 years.

Removal of enhanced research and development deductions

The government proposes to abolish the enhanced research and development deduction (super deduction). This conflicts with the political agreement of the prior government, which planned to increase the deduction for qualifying expenses to 120% in 2028. Removing the benefit would impact the assumptions for already planned research and development activities.

Danish tech tax

The government wants to take point within the European Union on stricter regulation of large tech companies. In relation to this, the government proposes to apply a special tech tax on tech company revenue.

No details have yet been released on its design or scope. The government emphasizes that the Danish tech tax is expected to be developed in close cooperation with other EU Member States.



Legislation

Denmark (Continued)

The rate reduction, the removal of the enhanced research and development deduction and the limitation of the tax loss carryforward period should be considered together. From earlier announcements, a phased implementation for the rate cut was contemplated, but no such wording was included in the finance bill.

Taxpayers should consider how the timing of profits, deductions and activities could be impacted by these changes and to what extent planning of activities and tax return elections should be reconsidered.

The proposed 17-year cap on loss carryforwards makes it relevant for groups to map their Danish losses by the year in which they arose and assess how quickly they can be used, given the annual limit on loss offsets. Where losses risk expiration, their use could be accelerated, for example by claiming less tax depreciation or early realization of taxable gains.

Groups with significant Danish research and development activity should reassess the business case for planned projects, as the removal of the enhanced deduction may affect their effective tax cost.

The proposal for a tech tax has been a key policy aim for some parties in the Danish Parliament for some years now. Notably, the initiative now has been included as a source of revenue in the finance bill. The finance bill does not address the overarching issue with a digital/tech tax, namely the potential for retaliatory measures. The risk of retaliation has been a key political issue for Denmark in the past as this likely would make a tech tax unfeasible from a tax revenue point of view.

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Legislation

Denmark

Limited tax liability for non-resident companies on interest and interest-like payments

The 2027 Finance Bill would extend Danish tax liability for non-resident companies on interest on controlled debt so that it also covers interest-like payments. The stated aim is to ensure that parent companies resident in low-tax jurisdictions cannot avoid Danish tax on payments made by Danish subsidiaries on intra-group debt.

Under current rules, non-resident companies are subject to Danish withholding tax liability on interest on controlled debt. The same applies to capital gains on controlled debt claims issued below par with a pre-agreed redemption premium. No tax is withheld if the tax is waived or reduced under the EU Interest and Royalties Directive or a tax treaty. Nor is tax withheld if the interest is subject to CFC taxation abroad, or if it can be documented that the foreign tax on the interest is at least three-quarters of the Danish corporate tax. In practice, the rules therefore mainly apply to low-taxed group companies in non-treaty, non-EU/EEA jurisdictions.

According to the explanatory notes, it is not appropriate that parent companies in low-tax jurisdictions can avoid Danish limited tax liability simply by making small changes to the financial instrument or to the calculation of the return, so that the payment no longer formally counts as interest on controlled debt. The Ministry of Taxation identifies three gaps:

1. **Profit-dependent returns:** Under current Danish tax practice, a return that depends on the debtor's profits should not be treated as interest. Instead, it should be treated as a capital gain, which falls outside the withholding tax regime.
2. **Hybrid capital:** Instruments with no genuine repayment obligation should not be treated as debt for Danish tax purposes. The return on them is therefore neither interest, a capital gain, nor a dividend subject to Danish withholding tax.
3. **Control without shareholding:** A creditor that exercises control over the debtor through an agreement on joint control, without being a shareholder itself, is not covered by limited tax liability.

The draft bill would try to close these gaps by, among other things, introducing a new section in the Danish Corporate Tax Act. The provision would bring "other interest-like amounts on controlled debt" within the scope of Danish withholding tax. The broader interest concept of the OECD Model Convention is used as the starting point.

The existing exemptions also apply to the new categories. The explanatory notes stress that the meaning of 'interest' elsewhere in Danish tax law is not affected, and that hybrid instruments would still not be treated as debt for Danish tax purposes.

The rate remains at 22%, and the Danish-paying company would have to withhold the tax. If enacted, the rules would apply to payments made on or after 1 April 2027. The draft bill contains no transitional rules for existing instruments.

Legislation

Denmark (Continued)

Groups and investors with Danish investments should map their financing of Danish entities to identify arrangements that might fall within the new rules. This includes profit-participation loans, hybrid capital, financing fees, and fund or co-investment structures, where control may exist in practice even without a shareholding. As the rules are proposed to apply to payments made on or after 1 April 2027, with no transitional rules for existing instruments, this review should be carried out well before that date.

For each arrangement in scope, taxpayers should consider whether relief is available, e.g., under the EU Interest and Royalties Directive or a tax treaty.

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Legislation

Finland

Government proposal for new tax credit for clean industrial investments

The Finnish Government issued on 15 October a Government Proposal (HE 249/2026 vp) on a new tax credit for clean industrial investments granted in 2027 and 2028. The tax credit would constitute State aid under EU law and has been designed to meet the requirements of the European Commission's Clean Industrial Deal State Aid Framework (CISAF). Finland pre-notified the scheme to the European Commission on 12 March 2026.

The tax credit could be granted for investments in the production of renewable fuels, long-term storage of heat and electricity, as well as storage of heat for industrial use, investments reducing industrial greenhouse gas emissions and energy consumption, and investments in clean technology manufacturing capacity. Investment projects reducing industrial greenhouse gas emissions and energy consumption would need to reach a minimum size of EUR 50 million, which could be calculated at investment programme level, whereas investments in clean technology manufacturing capacity would need to reach EUR 50 million per plant. For energy production and storage investments, no euro-denominated minimum size would apply.

The tax credit generally would amount to 20% of the eligible investment costs, but for clean technology manufacturing investments it could in certain situations be limited to 15% due to the restrictions of the State aid framework. The maximum amount of the tax credit would be EUR 150 million per group.

The tax credit would be deducted from the corporate income tax payable in the tax year of completion of the investment project and the following 19 tax years, but no earlier than in the tax year beginning in calendar year 2029. In one tax year, no more than 10% of the granted tax credit could be deducted. The tax credit must be applied for from Business Finland before the start of work on the investment and no later than the end of 2027. Business Finland would act as the State aid authority and must decide on granting the tax credit by 30 June 2028. The proposed law is intended to enter into force as soon as possible in early 2027 after it has been approved by Parliament and the European Commission has approved the State aid.

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The continuation of the tax credit with a maximum amount of EUR 150 million per group is a significant incentive to attract new clean industrial investments to Finland. Since the tax credit can only be used against corporate income tax payable and no refund would be available, the actual possibilities to utilise the tax credit will depend on the profitability (i.e., taxable profits) of the new investment. In addition, the application must be filed before the start of work on the investment and by the end of 2027. Companies planning eligible investments should therefore follow the legislative process and prepare their applications in good time.

Further, the tax credit could result in top-up taxes payable for Pillar Two purposes if the group's effective tax rate in Finland falls below 15%. According to the Government Proposal, the new tax credit is, however, expected to meet the conditions of the proposed safe harbour for qualified Substance-Based Tax Incentives, meaning that it would not be treated in full as a reduction of covered taxes. Pillar Two implications nevertheless should be analysed on a case-by-case basis.

Legislation

Hong Kong

Government proposes tax concession under preferential policy package to attract strategic industries and investments

Following the 2026 Policy Address announced in September 2026, the government has submitted a paper to the Legislative Council (LegCo) Panel on Financial Affairs, setting out more details of the proposed concessionary tax regime under the preferential policy package to attract strategic industries and investments.

The proposed regime would target qualifying enterprises operating in key sectors such as advanced manufacturing, research and development in innovation and technology, headquarters activities, logistics and supply chain management, and finance. Approved enterprises could enjoy a concessionary tax rate of 5% or half-rate (i.e. 8.25% for corporations) for up to five years, subject to minimum substantial activity thresholds and ongoing compliance with the conditions set out in the approval certificate. Extension beyond five years would be available through a fresh application supported by a new investment or development plan. While the proposed regime would be available to both enterprises newly established in Hong Kong and those already operating in Hong Kong, for the latter the concession would apply only to qualifying incremental profits derived from the relevant activity.

The government plans to introduce an amendment bill into the LegCo in December 2026, with a view to implementing the proposed regime with effect from the year of assessment 2027/28.

For more information see our news flash.

The proposed regime would be a significant addition to Hong Kong's efforts to attract strategic industries and investment through a more tailored approval framework. For businesses in the target sectors, the key question will be whether the final regime provides sufficient clarity on eligibility criteria and the conditions that may be attached to approval, and whether it is ultimately attractive enough to support new investment or the return of activities to Hong Kong.

If you have any comments on the regime or would like to discuss how it could affect your investment, expansion or relocation plans, please do not hesitate to contact us.

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Legislation

Ireland

Ireland: Finance Bill 2026 – key corporate tax updates

Following the announcement of the Irish Budget on 6 October, the Finance Bill 2026 (the Bill) was published on 19 October 2026.

The Bill contains the draft legislation to implement many of the Irish Budget 2027 announcements including a reduction in the standard rate of capital gains tax, updates to Pillar Two legislation, enhancements to the R&D tax credit regime, changes to the interest deductibility rules, and amendments to the corporation tax preliminary tax payment requirements.

Capital Gains Tax

The Bill reduces the standard rate of capital gains tax from 33% to 31% for certain disposals made on or after 7 October 2026.

Pillar Two

As expected, the Bill implements the OECD's January 2026 Side-by-Side Package, introducing the Side-by-Side, UPE and Substance-Based Tax Incentive Safe Harbours from 1 January 2026, extending the Transitional CbCR Safe Harbour by one year, and introducing a permanent Simplified ETR Safe Harbour.

The Bill also addresses the Transitional UTPR Safe Harbour for 52–53-week fiscal years, excludes explicitly conditional top-up taxes from qualified status, and updates the operation of the Qualified Domestic Minimum Top-up Tax (QDMTT) Safe Harbour. For Irish QDMTT purposes, the rule aligning an entity's accounting period with the group fiscal year following specified formation, liquidation, merger, division, acquisition, and permanent-establishment events is extended to the subsequent fiscal year for all listed events.

The Bill updates the penalty framework for failures relating to the GloBE Information Return and associated notifications.

R&D tax credit

The Bill introduces the following enhancements, generally for accounting periods ending on or after 23 December 2027. Enhancements include an uplift for labour costs, whereby qualifying R&D labour expenditure may be increased by 5% to reflect non-qualifying support costs incurred in the same trading activity, provided those costs are at least equal to the uplift. At the current 35% credit rate, this equates to an additional credit of up to 1.75% of qualifying labour costs.

The Bill also increases the limits in respect of subcontracted R&D, as well as first instalment payments.

A further Budget proposal would deem regulated clinical trial activity to satisfy the science test. That measure is not in the Bill as initiated and is expected to be considered later in the legislative process.

Interest deductibility

Following the Department of Finance consultation on reform of the taxation of interest, the Bill makes targeted amendments to the existing rules for interest on certain loans used for lending and investment activities. The changes would apply for accounting periods beginning on or after 1 January 2027. These changes are helpful and should simplify the practical application of Irish interest deductibility rules to certain qualifying investment activities. Further simplification measures have been signaled for future Finance Bills.

Other corporate measures

- **Knowledge Development Box (KDB):** The KDB is extended for five years to 1 January 2032.

Legislation

Ireland (Continued)

Other corporate measures

- **Preliminary tax:** The preliminary tax payment rules are updated to make the obligations easier to satisfy.
- **Interest Limitation Rule ("ILR") elections:** the Bill extends the deadline for making various ILR elections to two years after the end of the relevant accounting period.
- **Tax treaties:** the Bill gives effect to a new double taxation agreement with Liechtenstein and a protocol to Ireland's existing agreement with Sweden.
- **Start-up company relief:** the relief is extended to companies commencing a new trade between 1 January 2027 and 31 December 2030.
- **Enhanced Reporting Requirements:** from 1 January 2027, employers may continue real-time reporting of specified tax-free employee payments or opt to report by the 14th day of the month following the income tax month in which the benefit is provided.
- **VAT digital reporting:** the Bill provides the framework for mandatory structured e-invoicing and real-time VAT reporting.

The Bill combines targeted competitiveness measures with practical compliance changes. The reduced capital gains tax rate and enhanced innovation incentives are positive, while the financing and preliminary tax amendments should remove some operational friction.

Certain Budget announcements are not included in the Bill as initiated. These include the proposed treatment of regulated clinical trials under the R&D science test, enhancements to the Digital Games Tax Credit, and the replacement of the flat 20% Professional Services Withholding Tax rate with personalised deduction rates. Further amendments may arise later in the legislative process.

The Bill remains subject to amendment and enactment. Companies should continue to apply existing law until the relevant provisions take effect.

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Legislation

Panama

Panama enacts economic substance rules for foreign-source passive income

What happened?

Panama Law No. 526, enacted 28 May 2026, amends and adds articles to the Tax Code and creates an economic substance regime for certain foreign-source passive income earned by entities established or domiciled in Panama that belong to multinational groups. The Law was regulated by Executive Decree No. 32 of 2 September 2026.

The regime applies as of the 2027 fiscal period, that is, for fiscal years beginning on or after 1 January 2027.

Why is it relevant?

The new rules represent a significant change in Panama's tax framework, directly affecting multinational entities that use Panama as a regional platform. Panama's territorial tax system remains in place; however, entities that earn foreign passive income through Panama now must show real activity and meet minimum economic substance requirements in Panama. Income earned by an entity that does not meet those requirements is subject to a single and definitive 15% tax on net taxable income.

Companies should review their Panama structures to assess exposure to the new regime, identify economic substance gaps, revisit service provider arrangements, and prepare the information that must be reported, before the rules take effect in 2027.

For more information see our Tax Insight

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Legislation

Switzerland

Extension of tax loss carry forward period from seven to ten years

The Federal Council (Bundesrat) on 18 September set 1 January 2028 as the entry-into-force date for the extension of Swiss tax loss carry forwards (NOLs) for Swiss federal and cantonal corporate income tax from seven to ten years. This begins with NOLs incurred in financial year 2020.

Further, the relevant law was published in the Official Collection of laws (Amtliche Sammlung) on 21 September.

With that, the law can now be considered enacted (on both the federal and cantonal level). Taxpayers should consider situations with losses from foreign permanent establishments of Swiss companies where, as in the past, the cantons continue to have leeway to issue their own rules.

For more information see our news publication.

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Legislation

Switzerland

Lucerne Innovation Contribution

Effective 1 October 2026, the canton of Lucerne's new Innovation Contribution (Luzerner Innovationsbeitrag, LIB) provides cost-based funding for eligible R&D and innovation activities. Companies across all industries, including service providers, may apply, provided they meet the statutory requirements.

Eligible companies: To qualify, a company must:

- Be registered in the Lucerne Commercial Register
- Maintain a substantive economic presence in Lucerne, including premises and personnel
- Maintain reliable accounting records, generally evidenced by statutory financial statements subject to an ordinary audit, and
- Provide appropriate evidence of sustainable business conduct.

A company does not need a taxable profit to qualify; loss-making companies also can apply.

Qualifying activities: The following activities qualify:

- Basic research, industrial research and experimental development
- Significant organisational and process innovation
- Clinical studies
- Management and support tasks related to these activities.

Several transfer-pricing concepts are relevant when assessing qualifying activities. These include the Frascati criteria for identifying eligible R&D activities and the DEMPE framework for analysing contract research arrangements. Existing transfer-pricing documentation may therefore provide a valuable starting point for preparing the application.

Funding rates: The gross contribution is calculated by applying the following rates to qualifying expenditure:

- 30% of personnel expenses
- 20% of investment expenses
- 10% of contract research expenses
- 10% of other expenses.

The calculated contribution is reduced by:

- Tax savings from the Lucerne patent box
- Any other financial aid received for the same activities.

If total applications exceed the available budget, all contributions are reduced proportionally.

Form of the contribution: The LIB can be granted in one of three forms:

- A direct cash payment
- A Qualified Refundable Tax Credit (QRTC)
- A non-refundable tax credit.

Legislation

Switzerland (Continued)

The contribution for a given year is based on the financial year that ends two calendar years earlier. Transitional filing rules apply to the 2026 contribution year. Applications are due by 31 January of each contribution year, and late applications are not considered. For contribution years 2026 and 2027, the deadline is 31 January 2027. Applications must be submitted electronically on an entity-by-entity basis. Potential applicants should begin preparing their applications well in advance of the filing deadline by:

- Identifying eligible activities
- Checking that audited financial statements and sustainability evidence are available
- Modelling the expected net benefit after tax-incentive deductions
- Choosing the form of contribution that best fits their Pillar Two position.

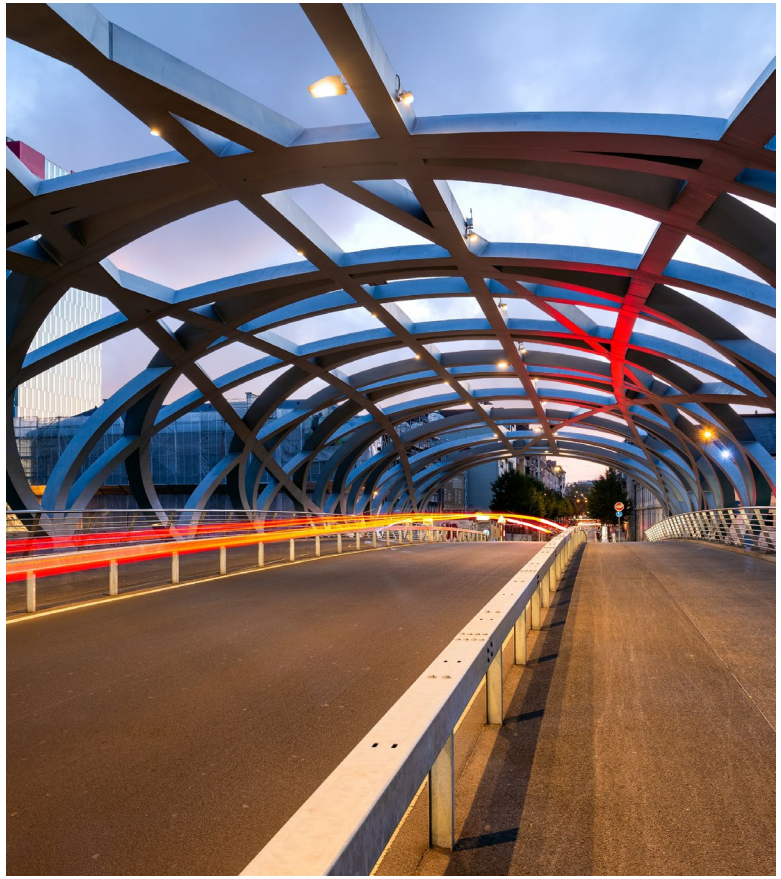
Early assessment is particularly important because applicants must identify qualifying activities, substantiate the related costs and assemble the required supporting evidence within a strict filing timetable.

The LIB demonstrates that Switzerland remains an attractive location for innovative companies and that the cantons are taking targeted measures to maintain this position. In addition to Lucerne, cantons like Zug, Basel-Stadt and Graubünden have introduced comparable instruments. Other cantons are considering similar incentive mechanisms.

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Administrative

New Zealand

Software payments – foreign tax credit availability

Inland Revenue has released a draft Interpretation Guideline (PUB00266) on payments by New Zealand entities to non-resident software suppliers. The draft provides guidance for cloud computing and software reseller arrangements. Under Inland Revenue's interpretation, payments by a software or SaaS reseller generally will not be royalties where the reseller is simply on-selling access and does not obtain substantive rights to commercially exploit the underlying copyright. The draft does not change Inland Revenue's existing interpretation.

This contrasts with approaches being taken in some other jurisdictions. In Australia, for example, the ATO's recently finalised TR 2026/2 adopts a broader interpretation of software royalties. The ATO considers that a royalty may arise where a local reseller is involved in authorising customer access to software or in the 'communication' of software to customers, even where it does not have traditional rights to reproduce or modify the software. We have also observed a broader interpretation of software royalties being taken in other offshore jurisdictions.

Why does this matter? The differing interpretations of whether the reseller is paying a royalty can have an important New Zealand foreign tax credit consequence. Where non-New Zealand withholding tax has been deducted by a payer to a New Zealand recipient on the basis that a software distribution payment is a royalty, but Inland Revenue considers the same payment is not a royalty and the foreign jurisdiction therefore has no taxing right under the relevant Double Tax Agreement, we understand Inland Revenue's view to be that the foreign withholding tax is not creditable in New Zealand.

The developments highlight an issue for New Zealand software and SaaS groups operating internationally. The same cross-border payment may be regarded as a royalty by the source jurisdiction but not by Inland Revenue. Where this occurs, the New Zealand recipient may face foreign withholding tax without a corresponding New Zealand foreign tax credit, potentially resulting in double taxation or cash-tax leakage.

Groups should therefore review software reseller and distribution arrangements on a jurisdiction-by-jurisdiction basis. They should pay particular attention to the rights granted to local distributors, how customers obtain access to the software, and whether the overseas jurisdiction takes a broader view of the characterisation of payments as royalties than Inland Revenue. The issue is particularly relevant to Australian arrangements following the release of TR 2026/2.

Inland Revenue's PUB00266 remains in draft, with submissions due 31 October 2026, providing an opportunity to seek greater clarity on how foreign tax credit relief should operate where treaty partners adopt differing interpretations of the same software payment.

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Administrative

Singapore

Advance rulings on the taxability of gains from transfers of property and intellectual property rights

On 1 October 2026, the Inland Revenue Authority of Singapore (IRAS) published summaries of three advance rulings on the following issues:

- Confirmation 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 are 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 varied from 7 to 18 years
  - the circumstances for the disposals
  - supplementary work done on the properties
  - mode of financing.
- Confirmation that the gains arising from the transfer of intellectual property rights (IPRs) pursuant to internal group reorganisation are capital in nature and therefore not taxable. The IRAS cited the following reasons for its decision:
  - nature of the company's business as the group's Asia Pacific regional entrepreneur since it acquired the IPRs
  - that the transfer of the IPRs is due to an internal group reorganisation
  - following the transfer of the IPRs, there will be a complete sterilisation of the company's profit-making apparatus; it will become a service company and eventually become dormant.

However, as the company had previously claimed writing down allowances on the initial acquisition of the IPRs, a charge based on the lower of the transfer price or the capital expenditure incurred in acquiring the IPRs will be taxed.

- Confirmation that redeemable, non-convertible, non-cumulative, participating, non-voting preference shares (RPS) are treated as equity for Singapore income tax purposes, and dividends received by subscribers on the RPS will be exempt from tax under the Income Tax Act 1947.

These rulings are highly fact-dependent and typically attract the IRAS' scrutiny when the quantum is sizable. Taxpayers with favourable fact patterns supported by good documentation may wish to similarly consider seeking an advance ruling to secure upfront certainty of the tax treatment and to avoid protracted disputes with the IRAS after the tax return is filed.

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Administrative

Singapore

IRAS publishes list of incentives qualifying for the substance-based tax incentive safe harbour

On 13 October 2026, the Inland Revenue Authority of Singapore (IRAS) updated its guidance on the Global Anti-Base Erosion (GloBE) Rules and Domestic Top-up Tax (DTT) to implement the Substance-based Tax Incentive Safe Harbour in Singapore. The guidance includes a list of Qualified Tax Incentives (QTIs). The guidance also explains that while certain expenses are generally not deductible under the Income Tax Act 1947, e.g., if they are capital in nature or have not been incurred in the production of income, they may be included as a QTI if there are legislative provisions specifically allowing the deduction for policy reasons such as to encourage innovation and philanthropy.

This is a significant development as it provides certainty on Singapore tax measures that qualify for the substance-based tax incentive safe harbour, which will favourably impact the effective tax rate calculation for DTT purposes.

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Administrative

Uruguay

Regulatory Decree on Non-Resident's Income Tax applicable to dividend distributions

Uruguay published Decree No. 427/026 on 8 October 2026, regulating the changes introduced by Law No. 20,446 (the 2025–2029 National Budget Law) to the taxation of dividends and profits distributed to non-residents.

Before the aforementioned Law entered into force, dividends and profits paid to non-residents were subject to tax only when distributed by corporate income tax (CIT) taxpayers out of income subject to CIT.

The amended rules introduce an additional taxable event covering distributed dividends and profits. This additional taxable event occurs where:

- the dividend or profit is taxable in the beneficiary's jurisdiction of residence; and
- that jurisdiction allows a tax credit for the tax paid in Uruguay.

The new regime applies to distributions made on or after 1 January 2026.

The Non-Resident's Income Tax (NRIT) rate remains unchanged at 7%. Accordingly, the measure does not increase the applicable rate; rather, it broadens the scope of distributions that may be subject to tax.

The decree also regulates the mechanism that limits NRIT where the tax rates applicable in Uruguay and the beneficiary's jurisdiction of residence differ. Under this mechanism, the tax imposed under the additional taxable event may not exceed the tax credit available in the beneficiary's jurisdiction of residence. Accordingly, the aggregate of (i) the tax imposed on distributions of dividends and profits, irrespective of the underlying income from which they arise, and (ii) the tax attributable to underlying income subject to tax may not exceed the amount that effectively may be claimed as a tax credit in the beneficiary's jurisdiction of residence.

The decree further provides that the Uruguayan Tax Authority (DGI) will establish the terms and conditions for demonstrating that the tax cannot be credited abroad. For these purposes, the DGI may establish simplified procedures where the beneficiary's jurisdiction of residence either does not tax the dividends or profits received or, despite taxing them, does not allow a tax credit for the tax withheld in Uruguay.

Finally, the decree provides that, where NRIT withheld in Uruguay cannot be credited, in whole or in part, in the beneficiary's jurisdiction of residence, the corresponding amount may be refunded, provided that the inability to claim the credit is duly substantiated.



Administrative

Uruguay (Continued)

The new regime aims to shift the taxation of dividends from the beneficiary's jurisdiction to Uruguay, without increasing the shareholder's overall tax burden. However, this will ultimately depend on whether the Uruguayan tax can be fully credited in the beneficiary's jurisdiction.

Companies with Uruguayan subsidiaries should review distributions made since 1 January 2026 and reassess planned dividends by reference to each shareholder's jurisdiction, including the local tax treatment of the dividend and the availability and amount of any foreign tax credit. They also should retain supporting documentation and assess whether refunds may be available for the NRIT withheld in Uruguay.

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Judicial

India

Tribunal bars importing indirect transfer rules into India–Ireland treaty

The Delhi bench of the Income-tax Appellate Tribunal concluded that gains earned by an Irish tax resident from transferring its ownership interest in a US entity, which held an Indian company, to another group entity as part of a global internal restructuring were not taxable in India under the India–Ireland tax treaty. Since the transferred interest was in a US-resident entity, Article 13(5) of the India–Ireland tax treaty did not apply. The gains were covered within Article 13(6) of the India–Ireland tax treaty and were taxable only in Ireland. The Tribunal concluded that the term 'alienation' should be given its ordinary treaty meaning and that, in the absence of ambiguity, the India–Ireland tax treaty could not be used to import the domestic-law definition of 'transfer' or the indirect-transfer deeming rule into the treaty. The Tribunal also found no evidence of treaty abuse or artificial structuring and concluded that Article 6(1) of the Multilateral Instrument had been incorrectly invoked.

Separately, following relevant Supreme Court, Delhi High Court, and earlier Tribunal rulings, the Tribunal concluded that receipts from the sale of standard software and related support were not taxable in India as royalty or fees for technical services (FTS) under the India–Ireland tax treaty.

For more information see our Tax Insights.

The ruling reiterates that domestic-law definitions and deeming provisions cannot expand India's taxing rights under a tax treaty unless the treaty language is genuinely ambiguous.

US multinationals with Irish entities should review restructurings involving transfers of interests in non-Indian entities holding Indian companies, as the treaty outcome may depend on the entity whose interest is transferred.

Companies should retain documentation supporting the restructuring's commercial rationale, ownership chain and treaty position, particularly where treaty abuse is alleged.

US multinationals providing standard software and related support to India should also review their contracts and service descriptions to support non-taxability as royalty or FTS under the tax treaty.

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Treaties

India

Central Government notifies protocol amending India–Mauritius tax treaty with new ‘Entitlement to Benefits’ provisions

India and Mauritius signed a protocol amending their tax treaty. The protocol, signed on 7 March 2024, entered into force on 10 August 2026 after both countries completed the required procedures. India’s Central Government has now notified the protocol, which replaces the treaty’s preamble and adds Article 27B, titled ‘Entitlement to Benefits.’ Article 27B may deny a treaty benefit where, having regard to all relevant facts and circumstances, it is reasonable to conclude that obtaining the benefit was one of the principal purposes of an arrangement or transaction that directly or indirectly produced it. The benefit may nevertheless remain available where granting it would be in accordance with the object and purpose of the relevant treaty provisions. The revised preamble addresses tax evasion, tax avoidance and treaty-shopping arrangements intended to provide treaty relief indirectly to residents of third jurisdictions. The amendments apply from 10 August 2026, regardless of when the relevant taxes are imposed or the tax years to which they relate.

For more information see our Tax Insights.

Taxpayers seeking benefits under the India–Mauritius tax treaty should assess whether obtaining treaty benefits could be viewed as one of the principal purposes of the relevant arrangement or transaction. They should retain evidence demonstrating that the claimed benefit is consistent with the object and purpose of the relevant treaty provisions. The specific grandfathering protections previously clarified by the Central Board of Direct Taxes remain relevant, although the impact should be assessed based on the particular transaction and the applicable judicial anti-avoidance principles.

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Treaties

Singapore

Singapore signs new treaty with the Kyrgyz Republic and concludes negotiations for an updated treaty with the Philippines

Singapore signed a new treaty with the Kyrgyz Republic on 12 October 2026. The treaty clarifies the countries' respective taxing rights on income arising from cross-border business activities and provides for reduced withholding tax rates of 5% (at least 25% shareholding) and 10% on dividend income, and 8% on interest and royalty income.

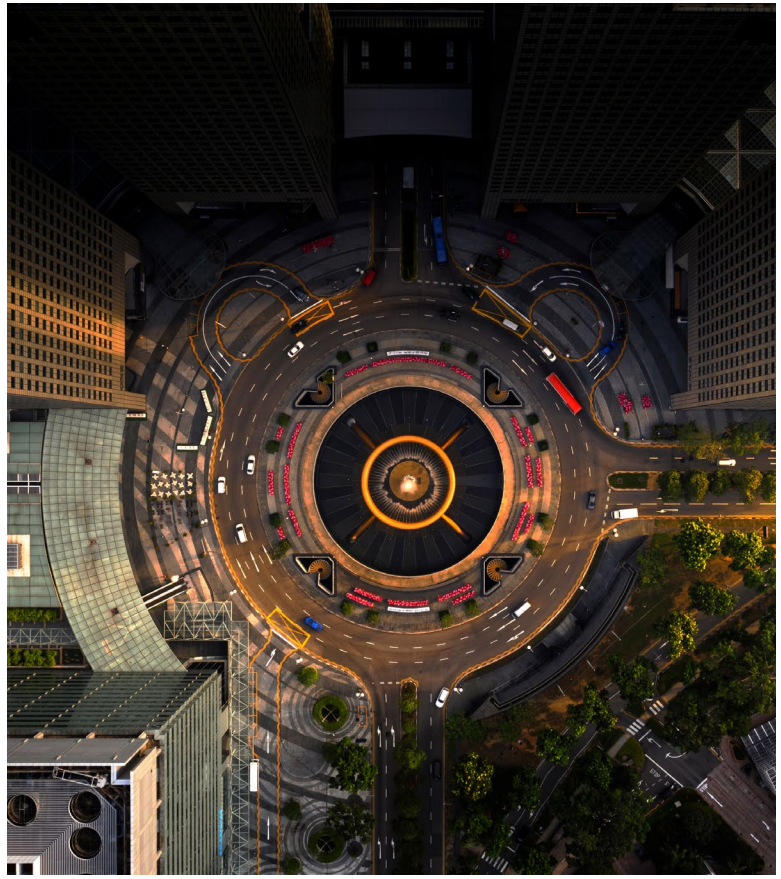
The Philippines Department of Finance (DOF) announced on 2 October 2026 that it had concluded negotiations with Singapore to update the existing 1977 tax treaty. Details of the revised treaty have not been published, but the DOF states that it will provide clearer and more predictable rules for taxing cross-border income, strengthen cooperation between the respective tax authorities, and ensure fair taxation.

The treaty with the Kyrgyz Republic will lower barriers to cross-border investment, trade, and economic flows between the two countries as Singapore looks to strengthen its economic links with Central Asia; and the revised treaty with the Philippines is expected to support investment and economic growth given the significant flows of professionals, workers, businesses, capital, technology and services between the two countries.

Neither treaty is yet in force. The Kyrgyz treaty has been signed but not ratified, and the revised Philippines treaty has yet to be signed.

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Pillar Two

Austria

Pillar Two: Austria publishes QDMTT return

For Austrian companies and permanent establishments ('constituent entities') of groups within the scope of Pillar Two, the deadline for filing the Qualified Domestic Minimum Top-up Tax (QDMTT) return is approaching. The QDMTT return is the Austrian Pillar Two tax return in which the Top-up Tax payable in Austria must be declared. Nil returns must also be filed (particularly where the CbCR safe harbour applies). The relevant form now has been published on the Austrian tax administration's FinanzOnline platform.

- The Austrian QDMTT return must be filed by 31 December 2026 if the fiscal year corresponds to the calendar year ending on 31 December 2024. For fiscal years 2024/25 that do not correspond to the calendar year, the deadline is 31 December 2027.
- Any Top-up Tax payable in Austria must also be paid by that date.
- The obligation to file the QDMTT return (and to pay any Top-up Tax) applies to only *one* Austrian constituent entity, regardless of how many Austrian constituent entities the group has. This is the so-called 'Pillar Two taxpayer.' This entity is not necessarily the same constituent entity that submitted the notification regarding the submission of the GloBE Information Return ('GIR Notification'). Rather, the Pillar Two taxpayer is determined according to the following rules:
  - The ultimate parent company could designate an Austrian constituent entity to act as Pillar Two taxpayer. For the fiscal year 2024, such designation had to be submitted via FinanzOnline by 31 December 2024 (for fiscal years 2024/25 that do not correspond to the calendar year, by 31 December 2025).
  - If no Austrian constituent entity was designated, the top Austrian constituent entity in the group structure becomes the Pillar Two taxpayer. This is the Austrian constituent entity that directly or indirectly holds an interest in all other Austrian constituent entities, but in which no other Austrian constituent entity directly or indirectly holds an ownership interest.
  - If there is no top Austrian constituent entity (e.g. in sister-company structures / parallel structures), the economically most significant entity located in Austria is the Pillar Two taxpayer as a fallback. In assessing which Austrian constituent entity is the economically most significant one, the focus of the business activity, the level of turnover, and information from the Austrian Company Register, the GloBE Information Return and the CbCR must be taken into account.

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Pillar Two

Belgium

Belgian Pillar Two UTPR case advances

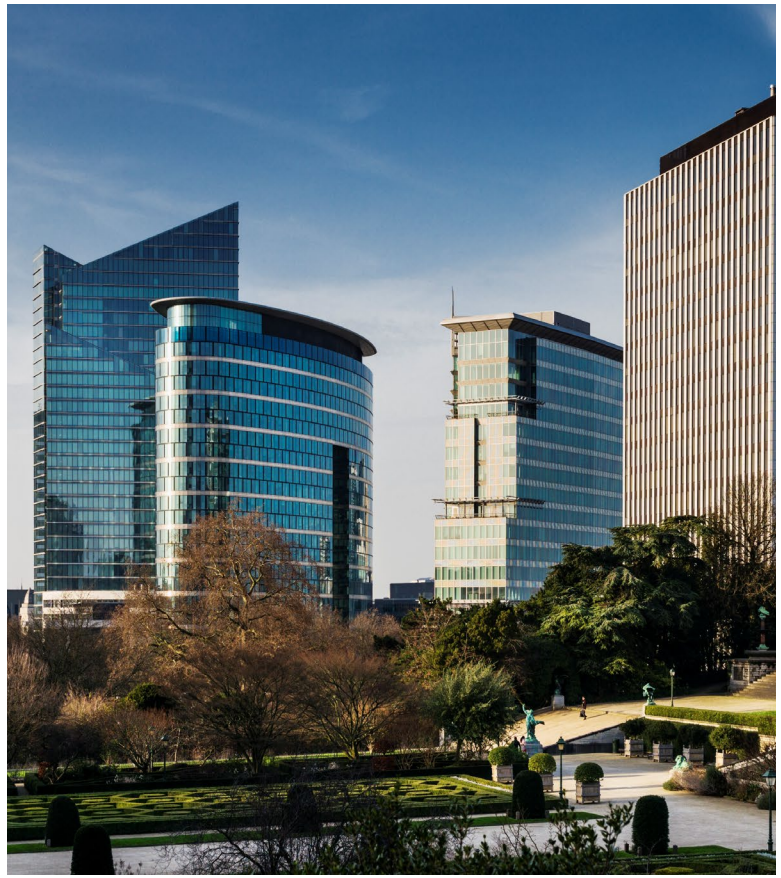
On 24 September 2026, the Belgian Constitutional Court held that the measures Belgium has taken, and still needs to take, following the Side-by-Side Package ('SbS') do not affect the proceedings pending before the Court of Justice of the European Union (CJEU). Consequently, the Belgian UTPR case will be handed over to the CJEU, which will have to rule on the preliminary question(s) referred to it by the Belgian Constitutional Court.

The Belgian Constitutional Court's decision has limited practical impact and Belgian subsidiaries of in-scope MNEs remain subject to Pillar Two compliance obligations. Pending a final CJEU ruling on the preliminary question(s), the Belgian UTPR remains in force. The outcome of the proceedings before the CJEU could have important implications for Pillar Two globally, particularly for the operation of the UTPR as its backstop mechanism. We will continue to monitor developments and keep you informed.

For more information see our News Alert

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Pillar Two

Denmark

Implementation of OECD Side-by-Side Package into Danish Pillar Two rules

The Danish Ministry of Taxation released for public consultation a draft bill amending the Danish Minimum Tax Act on 2 October 2026. The bill implements the OECD Side-by-Side Package published on 5 January 2026 and is expected to be presented to Parliament after the consultation closes on 30 October 2026.

The draft bill introduces the four new permanent safe harbours presented in the OECD Side-by-Side Package:

1. Side-by-Side (SbS) safe harbour
2. UPE safe harbour
3. Substance-based tax incentive safe harbour
4. Simplified ETR safe harbour

The SbS, UPE and Substance-based tax incentive safe harbours would apply with retroactive effect to fiscal years beginning on or after 1 January 2026. The Simplified ETR safe harbour would generally apply for fiscal years beginning on or after 31 December 2026, with an option to apply it one year earlier (i.e., where Denmark has the exclusive taxing rights, or the relevant jurisdictions with taxing rights have implemented the safe harbour as well).

The bill also extends the Transitional CbCR Safe Harbour by one year, to fiscal years beginning on or before 31 December 2027.

For foreign groups relying on the SbS or UPE safe harbour, the bill should provide a timely implementation to ensure its availability in accordance with the OECD ambitions.

The other items of the SbS package also should be implemented in accordance with the OECD timeline to ensure full and timely effect in the Danish implementation.

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Pillar Two

Israel

Uncertainty Around Transitional Safe Harbours and QDMTT Status

Israel introduced a DMTT effective for fiscal years beginning on or after 1 January 2026. While the law enacted in December 2025 broadly incorporates the OECD Model Rules, the Transitional Safe Harbours (TSH) and certain Pillar Two elections are expected to be introduced through separate Regulations, which are currently published in draft.

Due to the current election period, it is unclear whether these Regulations will be enacted by 31 December 2026. Whether Regulations could potentially be enacted in 2027 with retroactive effect for tax years commencing on or after 1 January 2026 is somewhat unclear. In addition, Israel's DMTT has not yet received formal 'Qualified' status nor QDMTT Safe Harbour status on the OECD Central Record.

This creates potential challenges for FY26 provisions, particularly for groups intending to rely on the TSH in Israel. If the Regulations are not 'enacted' or 'substantively enacted' by year-end, groups may need to assess whether the TSH can be applied or whether a full GloBE calculation is required. Potential IIR/UTPR exposure may also need to be considered.

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Pillar Two

Uruguay

Tax updates on Uruguayan DMTT under Pillar Two

What happened?

Uruguay published Decree 206/026 in the Official Gazette on 8 September 2026. This decree repeals Decree 325/025, which established the conditions under which Uruguayan Constituent Entities (CEs) of Multinational Enterprise (MNE) Groups covered by a tax stability clause in force when the Domestic Minimum Top-up Tax (DMTT) entered into effect, could qualify for a (full or partial) exemption from the tax.

The new decree replaces this exemption regime with a 'compensation' mechanism and sets out the DMTT obligations applicable to these taxpayers.

The migration from an exemption scheme to a tax obligation and subsequent compensation mechanism reflects Uruguay's efforts to ensure that the DMTT complies with and qualifies for OECD rules, while respecting previously assumed tax stability commitments with taxpayers.

Why is it relevant?

In December 2025, in line with the OECD's Pillar Two framework and through Budget Law 2025-2029, Uruguay introduced a DMTT to ensure that large MNE Groups are subject to a minimum effective tax rate of 15% in Uruguay. The DMTT applies to fiscal years ending on or after 16 December 2025. CEs of MNE Groups covered by a tax stability clause in force when the DMTT entered into effect may be eligible for (full or partial) compensation, provided applicable conditions are met.

Under Decree 325/025 (now repealed), qualifying CEs could be fully or partially exempt from the DMTT, provided certain conditions were met. Under the new regime, these CEs must calculate and pay the DMTT and claim compensation, subject to review and approval by the General Tax Office (DGI). However, payment may not be required if the DGI determines the compensation amount and notifies the taxpayer before the DMTT due date.

The overall DMTT regulations are still pending and not published. Key matters expected to be addressed include safe harbor considerations, treatment of asymmetric foreign exchange differences, income exclusions, and allocation rules among CEs.



Pillar Two

Uruguay (Continued)

Actions to consider

Qualifying Uruguayan taxpayers (i.e., those covered by a tax stability clause) potentially affected by the DMTT should assess whether they meet the conditions for full or partial compensation and proceed to prepare the supporting information required to initiate the administrative proceeding before the DGI. Where the applicable conditions are met, the compensation mechanism may provide substantial tax relief.

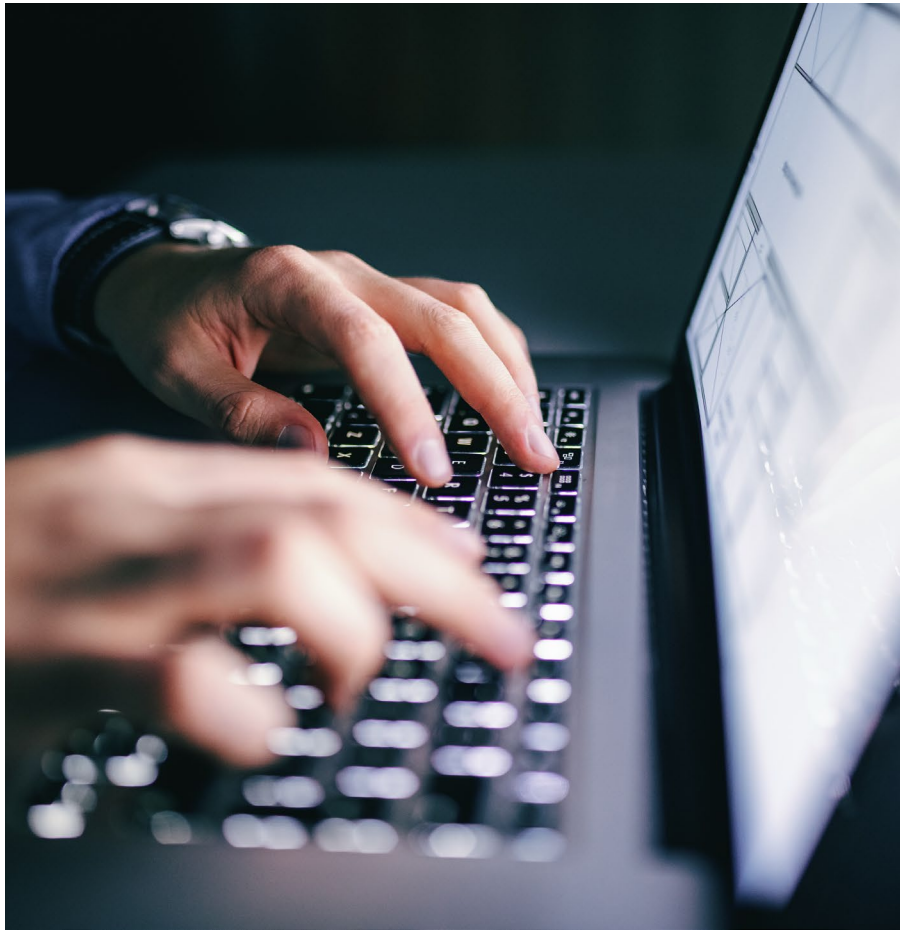
Early assessment and filing of the compensation claim may also allow the compensation amount to be offset against the DMTT liability, thereby avoiding an upfront tax payment followed by a subsequent reimbursement, provided that DGI determines the compensation amount and notifies the taxpayer before the DMTT due date.

For more information see our Tax Insight

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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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