



International Tax News

Start

September 2026
www.pwc.com/its



Welcome

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

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

Cross Border Tax Talks

Doug McHoney, PwC 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:

When regs lose their deference: Three cases rewrite the tax playbook

Doug McHoney is joined by Laura Williams, an international tax partner in PwC's Washington National Tax Services office and former branch chief in the IRS Office of Chief Counsel. Doug and Laura discuss the role of Treasury regulations, Section 7805(a), and the post-Loper Bright limits on agency deference and delegated authority.

Register for PwC's EU Foreign Subsidies Regulation Conference

As the EUFSR enters a decisive new phase – marked by the publication of the Commission's FSR Guidelines and the Impact Assessment Report of 14 July 2026 – we invite you to register for our Conference, entitled “Growing Pains and Growing Power: The EU FSR Comes of Age.” We will once again bring together leading policymakers, European Commission officials, industry leaders and top legal experts to assess the Regulation's evolving implementation and its growing impact on cross-border investments, M&A and public procurement. Click [here](#) for the registration site.

Douglas McHoney

International Tax Services Global Leader

+1 314-749-7824

douglas.mchoney@pwc.com

Welcome Video

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



In this issue

Legislation

Australia

- [Expanded CGT rules for foreign residents now law](#)

Italy

- [Cross-border merger and final loss relief](#)
- [New PE accounting requirements and increased withholding tax on dividends to European pension funds](#)

Mexico

- [Mexico's 2027 Economic Package](#)

New Zealand

- [Non-resident contractors' tax threshold to increase to NZ\\$75,000](#)

Legislation (continued)

Portugal

- [SIFIDE II and R&D investment funds](#)
- [Windfall tax on the oil sector \(CSTSP\)](#)

Singapore

- [Finance \(Income Taxes\) Bill published](#)

South Africa

- [Inbound debt — JIBAR transition, relaxation of exchange controls, and updates to interest limitation provisions](#)

Administrative

Australia

- [ATO finalises software royalty ruling and opens consultation on a new risk framework](#)

Singapore

- [Guidance published on enhancements to Enterprise Innovation Scheme \(EIS\)](#)
- [Waiver of loan ruled to be capital, and not taxable](#)

In this issue (continued)

Judicial

Australia

- [Anti-avoidance provisions applied to a property sale restructure](#)

Italy

- [Italian Supreme Court decision on beneficial ownership status](#)
- [PEX relief for pre-2024 EU disposals](#)

Treaties

China

- [Revised tax treaty between China and Norway entered into force](#)

Pillar Two

Bahrain

- [Recent Pillar Two Developments in Bahrain](#)

Brazil

- [Brazil extends transitional CbCR safe harbour and introduces the substance-based tax incentive safe harbour](#)

New Zealand

- [Proposed simplifications for Pillar Two compliance obligations](#)

Portugal

- [Pillar Two compliance developments](#)

Uruguay

- [Updates on Uruguayan Domestic Minimum Top-up Tax](#)

Legislation

Australia

Expanded CGT rules for foreign residents now law

The Australian Government's proposal to reshape how foreign residents are taxed on capital gains connected to Australian land and natural resources has been enacted and applies to capital gains tax (CGT) events from 1 October 2026.

Under the new law, Australia's foreign resident CGT base is broadened by a new statutory definition of 'real property' and a wider scope for Taxable Australian Real Property (TARP). This is expected to bring a broader range of infrastructure, energy and resource-related assets and rights within scope and should reduce the uncertainty that previously arose from differing Australian State and Territory treatment of things fixed or installed on land.

Christina Sahyoun

Australia
+61 403 658 464
christina.sahyoun@au.pwc.com

Luke Bugden

Australia
+61 412 695 670
luke.bugden@au.pwc.com

A revised principal asset test also now applies when determining whether a foreign resident's non-portfolio membership interest in an entity (for example, shares in a company or units in a trust) is an Indirect Australian Real Property Interest (IARPI) that would be subject to Australian CGT. The test may now be satisfied at any time during the 365 days preceding the CGT event, rather than only immediately before the disposal.

Those taxpayers with large share or unit transactions of at least AUD 50 million should also be aware of the requirement to notify the Commissioner of Taxation if it is asserted to the purchaser that the relevant interest is not IARPI. If not, the purchaser is obliged to withhold a proportion (currently 15%) of the purchase price and remit it to the Commissioner. Related transactions are aggregated, so a transaction cannot be split to fall below the threshold.

During its passage through Parliament, the targeted, time-limited 50% CGT discount that applies to certain foreign investors that dispose of eligible Australian renewable energy assets was extended by ten years such that it applies until 30 June 2040.

For further detailed information about these proposed amendments, refer to our [Tax Alert](#).

The expanded rules may materially increase the Australian CGT exposure of foreign investors holding interests in infrastructure, energy, and resources businesses, particularly where value is derived from licences, rights, or other things fixed or installed on Australian land. Notably, there is no market value cost base reset for assets newly brought within the regime, so gains that accrued before commencement may still be taxed on a later disposal. Existing ownership structures and proposed transactions should therefore be reassessed under the new rules rather than relying on conclusions reached under the previous law. For share or unit transactions of AUD 50 million or more, parties should also establish procedures to support any declaration that an interest is not IARPI and to satisfy the associated Commissioner notification requirements.

Legislation

Italy

Cross-border merger and final loss relief

Article 10 of Legislative Decree 148/2026 introduces a specific framework allowing, under certain conditions, a company that is tax-resident in Italy to utilise, following a merger, the 'final' tax losses of companies resident in an EU or EEA State (that has an effective exchange of information agreement in place), belonging to the same group.

The provision applies to tax losses incurred by companies resident in:

- another EU Member State, with no additional territorial requirements;
- an EEA Member State (Norway, Iceland, Liechtenstein), provided that an agreement ensuring an effective exchange of information with Italy is in place.

The utilisation of losses is conditional upon the completion of a merger in which the foreign company's assets and tax position are transferred to a company resident in Italy. Specifically, the provision applies in two scenarios:

- Merger by formation of a new entity: resulting in a new company resident in Italy
- Merger by acquisition (incorporation): of the foreign company by a company already resident in Italy.

The losses may be offset against the income of the resulting or acquiring company only where all of the following conditions are simultaneously met:

a) Control and continuity requirement: one of the companies participating in the merger must control the other(s), or all participating companies must be controlled by the same entity. The control relationship must exist both in the tax periods in which the losses were incurred and at the effective date of the merger.

b) Finality of the losses: the losses must have become definitively unusable in the State of residence of the foreign company. Specifically, it is required that: (i) the foreign company has ceased its economic activity; (ii) the foreign company has disposed of or otherwise divested all business assets to third parties; (iii) under the legislation of the foreign State, the losses are not recoverable even in the event of a transfer of control of the company to third parties.

The foreign 'final' losses are not recognised in the amount resulting from the legislation of the State of origin: they must be recalculated in accordance with Italian tax legislation. This is an essential operational step requiring recomputation of the loss under Italian rules for the determination of business income.

Legislation

Italy (Continued)

Groups contemplating the reorganisation of EU or EEA subsidiaries with unutilised tax losses should assess at an early stage whether a cross-border merger into an Italian company could allow those losses to be recognised in Italy. In particular, clients should map the available losses, verify that the control and continuity requirements are met and confirm, with the support of local advisers, that the losses have become definitively unusable in the foreign jurisdiction. As the eligible amount must be recalculated under Italian tax rules, the analysis should be supported by robust documentation and incorporated into the transaction structure and timetable from the outset.

Groups may also consider performing the same assessment in respect of prior transactions and tax periods that remain open under the applicable statute of limitations. Although the point has not yet been confirmed and should therefore be approached with caution, the new provision implements principles developed by the Court of Justice of the European Union on final losses. Accordingly, depending on the specific facts and procedural position, it may be worth evaluating whether those principles could support a relief claim related to earlier open tax periods, notwithstanding that the domestic provision entered into force only in 2026.

Alessandro Di Stefano

Italy

+39 348 840 8195

alessandro.di.stefano@pwc.com**Paolo Valacca**

Italy

+39 348 775 8991

paolo.valacca@pwc.com**Giuseppe Falduto**

Italy

+39 345 676 3576

giuseppe.falduto@pwc.com

Legislation

Italy

New PE accounting requirements and increased withholding tax on dividends to European pension funds

The Omnibus Decree introduces new compliance requirements for Italian permanent establishments (PEs) of non-resident enterprises and increases the withholding tax on Italian-source dividends paid to certain European pension vehicles.

Italian permanent establishments

The Omnibus Decree requires that profits and losses of Italian PEs are determined on the basis of a separate profit-and-loss and balance-sheet statement prepared under the accounting principles applicable to comparable Italian-resident entities. The amendment requires this statement to be assigned a legally certain date by the deadline for filing the income tax return for the same fiscal year (e.g., 31 October of the following year for calendar-year taxpayers), through a qualified time stamp or another legally valid method. The accounting data must also be reported in a dedicated schedule of the income tax return.

The requirements apply starting from the fiscal years in progress on 31 December 2026. Therefore, the first deadline for calendar-year taxpayers is 31 October 2027.

Dividends paid to European pension vehicles

Article 26 of the Omnibus Decree amends the domestic withholding tax regime for dividends by increasing from 11% to 20% the rate applicable to Italian-source dividends paid to pension funds established in an EU Member State or a qualifying EEA jurisdiction, and to foreign sub-accounts of Pan-European Personal Pension Products (PEPPs). The amendment changes only the applicable rate, leaving the scope, nature, and collection mechanics of the withholding tax unchanged. The 20% rate applies to dividends paid from 12 August 2026.

Alessandro Di Stefano

Italy
+39 348 840 8195
alessandro.di.stefano@pwc.com

Giuseppe Fortunato

Italy
+39 342 792 7237
giuseppe.fortunato@pwc.com

Andrea Porcarelli

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



Legislation

Mexico

Mexico's 2027 Economic Package

What happened?

The Federal Executive submitted Mexico's 2027 Economic Package to Congress on 8 September 2026, initiating the legislative process for the proposed tax and revenue measures applicable to fiscal year 2027. The package includes, among other documents, the General Economic Policy Guidelines, the Federal Revenue Law Bill, proposed amendments to the Income Tax Law, and proposed amendments to the Federal Duties Law.

Why is it relevant?

Based on our initial review, the proposal does not introduce new general taxes or increase existing tax rates. However, consistent with the current administration's approach, it appears focused on strengthening enforcement and anti-abuse measures, including proposals that could limit certain deductions and the utilization of net operating losses, among other changes.

While these measures generally would be expected to become effective 1 January 2027, they remain subject to congressional discussion, approval, and publication in the Official Gazette of the Federation. Accordingly, the scope, mechanics, exceptions, and transitional rules may still change as part of the legislative process.

While the potential impact of these proposals should be assessed individually, together they reflect a broader shift toward stricter enforcement and narrower tax positions for companies operating in Mexico. We recommend that groups with a Mexican presence begin a preliminary review of how these changes could affect their business and tax profile, so that the relevant impact can be properly scoped and any necessary steps identified well ahead of the measures' expected effective date.

For more information, please see our [Tax Insight](#)

Luis Felipe Muñoz

Mexico

+52 55 2272 5039

luis.felipe.munoz@pwc.com

Carlos Orel Martínez

Mexico

+52 55 7939 0206

carlos.orel.martinez@pwc.com

Adriana Rodríguez

Mexico

+52 55 9197 5837

adriana.rodriguez@pwc.com



Legislation

New Zealand

Non-resident contractors' tax threshold to increase to NZ\$75,000

Non-resident contractors' tax (NRCT) is a withholding tax that generally applies to payments made to non-residents for contract work or services performed in New Zealand.

Newly introduced draft legislation proposes to increase the NRCT monetary de minimis exemption from NZ\$15,000 to NZ\$75,000 for payments in a 12-month period.

The new rules, if enacted, also would apply a 'single-payer' approach to the monetary and 92-day thresholds, so a New Zealand payer generally considers its own contract or contracts with the non-resident contractor rather than the contractor's wider New Zealand activity for other payers. Certain low-risk non-resident contractors also would be excluded where specified New Zealand registration and compliance criteria are met. The changes are proposed to apply from 1 April 2027.

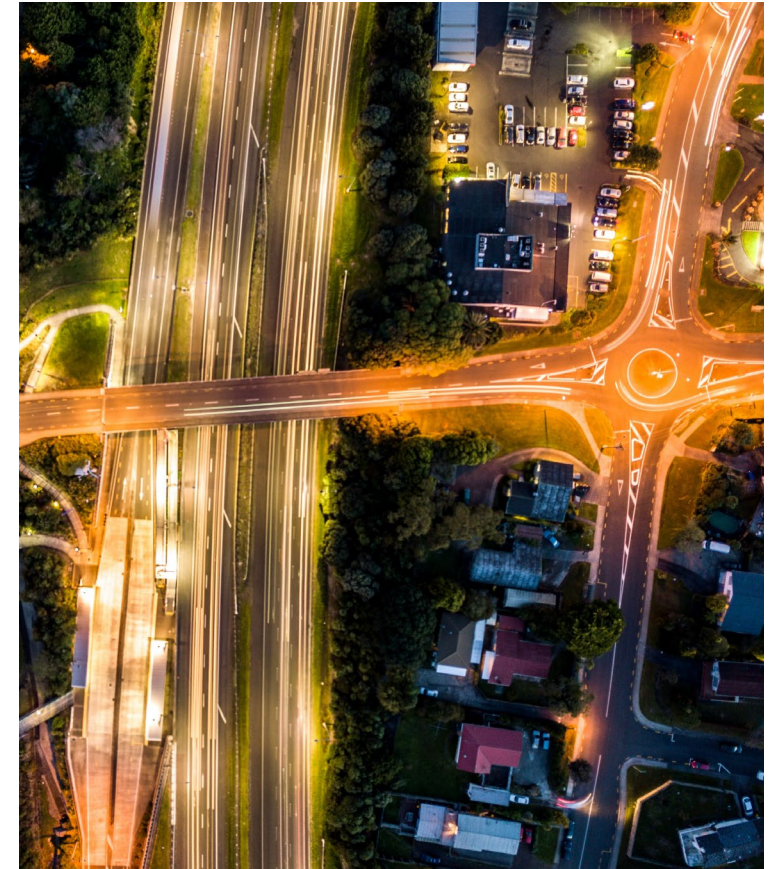
The higher threshold and single-payer approach should materially reduce withholding and compliance costs for lower value cross-border engagements. New Zealand businesses that regularly engage offshore contractors should review NRCT processes and contract/gross-up clauses ahead of 1 April 2027 on the assumption that the legislation will be enacted towards the end of March 2027.

Helen Johnson

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

Allison Curle

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



Legislation

Portugal

SIFIDE II and R&D investment funds

Decree-Law No. 170/2026, published on 21 August, prolongs the availability of the R&D tax incentive scheme known as SIFIDE II through to the end of 2026, while also revising the regulatory framework applicable to R&D investment funds. Among the most significant amendments, new investments channeled through R&D funds will no longer qualify for the SIFIDE II credit. Transitional arrangements have been put in place for existing fund investments, and additional safeguards have been introduced to ensure that fund resources are directed towards genuine research and development activities.

Businesses currently benefiting from the SIFIDE II regime, or those investing through R&D funds, should thoroughly review how the amended rules affect both their existing portfolios and future investment plans. The removal of new R&D fund investments from the scope of the incentive, combined with the transitional provisions for legacy positions, calls for an immediate reassessment of R&D tax credit strategies. Companies should consider adjusting their approach to increase the remaining benefits available under the updated framework.

Rosa Areias

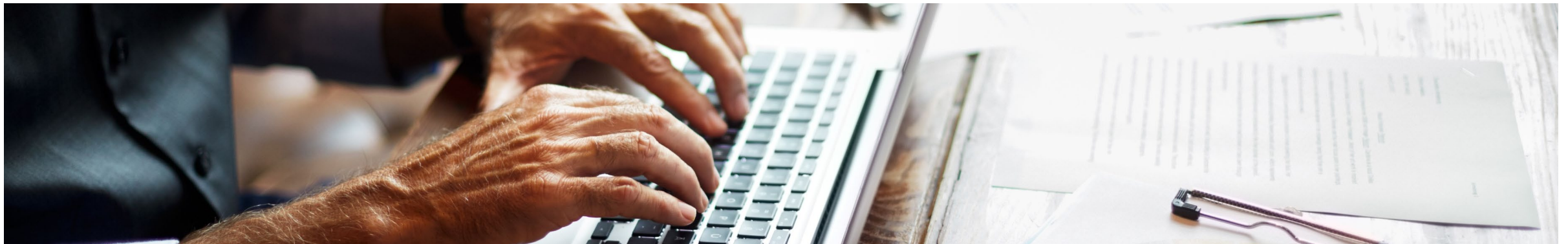
Portugal

+351 918 621 406

rosa.areias@pwc.com**Catarina Gonçalves**

Portugal

+351 916 601 376

catarina.goncalves@pwc.com

Legislation

Portugal

Windfall tax on the oil sector (CSTSP)

Under Law Proposal No. 106/XVII, Portugal is set to introduce an extraordinary tax measure, the Temporary Solidarity Contribution on the Oil Sector (CSTSP). This levy targets corporate income tax (CIT) payers, whether tax-resident in Portugal or operating through a permanent establishment, provided that at least 37.5% of their turnover derives from crude oil extraction or refining operations. The CSTSP is designed to capture excess profits arising in the 2026 tax year that exceed by more than 20% the average taxable income reported for 2024 and 2025. The applicable rate is 33%, and payment is due on the ninth month after the close of the relevant tax period. Notably, the CSTSP cannot be deducted for CIT purposes. The measure will take effect the day after its publication in the Official Gazette.

Companies are advised to closely track the legislative timeline to ensure compliance. Note that this measure is being enacted late in 2026, but it would apply to the full profits of 2026.

Catarina Gonçalves

Portugal

+351 916 601 376

catarina.goncalves@pwc.com



Legislation

Singapore

Finance (Income Taxes) Bill published

On 2 September 2026, the Ministry of Finance (MOF) published a summary of the feedback received during the public consultation on the proposed Finance (Income Taxes) Bill 2026, and its responses.

Subsequently, on 8 September 2026, the Finance (Income Taxes) Bill 2026 was published. It proposes amendments to the Income Tax Act 1947, the Multinational Enterprise (Minimum Tax) Act 2024, and the Economic Expansion Incentives (Relief from Income Tax) Act 1967, and related amendments to the Goods and Services Tax Act 1993 and the Property Tax Act 1960.

The feedback received by the MOF during the public consultation exercise relates mainly to the following:

- Enhancement of the Enterprise Innovation Scheme (EIS) to support businesses in adopting artificial intelligence (AI).
- Requirement for companies to use the Singapore tax authority's e-service to file objections and revisions to their tax assessments.

- Standardisation and extension of the timeline for appeals against Board of Review decisions to the General Division of the High Court.
- Singapore's implementation of the GloBE information return exchange framework.

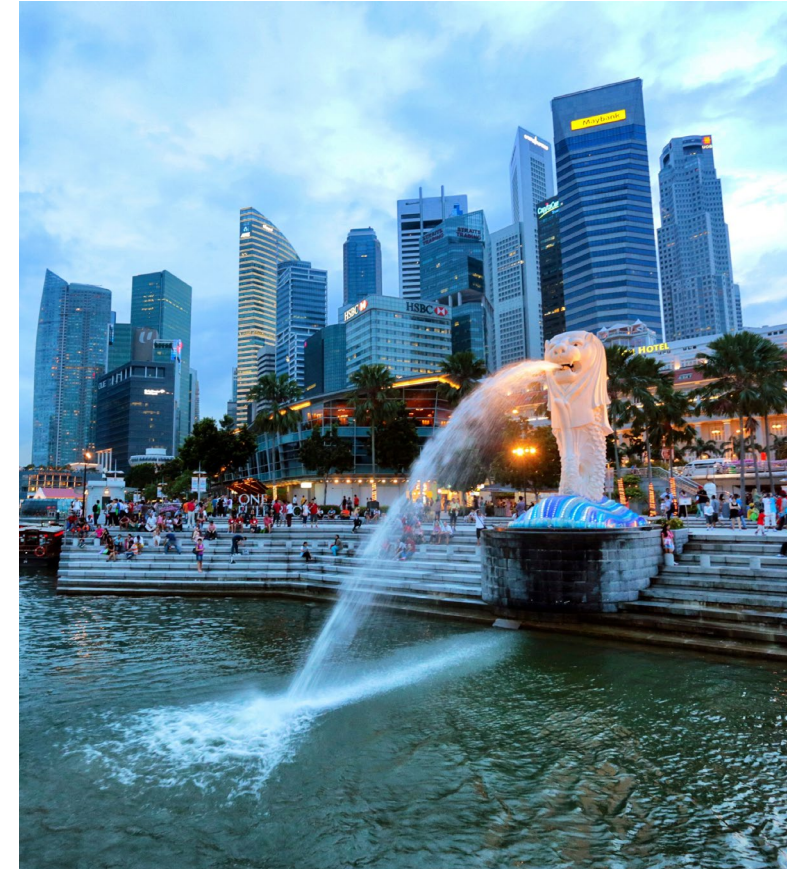
Although the Bill is not yet enacted as final law, no further significant changes are expected as it progresses through Parliament. Encouragingly, some suggestions were accepted by the MOF. Taxpayers should review the proposed amendments in relevant areas and consider the tax changes in their business planning.

Lennon Lee

Singapore
+65 8182 5220
lennon.kl.lee@pwc.com

Tan Tay Lek

Singapore
+65 9179 2725
tay.lek.tan@pwc.com



Legislation

South Africa

Inbound debt — JIBAR transition, relaxation of exchange controls, and updates to interest limitation provisions

Recent developments affecting the South African tax and exchange control treatment of inbound debt present both compliance risks and potential planning opportunities for groups with cross-border funding arrangements involving South African borrowers.

JIBAR transition and exchange control changes

The primary benchmark interest rate used by banks for short-term lending and financial contracts in South Africa, namely JIBAR, is being withdrawn, requiring contracts referencing this rate to be amended to an appropriate replacement rate, such as ZARONIA. JIBAR will be discontinued on 31 December 2026.

The previously existing exchange control interest rate caps on inbound borrowings have been withdrawn and replaced with a requirement to confirm that appropriate transfer pricing documentation is in place.

Tax limitations on interest deductibility

The treatment of interest on inbound debt has undergone significant changes in recent times, with additional adjustments being introduced for years commencing on or after 1 January 2026, noting the following in particular:

- The previously existing thin capitalisation safe harbour was withdrawn some time ago, instead requiring the quantum of inbound debt and the interest thereon to be demonstrably arm's length.
- Interest deductibility is also limited per statute, and recent amendments to the relevant legislation resulted in an expansion of the definition of interest to also include foreign exchange movements and IFRS 16 finance costs, as well as the expansion of the application of the section to certain debts that were previously not impacted (such as debt on which interest withholding tax applies). Further technical amendments to these sections have recently been made.

The potential now exists to remit interest from South Africa at rates in excess of the previous limitations imposed by the exchange control regulations. This is, however, coupled with a potential need to update the reference rate used in agreements, together with an increased focus on the transfer pricing justification for any such interest and the expansion of the ambit of the statutory interest limitation provisions.

William Eastwood

South Africa
+27 (82) 655 6257
william.j.eastwood@pwc.com

Miron Sarembock

South Africa
+27 (82) 461 1288
miron.sarembock@pwc.com

Administrative

Australia

ATO finalises software royalty ruling and opens consultation on a new risk framework

On 4 September, the Australian Taxation Office (ATO) published its long-awaited final view on when cross-border payments made by software distributors are royalties in Taxation Ruling TR 2026/2. At the same time, the ATO released draft Practical Compliance Guideline PCG 2026/D4, which sets out a five-zone risk framework that taxpayers are expected to use to self-assess their royalty withholding tax risk. The ruling applies to payments made both before and after its date of issue, and the draft guideline is proposed to apply to arrangements entered into before and after issue.

Following recent court decisions, the ruling determines whether consideration is paid for the use of, or right to use, copyright by examining the arrangement as a whole and the substance of the rights granted, rather than relying only on labels such as distributor or royalty-free. It confirms the ATO position that downloading and installing software involves reproduction, that making software available online may involve communication to the public, and that a distributor may exercise or authorise copyright rights through activities such as supplying license keys or access credentials. The ATO also considers that some access-control mechanisms may constitute technological protection measures. Payments solely for copies already made by the copyright holder, for an outright assignment, for tangible goods or media, or for unrelated services remain outside the royalty definition; where a payment covers both royalty and non-royalty components, it must be apportioned on a fair and reasonable basis.

The draft guideline is a compliance product, not a safe harbour: its five zones indicate the level of ATO compliance attention rather than whether an arrangement is legally correct. The ATO generally will not review arrangements in the green zone, while arrangements in the red zone will be prioritised for review. The green zone includes own-use software, simple distribution of copies, a recognised royalty of at least 75% of the “residual amount” for related-party arrangements (determined using the residual risk assessment calculation in the draft guideline), or 50% of an undissected payment. Mainstream reseller arrangements involving substantial access to an offshore supplier’s software are likely to fall within the amber zone, as well as where a taxpayer fails to prepare a self-assessment. Red-zone indicators include rights to copy or modify software, payment of a prior royalty under a similar agreement, payments to specified-jurisdiction recipients, and failure to complete the residual risk assessment calculation. Failure to self-assess results in an amber rating.

For further details, refer to our [Tax Alert](#).

Administrative

Australia (Continued)

The ruling's retrospective date of effect is an immediate issue. Companies paying an offshore related party or supplier for rights connected with distributing, reselling, or providing access to software should assess prior years as well as the current year in light of the final ruling, including the ATO's views on technological protection measures. Groups considering changes to contractual arrangements should proceed carefully, as the draft guideline indicates that restructures reducing Australian royalty withholding tax may attract scrutiny under the transfer pricing and anti-avoidance provisions.

Self-assessment under the draft guideline is effectively expected, since not self-assessing produces an amber rating and not completing the residual risk assessment calculation produces a red one. That calculation is likely to be difficult in practice because it needs offshore supplier cost data traced to Australian sales, with specified categories excluded, which is rarely maintained in that form and often sits outside the Australian entity's control. Early engagement with the group is usually required, and the ATO does indicate it will accept a reasonable best-efforts approach.

Sarah Hickey

USA

+1 646 842 3741

sarah.s.hickey@pwc.com**Jonathan Malone**

Australia

+61 408 828 997

jonathan.r.malone@au.pwc.com**Bianca Wood**

Australia

+61 403 792 745

bianca.wood@au.pwc.com

Administrative

Singapore

Guidance published on enhancements to Enterprise Innovation Scheme (EIS)

The EIS is intended to encourage businesses to invest in qualifying research and development and innovation capability development by allowing an enhanced deduction or allowance for qualifying expenditure incurred for specified qualifying activities.

On 31 August 2026, the Inland Revenue Authority of Singapore (IRAS) updated its website and revised its e-Tax Guide mainly to provide guidance on the enhancements to the EIS announced in the 2026 Budget, namely:

- Introduction of the new qualifying activity for the adoption of AI
- Expanding the list of qualified partners to include the Sectoral AI Centre of Excellence for Manufacturing

EIS for qualifying AI expenditure is available for Years of Assessment 2027 and 2028 (financial years ended 2026 and 2027). Businesses intending to invest in AI capabilities should consider taking advantage of this enhanced deduction and the related conditions.

Lennon Lee

Singapore
+65 8182 5220
lennon.kl.lee@pwc.com

Tan Tay Lek

Singapore
+65 9179 2725
tay.lek.tan@pwc.com



Administrative

Singapore

Waiver of loan ruled to be capital, and not taxable

On 1 September 2026, the Inland Revenue Authority of Singapore (IRAS) published a summary of an advance ruling in which it held that the intended waiver of a working capital loan would be a capital transaction and hence, the borrower would not be subject to tax on the gain recognised.

The lender is the immediate holding company of the borrower, which is dormant, and is not in a financial position to repay the loan. The intention is that the borrower will be liquidated.

It is not uncommon for intercompany debt to be waived or forgiven in order to facilitate the winding up of the borrower. Taxpayers contemplating such a transaction may wish to obtain a similar ruling on the tax treatment of any gains which may arise in order to avoid protracted contention with the IRAS which could delay the liquidation.

Lennon Lee

Singapore
+65 8182 5220
lennon.kl.lee@pwc.com

Tan Tay Lek

Singapore
+65 9179 2725
tay.lek.tan@pwc.com



Judicial

Australia

Anti-avoidance provisions applied to a property sale restructure

The Federal Court of Australia handed down a decision where it held that Australia's general anti-avoidance provisions (Part IVA) applied to a pre-sale restructure of the ownership of a property and subsequent share sale to a third party. The wider transaction involved pre-sale restructuring steps that consolidated the property and business assets into a single Australian company, along with an intra-group note, and then the sale of the sole share in that company by a newly incorporated Luxembourg entity. On completion, the Luxembourg company received proceeds for the share sale, while the purchaser paid funds directly to the Australian holding company to discharge the intra-group note.

In considering the application of Part IVA to the facts, having particular regard to the commercial and economic substance of the scheme rather than its legal form, the Court accepted the Commissioner's three alternative postulates: a straight asset sale, the sale of the established holding company, and the sale of a new special purpose company. It rejected the taxpayer's alternative postulate, which comprised a share sale on a debt-free basis, on the basis that it was itself a Part IVA scheme. The Court concluded that the dominant purpose of entering into and carrying out the scheme was to obtain a tax benefit - the manner in which the scheme was carried out and the disparity between its form and its substance were the most significant factors. The Court was not satisfied that the taxpayer had shown that the stated commercial objectives could only be achieved through the chosen structure or were in fact achieved because of it.

For further detailed information about this decision, refer to our [Tax Alert](#).

For groups contemplating the disposal of Australian real property or a business, the key practical issues that this decision highlights are that contemporaneous documentation matters, and commercial objectives that drive a structure should be recorded at the time and in the papers that approve the transaction. Importantly, this decision does not disturb the settled position that choosing between genuine commercial alternatives on the basis of tax cost is permissible, and it reaffirms that Australia's general anti-avoidance provisions are aimed at arrangements that are blatant, artificial or contrived.

Groups with restructures in contemplation, or with completed transactions of a similar character within the amendment period, may wish to revisit their documentation and their anti-avoidance analysis.

Ashani Samuel-Thambiah

Australia

+61 405 358 663

ashani.samuel-thambiah@au.pwc.com**Caleb Khoo**

Australia

+61 423 765 323

caleb.khoo@au.pwc.com**Sarah Hickey**

USA

+1 646 842 3741

sarah.s.hickey@pwc.com

Judicial

Italy

Italian Supreme Court decision on beneficial ownership status

The case at hand (ISC decision no. 11744/2026) involves intercompany royalty payments made by an Italian company to its Luxembourg affiliate pursuant to a license agreement. The Italian entity applied the 10% withholding tax rate under the Italy–Luxembourg Double Tax Treaty (DTT).

According to the Italian Tax Authorities (ITA), however, the Luxembourg company acted as a mere intermediary and, accordingly, the domestic 30% withholding tax rate should instead apply.

With this judgment, the ISC reaffirmed the tests that, if passed, identify the foreign entity receiving Italian-sourced income (such as royalties) as the beneficial owner of such income. These include:

- The Substantive Business Activity Test, which assesses whether the foreign company is artificial or is actually engaged in a business activity;

- The Dominion Test, which verifies whether the company has the right to freely use the proceeds received (i.e., royalties received) or is instead obliged to pay them back to third parties;
- The Business Purpose Test, which examines whether the recipient company qualifies as a conduit company established solely for tax saving purposes, or whether it plays a functional role in the payment flows.

The Supreme Court also clarified that any denial of beneficial ownership must be supported by a reasoned analysis of the relevant contractual arrangements and factual circumstances, including practical indicia such as whether the income was credited to the recipient's own bank account, taxed in the recipient's jurisdiction, and resulted in a meaningful retained margin.

The ISC decision is particularly significant for cross-border structures involving Italian-sourced royalties, interest, and dividend payments, as it confirms that entitlement to DTT benefits hinges on a fact-intensive and substance-based assessment of the recipient's actual role within the payment chain.

The threefold tests established by several ISC decisions starting from 2023 shall be considered by the Italian entities paying interest, dividend, and royalty incomes to non-Italian resident companies to prevent challenges on the beneficial ownership status and Italian domestic WHT (26% or 30%).

Alessandro Di Stefano

Italy
+39 348 840 8195
alessandro.di.stefano@pwc.com

Andrea Porcarelli

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

Giuseppe Fortunato

Italy
+39 342 792 7237
giuseppe.fortunato@pwc.com

Judicial

Italy

PEX relief for pre-2024 EU disposals

The Second-tier Tax Court of Abruzzo (Decision No. 433/2026) confirmed that a French company without an Italian permanent establishment was entitled to a refund of the excess Italian tax paid on a pre-2024 capital gain from the disposal of a qualifying participation in an Italian company. The French company had been taxed on the capital gain in Italy (26% substitutive tax) in accordance with the Italy-France tax treaty; thus the French company claimed the difference between that tax due and the lower burden that would have applied to an Italian company under the participation exemption ('PEX') regime. The French company argued that, once Italy exercised its taxing rights over the gain under the tax treaty, the non-resident seller was objectively comparable to a domestic seller and, under EU freedoms of establishment and free movement of capital, could not be denied the PEX regime (1.2% effective rate) rather than being subject to the 26% substitutive tax.

Specifically, from 2024, Italian domestic rule extends PEX-equivalent treatment to qualifying gains realised by companies resident in an EU or EEA jurisdiction allowing adequate exchange of information and without an Italian permanent establishment. However, the Court did not apply this provision retroactively. It held instead that, for earlier disposals, the less favourable domestic rules had to be disapplied because they were incompatible with the EU freedoms of establishment and movement of capital. Once Italy exercises taxing rights, an EU company is comparable to an Italian company for these purposes. The Court also relied on the common purpose of the dividend exclusion and PEX regimes: preventing economic double taxation of corporate profits. This reasoning follows the principles established by the Court of Justice of the European Union in Case C-540/07, and subsequently extended to capital gains by the Italian Supreme Court Decisions Nos. 21261/2023 and 27267/2023, both delivered before the statutory amendment.

The Court further held that the French foreign tax credit did not remove the restriction because it was not fully usable by the taxpayer.

EU companies should review pre-2024 disposals of qualifying Italian participations and consider submitting refund claims for the Italian taxes paid above the 1.2% PEX-equivalent burden.

Alessandro Di Stefano

Italy

+39 348 840 8195

alessandro.di.stefano@pwc.com

Andrea Porcarelli

Italy

+39 340 219 0194

andrea.porcarelli@pwc.com

Giuseppe Fortunato

Italy

+39 342 792 7237

giuseppe.fortunato@pwc.com

Treaties

China

Revised tax treaty between China and Norway entered into force

The tax treaty between China and Norway dates back to 25 February 1986, and it applied from 1 January 1987. As one of China's early bilateral tax treaties, the 1986 version covered both income and property taxes, imposed a dividend withholding tax (WHT) rate as high as 15% and set the threshold for a service-type permanent establishment (PE) and construction PE at "more than 6 months in any 12-month period."

After years of negotiation, China and Norway signed a comprehensively revised treaty with a protocol on 12 May 2023. The new treaty and its protocol officially entered into force on 16 June 2026 and shall apply to income derived on or after 1 January 2027. The new treaty introduces major upgrades in core clauses compared to the 1986 version:

- **Scope of Taxes:** The new treaty drops property taxes and focuses exclusively on income taxes.

- **Tax Transparency Rules:** Article 1 introduces provisions for tax-transparent entities, ensuring that income derived through entities treated as fully or partially transparent under either Contracting State's tax law may be eligible for treaty benefits.
- **Optimizing the PE recognition rules:** The time threshold for constituting a Construction PE increases from 6 months to 12 months, adding anti-abuse rules to prevent contract splitting. The time threshold for constituting a Service PE is changed from 6 months to 183 days within any twelve-month period.
- **Significant Reduction in Dividend WHT:** The old treaty imposed up to 15% on dividends. The new Agreement reduces this to 5% for those who hold at least 25% of the capital of the company paying the dividends throughout a 365-day period, and 10% for the others.
- **New Interest Exemption:** The maximum interest WHT rate remains 10%, but a new exemption provision grants tax exemption for interest beneficially owned by the government or paid on government-guaranteed/insured loans.

- **Incorporation of BEPS Anti-Avoidance Outcomes:** The new Agreement introduces a Principal Purpose Test (PPT). Treaty benefits may be denied if obtaining such benefits is one of the principal purposes of an arrangement or transaction. Beneficial ownership requirements are also reinforced in the dividend, interest, and royalty articles.

Implementation of the new treaty will bring positive impacts on cross-border trade, investment, and personnel exchanges between the two countries.

Cross-border businesses and individuals face the following impacts:

- First, the reduction of dividend WHT from 15% to 5% will significantly lower the tax burden on cross-border investment, benefiting bilateral investment flows.
- Second, relaxation of the Construction PE threshold from 6 months to 12 months is beneficial for short-term cross-border engineering projects.

Treaties

China (Continued)

- Third, the standardized anti-avoidance clauses such as the PPT and beneficial ownership requirements protect the tax base of both countries, and provide clearer compliance guidance for cross-border operating enterprises and individuals.

Enterprises and individuals should review the differences between the old and new treaties by the end of 2026, conduct compliance review of cross-border structures and contract arrangements, and seek professional tax advice where necessary.

Long Ma

China

+86 10 6533 3103

long.ma@cn.pwc.com



Pillar Two

Bahrain

Recent Pillar Two Developments in Bahrain

In August 2026, the National Bureau for Revenue (NBR) published the Domestic Minimum Top-up Tax (DMTT) Return Filing Manual. The manual can be found on the [NBR website](#).

The manual provides administrative and practical guidance on the DMTT return process. The Manual covers the Revenue Test Notification, DMTT Return, Information Schedule, Tax Computation Schedule, filing through the NBR portal, payment and refunds.



In-scope MNE Groups should use the Manual to prepare for the practical data, technology and governance requirements associated with the DMTT filing process. Key actions include:

- Coordinate with the UPE / Group reporting team to obtain the information required for the Annual Revenue Test Notification and ensure consistency with Group-level reporting.
- Determine the appropriate Information Schedule filing approach, including whether to rely on central filing or submit a GIR or Local DMTT Information Schedule in Bahrain.
- Gather, prepare and validate the data required for the Information Schedule and Tax Computation Schedule, including information for each applicable subgroup.
- Ensure the Group can generate and validate an OECD GIR XML schema-compliant file, where applicable.
- Establish an appropriate review and sign-off process to ensure consistency across the Information Schedule, Tax Computation Schedule, and supporting calculations before submission.

For more information, please see our [Tax News Alert](#)

Richard Bregonje

Middle East

+973 3847 7783

richard.b.bregonje@pwc.com

Jonathan Fraser

UAE

+971 (0) 50 849 5980

jonathan.f.fraser@pwc.com

Gretchen Villanada

Bahrain

+973 3881 8339

gretchen.villanada@pwc.com

Pillar Two

Brazil

Brazil extends transitional CbCR safe harbour and introduces the substance-based tax incentive safe harbour

The Brazilian Federal Revenue Service published Normative Instruction RFB No. 2,342/2026, amending IN RFB nº 2228/2024, which regulates Brazil's Qualified Domestic Minimum Top-up Tax (QDMTT – the Additional CSLL) under the OECD/G20 GloBE Rules.

The regulation:

- (1) extends the Transitional CbCR Safe Harbour until 2027; and
- (2) creates the GloBE Simplified Rule for Substance-based Tax Incentives (SBTI), mirroring the OECD Side-by-Side Package, approved by the Inclusive Framework on 5 January 2026.

The SBTI allows certain Qualified Tax Incentives (QTIs), or a portion thereof, to be treated as an addition to Adjusted Covered Taxes, which may reduce or eliminate the Additional CSLL otherwise potentially due. The election is made on a one-year basis and is available for Fiscal Years beginning on or after 1 January 2026.

The regulation also establishes requirements for incentives to qualify as QTIs, provides rules for the treatment of certain Qualified Refundable Tax Credits (QRTCs), and introduces a Substance Cap that limits the amount that may be added to Adjusted Covered Taxes.

Additionally, the regulation updates the OECD Inclusive Framework Reference Documents incorporated into Brazilian regulation, including those approved up to January 2026.

Companies within the scope of the Additional CSLL regime should assess whether existing corporate income tax and CSLL incentives may qualify as QTIs under the new rules and model the potential benefits and limitations associated with the SBTI election.

Taxpayers currently relying on the GloBE Transitional CbCR Safe Harbour should also consider the extended application period when analyzing the transition to the Simplified ETR Safe Harbour or the full GloBE calculation. The application of the new rules may require adjustments to tax calculation systems, data collection processes, and compliance procedures, as well as ongoing monitoring of future guidance and regulations.



Gabriel Buratto

Brazil
+55 11 96861-1080
gabriel.buratto@pwc.com

Belisa Fliotti

Brazil
belisa.fliotti@pwc.com

Romero Tavares

Brazil
+55 11 94176-1136
romero.tavares@pwc.com

Pillar Two

New Zealand

Proposed simplifications for Pillar Two compliance obligations

The Taxation Bill (Annual Rates for 2026–27, FBT Simplification, Foreign Investment Funds, and Remedial Measures) proposes targeted changes to New Zealand's GloBE/Pillar Two compliance rules.

If enacted, an annual multinational top-up tax return will only be required for a New Zealand constituent entity that has a New Zealand multinational top-up tax liability, removing the need for nil top-up tax returns. An appointed New Zealand constituent entity will also be able to satisfy the return obligation for other New Zealand constituent entities in the group (rather than each New Zealand constituent entity needing to file a separate return).

The GloBE Information Return (GIR) requirement remains, with related deadline provisions amended so they continue to operate even where no top-up tax return is required. The Bill also introduces statute time-bar treatment where GIR information is filed without a top-up tax return and incorporates the OECD's May 2026 transitional UTPR safe harbour guidance for 52–53-week fiscal years.

The changes should reduce duplicate New Zealand filings for groups with no New Zealand top-up tax payable. However, in-scope groups should not remove New Zealand Pillar Two compliance from their calendars: registration and GIR requirements remain. Groups should update their compliance matrices to distinguish the GIR from the multinational top-up tax return and consider nominating a single New Zealand entity to manage any local top-up tax return filing. Groups using 52–53-week fiscal years should also confirm the effect of the UTPR safe-harbour guidance.

Helen Johnson

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

Allison Curle

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



Pillar Two

Portugal

Pillar Two compliance developments

Portugal has taken practical steps to implementing the Global Minimum Tax Regime (RIMG) through the introduction of the Form 64 Settlement Return and an extension of the FY25 Form 62 filing deadline. Order No. 318/2026/1, of 30 July, approved Form 64 and its completion instructions. Form 64 is intended to determine any top-up tax payable in Portugal by constituent entities or the designated local entity of an MNE group or large-scale domestic group. The return must be filed electronically through the Tax Authority Portal by in-scope constituent entities in Portugal or, where previously indicated and confirmed through Form 62, by the designated local entity. It requires the taxpayer to identify the Group's Pillar Two top-up tax return (GIR) by reporting its number and filing date, highlighting the need to coordinate local and global compliance. Form 64 does not need to be filed where no top-up tax is due in Portugal. Order No. 114/2026-XXV, issued 1 September 2026, extended the deadline for the 2025 Form 62 Registration Return. Entities may file the return by the last day of the twelfth month following the end of their fiscal year, without penalties or additional charges.

Although Form 64 is not required when no top-up tax is due in Portugal, Portuguese subsidiaries of Pillar Two groups should still confirm their position, particularly regarding the application of safe harbours. In 2025, Form 62 must be filed only if previously reported information changes, including changes to the group perimeter or the entity responsible for filing the GIR.

Rosa Areias

Portugal
+351 918 621 406
rosa.areias@pwc.com

Ana Luisa Costa

Portugal
+351 913 087 480
ana.luisa.costa@pwc.com

Catarina Gonçalves

Portugal
+351 916 601 376
catarina.goncalves@pwc.com



Pillar Two

Uruguay

Updates on Uruguayan Domestic Minimum Top-up Tax

DMTT Decree for Constituent Entities of MNE Groups covered by a tax stability clause

On 8 September 2026, Decree 206/026 was published in the Official Gazette, which sets out the obligations under the Domestic Minimum Top-up Tax (DMTT) to be fulfilled by Constituent Entities (CEs) of Multinational Enterprise (MNE) Groups covered by a tax stability clause in force when the DMTT entered into effect, as well as the conditions for accessing the corresponding compensation.

The new regulation repeals Decree 325/025 (approved in late December 2025) and provides that all CEs of an MNE Group within the scope of the DMTT must comply with the formal obligations and pay the tax in Uruguay. It also replaces the relief mechanism originally established by Decree 325/025 with a compensation mechanism based on filing an administrative proceeding with the General Tax Office (DGI) to request compensation for the DMTT paid.

Procedure for requesting compensation and Tax Office review

Where a tax stability clause requires the Uruguayan State to compensate for an increase in taxes resulting from a legislative change, including the DMTT, the taxpayer may file an administrative proceeding with the DGI. The information required for the administrative proceeding is specified in Decree 206/026.

Once the administrative proceeding is reviewed, the DGI will notify the taxpayer of the review's outcome and, where appropriate, reimburse the taxpayer under the terms and conditions it determines. The DGI may also request additional information.

Amount and timing of compensation

The compensation amount will be the difference between:

1. The DMTT paid in Uruguay; and
2. The reduction in foreign taxes resulting from the DMTT payment in Uruguay.

If the DGI resolves and provides notice of the administrative proceeding mentioned above before the due date of the DMTT liability in Uruguay, the taxpayer may apply the compensation amount to which it is entitled (amount determined in the notice) against the DMTT.

Covered tax stability clauses

- Free Zone Users whose agreements were signed and authorized before the DMTT entered into effect.
- Taxpayers carrying out forestry activities and owning forests referred to in Article 39 of Law 15,939 (quality timber) that were planted before the DMTT entered into effect.
- MNE Groups with specific agreements with the Uruguayan Government signed before the DMTT entered into effect.

Pillar Two

Uruguay (Continued)

This decree clarifies the DMTT obligations applicable to CEs of MNE Groups covered by tax stability clauses and sets out the framework for claiming compensation for DMTT paid. Affected groups should assess their eligibility promptly and, where applicable, prepare the supporting documentation required to initiate the compensation process.

Diego Tognazzolo

Uruguay

+(598) 2518 2828 / 2916 0463

diego.tognazzolo@pwc.com**Eliana Sartori**

Uruguay

+(598) 2518 2828 / 2916 0463

eliana.sartori@pwc.com**Guillermo Mullin**

Uruguay

+(598) 2518 2828 / 2916 0463

guillermo.m.mullin@pwc.com

Glossary

Acronym

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

Contact us

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

Douglas McHoney

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

Geoff Jacobi

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

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with over 276,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2026 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

www.pwc.com/its