



PKF worldwide tax update

September 2026

Contents

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Welcome 04

Aruba 05

Dutch Supreme Court clarifies application of dividend withholding tax to US shareholders (ECLI:NL:HR:2026:956 of 19 June 2026) 05

Brazil 06

Federal Revenue Service updates CSLL additional tax rules in the context of global minimum taxation 06

Tax reform: Governing Committee estimates a 27.9% rate and launches the testing phase for IBS and CBS 07

Taxation of profits and dividends reinforces the importance of corporate and tax planning 07

Tax reform advances and requires attention to second-half 2026 rules 08

Invoices must include new consumption taxes starting in August 09

Chile 10

Tax reform bill close to enactment 10

Cyprus 11

Tax reform 2026 – What you need to know 11

Czech Republic 13

Tax changes from 2026 13

Supreme Administrative Court denies dividend exemption in an artificial holding structure 13

Hong Kong 15

New comprehensive double taxation agreements with Cyprus and Nigeria 15

Proposed amendments to the preferential tax regimes for funds and asset management 15

Italy 18

Introduction of tax payment codes for global minimum tax penalty relief 18

 Jamaica	19	 Switzerland	45
2026/27 National Budget changes	19	Swiss transparency register	45
 Nepal	21	Planned Swiss tax relief measures	45
Various tax updates – Budget announcement for FY 2026/27 and major tax amnesties	21	International developments	45
 Poland	30	 Taiwan	46
New VAT joint and several liability rules expected from 1 January 2027	30	Foreign profit-seeking enterprises applying for income tax exemption on royalties and technical service fees should pay attention to four major amendments	46
Proposed VAT changes – More flexible export documentation and electronic import declarations	30	 Turkey	47
Family foundations under review – Further changes to Polish tax rules proposed	31	Introduction of comprehensive tax regulations under Law No. 7582	47
Mandatory disclosure rules – Major changes from 1 October 2026	32	Incentives for expatriates and foreign wealth transfers	47
 Romania	33	Corporate tax deduction for transit trade and intermediation in foreign goods sales	47
2026 tax updates	33	Corporate tax deduction for qualified service exports	47
Updates on transfer pricing and corporate income tax	35	Reduced corporate tax rates for manufacturers	47
 Saudi Arabia	38	Employment and tech start-up incentives	47
Updated tax and zakat guidelines for regional headquarters	38	Expansions for the Istanbul Finance Centre	48
Revision of customs duty rates on agricultural and food items	38	Comprehensive wealth amnesty programme	48
E-invoicing phase 2 (Fatoora platform) integration roadmap	38	 Ukraine	49
Amendment to GCC Unified VAT Agreement	39	TP and CFC reporting: New related-party criteria	49
Bilateral tax information exchange agreement with the United States	39	 United Arab Emirates	51
Tax penalties exemption initiative (tax amnesty extension)	39	Recent updates on corporate tax and VAT	51
Key immigration and labour compliance updates	39	 United Kingdom	56
 South Africa	41	Why World Cup players could pay tax in five different countries	56
Foreign loans and interest – Tax implications stretch far and wide	41	Capital goods scheme changes in July: What is changing and why businesses should review capital expenditure	57
 Spain	43	 United States	59
The 2030 FIFA World Cup – Getting ahead of the tax game in Spain, Portugal and Morocco	43	The 2026 FIFA World Cup: Final whistle; lingering US tax issues	59

Welcome

In this third quarterly issue for 2026, the PKF Worldwide Tax Update newsletter again brings together notable tax changes and amendments from around the world, with each followed by a PKF commentary which provides further insight and information on the matters discussed. PKF is a global network with more than 540 offices, operating in over 150 countries across our five regions, and our tax experts specialise in providing high-quality tax advisory services to international and domestic organisations in all our markets.

In this issue featured articles include discussions on:

- Significant personal and corporate income tax changes in Brazil, Chile, Cyprus, Czech Republic, Jamaica, Nepal, Romania, Saudi Arabia and Turkey
- Indirect taxes and VAT (case law) in Poland and the United Kingdom
- International tax developments (CFC/thin cap, CbC reporting, BEPS, MLI, Pillar 2, double tax treaties, transfer pricing, etc.) in Aruba, Hong Kong, Taiwan and Ukraine.

We trust you find the PKF Worldwide Tax Update for the third quarter of 2026 both informative and interesting and please do contact the PKF tax expert directly (mentioned at the foot of the respective PKF commentary) should you wish to discuss any tax matter further or, alternatively, please contact any PKF firm (by country) at www.pkf.com/pkf-firms.



Aruba

Dutch Supreme Court clarifies application of dividend withholding tax to US shareholders (ECLI:NL:HR:2026:956 of 19 June 2026)

In a recent decision, the Dutch Supreme Court confirmed that Aruba's 10% dividend withholding tax applied to a dividend distribution made by an Aruban company to its US parent company.

The taxpayer, an Aruban company wholly owned by a US LLC, argued that the dividend tax was incompatible with Article XI of the 1956 Treaty of Friendship, Commerce and Navigation between the Kingdom of the Netherlands and the United States. The company maintained that the treaty's non-discrimination provisions should prevent the levy of Aruban dividend withholding tax.

The Supreme Court rejected this argument. It held that Article XI applies only where the foreign company itself carries on business or other profit-seeking activities within the territory of the other contracting state. Activities performed by a local subsidiary cannot be attributed to its foreign parent company for the purposes of this provision. According to the court, the fact that the US parent influenced or determined the market strategy of its Aruban subsidiary did not constitute the parent itself conducting business in Aruba.

The court further clarified that the broader market-access provisions contained in Article VII of the treaty cannot be used to expand the scope of the tax non-discrimination rule in Article XI.

In addition, the Supreme Court confirmed that Article XI of the treaty does not have direct effect and therefore cannot be relied upon directly by taxpayers



PKF Comment

If you believe any of the above measures may impact your business or personal situation, or require any advice with respect to Aruban taxes, please contact Nicole Duijvelshoff at nicole.duijvelshoff@pkf-dcsur.com or call +297 749 0691.

BACK

Brazil

Federal Revenue Service updates CSLL additional tax rules in the context of global minimum taxation

In June 2026, the Brazilian Federal Revenue Service issued Normative Instruction RFB No. 2,329, updating the rules governing the additional contribution on net profits ('CSLL') within the framework of the Global Anti-Base Erosion (GloBE) rules developed by the OECD. The measure enhances operational aspects of tax collection and simplifies the application of the transitional regime for multinational groups with a presence in Brazil.

The CSLL additional tax was created to implement in Brazil the qualified domestic minimum top-up tax (QDMTT), a mechanism designed to ensure that large multinational business groups pay a minimum level of taxation in each jurisdiction where they operate. The initiative is part of a coordinated global effort led by the OECD to combat base erosion and profit-shifting practices.

Among the main changes introduced by the new regulation is the possibility for organisations subject to the GloBE rules to centralise the payment of the CSLL additional tax in a single entity, which will act as both taxpayer and responsible party on behalf of the other entities in the group. To facilitate this arrangement, two separate codes will be used in the federal revenue collection document ('DARF'): one for entity-specific payments and another dedicated to centralised payments. The corresponding amounts and calculation data must be reported through the web declaration of federal tax debts and credits ('DCTFWeb').

The regulation also introduces adjustments to the application of the GloBE transitional safe harbour (GTSH), a mechanism intended to ease compliance during the transition to the new framework. A key aspect of the update concerns situations in which an organisation's fiscal year does not coincide with the fiscal year applicable in Brazil. In such cases, taxpayers may choose to use the country-by-country report (CbCR) whose fiscal year begins or ends within the relevant jurisdictional fiscal year, thereby avoiding the need to combine information from different reporting periods.

These rules directly affect multinational groups with consolidated annual revenue exceeding €750 million – the threshold established under the OECD GloBE rules – particularly those with complex corporate structures or operations spread across multiple jurisdictions. Such companies should assess the benefits of adopting centralised payment arrangements, review their tax calculation processes and ensure the proper fulfilment of ancillary obligations, the specific requirements of which will be established in a future normative instruction.

Tax reform: Governing Committee estimates a 27.9% rate and launches the testing phase for IBS and CBS

Brazil's tax reform has taken another significant step forward with the release, by the Governing Committee of the Tax on Goods and Services ('CGIBS'), of the parameters used to estimate the standard rate of the new consumption tax system. According to Resolution No. 14/2026, the combined tax burden of the tax on goods and services ('IBS') and the contribution on goods and services ('CBS') may reach 27.9%, with 18.7% attributed to the IBS and 9.2% to the CBS. At the same time, the Brazilian Federal Revenue Service ('RFB') and the CGIBS have issued regulations initiating the adaptation of electronic tax documents to the new framework.

Although the estimate is neither definitive nor binding on the RFB, it represents the clearest indication to date of the expected level of taxation under the new regime, enabling companies to conduct more accurate assessments of its financial impact on pricing, profitability, contractual structures and tax planning.

The publication of the estimate is particularly relevant in light of the discussions surrounding the regulation of the reform, as the effective tax rate is considered one of the key factors in evaluating the economic effects of the new system across different sectors of the economy.

On the operational front, Joint Act No. 4/2026, issued by the RFB and the CGIBS, was published on 31 July 2026, establishing the gradual inclusion of IBS and CBS information in electronic tax documents. The testing phase began on 3 August 2026 and, at this stage, the absence of such information will not result in the rejection of the documents covered by the measure.

Implementation will occur gradually throughout the second half of 2026, with the progressive incorporation of the new fields into the main electronic tax documents used by the manufacturing, retail, services, transportation, technology, communications and real estate sectors. Certain taxpayers, such as companies operating under the 'Simples Nacional' regime and activities subject to monophasic taxation, will follow a specific schedule beginning in 2027.

Taken together, these recent regulatory measures demonstrate that Brazil's tax reform is entering a more concrete stage of implementation. On the one hand, the first official parameters for estimating the future tax burden are now available; on the other, operational testing has begun, requiring companies to adapt their systems, processes and tax compliance routines.

Taxation of profits and dividends reinforces the importance of corporate and tax planning

Brazil's taxation of profits and dividends entered a new phase in January 2026. Under Law No. 15,270/2025, a 10% income tax at source ('IRRF') must be withheld from profits and dividends paid to individuals who receive more than BRL 50,000 from the same paying source within a single month. The measure is part of the new minimum personal income tax ('IRPFM'), introduced alongside the expansion of the income tax exemption threshold for taxpayers earning up to BRL 5,000 per month in salary income.

Although the amount withheld may be refunded in certain circumstances, particularly when annual income does not exceed the statutory thresholds, the new system has immediate effects on the cash flow and liquidity of investors who receive income through dividends.

More than simply creating a new financial burden, the measure places corporate and tax planning back at the centre of asset management decisions. Structures designed under the assumption of tax-exempt profit distributions may lose economic efficiency, requiring the reassessment of previously adopted strategies and the implementation of mechanisms aligned with the new tax environment.

In this context, it is advisable to review planning structures based on legislative assumptions that no longer reflect the current reality. Such a review, however, should not be limited to the taxation of dividends. It should also encompass other relevant factors, including the impact of the consumption tax reform and its effects on business operations and wealth management.

As a result, demand is growing for technical assessments aimed at identifying opportunities, mitigating risks and adapting existing structures to the new rules. Family holding companies, for example, continue to play an important role in asset organisation and succession planning, but they are increasingly being reassessed in light of new tax objectives and, in many cases, integrated into broader and more sophisticated solutions.

Tax reform advances and requires attention to second-half 2026 rules

Starting in August 2026, Brazil's consumption tax reform enters a more demanding stage of its transition period. After an initial phase marked by greater flexibility, the Brazilian Federal Revenue Service ('RFB') and the Governing Committee of the Tax on Goods and Services ('IBS') will begin systematically enforcing the correct completion of IBS-related fields in electronic tax documents. Throughout the second half of the year, companies under the 'Simples Nacional' regime will also need to make important decisions regarding their tax framework. At the same time, the social integration

programme ('PIS') and the contribution for the financing of social security ('Cofins') are due to be abolished, while the judiciary is gradually phasing out collection of the tax on services ('ISS') during the transition period.

Tax documents without IBS and CBS information will be rejected

From 3 August 2026, electronic tax documents issued by companies under the regular tax regime without the required IBS and contribution on goods and services ('CBS') fields duly completed will be automatically rejected by the system. The requirement to report the new taxes will no longer be merely a legal obligation but an actual operational barrier, making it essential for tax issuance systems to be properly updated before that date.

'Simples Nacional': Deadline to choose the IBS and CBS assessment regime

In September 2026, companies opting for the 'Simples Nacional' regime must, between 1 and 30 September, formally select the tax treatment that will apply in the 2027 calendar year and decide whether IBS and CBS will be collected through the 'Simples Nacional' single payment slip or under the regular assessment regime. Companies that fail to make a selection by the deadline will automatically remain under the standard model, in which both taxes are included in the unified payment slip. Either choice may still be revoked up to the last business day of November 2026. From December onwards, however, the decision becomes final for the first half of 2027.

End of PIS and Cofins

On 31 December 2026, PIS and Cofins will be fully extinguished and replaced by CBS. The good news is that accumulated tax credits will not be lost: they may still be used to offset CBS liabilities, refunded in cash or offset against other federal taxes. For this reason, companies are advised to review and properly record their tax credits during 2026 to avoid potential losses when the new system comes fully into effect.

Judiciary debates ISS collection during the transition period

While the federal transition schedule moves forward, court decisions have suspended the collection of ISS in situations related to the issuance of tax documents for IBS and CBS purposes. The consumption tax reform provides that IBS and CBS apply to the lease of movable assets, a transaction currently not subject to ISS.

With the beginning of the transition phase, taxpayers who were previously not required to issue tax invoices for such transactions have been surprised by demands to collect ISS. In one case, a court in the state of São Paulo considered it abusive to require ISS payment as a condition for issuing tax invoices related to the lease of movable assets – an activity that the Brazilian Supreme Federal Court ('STF') has already recognised as falling outside the scope of ISS taxation. This scenario requires particular attention from companies seeking to avoid improper taxation.

Invoices must include new consumption taxes starting in August

From 3 August 2026, invoices issued without the required fields for the goods and services tax ('IBS') and the contribution on goods and services ('CBS') may be rejected by the systems of the Brazilian Federal Revenue Service ('RFB') and state tax authorities. The measure is established in a joint act issued by the RFB and the Governing Committee of the Tax on Goods and Services and represents a new stage in the implementation of Brazil's consumption tax reform.

Until now, completing these fields in the electronic invoice ('NF-e') and consumer electronic invoice ('NFC-e') was merely informational. With the new requirement, validation will be performed automatically by tax systems during the authorisation process, eliminating the need for subsequent manual review.

Despite the change, the requirement does not yet represent the effective collection of IBS and CBS. The information provided will continue to be used to test and calibrate systems, registrations and tax classifications ahead of 2027, when CBS is expected to become effective. There are also no penalties for errors at this stage. The main risk is the rejection of invoices, which may affect billing operations, delivery schedules and cash flow.

According to data from the RFB, approximately 541,000 companies, out of an estimated 1.2 million taxpayers outside the 'Simples Nacional' regime, had already begun including the new taxes in their invoices before the requirement became mandatory. This suggests that a considerable portion of the market had already anticipated the transition.

The measure affects all companies under the regular tax regime that issue electronic invoices, particularly businesses in the commerce, manufacturing and services sectors. Organisations may need to review ERP systems, electronic invoicing platforms and internal billing procedures, as well as provide training for teams responsible for issuing fiscal documents.



PKF Comment

If you believe any of the above measures may impact your business or personal situation, or require any advice with respect to Brazilian taxes, please contact Caio Vaz de Almeida at caio.vazdealmeida@vazdealmeida.com or call +55 19 3252 4324.

BACK

Chile

Tax reform bill close to enactment

On 21 July 2026, the National Congress approved a bill submitted by the government called the National Reconstruction Project. However, it has not yet become law. The bill states that its purpose is to rebuild the path of national development, and that this will be addressed through physical, economic, institutional and fiscal reconstruction, specifying the measures proposed in each of these areas.

In the area of taxation, the measures proposed in the bill are aimed at improving tax competitiveness. Some of the new tax regulations are summarised below:

- Gradual reduction of the first category tax in the general income tax regime, from a rate of 27% to 25.5% in 2027, 24% in 2028 and 23% from 2029 onwards. Small and medium-sized enterprises under the special income tax regime maintain their reduced rates (temporarily 12.5% until 2027, 15% in 2028 and 23% from 2029 onwards).
- The obligation to return 35% of the first category tax credit is eliminated, allowing full imputation against final taxes, starting from the credits generated in 2029. For credits generated in 2027 and 2028, the obligation to return them when imputed remains, but only 30% and 20% of such credits respectively.
- A tax invariability regime is established for local and foreign investors for 10, 15 and 20 years, depending on the investment amount: 10 years for amounts equal to or greater than US\$50 million and less than US\$100 million; 15 years for amounts equal to or greater than US\$100 million and less than US\$350 million; and 20 years for amounts equal to or greater than US\$350 million. The regime includes a 1.5% surcharge on top of the current first category tax rate throughout the stability period. The tax stability regime is formalised through contracts signed with the state, and investors may opt out of it once and join the general tax regime. The provisions relating to tax invariability have been submitted to the Constitutional Court for constitutional review, which will have to rule on the matter in the coming weeks.

- The single 10% tax levied on capital gains from the sale of securities with a stock market presence (shares, mutual fund units and investment fund units) is eliminated, meaning that the capital gain obtained in these operations will constitute non-taxable income.
- A voluntary system is established for 12 months, allowing taxpayers residing in Chile to declare assets they own abroad, and the income derived from those assets. A single tax of 10% will be applied to the declared value. The rate is reduced to 7% if the assets are repatriated within the first three years of the law's publication and held in local investments for at least five years.
- A single substitute income tax is established, applicable to taxable profits accumulated in the Business Income Registry at the close of the 2025 or 2026 fiscal year, as applicable. Taxpayers who voluntarily opt for this regime will consider the amounts subject to the substitute tax as income that has been fully taxed.

The provisions of the law will take effect in the month following their publication in the Official Gazette. However, the rules relating to the integration of the tax system and the repeal of taxes already mentioned take effect on 1 January 2027. This is without prejudice to the gradual implementation of some of the rules set forth.



PKF Comment

All the provisions contained in the bill, especially the tax reductions and exemptions, aim to stimulate economic recovery. At the time of writing, the bill's passage is not yet complete, as it must be published in the Official Gazette to become law and for its provisions to take effect. Furthermore, the provisions regarding tax stability have been sent to the Constitutional Court for review; a positive ruling on the constitutionality of these provisions would allow their implementation.

If you believe the above measures may impact your business or personal situation or require any advice with respect to Chilean taxation, please contact Antonio Melys Alvarez at amelys@pkfchile.cl or call +56 22650 4332.

BACK

Cyprus

Tax reform 2026 – What you need to know

The House of Parliament approved a number of amendments to tax legislation on 22 December 2025 as part of a comprehensive tax reform package.

We summarise below the main tax highlights arising from these amendments. The effective date is 1 January 2026.

In summary

- The corporate tax rate has increased to 15%.
- The tax loss carry-forward period has been extended to seven years
- Profits from cryptocurrencies are subject to tax at 8%.
- Specific guidance has been issued in relation to ex gratia payments.
- The main tax benefits of the Cyprus holding regime still apply.
- IP box regime tax benefits still apply as before.
- Changes to the personal tax brackets have been introduced, with the tax-free bracket increased to €22,000.
- Defence tax on declared dividends has been reduced to 5%.
- The deemed distribution concept has been abolished.
- The non-domicile concept still applies.
- No defence tax on rental income.
- Abolition of stamp duty on documents.

Detailed amendments

Income tax

1. The corporate tax rate has increased from 12.5% to 15%
2. Personal tax brackets have been amended, with an increase in the tax-free bracket to €22,000. The new brackets and rates are as follows:

Taxable income	Rate
Up to €22,000	0%
€22,001–€32,000	20%
€32,001–€42,000	25%
€42,001–€72,000	30%
Over €72,000	35%

3. The reduced tax rate of 5% on overseas pension income still applies. The tax-free bracket for this specific source of income has increased from €3,420 to €5,000.
4. Ex gratia payments up to €200,000 are tax exempt, with any amount exceeding this threshold subject to tax at 20%. This is the first time that ex gratia payments are mentioned in the tax legislation and specific tax guidance is now provided on this issue. Ex gratia payments include payments on retirement (including early retirement), payments on termination of employment and compensation for termination of employment.
5. A flat-rate tax of 8% on profits from the sale of cryptocurrencies has been introduced. Any losses can only be offset in the current year.
6. Tax losses can now be carried forward for seven years, instead of five years.
7. A specific tax rate of 8% has been set on share option benefits granted to a Cyprus tax resident director or employee of a company. A tax circular has previously been issued on determining what constitutes taxable income on share options (2009/11).
8. Exit tax provisions have been amended to provide that the tax basis of assets should equal their fair market value when a company establishes tax residency in Cyprus from a non-EU country. Prior to the December 2025 changes, the fair market value tax basis rule applied only to transfers of assets from other EU countries.
9. The exemption for profits of a foreign permanent establishment will not apply if the permanent establishment is in a jurisdiction that features on the EU list of non-cooperative jurisdictions for tax purposes.
10. From 2031, the redemption of units in funds that are set up in a corporate form will be considered to be dividends, rather than a disposal of securities, which is the current treatment.

11. The interest expense deduction available for interest incurred on the acquisition of wholly owned (100%) direct and indirect subsidiaries will not be available if the subsidiary is tax resident in a jurisdiction included on the EU list of non-cooperative jurisdictions for tax purposes.

Special contribution to the defence

12. The deemed distribution principle has been abolished for 2026 profits onwards. Profits up to the year 2025 are still subject to this principle.
13. Tax on dividend income has been reduced from 17% to 5% where applicable.
14. Rental income will no longer be subject to defence tax.
15. Withholding tax on dividend payments made to associated companies in low-tax jurisdictions has decreased from 17% to 5%.

Capital gains tax

16. The capital gains tax rate of 20% and the basis for calculating gains remain unchanged.
17. The exemption applicable to exchanges of immovable property has been extended to cases where the consideration is given in kind, involving immovable property. Where the owner of land or property grants their property as consideration for the delivery to them of another property, they will not pay capital gains tax but will instead pay it when the new property is sold. Essentially, they will benefit from the same tax exemptions granted when exchanging property.
18. The following lifetime exemptions for individuals have been increased :
 - the general one-off exemption is increased to €30,000;
 - the exemption for agricultural land is increased to €50,000; and
 - the exemption for the disposal of a main residence is increased to €150,000.

Transfer pricing

19. The transfer pricing documentation requirement thresholds will increase for:
 - goods (€5 million);
 - financial transactions (€10 million); and
 - other transactions (€2.5 million).

Administration

20. Corporate tax returns and self-employed income tax returns must be submitted within 13 months of the year end. The 2026 tax returns therefore need to be submitted by 31 January 2028.
21. The final tax payment date is extended to align with the tax return submission date (i.e. 31 January 2028 for 2026 tax payment).
22. The statute of limitations remains at six years, but this applies from the date the tax return is submitted (or, where applicable, the date a revised return is submitted) rather than from the end of the relevant tax year. The same deadline should apply to the maintenance of books and records.
23. From 1 July 2026, it is compulsory to effect all rental payments via bank transfer.
24. The turnover threshold for individuals/self-employed to prepare audited accounts has increased from €70,000 to €120,000.

Stamp duty

25. The Stamp Duty Law was abolished with effect from 1 January 2026 relating to contracts executed on or after 1 January 2026.

Tax benefits not affected

Some of the main tax benefits of the legislation have not been affected and are summarised below:

- IP box regime;
- notional interest deduction;
- tax-free profit from the sale of securities; and
- 50% deduction on first employment.

Implications

We encourage our clients to review the above amendments and assess the impact on their operations.



PKF Comment

For further information or advice on any Cypriot tax matter, please contact Nicholas Stavrinides (Tax Partner) at nicholas.s@pkf.com.cy or call +357 25 86 8000.

BACK

Czech Republic

Tax changes from 2026

From 1 January 2026, several tax changes came into force that affect entrepreneurs, employees, employers and natural persons.

In particular, the rules for employee shares and options changed for natural persons. A new preferential regime designed primarily for small businesses and start-ups will make it possible to defer the taxation of this income; the employer will report the relevant data to the tax administrator via the JMHZ (single monthly employer report). At the same time, the conditions for the exemption of non-monetary employee benefits will be specified. Contributions to sport, health, culture or recreation may be exempt, but not benefits replacing wages, remuneration or lost income.

It will also be possible to deduct interest on housing cooperative loans related to the taxpayer's share, up to a total limit of CZK 150,000 per jointly managed household for the 2026 taxable period (ending on 31 December).

Employers of people performing high-risk work will have to contribute to their supplementary pension insurance or supplementary pension savings. The contribution will be included in the annual limit of CZK 50,000 for the exemption of contributions to old-age savings products and long-term care insurance.

For income from the sale of securities and business shares, the exemption limit of CZK 40 million was abolished if the time test is met. The value test of CZK 100,000 remains in place, while the limit of CZK 40 million continues to apply to crypto assets.

Withholding tax was abolished on remuneration paid to natural persons who are Czech tax non-residents for serving on statutory and supervisory bodies of legal entities. If the limit of 36 times the average wage is exceeded, these taxpayers are obliged to file a tax return (for 2026 for the first time); income up to this limit will be taxed at a rate of 15%, with a rate of 23% charged on any excess.

The changes will also affect VAT. Certain financial activities are no longer exempt, the VAT refund system for passengers is being modernised and new rules are being introduced for beneficiaries of privileges and immunities, international organisations and other foreign persons.

The package also regulates support for research and development, vocational training, interest on late payments and rules for company cars. The overall goal of the changes is to simplify administration and increase digitisation and transparency of the tax system.

Supreme Administrative Court denies dividend exemption in an artificial holding structure

On 12 June 2026, the Czech Supreme Administrative Court (SAC) ruled on the application of the participation exemption to a dividend paid within a holding structure.

A Czech company paid a dividend of CZK 15 million to its Cypriot parent company and claimed

an exemption under section 19(l)(ze)(l) of the Czech Income Taxes Act. The parent company subsequently contributed the funds to a Czech sister company outside its registered capital.

The transactions were settled through mutual set-offs, and the funds were ultimately used to finance a real estate project.

The Czech tax authorities concluded that the holding structure had been created artificially and that its predominant purpose was to obtain a tax advantage. They therefore denied the exemption and assessed additional corporate income tax of approximately CZK 2.65 million.

The SAC confirmed that an exemption may be denied even where its formal statutory conditions are met, if the arrangement constitutes an abuse of law. This requires both:

- a tax advantage contrary to the purpose of the legislation; and
- evidence that obtaining that advantage was the predominant purpose of the arrangement.

According to the SAC, the purpose of the participation exemption is to prevent double taxation of profits distributed between genuine parent and subsidiary companies. It is not intended to facilitate the transfer of untaxed funds through an interposed holding company.

The court also held that the ultimate use of the funds for a genuine investment was not sufficient. The taxpayer failed to demonstrate a credible commercial purpose for the holding structure and the selected sequence of transactions. The court referred mainly to the limited activities and financial capacity of the Cypriot parent company and the close personal links between the entities involved.



PKF Comment

The judgment does not mean that holding structures or intra-group capital contributions are inherently abusive. It does, however, confirm that the dividend exemption may be denied where a holding structure constitutes an abuse of law, even if all formal statutory conditions are met. Parent companies, particularly those with limited substance or economic activity, should be able to demonstrate their genuine business function and decision-making capacity.

Failure to do so may result in the exemption being denied and additional tax being assessed at the level of the distributing subsidiary. Groups should therefore review and document the commercial rationale for their holding structures and intra-group cash flows.

For further information concerning Czech corporate taxation, please contact Filip Sinecký at filip.sinecky@pkfapogeo.cz or call +420 608 962 025.

BACK

Hong Kong

New comprehensive double taxation agreements with Cyprus and Nigeria

Hong Kong has expanded its network of comprehensive double taxation agreements (CDTAs) with the signing of two new tax pacts in June and July 2026, bringing the total number of CDTAs to 59.

Hong Kong–Cyprus CDTA

Signed in Hong Kong on 12 June 2026, the Hong Kong–Cyprus CDTA is Hong Kong's 58th CDTA. The agreement sets out the allocation of taxing rights between the two jurisdictions to provide double taxation relief and enhance tax certainty for cross border investors.

Under the CDTA, any tax paid by Hong Kong residents in Cyprus will be allowed as a credit against Hong Kong tax in respect of the same income, subject to the Inland Revenue Ordinance (Cap. 112) (IRO). In addition, Cyprus withholding tax on royalties received by Hong Kong residents, currently imposed at rates of up to 10%, will be reduced to 3%, provided the relevant conditions under the CDTA are satisfied.

Hong Kong–Nigeria CDTA

On 13 July 2026, Hong Kong signed its 59th CDTA, with Nigeria. The agreement was signed during a virtual bilateral meeting. This agreement allocates taxing rights between the two jurisdictions to provide double taxation relief and enhance tax certainty for cross border investors.

Under the CDTA, any tax paid by Hong Kong residents in Nigeria will be allowed as a credit against Hong Kong tax on the same income, in accordance with the IRO. In addition, Nigeria's maximum withholding tax rate on dividends, interest and royalties received by Hong Kong residents will be reduced from 10% to 7.5%, subject to the conditions in the CDTA being met.

The CDTAs with Cyprus and Nigeria will enter into force upon completion of ratification procedures by the respective jurisdictions.

Proposed amendments to the preferential tax regimes for funds and asset management

The Hong Kong government gazetted the Inland Revenue (Amendment) (Preferential Tax Regimes for Funds, Family-owned Investment Holding Vehicles and Carried Interest) Bill 2026 (the 'Amendment Bill') on 12 June 2026.

Subject to enactment, the proposed measures will take retrospective effect from 1 April 2025 (i.e. the year of assessment 2025/26). The proposed amendments revise the existing tax concessions for privately offered funds, family-owned investment holding vehicles (FIHVs) and carried interest arrangements.

Below is a summary of the key proposed amendments under the Amendment Bill:

1. Expansion of the definition of a 'fund'

The definition of a qualifying 'fund' is expanded to cover additional arrangements, including:

- pension funds and endowment funds of charitable institutions that are exempt from tax under section 88 of the IRO;
- sovereign wealth funds and funds wholly owned by governmental entities, central banks or international organisations; and
- single-investor arrangements holding a minimum of HK\$240 million in qualifying investments under management, provided the sole investor does not exercise day-to-day control.

Note: When calculating the HK\$240 million asset threshold for single-investor arrangements, loans provided by the participating investor are not treated as liabilities and are therefore not deducted from the qualifying asset value. Furthermore, such arrangements are exempt from the statutory requirement to be managed by a 'specified person' under the Securities and Futures Ordinance.

2. Broadening of qualifying investments and removal of the 5% incidental threshold

The scope of qualifying investments (Schedule 16C assets) is broadened to include:

- loans;
- immovable property situated outside Hong Kong;
- direct or indirect equity interests in an entity that is not a corporation (e.g. partnerships);
- digital assets, insurance-linked securities, emission allowances, emission derivatives and carbon credits; and
- precious metals (capped at 20% of the total investment portfolio) and specified commodities linked to OTC derivatives (capped at 15% of the total trade volume).

Furthermore, the Amendment Bill removes the 5% threshold for incidental transactions. Accordingly, profits derived from qualifying investments, including interest income from loans, will qualify for the profits tax exemption without being restricted by a percentage limit.

3. Enhancements to special purpose entities (SPEs)

The Amendment Bill revises the tax treatment for SPEs established by funds:

- **Removal of proportional exemption limits:** Under the proposed rules, a full profits tax exemption is granted at the SPE level on income derived from Schedule 16C assets. This removes the previous proportional limitations based on the tax-exempt fund's percentage of beneficial interest.
- **Expanded permissible activities:** The scope of permissible activities for SPEs is expanded. Instead of being restricted solely to holding and administering private company shares, SPEs are permitted to engage in broader asset administration and disposal, as well as activities incidental to the underlying investments.

4. Updates to the carried interest tax concession

The preferential tax treatment for carried interest is amended as follows:

- **Broadening of scope of qualifying income:** It is proposed to cover carried interest arising from a wider range of fund income, including profits from qualifying investments under the unified fund exemption regime, non-taxable income such as dividends and offshore-source income, and the fund's other taxable profits.
- **Removal of Hong Kong Monetary Authority (HKMA) certification:** The requirement for funds to obtain certification from the HKMA is completely removed.
- **Removal of hurdle rate requirement:** The reference to a formal hurdle rate is deleted from the legislation.
- **Expansion of qualifying payers and recipients:** The definition of a 'qualifying payer' is expanded to include closely related entities. The concession is also extended to qualifying employees who hold a contractual right to share in the carried interest.

5. Refinement of anti-round tripping provisions

The anti-round tripping rules are revised based on the nature of the investor:

- **Excluded persons:** Natural persons (individuals) and tax-exempt funds are fully excluded from the anti-round tripping provisions.
- **Standard corporate entities:** The 30% general threshold remains applicable. Where a standard Hong Kong resident company holds 30% or more of a tax-exempt fund, the relevant share of profits may be attributed to the resident and subject to profits tax.
- **Financial institutions and money lenders:** A specific provision is introduced for financial institutions, insurance companies and licensed money lenders. If such entities hold 20% or more of a fund, the fund's loan interest profits will be attributed to them and subject to standard profits tax.

Note: Where the fund is an associate of the resident corporate investor, the anti-round tripping rules apply regardless of the specific ownership percentage.

6. Economic substance and reporting requirements

The Amendment Bill introduces explicit economic substance thresholds and reporting requirements for general funds, closely aligning the regime with the FIHV framework:

- **Substance requirements:** Funds claiming the exemption must demonstrate the employment of at least two full-time qualified employees in Hong Kong and the incurrence of at least HK\$2 million in annual local operating expenditure. These thresholds can be satisfied at the level of the fund, the investment manager or a related entity.
- **Reporting mechanism:** An initial electronic notification must be filed with the Inland Revenue Department (IRD) within six months of the commencement of fund management. An annual notification is also required, containing information to be specified by the Board of Inland Revenue. Aggregate reporting across

multiple funds under the same manager is permitted to reduce administrative burdens.

7. Transitional administrative measure and next steps

The IRD has introduced a transitional administrative measure whereby taxpayers eligible for the proposed concessions may submit their 2025/26 profits tax returns based on the Amendment Bill prior to its formal enactment.



PKF Comment

The latest CDTAs with Cyprus and Nigeria further expand Hong Kong's tax treaty network, supporting cross-border trade and investment. The reduced withholding taxes, clearer taxing rights and availability of foreign tax credits may offer planning opportunities for businesses using Hong Kong as a regional or global hub.

Meanwhile, the Amendment Bill gazetted in June 2026 signals a significant enhancement to Hong Kong's competitiveness as an asset management and trading hub. Fund managers and family offices should assess their existing operational structures and investment mandates to ensure full alignment with these proposed statutory conditions upon legislative enactment.

For further information concerning the above or any service request with respect to Hong Kong taxation, please contact Henry Fung (Tax Partner) at henryfung@pkf-hk.com, Jonathan Lau (Senior Tax Manager) at jonathanlau@pkf-hk.com or call +852 2806 3822.

BACK

Italy

Introduction of tax payment codes for global minimum tax penalty relief

The Italian Revenue Agency has issued a new resolution introducing the tax payment codes to be used on the F24 form for the settlement of penalties under the voluntary disclosure ([ravvedimento operoso](#)) regime in relation to breaches of the reporting and notification obligations established under the global minimum tax Pillar 2 rules.

New tax payment codes

The newly introduced F24 tax payment codes apply to penalties arising from:

- the failure to submit or the late submission of the GloBE information return 'relevant communication' (code 2735);
- failure to comply with the applicable notification obligations (code 2736); and
- the late filing of the annual global minimum tax return (code 2737).

The introduction of these tax payment codes forms part of the implementation framework established by Legislative Decree No. 209/2023, which transposed the OECD/G20 Pillar 2 rules into the Italian legal system.

It also represents a further development following Resolution No. 63/E of November 2025, which introduced the tax payment codes for the income inclusion rule (IIR), the undertaxed profits rule (UTPR) and the qualified domestic minimum top-up tax (QDMTT).

Penalty regime

Pursuant to article 51 of Legislative Decree No. 209/2023, Italian entities of multinational groups located in Italy, together with transparent entities established under Italian law, are required to submit the relevant communication (GloBE information return) or comply with the applicable notification obligations within the statutory deadlines.

Failure to submit the required communication, or submitting it more than three months after the applicable deadline, results in an administrative penalty of €100,000.

Where the filing is delayed by less than three months, or the information provided is incomplete or inaccurate, penalties range from €10,000 to €50,000.

During the first three years of application of the rules, a transitional regime applies, providing for a 50% reduction of the penalties in certain cases involving reporting violations.



PKF Comment

The introduction of these new tax payment codes marks a further step in the operational implementation of Italy's global minimum tax framework, allowing taxpayers to regularise reporting and filing breaches through the voluntary disclosure tool ([ravvedimento operoso](#)).

Multinational groups should ensure that their Pillar 2 compliance processes adequately address the relevant reporting and notification requirements and, where appropriate, assess the opportunity to amend any non-compliance through the newly available procedures.

If these developments may affect your clients, our tax team is available to provide guidance and practical support. If you require further assistance, please do not hesitate to contact PKF Studio TCL – Tax Consulting Legal at studiotcl@pkf-tclsquare.it or call +39 010 81 83 250 (Genoa office).

BACK

Jamaica

2026/27 National Budget changes

Imposition of general consumption tax on digital services and intangibles

General consumption tax (GCT) is currently chargeable on goods and services supplied in Jamaica by a registered taxpayer and on the importation of goods or services for consumption in Jamaica. The mechanism for taxing imported services, however, did not extend to small businesses operating below the J\$15 million annual threshold requiring registration as a registered taxpayer for GCT purposes or to individuals importing services for personal use.

Digital services rendered by overseas service providers are being purchased and consumed by Jamaicans. These overseas service providers are not currently subject to Jamaican taxes. Where these same services are supplied by local suppliers, they would be liable to GCT and income tax. GCT will now be applied to digital services rendered by overseas service providers. It is proposed that this measure will be implemented during the fourth quarter of financial year 2026/2027.



PKF Comment

The Jamaican government is aiming to ensure that all consumers of digital services contribute to the revenue of the country but it is not yet known how this tax measure will be implemented to ensure all consumers pay their fair share of taxes.

Special consumption tax on prescribed goods under the GCT Act

Special consumption tax (SCT) is imposed under the GCT Act at specified rates, on the manufacture in or importation into Jamaica of prescribed goods. Prescribed goods and the specified rates applicable are set out in the second schedule of the GCT Act. These goods include alcoholic beverages, cigarettes, petroleum products and motor vehicles.

Imposition of SCT on non-alcoholic sweetened beverages

Effective from 1 May 2026, SCT was imposed on non-alcoholic sweetened beverages (NASBs) at the rate of J\$0.22 per gram of added sweetener contained in the beverage. Added sweetener includes all added sugars and non-nutritive sweeteners included in the product during the manufacturing process. NASBs include all beverages containing less than 0.5% alcohol that are commercially produced, packaged, sealed or otherwise prepared in final form for retail sale, and intended for direct consumption without further dilution, mixing or preparation, to which added sugar and/or non-nutritive sweeteners have been included during manufacture.

This SCT will not apply to beverages where sweetening occurs at the point of retail or final preparation, for example, in restaurants or cafes. The SCT is intended to target commercially produced, packaged beverages. Exempted beverages include liquid whole and skimmed milk, exported sugar beverages shipped as stores and juices to which no additional sugar has been added. For domestic manufacturers, the SCT liability will arise at the point of removal of goods from the excise warehouse for local consumption, with the SCT assessed at that stage and paid through periodic SCT returns. For imports, the SCT liability will be payable at the point of importation or, where applicable, upon clearance from a bonded warehouse for home consumption. Manufacturers and importers will be required to submit supporting documentation to substantiate the declared added sweetener content.



PKF Comment

The imposition of the SCT on the importation and manufacture of NASBs is aimed at reducing the incidence of non-communicable diseases (NCDs) associated with the excessive consumption of sugary drinks.

Increase in SCT on alcoholic beverages and cigarettes

Effective from 1 May 2026, SCT on all alcoholic beverages will be increased from J\$1,230 to J\$1,400 per litre of pure alcohol. The increase will apply uniformly to locally manufactured and imported alcoholic beverages.

Effective from 1 May 2026, SCT on all cigarettes will be increased by J\$3 per stick, moving the effective specific rate from J\$17 to J\$20 per stick. The increase will apply uniformly to locally manufactured and imported cigarettes.



PKF Comment

These SCT rates were last increased in 2017. The increased tax aims to reduce harmful consumption and long-term health costs.

Modification of the 20% duty concession on motor vehicles for public officials and all categories of persons entitled to such relief under statute

Previously, the 20% duty concession on motor vehicles for public officials and all categories of persons entitled to such relief under statute reduced the duties payable when importing or purchasing motor vehicles. Under this framework, both the SCT and GCT were waived, and the applicable customs duty was 20% of the motor vehicle's CIF value. This concession was introduced to reduce the cost of motor vehicle ownership and support mobility.

Effective from 1 May 2026, the 20% duty concession on motor vehicles was amended, resulting in the 20% import duty remaining payable. GCT is now payable, but the SCT waiver/exemption remains.



PKF Comment

The 20% duty concession was previously granted to compensate workers in the public sector for the lower-than-market-rate salaries paid to them, due to the country's tight fiscal issues. However, in recent years, the salaries of public sector workers have been increased to market rates, thereby reducing the need for the concession.

Increase in the environmental protection levy rate

The environmental protection levy (EPL) is imposed on the importation of goods in Jamaica and on the sale of locally manufactured goods.

Effective from 1 May 2026, the EPL was increased from 0.5% to 0.85% for both imports and locally manufactured goods.



PKF Comment

This tax measure will finance the enhancement of climate resilience especially in view of the damage caused by natural disasters in recent years.

Increase in GCT rate on tourism activities

Tourism activities are currently subject to GCT at the rate of 10%, and include providing the services of a hotel, resort cottage, a site or other facilities for camping, other tourism accommodation, water sports, attractions and tour operators, pursuant to a licence issued under the Tourism Board Act.

Effective from 1 April 2027, the GCT on tourism activities will be increased from 10% to 15%.



PKF Comment

The delay in the implementation of the increased rate serves to give the tourism sector more time to recover from the effects of Hurricane Melissa that destroyed the western part of the island in October 2025.

If you believe any of the above measures may impact your business or require any advice with respect to Jamaican taxation, please contact Charmaine Madden at charmaine.madden@afmpkf.com or call +1 876 922 1074.

BACK

Nepal

Various tax updates – Budget announcement for FY 2026/27 and major tax amnesties

Changes in tax law by Budget announcement for FY 2026/27

On 29 May 2026, the finance minister of Nepal presented the full Budget for the FY 2026/27. The major changes in the tax laws introduced by the Budget are as follows:

Direct taxes

- a) Section 2(kha1) added to define an 'international transaction' as any dealing in goods, services, finance or intangible property with a non-resident that affects income, expenses, assets or liabilities.
- b) Section 2(KaBha1) added to define the 'safe harbour rule', treating related-party transactions that meet the criteria of section 33Ka as matching an arm's-length price.
- c) The law now defines an associated person for the purposes of transfer pricing, safe harbour and advance pricing agreements (APA) as follows:
 - i) an entity alone or with related parties, controls at least 30% of another entity's income, capital or voting rights, or receives benefits from it;
 - ii) another person lends to an entity and more than 50% of that person's assets consist of loans and advances to that entity;
 - iii) an entity relies mainly or entirely on another person's intellectual property, technical know-how or commercial rights to earn revenue; or
 - iv) an entity sources at least 90% of the raw materials or consumables that another person needs.
- d) CSR spending under section 12Gha is now deductible in computing taxable income but not in computing adjusted taxable income.
- e) Sweat equity received by employees in the IT sector need not be included in taxable income under section 8. Consequently, employees receiving sweat equity from their company need not pay tax on such shares.
- f) Section 10 adds the following new exemptions:
 - i) Gains from the disposal of private land or buildings donated to the federal, provincial or local government by a natural person are exempt from tax (10(Jha1)).
 - ii) Tax on interest from debt investments in Nepal by a not-for-profit financial institution wholly owned by a foreign government is exempt from tax.
 - iii) Income earned for its stated objectives by a drinking water and sanitation consumer organisation registered under the Water Resource Act, 2049, is exempt from tax.
 - iv) There is no tax on the income of universities registered and operating in Nepal for their stated objectives.
- g) Interest on deposits with microfinance institutions, rural development banks, the postal bank and cooperatives above Rs 25,000 is taxable under section 10(2).



- h) Cinema halls established outside metropolitan and sub-metropolitan areas are eligible for 10 years' tax exemption from the date of commercial operation.
- i) 'Agricultural business' now covers crops, horticulture, livestock, aquaculture and apiculture.
- j) Section 12 caps deductible donations at the lower of Rs 300,000 or 5% of adjusted taxable income.
- k) Businesses may deduct CSR expenses up to 1% of taxable income under section 12Gha.
- l) Section 21(2) lowers the disallowed cash transaction threshold from Rs 50,000 to Rs 25,000 per transaction.
- m) Taxpayers may now deduct share and debenture issue costs because section 21(3) no longer treats them as capital expenditure.
- n) Section 33Ka lets taxpayers with turnover up to Rs 1 billion use safe harbour rules to set arm's-length prices for controlled transactions if they meet these conditions:
 - i) IT service exporters add a minimum 15% operating margin to operating costs;
 - ii) inter-company US dollar loans add 200 to 400 basis points to reference rates; and
 - iii) low-value-added services may add up to 5% profit to cost, as the IRD determines.

Once selected, safe harbour rules apply for at least five income years unless the transaction changes substantially. IRD will issue implementation directives.
- o) Section 33Kha allows the IRD to enter into bilateral or multilateral APAs for international transactions between associated enterprises. Agreed transfer prices count as arm's length for up to five consecutive years and may roll back up to four years.

The APA binds all parties unless the law or key terms change materially.

An APA is void from the start if a party secures it through fraud, false facts or misinformation.
- p) Section 47Ka, which covered mergers of banks, financial institutions and insurers, is now repealed.
- q) Section 57 does not apply where:
 - i) a start-up adds new shareholders or partners, while existing owners keep their capital intact;
 - ii) an interest in an entity passes by law to a legal heir when the holder dies; or
 - iii) a resident entity's ownership changes because its resident holding company's shareholding changes.
- r) NRB-licensed hire purchase companies may deduct loan-loss provisions up to 5% of outstanding loans, written-off loans and non-banking assets, like BFIs.
- s) IRD interpretations in public circulars under section 75 are final.
- t) Section 81 now treats invoices as required tax records. The IRD may require taxpayers to keep records electronically and issue e-invoices through approved software linked to the central billing monitoring system.
- u) Section 82A lets the IRD obtain financial data electronically from a person in Nepal or from anyone holding that person's records.
- v) Payments to resident individual insurance agents are subject to final withholding tax at 20% under section 88.
- w) Section 88Ka does not now levy tax deducted at source (TDS) on agricultural contribution awards up to Rs 500,000 and may exempt higher amounts by a Gazette notice.
- x) The 1.5% TDS on payments exceeding Rs 5 million for work carried out through consumer committees has been abolished.
- y) Capital gains on listed or unlisted shares, land and buildings and certain foreign currency and service income under section 95Ka are final tax if the recipient does not file a return.
- z) Resident ride-sharing operators must withhold 1% advance tax from payments to natural persons on their platforms.

- aa) Section 95Ka revises advance tax rates as follows:

Particulars	FY 2026/27	FY 2025/26
Listed shares held for less than or equal to 365 days	10%	7.5%
Listed shares held for more than 365 days	7.5%	5%
Land and buildings held by a natural person for at least five years	7.5%	5%
Land and buildings held by a natural person for less than five years	10%	7.5%
Involuntary disposal of land and buildings by a natural person due to compulsory acquisition by decision of the Nepal government	2.5%	5% / 7.5%

- bb) Resident natural persons can no longer skip filing an income tax return solely because they earn only income under section 95Ka(6kha), (6ga) and (6gha).
- cc) The window for an amended tax assessment (full audit) now closes after three years, not four.
- dd) Taxpayers now get five years, not two, to claim a refund, measured from the latest of the payment date, year end or case settlement date.
- ee) Section 119Ka now states that taxpayers who are required to issue e-invoices under section 81(4) face a Rs 500,000 penalty for software that deletes or alters data, and a Rs 100,000 penalty for other non-compliance.
- ff) The Finance Act unifies tax slabs for all resident natural persons. One rate schedule now applies to remuneration income as follows:

Taxable income (Rs)	Applicable tax rate
First 1,000,000	1%*
Next 500,000	10%
Next 1,000,000	20%
Next 1,500,000	27%
Remaining amount above 4,000,000	29%**

* This is the social security tax to be deposited in a separate revenue account (11211) provided for this purpose. However, taxpayers registered as sole proprietors, on pension income or on income from a contribution-based pension fund shall not be subject to social security tax, i.e. 1%. If the taxpayer deposits the amount in the Social Security Fund (SSF), the social security tax is not applicable.

** 29% is computed as 27% plus an additional 2% where taxable income exceeds Rs 4,000,000.

- gg) The maximum deduction for insurance premiums paid on a private building by a resident natural person has been enhanced from Rs 5,000 to Rs 10,000. The deduction shall be limited to the actual insurance premium paid, if lower.
- hh) A resident natural person can now deduct 25% of annual tuition fees paid for children's education or Rs 25,000, whichever is lower.

Indirect taxes

Customs duty

A new customs duty ordinance has been enacted and some provisions of the Customs Act 2064 have been inserted therein.

Customs Act, 2064

- a) The budget streamlines the 11-tier customs duty structure to seven tiers.
- b) Customs duty on 273 industrial raw materials has been reduced, so they remain at least one tier below finished goods and support domestic manufacturing.
- c) Specified goods (raw wool, live sheep, salt, chauri cattle and tails, carpets and herbs) may be imported from the Tibet Autonomous Region through barter or banking. All other goods must use banking channels. Use of the banking

system is not mandatory for exports or for imports of goods valued up to Rs 16,000.

- d) A brewery may import crown cork only with a recommendation from the Inland Revenue Office.
- e) An approved health institution may send patient specimens abroad or bring them into Nepal for testing without customs duty.
- f) Approved hydropower projects may import essential construction equipment, machinery, tools, spare parts, explosives, penstock pipes and steel plates under a bank guarantee for customs, excise and VAT, with a recommendation from the Department of Electricity Development.
- g) Exporters of goods made in Nepal may export up to US\$25,000 without immediately submitting foreign exchange receipt documents, but they must submit the receipts or proof of returned goods within six months. If they do not, legal action will be initiated by the customs officer under foreign exchange laws.
- h) Industries, businesses and commercial establishments damaged during the Gen-Z movement receive a 50% customs and excise duty exemption on imports needed for restoration and operation, based on items verified in the insurance surveyor's report.
- i) If goods imported under diplomatic or customs duty exemption are sold or gifted after five years, a 60% concession on the applicable customs duty under Schedule 3 applies. This facility may be used once during the beneficiary's official tenure in Nepal.
- j) Diplomatic missions, personnel, projects and agencies may scrap motor vehicles imported under customs privilege if the vehicles are over 10 years old, have been used for at least 10 years or are inoperable due to accidents or technical reasons. With ministry approval, they may deregister by scrapping them without customs duty liability.

- k) A returning passenger may import gold ornaments duty-free up to 25 grams for men and 50 grams for women. For the next 50 grams, the prevailing duty applies; for a further 50 grams, the prevailing duty plus 3% applies, and any excess is confiscated.

Changes in custom duty rates and charges

- a) The budget shifts electric vehicle (EV) customs duty from motor output capacity to purchase value, adopting a value-based system. A clean infrastructure investment fee (CIIF) is levied on imports to fund local production, charging stations and battery systems. Also, road construction fees for EVs under HS code 8703.80.91 and 8703.80.99 with a CIF value up to Rs 2,000,000 are reduced from 5% to 2.5%.

CIF value (Rs)	Customs duty	CIIF (levied after customs duty)
Up to 2,000,000	20%	2.5%
2,000,000–3,000,000	20%	20%
3,000,000–4,000,000	20%	20% + additional 15%
4,000,000–5,000,000	20%	20% + additional 70%
Above 5,000,000	20%	20% + additional 110%

- b) Revision in customs duty in relation to cigarettes and tobacco-containing goods:

Product description	Existing rate (Rs; per 1,000 sticks)	Revised rate (Rs; per 1,000 sticks)
Cigarettes with tobacco (including cigarillo)	11,000	12,000
Cigarettes (without filter)	5,500	6,000
With filter: ≤ 70mm length	5,500	6,000
Length > 70mm and ≤ 75mm		
Length > 75mm ≤ 85mm		
Length > 85mm		
Manufactured bidi	5,500	6,000
All types of cigars	11,000	12,000
Others		

- c) Increase in customs duty from 20% to 30% on the import of electronic cigarettes and similar personal electronic equipment (vapes) used for vaporising.

Excise duty

- a) **Expanded scope of excisable products and definitions:** The definitions of security mark, tobacco/nicotine products and liquor have been broadened. Tobacco/nicotine products now expressly include vapes, nicotine pouches, hookah flavours and other products designated by the IRD, while liquor covers various fermented beverages above 0.5% alcohol, cocktails, carbonated wine and spirit-based beverages.
- b) **Excise credit on auxiliary and packing materials:** The previous restriction on excise duty credit for auxiliary raw materials and packing materials has been removed. Accordingly, excise duty paid on such materials used in the production process can now qualify for credit, subject to the prescribed conditions.
- c) **Introduction of risk-based selective release control system:** A new risk-based selective release control system has been introduced. Under this system, establishments are selected based on risk analysis and may be permitted to produce, release, import or export excisable goods under limited physical supervision.
- d) **Changes in timing and mechanism of excise duty payment:** Industries under the physical control system or risk-based selective release control system generally pay excise duty when goods are produced and released for sale. Microbreweries are required to pre-pay monthly excise duty based on prescribed yield rates and installed capacity.
- e) **Stronger record-keeping and compliance requirements:** Excise return filers must maintain updated records of production, sales, purchases, raw-material consumption, releases and closing stock. Relevant registers are subject to certification by excise officers, while qualifying self-release industries may maintain/certify records through authorised personnel.
- f) **Tighter control over alcohol strength:** The permissible variation between declared and actual alcohol strength has been reduced from 1% to 0.5% in relevant provisions. Excise officers can also arrange laboratory testing of raw materials, work-in-process spirits and alcoholic beverages, including before release.
- g) **Digital excise stamps and track and trace system:** The Act formally provides for digital excise stamps and empowers the IRD to implement an electronic track and trace system covering production, storage, release, distribution and transportation of alcoholic beverages and tobacco products. Failure to comply or unauthorised access to the system has been made an offence.
- h) **Significantly stronger penalties and enforcement powers:** Offences involving suppression or evasion of excise duty can attract confiscation of the evaded amount plus a penalty of 200% of the evaded amount or Rs 100,000, whichever is higher, together with possible imprisonment of up to one year. The IRD/excise officers also receive broader powers to suspend licences and confiscate tools, machinery, equipment, vehicles and other items connected with offences.
- i) **New financial consequences for unpaid excise and misuse of exemptions:** A 5% annual interest is imposed on outstanding excise duty beyond the prescribed deadline. Duty-free/exempt alcoholic beverages used or sold commercially can be confiscated, with a penalty equal to the evaded duty or Rs 100,000, whichever is higher.
- j) **New pricing, classification and regulatory powers for the IRD:** Producers, importers and sellers of liquor, beer and cigarettes must publish retail prices at the beginning of the fiscal year whenever prices change. The IRD, including in coordination with Customs, can determine excisable goods and their harmonised codes and issue standards/directives governing production, quality, sale and distribution.
- k) **Targeted excise exemptions and concessions:** Several sector-specific concessions have been introduced, including exemptions for ambulance/hearse chassis, certain disability-oriented electric vehicles, qualifying traditional noodles, eligible personal-use imports, stadium infrastructure equipment and green hydrogen production equipment. Industries in highly underdeveloped areas producing brandy, wine and cider from local fruits can receive an 80% excise discount, while qualifying domestic

wine, champagne and cider producers receive specified discounts based on local raw material content.

- l) Specific changes affecting liquor and other products:** For liquor, excise duty is calculated using the higher of the rate per London proof litre or per litre, and prepared liquor cocktails are subject to the prescribed rate under heading 2206.00.40. The Act also strengthens controls over duty-free liquor and introduces/clarifies the excise treatment for various products, while expanding the scope of goods subject to excise administration.

VAT

- a) Introduction of multiple VAT rates:** The VAT framework now permits 0%, 5%, 13% and other rates prescribed by the government through Nepal Gazette, with the government empowered to specify different rates for different goods and services.
- b) 5% VAT on specified transactions:** A 5% VAT rate has been introduced for passenger transport and cargo/delivery services provided through resident ride-hailing platforms, as well as specified electricity transactions, including electricity supplied to electricity traders and consumption exceeding 50 units per month.
- c) Reverse collection mechanism for ride-hailing services:** Resident ride-hailing platforms are required to assess and collect VAT from service providers at the time of each transaction for passenger transport and cargo/delivery services provided through the platform.
- d) Mandatory electronic invoicing framework:** The IRD has been empowered to prescribe e-invoicing criteria and procedures and require specified taxpayers to issue electronic invoices, integrate with the centralised billing monitoring system (CBMS) or use the IRD's electronic billing system.
- e) Stronger e-invoicing controls and penalties:** Using invoice software capable of deleting or altering transaction data attracts a fine of Rs 500,000, while other breaches of e-invoicing requirements attract a fine of Rs 100,000, with additional penalties for specified VAT compliance violations and commercial movement of goods.
- f) Natural disaster recognised for VAT adjustment:** Natural disaster has been added alongside wear and tear as a recognised circumstance under section 16B for VAT purposes.
- g) Simplified return filing for taxpayers outside IRO districts:** Taxpayers located in districts without an Inland Revenue office (IRO) may file VAT returns and pay tax through the local government or district treasury and accounts controller office, which must forward the information to the relevant IRO.
- h) Amended VAT returns permitted:** Taxpayers who have filed their VAT return by the deadline can correct errors through an amended return within seven days of the original filing, subject to departmental procedures.
- i) Fully automated VAT refund system:** A fully automated VAT refund mechanism has been introduced to streamline and expedite the processing of VAT refunds.
- j) 10% electronic payment VAT benefit converted to immediate exemption:** The previous 10% VAT refund on eligible electronic payments has been changed to an immediate VAT exemption at the time of billing, effectively providing an immediate 1.3% reduction in the invoice value where the applicable VAT rate is 13%.
- k) Public circulars given binding effect:** Interpretations of the VAT Act issued by the IRD through public circulars are now binding, unless subsequently overturned by a court.
- l) Changes to VAT-exempt/zero-rated Schedule 1 items:** Several products and services, including jute/flexible fibres, wood briquettes, specified traditional medicines, bandages, X-ray preparations, clinical trial kits, diagnostic reagents, digital financial service fees and insurance agent services, have been added to Schedule 1 and are therefore removed from VAT.
- m) New items brought into VAT:** Coconut (HS 0801.19.00) and technical-grade urea (HS 3102.10.11) have been brought within the scope of VAT.

n) Input VAT adjustment on newly exempt items:

Where a registered person has previously claimed input VAT on trading stock or capital goods that are now included in Schedule 1, those goods are deemed supplied at open-market value as of 29 May 2026, requiring corresponding input VAT adjustment.

o) Transitional VAT registration requirement:

Persons supplying goods or services newly removed from Schedule 1 must obtain VAT registration within 30 days of 29 May 2026 if their turnover exceeds the registration threshold and may issue tax invoices only after registration.

p) Removal of public enterprise contract VAT refund provision:

The provision relating to refunds of VAT deducted and deposited by public enterprises under contracts under section 25C(1) has been removed.

q) Increased penalties for VAT violations:

Certain existing penalties have been substantially increased, including the relevant fine from Rs 1,000 to Rs 10,000, along with a Rs 50,000 fine for each violation of IRD directives concerning the internal movement of goods for commercial purposes.

r) Remission of historical VAT on cheese:

The government has provided remission of unpaid/outstanding VAT on past sales of cheese produced from milk.

Major tax amnesties announced through the Finance Act 2083

The GoN announced various tax amnesties through the Finance Act 2026 to provide relief to those taxpayers already registered and also to those who are unregistered to bring them into the ambit of taxation. Taxpayers need to opt in to the tax amnesty schemes by 14 January 2027 (Poush end 2083 in the Bikram Sambat calendar). A brief overview of major tax amnesties is as follows:

a) Loss of business inventory: Businesses affected by the Gen-Z movement may claim deductions for uninsured inventory losses and adjust related VAT, subject to prescribed evidence and reporting requirements.

b) Restoration of damaged assets: Gen-Z movement-affected businesses are eligible for a 50% exemption from customs and excise duties on imports required to restore damaged buildings, furniture, machinery and equipment, subject to verification by an insurance surveyor.

c) Casino royalty and renewal fees: Casinos unable to operate due to Gen-Z movement-related damage are entitled to a waiver of royalty and renewal fees for the period of non-operation.

d) Foreign-aid projects: Income earned up to FY 2025/26 by eligible non-residents or Nepal-based branches/permanent establishments providing construction or services under qualifying foreign-aid projects is exempt from income tax, including specified withholding tax.

e) NEA projects financed by international banks: Qualifying Nepal Electricity Authority (NEA) hydropower, transmission and distribution projects financed by European Investment Bank or Asian Infrastructure Investment Bank loans are subject to only 1% customs duty, with other applicable taxes, fees and duties exempted subject to an approved master list.

f) Legacy taxes: Outstanding sales tax, hotel tax, entertainment tax and contract tax under the repealed/transitioned tax regime are waived, while certain assessed arrears of persons who never obtained a permanent account number (PAN) or conducted income-generating activities may be written off.



PKF Comment

The government of Nepal (GoN) through the Finance Act 2026 has changed direct and indirect tax rates which may affect individuals and entities in Nepal. Taxpayers in Nepal and prospective taxpayers should be aware of the new tax rules effective for FY 2026/27.

g) Luxury duty and VAT on precious items:

Certain uncollected luxury duty on gold/gold ornaments and VAT on diamonds, gems and precious stones due before 2 August 2025, as well as specified uncollected VAT on gold and silver products up to FY 2025/26, are fully waived without requiring returns.

h) Post-clearance customs audit: Importers can obtain a waiver of penalty and accrued interest on customs liabilities assessed through post-clearance audit by withdrawing pending litigation and paying the assessed customs duty, excise duty and VAT by the prescribed deadline.

i) Non-profit organisations: Eligible non-profit organisations can obtain a full waiver of tax, interest, penalties and fees on taxable donation, contribution and gift income for FY 2025/26 and earlier years by fulfilling the prescribed filing requirements by 14 January 2027.

j) Insurance agents: Insurance agents who failed to collect VAT for FY 2025/26 or earlier years can obtain a full waiver of related interest, additional fees and penalties without filing VAT returns for those periods.

k) Taxpayers without PAN: Persons who earned taxable income without a PAN can obtain a PAN, file returns for FY 2022/23 to 2025/26 and pay the applicable tax plus prescribed amounts, with interest and filing fees waived and all pre-FY 2022/23 obligations extinguished.

l) Dormant PAN holders: Taxpayers with a PAN but no business activity, income or returns up to FY 2024/25 can either cancel their registration or regularise the business by filing the FY 2025/26 return and paying the applicable tax, with prior-year return obligations waived subject to the prescribed conditions.

m) Existing taxpayers with outstanding returns: PAN holders with unfiled income tax returns can obtain waiver of interest and fees by filing outstanding returns and paying the outstanding tax plus an additional 1% by 14 January 2027.

n) VAT non-compliance: VAT-registered persons who failed to collect or failed to report collected

VAT can obtain waiver of interest, additional fees and penalties by filing outstanding returns and paying the VAT due plus an additional 1%.

o) Excise non-compliance: Persons who traded in excisable goods without collecting excise duty can obtain waiver of late fees and penalties by submitting the required statement and paying the excise duty plus an additional 1%.

p) Outstanding tax/excise declared in returns: Taxpayers with unpaid VAT, income tax or excise duty declared in returns can obtain waiver of interest, fees, additional charges, penalties and late fees by paying the outstanding amount plus an additional 1%.

q) Assessed tax arrears: Taxpayers with assessed VAT, income tax or excise liabilities can obtain waiver of related interest, fees, penalties and late fees by paying the assessed amount plus an additional 1%, subject to exclusions.

r) Pending tax litigation: Taxpayers can obtain waiver of interest, penalties, fees and late charges on disputed VAT, income tax or excise liabilities by withdrawing pending proceedings and paying the disputed tax plus an additional 1% by 14 January 2027.

s) UN/international organisation employees: Eligible Nepali/resident individuals working for UN agencies, international organisations or diplomatic missions can obtain waiver of interest and fees by obtaining a PAN, filing returns for FY 2022/23 to 2025/26 and paying tax plus an additional 1%, with pre-FY 2022/23 obligations waived.

t) Companies Act compliance: Companies that failed to file returns, renew registration or pay statutory dues can obtain waiver of pre-FY 2025/26 tax, fees, charges, interest and penalties by regularising their FY 2026/27 obligations within the prescribed deadline.

u) Fees, charges and taxes under annual Finance Acts: Persons with unpaid or unfiled liabilities under previous annual Finance Acts can obtain waiver of penalties, interest and fees by filing the relevant returns and paying the outstanding principal tax amount plus 1%.

- v) **Casino licence regularisation:** Eligible casinos that have cleared outstanding dues can regularise an unrenewed licence once by paying a 15% penalty on the renewal fee and satisfying the applicable regulatory requirements.
- w) **Withdrawal of Revenue Leakage Act cases:** Persons with pending income tax or VAT cases under the Revenue Leakage (Investigation and Control) Act can obtain waiver of fines and withdrawal of the case by paying the assessed principal plus an additional 1%.
- x) **Release of bank guarantees/cash deposits:** Bonded warehouse and passbook facility industries can obtain release of bank guarantees or refund of cash deposits where export deadlines were missed, provided the finished goods are exported and related foreign currency proceeds received within the prescribed period.
- y) **Transfer of diplomatically imported vehicles:** Foreign missions and donor agencies may transfer qualifying vehicles imported under diplomatic or tariff exemptions to the GoN, with the transferred vehicles remaining exempt from customs duty, VAT, excise duty and road construction fees.



PKF Comment

The core amnesty mechanism is generally 'pay the principal tax/duty + 1% and receive waiver of accumulated interest, penalties, fees and late charges', while separate reliefs are provided for Gen-Z movement losses, dormant taxpayers, legacy taxes, tax litigation, non-profits, casinos and specific customs/import matters.

For further information or advice concerning Nepalese tax laws or if you have any specific query about a particular tax situation, please contact Shashi Satyal at shashi.satyal@pkf.com.np or call +977 01 441 0927.

BACK

Poland

New VAT joint and several liability rules expected from 1 January 2027

An amendment to the Polish VAT Act currently undergoing the legislative process is expected to enter into force on 1 January 2027. The amendment would extend the scope of joint and several liability provided for in article 105a of the VAT Act to certain intangible services.

Under the proposed rules, where a purchaser knew that an invoice documented a transaction that had not actually been performed, contained information inconsistent with the facts or had been issued by a non-existent entity, payment using the split payment mechanism would not protect the purchaser from joint and several liability.

The proposed amendment is intended to strengthen measures against VAT fraud. In practice, it would also increase the importance of effective supplier verification and appropriate documentation of transactions.

This may be particularly relevant to purchasers of intangible services, such as advisory, consulting, marketing and IT services. Unlike supplies of tangible goods, such services may not leave an obvious physical trail demonstrating that the transaction actually took place. Evidence such as contracts, reports, correspondence, working files, deliverables and records of the work performed may therefore become particularly important.

Businesses purchasing services that may fall within the scope of the new rules should review their supplier verification procedures and the way in which they document the actual performance of services before the proposed rules take effect.

If the legislation is enacted in its proposed form, the use of the split payment mechanism alone would not provide protection where the statutory conditions concerning the purchaser's knowledge are met.

Proposed VAT changes – More flexible export documentation and electronic import declarations

The Ministry of Finance has proposed amendments to the VAT Act intended to simplify the documentation required for applying the 0% VAT rate to exports, introduce mandatory electronic import declarations under centralised customs clearance and adapt the special procedure for declaring and paying import VAT (the USZ procedure) to changes in customs legislation.

More flexible evidence for the 0% VAT rate on exports

Under the proposed rules, exporters would be able to demonstrate that goods have left the territory of the European Union using evidence other than documents in which export is confirmed by the competent customs authority.

The proposal expressly provides for alternative forms of evidence, including transport documents received from carriers or freight forwarders, documents generated by electronic systems operated by postal operators and relevant documents issued by customs authorities of non-EU countries.

The essential requirement would be that the documentation clearly demonstrates that the goods have actually left the territory of the European Union.

The proposed changes are intended to reduce disputes concerning the documentation required for the application of the 0% VAT rate and to reflect the approach developed in relevant case law.

At the same time, an additional condition is proposed for applying the 0% VAT rate to advance payments received in connection with exports. The exporter would have to have been registered as an active VAT taxpayer for at least 12 months.

Electronic import declarations

The proposal also provides for mandatory electronic filing of import declarations under article 33b of the VAT Act.

The change is connected with centralised customs clearance, which enables an authorised business to complete customs formalities through the customs authorities of one EU Member State even where goods are physically presented in another Member State.

Following the proposed reform, import declarations covered by article 33b would be submitted exclusively by electronic means.

Changes to the USZ procedure

The proposal also adapts the special procedure for declaring and paying import VAT – the USZ procedure – to changes in customs legislation.

The amendments concern, among other things, the information to be included in VAT declarations submitted under the procedure, mandatory electronic filing, the competent tax authority and the records required from taxpayers using the procedure.

The changes are particularly relevant to businesses involved in cross-border e-commerce and the handling of low-value consignments imported from outside the European Union.

As these measures remain part of the legislative process, businesses should monitor the final wording of the legislation and the applicable effective dates before implementing changes to their VAT and customs procedures.

Family foundations under review – Further changes to Polish tax rules proposed

Family foundations have formed part of the Polish legal system since May 2023. Their primary purpose is to facilitate the accumulation and management of family assets and support business succession across generations.

Under the current tax framework, transferring assets to a family foundation does not in itself trigger income taxation. A family foundation is generally exempt from corporate income tax on income derived from activities permitted under the Family Foundation Act, subject to the statutory conditions.

These permitted activities include, among other things, holding shares and other specified securities and certain forms of leasing or letting property.

Taxation generally arises when benefits are provided to beneficiaries or assets are transferred in connection with the dissolution of the foundation. The applicable corporate income tax rate on such benefits and assets is currently 15%.

Benefits received by the founder and certain beneficiaries belonging to the closest statutory family group may also qualify for an exemption from personal income tax, subject to the conditions provided for in the legislation.

The Family Foundation Act requires the Council of Ministers to review the operation of the legislation after three years. The review conducted in 2026 examined both the functioning of family foundations as succession vehicles and the use of the applicable tax rules.

A previous amendment concerning the taxation of family foundations was adopted by Parliament in 2025 but was vetoed by the president in November 2025. As a result, those amendments did not enter into force.

The taxation of family foundations nevertheless remains on the legislative agenda. Proposed changes concern, among other things, the tax treatment of disposals of assets within a specified period after their contribution to a family foundation, income derived through tax-transparent entities, the application of controlled foreign company (CFC) rules and the taxation of income from short-term letting.

Further proposals announced in 2026 also concern the tax rate applicable to distributions and the scope of the personal income tax exemption available to family members.

At this stage, the announced measures should be treated as proposed changes rather than enacted law. Their final scope, transitional provisions and effective dates will depend on the outcome of the legislative process.

For founders, beneficiaries and businesses using family foundations as part of succession planning, the continuing legislative activity makes it particularly important to assess planned transactions against both the rules currently in force and the direction of the proposed reforms.

Mandatory disclosure rules – Major changes from 1 October 2026

Significant amendments to the Polish mandatory disclosure rules (MDR) have already been enacted.

The Act of 29 May 2026 amending the Tax Ordinance Act and certain other acts was published in the Journal of Laws on 25 June 2026 and, subject to specific exceptions provided for in the Act, will enter into force on 1 October 2026.

The reform substantially changes the scope of the Polish MDR regime and brings it closer to the framework established by the EU DAC6 Directive.

One of the most important changes is the removal of the obligation to report purely domestic tax arrangements. Following the reform, the MDR reporting regime will focus on cross-border arrangements falling within the statutory framework.

The additional national hallmarks that went beyond the DAC6 framework are also being repealed, while the remaining general and specific hallmarks are being aligned more closely with the directive.

Another significant simplification concerns internal MDR procedures. The statutory obligation to maintain an internal procedure for reporting tax arrangements is being abolished, together with the provision forming the basis for imposing a penalty for failure to maintain such a procedure. Proceedings pending on that basis are to be discontinued in accordance with the transitional provisions.

At the same time, the reform modifies certain elements used to determine whether an arrangement is reportable. The main benefit test

is amended, including through the removal of the element concerning whether an alternative course of action was available that would not have resulted in the tax benefit.

Changes also affect the specific hallmark concerning the use of methods for eliminating double taxation in more than one jurisdiction. The amended provisions refer to reliefs and exemptions, which may be relevant, among other things, to cross-border holding structures.

The procedural framework is also changing. Information concerning the use of a reportable arrangement will generally be filed by the end of the fourth month following the end of the taxpayer's tax year, irrespective of when in the tax year the tax benefit arose.

The restriction preventing such information from being signed by an attorney is also being removed.

The role of the tax scheme number ('NSP') is changing as well. Under the amended rules, the issuance of an NSP will constitute confirmation that the reported arrangement satisfies the statutory conditions for classification as a reportable arrangement. Where those conditions are not met, the Head of the National Revenue Administration will issue a decision refusing to assign an NSP.

For businesses operating internationally, the reform means fewer reporting obligations in some areas, particularly as a result of the exclusion of domestic arrangements. It does not, however, eliminate the need for MDR analysis. Cross-border transactions and structures should continue to be assessed against the revised hallmarks and reporting requirements ahead of the new rules taking effect on 1 October 2026.



PKF Comment

If you believe the above measures may impact your business or require any advice with respect to Polish taxation, please contact Agnieszka Chamera at agnieszka.chamera@pkfpolska.pl or call +48 609 331 330.

BACK

Romania

2026 tax updates

1. Changes to the healthcare system – Law No. 64/2026 approving Emergency Ordinance No. 91/2025 (Official Gazette No. 416 of 15 May 2026)

Prior to the amendments introduced by Law No. 64/2026, the medical leave allowance was calculated for the entire period specified in the medical certificate, without deducting one day for each illness episode, and the legal framework did not expressly provide for a control mechanism or the forfeiture of the right to the allowance in the event that the medical certificate was found to have been issued unlawfully.

Thus, the following changes were introduced:

- If, following an inspection, it is found that the medical leave certificate was issued in breach of the legal provisions, the insured person will not be entitled to the related medical leave allowance.
- Where uninterrupted medical leave is granted for the same episode of illness or for complications arising from it, the social health insurance allowance is calculated and paid by reducing it by one day only, regardless of the number of medical leave certificates issued for that episode.

The one-day reduction does not apply to certain categories of medical leave provided under Government Emergency Ordinance No. 158/2005, namely:

- maternity leave;
- leave for caring for a sick child;
- maternity risk leave;
- patients included in national health programmes; and
- patients receiving in-patient medical services.

2. Important changes regarding the RO e-Factura system – Law No. 88/2026 (Official Gazette No. 459 of 29 May 2026)

The amendment to Emergency Ordinance No. 120/2021 – the legal act regulating the national

RO e-Factura system and electronic invoicing in Romania – is approved. The main amendments are summarised below.

In the case of supplies of goods or the provision of services to individuals, the transactions are considered B2C (business-to-consumer) when the individual does not identify themselves using a tax identification number or opts to be identified by their personal identification number ('CNP').

The exception occurs when the individual beneficiary is registered in the optional RO e-Factura register. If the individual does not provide any tax identification code, the invoice is issued using a code consisting of 13 zero digits instead of the beneficiary's tax identification code.

Suppliers/service providers must issue invoices in accordance with the Fiscal Code, unless the beneficiaries are voluntarily registered in the RO e-Factura register.

The use of the RO e-Invoice system is not mandatory for deliveries of goods or services made by cultural institutes/centres of other states operating in Romania based on intergovernmental agreements.

At the same time, economic operators established in Romania that supply goods or provide services to these cultural institutes or centres are not obliged to send invoices through RO e-Invoice, unless the beneficiaries have opted for the use of the system.

Also, individual farmers who apply the special regime for farmers are not obliged to use the national RO e-Invoice system.

Suppliers in Romania are not required to transmit invoices via RO e-Factura to individual farmers subject to the special scheme for farmers, unless those farmers have voluntarily registered in the RO e-Factura register.

Suppliers/providers who identify themselves for tax purposes by CNP are not obliged to use RO e-Invoice, but may opt for the system. If they opt in, they must register in the optional RO e-Invoice register, effective from the first of the month following the exercise of the option.

3. Approval of the procedure for conducting meetings between the central tax authority and taxpayers via videoconference – Order No. 705 of 5 June 2026 (Official Gazette No. 494 of 15 June 2026)

The procedure allowing meetings between the National Agency for Fiscal Administration ('ANAF') and taxpayers registered in the private virtual space ('SPV') to be held via videoconference, using the secure MF-ANAF platform, has been approved.

Taxpayers may opt, via SPV, within two business days, to attend meetings with ANAF by videoconference. The procedure may be used, among others, for tax inspections, hearings, documentary checks, VAT refunds, tax reimbursements and payment instalment procedures.

The access link will be sent via SPV one business day before the meeting. The meetings will be recorded and electronically transcribed, and the related documents will also be communicated through SPV.

4. Approval of the procedure for transmitting alert notifications regarding the non-fulfilment of budgetary payment obligations – Order No. 758 of 19 June 2026 (Official Gazette No. 526 of 26 June 2026)

The procedure under which ANAF sends alert notifications to professional debtors with outstanding budgetary liabilities, exclusively via the SPV, has been approved, with the aim of preventing financial difficulties or insolvency.

The notification is sent once the outstanding liabilities reach the threshold of 40,000 lei and, subsequently, every six months, until the debts are fully paid or fall below this threshold.

The calculation also includes liabilities of secondary establishments, while for individuals carrying out economic activities, personal and professional debts are aggregated. Taxpayers are not notified if amounts refundable or pending allocation cover the outstanding liabilities.

Certain categories are exempt, including entities already subject to insolvency or pre-insolvency proceedings, public and financial institutions, local authorities, associations and foundations. The notification will also include information on available support measures, including mediation and payment facilities.

5. 9% VAT on housing – New measures applicable until 30 September 2026 – Law No. 161/2026 (Official Gazette No. 642 of 4 August 2026)

The option to purchase a single home subject to a 9% VAT rate – under certain conditions – was extended until 30 September 2026, without retroactively altering the previous regime. Consequently, the 9% rate applied until 31 July 2026; the standard 21% rate applied from 1 August to 6 August 2026; and the reduced 9% rate applies once again from 7 August to 30 September 2026.

To qualify for the 9% rate, the dwelling must have a maximum area of 120 square metres and a value not exceeding 600,000 lei (excluding VAT), must be habitable at the time of delivery and the buyer must not have purchased another dwelling with reduced VAT since 1 January 2023. Additionally, there must be a down payment agreement concluded by 1 August 2025; for agreements concluded between 3 July and 31 July 2025, a minimum down payment of 20% must have been made by 31 July 2025.

The law allows for the refund of the VAT difference for a single dwelling purchased at the standard rate between 1 August 2026 and the date the law enters into force, provided the legal conditions are met. Refund applications may be submitted starting from 1 October 2026, in accordance with the procedure to be approved by ANAF.



PKF Comment

If you believe the above measures may impact your business or personal situation, or require any advice with respect to Romanian taxation, please contact Anca Grapini at anca.grapini@pkf.ro or call +40 747 100 007.

Updates on transfer pricing and corporate income tax

1) ANAF strengthens transfer pricing compliance obligations by introducing annual filing of transfer pricing documentation for large taxpayers and by increasing the level of detail and supporting evidence required to substantiate transfer pricing policies

Transfer pricing documentation

Order No. 828/2026 on the transaction value thresholds, deadlines for the preparation, content and submission requirements of transfer pricing documentation, as well as the transfer pricing adjustment/estimation procedure, updates the documentation thresholds, introduces the electronic submission of the transfer pricing file through the SPV for large taxpayers, and further specifies documentation content requirements. In addition, it clarifies the rules applicable to business restructurings, permanent establishments and comparability analyses, in line with the OECD Transfer Pricing Guidelines.

With respect to transfer pricing documentation, the main changes include the following:

Key changes	ANAF Order No. 828/2026
Materiality thresholds	Large taxpayers a) €100,000 for transactions generating income or expenses from the provision or acquisition of services (excluding VAT); b) €200,000 for financing transactions generating interest income or interest expenses (excluding VAT); c) €250,000 for transactions generating income or expenses from the sale or acquisition of intangible assets, as well as royalty income or royalty expenses (excluding VAT); d) €350,000 for transactions generating income or expenses from the sale or acquisition of tangible assets (excluding VAT).

	Small and medium-sized taxpayers a) €50,000 for transactions generating income or expenses from the provision or acquisition of services (excluding VAT); b) €100,000 for financing transactions generating interest income or interest expenses (excluding VAT); c) €150,000 for transactions generating income or expenses from the sale or acquisition of intangible assets, as well as royalty income or royalty expenses (excluding VAT); d) €200,000 for transactions generating income or expenses from the sale or acquisition of tangible assets (excluding VAT).
Transfer pricing documentation submission deadlines	Large taxpayers: Transfer pricing documentation must be submitted electronically through the SPV within 30 business days from the statutory deadline for filing the corporate income tax return. If the documentation has not been filed, it must be provided within a maximum of five business days from the request of the tax authorities. Small and medium-sized taxpayers: The documentation must be submitted within 30 to 60 business days from the request of the tax authorities, with the possibility of a one-time extension of up to 30 additional business days upon a justified request.
Preparation of transfer pricing documentation by taxpayers below the documentation thresholds	Taxpayers whose related-party transactions fall below the applicable documentation thresholds are not required to prepare transfer pricing documentation. However, ANAF may request the preparation of the documentation during a tax audit based on a risk assessment. In such cases, the documentation must be submitted within a maximum of 30 business days, with the possibility of a one-time extension of up to 30 additional business days.

Transfer pricing documentation content	The content of the transfer pricing documentation has been expanded to include additional requirements relating to the functional analysis, business restructurings, tested party selection and comparability analyses. The documentation must include the information required under the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.
Comparability analysis	The requirements for the comparability analysis have been strengthened by introducing rules regarding the geographical scope of the search for comparables and enhanced transparency requirements concerning the search strategy, accepted and rejected companies, and the databases used. In addition, comparability studies must be submitted in Excel format together with the relevant formulas and calculations.
Transaction reporting	A standardised reporting annex has been introduced, requiring detailed disclosure of related-party transactions and year-end transfer pricing adjustments. The annex includes the reporting of transaction values and intra-group loans, broken down by each related party, together with references to the relevant sections of the transfer pricing documentation.
Applicability	The new rules apply to related-party transactions carried out on or after 1 January 2026, while the procedural provisions will apply to tax administrative procedures initiated after 1 January 2027.

II) ANAF revises the framework applicable to advance pricing agreements by introducing the rollback mechanism, updating the annual monitoring requirements and clarifying documentation requirements

Advance pricing agreements

Order No. 827/2026 approving the procedure for the issuance and amendment of advance pricing agreements (APA), as well as the content of the application for the issuance and amendment of an APA, clarifies the APA issuance procedure and

introduces a clearer framework for the application of the rollback mechanism, allowing the effects of an APA to be extended to prior tax periods. The order also provides additional guidance on bilateral and multilateral APAs and specifies the documentation required to obtain an APA.

The main changes to the APA procedure include:

- the introduction of the rollback framework, allowing an APA to be applied to prior tax periods of up to five years, subject to certain conditions;
- enhanced rules governing bilateral and multilateral APAs, aimed at facilitating cooperation with foreign tax authorities and reducing the risk of double taxation; and
- updated documentation and information requirements applicable to the APA issuance and amendment process.

III) ANAF clarifies the application of the new rules on companies' net assets

On 13 May 2026, ANAF published an official announcement clarifying when and how compliance with the new requirements introduced by Law No. 239/2025 will be monitored, in relation to maintaining a company's net assets at a level of at least 50% of its share capital.

Key clarifications

- 1. Repayment of shareholder loans:** Companies whose approved annual financial statements for 2025 show net assets below 50% of the share capital:
 - may not repay loans to shareholders or related parties; and
 - ANAF may impose sanctions in respect of repayments made after the approval of the annual financial statements.

Fine: between 10,000 lei and 200,000 lei.

- 2. Obligation to restore net assets:** Companies whose approved annual financial statements for 2025 show net assets below 50% of the share capital are required to restore their net assets by 31 December 2027.

Fine for non-compliance: between 10,000 lei and 200,000 lei.

3. **Conversion of shareholder loans into share capital:** Companies whose net assets remain below 50% of the share capital as of 31 December 2027 and which have outstanding liabilities towards shareholders arising from loans or other financing arrangements are required to increase their share capital by converting such receivables into share capital by 31 December 2029.

Fine for non-compliance: between 40,000 lei and 300,000 lei.

4. **Restrictions related to interim dividends and loans to shareholders:** Additional restrictions apply to companies distributing interim dividends:
- The right to grant loans to shareholders or related parties is suspended until the interim dividends are regularised.
 - Non-compliance may trigger fines ranging from 10,000 lei to 200,000 lei and, in certain circumstances, joint liability.

Key takeaway

ANAF's clarifications confirm that the approved annual financial statements for 2025 represent an important reference point for the application of the new rules.

Companies whose net assets fall below the statutory threshold should therefore assess in due time their equity position, outstanding shareholder or related-party financing, as well as any planned transactions involving shareholders or related parties.

IV) Corporate income tax – Additional deduction for stock exchange listing expenses

The Ministry of Finance has established the categories of expenses related to the admission and maintenance of shares to trading that qualify for the additional 50% deduction for corporate income tax purposes, in accordance with article 25(14) of the Romanian Fiscal Code.

Eligible expenses mainly include advisory and intermediation services, fees charged by the competent authorities and market operators, financial audit and central depository services, promotion costs, as well as other expenses directly related to the listing process.

As a general rule, the incentive applies to expenses incurred from the date the decision to initiate the listing process is approved until the end of the first fiscal year following admission to trading. For listing processes already underway as of 1 January 2026, only eligible expenses incurred from that date onwards may benefit from the deduction.

Expenses financed through state aid or de minimis schemes intended to cover stock exchange listing costs are not eligible for the additional deduction.



PKF Comment

If you believe the above measures may impact your business or personal situation, or require any advice with respect to Romanian taxation, please contact Florentina Susnea at florentina.susnea@pkffinconta.ro or call +40 213 173 190/+40 722 209 753.

BACK

Saudi Arabia

Updated tax and zakat guidelines for regional headquarters

The Zakat, Tax and Customs Authority (ZATCA), in coordination with relevant government authorities, has released updated tax and zakat guidelines for multinational enterprise (MNE) groups operating under the regional headquarters (RHQ) framework in Saudi Arabia.

Under the tax incentive framework, licensed RHQs enjoy a 0% corporate income tax (CIT) rate on qualifying income derived from approved RHQ activities and a 0% withholding tax (WHT) rate on qualifying payments made to non-residents for a 30-year renewable period. Key technical elements clarified under the updated guidelines include:

- **Qualifying vs non-qualifying income:** Income generated directly from mandatory and optional RHQ activities is tax-exempt. Conversely, any income derived from non-RHQ commercial activities remains subject to standard tax and zakat regulations (20% CIT or 2.5% zakat, as applicable).
- **Transfer pricing (TP) and economic substance:** RHQs must maintain local economic substance in the Kingdom, including adequate physical presence and full-time employees. All inter-company transactions between the RHQ and foreign affiliates must strictly adhere to the arm's-length principle and be supported by comprehensive TP documentation.
- **Compliance and annual filings:** RHQs are required to file annual tax and zakat returns via the ZATCA portal, maintaining clear segregation of accounting records between qualifying and non-qualifying revenue streams.

Revision of customs duty rates on agricultural and food items

ZATCA announced revisions to customs duty rates applicable to selected agricultural and food tariff lines. The amendments adjust import duty percentages across specific harmonised system (HS) codes to align with national economic objectives and GCC unified customs tariff updates.

Importers and supply chain operators should review their product classifications on the ZATCA customs portal to determine the precise impact on landed import costs and ensure accurate customs declarations.

E-invoicing phase 2 (Fatoora platform) integration roadmap

Pursuant to the official announcement published by the Zakat, Tax and Customs Authority ([ZATCA Wave 25 official announcement](#)) on 24 July 2026, the tax authority officially established the selection criteria for the 25th wave (Wave 25) under phase 2 (integration phase) of the national electronic invoicing (Fatoora) project. In accordance with ZATCA's published directive, Wave 25 extends mandatory phase 2 system integration to all VAT-registered taxpayers whose annual taxable revenues exceeded SAR 187,500 during any of the calendar years 2022, 2023, 2024 or 2025. Targeted businesses will receive formal individual notifications instructing them to complete technical integration between their electronic billing or ERP solutions and ZATCA's central Fatoora platform by no later than 1 February 2027, adhering to ZATCA's statutory commitment to directly notify targeted taxpayer waves at least six months prior to their mandatory integration deadline.



ZATCA's official publication emphasises that phase 2 represents a significant technical evolution from phase 1 (generation phase, live since 4 December 2021), which primarily mandated the prohibition of handwritten or text-editor invoices and required local electronic storage with QR codes. Under phase 2, businesses are required to establish automated real-time or near-real-time API connections with ZATCA, issue e-invoices aligned with standardised XML schemas and incorporate advanced security elements including cryptographic stamp identifiers (CSID), universal unique identifiers (UUID) and tamper-proof invoice sequence counters. This mandatory digital integration aligns directly with Saudi Arabia's broader digital transformation goals under Vision 2030, enhancing consumer protection, ensuring market transparency, fostering fair commercial competition and curbing shadow economic practices across the Kingdom.

Amendment to GCC Unified VAT Agreement

Pursuant to the official statutory framework governed by the Zakat, Tax and Customs Authority ([ZATCA official VAT regulations](#)) and the enacted amendments to the GCC Unified VAT Agreement, Saudi Arabia has significantly strengthened indirect tax governance and cross-border administrative cooperation. In accordance with published ZATCA enforcement directives, tax audit divisions have escalated verification controls on input VAT recovery calculations, valid tax invoice documentation, vendor registration compliance and proportional deduction rules for mixed-use commercial operations. Furthermore, under ZATCA's official marketplace provisions, non-resident digital platforms and e-commerce intermediaries facilitating electronic supplies to Saudi consumers are subject to mandatory deemed supplier collection and remittance obligations, placing direct legal responsibility for VAT compliance on the digital marketplace operator.

Bilateral tax information exchange agreement with the United States

Saudi Arabia and the United States signed a bilateral tax information exchange agreement (TIEA) aimed at enhancing mutual administrative assistance and cross-border tax transparency.

The agreement provides a formal legal mechanism for competent authorities (ZATCA and the US IRS) to request and exchange information relevant to the administration and enforcement of domestic tax laws, covering CIT, zakat, VAT and excise tax. The TIEA also establishes a framework for potential automatic exchange of information subject to subsequent mutual agreements.

Tax penalties exemption initiative (tax amnesty extension)

The nationwide tax amnesty has been extended until 31 December 2026, offering full or partial waivers of financial penalties across income tax, zakat, VAT, real estate transaction tax (RETT) and excise tax for liabilities arising prior to 30 June 2026.

ZATCA also explicitly clarified that if a need arises to extend the initiative beyond 31 December 2026, any subsequent extension will strictly not cover penalties associated with returns due for submission after 30 June 2026. This statutory rule establishes that returns due after 30 June 2026 are permanently excluded from future penalty waivers, placing maximum legal urgency on completing all return filings and principal payments before 31 December 2026.

Key immigration and labour compliance updates

In addition to core tax developments, several regulatory and labour updates were introduced during the third quarter:

- **Electronic travel authorisation for UK nationals:** Effective from 1 July 2026, Saudi Arabia introduced an electronic travel authorisation (ETA) system for citizens of the United Kingdom travelling to the country, streamlining visa entry procedures for short-term business visits and travel. The introduction of the ETA provides an additional travel option for UK nationals visiting Saudi Arabia for permitted short-term activities, including business travel. Employers should continue to assess the purpose of each visit to Saudi Arabia carefully to ensure that individuals enter Saudi Arabia under the appropriate immigration category.

- **Instant work visas and premium residency work permits:** Updated quota limits were established for instant work visas, alongside a new work permit requirement for premium residency holders engaging in employment in the Kingdom. Saudi Arabia has introduced changes on the Qiwa platform that affect the use of instant work visas and the employment of premium residency holders. Premium residency holders are now required to obtain a work permit in Saudi Arabia. Employers should review their recruitment and workforce planning strategies, particularly where reliance is placed on instant work visas. They should also assess any potential impact on employees holding premium residency status and ensure compliance with the applicable employment requirements.



PKF Comment

The Q3 2026 tax and regulatory developments in Saudi Arabia reflect the Kingdom's continuous efforts to enhance fiscal transparency, streamline customs regulations and enforce local substance requirements aligned with Vision 2030 objectives.

Multinational groups operating or establishing a regional headquarters in Riyadh must execute an integrated compliance strategy – establishing strict accounting segregation to protect 0% CIT and withholding tax statuses on qualifying executive revenue, while satisfying mandatory local economic substance thresholds (including 15 dedicated full-time staff and three C-suite officers) supported by arm's-length transfer pricing master and local file documentation.

Concurrently, importers of agricultural commodities and foodstuff products should perform immediate tariff line assessments on revised HS codes to evaluate landed cost impacts and consider leveraging customs-bonded facilities for working capital relief and duty deferral. Furthermore, small and mid-sized enterprises with annual taxable revenues

exceeding SAR 187,500 during 2022–2025 must prioritise ERP and billing system readiness to ensure automated API integration with ZATCA's central Fatoora platform ahead of the mandatory 1 February 2027 Wave 25 deadline.

In the domain of indirect taxation and international compliance, businesses should conduct internal diagnostic health checks covering input VAT deductions, supporting tax invoice records and digital marketplace deemed supplier remittance rules to prepare for escalated ZATCA audit controls following amendments to the GCC Unified VAT Agreement.

Organisations maintaining cross-border operations between the United States and KSA must also align their tax reporting frameworks with ZATCA and US IRS exchange mechanisms under the newly enacted tax information exchange agreement. Crucially, corporate taxpayers and zakat payers must urgently review historical tax positions for periods prior to 30 June 2026 and settle principal balances or execute active ZATCA instalment payment plans before the 31 December 2026 tax amnesty deadline, keeping in mind ZATCA's explicit warning that any subsequent extensions will permanently exclude returns due after 30 June 2026.

Finally, human resource and legal departments must authenticate 100% of employee contracts on the Qiwa portal, review instant work visa quotas, ensure premium residency cardholders obtain required work permits and utilise the new ETA framework for UK business visitors.

If you believe any of the above measures may impact your business or require tax and zakat advisory services in Saudi Arabia, please contact the Tax & Zakat Advisory Team at PKF Riyadh (PKF Al Bassam & Co.) at info.sa@pkf.com or call +966 11 206 5333.

BACK

South Africa

Foreign loans and interest – Tax implications stretch far and wide

Many South African businesses are funded by loans from foreign holding/group companies or other connected non-tax resident persons (including individuals). These loans vary from interest-free to interest-bearing, both of which may have accounting and tax implications, which are generally not considered in sufficient detail.

This simple example is provided to highlight the potential tax risks that may arise.

Facts: SA Co borrows \$7 million at the beginning of the 2025 financial year (FY 2025) from Foreign Co B for a period of 10 years at an interest rate of prime less 2%. The loan is to be repaid in biannual instalments commencing from year three of inception. The company year end is December. In the FY 2025 accounting records and resulting annual financial statements of SA Co, this transaction was treated as follows:

- The interest is calculated on the \$7 million loan and capitalised to the loan balance.

- The loan was converted into rands for the purposes of determining the rand balance owing at 31 December 2025.

Tax risks and questions that arise from this loan transaction:

- Due to the loan being cross border from a connected person it is likely to fall within the ambit of an 'affected transaction' for transfer pricing purposes. Hence one must ascertain whether the transaction is being carried out at 'arm's length' to ensure compliance with section 31 of the Income Tax Act (ITA).
 - Effectively the question is, would an unconnected person grant a similar quantum of loan value at the same rate of interest?
- Has any withholding tax on interest (WHTI) been accounted for and paid over to SARS timeously? Has the DTA between South Africa and the relevant foreign country been considered to determine the correct WHTI rate? When is this WHTI triggered (time of accrual or payment)? The terms of the agreement must be properly analysed to determine when the interest becomes due and payable to the loan holder as this may not simply occur at the time of accrual of such interest.
 - Similar to dividends tax, which requires a dividends tax return to be submitted even where the dividend paid is exempt or subject to a low withholding tax rate, this step is often overlooked when it comes to WHTI.
 - WHTI has a rate of 15%. However, where a lower/nil rate is applicable, a WHTI return must be submitted and the relevant declarations and undertakings obtained by the company from the Foreign Co.
- Is the interest deduction capped when determining the taxable income of the SA Co?
 - Where interest paid to the Foreign Co is not subject to WHTI or is subject to a WHTI rate of less than 15%, the anti-avoidance provisions contained in section 23M of the ITA may apply and need to be considered.

- Has the realised and unrealised foreign exchange gain/loss been accounted for and does the unrealised portion qualify for any deferral in terms of section 24I(10A), which generally applies where the loan is classified as long term for IFRS purposes, is not hedged and is extended within the context of a 'group of companies', as defined.
- Other compliance considerations:
 - If the 'affected transaction' or cumulative affected transactions exceed R100 million in the FY 2025, SA Co must submit a compliant transfer pricing policy (local file) to SARS with the submission of its annual income tax return.
 - If the multinational entity group turnover exceeds R10 billion, the SA Co may be liable to submit a country-by-country report (CbCR return) as well.

Based on the above, it is apparent that a simple loan transaction can have far-reaching tax consequences. Whilst this list is not exhaustive, it certainly highlights the need to obtain proper tax advice when entering into these types of transactions to avoid any unintended and potentially dire consequences.



PKF Comment

If you believe the above measures may impact your business or personal situation or require any advice with respect to South African taxation and transfer pricing matters in particular, please contact Kubashni Moodley at kubashni.moodley@pkf.co.za or call +27 31 573 50 00.

BACK

Spain

The 2030 FIFA World Cup – Getting ahead of the tax game in Spain, Portugal and Morocco

How PKF's footprint across all three host nations puts us in a unique position to support players, sponsors, federations and everyone else caught up on football's biggest stage.

In 2030, for the first time in its history, the FIFA World Cup will be staged across three host nations spanning two continents: Spain, Portugal and Morocco. Beyond the football, the tournament brings with it a wave of cross-border tax, employment and regulatory questions for everyone connected to the event – players, national federations, sponsors, broadcasters, suppliers and host cities alike. Quite apart from the sporting spectacle, this is shaping up to be one of the more complex fiscal events Europe and North Africa have seen in years.

Where things currently stand

The Spanish government has already given its word to FIFA that bespoke fiscal arrangements will be put in place, broadly mirroring the approach taken for other major sporting events hosted in Spain in recent years (most recently the 2027 UEFA Champions League Final in Madrid). That earlier precedent is instructive: it combines enhanced tax relief for sponsors investing in event-related advertising with a targeted exemption regime for the organising entity, participating federations and non-resident individuals, in each case limited to income directly tied to participation in the event itself.

The relevant legislation for the World Cup itself has not yet been finalised and is expected to proceed by way of a dedicated royal decree-law, most likely declaring the tournament an 'event of exceptional public interest' and laying on a specific fiscal regime for FIFA, the participating federations and accredited personnel. Portugal and Morocco are expected to negotiate parallel – though not necessarily identical – guarantees with FIFA as co-

hosts. We are monitoring developments in all three jurisdictions closely and will issue further alerts as the legislative position firms up.

Why this matters – And to whom

- **Players and coaching staff:** Any exemption is likely to be narrowly drawn, covering income directly linked to sporting participation (match fees, prize money). Commercial income earned alongside the tournament – sponsorship appearances, image rights, promotional campaigns – will, in all likelihood, remain subject to ordinary non-resident tax rules and the relevant double tax treaty.
- **Sponsors and commercial partners:** Tax relief on event-related advertising spend is likely to be available, but the structuring of contracts, withholding obligations and cross-border invoicing will need careful planning across all three host jurisdictions.
- **Federations and FIFA-affiliated entities:** Questions of permanent establishment, corporate structuring and VAT treatment will need to be resolved well in advance of kick-off, particularly given the European Commission's likely scrutiny of any VAT exemption.



- **Suppliers, broadcasters and host venues:**
Customs treatment of temporary imports, withholding on payments to non-residents and local employment law compliance for seconded staff will all come into play.

PKF: One team, three host nations

This is precisely the sort of cross-border challenge the PKF network was built for. With member firms established in Spain, Portugal and Morocco – the three host nations – we are exceptionally well placed to offer joined-up advice that follows the tournament, rather than stopping at a border.

Rather than instructing separate advisors in each jurisdiction, clients can work with a single, coordinated PKF team that understands how the Spanish, Portuguese and Moroccan rules interact – and, crucially, how they interact with the client's own country of residence under the applicable double tax treaty network. This includes advice on:

- player and staff tax residence planning, including treaty positions and image rights structuring;
- sponsorship structuring and eligibility for advertising-related tax relief;
- permanent establishment and VAT analysis for federations and FIFA-related entities; and
- secondment, payroll and social security compliance for staff moving between host nations.

With four years to go until kick-off, the firms and individuals who plan early will be the ones best placed to make the most of the opportunities – and avoid the pitfalls – that a tri-national World Cup inevitably brings. We will continue to track developments as the legislative picture becomes clearer and will keep the network updated.



PKF Comment

Key takeaways

- Cross-border tax planning is essential for the 2030 FIFA World Cup as Spain, Portugal and Morocco introduce complex tax, payroll and regulatory considerations.
- Players, sponsors and federations face distinct tax issues involving treaty benefits, image rights, permanent establishment, VAT and withholding obligations across three jurisdictions.
- Early coordination across host countries supports tax compliance, contract structuring and international reporting while reducing cross-border tax risk before the tournament begins.

If you believe the above measures may impact your business or personal situation or require any advice with respect to Spanish taxation, please contact Jesús González at jesus.gonzalezrj@pkf-attest.es or call +34 620 13 30 32.

BACK ↗

Switzerland

Swiss transparency register

The new Swiss transparency register ('TJPG') will enter into force on 1 October 2026. Affected Swiss legal entities, including many AGs and GmbHs, will be required to identify and register their beneficial owners. The new regime aims to increase transparency and strengthen anti-money laundering compliance. Companies should start reviewing ownership structures and preparing the required documentation well in advance.

The register is not public, and annual accounts are still not required to be published. For further information, please refer to [Swiss Transparency Register | Publications | Publications | PKF Zurich](#).

Planned Swiss tax relief measures

On 19 June 2026, the Swiss Federal Council launched consultations on several tax simplification measures aimed at reducing administrative burdens for businesses and strengthening Switzerland's attractiveness as a business location. The proposed changes include:

- **Yearly VAT reporting:** This would be instead of quarterly filings, irrespective of annual turnover, potentially benefiting around 25,000 companies.
- **Reduced filing obligations for withholding tax and stamp duty purposes:** Companies would only need to submit annual financial statements to the Swiss Federal Tax Administration (FTA) when distributing dividends or deemed dividend distributions. Currently, the financial statements and a nil declaration need to be filed where a company's balance sheet assets exceed CHF 5 million. Similar simplifications are planned for issuance stamp duty, potentially benefiting approximately 45,000 companies.
- **Expansion of the withholding tax notification procedure within groups:** The proposal would extend its application to additional intra-group transactions, improving cash flow and reducing administrative burdens without compromising the purpose of the withholding tax system.

The FTA has already abolished the requirement to file Form 9 for securities transfer tax purposes when a taxpayer has a nil declaration. This change has been implemented through administrative practice rather than legislation.



PKF Comment

These measures aim to reduce compliance costs, simplify tax administration and improve liquidity for Swiss businesses. If implemented, they would represent one of the most significant tax simplification initiatives in Switzerland in recent years.

International developments

Switzerland has signed protocols to amend the double tax treaties with Austria and Finland. Both protocols implement the minimum standards regarding double taxation, and the protocol with Austria foresees additional amendments.



PKF Comment

For further information or advice concerning Swiss unilateral and international taxation, please contact Dominique Kipfer at dominique.kipfer@pkf.ch or Rilana Wolf-Bayard at rilana.wolf@pkf.ch or call +41 44 285 75 00.

BACK

Taiwan

Foreign profit-seeking enterprises applying for income tax exemption on royalties and technical service fees should pay attention to four major amendments

On 22 July 2026, the National Taxation Bureau (NTB) of the Northern Area, Ministry of Finance (MOF), stated that to align with Taiwan's current industrial development policies, achieve net-zero carbon emission goals, keep pace with international anti-tax avoidance trends and maintain tax fairness, the MOF and the Ministry of Economic Affairs (MOEA) jointly promulgated the amended 'Directions Governing Reviews of Applications for Exemption from Income Tax on Royalty and Technical Service Fees Collected by Foreign Profit-Seeking Enterprises from Manufacturing Industries, Technical Service Industries and Power-Generating Industries' on 13 May 2026. The amendments took effect on the date of promulgation.

The NTB explained that this amendment mainly covers four major dimensions: adjusting the scope of applicable industries, preventing double non-taxation mechanisms, clearly regulating application deadlines and establishing an applicable period for the tax exemption.

The key points of the amendments are as follows:

- 1. Expanding the scope of applicable industries:**
In coordination with the government's major policy development industries, three new sectors have been added to the applicable scope: the hydrogen fuel cell industry, aviation and drone industry, and shipbuilding industry. Conversely, two sectors – the smart living industry and information service Industry – have been removed.
- 2. Adding restrictions on low-tax jurisdictions:**
To prevent instances of double non-taxation between the foreign profit-seeking enterprise's home country/region and Taiwan, foreign profit-seeking enterprises may not apply for this income tax exemption if the statutory income tax rate levied on the royalties or technical service fees in their respective home country or region is less than 15%.

3. Explicitly defining application deadlines:

- a) Timing of application to the competent authority of the target industry:**
Applications must be submitted to the Industrial Development Administration (IDA) or the Energy Administration of the MOEA after the contract is signed but before it takes effect, or within the effective period of the contract.
- b) Timing of application to the tax collection authority:** Once the aforementioned application is approved, the enterprise must submit the required documents to the competent tax collection authority to apply for the income tax exemption within two months, starting from the day following the issuance date of the approval letter.

4. Explicitly defining the applicable period for tax exemption:

The approved tax exemption period is calculated as three years from the date the application is submitted to the IDA or the Energy Administration of the MOEA. For applications filed after the contract is signed but before it takes effect, the period is calculated as three years from the effective date of the contract, and shall not exceed the valid period of the contract. If the authorised licensing or plant construction period is shorter, that shorter period shall apply.

The NTB reminds foreign profit-seeking enterprises wishing to apply for income tax exemption in accordance with the aforementioned review principles to pay special attention to the stipulation that they are ineligible if the statutory income tax rate in their home country or region is under 15%. Additionally, applications must be submitted to both the competent authority of the target industry and the tax collection authority within the specified deadlines to meet all procedural requirements.



PKF Comment

If you believe the above measures may impact your business or personal situation or require any advice with respect to Taiwanese taxation, please contact Jamie Ho at jamieho@pkf.com.tw or call +886 8792 2628.

BACK

Turkey

Introduction of comprehensive tax regulations under Law No. 7582

Following recent shifts in Turkey's tax policy, the government has enacted Law No. 7582, introducing extensive tax incentives and a new comprehensive wealth amnesty programme aimed at attracting foreign capital, incentivising tech start-ups and reinforcing the Istanbul Finance Centre (IFC). This legislation was published in the Official Gazette on 4 June 2026 and introduces several critical changes to the Turkish tax framework.

Incentives for expatriates and foreign wealth transfers

To attract global talent and capital, a comprehensive income tax exemption on foreign earnings has been introduced for natural persons relocating to Turkey. Effective from 4 June 2026 and applicable to individuals who settle in Turkey from 1 January 2026, individuals who have not been tax residents in Turkey for the past three calendar years will enjoy a 20-year income tax exemption on all income and revenue generated abroad. Furthermore, taking effect immediately upon publication on 4 June 2026, any wealth transferred via inheritance from individuals benefiting from this exemption will be subject to a fixed, reduced inheritance and transfer tax rate of 1% during this 20-year period.

Corporate tax deduction for transit trade and intermediation in foreign goods sales

Effective from 4 June 2026 and applicable to corporate earnings generated from 1 January 2026 onwards (for tax returns due starting 1 July 2026), a 95% corporate tax deduction is introduced for income derived from transit trade – specifically, goods purchased and sold abroad without entering Turkey, as well as intermediation in such foreign trade transactions. To benefit, the respective earnings must be transferred to Turkey by the corporate tax return filing deadline, and it is mandatory that both the buyer and seller of the goods are located outside Turkey. Notably,

this deduction is increased to 100% for entities operating within the Istanbul Finance Centre (IFC) and designated industrial zones (based on foreign investment density determined by the president).

Corporate tax deduction for qualified service exports

Similarly, effective from 4 June 2026 and applicable to corporate earnings generated from 1 January 2026, onwards (for tax returns due starting 1 July 2026), a 95% corporate tax deduction applies to earnings generated by 'qualified service centres'. These centres are defined as capital companies actively operating in at least three different countries, established to provide services to affiliated companies and generating at least 80% of their annual revenue from these foreign affiliates. The deduction rises to 100% for centres located in the IFC or designated industrial zones. To qualify, funds must be repatriated to Turkey by the annual tax return deadline. This specific incentive will be available for 20 accounting periods starting from the period the centre commences operations.

Reduced corporate tax rates for manufacturers

While the current corporate tax rates (20% for export earnings and 24% for manufacturing earnings) remain unchanged for the 2026 fiscal year, significant relief has been scheduled for the future. Taking effect on 4 June 2026 but applicable strictly to earnings generated in 2027 and subsequent tax periods, the corporate tax rate for entities holding an industry registry certificate and actively engaged in manufacturing or agricultural production will be drastically reduced to 12.5%.

Employment and tech start-up incentives

To support the technology and start-up ecosystem, the income tax exemption limit on stock options granted to employees of tech start-ups has been doubled to twice the annual gross salary. Concurrently, the holding periods to maintain this exemption have been shortened; shares disposed of within two years will face a 100% tax clawback, reducing gradually to a 25% clawback if disposed of within five to six years.

Additionally, income tax exemptions on wages for personnel employed at qualified service centres have been granted up to three times the gross minimum wage (and up to five times for those in designated industrial zones and the IFC). Further supporting start-ups, digital incubator companies are now exempt from Union of Chambers and Commodity Exchanges ('TOBB') fees for three years, and non-public tech start-ups are granted exemptions from commercial code restrictions on convertible debt. All of these provisions came into force on 4 June 2026.

Expansions for the Istanbul Finance Centre

Effective from 4 June 2026, the law significantly broadens the scope of incentives within the IFC. The income tax exemption for employees with international experience is no longer limited to financial institutions but now encompasses all entities holding an IFC participation certificate. Furthermore, the 100% corporate tax deduction for financial institutions exclusively exporting financial services has been extended until 2047, and the exemption from financial activity fees during establishment has been extended from five to 20 years.

Comprehensive wealth amnesty programme

A crucial aspect of Law No. 7582 is the introduction of a broad wealth amnesty programme, effective from 4 June 2026. This allows natural and legal persons to bring undeclared domestic and foreign assets (including cash, gold, foreign exchange, securities and other capital market instruments) into the formal economy. Taxpayers must declare these assets to Turkish banks or brokerage houses by 31 July 2027 (the president is authorised to extend this deadline for up to one year in six-month intervals). No corrections to the declarations are permitted after the deadline expires.

Repatriation and accounting requirements:

Foreign assets must be transferred to Turkey or physically deposited into bank/brokerage accounts within two months of the declaration. Physical imports must be declared to the customs administration. Domestic unrecorded assets must be deposited directly into bank or brokerage accounts on the date of declaration. Taxpayers

keeping books on a balance sheet basis must record these amounts in a special liability fund; this fund cannot be withdrawn for any purpose other than a capital increase for two years. Those keeping operating accounts or self-employed books must show the assets in their records without adding them to period income, allowing for tax-free withdrawal after the two-year period.

Tiered taxation and commitment model:

A standard 5% advance tax is withheld by banks or brokerage firms upon declaration. However, a graduated tax reduction is available if taxpayers formally commit to holding the assets in specified Turkish financial instruments (e.g. time deposits, government domestic debt securities, lease certificates or venture capital investment funds). The tax rate decreases to 4% for a one-year commitment, 3% for two years, 2% for three years, 1% for four years, and ultimately drops to 0% for commitments of five years or more. To encourage early participation, declarations made between 1 January 2027 and 31 July 2027 will incur an additional 0.5% premium on these reduced rates (and a 1% premium during any extended periods). Taxes paid under this programme are strictly non-deductible.

Legal protection and forfeiture: The core advantage of this amnesty is absolute protection against tax inspections and assessments on the declared values. If an unrelated tax inspection identifies a tax base difference linked to the amnesty assets, no assessment will be made up to the declared amount. However, if the taxpayer fails to bring the assets to Turkey within two months, fails to deposit them or breaches the financial maturity commitments, the inspection immunity is entirely forfeited. In such cases of forfeiture, unpaid taxes will be collected with late payment interest, though no tax loss penalty will be applied.



PKF Comment

If you believe any of the above measures may impact your business or require any advice with respect to Turkish taxation, please contact Kurtuluş Ozan Keser at ozan.keser@pkf.com.tr or call +90 212 426 00 93.

BACK

Ukraine

TP and CFC reporting: New related-party criteria

Despite the challenging environment, Ukraine continues to refine its tax legislation. One of the notable changes in 2026 was the introduction of new related-party codes in transfer pricing (TP) reporting, based on transaction concentration thresholds:

- **Code 525:** A related-party relationship arises where sales to a single non-resident account for 75% or more of all sales to non-residents and, at the same time, represent 50% or more of the Ukrainian resident's total revenue.
- **Code 526:** A related-party relationship arises where purchases from a single non-resident account for 75% or more of purchases from all non-residents, at the same time, provided that such purchases account for 50% or more of the total value of goods and services purchased by the Ukrainian resident.

Accordingly, both new codes reflect the same underlying transaction concentration criterion but apply to different types of transactions: code 525 applies to sales to non-residents, whereas code 526 applies to purchases from non-residents.

For the purposes of TP reporting, a 'related-party code' is a code identifying the specific legal grounds on which a taxpayer and its non-resident counterparty are treated as related parties for TP purposes. For example, related-party status may arise as a result of direct or indirect participation of one company in another; ownership of the required percentage of corporate rights; one exercising control over another; common shareholders; relationship arising through an individual; etc. Where more than one related-party criterion applies to the same counterparty, all relevant codes must be reported.

It is worth mentioning that the related-party criteria underlying codes 525 and 526 were incorporated into the Tax Code of Ukraine back in 2024. However, it is only now, following the relevant amendments to the reporting forms, that the mechanism

for applying these new criteria has become operational.

As a result, it is no longer sufficient for a taxpayer simply to indicate the relevant related-party code in its TP report. The report must now include the underlying calculations, including the value of transactions with the particular non-resident and both relevant comparison bases.

Companies with a high concentration of cross-border transactions with a single counterparty should therefore assess, on an annual basis, whether both applicable thresholds have been met. This assessment is relevant even where the specific transactions have not previously been treated as controlled transactions (CT). Failure to disclose the relevant related-party status, or incorrect calculation of the applicable indicators, may give rise to a risk that the relevant transactions will subsequently be reclassified as controlled, which may in turn result in significant penalties.



The new codes 525 and 526 are of particular practical significance because related-party status under these criteria is determined by the actual concentration of transactions, rather than solely by traditional corporate ownership or control relationships between the parties.

The relevant changes took effect in July 2026. According to guidance issued by the State Tax Service of Ukraine, the updated TP report will first apply to reporting for 2025, which must be submitted by 1 October 2026. TP reports for 2025 submitted by taxpayers before the updated forms came into force will remain valid. Accordingly, companies that have already submitted their 2025 TP reports do not need to resubmit them solely as a result of the updated form taking effect.

Meanwhile, in June 2026, amendments were also made to the CFC reporting form. The proposed changes are primarily technical in nature and concern, among other things, electronic identification, the lists of low-tax jurisdictions and high-risk legal forms of non-resident entities. However, the underlying criteria and principal requirements for completing the relevant fields of the CFC report remain unchanged. As at August 2026, the mentioned amendments have not yet entered into force.

In parallel, the Ministry of Finance of Ukraine is preparing further amendments to CFC reporting. These proposals have not yet been approved and remain at the draft stage. One of the key proposed changes is the introduction into CFC reporting of related-party codes 525 and 526, corresponding to the new codes already introduced for TP reporting.

The disclosure requirements relating to related-party relationships are therefore gradually being aligned across TP and CFC reporting.



PKF Comment

The updated rules are particularly relevant for companies that concentrate a significant proportion of their cross-border activities with a single non-resident counterparty. The introduction of transaction concentration criteria means that, even where no formal related-party relationship exists, companies should proactively assess the structure of their cross-border transactions and take appropriate steps to mitigate the associated tax risks.

If you believe any of the above measures may impact your business or require any advice with respect to Ukrainian taxation, please contact Sviatoslav Biloblovskyi at s.biloblovskyi@pkf.ua or Yuliia Yaniv at y.yaniv@pkf.ua or call **+380 44 501 25 31**.

BACK

United Arab Emirates

Recent updates on corporate tax and VAT

Corporate tax

The Federal Tax Authority (FTA) of the United Arab Emirates (UAE) has released the Corporate Tax Decree-Law, i.e. 'Federal Decree-Law No. 47 of 2022 – Taxation of Corporations and Businesses' ('Corporate Tax Decree-Law'/'CT Decree-Law') effective for financial years starting on or after 1 June 2023.

The Ministry of Finance (MoF)/FTA have also released several cabinet decisions, ministerial decisions, clarifications and user manuals which provide further guidance on CT Decree-Law provisions.

Recently issued guidance in connection with Corporate Tax Decree-Law can be summarised as follows:

Sr. no	List of cabinet/ministerial/FTA decisions and explanation
1	There are certain decisions, guides, public clarifications and business bulletins that have been issued recently with regard to UAE CT law, as set out below: ▪ Downward adjustments made by a Taxable Person in the Tax Return to comply with the Corporate Tax Law – CTP011: The clarification explains that a taxable person must disclose all transactions and arrangements with its related parties for which a downward adjustment is made in the tax return, irrespective of the value or nature of the transactions and arrangements. Records should be maintained showing the proper rationale for the adjustment, arm's-length analysis, reconciliation between the values recorded in the financial statements and the arm's-length values disclosed in the tax return and symmetrical corresponding adjustments. ▪ Corporate Tax treatment of payments made in respect of Additional Tier 1 instruments by banks – CTP012: Where payments made by banks in respect of Additional Tier 1 (AT1) instruments are not included in accounting income, the payments are not deductible for the purposes of determining taxable income. The classification and tax treatment of AT1 instruments by holders are outside the scope of this clarification. ▪ Taxation of Family Foundations – CTGFF1: The latest refreshed version of the family foundations guide on multi-tier structures removes a significant technical hurdle for family-owned structures without requiring a change to the underlying corporate tax law. Previously, where a single entity was jointly owned by two tax-transparent family foundations, the entity's own tax-transparent status could potentially be denied. However, under the new guide, an entity may qualify for tax-transparent status even where it is owned by multiple qualifying family foundations, provided that all other applicable regulatory conditions are satisfied. ▪ Private Clarifications Tax Procedures – TPGPC1: This FTA guide on private clarifications provides updated guidance on the process, eligibility criteria, required documentation, fees and circumstances in which clarification requests may be rejected. It confirms that private clarifications are issued for specific tax matters of uncertainty and are based on the facts and documents submitted by the applicant. The guide also incorporates recent changes under FTA Decision No. 2 of 2026, including provisions relating to Pillar 2 top-up tax clarifications. ▪ Summary of FTA Private Clarifications issued up to May 2026: The FTA has issued a consolidated summary of the private clarifications issued to date, providing guidance on various corporate tax matters and addressing specific areas of uncertainty.

Sr. no	List of cabinet/ministerial/FTA decisions and explanation
	▪ Cabinet Decision No. 37 of 2023 Regarding the Qualifying Public Benefit Entities for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses: There have been certain changes, including additions and deletions, to the list of qualifying public benefit entities compared with the previous cabinet decision. ▪ Cabinet Decision No. 1 of 2026 on Exempting Certain Sports Entities from Corporate Tax for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses: Cabinet Decision No. 1 of 2026 introduces an exemption from corporate tax for qualifying international sports entities, sports entities and ancillary entities, subject to specified conditions. The exemption applies where the entities' activities, income and assets are used exclusively to further their principal objectives, with restrictions on private benefit to shareholders or other persons. The decision also sets out specific eligibility and ownership requirements and provides that the exemption will cease if the entity no longer meets the prescribed conditions. ▪ Ministerial Decision No. 24 of 2026 on the Implementation of Certain Provisions of Cabinet Decision No. 215 of 2025 on R&D Tax Credit for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses: This decision establishes a tiered credit rate – 15% on the first AED 1 million of qualifying R&D expenditure, 35% on the next AED 1–2 million and 50% on the AED 2–5 million portion – each tier conditional on meeting a minimum average R&D staff headcount, and defines qualifying activities, staff costs, consumables, subcontracting fees and cost contribution arrangements. It also sets rules for mandatory pre-approval, record-keeping (seven-year retention) and how credits are applied, carried forward, transferred or clawed back in cases of business restructuring, tax groups, domestic groups (top-up tax), artificial business separation or anti-abuse situations. ▪ Ministerial Decision No. 96 of 2026 on the Commentary and Agreed Administrative Guidance for the Purposes of Cabinet Decision No. 142 of 2024 on the Imposition of Top-Up Tax on Multinational Enterprises: The annexures attached to this ministerial decision are: 1. OECD (2026), Tax Challenges Arising from the Digitalisation of the Economy – Consolidated Commentary to the Global Anti-Base Erosion Model Rules (2026): Inclusive Framework on BEPS, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris. 2. OECD (2026), Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), Central Record for Purposes of the Global Minimum Tax: Inclusive Framework on BEPS, OECD. 3. OECD (2025), Tax Challenges Arising from the Digitalisation of the Economy – GloBE Information Return (January 2025), OECD/G20 Inclusive Framework on BEPS, OECD, Paris. ▪ Ministerial Decision No. 131 of 2026 – Amending Certain Provisions of Ministerial Decision No. 73 of 2023 on Small Business Relief for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses: The applicability of small business relief (SBR) has been extended from 31 December 2026 to 31 December 2029, while the existing AED 3 million revenue threshold remains unchanged. This extension allows eligible resident taxable persons to continue benefiting from SBR, subject to meeting the applicable conditions. ▪ Federal Tax Authority Decision No. 12 of 2026 – The requirements for Registration and Deregistration of Entities for the purposes of Cabinet Decision No. 142 of 2024 on the Imposition of Top-Up Tax on Multinational Enterprises: The FTA has issued Decision No. 12 of 2026 (16 July 2026), setting binding deadlines for registration, deregistration and scope notifications under the UAE domestic minimum top-up tax (DMTT). It applies to fiscal years starting on or after 1 January 2025. Key points and action items are set out below:

Sr. no	List of cabinet/ministerial/FTA decisions and explanation	
	Rule for registration	Deadline
	Standard	Seven months from end of first in-scope fiscal year
	Transitional deadline	FY ending before 30 April 2026: register by 30 November 2026 (regardless of standard rule)
The above decision also prescribes the deregistration timelines, the specific notification and compliance requirements for entities that are within the scope of, or fall outside the scope of, the Pillar 2 rules, including timelines for in-scope notifications, out-of-scope notifications and deregistration. In addition, where a domestic designated filing entity (DDFE) is appointed, it may undertake the registration, deregistration and submission of in-scope or out-of-scope notifications on behalf of all eligible UAE group entities, thereby centralising the group's compliance obligations.		

VAT update

With respect to VAT, the UAE FTA has recently released the following amendments/updates which are given below:

Date	Type of update	Particulars of update	Comments/key impact
July 2026	Directive on Tax Transactions No. 5 of 2026 for Value Added Tax on the Method to Determine the Value of Deemed Supplies of Services	The FTA has issued guidance prescribing the methodology for determining the value of deemed supplies of services for VAT purposes.	Provides greater certainty and consistency in determining the taxable value of deemed supplies of services.
July 2026	Directive on Tax Transactions No. 4 of 2026 for Value Added Tax on Fees and Charges forming part of the Life Insurance Contract and life reinsurance contract	The FTA has issued guidance on the VAT treatment of fees and charges forming part of life insurance and life reinsurance contracts.	Insurance providers should review the treatment of fees and charges to determine whether they form part of the exempt insurance supply or constitute separate supplies.
July 2026	Directive on Tax Transactions No. 3 of 2026 for Value Added Tax on the Method of Converting the Value of Digital Currencies into UAE Dirham	The FTA has prescribed the methodology for converting the value of digital currencies into UAE dirham for VAT purposes.	Provides a standardised methodology for determining the AED value of digital currency transactions for VAT reporting.
July 2026	Directive on Tax Transactions No. 2 of 2026 for Value Added Tax on Adjustments of Output Tax and Input Tax following a Registrant's exit from a Tax Group	The FTA has issued guidance on adjustments to output and input tax following a registrant's exit from a VAT tax group.	Businesses exiting a tax group should establish controls to identify and report subsequent VAT adjustments relating to historical transactions.
July 2026	Directive on Tax Transactions No. 1 of 2026 for Value Added Tax on Judicial Expert Services	The FTA has clarified the VAT treatment applicable to judicial expert services.	Judicial experts should assess their VAT registration and compliance obligations based on the clarified treatment.

Date	Type of update	Particulars of update	Comments/key impact
July 2026	Federal Tax Authority Decision No. 2 of 2018 on Tax Refunds for Tourists Scheme and its amendments	The FTA has updated/ reissued the legislative framework governing the VAT refund scheme for tourists.	The updated framework includes changes to the administrative fee applicable to tourist VAT refund claims.
June 2026	Education Sector Value Added Tax Guide – VATGED1	The FTA has issued a sector-specific VAT guide for the education sector, covering the VAT treatment of educational services, related supplies, transportation and input tax recovery.	The guide provides sector-specific clarification on the application of existing VAT provisions to the education sector, including the conditions for applying 0% VAT to qualifying educational services provided by a qualifying educational institution under a qualifying curriculum. It further clarifies the VAT treatment of ancillary supplies, including 5% VAT on application fees and separately charged extracurricular activities, 0% VAT on qualifying re-registration fees and certain curriculum-related goods and services, and exemption for qualifying residential accommodation, while serviced accommodation may be subject to 5% VAT. The guide also provides clarity on the treatment of student transportation, healthcare, distance learning, grants and research activities, as well as input tax recovery and apportionment for mixed taxable, zero-rated and exempt activities.



PKF Comment

On transfer pricing, clarification CTP011 now requires full disclosure of any downward adjustment to related-party transactions regardless of value, backed by robust arm's-length documentation – taxpayers should revisit their TP policies accordingly. Banks should note that ATI instrument payments not reflected in accounting income remain non-deductible under CTP012.

Family-owned groups benefit from a more flexible multi-tier family foundation structure that no longer risks losing tax-transparent status when jointly owned by multiple qualifying foundations. The refreshed private clarifications guide (TPGPC1) brings welcome procedural clarity, now extending to Pillar 2 top-up tax queries, supported by a consolidated FTA summary of clarifications issued to date.

On incentives and exemptions, the newly introduced R&D tax credit regime (Ministerial Decision No. 24 of 2026) offers a meaningful tiered incentive (up to 50% on qualifying expenditure) but comes with strict headcount thresholds, mandatory pre-approval and robust anti-abuse and clawback mechanisms that businesses must plan for well in advance of claiming.

Finally, the extension of small business relief eligibility to 31 December 2029 (with the AED 3 million threshold unchanged) provides continued certainty for smaller resident businesses navigating the CT regime.

The recent VAT directives provide greater clarity on the practical application of the UAE VAT framework, particularly in relation to deemed supplies, digital currency transactions, life insurance and life reinsurance charges, tax group exits and judicial expert services. Businesses should review their relevant transactions and underlying processes to ensure that the prescribed valuation, VAT treatment, adjustment and documentation requirements are appropriately implemented.

The education sector VAT guide further provides sector-specific clarification on the VAT treatment of educational services, related supplies, student transportation and input tax recovery. Businesses operating in the education sector should assess the impact of these clarifications on their existing VAT treatment, invoicing and input tax recovery processes and align their compliance procedures accordingly.

For further information or advice concerning taxes in the UAE, please contact Mr. Shailesh Kumar at skumar@pkfuae.com or call +971 4 388 8900.

BACK

United Kingdom

Why World Cup players could pay tax in five different countries

For all the excitement, the 2026 World Cup could create some major tax headaches for players.

FIFA's lucrative broadcasting and sponsorship deals usually come with tax exemptions from host nations as a bid condition, while national football associations are also able to benefit from certain tax exemptions, although in the US they must apply for a specific waiver.

But footballers themselves aren't so lucky. These exemptions do not extend to players or staff, who must balance navigating complex tax rules with focusing on matters on the pitch.

As always with tax, the situation is not clear-cut. Each player's tax position will depend on their circumstances and can be impacted by their country of residence, their employment or self-employment status and even where their World Cup games are located, among other factors.

A key consideration is whether there is a double taxation agreement (DTA) in place between the host nation and the player's country of residence. This effectively determines which jurisdiction gets the taxing rights on their income. Even so, players can face an array of challenges when playing in the host nations. The US has probably the most complex regime, as tax is levied at both federal and state levels.

Distraction

At the federal level, tax is generally 30%, but this can vary with a DTA.

State taxes can differ significantly – California's top rate is 13.3% compared to 0% in Florida. To avoid double taxation, credits can usually be claimed in the player's country of residence for US tax paid but, again, this depends on the DTA.

In Canada, payments received are taxed at 15%. It may be possible to obtain a waiver in advance to amend this amount, but only for residents of nations who have a DTA with Canada.

In Mexico, there is a straight 25% tax on gross income but, alternatively, a rate of 35% can be applied to net income after deducting allowable expenses.

In most cases, players will be required to complete tax returns in each host country they play in to calculate their tax position accurately, taking into account all relevant income sources, allowable expenses and the applicable jurisdictions. Since they could be playing in three different countries, income is split between each one, generally based on the number of games played in each jurisdiction.

This means that a player could be required to file a US federal tax return plus multiple US state returns, a Canadian tax return, a Mexican tax return and a tax return in their home jurisdiction. Player transfers further complicate matters: an English player who moves abroad this summer to play for a Spanish club, such as Antony Gordon, may need to consider their tax position in four or five countries in a single year.



The upshot is that the tax payable by a footballer playing in the Premier League can be extremely different to a player playing elsewhere. Players from smaller nations which don't have DTAs with the host countries may be impacted the most – for example, those from Cape Verde and Curacao.

Clearly, players at the World Cup had to have more than football on their minds, but hopefully tax obligations weren't too much of a distraction from the beautiful game.

Example

England player resident in Saudi Arabia	England player resident in the UK
No DTA between the US and Saudi Arabia	DTA between the US and UK
30%–40.75% US tax	15%–25.75% US tax
But: 0% Saudi Arabian tax	But: 45% UK tax (credit given for US tax)
Therefore, maximum tax rate of 40.75%	Therefore, maximum tax rate of 45%



PKF Comment

If you believe the above measures may impact your business or personal situation, please contact Adam Jefferies at ajefferies@pkf-l.com or call +44 20 7038 0398.

Capital goods scheme changes in July: What is changing and why businesses should review capital expenditure

HMRC has announced major simplifications to the capital goods scheme (CGS), which take effect from 29 July 2026, in a recently published policy paper. While the reforms will reduce administrative burden for many organisations, they also present a clear need for businesses to review current and planned

capital expenditure to ensure VAT recovery remains correct.

Our specialist VAT and indirect tax team outline what is changing, what remains the same and why the right timing will be critical for businesses undertaking capital projects.

Key changes to the CGS

Two substantial changes are being introduced to the CGS, which will affect expenditure incurred on or after 29 July 2026. Capital expenditure on computers and computer equipment will no longer fall within the scheme, making the previous £50,000 threshold irrelevant. Additionally, the CGS threshold for land, buildings and civil engineering works will increase from £250,000 to £600,000 (exclusive of VAT). Only projects meeting or exceeding the new threshold will trigger CGS adjustments going forward.

These changes are the result of HMRC's plans to simplify VAT administration and reduce the number of assets requiring multi-year CGS monitoring.

What will stay the same within the CGS?

Existing CGS items are not affected. Any capital expenditure incurred before 29 July 2026 will continue under the current rules including:

- computers purchased before the operative date;
- land, buildings and civil engineering works where expenditure was incurred under the £250,000 threshold; and
- any CGS item already within its adjustment period.

This means businesses will be running two parallel regimes for a period, one for historic CGS items and one for new expenditure falling under the simplified rules.

Why businesses should review their capital expenditure

Although the reforms should reduce complexity, they introduce timing risks to businesses with ongoing or planned capital projects. The interaction

between the implementation date of the changes and the effective date of expenditure is particularly important.

Projects straddling the implementation date

For capital projects with expenditure falling both before and after 29 July, businesses may find different CGS rules apply to different phases of the same development. Early stage costs may be subject to the existing £250,000 threshold, while later phases could exceed the new £600,000 threshold, which would result in the project effectively sitting across two regimes.

If this applies to your business, it is important to map out staged payments, contract milestones and procurement timelines to ensure VAT recovery is calculated correctly.

VAT recovery planning for large-scale developments

For projects approaching or exceeding £600,000, businesses should revisit VAT recovery forecasts and consider whether the timing of expenditure aligns with the new threshold. Depending on when costs are incurred, accelerating or deferring certain phases may influence whether CGS applies at all and how adjustments will be calculated over the asset's life. If you have developments with long lead times or phased construction schedules, reviewing your capital expenditure will be especially important.

Removal of computers from CGS

Although computers fall outside the CGS from 29 July, any expenditure incurred before that date will continue under the existing rules, meaning historic items must still be monitored for the remainder of their adjustment period. Businesses should confirm which computer assets remain within CGS, ensure ongoing adjustments are maintained correctly and update internal capitalisation and VAT processes to reflect the removal of this category going forward.

Next steps for finance and tax teams

- Review current CGS registers to identify items that will continue under existing rules.

- Assess ongoing capital projects to determine whether expenditure will fall before or after the operative date.
- Update internal VAT processes to reflect the new £600,000 threshold.
- Communicate changes to project teams to ensure procurement and finance understand the timing implications.
- [Seek specialist VAT advice](#) where projects are complex or span multiple accounting periods.

What do the CGS changes mean for businesses?

For many businesses, particularly smaller ones, the changes will remove CGS obligations entirely. However, for others, especially those undertaking significant property or development projects, the changes introduce the need to consider strategic timing.

Understanding where your projects sit relative to the 29 July implementation date will be essential in ensuring accurate VAT recovery and avoiding unexpected adjustments.



PKF Comment

Our VAT specialists at PKF Smith Cooper can help you assess how these changes affect both existing CGS items and any capital projects you have planned or already underway, from reviewing expenditure timing and clarifying VAT recovery implications to ensuring compliance under the current and new CGS rules.

If you believe the above measures may impact your business or personal situation, please contact Gavin West, VAT & Indirect Taxes Partner, at gavin.west@pkfsmithcooper.com or call +44 1332 33 20 21.

BACK

United States

The 2026 FIFA World Cup: Final whistle; lingering US tax issues

After weeks of competition across the United States, Canada and Mexico, the 2026 FIFA World Cup has delivered memorable performances, controversy and to some hopefuls, disappointing and unexpected results. These surprises may be part of the excitement on the field, but they are far less welcome to the players, especially when they give rise to significant tax obligations. While the final whistle may have ended the competition, for many players, coaches, agents and foreign businesses, the US tax consequences are only beginning.

Fortunately for the Cup participants, we, at PKF O'Connor Davies, provide real-time guidance to globally mobile employees and professionals as well as international athletes, their agents and clubs. We help these international participants deal with the complexity of the taxing regimes in three countries and multiple cities where the tournament was conducted.

Before the tournament began, FIFA and the US Department of the Treasury reached an agreement under which each qualifying national football association would be treated as an organisation comparable to a US tax-exempt organisation under section 501(c)(3). As a result, FIFA prize money paid to the participating national associations is generally exempt from US withholding tax. That exemption, however, does not extend to the players, coaches, agents or many other individuals and businesses involved in the tournament.

Who are not exempt?

So, there are some exemptions, but who are not exempt? 2026 FIFA World Cup players remain subject to US tax on various types of income:

- compensation attributable to matches;
- training sessions;
- promotional appearances;
- media activity;
- brand representation and image rights; and
- other services performed in the United States.

Other foreign businesses and individuals involved in the tournament may also face US tax obligations. This includes coaches, referees, team personnel, agents, temporary workers and contractors providing security, transportation, broadcasting or event-management services. Media organisations and sponsors may also be affected.

Performing services or conducting activities in the United States create tax obligations not only for the individual participants, but for the foreign businesses. Potential tax consequences include:

- the taxation of US trades or businesses;
- permanent establishment exposure under an applicable income tax treaty;
- federal and state income tax and filing obligations;
- payroll, withholding and employment tax obligations; and
- state sales tax, business nexus or registration requirements.

One crucial aspect of US taxation is sourcing of income and in terms of the FIFA World Cup football teams, the tax clock starts ticking not when a player steps foot on a field but as soon as taxable services are performed in the US. Some international players could be nationals and tax residents of the US, Mexico and Canada and that makes analysis between the jurisdictions even more complicated.

A common trap: Allocating compensation

While many international athletes understand that compensation for matches played in the World Cup is generally subject to tax, they often overlook that a player's salary or tournament bonus may need to be allocated between the US, Canada, Mexico and the various states in which the games were played. The allocation depends on the facts and circumstances, including where training, promotional appearances, media obligations and other required services are performed. The allocation is very consequential because each of the host countries have their own system of tax and tax rates, as well as US states, whose tax rates vary between very high in California to not taxable in Texas and Florida.

Illustration: A player receives a \$600,000 tournament bonus. During the tournament, the player performs 30 service days, of which 12 are spent in the United States (matches, mandatory training, media events and sponsor appearances). Assuming a reasonable service-day allocation, approximately 40% (\$240,000) of the compensation may be treated as US-source income and potentially subject to US taxation and withholding. The remaining \$360,000 may be sourced outside the United States, depending on the facts and applicable treaty provisions. And the US-source compensation must be further sourced to the state in which the services were rendered.

Thus, determining the proper compensation allocation requires careful documentation of service days and a detailed review of the player's contractual obligations.

Next steps

Now that the tournament has closed and a new world champion crowned, the nature of the tax challenges shifts from the planning stage to reviewing what has been done so far, how final tax assessment is determined and which tax returns need to be filed. In some cases, US withholding taxes may have been retained and remitted to the taxing authorities while others may have been missed and tax is still owed. These US tax obligations must be determined on a person-by-person and payment-by-payment basis.

Services we can provide include:

- determining whether withholding was correct;
- claiming treaty benefits;
- obtaining foreign tax credits;
- filing Forms 1040-NR;
- filing state income tax returns;
- identifying refund opportunities when too much tax was withheld.

We can help

Although the World Cup has ended, the tax obligations often continue long after the trophy has been lifted. Early post-tournament review can

identify filing obligations, refund opportunities, treaty benefits and potential compliance gaps before they become costly.

PKF O'Connor Davies can analyse the relevant facts so that FIFA players, agents and other participants understand the full exposure across all US tax jurisdictions and help remedy the gaps in compliance. We can help with necessary US tax filings. Our global mobility tax team are experts in cross-border taxation of individuals including necessary filings, tax treaty benefits and resolving delinquent filing obligations. Our team, along with our PKF Global tax colleagues around the world, can assist in over 150 countries and 540 locations. Wherever you are, we are.



PKF Comment

Key takeaways

- US tax exemptions for FIFA prize money apply to national associations, but players, coaches, agents and foreign businesses remain subject to US tax and withholding rules.
- Compensation allocation for matches, training, media and promotional activities affects US-source income, state tax obligations and treaty benefits, making accurate service-day tracking essential.
- Post-tournament tax compliance includes reviewing withholding, claiming foreign tax credits, filing Form 1040-NR and state tax returns and addressing cross-border tax obligations and refund opportunities.

If you believe any of the above measures may impact your business or personal situation or require any advice with respect to US taxation, please contact Evgenia Belyavskaya at ebelyavski@pkfod.com or call +1 646 449 6350 or Leo Parmegiani at lparmegiani@pkfod.com or call +1 646 699 2848.

BACK



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