



# PKF worldwide tax update

June 2025

The content of this PKF Worldwide Tax News has been compiled and coordinated by Stefaan De Ceulaer ([stefaan.deceulaer@pkf.com](mailto:stefaan.deceulaer@pkf.com)) of PKF International. If you have any comments or suggestions please contact Stefaan directly.

#### Important Disclaimer

This publication should not be regarded as offering a complete explanation of the matters that are contained within it and all information within this document should be regarded as general in nature. While significant care was observed in creating this publication, the possibility exists that certain information may, in time, become outdated. This publication has been sold or distributed on the express terms and understanding that the publishers and the authors are not responsible for the results of any actions which are undertaken (or not undertaken) on the basis of the information which is contained within this publication, nor for any error in, or omission from, this publication.

The publishers and the authors expressly disclaim all and any liability and responsibility to any person, entity or corporation who acts or fails to act as a consequence of any reliance upon the whole or any part of the contents of this publication. Accordingly, no person, entity or corporation should act or rely upon any matter or information as contained or implied within this publication without first obtaining advice from an appropriately qualified professional person or firm of advisors, and ensuring that such advice specifically relates to their particular circumstances.

PKF Global refers to the network of member firms of PKF International Limited, each of which is a separate and independent legal entity. PKF International Limited coordinates activities of PKF Global but provides no services to clients, and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s). Correspondent firms are not members of PKF Global.

© PKF International Limited

All Rights Reserved. Use Approved with Attribution.

"PKF" and the PKF logo are registered trademarks used by PKF International Limited and member firms of PKF Global. They may not be used by anyone other than a duly licenced member firm of the network.

# Contents

## Welcome 04

## Australia 05

ATO overhauls local file reporting: Key changes explained 05

The ATO's Top 1,000 CAR programme: An insight into transfer pricing assurance 07

Essential insights for multinational enterprises 09

## Austria 11

Nominal power and weight-based tax on electric vehicles from 1 April 2025 11

Clarification regarding transfer prices in connection with shareholder activities 11

Certificate of residence as an essential prerequisite for exemption from Austrian withholding tax for foreign income recipients 12

## Belgium 13

E-invoicing in Belgium: What companies need to know and how to prepare 13

Federal coalition agreement 2025-2029 15

## Germany 19

Tax policy plans of the new government 19

## Malta 21

MTCA guidelines on the fringe benefits rules for beneficial loan arrangements 21

## Poland 22

Mandatory JPK CIT (SAF-T for CIT) reporting in Poland – Practical implications for international groups 22

## **Portugal** **24**

Introduction of tax incentive for scientific research and innovation (NHR 2.0) 24

## **Slovak Republic** **26**

Introduction of financial transaction tax – Recent changes to capital gains tax and withholding tax on dividends 26

## **South Korea** **28**

Recent tax updates 28

## **Switzerland** **29**

Update on initiative for the introduction of a national inheritance tax 29

Safe harbour rates for interest payments to/from related parties 29

## **Ukraine** **30**

Amendments to the taxation of charitable aid 30

The white business club 30

2024-2025 tax increases for Ukrainian taxpayers: Key changes 31

## **United Arab Emirates** **33**

Recent updates on corporate tax and VAT 33

# Welcome

In this second quarterly issue for 2025, 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 510 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 Belgium, Germany, Poland, Portugal, the Slovak Republic and Ukraine
- International tax developments (CFC/thin cap, CbC reporting, BEPS, MLI, Pillar 2, double tax treaties, transfer pricing, etc.) in Australia, Austria, Malta and Switzerland.

We trust you find the PKF Worldwide Tax Update for the second quarter of 2025 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](http://www.pkf.com/pkf-firms).



# Australia

## ATO overhauls local file reporting: Key changes explained

On 23 December 2024, the Australian Taxation Office (ATO) introduced a new local file schema and finalised instructions for reporting periods beginning on or after 1 January 2024, marking significant changes for the 2025 income year.

### What's new?

The ATO's new local file schema aims to gather more detailed and structured information to better identify high-risk international tax and transfer pricing arrangements. This means the short form local file (SFLF) must now be prepared in a message structure table (MST) format.

The final SFLF instructions now clarify that disclosures about 'restructures' aren't just about transfer pricing. They also cover other Australian tax risks, including anti-avoidance rules, withholding tax, hybrid mismatches, capital gains and losses, and debt/equity rules.

### What does this mean for taxpayers?

Taxpayers might need to do a lot of initial work to assess if they have any restructures to report. If they do, they'll need to provide detailed disclosures for each step of the restructure, including financial and tax impacts. The expanded scope of the SFLF means taxpayers will need to collect and analyse a significant amount of information annually, potentially from overseas affiliates.

### Background

The local file is one of three statements required under Australia's country-by-country (CbC) reporting regime. Historically, taxpayers provided an SFLF attachment detailing their Australian operations, including:

- organisational reporting structure;
- business and strategy;
- business restructures;

- transfers of intangibles; and
- key competitors.

### SFLF format update

For CbC reporting entities (CbCREs), the new SFLF in MST format introduces 52 new questions. Taxpayers must provide detailed information on restructures, including step plans and summaries of global and Australian tax impacts, and commercial impacts.

### SFLF instructions update

The ATO made the following changes to the instructions.

#### Business lines

Only report business lines or functions if they generate revenue or involve significant functions for intangibles (i.e. activities involving the development, enhancement, maintenance, protection or exploitation of intangibles).

#### Overseas reporting lines

- No longer required to provide full names or residency details of Australian and overseas personnel (these are now optional).
- 'Effective reporting' means accountable reporting, without needing to specify direct or indirect reporting.
- Short-term and temporary changes in reporting arrangements don't need to be reported.

### Restructures

Certain arrangements are always reportable as 'deemed significant restructures', including:

- changes in ownership or equity interests;
- changes in residence, entity classification or tax status;
- changes in operations, transactions or structures of related counterparties;
- restructures due to amended thin capitalisation and debt deduction rules;

- transfers of assets within a multiple entry consolidated (MEC) group; and
- new arrangements involving the transfer, licence or creation of intangibles.

Other significant restructures must be reported if they involve material changes or potential Australian tax risks, such as:

- significant changes in assets, operations or related-party payments; or
- changes in related-party financing arrangements.

Examples of non-reportable restructures include:

- organic changes in business operations not related to related-party arrangements;
- payment of dividends or distributions to shareholders;
- transfers of assets within an Australian tax consolidated group; and
- routine intra-group financing transactions.

### Creation of intangibles

- The definition of IP creation is narrowed to include only IP benefiting or accessible to overseas related parties.
- A list of excluded (non-reportable) IP creation arrangements is provided.

### Timeline

The first SFLFs complying with the new format are due by 31 December 2025, 12 months after the end of the financial year.

### Consequences of not reporting

Failing to meet your reporting obligations can lead to hefty penalties, with fines reaching up to A\$825,000. Additionally, making false or misleading statements can result in penalties of up to A\$39,600 per statement. In this context, a 'statement' could be any of the individual fields required in the new short form.

Some Australian taxpayers might face difficulties if they don't have sufficient access to records or information from offshore personnel. The ATO expects entities to make reasonable, documented enquiries of offshore group personnel, including those from the overseas parent and group tax area, to gather relevant information.

## PKF Comment

### Key takeaways

#### Engage early

Start discussions with key internal stakeholders to identify any potential reportable arrangements and information requirements that might not be readily available to the Australian management team.

#### Broad definitions

Even minor changes in ownership structures or offshore transactions and operations may need to be reported in Australia.

#### Consistency is crucial

Ensure that disclosures in the new short form align with other filings required by the ATO, such as the master file, RTP schedule, CbC report and corporate income tax return. This consistency is vital due to the overlap and interaction between these forms and other public documents, like global financial statements.

This change underscores the importance of having a connected compliance strategy across all filings. By staying proactive and organised, you can navigate these new requirements more effectively and avoid costly penalties.

For further information or advice in relation to this, or with respect to Australian taxation, please contact Becky Nguyen at [bnguyen@pkf.com.au](mailto:bnguyen@pkf.com.au) or call +61 3 9679 2291.

BACK 



## The ATO's Top 1,000 CAR programme: An insight into transfer pricing assurance

The ATO recently released its sixth findings report, providing key insights into its Top 1,000 Combined Assurance Review (CAR) programme, particularly focusing on transfer pricing and related areas. Introduced in 2020, the CAR programme targets the top 1,000 Australian taxpayers to ensure compliance with taxation laws across four core justified trust pillars: governance, tax risks, significant transactions and variations in accounting versus tax results.

The ATO's findings report from September 2024 addresses reviews finalised in the 12 months ended 30 June 2024, and presents significant trends and emerging areas of concern regarding transfer pricing, hybrid mismatch and other cross-border tax issues.

### 1. What is the CAR programme?

The CAR programme is part of the ATO's ongoing efforts to engage with large businesses and ensure their tax practices align with Australia's tax laws and international standards. The programme assesses the tax practices of these businesses, focusing on:

- **Tax governance frameworks:** Ensuring robust tax management and compliance.
- **Tax risks flagged to the market:** Identifying high-risk areas of concern.
- **Significant transactions:** Reviewing major business deals to ensure proper tax reporting.
- **Discrepancies between accounting and tax results:** Understanding why these differences arise.

The goal is to provide the ATO with greater visibility and assurance that taxpayers are complying with their obligations, identifying areas of non-compliance or risk, and guiding businesses on potential improvements.

### 2. Key findings from the ATO's report on transfer pricing and related issues

#### Transfer pricing

Transfer pricing remains a central area of focus in the CAR programme, with 66% of reviewed

taxpayers having non-financing-related transfer pricing arrangements scrutinised. Common findings in transfer pricing reviews include:

- **Inadequate transfer pricing documentation:** Many taxpayers failed to provide contemporaneous and adequate documentation to support their transfer pricing positions, a key requirement for demonstrating arm's-length transactions.
- **Material policy changes without justification:** Changes to transfer pricing policies were often found to lack alignment with the taxpayer's functional profile or the economic reality of the business.
- **Inconsistent transfer pricing methodologies:** Changes in transfer pricing methodologies that were not based on an actual change in the taxpayer's functional profile were identified as a red flag.

Specific arrangements that continued to raise concerns include:

- **Licence fees and royalties:** Issues related to the ability to substantiate the economic benefits received from licensed assets, particularly concerning the Australian DEMPE (development, enhancement, maintenance, protection and exploitation) activities related to intangibles.
- **Financing arrangements:** Areas like interest-bearing loans, cash pooling and interest-free loans attracted lower assurance ratings, with particular concerns over pricing and terms not matching third-party market conditions.

The ATO also highlighted that 40% of its escalated audits involved transfer pricing issues, excluding financing arrangements, which were often rated poorly in terms of compliance.

#### Hybrid mismatch rules

Hybrid mismatch rules, designed to address tax avoidance through cross-border hybrid instruments, were another area under scrutiny. About 25% of taxpayers received a low assurance rating for these rules. The ATO's findings emphasised that taxpayers often lacked evidence showing substantial efforts to comply with the hybrid mismatch rules, especially in relation to the imported mismatch rule.

The ATO's hybrid mismatch letter campaign reflects the importance of addressing these rules, with taxpayers advised to keep detailed records of their compliance processes to avoid low assurance ratings.

### Thin capitalisation

The thin capitalisation area has historically seen high assurance ratings, with 75% of taxpayers achieving high ratings in the latest review. Recent changes to thin capitalisation rules suggest a shift towards lower assurance ratings in future reviews. Contributing factors include:

- **Lack of evidence for safe harbour calculations:** Inaccurate or insufficient documentation for safe harbour calculations has led to concerns.
- **Arm's-length debt test:** The application of this test will become even more important following the introduction of new rules in 2023, particularly for taxpayers involved in cross-border financing arrangements.

### Loss utilisation and structured arrangements

The ATO has also focused on how businesses handle capital and revenue losses, especially regarding compliance with continuity of ownership tests and business continuity tests. In some cases, businesses were found lacking adequate documentation to support the transfer and utilisation of losses, or their strategies for dealing with complex group structures.

Further scrutiny was placed on structured arrangements designed to reduce or avoid Australian tax. These arrangements, especially those involving related-party financing or mischaracterisation of intangible assets, led to low assurance ratings, with several escalated for further compliance action.

## 3. Key takeaways

The 2024 findings report presents several key takeaways for businesses subject to the ATO's CAR programme:

- **Enhanced scrutiny on transfer pricing:** Transfer pricing continues to be a primary area of focus. Companies should ensure they have robust, contemporaneous documentation to support

their transfer pricing arrangements. Changes in policies must be backed by solid economic justification.

- **Hybrid mismatch and thin capitalisation:** Businesses should pay close attention to the hybrid mismatch rules and thin capitalisation adjustments. Inadequate compliance or documentation in these areas is likely to lead to lower assurance ratings.
- **Documentation is critical:** The importance of comprehensive documentation cannot be overstated. Businesses need to maintain detailed records, especially concerning losses, cross-border financing arrangements and significant transactions.
- **Proactive engagement:** Taxpayers should prepare for CAR reviews well in advance. This includes ensuring governance documentation is up to date, understanding and complying with practical compliance guidelines (PCGs), and reviewing transfer pricing policies and methodologies.
- **A shift in the ATO's approach:** With the introduction of a differentiated approach to assurance reviews, businesses with previously high assurance ratings may still face increased scrutiny due to new rules and regulations. Companies should proactively reassess their tax compliance to align with new ATO expectations.



### PKF Comment

#### Conclusion

The ATO's Top 1,000 CAR programme plays a crucial role in maintaining high standards of tax compliance among Australia's largest businesses. With transfer pricing, hybrid mismatch rules and thin capitalisation at the forefront of this year's findings, businesses are encouraged to review their tax practices, ensure appropriate documentation is in place and be prepared for heightened scrutiny in future reviews.

For further information or advice in relation to this, or with respect to Australian taxation, please contact Becky Nguyen at [bnguyen@pkf.com.au](mailto:bnguyen@pkf.com.au) or call +61 3 9679 2291.

BACK



## Essential insights for multinational enterprises

In December 2024, the ATO introduced draft Practical Compliance Guideline PCG 2024/D3, which outlines the compliance approach for restructures of financing arrangements under the new thin capitalisation and debt deduction creation rules. This article explores the workings of these rules and their implications for MNEs' inter-company dealings.

### Third-party debt test

- **What it is:** The third-party debt test (TPDT) is a component of Australia's new thin capitalisation regime, designed to ensure that debt deductions are only claimed for genuine third-party debt arrangements.
- **Who it applies to:** The TPDT applies to general class investors, which include foreign-controlled Australian entities, foreign entities with Australian permanent establishments and Australian controllers of controlled foreign entities.
- **When it applies:** The TPDT is part of the new thin capitalisation rules effective for income years commencing on or after 1 July 2023.
- **How it works:** The TPDT requires that the debt must be owed to an unrelated third party and must meet specific conditions set by the ATO. These conditions include ensuring the debt is not part of a back-to-back arrangement and is used for producing assessable income.

The ATO's draft guidance outlines scenarios where the TPDT may not be available, such as holding foreign assets or borrowing to pay dividends.

The guidance also provides a compliance approach for restructures undertaken to meet TPDT conditions, allowing taxpayers to claim pre-restructure debt deductions without the ATO challenging their position.

### Debt deduction creation rules

- **What they are:** The debt deduction creation rules (DDCR) are designed to prevent taxpayers from artificially creating debt deductions through related-party transactions.

- **Who they apply to:** The DDCR apply to all entities subject to thin capitalisation, including those with minimal foreign investments. This includes Australian entities with even a single foreign branch or subsidiary.
- **When they apply:** The DDCR are effective from 1 July 2024.
- **How they work:** The DDCR permanently deny debt deductions for payments arising in connection with certain related-party transactions. This includes two key instances:
  - **Asset acquisition type:** Disallows debt deductions for interest expenses incurred in relation to loans used to acquire assets from an associate.
  - **Payment or distribution type:** Disallows debt deductions for interest expenses incurred in relation to loans used to fund payments or distributions to an associate.

Unlike other thin capitalisation rules, the DDCR do not allow for the carry-forward of denied deductions, meaning once a deduction is denied, it is permanently disallowed.

The ATO's draft Practical Compliance Guideline PCG 2024/D3 provides further details on the application of the DDCR and the compliance approach for restructures in response to these rules.



## Restructures

- **What they are:** Restructures refer to the reorganisation of a company's financial arrangements to comply with the new thin capitalisation rules, including the TPDT and DDCR.
- **Who they apply to:** The compliance approach for restructures applies to all entities subject to the new thin capitalisation rules, including those undertaking restructures to meet the TPDT and DDCR conditions.
- **When they apply:** The compliance approach for restructures is effective from the enactment of the new thin capitalisation rules, with specific time limits for undertaking restructures to benefit from the ATO's compliance approach.
- **How they work:** The ATO's draft guidance provides a compliance approach for restructures undertaken to meet the conditions of the TPDT and DDCR. This includes specific types of restructures that can be undertaken and prescribes time limits for these restructures to benefit from the ATO's compliance approach.
- Low-risk restructures can involve actions such as repaying debt interest, settling bridging finance, disposing of foreign assets and engaging in cash pooling.
- On the other hand, high-risk restructures may include attempts to alter the nature of incurred costs or substituting related-party debt with third-party debt.

The guidance also outlines a risk assessment framework to help taxpayers understand the ATO's compliance focus and the steps they can take to mitigate risks.

## Potential implications for taxpayers

- **Permanent denial of deductions:** Debt deductions denied under the DDCR are permanently disallowed, impacting the overall tax position of MNEs.
- **Risk management:** The ATO's compliance approach includes a risk assessment framework, which MNEs must navigate to avoid high-risk categorisations.

- **Strategic planning:** MNEs need to strategically plan their financing arrangements to avoid triggering the DDCR, which may involve complex financial planning and restructuring.
- **Compliance burden:** MNEs must ensure their restructures align with the ATO's guidelines to avoid penalties. This involves detailed documentation and possibly significant changes to existing structures.
- **Increased scrutiny:** MNEs must ensure that their debt arrangements do not fall foul of the DDCR, requiring thorough review and possibly restructuring of existing debt.



### PKF Comment

#### Conclusion

The introduction of the TPDT, DDCR and the compliance approach for restructures marks a significant shift in Australia's thin capitalisation regime. These measures aim to curb excessive debt deductions and ensure that multinational corporations pay their fair share of tax in Australia.

Taxpayers must carefully review their debt arrangements and related-party transactions to comply with these new rules and avoid potential penalties.

For further information or advice in relation to this, or with respect to Australian taxation, please contact Becky Nguyen at [bnguyen@pkf.com.au](mailto:bnguyen@pkf.com.au) or call +61 3 9679 2291.

BACK

# Austria

## Nominal power and weight-based tax on electric vehicles from 1 April 2025

---

Company car fleets have traditionally been taxed more heavily in Austria than in neighbouring countries. In an EU comparison, only Belgium has a higher tax burden for the ownership and operation of motor vehicles.

Tax incentives for the purchase and operation of electric vehicles were granted in addition to direct subsidies in the form of input tax deductions for entrepreneurs and the complete abolition of the standard consumption tax (NOVA) and motor vehicle tax (mVSt). As a result, the number of electric vehicles in company car fleets has risen steadily in recent years.

This preferential treatment for electric vehicles has now been partially abolished. Since 1 April 2025, the exemption from motor vehicle tax has been abolished for both new and existing electric vehicles. The tax for electric vehicles with a maximum permissible gross weight of up to 3.5 tonnes will be calculated based on the rated continuous power and, in the absence of CO<sub>2</sub> emissions, on the vehicle's own weight. The values stated in the registration certificate are decisive.

## Clarification regarding transfer prices in connection with shareholder activities

---

The Austrian Federal Ministry of Finance has clarified in its transfer pricing guidelines that costs incurred at shareholder level for services provided exclusively in the interest of the parent company (shareholder activities) cannot be charged to the subsidiary and must therefore be borne by the shareholder.

The parent company's activities focus on its control function over the subsidiary, which does not confer any economic or commercial value on the subsidiary. It is therefore not possible to charge a service fee to the subsidiary.

If the parent company is a company based in Austria, expenses for shareholder activities are generally tax deductible. The deduction restriction pursuant to section 12 (2) KStG only applies if there is a direct economic connection with non-taxable income (e.g. investment income).

Costs for shareholder activities incurred at the level of a subsidiary must be allocated to the parent company in whose interest the activities are performed. This includes, for example, the costs of the group executive board, the group supervisory board and the shareholders' meetings, insofar as these costs do not relate to activities performed directly for the subsidiary (e.g. the executive board of the parent company negotiates contracts for the subsidiary). This also includes costs relating to the legal organisation of the group, including, for example, the preparation of the consolidated financial statements, costs incurred by the group's top-level company for its statutory reporting obligations and imposed services for which there is no need on the part of the subsidiary (Z 7.9 OECD-VPL).





## Certificate of residence as an essential prerequisite for exemption from Austrian withholding tax for foreign income recipients

The Austrian VwGH (Supreme Administrative Court) recently ruled that tax relief at source under double taxation agreements may only be granted if this income is taxable exclusively in the country of residence. However, the foreign income recipient's entitlement under the agreement can be substantiated by a certificate of residence issued by the foreign tax authority. Although the Administrative Court disagrees with the tax office's opinion that the formal requirements for the certificate of residence are only met if it is issued using forms ZS-QU 1 (for natural persons) or ZS-QU 2 (for legal entities), it also notes that the appellant failed to prove the residence of the income recipient in good time. To avoid withholding tax by the recipient of the payment, it is advisable for foreign income recipients to submit the relevant forms from the Austrian tax authorities, certified by the foreign tax authority, and only to request alternative confirmation from the foreign tax office if it refuses to certify the relevant Austrian form. It is essential that the certificate of residence is available in good time, i.e. before the payment is due. Otherwise, the Austrian client liable for payment would have to pay 20% of the amount to the Austrian tax office in order to be released from liability.



### PKF Comment

If you believe the above measures may impact your business or require any advice with respect to Austrian taxation, please contact Stephan Rößlhuber at [stephan.roesslhuber@pkf-roesslhuber.at](mailto:stephan.roesslhuber@pkf-roesslhuber.at) or call +43 662 8422 9025.

BACK



# Belgium

## E-invoicing in Belgium: What companies need to know and how to prepare

**From 1 January 2026, B2B e-invoicing will be mandatory for domestic transactions in Belgium. This means that companies will no longer be able to send paper or PDF invoices but will have to switch to structured electronic invoices. From 2028, a real-time reporting system will also be introduced, allowing invoice data to be automatically sent to the tax authorities.**

These changes will have a significant impact on companies, especially on their accounting and ERP systems, VAT processes and internal document flows, from quotation to invoice. A proactive approach is essential to remain compliant and avoid operational disruptions or delays.

### What does mandatory B2B e-invoicing entail?

The new regulations require that all invoices be exchanged electronically in a structured format, such as Peppol-BIS (in accordance with the EU standard EN 16931). A PDF via email will no longer be sufficient.

Key points:

- All Belgian VAT-registered companies must be able to send, receive and store e-invoices.
- B2C transactions and certain exempt sectors are not subject to this obligation.
- Invoices should be automatically processable within the ERP and accounting software packages.

Additionally, from 2028, Belgium will introduce real-time reporting, where invoice data will be automatically sent to the tax authorities. This means that companies need to accurately map their VAT flows to avoid compliance risks.

### Why prepare now?

Many companies consider 2026 to be far off, but the transition to e-invoicing requires thorough preparation. Here are some crucial reasons why taking action now is necessary:

#### 1. Impact on ERP and accounting software

- Not all systems currently support Peppol-BIS or automated e-invoicing.
- Companies need to check if their current ERP software is compatible or requires adjustments or connections between multiple systems.
- The connection with VAT registrations and reporting must be correctly set up.

#### 2. Avoiding operational disruption and achieving efficiency gains

- The implementation of e-invoicing impacts invoice processing, approval flows and cash flow management.



- Testing and adjusting solutions at an early stage prevents problems during implementation.
- E-invoicing offers a unique opportunity to optimise not only invoice processing but also other linked processes such as quotations, deliveries, work orders and contract management in a smarter and more efficient way.

### 3. Correct VAT flow and reporting

- E-invoicing is closely linked to VAT compliance. Errors in VAT returns can lead to penalties.
- Companies with complex VAT structures (e.g. international transactions, VAT exemptions, reverse charge rules, etc.) are strongly advised to review their flows.

### 4. Mandatory acceptance of e-invoices

- Even companies that do not send invoices but only receive them must be able to process e-invoices.
- This means that all Belgian VAT-registered entities need a Peppol connection.

### 5. E-invoice as legal evidence in case of dispute

- From 2026, in the Belgian B2B context, only an e-invoice will be considered as legal evidence in case of a dispute over delivered services or goods.
- There will also be less discussion about the moment the e-invoice was sent and received. This is important in the context of potentially disputing the invoice.



## PKF Comment

### How we can help

As an A-to-Z advisor, we support companies make a smooth transition to e-invoicing and real-time reporting. This includes:

- ERP and software optimisation: We help companies integrate Peppol-compliant e-invoicing into their existing systems or advise on the choice of suitable software. We can also assist in further optimising and integrating other documents such as quotations, purchase orders, delivery notes, etc. This way, your company is not only compliant with the audit trail, but you also achieve a positive business case through faster approval and payment, fewer errors and lower costs, and better financial insight.
- VAT flow analysis and risk management: We ensure that VAT processes run correctly, in a tailored way and efficiently, so that companies are compliant with both e-invoicing and real-time reporting in 2028.
- Test phase and change management: We help companies implement and test e-invoicing flows, so that the transition goes smoothly without impacting operational processes.

### Our PKF BOFIDI experts are here to help you

The introduction of mandatory B2B e-invoicing in 2026 and real-time reporting in 2028 represents a significant change for companies in Belgium. Timely and thoughtful preparation is crucial to avoid problems and to fully benefit from the advantages of digitisation.

Don't wait until 2026 and take action now to make your invoicing and VAT processes future-proof.

If you believe the above measures may impact your business or require any advice with respect to Belgian indirect taxes, please contact Gladys Cristiaensen at [gladys.cristiaensen@pkfbofidi.com](mailto:gladys.cristiaensen@pkfbofidi.com) or call +32 2 486 55 11 for any further questions.

BACK



## Federal coalition agreement 2025–2029

---

Eight months after the elections, an agreement has finally been reached on the new federal government (Arizona). The federal coalition agreement covers various topics, including the following (non-exhaustive) tax measures.

Of course, these measures must still be translated into legal texts in the coming months (possibly in a modified form), and we will have to wait for the final legal texts. Below are the main tax measures included in the coalition agreement. For some points, it will be crucial to see how they are effectively implemented in practice.

### Corporate tax

#### The reduced corporate tax rate

- The current minimum gross remuneration of €45,000 will be increased to €50,000 and will be indexed.
- The remuneration of company directors may consist of benefits in kind up to a maximum of 20% of the annual gross salary.

#### Distribution of liquidation reserves

- Waiting period reduced from five years to three years.
- Increase in withholding tax rate from 5% to 6.5% from 1 January 2026 for newly established liquidation reserves (resulting in an effective tax burden increase from 13.64% to 15%, the same as VVPRbis dividends).

#### Hybrid company cars – extended transition period

- The maximum deduction percentage for hybrid cars will remain at 75% until the end of 2027 (instead of the end of 2025) but will decrease to 65% in 2028 and 57.5% in 2029.
- These deduction rates apply for the entire period the vehicle is used by the same owner or lessee.
- Fuel costs for hybrid cars = 50% deductible until the end of 2027.
- Electricity consumption for hybrid cars = same deduction percentage as for electric models.

- Exception for hybrid cars with up to 50 g/km emissions: If the deduction percentage according to the formula is higher than 75%, the higher rate may be applied until the end of 2027.

#### Dividend received deduction (DRD)

- Currently, the participation exemption for dividends requires either a 10% minimum participation or a participation with a minimum acquisition value of €2.5 million.
- Becomes a 'DRD exemption' (via an adjustment to the initial state of reserves).
- The 10% participation requirement remains unchanged.
- Stricter conditions for 'large enterprises': The participation requirement of €2.5 million is increased to €4 million and an additional condition is introduced: the participation must qualify as a financial fixed asset (i.e. a lasting relationship with the company in which it invests, not considered as an investment).
- Withholding tax can only be credited against corporate tax if the receiving company grants the minimum director's remuneration in the income year of receipt.
- DRD funds: 5% tax on capital gains upon exit.

#### Capital gains on shares

Realised capital gains on shares remain exempt from corporate tax, provided the taxation and participation conditions are met (i.e. either 10% or €2.5 million – this will also be increased to €4 million, in line with DRD conditions).

#### Meal, sports, culture and eco vouchers

- Maximum employer contribution for meal vouchers increased from €8 to €12.
- Increased deductibility of employer costs.
- Expansion of spending options for meal vouchers.
- Employer cost deductibility for meal vouchers will be increased by €2 twice during the 2025–2029 legislative term.
- Other existing vouchers (eco and culture vouchers) will be phased out in consultation with social partners.

**Form 270MLH** (rental annex to tax return) will be abolished and replaced with a less administratively burdensome alternative, considering the information already available to the tax administration.

Adjustment of **corporate contributions** based on total balance sheet value (meaning that small businesses pay less; large businesses pay more).

The **group contribution** scheme will be made more attractive by allowing both direct and indirect participations and no longer excluding new companies. The DRD will be applicable to profits from a group contribution.

The **investment deduction** will become indefinitely transferable. The rates for increased investment deductions in energy, mobility and environmental sectors will be standardised at 40%.

The option for accelerated tax depreciation on investments in research & development, defence and energy transition will be introduced. For large enterprises, this will be a temporary scheme, allowing 40% of the acquisition value to be depreciated in the first year.

SMEs will again be allowed to apply declining balance depreciation.

### Digital tax

- Belgium will implement international agreements on digital taxation. This will ensure that large digital multinationals are taxable in Belgium even without physical presence, leading to a significant revenue increase.
- If no agreement is reached at the European or international level, Belgium will unilaterally introduce a digital tax by 2027 at the latest.

The penalty for insufficient advance tax payments will no longer be affected by signing a framework agreement under a **tax shelter scheme**.

### Personal income tax

**More take-home pay** from 2027 for working people by, among other things, increasing the tax-free allowance, lowering the special social security contribution (BBSZ) and strengthening the social work bonus.

### Copyrights

The copyright tax regime will be expanded. Works protected under Book XI, Title 6 of the Code of Economic Law will be eligible for the copyright tax regime, including the transfer or licence of computer programs.

**Solidarity contribution** (cf. capital gains tax) of 10% on future realised capital gains of financial assets, including crypto assets, accrued from the time of the introduction of the solidarity contribution, where:

- Historical capital gains are exempt.
- Capital losses are deductible within the year, but without any transferability to a subsequent year.
- A de minimis threshold of €10,000 is provided for small investors and will be indexed annually.
- Where an investor realises a capital gain on a substantial interest of at least 20% in a company (listed or unlisted), the first €1 million is exempt, with any gain over €1 million taxed at the following rates:
  - Between €1 million and €2.5 million: 1.25%
  - Between €2.5 million and €5 million: 2.5%
  - Between €5 million and €10 million: 5%
  - Above €10 million: 10%.

**Securities tax** remains at 0.15%.

**Entrepreneur deduction for self-employed** from 2027, both main and secondary professions: Additional deduction on first tranche of profits and gains (after deduction of professional expenses and social contributions). Further increase in amount in 2029.

### Tax-free allowance and dependent children

- Modernisation of the supplement to the tax-free allowance. In the future, every child will receive the same allowance up to a certain ceiling amount.
- The supplement to the tax-free allowance for single parents will only be granted to truly single parents.
- The tax exemption for income from student work will be doubled and the maximum amount of net subsistence will be increased to €12,000.
- The employment limit for student work is permanently increased to 650 hours per year.
- The tax credit for dependent children is no longer indexed.

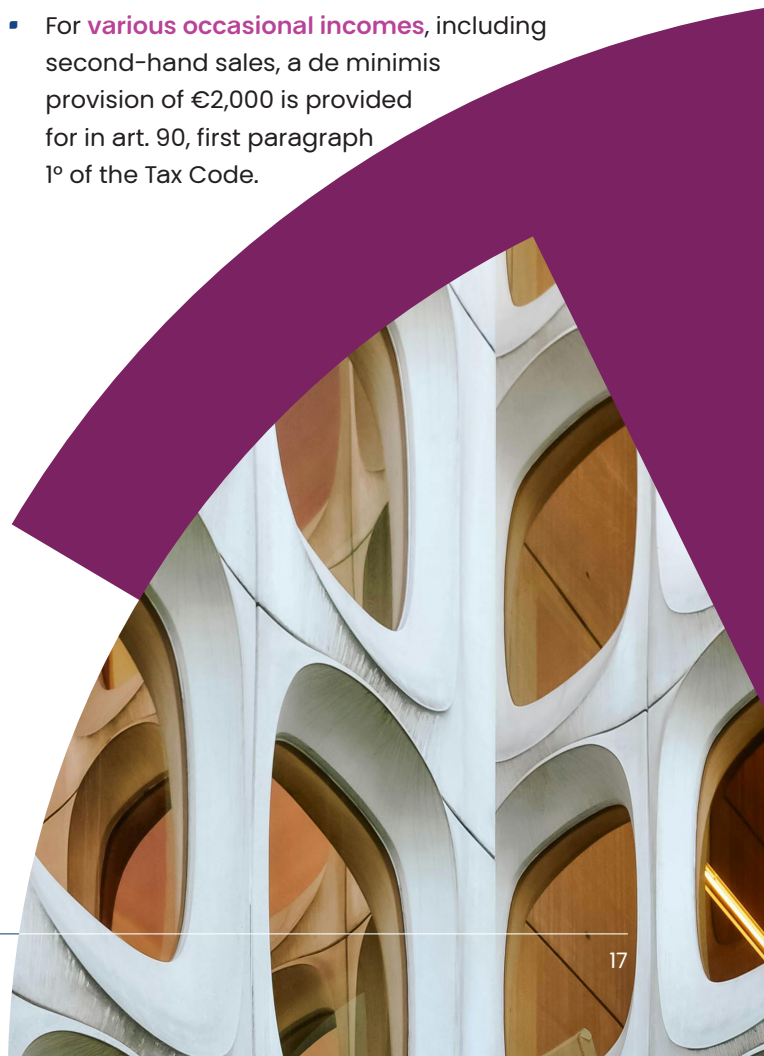
### Profit and benefit earners (self-employed individuals)

- By 2025: Doubling of existing incentives for equity.
- From 2026: Elimination of tax increase for insufficient upfront payments.
- Introduction of a fifth period for advance payments, i.e. no later than 20 February of the assessment year. This will give taxpayers a bonus (tax reduction) equal to 0.5 times the base rate.

Other measures include:

- The various **second pillar pension schemes** for the self-employed (VAPZ, IPT, POZ) are harmonised and simplified.
- **Pensions third pillar:** Increased pension savings will be integrated into conventional pension savings within a budget-neutral framework.
- The **expat regime** is reformed: The tax-free allowance increases from 30% to 35%, the ceiling of €90,000 is abolished and the minimum gross remuneration is reduced from €75,000 to €70,000.
- The **federal interest deduction for non-owner-occupied housing** is cancelled.
- The **tax credit for unemployment benefits** will be abolished, and the tax credit for the highest pensions will be phased out.

- The **marriage quotient** will be cut in half for non-retirees by 2029.
- The **deductibility of maintenance benefits** will gradually drop from 80% to 50%. Benefits to countries outside the EEA will no longer be deductible.
- General arrangement of **180 hours tax-friendly overtime** with a charge reduction for the employer and a tax reduction for the employee.
- Maximum annual income for **flexi-jobs** will be increased from €12,000 to €18,000. The maximum hourly wage increases from €17 to €21. Extension of flexi-job system to all sectors.
- Tax reduction for **gifts to recognised institutions** decreases from 45% to 30%.
- Abolition of the **increased cost flat rate** for distant travel.
- Abolition of the **special cost flat rate for local mandates** (mayors, aldermen, etc.).
- A number of tax reductions, exceptions and exemptions will disappear, including the tax reduction in the context of investments in microfinance development funds, the tax reduction for domestic servants, the exemption for social liabilities, etc.
- For **various occasional incomes**, including second-hand sales, a de minimis provision of €2,000 is provided for in art. 90, first paragraph 1° of the Tax Code.



## VAT

- The daily receipt book and various VAT registers (amongst other records) will be deleted, adjusted or simplified. This will take into account the existing control possibilities and the information already available to the tax administration.
- Other **administrative formalities** such as the nil customer list will be abolished following the introduction of e-reporting.
- The VAT rate for the supply and installation of heat pumps will reduce from 21% to 6% for the next five years.
- The scope for **demolition and reconstruction**, at 6% VAT, will be extended to supplies (while maintaining the current social conditions). However, for supplies, the surface area criterion is tightened from 200 square metres to 175 square metres.
- **VAT for the supply and installation of a fossil fuel boiler** will be increased from 6% to 21% in the context of a renovation, cf. regime for homes older than 10 years.
- VAT on coal increases from 12% to 21%.
- There will be a clear definition of **'renovation' and 'renewal'**. The government is also exploring how a sustainability condition can be introduced within the upcoming European regulations and without increasing the administrative burden.
- The tax administration will publish a circular on the flat-rate right to VAT deduction levied on mixed-use **company bicycles**.
- The federal government is committed to a **modern fine policy concerning VAT**, whereby the level of the proportional fine will take into account, among other things, the mitigating circumstance that the Belgian Treasury has not suffered any financial loss as a result of the infringement committed.
- In order to combat VAT fraud, **'near real-time reporting'** will be introduced from 2028 for transactions between VAT taxpayers and transactions for which a GKS (registered cash register) is used.

## Procedure

- The **tax penalty** policy will be **reformed**. Initial errors made in good faith will no longer incur an automatic penalty of a 10% tax increase, and the taxpayer will only receive a notice. The tax authorities will no longer impose an automatic penalty if these conditions for remission are met.
- The **time limits for investigation and taxation** in tax matters are set at three years (four years for complex and semi-complex returns) from 1 January of the assessment year, except in cases of fraud or suspected fraud. In the case of fraud, the term will be set at seven years from 1 January of the assessment year.
- **Abuse of private foundations** will be addressed. This will include clarifying federal law regarding underlying disinterested purposes.
- The current BV exemption regime for R&D will be clarified and adjusted to ensure maximum legal certainty.
- Efforts will be made to restore the relationship between the taxpayer and the tax authorities.



### PKF Comment

If you believe the above measures may impact your business or require any advice with respect to Belgian taxation, please contact Aleksandr Natanelov at [aleksandr.natanelov@pkfbofidi.com](mailto:aleksandr.natanelov@pkfbofidi.com) or call +32 2 486 59 75 for any further questions.

BACK

# Germany

## Tax policy plans of the new government

On 9 April 2025, the new government published its coalition agreement. It contains extensive tax policy plans aimed at promoting investment, reducing bureaucracy and providing social relief. The key points are outlined below.

### 1. Corporate taxation

- Reduction in corporation tax: From 2028, corporation tax is to be reduced in five steps from 15% to 10%. The aim is to ease the burden on companies and make Germany a more attractive location.  
  
Note: In addition to corporation tax, there is also a trade tax in Germany.
- The minimum trade tax multiplier will be increased from 200% to 280% to prevent tax shifting. Depending on the region, trade tax will then range between 10% and 16%.
- The solidarity surcharge of approximately 0.8% will remain in place.
- It is being examined whether new companies will automatically be subject to corporation tax from 2027 onwards, regardless of their legal form.
- Declining balance depreciation: Companies will be able to take advantage of a higher depreciation rate of 30% in the first year for new machinery and equipment between 2025 and 2027 in order to promote investment.
- Research allowance: Existing subsidies are to be increased and simplified in order to provide better tax support for innovation in companies. There will also be special depreciation allowances for companies that purchase electric vehicles.

### 2. Income tax

Various tax breaks are planned for employees. Small and medium incomes are to be relieved.

- Overtime bonuses are to become tax-free.
- Employer premiums when part-time workers increase their hours are to receive tax relief.
- Pensioners who continue to work will be allowed to earn up to €2,000 per month tax-free.
- The commuter allowance is to rise to 38 cents per kilometre from 1 January 2026, starting from the first kilometre.
- As part of company car taxation, the gross list price for electric cars is to be increased to €100,000.





### 3. Indirect taxes: Relief for consumers and certain industries

Changes are also planned in the area of excise duties:

- Reduction of the electricity tax to the European minimum and reduction of transmission network charges (part of the electricity price).
- The import sales tax is to be converted to a clearing model, which should help companies preserve their liquidity.
- VAT on food in the catering industry will remain permanently at 7%.
- Fossil fuels will once again be subsidised for farmers.
- Taxes and fees are to be reduced in air transport. The recently increased air traffic tax is to be reversed.
- Germany also supports the introduction of a financial transaction tax at EU level.

### 4. Reducing bureaucracy

In addition, there are general plans to reduce tax bureaucracy. In future, laws are to be written in a digitally compatible format.

- Standardisation, flat rates and simplification of tax collection.
- Greater automation in the processing of tax returns.
- The consolidation of income-related expenses via a flat-rate allowance for working days.

### 5. Challenges

Sufficient financial resources must be made available in the federal budget for most of these plans. In addition, the new government needs the approval of the Council of the Federal States, in which it does not have a majority, for many tax changes.



#### PKF Comment

If you believe any of the above measures may impact your business or require any advice with respect to German taxation, please contact Daniel Scheffbuch at [d.scheffbuch@pkf-wulf.de](mailto:d.scheffbuch@pkf-wulf.de) or call +49 711 69 767 238.

BACK



# Malta

## MTCA guidelines on the fringe benefits rules for beneficial loan arrangements

The Malta Tax & Customs Administration (MTCA) has issued guidelines on the application of the fringe benefits rules to beneficial loan arrangements, for the purposes of rules 26 and 27 of the fringe benefits rules (SL 123.55).

For the purposes of rules 26 and 27 of the fringe benefits rules, the benchmark rate of interest on loans to which the guidelines apply shall be as follows:

- In the case of a loan for the purchase of a primary residence, as defined in Directive No. 16 (Regulation on Borrower-Based Measures) issued by the Central Bank of Malta in terms of the Central Bank of Malta Act (Cap. 204), the average interest rate on overnight deposits as published by the Central Bank of Malta in the statistics database titled 'Interest Rates and other Key Financial Market Rates'.
- In the case of any other home loan, the average interest rate on lending for house purchases, as published by the Central Bank of Malta in the statistics database titled 'Interest Rates and other Key Financial Market Rates'.
- In any other case, the average interest rate on consumer credit and other lending as published by the Central Bank of Malta in the statistics database titled 'Interest Rates and other Key Financial Market Rates'.



### PKF Comment

If you believe the above measures may impact your business or personal situation or require any advice with respect to Maltese taxation, please contact George Mangion at [gmm@pkfmalta.com](mailto:gmm@pkfmalta.com) or call +356 21 484 373.

BACK

# Poland

## Mandatory JPK CIT (SAF-T for CIT) reporting in Poland – Practical implications for international groups

From January 2025, Poland will implement a new requirement for corporate income tax (CIT) reporting in the form of a structured XML file – known as **JPK CIT** (standard audit file for corporate income tax). This obligation is part of a broader digitalisation strategy pursued by the Ministry of Finance to increase transparency and automate tax oversight.

The JPK CIT structure includes two key components:

- **JPK\_KR\_PD** – general ledger data mapped to tax calculations
- **JPK\_ST** – register of fixed assets and intangible assets.

### Implementation timeline and scope

The roll-out of the obligation is phased as follows:

- **from 1 January 2025** for large entities, i.e. those that in 2024 had net revenues **exceeding €50 million**;
- **from 1 January 2026** for CIT taxpayers who **are required to submit JPK\_VAT (SAF-T for VAT)**; and
- **from 1 January 2027** for **all remaining CIT taxpayers**.

Entities subject to this obligation must ensure that their systems, data structures and internal procedures allow for the generation of compliant XML files reflecting both accounting and tax data.

### Key risks and challenges

From a practical point of view, the implementation of JPK CIT presents several challenges – particularly for entities operating within international capital groups. In many cases, accounting books and fixed asset records are maintained outside Poland, using global ERP systems that are not adapted to Polish reporting standards or XML structures.

Common issues include:

- **incompatibility of accounting systems** with Polish XML schemas (XSD);
- **difficulties in mapping group-level accounts** to local tax categories;
- **risk of data inconsistencies and reporting errors** due to system localisation gaps; and
- **increased audit exposure**, resulting from the analytical capabilities of structured data.

Additionally, the new reporting regime often requires procedural changes and thorough documentation of the CIT calculation process and data sources.

## Significance of the individual tax ruling

Further clarification is provided in the individual tax ruling dated **21 February 2025, No. 0114-KDIP2-2.4010.714.2024.1.PK** issued by the Director of the National Tax Information in Poland. The ruling states that the **JPK CIT obligation applies only to taxpayers who maintain their accounting books in Poland**. This is particularly relevant for international structures where Polish activities are conducted via a tax permanent establishment without forming a registered branch or representative office.

The ruling indicates:

‘Given the above, in cases where only a tax permanent establishment is created in Poland without establishing a branch or representative office – as is the case in this matter – and therefore without the obligation to keep accounting books under the Accounting Act, fulfilling the obligation under Article 9(1c) of the CIT Act is not justified. The absence of an obligation to maintain accounting books in Poland under the Accounting Act means they cannot be kept using computer programs nor submitted to the relevant tax office.’

The ruling also refers to article 9(1d)(3) of the CIT Act, which exempts taxpayers maintaining simplified revenue and expense records from the JPK CIT obligation. Although the method for maintaining such records is not precisely defined, the authorities suggest that under these circumstances, simplified records are sufficient for proper tax calculation and therefore exempt the taxpayer from the JPK CIT requirement.

## Recommendations for taxpayers

To ensure readiness for JPK CIT implementation, companies should consider:

1. **Tax and data readiness review** – Assessing the completeness and quality of source data
2. **System capability analysis** – Verifying the ability to export data in XML format
3. **Chart of accounts mapping** – Aligning group structures with JPK tagging
4. **XML file testing** – Both technically and substantively
5. **Procedure alignment** – Documenting accounting and tax compliance procedures
6. **Engaging local advisors**, particularly if bookkeeping is maintained abroad.



### PKF Comment

In PKF Poland's project experience, implementing JPK CIT in cross-border environments often requires close cooperation between accounting teams and local tax advisors. This collaboration is essential to ensure full compliance with Polish regulations and technical schedules.

As part of the PKF Global network, we encourage knowledge sharing and collaboration on matters affecting clients with operations in Poland.

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](mailto:agnieszka.chamera@pkfpolska.pl) or call +48 609 331 330.

BACK

# Portugal

## Introduction of tax incentive for scientific research and innovation (NHR 2.0)

With the end of the former non-habitual resident regime (NHR 1.0), a new regime was introduced, designated as the tax incentive for scientific research and innovation (NHR 2.0), with the aim of attracting non-resident individuals with relevant scientific and technical skills to Portugal.

The requirements and procedures of this new regime were published at the end of 2024 and beginning of 2025.

We highlight below the rules that apply to the tax incentive for scientific research and innovation.

This regime applies to taxpayers who:

- become tax residents in Portugal under Portuguese tax legislation;
- have not been tax residents in Portugal in any of the previous five years; and
- are engaged in specific activities related to scientific research, innovation or high-value economic sectors.

The incentive applies to individuals working in the following sectors:

### 1. Higher education and scientific research

- Professors and researchers in universities or research institutions.
- Scientific professionals employed in entities within Portugal's national science and technology system.
- Board members or executives of recognised technology and innovation centres (as per Decree-Law No. 126-B/2021).

### 2. Qualified investment-related positions

Board members and professionals engaged in projects benefiting from contractual tax incentives under the Investment Tax Code.

### 3. Highly qualified professions

Defined by a government ordinance for professionals working in:

- companies that, at the time of hiring or within the last five years, benefited from the tax regime for investment promotion (RFAI); or
- industrial and service companies with activities defined in a ministerial decree that export at least 50% of their turnover, either at the start of employment or in the previous two years.

### 4. Strategic economic sectors

- Employees and executives in businesses recognised by AICEP (Portuguese Trade & Investment Agency) or IAPMEI (Agency for Competitiveness and Innovation) as strategically relevant to the national economy.
- This includes companies focused on attracting productive investment and reducing regional economic disparities.



## 5. Research and development (R&D) professionals

Individuals involved in R&D activities with eligible costs for Portugal's R&D tax incentive programme under the Investment Tax Code.

## 6. Start-up executives

Board members or employees in companies certified as start-ups under Portugal's start-up law.

## 7. Residents in autonomous regions (Azores and Madeira)

Professionals working in these regions under specific regional legislation.

### Tax benefits

- Eligible taxpayers benefit from a **special 20% tax rate** on income from employment or self-employment derived from qualifying activities.
- This reduced rate applies for **10 consecutive years**.
- Income earned outside Portugal (including salaries, self-employment income, dividends, interest, rental income and capital gains) is exempt from Portuguese taxation, provided that the income is taxable in the source country under a double tax treaty concluded between Portugal and the source country.
- Income from **blacklisted (tax-haven) jurisdictions** is subject to a **fixed 35% tax rate**.

### Restrictions and application process

The incentive is not available to individuals who previously benefited from:

- the NHR regime; or
- the former resident regime.

### Application deadline

Eligible taxpayers must apply for the incentive by 15 January of the year following the first year they meet the criteria.



#### PKF Comment

For further information or advice concerning Portuguese tax matters, please contact José Parada Ramos at [paradaramos@pkf.pt](mailto:paradaramos@pkf.pt) or call +351 213 182 720.

BACK

# Slovak Republic

## Introduction of financial transaction tax – Recent changes to capital gains tax and withholding tax on dividends

### Introduction of financial transaction tax

The Slovak Republic has adopted new legislation that introduces a financial transaction tax (FTT) with effect from 1 April 2025. The full text of the bill can be found [here](#) (in Slovak only).

The FTT Act introduces a new tax which will be levied on debit financial transactions, i.e. where an amount of cash is debited from a taxpayer's transaction account, the use of a payment card related to the transaction account, cash withdrawals of financial resources from the transaction account and recharges of costs from another person who performed payments on behalf of the taxpayer in connection to their activities in Slovakia.

Taxpayers of the FTT will be an individual-entrepreneur, legal entity or Slovak branch of a foreign entrepreneur:

- who is a client of a payment service provider performing financial transactions and who is established or has its place of business in Slovakia;
- who has a payment account with a payment service provider based in Slovakia; or
- who carries out activities in Slovakia.

The FTT rates are as follows:

- For each debit financial transaction: **0.4%** of the amount of the financial transaction, up to a maximum of **€40** per transaction;
- For withdrawals of financial resources from a bank account: **0.8%** of the amount of the withdrawal, without any maximum threshold;
- For the use of a payment card at least once in a calendar year, a tax of **€2** is payable, regardless of how many times the payment card is used during the year; and

- For recharges of costs related to domestic activities: **0.4%** of the amount of the recharged costs up to a maximum of **€40** per transaction, but only on those recharged costs that the taxpayer can separate per individual transaction. Otherwise, there is no maximum threshold.

The person obliged to pay FTT will predominantly be a payment service provider (e.g. bank) or branch of the foreign payment service provider located in Slovakia. The person obliged to pay FTT would be the taxpayer themselves in specific cases (e.g. if they make payments from foreign accounts, transactions on accounts that are not transaction accounts or if they are recharged for costs in connection with their activities in Slovakia).

The Act specifically stipulates which payments will not be subject to FTT (e.g. payment of taxes, health insurance and social security contributions, cash transfers between taxpayers' own accounts within the same bank, transactions made by payment card, purchases of securities, special financial operations, erroneous payments, etc.). The Act also



defines which entities will not be subject to FTT. One group of these taxpayers includes, for example, selected forms of taxpayers not established for business purposes, whose activities are listed in the Slovak Income Tax Act.

The tax period will generally be a calendar month, though it is a calendar year with respect to the use of payment cards. The tax return must be filed by the end of the month following the tax period. The FTT is due by the same deadline. For the first three tax periods (April 2025 – June 2025), the tax may be paid by 31 July 2025.

### Withholding tax rate on dividends

The tax rate on dividends paid to individuals, tax residents of Slovakia or of cooperative states, was changed back to 7% (subject to the application of a double tax treaty).

Currently:

- a 7% tax rate applies to dividends distributed to/ received by individuals who are tax residents of Slovakia or another cooperative state if dividends were derived from profits related to tax periods 2017–2023 and 2025; and
- a higher tax rate of 10% is applicable to dividends distributed from profits generated during tax period 2024.

If an individual is a tax resident of a non-cooperative state, 35% withholding tax shall apply on distributions of profits.

### Taxation of capital gains

Generally, capital gains are taxed under the income tax base at the applicable tax rate of 19% (personal income tax) or 21%/24% (corporate income tax). However, from 1 January 2025, income from state bonds and similar bonds issued by other EU or EEA Member States is included in a separate tax base taxed at the rate of 13%. There is a transitional period for 2025 during which a 16% tax rate is applicable.



#### PKF Comment

If you believe the above measures may impact your business or personal situation, or require any advice with respect to Slovak taxation, please contact Pavol Schwartz at [schwartz@pkf.sk](mailto:schwartz@pkf.sk) or call +421 948 274 280.

BACK

# South Korea

## Recent tax updates

Following the enactment of the Korean tax law amendments by the National Assembly in December 2024 and the subsequent promulgation of the revised enforcement decrees, the key changes that foreign-invested enterprises operating in Korea should consider have been summarised below.

### Expansion of the documentation that tax authorities may request during reassessments due to arm's-length price adjustments

Article 38 of the Presidential Decree of the Law for the Coordination of International Tax Affairs (LCITA) defines the list of information to be submitted for determining and rectifying transfer prices based on the arm's-length principle.

Segmented income statements and balance sheets by international transaction for each party to the transaction have been added to the list of required information, effective from 28 February 2025.

### Modifications to the residency test

Previously, an individual was considered a tax resident of Korea only if they had a domicile or residence in Korea for at least 183 days during a single taxable period. However, due to the 2025 tax reform, an individual will also be considered a tax resident if they continuously reside in Korea for at least 183 days over any two taxable periods.

## Tax exemption applications and payment statements requirement for Korean-sourced personal service income

As a result of the 2025 tax reform, Korean-sourced business income and personal service income paid to foreign individuals or corporations without a permanent establishment in Korea will be subject to tax exemption applications or payment statement requirements, effective for income or payments made on or after 1 January 2026.

### Expansion of application of non-deductible net interest expenses exceeding the 30% threshold to non-financial holding companies

Pursuant to article 24 of the LCITA, the net interest deduction claimed by a Korean company for overseas inter-company loans is limited to 30% of the company's adjusted taxable income. Effective for taxable periods beginning on or after 1 January 2025, this regulation will also apply to non-financial holding companies



#### PKF Comment

If you believe the above measures may impact your business or personal situation, or require any advice with respect to South Korean taxation, please contact Wonseop Lim at [wonseop.lim@pkf.kr](mailto:wonseop.lim@pkf.kr) or call +82 2 3011 1178.

BACK

# Switzerland

## Update on initiative for the introduction of a national inheritance tax

On 13 December 2024, the Federal Council adopted the dispatch on the popular initiative 'For a social climate policy – fairly financed through taxation (initiative for a future)'. It rejects the initiative without a direct counter proposal or indirect counter proposal. Estimates show that the initiative could lead to a reduction in revenue for the Confederation, particularly for the cantons and municipalities. It would also create false incentives in climate protection.



### PKF Comment

The fact that the Federal Council has not proposed a counter proposal or indirect counter proposal shows that the Federal Council does not support this initiative. The Federal Council clearly states that just launching this initiative leads to potential relocations by high net worth individuals. If the initiative is successful, this would probably lead to less revenue and Switzerland would reduce its attractiveness for family businesses and entrepreneurs.

BACK

## Safe harbour rates for interest payments to/from related parties

The federal tax authorities published the applicable safe harbour interest rates for Swiss and foreign currency applicable for the tax year 2025. Interest payments to/from related parties not in line with the safe harbour rates can trigger adverse Swiss tax consequences.



### PKF Comment

Interest payments between related parties are always subject to discussions with the tax authorities in cases where they do not meet the safe harbour rates – good documentation of meeting the arm's-length principle is highly recommended in case of a deviation.

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

BACK

# Ukraine

## Amendments to the taxation of charitable aid

Recently, the limit for providing aid to non-profit organisations by corporate income tax (CIT) payers has been doubled, and clarifications have been made regarding which types of charitable assistance are exempt from personal income tax (PIT) during martial law in Ukraine.

The relevant law of Ukraine 'On Amendments to the Tax Code of Ukraine Regarding the Promotion of Charity During Martial Law' No. 4254-IX, dated 25 February 2025 ('the Law'), entered into force on 16 March 2025.

The Law aims to stimulate charitable activities of CIT payers for the benefit of non-profit organisations in the context of martial law, as well as to equalise the tax consequences concerning PIT on charitable donations in cash and in-kind forms.

Under the new rules, companies (CIT payers) can exclude from their taxable profit charitable aid up to 8% of the profit of the previous year, which is double the previous limit of 4%. To apply the increased threshold, more than 4% of the company's taxable profit for the previous year must have been donated to charitable organisations.

The temporary incentive takes effect in 2025 and continues until the calendar year when martial law is either lifted or officially cancelled.

Additionally, the Law equalises the PIT implications of in-kind and cash charitable donations.



### PKF Comment

The implementation of the Law, under certain conditions, carries a potential risk of reduced state budget revenues and, accordingly, financing of important programmes, including in the areas of national security and defence, or social programmes. However, the Law creates additional opportunities for supporting charitable initiatives, which is undoubtedly advantageous, especially given the current situation in Ukraine.

If you believe any of the above measures may impact your business or personal situation or require any advice with respect to Ukrainian taxation, please contact Sviatoslav Biloblovskiy at [s.biloblovskiy@pkf.ua](mailto:s.biloblovskiy@pkf.ua) or Yuliia Yaniv at [y.yaniv@pkf.ua](mailto:y.yaniv@pkf.ua) or call +38 044 501 25 31.

BACK

## The white business club

In late 2024, the white business club was launched in Ukraine. It is **a special tax administration concept intended for taxpayers with a high level of voluntary compliance with tax legislation**. The main idea behind this innovation is to simplify tax administration for businesses that comply with the law and consistently pay taxes and fees to the state budget.

Currently, the concept of the white business club is **temporary**. The law stipulates that it is established for the duration of martial law in Ukraine (until 31 December of the year in which martial law is cancelled or lifted).

Members of the club can be **any type of business** – both legal entities and individual entrepreneurs.

The list of taxpayers with a high level of voluntary compliance with tax legislation, i.e. **the list of club members**, is compiled by the State Tax Service of Ukraine and published on the official website at <https://tpd.tax.gov.ua>. The list will be updated quarterly.

**To join the club, a business entity must meet a number of requirements and criteria.** The requirements are general for all, while the criteria depend on the chosen tax system. The requirements and criteria may relate to the level of tax payments, salary accrual levels, absence of tax arrears, timely submission of tax reports and the absence of connections with the aggressor state Russia, etc.

The first list of taxpayers – members of the club – was published in December 2024. It included 8,255 entities (although around 5,000 were expected). Among them, 151 were individual entrepreneurs, 169 were residents of Diia.City and the remaining 7,935 were companies representing various business sectors.

#### **The benefits of being a white business club member:**

- **A moratorium on most types of tax audits** – no factual or documentary audits are conducted, except those related to budget refunds, transfer pricing, audits initiated by the taxpayer or in cases where evidence/information regarding tax payment risks is received.
- **Reduction of the duration** of tax audits that are not subject to the moratorium, as well as the duration of the written official tax consultations provision.
- **Personal compliance manager** – a consultant (tax service employee) assigned to the taxpayer, providing assistance on all matters related to their tax administration.
- **Opportunities to mitigate tax risks** – the taxpayer is empowered to request the information from the tax authority regarding any data that may indicate tax risks in their activities, as well as consultations on how to eliminate such risks.



#### **PKF Comment**

Ukrainian legislators assure that under the conditions of martial law, conscientious businesses that continue to operate and pay taxes require a partnership approach from the state. The new concept of tax administration is actually based on the idea that the taxpayer should see not a fiscally oriented controller in the form of a tax inspector, but a friendly account manager who will support the taxpayer. In the event of a tax control, the focus shifts from identifying mistakes and punishing the taxpayer to supporting, checking and correcting their everyday behaviour.

We are proud that our company, PKF Ukraine LLC, has been selected by the tax authorities of Ukraine as a conscientious taxpayer and has become a member of the white business club. In these extremely difficult conditions, the PKF Ukraine LLC team is doing everything possible to provide high-quality services to clients, support Ukraine's economy and be a worthy member of the PKF Global network.

If you believe any of the above measures may impact your business or personal situation or require any advice with respect to Ukrainian taxation, please contact Sviatoslav Biloblovskiy at [s.biloblovskiy@pkf.ua](mailto:s.biloblovskiy@pkf.ua) or Yuliia Yaniv at [y.yaniv@pkf.ua](mailto:y.yaniv@pkf.ua) or call +38 044 501 25 31.

BACK

## 2024-2025 tax increases for Ukrainian taxpayers: Key changes

In late 2024 Ukrainian taxpayers faced an increase in tax burdens. The relevant law was adopted by the Ukrainian Parliament on 10 October 2024. Some of the new measures came into effect upon publication of the law on 1 December 2024, while others took effect on 1 January 2025.

In order to provide conditions for the proper functioning of the Ukrainian economy during martial law, as well as to ensure adequate revenue generation for the budget through tax payments, the amendments below were introduced.

### (1) Military tax:

- For individuals (including residents, non-residents, individual entrepreneurs under the general tax system, gig workers and Diia. City residents), the military tax rate increased from 1.5% to 5%.
- For individual entrepreneurs under the simplified tax system (single taxpayers), a new obligation was introduced to pay a military tax of 10% of the minimum wage (approximately UAH 800 per month) or 1% of income, depending on the single tax group.

### (2) Corporate income tax (CIT):

- With regard to bank profits for the year 2024, an increased CIT rate of 50% applies (previously 25%).
- With regard to other financial institutions (pawnshops, credit unions, investment funds, leasing companies and factoring companies, but excluding insurers), the CIT rate is set at 25% of income (previously 18%).

Additionally, the reporting period and deadlines for submitting reports on the single social contribution, personal income tax and military tax changed. Previously, such a report was submitted by companies and individual entrepreneurs on a quarterly basis (within 40 calendar days from the end of the reporting quarter), but starting from 1 January 2025, it is submitted monthly (within 20 calendar days from the end of the reporting month).

It is worth mentioning that the increasing changes in military tax rates for individuals are temporary. It is anticipated that the increased rates will apply until 31 December of the year in which Russia ceases military operations on the territory of Ukraine, and, accordingly, the year in which martial law will be terminated.



### PKF Comment

The amendments mentioned above reflect Ukraine's ongoing efforts to stabilise its budgetary framework during a time of unprecedented economic challenges. On the one hand, the increase in military tax and CIT rates is aimed at enhancing the fiscal resilience of Ukraine. However, we believe that small and medium-sized enterprises, as well as individuals, will face increased financial burdens that could impact their operations in the short term.

If you believe any of the above measures may impact your business or personal situation or require any advice with respect to Ukrainian taxation, please contact Sviatoslav Biloblovskiy at [s.biloblovskiy@pkf.ua](mailto:s.biloblovskiy@pkf.ua) or Yuliia Yaniv at [y.yaniv@pkf.ua](mailto:y.yaniv@pkf.ua) or call +38 044 501 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 and FTA decisions which provide further guidance on CT Decree-Law provisions. In addition to such decisions, the MoF has also released FAQs for additional clarification and guidance in this regard. The MoF has also recently released a cabinet decision on the imposition of top-up tax on multinational enterprises. Further, the FTA has released the guide on interest deduction limitation rules and tax procedures on several aspects.

Recently issued cabinet, ministerial and FTA decisions can be summarised as follows:

Sr. no	List of cabinet/ministerial/FTA decisions and explanation
1	<p><b>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:</b></p> <ul style="list-style-type: none"> <li>▪ <b>Cabinet Decision No. 142 of 2024</b> – The MoF released Cabinet Decision No. 142 of 2024 on the Imposition of Top-up Tax on Multinational Enterprises, introducing a domestic minimum top-up tax (DMTT) on multinational enterprises (MNEs). The issuance of the cabinet decision aims to ensure that MNEs operating in the UAE pay a minimum tax on profits, aligning with the OECD Pillar 2 model rules.</li> </ul>

Sr. no	List of cabinet/ministerial/FTA decisions and explanation
	<ul style="list-style-type: none"> <li>▪ <b>Cabinet Decision No. 34 of 2025</b> – The decision specifies the conditions for treating qualifying investment funds/real estate investment funds and qualifying limited partnerships as exempt from corporate tax.</li> <li>▪ <b>Cabinet Decision No. 35 of 2025</b> – The decision specifies the determination of a non-resident person's nexus in the state, the taxability of artificial transfers of immovable property and the registration requirements under UAE corporate tax law.</li> <li>▪ <b>Ministerial Decision No. 84 of 2025</b> – The decision specifies the taxable persons required to prepare and maintain audited financial statements, clarifying that the tax group needs to prepare and maintain special purpose financial statements in accordance with the form, procedures and rules specified by the FTA.</li> <li>▪ <b>Ministerial Decision No. 88 of 2025</b> – The decision sets out the list on the Commentary and Agreed Administrative Guidance for Cabinet Decision No. (142) of 2024 on the Imposition of Top-up Tax on Multinational Enterprises.</li> <li>▪ <b>Tax Procedures – Public clarification – Tax Assessment Reviews (TAXP008)</b> – The clarification specifies a process whereby a person can request a review of the tax assessment (or part thereof) as well as the related administrative penalties assessment by independent FTA officials (i.e. FTA officials that were not part of the team that conducted the tax audit) based on the facts and evidence provided by the person as well as the audit procedures conducted during the audit by the FTA.</li> <li>▪ <b>Tax Procedures – Private clarification – TPGPC1</b> – The clarification specifies the procedure for submitting a clarification request with the FTA and the documents that are required to be submitted along with the application.</li> </ul>

Sr. no	List of cabinet/ministerial/FTA decisions and explanation
	<ul style="list-style-type: none"> <li>▪ <b>Corporate Tax Guide on Interest Deduction Limitation Rules – CTGIDL1</b> – This publication provides general guidance on the deductibility of interest expenditure when calculating the taxable income of a taxable person, along with practical case studies.</li> </ul>

## VAT update

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

Date	Tax	Type of update	Particulars of update
April 2025	VAT	Public clarification	VATP040 – Amendments to the Executive Regulation of Federal Decree-Law No. 8 of 2017 on Value Added Tax – Cabinet Decision No. 100 of 2024
April 2025	VAT	Public clarification	VATP042 – Value of supply – Barter Transactions

The updates may be summarised as follows:

- **VATP040 – Amendments to the Executive Regulation of Federal Decree-Law No. 8 of 2017 on Value Added Tax – Cabinet Decision No. 100 of 2024**

The FTA has recently amended the Executive Regulation of Federal Decree-Law No. 8 of 2017 on Value Added Tax ('the ER') vide Cabinet Decision No. 100 of 2024 issued on 6 September 2024 (with effect from 15 November 2024). In addition, the FTA has further released a detailed public clarification explaining and clarifying all the amendments and removing any ambiguity. The key highlights are:

Particulars	Explanation
<b>Requirement for self-billing for import of goods and services</b>	<ul style="list-style-type: none"> <li>▪ The FTA has clarified that a simplified tax invoice cannot be issued for transactions involving the import of services that are subject to the reverse charge mechanism.</li> <li>▪ It has been stated that, in accordance with article 59(1) of the ER, a full tax invoice must be issued by the recipient for transactions involving the import of services and the import of goods, unless an administrative exception is granted by the FTA.</li> </ul>
<b>Clarification on zero rating the export of services</b>	<ul style="list-style-type: none"> <li>▪ The FTA, through an example, has clarified that for services provided over the course of a year, if any director of the foreign recipient is present in the UAE for more than 30 days during the 12-month period preceding the date of supply, the foreign recipient will be considered as being in the UAE. As a result, the zero-rating benefit may not apply, as it would be deemed that another person in the UAE is receiving the services on behalf of the foreign recipient, unless the person in the UAE is entitled to full input VAT recovery.</li> <li>▪ It has been further clarified that the 30-day stay period must be assessed within a rolling 12-month period.</li> <li>▪ Furthermore, if a person's short-term presence in the UAE is for less than a month, solely for a holiday or transit, and they do not have any meetings related to a supply provided by a UAE supplier, they will be considered to be outside the UAE for the purposes of exporting services.</li> </ul>

Particulars	Explanation
<b>Input VAT recovery on health insurance for dependants</b>	<ul style="list-style-type: none"> <li>The FTA has clarified that VAT-registered employers can recover VAT incurred on providing health insurance for their employees and their families (limited to one spouse and up to three children under 18 years of age), regardless of whether there is a legal obligation to provide health insurance for their families.</li> <li>The FTA further clarified that this amendment is only effective from 15 November 2024 and shall not be applied retrospectively. For example, if the employer paid health insurance premiums in January 2024 or on any date prior to 15 November 2024 in respect of the full calendar year, then only the VAT incurred on the portion relating to the period from 15 November or later may be recovered to the extent the employer incurs these costs to make taxable supplies, and provided the relevant supporting documents are retained.</li> </ul>
<b>Input VAT apportionment</b>	<ul style="list-style-type: none"> <li>The FTA has clarified that, although article 55(6)(a) of the previous executive regulation was amended by article 55(7)(a) of the updated executive regulation to reference the 'sum of input tax for the tax period', the simplified calculation method outlined in the Input Tax Apportionment VAT Guide ('VATGITI') should still be followed. The FTA emphasises that the formula specified in the VAT Guide should be used, rather than the new formula introduced in the updated executive regulations.</li> </ul>

Particulars	Explanation
	<ul style="list-style-type: none"> <li>The FTA clarified that the specified recovery percentage can be used for input tax apportionment which is determined based on the recovery rate at the end of the preceding tax year and applied to the following tax periods for the current tax year, instead of calculating an apportionment rate for each tax period.</li> <li>The FTA has specified that an application to use a specified recovery percentage can only be made where the registrant has been registered for VAT purposes for at least a tax year. An approval to use the specified recovery percentage will be valid for four years and the registrant will not be allowed to change the method for at least two years following the approval received from the FTA.</li> </ul>
<b>Clarification on calculation of VAT on deemed supply</b>	<ul style="list-style-type: none"> <li>As per the UAE VAT executive regulations, if the total output tax payable on all deemed supplies is AED 2,000 or less within a 12-month period, the supply would not be regarded as a deemed supply.</li> <li>The FTA has clarified that, where this monetary threshold is exceeded (i.e. more than AED 2,000), only the amount in excess of the AED 2,000 threshold would be considered as payable tax, i.e. the related supply would be regarded as a deemed supply.</li> </ul>

- **VATP042 – Value of supply – Barter Transactions**

- **Treatment of barter transactions:** For VAT purposes, the differences between a barter and non-barter transaction are that a barter transaction includes at least two supplies (i.e. each party makes at least one supply to the other party) and special valuation rules apply. The VAT treatment of a barter transaction is the same as that of a supply made for monetary consideration.
- **Valuation of the supply:** To the extent that the consideration is non-monetary, the transaction constitutes a barter transaction, and the value of the supply is the sum of any monetary consideration received for the supply and the market value of the non-monetary part of the consideration, excluding the tax amount. To the extent that the consideration for a supply is monetary, such a supply is not a barter transaction. The principles for valuation are outlined below.
  - **Principle 1** – The market value of a supply of goods or services is the monetary consideration the supply would generally achieve if supplied in similar circumstances at that date in the UAE, being a supply freely made between persons who are not connected in any manner.
  - **Principle 2** – Where the market value could not be determined as per principle 1 above, the market value is the monetary consideration which a similar supply would achieve if supplied in similar circumstances at that date in the UAE, being a supply freely offered and made between persons who are not connected in any manner.
  - **Principle 3** – Where the market value could not be determined as per principles 1 and 2 above, the market value shall be determined by reference to the replacement cost of identical goods or services, with such supply being offered by a supplier who is not connected to the recipient of the goods or services in any manner.

- **Tax invoices:** Where both parties to a barter transaction make taxable supplies to each other and both are registrants, each party must issue a tax invoice to the other party.



### PKF Comment

The FTA has issued a detailed decision on the implementation of the top-up tax, aligning with the OECD's global minimum tax framework. This provides clarity on the applicability and computation of the top-up tax in the UAE context. Also, a new interest deduction guide has been published, which outlines the rules for calculating deductible interest expenses and clarifies the scope of interest that may be disallowed under the interest limitation rule. Further, as per the cabinet decision issued recently, tax groups are now required to prepare and maintain special purpose financial statements, specifically for corporate tax purposes, in accordance with the prescribed requirements.

The FTA has clarified documentation requirements for transactions relating to the import of goods and services, and has provided clarification on zero rating the export of services, a formula for input VAT apportionment and guidance on the recoverability of input VAT on medical insurance for dependants. Also, the FTA has provided clarity on the treatment, valuation and documentation requirements for barter transactions.

These updates reflect the FTA's commitment to fostering transparency and ensuring compliance within the tax ecosystem. Businesses are encouraged to review their VAT return processes to align with these updates.

For further information or advice concerning taxes in the UAE, please contact Mr. Shailesh Kumar at [skumar@pkfuae.com](mailto:skumar@pkfuae.com), Mr. Mradul Gupta at [mgupta@pkfuae.com](mailto:mgupta@pkfuae.com), Mr. Anurag Sodhani at [asodhani@pkfuae.com](mailto:asodhani@pkfuae.com), Ms. Megha Lohia at [mlohia@pkfuae.com](mailto:mlohia@pkfuae.com) or Mr. Konan at [konan@pkfuae.com](mailto:konan@pkfuae.com) or call +971 4 388 8900.

BACK



PKF Global  
15 Westferry Circus,  
London, E14 4HD, United Kingdom

Tel: +44 20 3691 2500  
[pkf.com](https://pkf.com)

PKF Global refers to the network of member firms of PKF International Limited, each of which is a separate and independent legal entity. PKF International Limited coordinates activities of PKF Global but provides no services to clients, and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s). Correspondent firms are not members of PKF Global.

TAXNQ22025