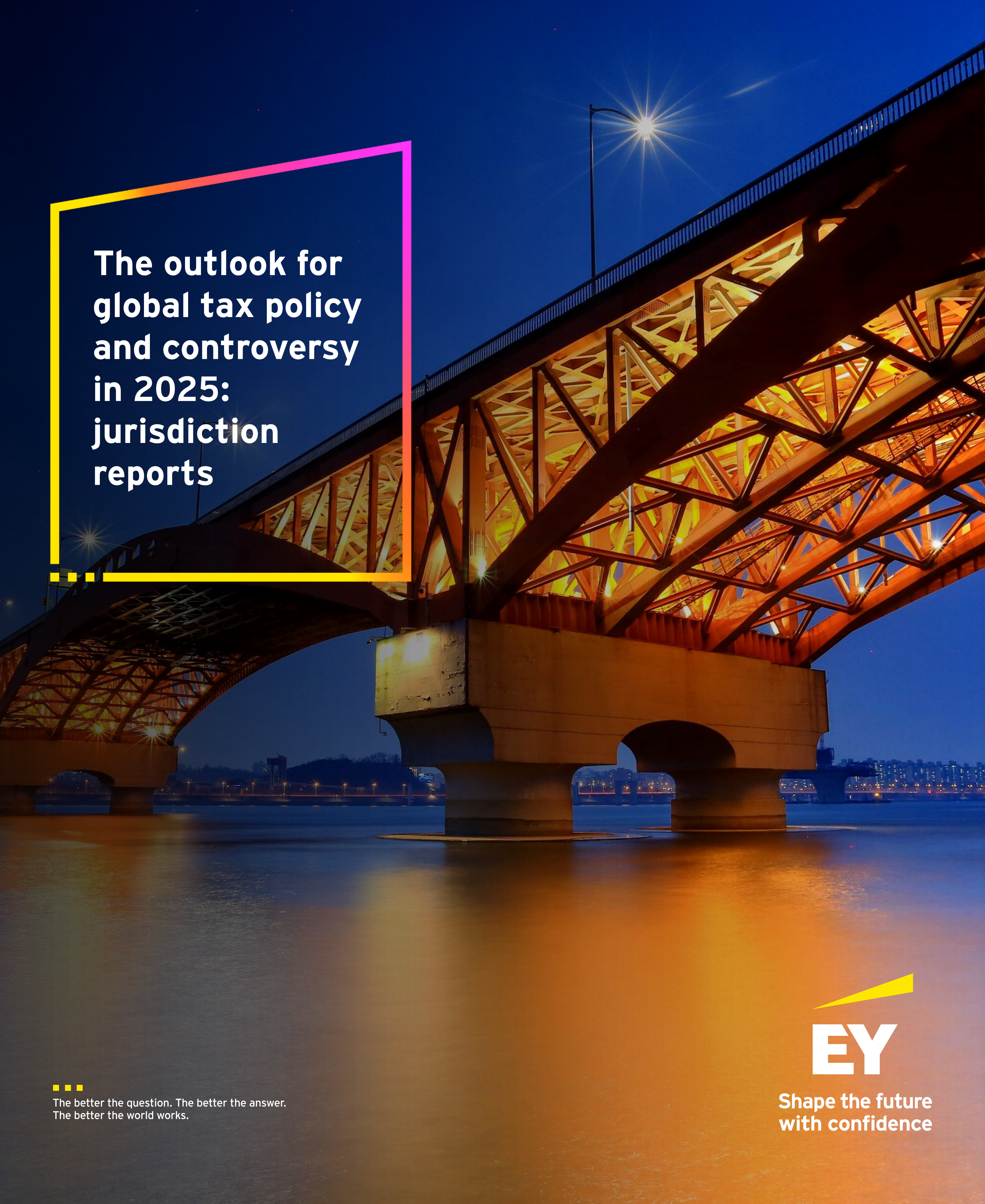

The outlook for global tax policy and controversy in 2025: jurisdiction reports

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Contents

The 2025 EY Tax Policy and Controversy Outlook jurisdiction reports

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The pace of change in the world right now is dizzying and tax policy is no exception. As a top tool to implement broader policy goals and with many measures already slated for change, tax policy is anything but predictable right now.

Aruna Kalyanam, EY Global and Americas Tax Policy Leader

National and international political coalitions are forming and reshaping after the many elections in 2024 and early 2025. New and established leaders alike are building relationships and learning to interact as they transition from electioneering to governing. Many governments are focusing on generating more revenue, both from economic growth and new sources, as they prioritize local interests and seek to control deficits. To collect that revenue, tax administrations are intensifying enforcement, increasing transparency and using new tools. The EY article, *How increased global competition is reshaping tax priorities,* offers a global perspective on these changes. In the following pages, local EY policy and controversy leaders share the top developments in their jurisdictions and their expectations for the coming year.

Highlights for each jurisdiction include:

- Major issues to watch in 2025
- Expectations for key tax policy, controversy and enforcement developments in 2025
- Key tax policy, enforcement and controversy developments that occurred in 2024
- Pending legislative matters
- Significant audit focus areas and audit process developments

The *2025 Tax Policy and Controversy Outlook* is a survey of EY tax policy and controversy leaders in the jurisdictions concerned and represents only the personal views of those respondents. The content is current as of 10 January 2025, with exceptions noted.

Argentina

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EY key contacts	
Tax policy: Ariel Becher	Tax controversy: Jorge Lapenta

Key issues to watch in 2025

- Relief of foreign exchange restrictions
- Consolidation of fiscal balance in public accounts
- Economy deregulation
- Tax reform and simplification

Key drivers of tax policy change

- The government prioritizes the maintenance of fiscal balance.
- In such context, no significant tax reductions are expected in 2025. Reductions may take place in 2026.
- The government has promised to reduce complexity and reduce the amount of taxes by concentrating tax collection in the main taxes.
- Tax reforms may take place, depending on the results of the 2025 mid-term elections.

Significant tax developments in 2024

- This was the first full year of the new government. A reform was introduced that increased individual income tax and provided a relief and stability regime in tax on personal assets, among others. The law also contained a tax moratorium regime and a voluntary declaration of assets.
- A large investments incentive regime (RIGI) was enacted (open for two years, but may be extended to three), including with significant tax grants and reductions for new investments exceeding USD200 million. It also includes a 30-year tax stability regime.
- To reduce cost of transactions, the government eliminated VAT and income tax withholdings previously applicable to payments to merchants by credit card and electronic payment processors.
- The tax on the purchase of foreign currency for certain transactions (PAIS tax) expired on 23 December 2024.
- Tax treaties with China and Luxembourg entered into force. Treaties with Austria and a protocol with France have been sent to Congress. Multilateral instrument was sent to Congress.
- In October 2024, the previous tax authority (AFIP) was dissolved and a new agency was created (ARCA).

Significant tax developments expected in 2025

- The government has been announcing its intention for a comprehensive tax reform, which would entail a simplification and reduction of tax.
- However, with focus on the fiscal balance and the return to a path of growth in the economy, significant reductions may be delayed until late 2025 or 2026.
- The government might also wait until 2025 mid-term elections to gain more representatives in Congress to impose the reforms.
- The President has expressly stated that they intend to reduce complexity by reducing the amount of taxes by 90% (not meaning tax reductions in such a percentage but elimination of specific taxes and concentration of collection in a few important taxes).

Major legislative activity that could include tax

- A bill to allow the adjustment for inflation of tax losses is expected to be sent to Congress. This regime may provide certainty in this controversial matter for the future, but discussion and audit activity may still be open for the past.
- A more comprehensive reform is expected, but probably will not be proposed until late 2025 or 2026.
- Provincial taxes are also a factor. The national government does not have the authority to interfere with provincial taxes, but it could encourage a reduction and simplification of taxes at the provincial level as well.

Developments in tax transparency requirements

- In 2024, a law was approved containing certain measures aimed at disclosing tax responsibility to the public. Among others, it requires sellers to disclose the amount of tax in invoices and requires free services to include the wording “free service financed by the taxes paid by taxpayers.”

Argentina
Expectations for tax policy

Major multilateral or bilateral cooperation activities

- First exchange of information with US took place in 2024 under the FATCA agreement in force.

Significant tax reform is not expected until the end of 2025 or 2026. In the meantime, measures aimed at simplification of transactions and tax collection may be introduced.

Elections. Presidential elections took place in 2023, and the new government took office on 10 December 2023. Mid-term elections where 50% of the House of Representatives and 1/3 of the Senate are elected will be held in October 2025.

R&D incentives. Due to need the to achieve public balance, regimes establishing sectorial incentives may be limited during 2025. However, the RIGI regime will be promoted to attract large investments into the country.

Other business incentives. Main benefits will certainly come through the RIGI regime.

Corporate taxes

- Bill to adjust tax losses for inflation is expected.
- No other significant changes are known to occur during 2025.

Taxes on digital business activity

- Elimination of "PAIS" tax reduces tax cost on digital services from abroad.
- Elimination of local VAT and income tax withholdings to businesses by payment processors will enhance the use of new digital payment means.

Taxes related to climate change or sustainability

- The new administration has already issued public statements indicating that environmental matters will not be targeted as priority objectives.

Windfall taxes

- No windfall taxes applied during 2024 and are not expected to be applied during 2025.

VAT/GST or sales taxes

- No major changes took place during 2024 and are not expected to occur during 2025.

Personal taxes

- The Tax on Personal Assets was subject to a stability regime that was applied for by most taxpayers with conditions. From a personal income tax perspective, tax increases were already introduced in 2024 (by repealing the reductions granted in 2023) and no other changes are expected for 2025.

Argentina
Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Adjustment for inflation, adjustment of tax losses
- Provincial tax controversy on turnover tax, in a context of provinces that need to increase their own tax collection

Top tax enforcement or tax controversy development expectations for 2025

- Increase in tax audits
- Focus on international transactions

Top audit issues:

1. Adjustment for inflation of tax losses
2. Transfer pricing matters
3. Intercompany charges

Changes in tax audit approaches or methods

- The former tax authority (AFIP) was dissolved, and a new authority was created (ARCA) with a different organizational structure. Their authorities are still designing and forming the final structure, and therefore, new approaches may be known in the near future.

Changes to dispute prevention or dispute resolution tools or programs

- There is no information about any changes.

Tax governance approach/processes developments for business taxpayers

- This is uncertain, considering the recent change of tax authorities' structure.

Digital tax administration developments

- There is no information about any changes.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	35%	35%	Same	Same	Same
PIT	35%	35%	Same	Same	Same
VAT/sales	21%	21%	Same	Same	Same

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This information is current as of 10 January 2025.

Australia

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EY key contacts

Tax policy:	Tax controversy:
Tony Merlo, Alf Capito	Fiona Moore

Key issues to watch in 2025

- The Pillar Two 15% Global and Domestic Minimum Tax law, including legislative rules, effective from 1 January 2024, is now enacted.
- Public CbCR is effective for financial reporting periods commencing on or after 1 July 2024.
- Expansion of the foreign resident capital gains tax is effective for income years commencing on or after 1 July 2025.
- Expansion of general anti-avoidance rules, effective from income years commencing on/after royal assent.
- A penalty for significant global entities that mischaracterize or undervalue interest or dividend or royalty payments is to apply from 1 July 2026.
- The 2025 Federal Election is expected in May
- The Australian Taxation Office (ATO) is developing new systems and guidance.

Key drivers of tax policy change

- The government's focus on managing the budget deficit.
- Increased ATO funding for key tax compliance programs (Personal Income Taxation Compliance Program, Shadow Economy Program, GST Compliance Program, Phoenix Taskforce and the Tax Avoidance Taskforce) signals increased ATO audit activity and potentially increased tax revenue.
- A key focus of the government has been the ongoing drive for greater transparency in tax disclosures to enhance the tax transparency and disclosures of multinational enterprises.
- Foreign resident capital gains withholding tax increase rate to 15% and removal of all thresholds from 1 January 2025
- Future Made in Australia legislative framework for proposed new government incentives enacted

Significant tax developments in 2024

- Pillar Two law development and enactment
- Denial of deductions for ATO interest charges bill introduced
- Build to rent managed investment trust (MIT) capital allowances rate increase and withholding tax rate decrease enacted
- Further increases in rate of Commonwealth penalty unit for calculating tax penalties, including for late lodgment of returns enacted
- New thin capitalization laws (from income years commencing on or after 1 July 2023) and debt deduction creation denial laws (from income years commencing on or after 1 July 2024) enacted

Significant tax developments expected in 2025

- Expansion of general anti-avoidance rules to WHT reduction and other schemes that reduce Australian tax where the dominant purpose is to reduce foreign tax law development; this is applicable from income years commencing on or after date of royal assent of the legislation
- An expansion of the foreign resident capital gains tax from income years commencing on or after 1 July 2025 to clarify and broaden the types of assets that foreign residents are subject to CGT on, amend the point-in-time principal asset test to a 365-day testing period and require new ATO reporting prior to transactions being executed
- Penalty for significant global entities (SGEs) that mischaracterize or undervalue interest or dividend or royalty payments, where WHT would otherwise apply, to apply from 1 July 2026
- Development and finalization of ATO guidance for new thin capitalization and debt deduction creation laws
- ATO applying WHT and diverted profits tax (DPT) to embedded royalties, including litigation through courts; possible legislative change depending on the High Court appeal

Australia

Major legislative activity that could include tax

In addition to the items mentioned under "Significant tax Developments expected in 2025," other possibilities include the following:

- Amending income tax residency rules for individuals — waiting for law development following consultations completed on proposed changes
- Amending income tax residency rules for corporates — waiting for consultation on previous government's announcement; updates were made in 2023 to ATO practical compliance approach concerning the central management and control test
- Board of Taxation's review of the tax treatment of digital assets and transactions — waiting for release of report to government and government responses
- Board of Taxation's review into CGT rollovers — release of report and government response still pending

Developments in tax transparency requirements

- Financial statement disclosure by listed and unlisted Australian public companies of information on all subsidiaries, including country of tax residence is required from financial years starting on/after 1 July 2023; clarifications were made to apply from financial years starting on/after 1 July 2024
- Public CbCR enacted — public reporting by certain large multinational enterprises and purely domestic Australian groups that have an annual global consolidated income in excess of AU$1b in the previous year (de minimis exception where <AU$10m Australia-sourced income) to publish selected tax information on a CBC basis for Australia and specified jurisdictions and on either a CBC basis or an aggregated basis for the rest of the world, for disclosure by the ATO, effective from financial reporting periods commencing on/after 1 July 2024
- Public beneficial ownership register — publicly disclose information on who owns, controls and receives benefits from a company and other entity regulated under the Corporations Act (phase 1) or other legal vehicles, such as trusts (phase 2) operating in Australia; additional disclosures by listed companies exposure draft law issued, and consultation to continue on the register

Australia
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are occurring in 2025. It is possible that the budget will be handed down in March 2025 prior to the Federal Election expected in May 2025. Announcement of tax policies of the major political parties and policies of the minor parties, which may influence any minority government, will be monitored.

R&D tax incentives may increase after the government's strategic examination of the R&D system to strengthen Australia's science and innovation capabilities announced, to be finalized by 31 December 2025. There is a proposal to exclude eligibility of activities relating to gambling and tobacco, for income years commencing on or after 1 July 2025.

Other business incentives are broadly expected to stay the same; however, incentives to encourage clean energy uptake have been proposed as part of the Future Made in Australia policy with a hydrogen production tax incentive and critical minerals production tax incentive to apply from 1 July 2027.

Corporate taxes

- Corporate tax rate – standard rate to remain at 30% and at 25% for "base rate entities" for entities with less than $50m of aggregated turnover
- Various announced tax measures yet to be introduced as amending law – might be adjusted if there is a change of government
- Possible that budget to be handed down in March 2025 prior to the election (currently scheduled) with new measures announced, particularly in line with government's focus on tax integrity and tax revenue

Taxes on digital business activity

- Australia applies GST on digital supplies and has a diverted profits tax and avoided PE (multinational anti-avoidance law) unilateral measures with treaty override but has not implemented a digital services tax or virtual PE deeming provisions.
- The Board of Taxation's review of the tax treatment of digital assets and transactions to consider the policy framework for taxation of digital assets and if any changes are required to taxation laws was completed in 2024 but has not been released by the government.

Taxes related to climate change or sustainability

- Australia does not impose a carbon tax or any other climate change-related tax that promotes carbon emissions abatement. No additional taxes are under active consideration.
- Specified tradable registered emissions units (REUs) (Kyoto units, Australian carbon credit units and safeguard mechanism credits) are taxed under specific rules. The rules include that CGT rules do not apply, proceeds of disposing of REUs are assessable, costs incurred for ceasing to hold REUs are deductible and the change in value of REUs held over the income year are recognized as either assessable income or an allowable deduction.

Windfall taxes

- No developments are expected.

VAT, GST or sales taxes

- As GST is collected at the federal level before it is distributed to the states and territories, any change to the system requires agreement between the states and territories. As such, any changes to the GST rate of 10% is highly unlikely to occur.

Personal taxes

- No changes are currently proposed.

Australia

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Intangibles and royalties deduction denial and withholding tax
- ATO tax avoidance taskforce general focus on public and multinational businesses

Top tax enforcement or tax controversy development expectations for 2025

- Thin capitalization and debt deduction creation denial new laws
- Intangibles and royalties deduction denial and withholding tax
- Transparency measures
- Pillar Two
- Private equity transactions

Tax audits in Australia in 2025 are generally expected to increase in number and/or intensity.

Top audit issues (all taxes)

1. Transfer pricing, particularly with respect to related-party financing and intangibles, and in-bound distributors
2. General anti-avoidance rule
3. Diverted profits tax
4. Ability to reconcile financial data with disclosures prevalent in TP and GST, but also relevant to other areas

Changes in tax audit approaches or methods

- ATO's propensity to issue statutory notices has increased. The ATO has very wide powers in this regard.

Changes to dispute prevention or dispute resolution tools or programs

- New Administrative Review Tribunal (replaced the Administrative Appeals Tribunal)

Tax governance approach or processes developments for business taxpayers

- ATO justified trust program top 100 and top 1,000 program focus that test a company's tax governance and/or tax controls are in place.
- ATO top 500 and next 5,000 privately owned and wealthy groups assurance programs are in place.
- Tax reviews are increasingly granular in data production requirements.

Digital tax administration developments

- The ATO continues to invest in digital capacity and has a current strategy spanning 2022-2025.
- The strategy focuses on four key pillars:
  - Evolve digital maturity
  - Continue to deliver and leverage the right digital platforms
  - Deliver personalized optimal experiences for clients and people
  - Collaborate with partners to build connected and trusted ecosystems

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	30% (25% for base rate entity)	30% (25% for base rate entity)	–	Higher	Higher
PIT	45% (+ 2% Medicare levy)	45% (+ 2% Medicare levy)	–	Same	Same
VAT/sales	10%	10%	–	Same	Same

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This information is current as of 10 January 2025.

Austria

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EY key contacts

Tax policy:	Tax controversy:
Markus Schragl, Melanie Raab	Markus Schragl, Melanie Raab

Key issues to watch in 2025

- The election of a new government took place in Austria in 2024.
- Discussion on the formation of a new government is still ongoing and the parties have not yet agreed on a coalition or program.

Key drivers of tax policy change

- Implementation of Pillar Two/global minimum taxation by the Minimum Taxation Reform Act
- Government's focus on reducing the budget deficit and stimulus in an inflationary environment
- Ongoing drive for greater transparency in tax disclosures

Significant tax developments in 2024

- Minimum Taxation Reform Act: implementation of global minimum taxation in Austria
- Bill Implementing Public CbCR Directive
- Fraud Prevention Act 2024: increased criminal liability in connection with data falsification, bogus companies and bogus invoices, as well as to provide measures to speed up proceedings
- Tax Amendment Act 2024: change of the CIT Act regarding low taxation of foreign corporations by including a recognized national top-up tax that can be proven to be payable by a foreign corporation when determining its actual tax

Significant tax developments expected in 2025

- Tax developments expected in 2025 depend on the formation of a new government.

Major legislative activity that could include tax

- No significant legislative activity is expected in the first half-year of 2025 due to the ongoing formation of a new government.
- Potential legislative activities in an inflationary environment must be considered.

Developments in tax transparency requirements

- Beneficial ownership register: Companies will have to disclose information on who owns and controls a company as beneficial owner.
- EU law on cooperation between administrative authorities in the field of taxation, including the following:
  - Automatic information exchange
  - Spontaneous information
  - On request information
  - Exchange of rulings

Major multilateral or bilateral cooperation activities

- New tax treaties and amendments of tax treaties entered into force.

Austria
Expectations for tax policy

Significant tax reform is not expected in 2025, but changes (closing of loopholes) to reduce deficit are likely.

Elections are not scheduled in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- The corporate tax rate is 23% as of 2024.
- The minimum annual corporate tax for companies is EUR500 as of 2024.

Taxes on digital business activity

- The DST is regulated in the Austrian Digital Tax Act 2000 and in an ordinance issued by the Federal Minister of Finance.
- Austria levies a DST on online advertising services as of 1 January 2020, e.g., advertisements placed on a digital interface, in particular in the form of banner advertising, search engine advertising and comparable advertising services. The delivery of digital content, e.g., software or streaming, is out of scope of the DST.
- Online advertising services are subject to the DST if and insofar as they are provided by online advertisers in Austria for remuneration.
- Austria has agreed that as part of Pillar One, Austria will withdraw all unilateral measures on all companies and refrain from imposing new unilateral measures.
- The Austrian DST will remain in place until Pillar One comes into effect; however, a specific credit is provided for the local (Austrian) DST incurred in the transition period between 1 January 2022 and the date Pillar One coming into force.

Taxes related to climate change or sustainability

- Austria introduced a carbon tax in 2022 to promote carbon emissions abatement.
- Mandatory tax sustainability reporting is required for public interest entities with total assets in excess of EUR20 million or revenues in excess of EUR40 million and with more than 500 employees. Taxpayers may choose to voluntarily disclose tax sustainability reports.

Windfall taxes

- Currently, Austria does not impose windfall taxes.
- For the profits made between 1 July 2022 and 31 December 2022 and in fiscal year 2023, Austria levied a solidarity contribution on surplus profits of oil and gas companies at a rate of 40%. The contribution applied to the profit exceeding 120% of average taxable profits between 2018 and 2021.
- Companies that can prove investments in the transition to renewable energy resources between 31 December 2021 and 1 January 2024 may deduct 50% of the respective investment costs (with a maximum of 17.5%) from the crisis contribution amount. This results in an effective minimum rate of 33% of the solidarity contribution. The solidarity contribution is not deductible for corporate tax purposes.

VAT, GST or sales taxes

- Any changes to the VAT rates are unlikely to occur in 2025.
- VAT exemption applies for photovoltaic modules as of 1 January 2024, changes are possible depending on the formation of a new government.

Personal taxes

- Further inflation relief for taxpayers entered into force. Starting from 1 January 2023, Austria abolished cold progression. The respective law makes sure regular inflation adjustments for income tax brackets and social benefits. This automatic adjustment is set at 2/3 of the annual inflation rate, with the remaining 1/3 determined annually by government resolution.
- The Ministry of Finance has announced that the tax-exempt amount for personal income tax for 2025 will be increased to EUR13,308 to mitigate the effects of inflation.

Austria

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Pillar Two: Minimum Taxation Reform Act – Implementation of global minimum taxation and Pillar Two CbCR Safe Harbour Regulation, which applies retroactively to financial years starting after 31 December 2023

Top tax enforcement or tax controversy development expectations for 2025

- Tax developments expected in 2025 depend on the formation of a new government.

Tax audits in Austria in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

1. Transfer pricing
2. Value-added tax
3. Subsidies (e.g., research and development premium, COVID-19 subsidies)

Changes in tax audit approaches or methods

- Changes in tax audit approaches or methods are not expected for 2025.

Changes to dispute prevention or dispute resolution tools or programs

- Changes to dispute prevention or dispute resolution tools or programs are not expected for 2025.

Tax governance approach or processes developments for business taxpayers

- The approach by the tax governance is in general:
  - Accompanying inspections
  - Random audit selections
  - Post-filing assessments
  - Advance tax rulings and advance pricing agreements
- Developments regarding horizontal monitoring and tax control systems
  - Horizontal monitoring generally applies for larger corporations and are subject to the requirement of good tax conduct based on the previous tax behavior over the last five years.
  - The participating companies must have a proper internal corporate tax control system and be tax reliable shown by timely tax filing and tax payment.
  - The aim of horizontal monitoring is to make sure that the amounts for the respective tax type are correctly reported and that the correct amount of tax due is paid on time based on verifiable documentation, accompanying controls and ongoing exchange with the tax authorities.

Digital tax administration developments

- Submission of tax notifications and requests electronically via FinanzOnline, e.g., reorganization notifications, ruling requests
- DAC 7 declarations: automatic exchange of information on reporting platform operators
- ViDA-Package (VAT in the Digital Age): e-invoicing and e-reporting-obligations

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	23%	23%	–	Same	Same
PIT	55%	55%	–	Same	Same
VAT/sales	20%	20%	–	Same	Same

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This information is current as of 12 February 2025.

Bahrain

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EY key contacts

Tax policy:	Tax controversy:
Ali AlMahroos	Ali AlMahroos

Key issues to watch in 2025

- Corporate income tax beyond the oil and gas sector
- Introduction of e-invoicing in Bahrain

Key drivers of tax policy change

- Bahrain's cooperation with the OECD initiative to address harmful tax practices
- Bahrain's commitment to the implementation of the BEPS Inclusive Framework (BEPS IF) minimum standards
- Ongoing drive within the GCC region to introduce and refine local tax regimes in line with global leading practices
- Multiple parliamentary discussions with the Bahraini government (legislative and executive branch) around the introduction of a corporate income tax

Significant tax developments in 2024

- On 1 September 2024, the National Bureau of Revenue (NBR) published Decree-Law No. (11) of 2024 regarding the Implementation of Tax on Multinational Enterprises. The Law introduces a domestic minimum top-up tax (DMTT), aimed at confirming that MNEs pay a globally agreed minimum tax of 15% on their profits effective for fiscal years starting on or after 1 January 2025.
- The law applies to MNEs operating in Bahrain with consolidated annual revenue above EUR750m in two of the last four fiscal years.

Significant tax developments expected in 2025

- The anticipated introduction of corporate income tax beyond the oil and gas sector
- The anticipated introduction of e-invoicing in Bahrain

Major legislative activity that could include tax

- It is anticipated that the Bahraini government will present a corporate tax law to the legislative branch during 2025.
- There has been a significant uplift in projected tax revenue which could result in widening the tax base, especially since the implementation of the Bahrain DMTT. This could mean either the introduction of a new tax regime or the further development of an existing tax base to encompass incomes from outside of oil and gas operations.

Developments in tax transparency requirements

- Under the DMTT Executive Regulations, in-scope MNEs/constituent entities (CEs) are required to make adjustments to the amounts recorded in its financial accounts when determining CE income or loss to make sure outcome of related-party transactions are consistent with the arm's-length principle.
- In addition, Bahraini CEs need to prepare and maintain transfer pricing documentation, i.e., TP Local File and TP Master File, as prescribed in the DMTT Executive Regulations.
- The Central Bank of Bahrain (CBB) and the Ministry of Industry and Commerce (MOIC) regularly announce to their respective licensees the CRS and the FATCA reporting window. The CRS and FATCA reports will be submitted through the International Tax Information Exchange System (ITIES) portal.

Bahrain
Expectations for tax policy

Significant tax reform is expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- With the introduction of Bahrain DMTT for MNEs, it is expected that a comprehensive CIT law would be introduced to encompass incomes outside of oil and gas operations.

Taxes on digital business activity

- The current VAT legislation covers the tax treatment of activities that fall under digital businesses. No tax policy shift is expected.

Taxes related to climate change or sustainability

- The CBB has released the ESG requirements module. This module provides guidelines on the reporting requirements for the environmental, social, and corporate governance factors. While there is no tax, all listed companies, banks, financing companies, insurance firms, and category 1 and 2 investment firms have started reporting these requirements from financial year 2024.

Windfall taxes

- None apply

VAT, GST or sales taxes

- While the National Bureau for Revenue (NBR) has been issuing regular guidance around the applicability of VAT, the precedence relating to practice and interpretation of the legislation by the NBR remains unclear in certain areas.
- Bahrain is part of the GCC VAT framework. Its VAT policies are similar to policies adopted by neighboring GCC member countries.
- The standard rate of VAT increased from 5% to 10%, effective from 1 January 2022.

Personal taxes

- There is no personal income or wage tax in Bahrain.

Tourist levy on hotel accommodations

- The Ministry of Tourism in Bahrain has announced the introduction of a new tourist levy applicable to hotel accommodations across Bahrain.
- Effective 1 May 2024, a fixed levy of BHD3 (approximately USD7.96) per room, per night, will be imposed on hotel stays. Businesses in the hospitality sector should seek to achieve compliance with the new requirement.

Other

- For Bahraini nationals: There is a year-on-year increase in social insurance rates. Employer contributions will continue to increase by 1% annually until it reaches 20% in 2028 while the employee contributions will remain stable at 8%.
- For expatriates: The employee contribution is 1% (unemployment insurance) and the employer contribution is 3% (occupational hazards) with no increases currently expected.
- Bahrain levies a 2% levy on the value of the property on the transfer or registration of real estate. The levy is reduced to 1.7% if it is paid within 60 days of the transaction date.
- Hotels and restaurants that are classified as "tourist" restaurants by the Ministry of Tourism are subject to a 5% levy. Usually, this 5% levy, along with a 10% (optional) service charge is passed on by the restaurants and hotels to the customers.

Bahrain

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The NBR has been focusing on onsite audits and inspections for VAT and excise tax.
- This resulted in reporting several violations that required the imposition of administrative fines in accordance with the VAT Law and Excise Tax Law, in addition to monitoring several suspicions of VAT and excise tax evasion that required the precautionary closing of several businesses.
- The NBR will also take legal action against the violating businesses and refer those who are proven to have committed evasion crimes to the competent authorities to initiate a criminal case against them.

Top tax enforcement or tax controversy development expectations for 2025

- Corporate income tax beyond the oil and gas sector

Tax audits in Bahrain in 2025 are generally expected to increase in intensity.

Top audit issues (all taxes)

1. Refunds: Seeking refund of VAT from the NBR usually results in a tax audit before approval of refunds.
2. Identified (hybrid services) sectors: The sectors that are predominantly providing exempt and taxable supplies are more likely to be picked up for an audit by the NBR, e.g., financial services.
3. Large taxpayers: An increase in the level of operations of a business could prompt an audit from the NBR.

Changes in tax audit approaches or methods

- The NBR is expected to continue with regular audits of businesses with the intent to increase the level of compliance from taxpayers in Bahrain.

Digital tax administration developments

- Introduction of e-invoicing in Bahrain in 2025 is anticipated.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	46%	46%[1]/15%[2]	15%	Higher	Higher
PIT	N/A	N/A	–	N/A	N/A
VAT/sales	10%	10%[3]	–	Same	Same

1 Currently applicable on the oil and gas sector only.

2 This is the minimum rate per DMTT.

3 In some cases, VAT rate at 0% and VAT exemption may apply.

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Belgium

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EY key contacts

Tax policy:	Tax controversy:
Bart Desmet	Emilie Maes

Key issues to watch in 2025

- Budget deficit and tax reform
- Reform of VAT compliance rules
- ESG reporting
- Impact of BEPS Pillar Two and other initiatives affecting the international tax environment

Key drivers of tax policy change

- Further ongoing development of a broader tax reform: modernizing and simplifying the tax system; making it more efficient, fair and neutral, while focusing on limiting the budgetary deficit, protecting the buying power of households, increasing the employment ratio and reducing taxes on labor costs, supporting climate ambitions and sustainability, entrepreneurship and stimulation of investments
- Fair taxation on international level, combined with transparency and implementation of robust anti-fraud measures
- Harmonized, increased tax compliance and e-audits, such as through digitalization of the tax authorities
- Greening of taxation

Significant tax developments in 2024

- BEPS Pillar Two implementation
  - Introduction of rules and compliance mechanisms
  - Amendments to certain existing provisions, i.e., to the R&D tax credit regime to meet the definition of a "qualified refundable tax credit"
  - Introduction of a Pillar Two notification form (to obtain a Pillar Two tax identification number on behalf of the MNE group to proceed with Pillar Two compliance (advance tax payments, returns, etc.)
- Public CbCR, applicable to financial years starting on or after 22 June 2024
- Tightened CFC rules
- Modifications to the Cayman tax regime
- Reform of the withholding tax exemption regime
- VAT changes
- E-invoicing and practical implementation details
- Increased excises on tobacco and e-liquids

Significant tax developments expected in 2025

- Reformed investment deduction regime
- Capital gains tax on shares
- Various measures to simplify the corporate and personal income tax system
- Changes to the participation exemption regime
- Changes to the partial wage withholding tax exemption for research and development
- Changes to the stock option tax regime
- Updated mandatory Belgian transfer pricing documentation requirements for financial years, starting on or after 1 January 2025
- New VAT chain with more stringent compliance
- Updated legislation on mandatory e-invoicing for B2B transactions (e.g., mandatory e-invoice fields)
- Pillar One – Amount B implementation: effective for tax years beginning after 1 January 2025

Major legislative activity that could include tax

- Major tax measures are included in the federal coalition agreement of 31 January 2025. The announced measures need to become legislation afterward, but it might be expected that several of these measures will be implemented in 2026.

Developments in tax transparency requirements

- Updated mandatory Belgian transfer pricing documentation requirements for financial years, starting on or after 1 January 2025
- Public CbCR applicable to financial years starting on or after 22 June 2024
- Focus of Belgian tax authorities on tax/TP audits with increased specialized resources as well as clear impact to be seen as a result of the extended statute of limitations

Belgium
Expectations for tax policy

Major multilateral or bilateral cooperation activities

- Ongoing commitment to OECD cooperation with a focus on Pillar One and Pillar Two implementation
- Increased trend of joint cross-border tax audits and subsequent need for use of international tax instruments, such as MAP and bilateral advance pricing agreement (BAPA) to determine global controversy strategy

Significant tax reform is expected in 2025, as several tax measures are included in the federal coalition agreement of 31 January 2025. The announced measures need to become legislation afterward, but it might be expected that several of these measures will be implemented in 2026.

Elections are not occurring in 2025.

R&D incentives are expected to increase, as the expected tax reform, announced in the federal government agreement, aims at making the Belgian economy resilient, innovative and sustainable, which will be realized through cost reductions for enterprises and the stimulation of innovation.

Other business incentives are expected to increase, similarly to R&D incentives.

Corporate taxes

- Pillar Two compliance
  - Separate domestic top-up tax (DMTT) return (requiring a new and separate company registration number — first deadline is 30 November 2025 if fiscal year coincides with the calendar year) and IIR/UTPR return
  - Separate tax advance payments
- Reformed investment deduction regime
- Updated mandatory Belgian transfer pricing documentation requirements for financial years, starting on or after 1 January 2025

Taxes on digital business activity

- Belgium aims to implement international agreements on a digital tax, which will make large digital multinationals taxable even without a physical presence in Belgium. If no agreement can be reached at European or international levels, Belgium intends to unilaterally develop a digital tax by 2027 at the latest.

Taxes related to climate change or sustainability

- Implementation of CBAM regulation: functioning of mechanism in transition period and impact on scope
- Single-Use Plastics Directive: Belgium's intent to implement the directive by means of a Royal Decree
- Implementation of ETS2 regime in Belgium (carbon tax on fuel used for transportation and for heating of buildings)
- Expansion of ETS1 to maritime transportation (carbon tax will be gradually implemented)
- Go-live of packaging and packaging waste regulation
- Implementation of Right to Repair Directive

Windfall taxes

- Not applicable in 2025

VAT, GST or sales taxes

- New VAT chain with more stringent compliance
- E-invoicing
- Extension of the 6% VAT rate on demolition and reconstruction until 30 June 2025 (conditionally)
- Deduction of VAT: changed VAT obligations for qualifying mixed taxpayers, partial taxable persons and for real estate companies

Personal taxes

- Administrative tolerance for the reimbursement of electricity costs at home (on a lump-sum basis, not actual value)
- Increase of the net wages of everyone who works from 1 January 2025, with a focus on wages below the median, mitigating the currently extremely high and quick progressivity of marginal tax rates on labor income
- Changes to the partial wage withholding tax exemption for R&D
- Changes to the stock option tax regime

Other

- DAC 6 is valid and remains in force
- Increase of the tax on securities accounts
- Impact of other international initiatives (such as Pillar One — Amount B, Public CbCR, German legislation on intercompany financing policies)

Belgium

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- There are further efforts to increase the number of participants in the Co-operative Tax Compliance Programme (CTCP) for large companies, e-audits and joint tax audits (also cross-border), focus on the fight against tax and social fraud in a more integrated way, and full commitment to international cooperation and data exchange (such as through increased digitalization of the tax administration).
- There are further efforts on digitalization and the voluntary payment of taxes to improve collection and recovery of tax debts.
- The 10% tax increase should not be applied in case of a first offence, committed in good faith, as confirmed by the Minister of Finance, but several court procedures are ongoing disputing this item. This will have an important impact on the outcome of future and pending tax audits, in particular when the company has available tax attributes to set off against the adjustment of the increase in taxable basis.

Top tax enforcement or tax controversy development expectations for 2025

- Continuation of the 2024 policy and initiatives, but general expectation for more robust and detailed audits through more and specialized resources
- Harmonization of investigation and assessment periods applicable to several types of taxes and impact on the duration of the audit process due to extended statute of limitations (e.g., so-called complex taxpayers)
- Simple and more streamlined tax audits through standard reporting, yet lengthier, more in-depth discussions

Tax audits in Belgium in 2025 are generally expected to increase in number and/or intensity.

Top audit issues (all taxes)

1. Ongoing tax audits regarding withholding tax exemption for R&D and notification of taxpayer's R&D activities (projects/programs) to the Federal Science Policy Office
2. TP audits (given extended statute of limitations to generally six years at least) and changing international landscape/initiatives
3. WHT audit in relation to interest payments mostly considering the European Court of Justice (ECJ) Danish Cases and combined with challenges regarding the CIT deductible nature of the payments

Changes in tax audit approaches or methods

- Accelerated data-mining and risk detection
- Increased need for use of international tax instruments, such as MAP, AC and BAPAs to determine global controversy strategy due to impact of increased joint cross-border tax audits

Changes to dispute prevention or dispute resolution tools or programs

- Agreements with other countries on the automatic exchange of information

Tax governance approach or processes developments for business taxpayers

- Acceleration of handling of tax controversy files, within a reasonable timescale
- Increased cooperation between tax authorities and other relevant authorities (justice, police, etc.)
- Coordinated controversy approach required, because of the various elements indicated

Digital tax administration developments

- E-invoicing as of 1 January 2026 (subject to parliamentary approval) and modernization of the VAT chain and collection of VAT debts, including measures to improve the processing of periodic VAT returns and payments by introducing digital systems and automation, as of 1 January 2025
- Digitalizing of the export, import and transit processes (all future import and export customs declarations will be made fully electronically)
- Ongoing development of the digitalization of the tax administration, i.e., enhanced electronic filing of tax returns, electronic reporting obligations (DAC 6, DAC 7, fee forms, application forms for tax incentives, Pillar Two, etc.)
- Mandatory publication by the tax authorities of all case law in which they are involved

Belgium

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	25%	25%	–	Higher	Higher
PIT	50%	50%	–	Lower	Lower
VAT/sales	21%	21%	–	Same	Same

The 2025 Tax Policy and Controversy Outlook is a survey of EY tax policy and controversy leaders in the jurisdictions concerned and represents only the personal views of those respondents.

This information is current as of 5 February 2025.

Brazil

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EY key contacts

Tax policy:	Tax controversy:
Rodrigo Munhoz, Gustavo Carmona, Ademir Bernardo	Rodrigo Munhoz, Ademir Bernardo, Daniel Guerrissi, Sarah Barbassa

Key issues to watch in 2025

- Brazilian indirect tax reform
- Pillar Two adoption (additional for CIT – social contribution)
- Judgment of relevant tax matters in Brazilian Supreme Court

Key drivers of tax policy change

- Approval of the complementary law regulating the Brazilian Tax Reform
- Adoption of Pillar Two rules
- Possibility of taxing dividends

Significant tax developments in 2024

- Approval of complementary law regulating Brazilian Tax Reform, advancing the introducing a tax on goods and services and contribution on goods and services
- Approval of Pillar Two rules for Brazil
- Decisions enacted by Supreme Court on tax matters
- New CIT treatment for tax incentives

Significant tax developments expected in 2025

- Develop the program to increase tax transparency and reduce litigation
- The next steps toward the implementation of the indirect tax reform will involve the analysis of Bill 108/24 (PLP108/24), which creates and regulates the IBS[1] Management Committee. This committee is essential to the functioning of the new tax model and provides rules for inspection procedures, qualification and use of the ICMS[2] Financial Benefits Compensation Fund, as well as compensation, transfer or refund of accumulated credit balances.
- The government will need define the rates of the selective tax.
- Regulations are expected that will clarify how the new taxes are going to be assessed and on the ancillary obligations that will need to be observed, for those sectors that will be subject to it.

Major legislative activity that could include tax

- Introduction of new tax incentives for green energy investments
- Reform of corporate tax rates to enhance competitiveness

Developments in tax transparency requirements

- In 2024, the first group of companies were organized to adopt the Tax Transparency Program (Confia).
- Following the federal program, states are creating tax transparency programs to enhance the relationship between taxpayers and tax authorities.

[1] IBS: tax on goods and services

[2] ICMS: tax on commerce and services

Brazil
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- Adoption of Pillar Two rules

Taxes on digital business activity

- No changes are currently expected.

Taxes related to climate change or sustainability

- In Brazilian tax reform, there is an additional tax (selective tax) for products or activities that damage environment or health.

Windfall taxes

- Not applicable

VAT, GST or sales taxes

- Brazilian indirect tax reform

Personal taxes

- Taxation over dividends

Other

- ESG legislation

Brazil

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Increased examination of multinational corporations' transfer pricing practices
- Enhanced reporting requirements for digital transactions
- Implementation of new tax compliance technologies by tax authorities
- Pillar Two adoption for 2025

Top tax enforcement or tax controversy development expectations for 2025

- Expansion of global tax information exchange agreements
- Introduction of stricter penalties for noncompliance with tax regulations
- Greater focus on tax evasion in the cryptocurrency sector
- Possibility to identify and review tax procedures considering Brazilian tax reform and change of regime

Tax audits in Brazil in 2025 are generally expected to

increase number and intensity.

Top audit issues (all taxes)

1. Transfer pricing adjustments
2. Underreporting of income
3. Misclassification of expenses
4. Corporate restructures

Changes in tax audit approaches or methods

- Adoption of advanced data analytics for audit selection
- Increased use of artificial intelligence to identify discrepancies
- More collaborative audits with international tax authorities

Changes to dispute prevention or dispute resolution tools or programs

- Introduction of pre-filing agreements for complex transactions
- Expansion of APA programs
- Development of online dispute resolution platforms

Tax governance approach or processes developments for business taxpayers

- Implementation of mandatory tax risk management frameworks
- Enhanced transparency requirements for tax planning strategies
- Regular tax compliance reviews by independent auditors

Digital tax administration developments

- Using data analytics tools to identify discrepancies
- Development of mobile applications for taxpayer services

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	34%	34%	–	Higher	Higher
PIT	27.5%	27.5%	–	Same	Same
VAT/sales	28%	28%	–	Same	Same

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This information is current as of 10 January 2025.

Bulgaria

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EY key contacts

Tax policy:	Tax controversy:
Milen Raikov	Milen Raikov

Key issues to watch in 2025

- Implementation of SAF-T in Bulgaria
- Pillar Two
- CBAM

Key drivers of tax policy change

- Enhancing voluntary tax compliance and the collection of public liabilities is a top government priority. Actions in this regard might include changes in the reporting obligations (such as the introductions of SAF-T) as well as more focused tax audit procedures.

Significant tax developments in 2024

- No significant tax developments in 2024.
- Some tax changes introduced at the end of 2023 were clarified and refined, such as Pillar Two implementation, VAT on scrapped goods, etc.

Significant tax developments expected in 2025

- Introduction of SAF-T

Major legislative activity that could include tax

- No new taxes are expected to be introduced, although windfall taxes on bank and telecom sectors were publicly discussed.

Developments in tax transparency requirements

- The National Revenue Agency is planning to introduce SAF-T as of 2026. A draft law has been published.
- CESOP submissions are already in place.

Major multilateral or bilateral cooperation activities

- No developments are expected.

Bulgaria
Expectations for tax policy

Significant tax reform is not expected other than the introduction of SAF-T expected in 2025 (the draft law was published in the end of 2024).

Elections are expected in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- Pillar Two was introduced as of the beginning of 2024.
- No other significant changes are currently expected.

Taxes on digital business activity

- No introduction is currently planned.

Taxes related to climate change or sustainability

- CBAM

Windfall taxes

- Energy traders and producers

VAT, GST or sales taxes

- A regime for small and medium enterprises is expected to be introduced.
- Some reduced rates are expected to no longer be applicable.

Personal taxes

- No significant changes are currently planned.

Bulgaria

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- VAT treatment of tooling
- Transfer pricing tax audits
- Transactions with foreign entities in the context of WHT

Top tax enforcement or tax controversy development expectations for 2025

- Transfer pricing tax audits
- Correction of deducted VAT on scrapped goods

Tax audits in Bulgaria in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

1. Unlawful deduction of input VAT
2. Transfer pricing
3. Intercompany charges and transactions with foreign entities

Changes in tax audit approaches or methods

- More complex tax audits

Changes to dispute prevention or dispute resolution tools or programs

- No changes are currently expected.

Tax governance approach or processes developments for business taxpayers

- No changes are currently expected.

Digital tax administration developments

- Introduction of SAF-T

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	15%	15%	–	Same	Same
PIT	10%	10%	–	Same	Same
VAT/sales	20%	20%	–	Same	Same

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This information is current as of 10 January 2025.

Canada

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EY key contacts

Tax policy:	Tax controversy:
Fred O'Riordan, Yves Plante	Paul Mulvihill

Key issues to watch in 2025

- Scope and duration of possible retaliatory trade measures, including both tariff and non-tariff measures, implemented by Canada in response to possible United States tariffs
- The federal general election in March 2025
- The fiscal and tax policy priorities of the newly elected federal government

Key drivers of tax policy change

- The results of the federal general election to be held in March 2025, following Prime Minister Trudeau's announcement in January 2025 that he would resign as soon as the Liberal Party chooses a new leader
- Potential for additional measures beyond retaliatory tariffs, including tax measures, due to possible imposition of tariffs on Canadian imports to the US
- Potential for possible US tax reforms, including an extension of existing business investment incentives, to elicit a competitive tax policy response by Canada.
- Cost of living pressures felt by Canadians
- Measures needed to address Canada's sagging labour productivity and boost capital investment
- Changes resulting from the OECD's BEPS 2.0 initiative

Significant tax developments in 2024

- Bill C-59 was enacted on 20 June 2024, implementing income tax measures from the 2023 federal budget, certain measures from the 2023 fall economic statement (FES) and other measures, most notably the excessive interest and financing expenses limitation (EIFEL) rules (based on the OECD's BEPS Action 4 report), the carbon capture, utilization and storage (CCUS) and clean technology investment tax credits (ITCs), the hybrid mismatch arrangement rules (based on BEPS Action 2 report), and changes to the General Anti-Avoidance Rule (GAAR).
- Bill C-69 was enacted on 20 June 2024 and, among other measures, included the clean hydrogen and clean technology manufacturing ITCs and Canada's Global Minimum Tax Act (GMTA) based on the BEPS Pillar Two proposals.
- A proposed (not yet enacted) increase in the capital gains inclusion rate from one-half to two-thirds was initially announced in the 2024 federal budget and subsequently deferred until January 2026.
- Canada's DST entered into force on 28 June 2024, pursuant to an Order in Council (OIC) on that date.

Significant tax developments expected in 2025

- At time of writing, there is considerable uncertainty surrounding likely tax developments in 2025.
- Greater clarity is expected in the new government's Speech from the Throne following the general election that could take as early as the spring of 2025 and must take place no later than 20 October 2025.
- It is widely expected that Canada's consumer carbon tax (aka the federal fuel charge) will be dropped and possibly replaced by other measures.
- It is widely expected that the proposed capital gains inclusion rate increase will not be enacted, regardless of which political party forms the next federal government.

Major legislative activity that could include tax

- Legislative proposals have been released to introduce a clean electricity investment tax credit and to add UTPR provisions to the GMTA. Any potential enactment of these measures remains unclear considering the political uncertainty.

Developments in tax transparency requirements

- In addition to new reporting requirements related to the EIFEL rules enacted in 2024, enhanced mandatory disclosure rules, including an expansion of the existing reportable transaction rules and new reporting requirements for notifiable transactions and reportable uncertain tax treatments, were enacted in 2023.
- Digital platform operators have new reporting requirements starting in 2025, but no further requirements are anticipated for 2025.

Canada

Expectations for tax policy

Major multilateral or bilateral cooperation activities

- Canada-Russia tax treaty was suspended in November 2024.

Significant tax reform is possible in 2025. While fully comprehensive tax reform is unlikely, a series of measures is possible that could collectively amount to significant change, especially on the corporate tax side.

Elections are occurring in 2025. A federal general election must be held no later than 20 October 2025, and an Ontario election will be held on 27 February 2025.

R&D incentives may increase. The federal government proposed several enhancements to the Scientific Research & Experimental Tax Credit (SR&ED) in the November 2024 FES and its intention to implement a Patent Box regime. It remains unclear whether a new government will pursue those commitments.

Other business incentives are expected to increase. Continued business investment uncertainty in view of the threat of US tariffs and other economic measures directed at Canada strongly suggest the government will look favorably at strengthening existing business investment incentives.

Corporate taxes

- Depending on the scale of US tax policy changes, Canada could respond with similar changes for purposes of maintaining its tax competitive position.

Taxes on digital business activity

- Canada's DST is now in force, but its future is uncertain. If implicated as possible leverage in the context of the upcoming CUSMA (a.k.a. USMCA) review and renewal, it could be strengthened, paused or abandoned.

Taxes related to climate change or sustainability

- The federal fuel charge (also known as the consumer carbon tax) is very likely to be rescinded in 2025. The Official Opposition Conservative Party has campaigned to "axe the tax," and the main contenders for the leadership of the Liberal Party have all said they would drop the tax and replace it with other measures.

Windfall taxes

- No significant changes are currently expected.

VAT, GST or sales taxes

- No significant changes are currently expected.

Personal taxes

- Since this is an election year, changes are possible depending on election platform commitments yet to be unveiled by the major political parties.

Canada

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

Proposed enhancement to audit enforcement powers to obtain information and enhance compliance with information requirements:

1. New penalties with compliance orders
2. "Notice of Non-compliance" suspends reassessment period, effectively extending statutes
3. New power to require Canada Revenue Agency (CRA) questions be answered or documents be provided under oath or affidavit

Top tax enforcement or tax controversy development expectations for 2025

- Continued focus on transfer pricing
- Increased enforcement of withholding regulations on services payments and nonresident employee remuneration
- Continued focus on underground economy countermeasures

Tax audits in Canada in 2025 are generally expected to stay the same in number and intensity, despite increases in funding of CRA audit activities.

Top audit issues (all taxes)

1. Transfer pricing
2. Government incentives (e.g., Canada Emergency Wage Subsidy filings during pandemic)
3. Interest deductibility and hybrid mismatch arrangement (e.g., hybrid debt)

Changes in tax audit approaches or methods

- Continued intensity of withholding tax enforcement
- Continued review of information received under new mandatory disclosure rules expected to directly result in audit enquiries

Changes to dispute prevention or dispute resolution tools or programs

- Delayed availability of mandatory, binding arbitration in tax treaties (other than the US-Canada Tax Convention) due to limited advancement by the CRA in activating MLI dispute resolution mechanisms
- Continued willingness of the CRA/Canadian Competent Authority to accept resolution other than full relief of double taxation, especially where arbitration is yet to be implemented
- Continued backlog in CRA Appeals' resolution of taxpayers' filed objections

Tax governance approach or processes developments for business taxpayers

- Previously introduced enhanced mandatory disclosure rules (June 2023) and CRA's cooperative compliance programs would be the only inputs from the tax administrations linked to tax governance.

Digital tax administration developments

- No significant changes are currently expected.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change[1]	Overall base changes	Combined effect
CIT[1]	31%	31%	–	Same	Same
PIT[2]	54.8%	54.8%	–	Same	Same
VAT/sales[3]	15%	15%	–	Same	Same

1 Combined federal/provincial corporate tax rates vary by province and territory. The highest rate in 2025 is in Prince Edward Island and the lowest rate (23%) is in Alberta.

2 Combined federal/provincial personal tax rates vary by province and territory. The highest rate in 2025 is in Newfoundland and Labrador and the lowest rate (44.5%) is in Nunavut Territory.

3 Combined rates vary by province and territory, ranging from a low of 5% in Alberta (where only the federal rate is applied) to a high of 15% in three of the four Maritime provinces (5% plus 10%). As of 1 April 2025, in Nova Scotia the harmonized sales tax (HST) will be lowered to 14%.

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This information is current as of 10 January 2025.

Chile

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EY key contacts	
Tax policy: Victor Fenner	Tax controversy: Janice Stein

Key issues to watch in 2025

- Income tax reform bill is expected to be introduced in early 2025, lowering the corporate income tax rate but increasing high-earning individuals' rates, among other changes.
- The 2024 Tax Compliance Act enters into full effect, including new VAT system for sales made in foreign digital platforms and new interest rates for overdue taxes, among others.
- Government is likely to confirm whether Chile will adopt Pillar Two rules.
- Cooperative Compliance program is anticipated to be fully deployed during 2025, including the public registry of certified taxpayers.

Key drivers of tax policy change

- The fate of the pensions reform bill will likely impact that of the income tax bill to be presented in 2025.
- 2025 is a presidential and congressional election year, which is likely to affect the outcome of domestic tax policy.
- Tax revenue forecasts in 2024 were inaccurate, with actual revenue being considerably lower (leading to last-minute budget cuts for 2025). This may likely affect the contents of the income tax bill yet to be presented, as well as the audit and collection strategy by tax authorities.
- The Chile-United States DTT enters into force (as of February 2024), becoming the second DTT the US has engaged in in Latin America (the first one being Mexico).
- A special, voluntary tax on undistributed profits was introduced. Taxpayers verifying undistributed profits may subject them to a special 12% tax, to substitute final taxes applicable on distribution. This was available until 31 January 2025.
- A beneficial owner bill was introduced to Congress, aiming to set up a national registry of beneficial or ultimate owners. The bill is yet to be approved.

Significant tax developments in 2024

- The tax compliance bill was approved and passed. This entailed several changes in tax legislation, with a focus on tax evasion and tax avoidance. Main changes referred to:
  - Tax sustainability (the concept was incorporated into Chilean law, setting legal basis for cooperative compliance programs and certifications)
  - Tax evasion (most of the bill sets up different measures to combat informal commerce)
  - Transfer pricing (APA regulation is improved, along with transfer pricing adjustments regulation)
  - Corporate reorganizations (both domestic and cross-border)
  - VAT and digital intermediation platforms (incorporating platforms of physical goods intermediacy to the digital services simplified mechanism)
  - New tax amnesty of foreign, undeclared assets when voluntarily subject to a special 12% tax
  - New rules for accessing bank records by the tax administration

Significant tax developments expected in 2025

- Introduction to Congress of an income tax bill, aiming to lower corporate tax rate from 27% to 25%, yet increasing rates for the higher brackets of personal taxes. The bill would also aim to shift from an integrated taxation system to a disintegrated one, thereby establishing a new taxation regime for dividends. Foreign taxpayers from DTT countries would not be affected. R&D incentives are expected to increase significantly in the bill.
- Determination on whether Chile will adopt Pillar Two is expected and may be impacted by the presidential election.
- Full deployment of the cooperative compliance program. As the concept of "tax sustainability" is now part of Chilean legislation, taxpayers will be able to obtain a certification by means of signing a cooperation agreement with tax authorities, or by obtaining a third-party assessment. Regulation on requirements and contents of such certification (likely to incorporate international standards e.g. GRI 207) is expected to be launched in mid-2025.

Major legislative activity that could include tax

- New income tax bill

Chile

Expectations for tax policy

Developments in tax transparency requirements

- New cooperative compliance program will include tax transparency standards.
- Mandatory sworn statements now include additional information as per international transparency standards.
- New regulation for the tax authority accessing bank records is now in force, establishing a faster, unilateral procedure in the case of tax crimes and other qualified situations.

Major multilateral or bilateral cooperation activities

- Chilean tax authority increased significantly its information exchange activities with other jurisdictions in 2024, a trend that is expected to continue in 2025.
- Bilateral APAs are in pipeline for the first time since Chile adopted OECD TP guidelines in 2012.

Significant tax reform is expected in 2025 (its approval yet uncertain).

Elections are occurring in 2025 (both presidential and congressional).

R&D incentives are expected to increase.

Other business incentives are expected to increase.

Corporate taxes

- Corporate rate to be lowered from 27% to 25%
- New taxation system for dividends (proposed)
- New incentives for SMEs
- Increased R&D incentives
- Elimination of certain exemptions (e.g., public and private funds)

Taxes on digital business activity

- N/A (changes already introduced in the 2024 bill)

Taxes related to climate change or sustainability

- New tax sustainability regulation to enter fully into effect (focused on governance and transparency, as part of the cooperative compliance program).

Windfall taxes

- None

VAT, GST or sales taxes

- Very small SMEs to access a special tax in substitution of both VAT and corporate taxes
- VAT incentives for SMEs

Personal taxes

- Rates of upper brackets to increase (in order to compensate for corporate tax rate reduction, proposed)

Other

- None

Chile

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- During the year, the Chilean Internal Revenue Service (SII) began to increase judicial cases related to the General Anti-Avoidance Rule (GAAR), through which it seeks to prevent the abuse of legal norms as well as tax evasion. The first ruling in this matter was issued in March 2024, which was decided in favor of the SII, yet with pending appeals.
- Focusing on criminality related to false declarations and the pursuit of tax refunds, the SII managed to prevent tax fraud of up to USD440,000 by using data analysis and even accessing the SII's digital page in search of personal accreditation, which was carried out by only 7% of taxpayers.
- The SII has strengthened its actions regarding criminal matters related to tax crimes and organized crime. In 2024, it filed more than 174 lawsuits compared to 159 in 2023, highlighting that in November, it filed 19 lawsuits against a criminal gang for VAT, in relation to false declarations, and cryptocurrencies.

Top tax enforcement or tax controversy development expectations for 2025

- Audits and court cases are expected to increase.
- Tax-related criminal investigation are expected to increase.

Tax audits in Chile in 2025 are generally expected to increase in number and intensity.

Top audit issues (all taxes)

1. GAAR
2. Transfer pricing
3. VAT and tax refunds

Changes in tax audit approaches or methods

- Multijurisdiction was legally incorporated, allowing the SII to assign officials from other jurisdictions to audits outside their regional scope, thereby distributing the audits across different areas of the country.
- A unified audit procedure for business groups has been incorporated, which must consider the effects of the audit in an integral and consistent manner.
- Efforts to eliminate informality have continued, and new regulations related to the sale of foreign goods have begun to be applied, simplifying the declaration for digital commerce.

Changes to dispute prevention or dispute resolution tools or programs

- The rules on APAs have been updated, expressly allowing pre-filing meetings, retroactive application of APA (Roll Back APA) and regulation of APA follow-up or monitoring.
- A new audit approach on real estate leases resulted in income declarations exceeding USD88,500,000.
- Due to the transitional rules promoted by the new tax compliance law, it achieved tax payments and judicial settlement agreements exceeding USD991,000,000.

Tax governance approach or processes developments for business taxpayers

- By the incorporation of the concept of tax sustainabilty, taxpayers may obtain a public certification by entering into a cooperation agreement with the tax authority, or getting certification by third parties (regulation still to be issued).
- Cooperative Compliance program to focus on international standards, especially in regard to tax control frameworks.

Digital tax administration developments

- The implementation of AI in information management is being sought, while maintaining concrete oversight based on human intervention.
- The SII has promoted the use of technology, emphasizing electronic invoicing and declarations. Based on this information, the institution itself proposes automatic declarations.

Chile

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	27%	25%	-7.4%	Same	Lower
PIT	40%	40%	–	Same	Same
VAT/sales	19%	19%	–	Same	Same

The 2025 Tax Policy and Controversy Outlook is a survey of EY tax policy and controversy leaders in the jurisdictions concerned and represents only the personal views of those respondents.

This information is current as of 10 January 2025.

China Mainland[1]

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EY key contacts	
Tax policy: Shirley Shen	Tax controversy: William Zhang

Key issues to watch in 2025

- Implementation rules for the VAT Law
- Consumption tax (CT) reform
- China's response to the BEPS 2.0
- Tax reform of Hainan Free Trade Port

Key drivers of tax policy change

- The Third Plenary Session of the 20th Central Committee of the Communist Party of China (CPC) signaled major tax reform directions including:
  - Enhancement of the comprehensive and categorized personal income tax system, focusing on unified taxation of labor income and standardized taxation of business/capital/property income, etc.
  - CT reform and other fiscal measures as key priorities to drive high-quality economic growth
  - Standardization and optimization of tax incentives while eliminating those that may hinder the common national market and fair competition
  - Optimize the tax policies to meet the development of digital business models while supporting tax parity between traditional and online operations
- Political Bureau of the CPC Central Committee's meeting on 26 September 2024 outlined the upcoming round of tax policy, including the modification of tax policies related to the differentiated taxation policies for ordinary and non-ordinary residential properties, accelerating the reform of fiscal and taxation system.
- Chinese tax authorities are implementing a strategic framework centered on "rule by law, rule by using big data, and rule strictly" to build a more efficient tax system.
- Tax advance rulings are being introduced at the local level in cities like Beijing and Chongqing.

Significant tax developments in 2024

- China's VAT Law was passed by on 25 December 2024 and will take effect on 1 January 2026.
- The Customs Duty Law marks a milestone in the development of the tariff system.
- Water resources tax converted from former water resources levy.
- Fully digital electronic invoices on a nationwide basis were officially implemented.

Significant tax developments expected in 2025

- The implementation rules of VAT to be announced in 2025
- CT reform, which would shift collection from production to the sales stage
- China's response to the BEPS 2.0
- The personal income tax system to be further refined
- New tax reform for the Hainan Free Trade Port expected to be announced in 2025, including CIT/PIT preferential tax policies and turnover tax policies
- Tax policies to further guide the development of digital business models
- Revision of tax preferential policies that conflict with the principle of unified national market and fair competition

Major legislative activity that could include tax

- According to the 2024 Legislative Work Plan of the Standing Committee of the National People's Congress (NPC) and the 2024 Legislative Work Plan of the State Council, several important pieces are in the pipeline and set to be deliberated by the Standing Committee of the NPC:
  - The revision of Tax Administration and Collection Law
  - The draft CT Law

[1] "China" in this chapter refers to the China Mainland jurisdiction.

China Mainland
Expectations for tax policy

Developments in tax transparency requirements

- No new specific transparency requirements occurred in 2024 or are expected in 2025.

Major multilateral or bilateral cooperation activities

- China has an ongoing commitment to OECD cooperation with a focus on Pillar Two implementation.
- The Belt and Road Tax Administration Cooperation Forum demonstrates China's commitment to international tax cooperation and the Belt and Road Initiative's development.

Significant tax reform is expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to increase to attract investments in certain regions, such as Hainan Free Trade Port.

Corporate taxes

- The statutory corporate tax rate remains the same.
- From 2024 to 2027, enterprises can deduct 10% of up to 50% of the cost of digitalizing and modernizing specialized equipment against their CIT payable.
- All eligible enterprises can claim a 200% super deduction of R&D expenses instead of 175% from 1 January 2023.
- Until the end of 2027, integrated circuit enterprises and enterprises that produce and sell advanced industrial machinery will be eligible for an enhanced CIT super deduction policy, i.e., the 220% super deduction of R&D expenses.
- Until the end of 2027, qualified small and micro-sized enterprises are eligible for a 75% reduction on the part of taxable income not exceeding RMB1 million for CIT calculation purposes with the applicable CIT rate of 20%.

Taxes on digital business activity

- No specific DSTs are applied in China.

Taxes related to climate change or sustainability

- There is an environment protection tax, resource tax, cultivated land occupation tax and other tax policies for environment protection in China.
- From 1 December 2024, organizations and individuals directly using surface water or groundwater in China will be subject to water resource tax instead of fees.

Windfall taxes

- China does not currently impose windfall taxes.

VAT, GST or sales taxes

- From 1 December 2024, residential properties in Beijing, Shanghai, Guangzhou, and Shenzhen sold after two years of ownership are exempt from VAT, disregarding property type.
- From 24 April 2024, qualifying resource recovery enterprises that issue reverse invoices when purchasing scrap from natural persons will be responsible for withholding the seller's VAT and personal income tax.

Personal taxes

- Effective 1 January 2024, a nationwide tax-deferred policy for personal pensions takes effect: annual contributions up to RMB12,000 are tax-deductible, investment returns are tax-deferred and withdrawals are taxed at a flat 3% rate rather than being included in comprehensive income.
- The differential personal income tax policy on dividends from companies listed on the National Equities and Exchange Quotations (NEEQ) is extended through 2027.

Other

- Stamp duty (SD) tax
  - From 1 October 2024 to 31 December 2027, SD preferential treatments for corporate restructuring is expanded to cover business restructuring, reorganization, bankruptcy liquidation and public institution reform.
- Land appreciation tax (LAT)
  - From 1 December 2024, in cities that have canceled the standards for ordinary residences and non-ordinary residences, taxpayers who build and sell ordinary standard residences will continue to be exempt from LAT if the value increment does not exceed 20% of the amount of deductible items.
- Deed tax (DT) adjustments effective from 1 December 2024:
  - For the first home purchase:
    - If the area is 140 square meters or less, the deed tax rate is 1%.
    - If the area exceeds 140 square meters, the rate is 1.5%.
  - For the second home purchase:
    - If the area is 140 square meters or less, the deed tax rate is 1%.
    - If the area exceeds 140 square meters, the rate is 2%.

China Mainland

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Implementation of comprehensive tax and fee reductions, featuring a proactive policy outreach system that uses big data to identify eligible taxpayers and deliver benefits automatically
- Deployment of nationwide electronic tax system and digital invoice platform
- Enhanced oversight of local government tax incentives to confirm compliance with national tax policies

Top tax enforcement or tax controversy development expectations for 2025

- "Data-driven tax governance" to be taken as an important principle to identify, monitor and manage crucial industries, major tax categories and key tax-related matters
- Leveraging big data technology to enhance the quality and efficiency of cross-border tax services for "nonresidents" and "outbound" enterprises, and to strengthen cross-border tax enforcement
- Seeking tax certainty in the ever-shifting market

Tax audits in China in 2025 are generally expected to

increase in number and intensity.

Top audit issues (all taxes)

- Issuance (and acceptance) of false invoices
- Abuse of preferential tax treatments
- Tax compliance of high-net-worth individuals in emerging sectors (including social media influencers and live-streaming professionals)

Changes in tax audit approaches or methods

- No changes are currently expected.

Changes to dispute prevention or dispute resolution tools or programs

- Advanced tax rulings have been piloted in several cities of China, such as Shanghai, Beijing, Shenzhen, etc.
- The first tax court has been established in Shanghai to handle tax-related legal cases specifically.

Tax governance approach or processes developments for business taxpayers

- China's multi-department joint audit mechanism is operating, the joint audit group has expanded from six to eight departments with the participation of the Supreme People's Court and the State Administration for Market Regulation. The eight-department joint audit mechanism has established a new pattern of work that integrates efforts from administrative law enforcement to criminal justice, covering the entire chain of reducing tax evasion.
- The development of China's tax governance will be further supported by the cross-regional and cross-departmental data sharing function under the Golden Tax Phase IV system.

Digital tax administration developments

- The national e-tax bureau and electronic invoicing system launched in 2024. Moving into 2025, it is expected that the tax authorities will further enhance data-driven governance through advanced analytics and risk profiling, requiring businesses to further adapt to digital tax compliance standards.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	25%	25%	–	Same	Same
PIT	45%	45%	–	Same	Same
VAT/sales	13%	13%	–	Same	Same

The 2025 Tax Policy and Controversy Outlook is a survey of EY tax policy and controversy leaders in the jurisdictions concerned and represents only the personal views of those respondents.

This information is current as of 10 January 2025.

Colombia

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EY key contacts

Tax policy:	Tax controversy:
Catalina Sandoval, Margarita Salas	Margarita Salas, Ana María Barbosa, Daniel Martinez

Key issues to watch in 2025

- The government has announced a new tax bill, accompanied by enhanced internal enforcement measures to make sure compliance with revenue collection targets.
- Budget cuts have increased audit and collection efforts by local tax authorities, especially for property, public lighting, and industry and commerce taxes.
- Debt management, the commencement of pre-election campaigns for the presidency and Congress, and budget cuts are key issues to monitor closely. However, projections indicate stronger economic growth, a sustained decline in inflation and a reduction in the unemployment rate.

Key drivers of tax policy change

- Macroeconomic factors: GDP growth, inflation, public debt and exchange rate fluctuations
- Political and social factors: upcoming elections, social pressures and raw material price dynamics
- Fiscal needs of territorial entities: increased regional activity driven by changes in consumption taxes
- Government focus: efforts to reduce the fiscal deficit
- Revenue diversification: need to offset the decline in revenues from the oil and gas sector
- Increased social expenditure incorporated into the national budget

Significant tax developments in 2024

- Congressional rejection of a major tax reform bill that would have raised almost COP10 trillion (roughly US$2.3 billion) through new taxes and tax increases
- Ongoing implementation of Tax Reform Law 2277 of 2022 (e.g., taxes on ultra-processed foods)
- Court ruling confirming the deductibility of royalties, applicable from tax year 2023 — Fiscal Impact Decision
- Constitutional Court upholding the constitutionality of the 15% minimum tax rate
- Strengthened enforcement by the tax authority to combat tax evasion and avoidance, with increased oversight
- Expanded use of electronic invoicing and enhanced information exchange between jurisdictions
- Tax bill on arbitration procedures in tax, customs and foreign exchange matters archived
- No approval for the budget allocation of tax benefits

Significant tax developments expected in 2025

- Introduction of a new tax bill aimed at raising revenue to fund social assistance programs
- Strengthening the use of technological tools to enhance tax administration and compliance
- Increased scrutiny of new taxes, such as environmental levies and health-related taxes

Major legislative activity that could include tax

- Announcement of the National Tax Reform Bill
- Tax regulations addressing environmental issues
- A new bill regarding the transfer of additional competencies to territorial entities may include provisions on territorial taxes

Developments in tax transparency requirements

- Enhancement of reporting obligations for taxpayers
- Update to the decree on low- or zero-tax jurisdictions
- Ongoing internal approval process for double taxation agreements (DTAs) with the United Arab Emirates, Uruguay, Brazil, Luxembourg and the Netherlands

Colombia
Expectations for tax policy

Major multilateral or bilateral cooperation activities

- Enhancement of technological tools to enable the automatic exchange of information between jurisdictions

Significant tax reform is expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to decrease.

Other business incentives are expected to decrease.

Corporate taxes

- Corporate tax rate: The standard rate will remain at 35%, with a potential reduction for small businesses, as initially proposed in the tax reform bill that was not processed in 2024.
- General tax rate (35%) for free trade zones: This rate applies to income other than export revenues. As per the Constitutional Court ruling, the provision is limited to new free trade zones and those whose qualification has expired.
- Minimum tax rate: The minimum tax rate remains in effect following the Constitutional Court's ruling affirming the constitutionality of the provision.

Taxes on digital business activity

- The new tax bill by the government is expected to introduce or include a tax on online gambling, a measure that was part of the 2024 tax bill presented by the government but not approved by Congress.

Taxes related to climate change or sustainability

- Modifications to the carbon tax are anticipated.
- The regulation of the National Program for Tradable GHG Emission Quotas is expected, including the identification of the sectors and industries involved.
- A new tax regulation on environmental issues is expected.

Windfall taxes

- The current rate is 15%, with a potential increase to 20% as part of the proposed tax bill.

VAT, GST or sales taxes

- The new tax bill is expected to introduce or include a tax on online gambling.

Personal taxes

- A potential increase in tax rates for higher income brackets is being considered.

Other

- General guidelines for the 2025 austerity spending plan are expected to be outlined.
- Modifications to property taxes are anticipated.

Colombia

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The Constitutional Court ruled to uphold the constitutionality of the minimum tax rate.
- Supervisory actions by the National Tax and Customs Authority (DIAN, per the Spanish acronym) in connection with criminal investigations were enhanced, particularly concerning VAT and withholding tax compliance.
- There was increased audit activity related to electronic invoicing compliance.

Top tax enforcement or tax controversy development expectations for 2025

- Emergence of controversies is expected regarding the interpretation of Law 2277 of 2022, particularly in relation to new taxes, Significant Economic Presence, the minimum tax rate, as well as environmental taxes and health taxes (e.g., on food and beverages).
- Increased automation and digitalization of processes by DIAN to enhance efficiency in tax administration and compliance are expected.

Tax audits in Colombia are anticipated to rise in both volume and scrutiny in 2025.

Top audit issues (all taxes)

1. Transfer pricing
2. Electronic invoice
3. Payments abroad

Changes in tax audit approaches or methods

- An increase in DIAN audits is anticipated.
- Extensive inspections, reporting obligations and the implementation of larger-scale compliance programs are expected.

Changes to dispute prevention or dispute resolution tools or programs

- An increase in staffing at DIAN is expected, along with expanded audit programs.
- Tax audits are expected to focus primarily on large taxpayers.
- DIAN is actively reviewing new APAs.
- There is a growing emphasis on MAPs by DIAN.

Tax governance approach or processes developments for business taxpayers

- Strengthen internal tax controls and improve information exchange between tax authorities

Digital tax administration developments

- Challenges in the automatic processing of refunds for tax balances in favor of individuals

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	35%	35%	–	Same	Same
PIT	39%	39%	–	Same	Same
VAT/sales	19%	19%	–	Same	Same

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This information is current as of 10 January 2025.

Costa Rica

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EY key contacts

Tax policy:	Tax controversy:
Luis Ocando, Daniel Quesada	Rafael Sayagués

Key issues to watch in 2025

- Implementation of Pillar Two of BEPS 2.0
- Tax bills submitted by the Executive Branch to Congress, including bills to reform the corporate income tax and the Tax Code
- Improvement in tax collection as well as controls and tax audits of taxpayers

Key drivers of tax policy change

- 2026 is an election year, so there's limited feasibility for significant tax reform to be approved in the Congress. However, this does not imply that there will be no pressure from the government to pass significant tax reforms if needed or requested by international bodies.
- There is pressure from international organizations, such as the OECD, Global Forum, IMF or EU, to adopt international tax standards or changes to domestic legislation to fulfill commitments made.
- The government needs to achieve stabilization of public finances and increase revenue collection.
- Implementation of Pillar Two and potential redesign of tax and nontax incentives will likely drive change.

Significant tax developments in 2024

- The tax authority published new regulations and new technical provisions for electronic invoices (version of the Annexes and Structures 4.4).
- The stamp tax was repealed.

Significant tax developments expected in 2025

- Implementation and kick-off of the new digitalization program of the tax authority, known as "Hacienda Digital," which is expected to be in operations in the second half of 2025.

Major legislative activity that could include tax

- Pillar Two implementation and tax incentives
- Legislative procedures on bills filed by the Executive Branch

Developments in tax transparency requirements

- The tax administration has made significant progress in approving necessary reforms to improve the rating in the Global Forum peer review of the AEOI. These changes have included the approval of regulations to supervise and monitor reporting entities, as well as the publication of audit criteria for reporting entities to verify compliance with the CRS.
- Resolution N° MH-DGT-RES-0025, related to rules for reporting by digital platform operators and exchange of information was issued.

Major multilateral or bilateral cooperation activities

- No new activities are currently expected.

Costa Rica
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- No significant changes are expected in 2025. However, the Executive Branch submitted a bill to comprehensively reform the corporate income tax law.

Taxes on digital business activity

- No significant changes are expected in 2025.

Taxes related to climate change or sustainability

- No significant changes are expected in 2025.

Windfall taxes

- None apply or are expected.

VAT, GST or sales taxes

- No significant changes are expected in 2025.

Personal taxes

- No significant changes are expected in 2025.

Costa Rica

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Significant pressure over taxpayers in tax audits, with focus on cross-border transactions and transfer pricing
- Actions on taxpayers to reduce tax evasion, such as the sale and use of false invoices
- Use of information obtained through exchange of information with other jurisdictions (such as CRS) for tax audits

Top tax enforcement or tax controversy development expectations for 2025

- Executive Branch pressure to pass the Tax Code reform bill, which would give greater powers to the tax authority to verify tax obligations and audit taxpayers
- Significant controls and audits on taxpayers expected

Tax audits in Costa Rica in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

1. Deductible expenses
2. Withholding taxes
3. Transfer pricing

Changes in tax audit approaches or methods

- There are no significant changes in tax audit approaches or methods. It is possible that there will be new approaches or methods as the tax authority becomes more digitally advanced.

Changes to dispute prevention or dispute resolution tools or programs

- No changes are currently expected.

Tax governance approach or processes developments for business taxpayers

- There are no advanced tax governance nor cooperative compliance programs in place.
- The tax authority has created spaces, such as discussion forums, to promote co-operative compliance and a voluntary compliance approach among the group of large taxpayers.

Digital tax administration developments

- New provisions on electronic invoicing, with which all taxpayers must comply, were published by the end of 2024 and will enter in force for the second half of 2025.
- The major change in digital tax administration development is expected in the second half of 2025, when the new digitalization program of the tax administration, "Hacienda Digital," will be put into operation.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	30%	30%	–	Same	Same
PIT	25%	25%	–	Same	Same
VAT/sales	13%	13%	–	Same	Same

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Croatia

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EY key contacts

Tax policy:	Tax controversy:
Maša Šarić	Maša Šarić

Key issues to watch in 2025

- New property tax
- Shareholders' liability for non-submission of tax returns
- Reduced taxation of annual income
- Refund of Croatian VAT now possible for all non-EU businesses

Key drivers of tax policy change

- Strengthening tax discipline
- Further digitalization and administrative relief
- Further reduction of the tax on labor
- Equalizing health insurance contributions for all stakeholders in the labor market
- Encouraging the return of Croatian citizens for demographic goals and labor market needs
- Change in the tax on income from short-term rentals
- Improvement of the property taxation system

Significant tax developments in 2024

- Tax reform in 2023/2024 included amendments to several tax acts, such as:
  - PIT Act (elimination of city surtax, new PIT rates determined by local self-government units for annual income, etc.)
  - CIT Act (mostly concerning WHT)
  - VAT Act (possibility of output VAT adjustments in relation to bad debts, requirements for payment service providers to collect information on cross-border payments, etc.)
- Pillar Two was implemented.

Significant tax developments expected in 2025

- Changes to payroll calculations due to PIT Act amendments
- New property tax introduced
- Further Pillar Two implementation expectations by end of 2025

Major legislative activity that could include tax

- Several tax laws have been changed with most of those provisions effective from 1 January 2025 (including PIT Act, VAT Act, General Tax Act, Local taxes Act).

Developments in tax transparency requirements

- Developments in 2024 concerned public CbCR, CESOP, DAC 7, implementation of automatic exchange of information regarding the arrangements for avoiding the common reporting standard, and nontransparent offshore structures.

Major multilateral or bilateral cooperation activities

- Ongoing commitment to OECD cooperation with a focus on Pillar Two implementation
- Expected ratification of DTT with USA

Croatia
Expectations for tax policy

Significant tax reform is not expected in 2025.

Local elections will be held on 18 May 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to increase following the amendments to the Investment Promotion Act.

Corporate taxes

- Last corporate tax changes occurred in 2023/2024 included, among other things:
  - Abolishment of WHT on market research, business and tax consulting services, and of WHT on interests and royalties paid to entrepreneurs from the EEA abolished
  - Increase of WHT rate for non-cooperative jurisdictions
  - Increase of non-taxable amount of donations

Taxes on digital business activity

- No developments are currently expected.
- Recent amendments to the VAT Act and the General Tax Act specify that:
  - Services such as access to cultural, sports, educational, and similar events transmitted over the internet or made available to customers in a virtual form are taxed in the location of consumption.
  - Execution of online payment transactions in favor of business entities that illegally carry out economic activities on the internet is prohibited, and the execution ban is enforced by payment service providers in the Republic of Croatia.

Taxes related to climate change or sustainability

- CBAM-related developments, such as expected registrations for authorized CBAM declarant status

Windfall taxes

- No developments are currently expected.

VAT, GST or sales taxes

- Recent amendments to the VAT Act include among other things:
  - Possibility of refund of Croatian VAT for all non-EU businesses (no requirement of reciprocity)
  - Increased VAT registration threshold

Personal taxes

- Recent amendments to the PIT Act include among other things:
  - Reduced taxation of annual PIT
  - Exemption from paying PIT on salaries for repatriated Croatian citizens
  - Changes to health insurance contribution exemptions
  - Increased taxation of tourist (short-term) rentals

Other

- Mandatory property tax introduced as a replacement for the optional vacation home tax
- To facilitate tax collection, possible for shareholders to be held liable for the payment of tax if the company fails to file tax returns

Croatia

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Implementation of new tax legislation (VAT Act, PIT Act, Tax Consultancy Act)

Top tax enforcement or tax controversy development expectations for 2025

- Implementation of new tax legislation, particularly concerning the following:
  - Shareholders' liability for non-submission of tax returns
  - Statute of limitation for the right to collect taxes not running in cases in which the tax authority was unable to initiate collection procedure
  - Exceptions allowing tax inspections to commence within a period of six years (instead of three) from the beginning of the statute of limitation period extended to cover more cases (e.g., when a taxpayer is involved in cross-border transactions, when there is reasonable suspicion of certain criminal offences)

Tax audits in Croatia in 2025 are generally expected to stay the same in number and/or intensity.

Top audit issues (all taxes)

1. Transfer pricing and deductibility of costs
2. Deemed income based on an assessment of sufficient profitability that is not based on TP but rather tax authority's evaluation of taxpayers' business models
3. VAT carousel frauds

Changes in tax audit approaches or methods

- There were no changes in tax audit approach or methods.

Changes to dispute prevention or dispute resolution tools or programs

- No developments are currently expected,

Tax governance approach or processes developments for business taxpayers

- The obligation to use tax authority's electronic system (e-Porezna) portal is extended to all legal and natural persons, including corporate profit taxpayers, self-employed individuals, individuals receiving income from the rental of housing or for tourism and crew members of ships in international navigation.

Digital tax administration developments

- Obligation to use tax authority's electronic system has been extended.
- Tax acts and related documents may be delivered electronically to users of the tax authority's electronic system, whereby the user is deemed to give explicit consent to this delivery method by registering or logging in.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	18%	18%	–	Same	Same
PIT	35.4%	33%	6.8%	Lower	Lower
VAT/sales	25%	25%	–	Same	Same

The 2025 Tax Policy and Controversy Outlook is a survey of EY tax policy and controversy leaders in the jurisdictions concerned and represents only the personal views of those respondents.

This information is current as of 12 February 2025.

Cyprus

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EY key contacts

Tax policy:	Tax controversy:
Philippos Raptopoulos	Simos Simou

Key issues to watch in 2025

- Pillar Two implementation
- Transfer pricing legislation implementation
- Upcoming Cyprus tax reform under consultation in 2025
- VAT on immovable property amendments; in particular, building disposals
- Introduction of green taxes (water, carbon, tourism, landfill)

Key drivers of tax policy change

- Issuance of additional guidance notes and FAQs relating to the practical implementation of the new transfer pricing legislation, introduced as of 1 January 2022
- Introduction of Pillar Two legislation, which will allow the government to observe practical issues relating to the implementation of the new minimum tax
- To comply with the requirements of the EU Resilience and Recovery (RRF) plan, Cyprus to introduce defensive measures for payments to jurisdictions included in the EU's list of non-cooperative jurisdictions

Significant tax developments in 2024

- Consultation relating to the introduction of defensive measures for payments to low tax jurisdictions
- Introduction of the Pillar Two legislation with retroactive effect

Significant tax developments expected in 2025

- Practical application of the rules on transfer pricing
- Practical application of the Pillar Two rules
- Green taxation introduction and mitigation measures

Major legislative activity that could include tax

- Issuance of circular on controlled foreign company rules
- Issuance of circular on the practical application of the new withholding tax rules

Developments in tax transparency requirements

- Ongoing monitoring and information requests by the tax authorities in relation to DAC 6
- Ongoing consultation on DAC 9

Cyprus
Expectations for tax policy

Significant tax reform is expected in 2025 given an open governmental project for the Cyprus tax system review. The exact enactment and implementation timing is not yet known.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- No major changes are expected in terms of the corporate tax rate other than the Pillar Two implementation impact for those companies that are affected.

Taxes on digital business activity

- The introduction of new taxes on digital business activity are expected to follow and be aligned to any relevant EU legislative initiatives.

Taxes related to climate change or sustainability

- Carbon taxes on fossil fuels and high-emitting industries
- Water taxation on selected activities
- Landfill taxes and pay as your throw levies

Windfall taxes

- No changes are currently expected.

VAT/GST or sales taxes

- VAT on immovable property changes regarding buildings disposal

Personal taxes

- No major changes are expected in terms of personal taxes subject to tax reform consultation.

Other

- Tourism tax per accommodation night

Cyprus

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The Cypriot tax authorities continued to perform routine audits for large taxpayers. In addition, they performed tax examinations to companies applying for voluntary examination (e.g., obtaining a tax clearance certificate as part of a company's liquidation or legal migration).
- Examinations are also spawned by refund requests.
- The authorities carry out sectoral examinations from time to time. With respect to collection mechanisms, the Commissioner has certain powers which must be observed by taxpayers.

Top tax enforcement or tax controversy development expectations for 2025

- Transfer pricing challenges are expected to arise.
- VAT data will be used in direct tax audits and vice versa.

Tax audits in Cyprus in 2025 are generally expected to

increase in number and intensity.

Top audit issues

1. Transfer pricing: The introduction of transfer pricing legislation is expected to increased attention on transfer pricing matters. Previously, only intragroup financing transactions have been covered.
2. Disallowance of expenses is expected to remain as one of the most frequent challenges made by the tax authorities within the process of a tax examination.
3. Other issues that receive attention include VAT treatment of FinTech, immovable property transactions, payment processing systems, holding – financing companies, missing trader fraud, loyalty schemes, input VAT recovery and EU ETS implications.

Changes in tax audit approaches or methods

1. Utilisation of data via their new TFA digital portal
2. Recruitment of additional officers to handle joint direct and indirect tax (VAT)

Changes to dispute prevention or dispute resolution tools or programs

- No changes are currently expected other than a review of the Tax Tribunal operation.

Tax governance approach/processes developments for business taxpayers

- Tax authorities expected to continue enhancement of tax corporate governance requirements
- Tax reviews becoming more granular in data production requirements
- Anticipated review of tax circulars and re-issue of updated ones

Digital tax administration developments

- A new tax portal (Tax For All) was introduced in 2024, and its application is extended to a number of new areas of the tax laws, including filing of requests and additional returns.
- Per the RRF, there is a commitment to digitize the tax administration.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	12.5%	12.5%	–	Same	Same
PIT	35%	35%	–	Same	Same
VAT/sales	19%	19%	–	Same	Same

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Czech Republic

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EY key contacts

Tax policy:	Tax controversy:
Lucie Říhová	Radek Matuštík

Key issues to watch in 2025

- BEPS 2.0 Pillar Two Law amendment
- Major reform of tax and accounting laws
- Planned changes to the tax code
- Budget deficit reduction

Key drivers of tax policy change

- Compliance with BEPS 2.0 Pillar Two OECD interpretations
- Modernization and simplification of existing rules to better align with current economic and technological conditions
- Compliance with international standards and trends
- Focus on anti-avoidance measures
- Healthy public finance
- Efforts to balance the tax responsibility between employees and other laborers (self-employed, temporary workers, etc.)

Significant tax developments in 2024

- A large tax reform took effect in the Czech Republic on 1 January 2024. The reform included changes in tax rates (CIT and VAT), adjustments in the budget allocation of tax revenues toward the state budget and limits to selected tax exemptions.
- BEPS 2.0 Pillar Two was implemented, with QDMTT applicable from 1 January 2024.

Significant tax developments expected in 2025

- Adoption of the new act on accounting and related amendment of the Czech Income Taxes Act is expected in 2025 (with effective dates still unclear).
- Adoption of amendment of BEPS 2.0 Pillar Two Law with the aim of qualifying for QDMTT and QDMTT Safe Harbor is expected in 2025.
- The tax exemption on the sale of securities is likely to be extended to crypto assets.
- Amendments to the tax code are being prepared and adjustments could come into effect during 2025 or at the beginning of 2026.
- From 1 January 2025, an amendment to the VAT Act comes into effect, bringing major changes to VAT for small businesses.

Major legislative activity that could include tax

- No additional major legislative changes are being discussed at the moment (besides the expected tax developments).

Developments in tax transparency requirements

- Public CbCR rules implemented and applicable for accounting periods starting on 22 June 2024 or later
- Expected EU amendment of DAC setting a framework for facilitating the exchange of GloBE Information Return

Major multilateral or bilateral cooperation activities

- Generally, Czech Republic enters into a significantly growing number of mutual agreement procedures.

Czech Republic
Expectations for tax policy

Significant tax reform is expected in 2025.

Elections — The elections to the Chamber of Deputies of the Parliament of the Czech Republic are expected to take place between late September and early October 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- The corporate income tax rate is expected to stay at 21%.
- Adoption of the new act on accounting and related amendment of the Czech Income Taxes Act is expected in 2025 (with effective dates still unclear).

Taxes on digital business activity

- Consideration of a digital tax is currently on hold.

Taxes related to climate change or sustainability

- A draft of CBAM legislation is currently being discussed in parliament.

Windfall taxes

- For years 2023-2025, a windfall tax applies to companies with significant activities in the areas of electricity and gas production, and trade, banking, fossil fuel extraction and production, and distribution of petroleum and coke products.

VAT, GST or sales taxes

- There are two VAT rates: standard (21%) and reduced (12%).
- Changes in obligatory VAT registration threshold computation include:
  - EU threshold of CZK2,536,500 — VAT registration becomes effective the next day.
  - National threshold of CZK2 million — The VAT registration may become effective the next day after the threshold has been exceeded or at the beginning of next year depending on whether application for VAT registration has been submitted.
- Simplification of VAT implications in real estate will be effective from 1 July 2025.
- The deadline for input VAT deduction has been reduced from three to approximately two years (time period may vary depending on the date of supply).
- The deadline for correcting the VAT base has been extended to seven years.

Personal taxes

- The capital gain tax exemption cap (CZK40 million per tax year) is effective from 1 January 2025.
- Tax exemption of the sale of securities is likely to be extended to crypto assets.
- Additional amendment of rules for taxation of employee stock option and share plans is currently in the approval process, which would reintroduce the tax rules valid before 2024. The current mandatory deferral of taxation effective from 1 January 2024 would be subject to an opt-in mechanism only (including 2024 events).

Other

- Excise duty on tobacco, including heated tobacco products and alcohol, will be increased significantly in 2025 and over the following years.

Czech Republic

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- There has been an increase in tax audits after a decline during the COVID-19 pandemic.
- Czech tax authorities continue to focus on the use of data analytics for tax audits.
- Czech tax authorities frequently focus on Czech manufacturers (typically in automotive industry) who are in a loss-making position because of the COVID-19 pandemic or difficult conditions in the industry.
- As a result of a change in case law, a late refund of interest on an incorrect tax assessment by the tax authorities is subject to a second (and further) interest charge.
- Tax authorities started to use nudge letters as a form of informal communication with taxpayers.

Top tax enforcement or tax controversy development expectations for 2025

- A continued focus on TP rules enforcement and anti-avoidance measures application using data analytics as the starting point for tax audits
- Given some important tax policy changes in previous years (windfall tax implementation, limitations of tax exemptions, increased tax rates), tax authorities' increasing focus on potential avoidance of new rules possible
- Late refund of interest on an incorrect tax assessment by the tax authorities to no longer be subject to any other interest charge by law

Tax audits in Czech republic in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

1. Transfer prices – TP set-up, cost + margin
2. Withholding tax – beneficial ownership declaration
3. Incentives and R&D – eligible costs, administrative requirements, focus on R&D criteria fulfillment
4. Disallowance of expenses from services – insufficient documentation that the costs were incurred in order to generate, maintain and assure taxable income
5. VAT – carousel frauds, documentation to support input VAT claim

Changes in tax audit approaches or methods

- No developments are expected in 2025.

Changes to dispute prevention or dispute resolution tools or programs

- No developments are expected in 2025.

Tax governance approach or processes developments for business taxpayers

- No developments are expected in 2025.

Digital tax administration developments

- The digital tax bill was not approved before the elections in 2021, and the initiative was then abandoned.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	21%	21%	–	Same	Same
PIT	15%, 23%	15%, 23%	–	Higher	Higher
VAT/sales	(0)%, 12%, 21%	(0)%, 12%, 21%	–	Same	Same

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Denmark

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EY key contacts

Tax policy:	Tax controversy:
Jens Wittendorff	Justin Breau

Key issues to watch in 2025

- Measures to improve the tax treatment of business entrepreneurs
- Reform of the R&D incentive
- Implementation of BEPS 2.0
- Implementation of to EU Directive on crypto assets

Key drivers of tax policy change

- Improve taxation of business entrepreneurs
- Protection of the tax base
- Improving the rights of taxpayers

Significant tax developments in 2024

- A reform of the taxation of individuals reducing the taxation of most taxpayers, but also introducing a new top-top tax of 5% for income in excess of DKK2.5 million

Significant tax developments expected in 2025

- Reduction of gift and inheritance taxation on the transfer of family businesses, and introducing objective rules for the calculation of fair market value of businesses
- Reduction of the taxation of investments in unlisted companies and other measures aimed at improving the tax treatment of business entrepreneurs
- A reform of tax subsidies whereby the R&D incentive is improved by increasing tax deduction for qualifying R&D expenses from 110% to 120%, and where an upfront 100% deduction for investments in patents and know-how, and software, are transformed into annual amortization
- Improving the rights of taxpayers faced with criminal charges
- Implementation of the changes to EU Directive 2011/16/EU on administrative assistance in relation to crypto assets (DAC 8) and introduction of new domestic rules on the taxation of crypto assets
- Implementation of Amount B under Pillar I, amendments of the Global Minimum Taxation Law (Pillar Two) and introduction of new exemptions from transfer pricing documentation requirements

Major legislative activity that could include tax

- No changes are currently expected.

Developments in tax transparency requirements

- Changes to the anti-hybrid mismatch rules addressing hybrid entities are expected. The purpose of the new rules will be to close a loophole making it possible to create stateless (tax exempt) income.

Major multilateral or bilateral cooperation activities

- No new activities

Denmark
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not expected to occur in 2025.

R&D incentives are expected to increase.

Other business incentives are expected to stay the same.

Corporate taxes

- R&D deduction increased from 110% to 120% (fully implemented in 2028)
- 100% upfront tax deduction for investments in patents, know-how and software transformed into annual tax amortization
- Transfer pricing documentation requirements are relaxed
- Amount B is implemented into Danish tax law

Taxes on digital business activity

- No major changes are expected to be introduced.

Taxes related to climate change or sustainability

- No major changes are expected to be introduced.

Windfall taxes

- No windfall taxes have been or are expected to be introduced.

VAT, GST or sales taxes

- No major changes are expected to be introduced.

Personal taxes

- No major changes are expected to be introduced.

Denmark

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- No significant changes occurred.

Top tax enforcement or tax controversy development expectations for 2025

- Draft legislation tabled, which will increase the threshold for mandatory transfer pricing documentation requirements (for SMEs)

Tax audits in Denmark in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

1. Transfer pricing
2. R&D deduction
3. Withholding taxes

Changes in tax audit approaches or methods

- No changes are currently expected.

Changes to dispute prevention or dispute resolution tools or programs

- No changes are currently expected.

Tax governance approach or processes developments for business taxpayers

- No changes are currently expected.

Digital tax administration developments

- No changes are currently expected.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	22%	22%	–	Same	Same
PIT	56%	56%	–	Same	Same
VAT/sales	25%	25%	–	Same	Same

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Dominican Republic

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EY key contacts

Tax policy:
Luis Ocando, Daniel Quesada

Tax controversy:
Rafael Sayagues

Key issues to watch in 2025

- Continuity of electronic invoicing implementation
- Tax audits in transfer pricing issues and on capital gains tax arising from transfer of Dominican companies
- Increase of audits arising from information gathered from electronic invoicing
- Potential changes to tax code (general rules, procedures and penalties)

Key drivers of tax policy change

- Tax evasion and avoidance by taxpayers
- Formalization of enterprises and microenterprises
- Fiscal transparency

Significant tax developments in 2024

- Implementation of electronic Invoicing
- Requirement that all applications for registration in the National Taxpayers Registry (RNC) must appoint an individual responsible for compliance of the tax obligations of a corporation or entity
- Changes to regulation on the discharge of real estate
- Enactment of conditions for the achievement of prudent, responsible and transparent financial management of the state, in order to guarantee the economic and sustainable development of the country

Significant tax developments expected in 2025

- Measures arising from electronic invoicing implementation
- Tax audits in transfer pricing issues and on capital gains tax arising from transfer of Dominican companies
- Potential implementation of Collaborative Compliance Program between taxpayers and tax authority

Dominican Republic
Expectations for tax policy

Significant tax reform is possible.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- No changes are currently expected.

Taxes on digital business activity

- A regulation regarding the application of VAT to digital services has been put on hold for several years by the executive power, and it is unknown if it will be approved by 2025.

Taxes related to climate change or sustainability

- Dominican Republic does not impose a carbon tax or any other climate change-related tax.

Windfall taxes

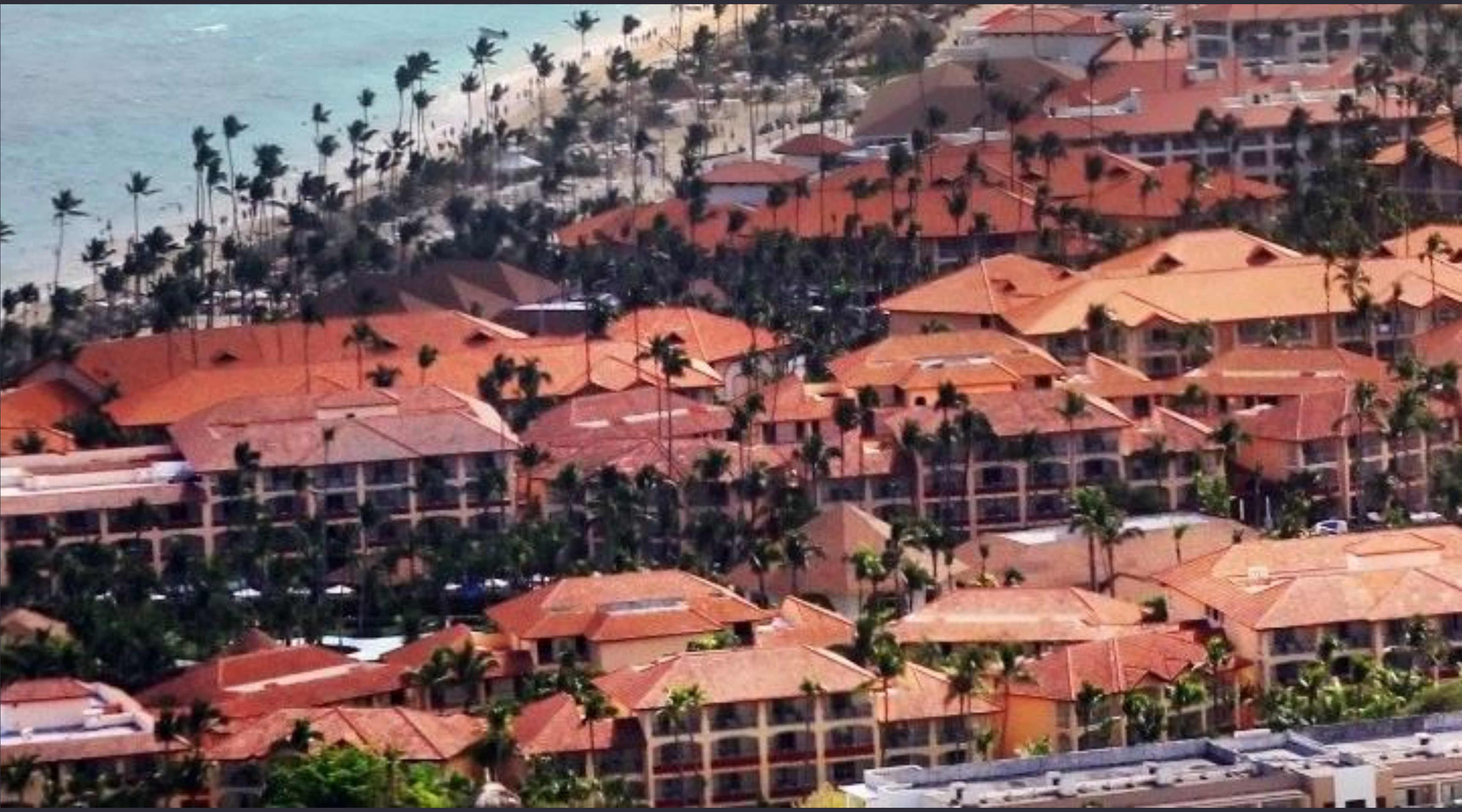
- No significant developments are expected.

VAT, GST or sales taxes

- No changes are currently expected.

Personal taxes

- For 2025, the Dominican tax authority will not apply the inflation adjustment to the income scale for individuals.



Dominican Republic

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Exchange of information by the tax administration with other jurisdictions and the use of international taxation tools
- Improvements in transfer pricing guidelines between affiliates
- Strengthening measures against tax evasion and avoidance by multinational corporations

Top tax enforcement or tax controversy development expectations for 2025

- Use of information gathered with the implementation of electronic invoicing as support for tax audits

Tax audits in Dominican Republic in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

1. Income tax
2. VAT
3. Withholding taxes on remittances abroad
4. Transfer pricing
5. Capital gains taxes

Changes in tax audit approaches or methods

- No significant changes are expected in 2025.

Changes to dispute prevention or dispute resolution tools or programs

- No significant changes are expected in 2025.

Tax governance approach or processes developments for business taxpayers

- For 2025, the tax authority will implement a series of administrative measures with the aim of preventing tax avoidance, and allow the formalization of new taxpayers, being able to reach more than 75,000 new registered individuals and legal entities, not including salaried employees.

Digital tax administration developments

- For 2025, the tax authority will implement a series of administrative measures regarding the improvement of the IT systems of the tax authority and the customs authority.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	27%	27%	N/A	Same	Same
PIT	25%	25%	N/A	Same	Same
VAT/sales	18%	18%	N/A	Same	Same

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Ecuador

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EY key contacts

Tax policy:	Tax controversy:
Carlos Cazar, Fernanda Checa	Fernanda Checa

Key issues to watch in 2025

- New Shareholders Annex Report
- 15% flat CIT rate sports betting houses, calculated on the income perceived
- VAT increase to remain

Key drivers of tax policy change

- The government has published a list of the subheadings with a reduced outflow tax tariff, which will vary on 0% or 2.5%.
- The general VAT rate remains at 15% for 2025.

Significant tax developments in 2024

- 100% remission for interest, fines and surcharges was possible if a taxpayer fulfilled all of its tax obligations.

Significant tax developments expected in 2025

- Presidential elections will be carried on the first quarter of 2025; therefore, the elected president may redirect tax policies.

Major legislative activity that could include tax

- Currently, no major legislative activity is pending to be decided that includes a change in taxes.

Developments in tax transparency requirements

- Ecuador is part of the International Transparency Forum and has an agreement for the exchange of information with the United States.

Major multilateral or bilateral cooperation activities

- Double tax treaty between Ecuador and the United Kingdom is in force since 19 December 2024.

Ecuador
Expectations for tax policy

Significant tax reform could occur in 2025.

Elections are occurring in February 2025.

R&D incentives may remain the same.

Other business incentives may remain the same.

Corporate taxes

- The corporate tax rate will remain at 25%. This can be increased 3% if:
  - The company has shareholders whose corporate structure has failed to comply with its duty to inform the Internal Revenue Service (IRS)
  - Within the ownership structure there is a resident in a tax haven, jurisdiction of lower taxation or preferential tax regime and the beneficial owner is a tax resident of Ecuador
- There is a 15% flat CIT rate for sports betting houses, calculated on the income perceived.

Taxes on digital business activity

- Only VAT is applicable for digital services, which is triggered in the importation of digital services, and the triggering event will be verified at the time of payment by the Ecuadorian resident, in favor of a nonresident providing the digital services.

Taxes related to climate change or sustainability

- No developments are currently expected.

Windfall taxes

- No developments are currently expected.

VAT, GST or sales taxes

- The VAT rate is statutorily 13%, but by decree, the President has temporarily modified the VAT rate to 15%.

Personal taxes

- The tax base was increased based on a raise in the Basic Unified Remuneration. In this sense, the exempt base starts at USD11,902 for 2025.

Ecuador

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The IRS could accept an exceptional payment plan of up to 12 months for tax obligations triggered until 31 October 2024. The payment plan must have been filed by the end of February 2025.
- Focus areas included:
  - Deferral taxes
  - Administrative, technical and assistance payments to related parties
  - Royalty payments

Top tax enforcement or tax controversy development expectations for 2025

- Increase in transfer pricing controversy
- Substance over form review and formal compliance in the transactions

Tax audits in Ecuador in 2025 are generally expected to increase.

Top audit issues (all taxes)

1. Review of related parties' transactions, including formal and material supports
2. Deductible expenses used by the taxpayers

Changes in tax audit approaches or methods

- No changes in the procedures of the tax audit are expected.

Changes to dispute prevention or dispute resolution tools or programs

- No changes made since mediation was incorporated in FY23 are expected.

Tax governance approach or processes developments for business taxpayers

- We expect tax authorities will continue enhancement of tax corporate governance requirements.

Digital tax administration developments

- The digital platform of the IRS is in continuous improvement, and all tax obligations are submitted through this portal.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	25%*	25%*	–	Same	Same
PIT	37%	37%	–	Same	Same
VAT/sales	15%	15%	–	Higher	Higher

* Additional 3% potentially added if: (a) the company has shareholders whose corporate structure has not complied with the duty to inform the IRS, or (b) among the owners, there is a resident in a tax haven, low-tax jurisdiction or preferential tax regime, and the beneficial owner is a tax resident of Ecuador.

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Egypt

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EY key contacts

Tax policy:	Tax controversy:
Ahmed El-Sayed, Hossam Nasr, Ahmed Aboelfotouh	Ahmed El-Sayed, Hossam Nasr, Ahmed Aboelfotouh

Key issues to watch in 2025

- VAT reform by canceling VAT on certain exported services
- Reintroducing tax dispute resolution provisions

Key drivers of tax policy change

- New tax reforms reducing tax on taxpayers
- Enhancing the tax environment for taxpayers designed to ease compliance and resolve outstanding tax disputes

Significant tax developments in 2024

- The updated thin capitalization ratio of 3:1 began from FY2024 and will continue until FY2027. The ratio will further decrease to 2:1 from FY2028.
- Effective from 16 February 2024, Decree No. 52 of 2024 from the Ministry of Finance (MoF) raised the exemption limit for submitting the master file or local file, which are necessary for transfer pricing compliance, to EGP15 million.
- On 17 November 2024, the Egyptian Tax Authority (ETA) terminated VAT on specific exported services, including marketing, promotion, warranty services and agency services. The instruction is effective from its date of issuance. Although the new instruction cancels the previous VAT requirement, companies that have already collected VAT must remit these amounts to the ETA.
- On 3 December 2024, the Egyptian Parliament reintroduced the Dispute Resolution Committee (DRC) mechanism. Effective 4 December 2024, the DRC will handle pending and new tax dispute requests until 30 June 2025.

Significant tax developments expected in 2025

- E-receipts, from 1 January 2025, are mandatory for input VAT recoverability and cost deductibility purposes.

Major legislative activity that could include tax

- Tax incentive packages and tax policies are possible.
- More detailed instructions to be issued for the cancelation of the Circulars, which required certain exported services to be subject to VAT based on the beneficiary's location being in Egypt, regardless of the recipient's residency.

Developments in tax transparency requirements

- N/A

Major multilateral or bilateral cooperation activities

- N/A

Egypt
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same

Corporate taxes

- E-receipts, from 1 January 2025, are mandatory for cost deductibility purposes.
- The updated thin capitalization ratio of 3:1 began in FY2024 and will continue until FY2027. The ratio will decrease again to 2:1 from FY2028.
- The DRC will handle pending and new tax dispute requests until 30 June 2025.

Taxes on digital business activity

- No changes are currently expected in 2025.

Taxes related to climate change or sustainability

- No developments are currently expected.

Windfall taxes

- Egypt does not currently impose windfall taxes.

VAT, GST or sales taxes

- E-receipts, from 1 January 2025, are mandatory for input VAT recoverability purposes.
- The VAT previously applied to specific exported services will be subject to a 0% VAT rate instead of the general VAT rate, governed by the provisions of VAT Law No. (67) of 2016 and its Executive Regulations.

Personal taxes

- The non-principal employer is required to withhold 10% as an initial payroll tax settled by the principal employer and remit it to the tax authority within the first 15 days of each month, effective from 1 January 2024.

Egypt
Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Decrease in the debt-to-equity ratio to 3:1 effective from year 2024 (down from 4:1 in 2023)
- Instruction ending VAT on specific exported services
- Reintroduction of the DRC mechanism; effective 4 December 2024, the DRC to handle pending and new tax dispute requests until 30 June 2025

Top tax enforcement or tax controversy development expectations for 2025

- Executive Regulations of Law No. 30 of 2023, which was published in the *Official Gazette* introducing major amendments to Income Tax Law No. 91 of 2005, to be issued
- Amendment to unified tax procedures law expected
- More detailed instructions to be issued regarding the cancelation of VAT on specific exported services expected

Tax audits in Egypt in 2025 are generally expected to
stay the same in number and intensity.

Top audit issues (all taxes)

1. Absence or insufficiency of documents and analysis (mandated to have e-invoices or e-receipts for cost deductibility purposes)
2. Foreign exchange gain or loss tax treatment
3. Noncompliance with the submission of the required transfer pricing documents leading to TP adjustments
4. WHT and application of tax treaties

Changes in tax audit approaches or methods

- No changes are currently expected.

Changes to dispute prevention or dispute resolution tools or programs

- The DRC will handle pending and new tax dispute requests until 30 June 2025.

Tax governance approach or processes developments for business taxpayers

- No changes are currently expected.

Digital tax administration developments

- No changes are currently expected.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	22.5%	22.5%	0	Same	Same
PIT	27.5%	27.5%	0	Same	Same
VAT/sales	14%	14%	0	Same	Same

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El Salvador

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EY key contacts

Tax policy:	Tax controversy:
Luis Ocando, Daniel Quesada	Rafael Sayagués

Key issues to watch in 2025

- Increased amount of tax audit processes
- Amount of information requested in tax audit processes
- Increased amount of proof to justify deductibility of expenses by taxpayers
- Increased amounts of audits related to intercompany operations and international transactions

Key drivers of tax policy change

- Achieve fiscal sustainability by addressing structural imbalances in public finances and improving long-term resilience to economic shocks
- Modernize tax and customs systems through technological innovation to improve efficiency, reduce corruption and facilitate compliance
- Encourage taxpayer education and engagement to foster a culture of voluntary compliance and shared responsibility in supporting national development
- Strengthen public trust and transparency in fiscal policies by providing accountability and aligning with national development goals
- Enhance transparency and accountability in tax audits and determinations to build trust among taxpayers and reduce compliance burdens

Significant tax developments in 2024

- **Simplified joint-stock companies:** In February 2024, the new amendments to the Commercial Code came into effect, introducing a new type of company known as the *"simplified joint-stock company"* (SAS). Among the most notable features of this new entity are the ability to establish it with one or more shareholders and a minimum share capital of **USD1.00**.
- **Income tax exemption on foreign income**: In March 2024, the Legislative Assembly approved amendments to the Income Tax Law, excluding from taxable income all earnings obtained abroad by individuals and entities, regardless of domicile. This seeks to attract foreign investment and simplify tax procedures.
- **New IP Law published:** In August 2024, the new Intellectual Property Law was officially published in the *Official Gazette*. This law will come into effect six months after its publication. Upon its entry into force, it will annul the current Trademarks and Other Distinctive Signs Law as well as the existing Intellectual Property Law.
- In September 2024, the Legislative Assembly of El Salvador approved the "Special Provisions for the Promotion and Granting of Tax Incentives for the Development of Real Estate Projects." The objective of these provisions is to promote investment and economic activities in high-rise real estate development projects. The fiscal benefits granted include exemption from income tax on profits and income; exemption from capital gains tax; exemption from withholding taxes; and the payment or advance payment of the aforementioned taxes. The duration of these exemptions is 15 years.
- On 20 August 2024, the Legislative Assembly received a new bill titled "Law for the Promotion of FinTech Entities and Regulation of Digital Financial Services." According to the proposed law, the objective of the regulation is to promote and regulate business models based on financial technologies in El Salvador. It aims to create an environment that facilitates the development of new digital financial products and services provided by Salvadoran or foreign legal entities operating within the national territory.

Significant tax developments expected in 2025

- Implementation of e-invoicing for small- and medium-taxpayers
- Implementation of the new IP Law
- The publication in the *Official Gazette* of Special Provisions for the Promotion and Granting of Tax Incentives for the Development of Real Estate Projects

El Salvador
Expectations for tax policy

Major legislative activity that could include tax

- Amendments to the Commercial Code
- Approval of the "Law for the Promotion of Fintech Entities and Regulation of Digital Financial Services"

Developments in tax transparency requirements

- Report every beneficial owner regarding any type of company

Major multilateral or bilateral cooperation activities

- There are no multilateral or bilateral cooperation activities that we know of.

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- There are no changes known to date.

Taxes on digital business activity

- There are no changes known to date.

Taxes related to climate change or sustainability

- There are no changes known to date.

Windfall taxes

- There are no changes known to date.

VAT/GST or sales taxes

- There are no changes known to date.

Personal taxes

- There are no changes known to date.

Other

- There are no changes known to date.

El Salvador

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Electronic Invoicing
- An increase in tax authority funding
- Increased amount of tax audit processes
- Amount of information requested in tax audit processes
- Increased amount of proof to justify deductibility of expenses by taxpayers
- Increased amounts of audits related to intercompany operations and international transactions

Top tax enforcement or tax controversy development expectations for 2025

- Proof to justify deductibility of expenses by taxpayers
- Audits related to intercompany operations and international transactions
- Increase in audits focused on non-taxable income

Tax audits in El Salvador in 2025 are generally expected to increase in number and/or intensity.

Top audit issues (all taxes)

1. Adjustment of operations made with Credit Notes
2. Denial of tax refunds requested by non-domiciled entities
3. Deductibility of expenses by taxpayers
4. Intercompany operations and international transactions
5. Inventory reports comply with all legal requirements

Changes in tax audit approaches or methods

- There has been an increase in audits and in the amount of information requested by tax authorities (TAs) during an audit process. The TAs have especially been requiring extensive proof to justify the deductibility of expenses by taxpayers.

Changes to dispute prevention or dispute resolution tools or programs

- There are no changes known to date.

Tax governance approach or processes developments for business taxpayers

- Mandatory or voluntary program(s) that test a company's tax governance or tax controls may occur in 2025.

Digital tax administration developments

- Electronic invoicing

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	25%-30%	25%-30%	–	Same	Same
PIT	Starting at 10%, up to 30%	Starting at 10%, up to 30%	–	Same	Same
VAT/sales	13%	13%	–	Same	Same

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Estonia

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EY key contacts

Tax policy:	Tax controversy:
Ranno Tingas	Hedi Wahtramäe

Key issues to watch in 2025

- New defense tax
- New motor vehicle tax
- New Debt-Push-Down Guidelines

Key drivers of tax policy change

- The overarching objective of the Estonian government's taxation strategy is to transition tax responsibility from income to consumption and promote more environmentally sustainable activities by taxing the use of natural resources and pollution of environment.
- At the same time its primary objective is to maintain simplicity and transparency of the tax system, minimizing exceptions and disparities wherever possible.
- Deriving from the main principles of Estonian tax policy, the focus is on:
  - Facilitating a robust and stable tax system
  - Upholding a broad tax base with lower rates
  - Establishing optimal tax burden and structure
  - Achieving transparency with limited exceptions

Significant tax developments in 2024

- Several significant amendments have been made to the Estonian tax legislation, taking an effect in years 2025 to 2026. The changes manifest an upward trend in various taxes applicable to individuals, corporations, and specific goods and services.
- The parliament has adopted the Defense Tax Act, which introduces a temporary defense tax until 31 December 2028. The defense tax will consist of three components:
  - 2% VAT from 1 July 2025 (standard VAT rate increase to 24%)
  - 2% defense tax on personal income from 1 January 2026
  - 2% defense tax on companies' annual profits from 1 January 2026
- Effective 1 January 2025, a new law in Estonia establishes a motor vehicle tax, which consists of two parts, an annual tax for light motor vehicles and a registration fee.
- Personal income tax increased from a flat rate of 20% to 22% from 2025. Universal tax exemption has been postponed until 2026, and tax exemption will continue to depend on the income of the taxpayer. The 7% income tax withholding will remain applicable only to dividends that were taxed at the reduced Estonian corporate income tax of 14% (applicable until the end of 2024).
- Corporate income tax increased from 20% (of gross distributed profit) to 22% from 2025. The tax rate is applied to the net taxable amount divided by 0.78 from 2025. The advance corporate income tax for credit institutions (bank levy) increased from 14% to 18% from 2025.
- Amendments to the Income Tax Act have been adopted, which improved the investment account system for resident natural persons, allowing them to postpone taxation of their investment income until the income is taken into use. Starting from 1 January 2024, it has been possible to invest in regulated crowdfunding instruments, and starting from 1 January 2025, it is possible to invest in regulated crypto assets via an investment account.
- On 4 December 2024, the Estonian Parliament approved several amendments to the Income Tax Act, which are effective from 1 January 2025, and increased the amounts of various tax-exempt payments and expenses, such as compensation for the use of personal cars, employees' daily allowance for business trips abroad, expenses related to employee health, sports, and accommodation and representation costs.
- The EU Minimum Tax Directive was partially transposed in Estonia, as Estonia and other smaller countries with fewer than 12 ultimate parent entities of multinational groups within the scope of the directive may postpone implementing the minimum tax requirement until 2030.

Estonia

Significant tax developments in 2024 (continued)

- According to the already effective amendments to the VAT Act, the VAT rate on accommodation services and accommodation services with breakfast is increased from 9% to 13% from 1 January 2025. The VAT for press publications (newspapers, magazines) from 5% to 9%. From 1 July 2025 general VAT rate will be 24%.
- Effective 1 January 2025, a procedure for the automatic exchange of information between member states is established. According to the amendments to the VAT Act, small enterprises (total annual turnover in the EU below EUR100,000) in different Member States will be able to benefit from a single EU-wide special scheme. A small enterprise from one Member State will be able to benefit from the special scheme applicable in their Member State in all member states.
- The VAT amendments give a person engaged in business in another Member State rights equal to those of Estonian small enterprises, enabling them to use the tax exemption for small enterprises if their turnover in Estonia does not exceed EUR40,000 per calendar year, provided that their turnover in the entire European Union does not exceed EUR100,000 per calendar year.
- From 2025, the maximum tax rate for residential and agricultural land is increased from 0.5% to 1.0% of the taxable value of the land. The maximum rate on other land, such as commercial, production and transport land, is increased from 1.0% to 2.0% of the taxable value of the land. In 2025, the annual increase in land tax will be subject to a uniform national ceiling of 50%, or EUR20 in cases where the 50% increase would be less than EUR20. From 2026 onward, local governments will be able to set their own limit for the annual increase in land tax, ranging from 10% to 100%. Land tax cannot exceed the amount calculated on the basis of the taxable value of the land and the applicable land tax rate.
- The nationwide area-based tax relief for land under homes will be abolished from 2026, but local governments will be able to decide on the size of the amount-based tax relief for land under homes. The relief may be up to EUR1,000 and land tax will have to be paid for the part exceeding the tax relief. A higher land tax can be paid in two instalments: by 31 March and 1 October.
- According to the amendments to the Accounting Act, starting from 1 July 2025, sellers are obligated to provide an e-invoice if a buyer requests it. The buyer has the right to demand an e-invoice from a seller in the private sector if the buyer is registered in the commercial register as an e-invoice recipient. If a buyer requests an e-invoice and no other format has been agreed upon, the European e-invoicing standard (EU EN16931-1) will be used by default. This amendment applies to all accounting entities registered in the commercial register as e-invoice recipients, including public sector entities.
- According to the amendments to the Auditors Activities Act, starting from 24 December 2024, compulsory audit and review thresholds regarding sales revenue and assets are increased retroactively. These criteria will be applied to all financial years beginning on or after 1 January 2024.
- Gasoline excise duties, unchanged since 2018, will rise by 5% annually starting in 2025. The excise duty will increase from 1 July in 2025 and from 1 May in 2026, 2027 and 2028.
- The excise duty rate on tobacco products will increase by 10% in 2025 and 2026, and the excise duty rate on alcohol will increase by 5% in 2025 and 10% in 2026. According to an amendment, the excise duty on alcohol and tobacco products will also grow by 5% in 2027 and 2028.
- On 18 December, the Estonian tax authorities released the Debt-Push-Down Guidelines, offering an official interpretation on various corporate restructuring transactions, including those related to leveraged acquisitions and internal corporate restructurings.

Significant tax developments expected in 2025

- Implementation of the new motor vehicle tax
- Preparation of implementation of the new defense tax
- Implementation of the new Debt-Push-Down Guidelines

Developments in tax transparency requirements

- An act amending the Tax Information Exchange Act, the Taxation Act and the Income Tax Act took effect on 12 May 2024, stipulating that the tax authority shall publish information about multinationals' CbCR on its website in compliance with public CbCR requirements. The CbCR reporting requirement applies to companies with a consolidated revenue of at least EUR750 million in the previous financial year.

Major multilateral or bilateral cooperation activities

- Estonia and Pakistan have signed a convention for the elimination of double taxation with respect to taxes on income and the prevention of tax evasion and avoidance. The treaty is applicable in Estonia from 1 January 2025 and in Pakistan from 1 July 2025.

Estonia
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections for local government council are occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- Corporate income tax increased from 20% to 22% from 2025. The tax rate is applied to the net taxable amount divided by 0.78 from 2025.
- Reduced 14% corporate income tax rate is abolished from 2025.
- New defense tax 2% (temporary corporate tax in 2026–2028): The corporate defense tax will be calculated based on stand-alone annual profits, with advance payments determined by the previous financial year's profits. For example, the profit generated in 2025 will determine the advance payment amounts for 2026.
- The advance corporate income tax for credit institutions (bank levy) increased from 14% to 18% from 2025.
- Fringe benefit and representation costs tax exempt thresholds increased.
- The EU Minimum Tax Directive (2022/2523) was partially transposed in Estonia, as Estonia and other smaller countries with fewer than 12 ultimate parent entities of multinational groups within the scope of the directive (i.e., with a consolidated revenue of over EUR750 million) may postpone implementing the minimum tax requirement until 2030.

Taxes on digital business activity

- No significant developments are expected.

Taxes related to climate change or sustainability

- No significant developments are expected.

Windfall taxes

- No significant developments are expected.

VAT, GST or sales taxes

- Standard VAT rate increases from 22% to 24% from 1 July 2025 (temporary defense tax).
- The VAT rate on accommodation services and accommodation services with breakfast increased from 9% to 13% from 1 January 2025.
- The VAT for press publications (newspapers, magazines) increased from 5% to 9% from 1 January 2025.
- Effective 1 January 2025, a procedure for the automatic exchange of information between Member States is established.
- The VAT amendments include, in addition to the above, changes in the following topics:
  - Limitations to the right to deduct input VAT in the special scheme for small enterprises
  - Reduction of the reverse charge obligation
  - Place of supply for events
  - Definition of new construction works
  - New rules for calculating the threshold for registering as a VAT payer
  - Registration obligation for persons holding an online marketplace
  - Calculating the threshold for registering as a VAT payer for companies who use profit margin accounting
  - Grounds for deleting VAT payers from the register
  - Data from the report on intra-community supply to be included in VAT return
  - Deducting and adjusting input VAT on immovable property
  - Special arrangements for resale of secondhand goods

Personal taxes

- Personal income tax increased from 20% to 22% from 2025.
- Universal tax exemption has been postponed until 2026, and tax exemption will continue to depend on the income of the taxpayer.
- The 7% income tax withholding will remain applicable only to dividends that were taxed at the reduced Estonian corporate income tax of 14% (applicable until the end on 2024).
- New defense tax 2% (temporary personal tax in 2026–2028). For resident natural persons, the tax base for personal defense tax will be somewhat broader than the current personal income tax base. It will include income tax exempt foreign dividends and salary, as well as income tax exempt II pillar and III pillar pension payments. The tax base for nonresidents will also extend somewhat beyond the existing limited income tax base.

Other

- Changes to audit thresholds from 24 December 2024 applied to all financial years beginning on or after 1 January 2024.
- Motor Vehicle Tax entered force from 1 January 2025.
- Land tax increased from 1 January 2025.
- Mandatory e-invoicing upon request will start from 1 July 2025.

Estonia

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Tax authority shall publish information about multinationals' CbCR on its website in compliance with public CbCR requirements.

Top tax enforcement or tax controversy development expectations for 2025

- Implications of new Motor Vehicle Tax will likely be addressed.

Tax audits in Estonia in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

1. Capital gains taxation and eligibility to treaty benefits
2. Debt-push-down and equity-push-down transaction, other corporate restructurings
3. Deemed profit distribution

Changes in tax audit approaches or methods

- No significant changes are expected.

Changes to dispute prevention or dispute resolution tools or programs

- No significant changes are expected.

Tax governance approach or processes developments for business taxpayers

- No significant changes or developments are expected.

Digital tax administration developments

- No significant changes or developments are expected.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	20%	22%	10%	Higher	Higher
PIT	20%	22%	10%	Higher	Higher
VAT/sales	22%	24%	9%	Higher	Higher

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This information is current as of 10 January 2025.

Finland

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EY key contacts

Tax policy and controversy:
Jukka Lyijynen

Key issues to watch in 2025

- Changes in VAT rules (VAT rates, rules for small businesses, rules for real estate investments)
- Changes in Finnish excise taxation
- Introduction of a tax credit for large green transition investments

Key drivers of tax policy change

- Focus on curtailing tax evasion in a manner that does not cause excessive administrative burden
- EU legislation
- Sustainability

Significant tax developments in 2024

- Pillar Two implementation regulations will be applied for the first time for tax year 2024. Per the transitional provisions, the declaration must be submitted for the first time within 18 months of the end of the financial year. So, groups whose financial year corresponds to the calendar year would submit the first declarations by the end of June 2026.
- The general transfer tax rates decreased for transfers of shares (2% to 1.5%) and real estate (4% to 3%).
- The transfer tax relief for first time home buyers was abolished.
- The general value-added tax rate increased from 24% to 25.5% starting from 1 September 2024.

Significant tax developments expected in 2025

- Beginning 1 January 2025, a company distributing dividends must file a transfer tax return and pay the transfer tax if it distributes dividends in the form of shares or other securities.
- The excise duty rates on tobacco, alcohol and alcoholic beverages increased from 1 January 2025, and new alcohol tax groups were added. Finland is awaiting the EU's response to soft drink tax legislation for the significant changes to take effect.
- The tax treatment of agricultural rental income is expected to be reformed.
- The employer's training deduction will be removed.
- The tax cards will take effect immediately at the beginning of the year, on 1 January 2025. Previously, the tax cards took effect at the beginning of February. The income limit indicated on the tax card will henceforth be calculated for the entire year, i.e., for 12 months.
- The deadlines for pre-filled tax returns will be moved forward. In 2025, the deadlines will be 15 April, 22 April and 29 April. The deadline for reviewing the property tax decision will also be moved to 15 April. There will be no changes to the deadlines for corporate tax returns.
- Changes to the VAT rates are effective 1 January 2025. The majority of goods and services previously subject to the reduced 10% VAT rate were moved to the reduced 14% VAT rate. Finland is also preparing to increase the VAT rate on sweets and chocolate from reduced rate (14%) to standard VAT rate (25.5 %) as of 1 June 2025.
- As of 1 January 2025, late filing fees and punitive tax increases were extended to cover also incorrectly reported VAT deductions and refunds.
- New VAT rules for small businesses were implemented as of 1 January 2025.
- A proposal to change VAT rules for real estate investments is expected.
- Introduction of tax credit for large green transition investments is expected.

Finland
Expectations for tax policy

Major legislative activity that could include tax

- Implementation of national legislation for EU CBAM and EUDR
- Implementation of EU ETS2 for road transport, buildings and additional sectors, with links to excise duty liabilities

Developments in tax transparency requirements

- Tax legislative requirements remain the same. However, other reporting requirements, such as CSRD, may include also disclosures on tax matters. Furthermore, other reporting requirements, such as CBAM, EUDR and various EPR liabilities, may require businesses to report transactional information.

Major multilateral or bilateral cooperation activities

- No new activities

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- CIT rates will remain the same.
- The opportunity for increased depreciation of machinery, equipment, and other comparable tangible fixed assets, previously available for the tax years 2020-2023, has been extended for tax years 2024 and 2025.

Taxes on digital business activity

- No significant sector-specific tax developments expected for 2025.

Taxes related to climate change or sustainability

- Excise taxation on tobacco, alcohol and alcoholic beverages is gradually increased over years 2025-2027, including changes in tax groups.
- The Finnish Parliament has approved changes in the soft drink tax legislation (driving for more health-based taxation), but the enforcement of the legislation is still pending approval by the European Commission (expected mid-2025).
- The government has proposed the VAT rate on sweets and chocolate to be increased from 14% to 25.5% as of 1 June 2025.
- The government has proposed to introduce a CIT credit for large green transition investments (license to be separately applied from Business Finland).

Windfall taxes

- The temporary profit tax for the electricity and fossil fuel industries was applied in tax year 2023. However, if the taxpayer's financial year did not end during the calendar year 2023, the law will be applied for the tax year 2024. This also applies if the decision to change the financial year was made on or after 1 December 2022, resulting in the financial year ending before 31 December 2023.

VAT, GST or sales taxes

- The VAT liability threshold for small businesses increased from EUR15,000 to EUR20,000. Other, more detailed changes to VAT exemption rules were made. The system of VAT relief for small businesses was removed as of the first tax period of 2025. Relief can still be applied for the year 2024 if the turnover has been up to EUR30,000.
- A new VAT system for small businesses was introduced within the EU, extending the VAT exemption for minor activities to companies established in another Member State.
- From 1 January 2025, the majority of goods and services previously subject to the reduced 10% VAT rate were moved to the reduced 14% VAT rate. However, this change does not apply to newspapers, magazines or public broadcasting. Menstrual products, incontinence products and children's diapers were moved from the standard VAT rate to the reduced VAT rate of 14%.
- The proposed increase in VAT rates applicable on sweets and chocolate is intended to take effect on 1 June 2025.
- The Finnish government is expected to propose changes to VAT rules for real estate investments (related to European Court of Justice ruling). However, details of the proposed changes are still unknown.

Finland
Expectations for tax policy

Personal taxes

- The deadlines for pre-filled tax returns will be moved forward. In 2025, the deadlines will be 15 April, 22 April and 29 April.
- Several changes to the household deduction take effect at the beginning of 2025.
- The deduction for commuting between home and work remains the same, up to a maximum of EUR7,000. Own risk will stay at EUR900.
- The tax cards will take effect immediately at the beginning of the year, on 1 January 2025.
- Certain general deductions are adjusted (abolishment of earned income deduction, increase of work income deduction, increase in basic deduction), resulting in slightly steeper tax progression, especially for mid-income earners. The state income tax rates applicable on the highest income bracket is increased by 0.25% and the tax rate applicable on the second highest income bracket is decreased by 0.25%. Overall, these changes should result in slight relief on the lower income levels and slight tightening on the higher income levels.
- Municipal tax rates are being increased in 68 municipalities and decreased in four municipalities, resulting in a slight increase in the average municipal tax rate.
- The tax exemption for qualifying relocation expenses paid by the employer to the employee will be expanded to allow full tax exemption instead of the current partial exemption. Further, for international work-related relocations, the tax exemption of employer paid relocation costs will be extended to cover a wider array of different costs.

Finland

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- There have been layoffs at the Finnish Tax Administration, so it is likely that fewer tax audits will be conducted. Tax authorities have already had to limit their approvals for pre-emptive discussions requested by businesses (at least for VAT).

Top tax enforcement or tax controversy development expectations for 2025

- There have been layoffs at the Finnish Tax Administration, so it is possible that fewer tax audits will be conducted. It is also expected that tax authorities will continue to limit pre-emptive discussions and other services.

Tax audits in Finland in 2025 are generally expected to decrease.

Top audit issues (all taxes)

1. Transfer pricing
2. Group internal debt push downs
3. Chain transactions, application of VAT exemptions and VAT deductions

Changes in tax audit approaches or methods

- The trend of increasing number of virtual tax inspections is expected to continue.
- There have been layoffs at the Finnish Tax Administration, so it is likely that fewer tax audits will be conducted.
- At least for indirect taxes, tax authorities have continued to establish a practice of starting the process by information request letters or control visits (for example for specific sectors at a time), after which initial findings can lead to tax audits.

Changes to dispute prevention or dispute resolution tools or programs

- No significant changes are expected.

Tax governance approach or processes developments for business taxpayers

- There are no general tax governance rules in Finland.

Digital tax administration developments

- Tax authorities continue to try to limit the use of paper filings and develop portals that support e-filing.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	20%	20%	–	N/A	Same
PIT	56.75%	57.15%	0.7%	Slightly higher	Slightly higher
VAT/sales	25.5%	25.5%	–	N/A	Same

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This information is current as of 10 January 2025.

France

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EY key contacts

Tax policy:	Tax controversy:
Jean-Pierre Lieb	Charles Ménard

Key issues to watch in 2025

- Finance bill for FY25
- Sovereign rate trend and debt sustainability
- Monetary policy of the European Central Bank
- International political context (USA, China, Russia, etc.) and its economic consequences

Key drivers of tax policy change

- Sovereign rate trend and debt sustainability
- EU reforms
- US commercial policy

Significant tax developments in 2024

- Pilar Two directive transposed into French law
- Strengthening of transfer pricing compliance obligations
- Tax credit for green industry

Significant tax developments expected in 2025

- Increase of taxation of high-net worth individuals
- Temporary increase of large MNEs taxation
- New tax regime applicable to exit gains from management packages
- Reduction of expenses eligible for the research tax credit
- New taxation on capital reductions resulting from the buyback of their own shares by large MNEs

Major legislative activity that could include tax

- Amended finance bills for FY25, if any

Developments in tax transparency requirements

- Preparation for CbCR becoming public as from FY26

Major multilateral or bilateral cooperation activities

- Potential new EU directives

France
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections may occur in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- Temporary increase in taxation of large MNEs

Large MNEs liable for corporate tax with a turnover equal to or greater than EUR1 billion during the fiscal year for which the contribution is due or the previous fiscal year are liable, for the first fiscal year ending after 31 December 2025, for an exceptional contribution at the following rate:

  - EUR1 billion ≤ Turnover < EUR3 billion: 20.6%
  - Turnover ≥ EUR3 billion: 41.2%

The contribution is calculated based on the average of the corporate tax due for the fiscal year for which the contribution is owed and for the previous fiscal year, before accounting for any reductions, tax credits or tax claims of any kind.

- Reduction of expenses eligible for the research tax credit (art.14)
  - Exclusion from the tax credit base of expenses related to technological monitoring, as well as expenses related to patents and plant variety rights
  - Reduction of eligible operating expenses by 40%
- New taxation on capital reductions resulting from the buyback of their own shares by large MNEs
- Taxation at a rate of 8% on capital reductions resulting from the buyback of their own shares by companies with a turnover exceeding EUR1 billion

Taxes on digital business activity

- No changes are currently expected.

Taxes related to climate change or sustainability

- No changes are currently expected.

Windfall taxes

- No changes are currently expected.

VAT, GST or sales taxes

- The Finance Bill for FY25 contains certain measures favorable to the development of renewable energies:
  - A reduced VAT rate of 5.5% to the delivery and installation of photovoltaic solar panels (with a capacity of less than 9 kWc)
  - An extension of the reduced rate of 5.5% to the supply of heat, when it is produced at least 50% from renewable energy sources

Personal taxes

- Increase in taxation of high-net worth individuals

For the income of the year 2025, individuals who are fiscally domiciled in France and whose reference tax income exceeds EUR250,000 (single) or EUR500,000 (taxpayers subject to joint taxation) are liable for a differential contribution on high incomes equal to the difference (if positive) between:

i. 20% of the reference tax income reduced by certain deductions, income and capital gains

ii. The sum of the income tax (adjusted), the CEHR (adjusted), and the withholding taxes on income tax increased by EUR1,500 per dependent and EUR12,500 for taxpayers subject to joint taxation

- New tax regime applicable to exit gains from management packages (art.25 and art. 25 bis)

With exceptions, the net gains from the transfer of shares acquired or granted to employees or executives in return for their functions within the issuing company or a company in the group to which the issuing company belongs will be subject to the progressive scale of income tax, a specific employee contribution of 10% collected through assessment.

France

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Transfer pricing
- Use of anti-abuse mechanisms (anti-hybrid; Specific Anti-Abuse Rule (SAAR))
- Use of beneficial ownership concept

Top tax enforcement or tax controversy development expectations for 2025

- Same as in 2024

Tax audits in France in 2025 are generally expected to

stay the same in number and intensity.

Top audit issues (all taxes)

1. Transfer pricing
2. Financial cross border flows (deductibility of interest rejection or WHT on interest paid to foreign companies)
3. Reorganizations

Changes in tax audit approaches or methods

- No changes are currently expected.

Changes to dispute prevention or dispute resolution tools or programs

- No changes are currently expected.

Tax governance approach or processes developments for business taxpayers

- No changes are currently expected.

Digital tax administration developments

- Increase in using AI for programming tax audits
- Digitalization of certain procedural acts during tax audits

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	25%	25%	–	Same	Same
PIT	45%	45%	–	Same	Same
VAT/sales	20%	20%	–	Same	Same

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Germany

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EY key contacts

Tax policy:	Tax controversy:
Roland Nonnenmacher	Peter Jung

Key issues to watch in 2025

- Federal election in 2025
- Possible business tax reform
- Introduction of e-invoicing
- Increased use of advanced data analytics and AI in tax administration

Key drivers of tax policy change

- After the governing coalition fell out over budget financing issues in November 2024, new elections are slated on 23 February 2025. While the Social Democrats and Greens had argued in favor of taking on more debt in order to stimulate the economy, the Free Democrats insisted on compliance with the debt brake, which only allows a small amount of new borrowing. This had been circumvented in previous years with the help of exemptions that allowed for additional debt during emergencies such as the pandemic.
- Following the pandemic as well as the Russian invasion of Ukraine and the resulting energy crisis in 2022, the German economy is still struggling to build on the successes of the 2010s. To remain an attractive business location, the federal government introduced a law that focuses increasing the competitiveness of German companies (Growth Opportunities Act). During summer 2024, the government developed a growth initiative that was planned to provide for additional tax incentives but failed to implement the initiative before the split of the coalition. The upcoming election campaign and the subsequent coalition negotiations will likely focus on the parties' differing approaches on how to bolster the German economy.

Significant tax developments in 2024

- Growth Opportunity Act
  - The law focuses on the areas of loss offsetting, investment and research incentives, including enhanced tax depreciation opportunities as well as a more attractive taxation for partnerships. It also aligns the German interest barrier with EU ATAD requirements that, e.g., result in a broader definition of interest.
- Annual Tax Act 2024
  - The law contains mostly technical adjustments and reactions to verdicts of the Federal Fiscal Court.
- Bureaucracy Reduction Act IV
  - Among other things, the law extends the validity period of an exemption certificate that allows for the (partial or full) waiver of withholding tax obligations to five years and introduces new rules for transfer pricing documentation in case of a tax audit.

Significant tax developments expected in 2025

- Minimum Tax Adjustment Act
  - Incorporation of the OECD's administrative guidance – with a focus on the application of the CbCR Safe Harbor – into national law as well as several detail adjustments of the Pillar Two implementation law.

Major legislative activity that could include tax

- Due to the new elections in February 2025, it is currently uncertain which tax policy plans will be implemented in the coming legislative period.
- At the time of going to press, the conservative Christian Democratic Union is leading the polls, which is in favor of a comprehensive corporate tax reform to increase Germany's global competitiveness.

Developments in tax transparency requirements

- Regulation on the issuance of tax identification numbers for businesses (W-IdNr.)
  - The number is intended to simplify communication and serves, among other things, as a nationwide economic number within the meaning of Corporate Base Data Register Act (UBRegG).
  - The allocation of the W-IdNr. started in the fourth quarter of 2024 and is planned to be finished by 2026.

Germany

Expectations for tax policy

Major multilateral or bilateral cooperation activities

- BEPS MLI Application Act
  - Germany notified on 2 October 2024 the completion of its internal procedures for the entry into effect of the multilateral instrument (MLI) for seven DTAs.
  - As of January 2025, the MLI will apply for seven of Germany's DTAs (Croatia, France, Greece, Malta, Slovakia, Slovenia and Hungary).

Significant tax reform is possible in 2025 or 2026.

Elections are occurring in 2025 on both federal and state levels.

- In addition to the early federal elections, which will take place on 23 February 2025, new elections will also be held for the Hamburg state parliament (2 March 2025) and the North Rhine-Westphalian state parliament (14 September 2025).
- While the manifestos of the Christian-democrats and the Free Democrats are in favor of major tax cuts, including a business tax reform, the manifestos of the Social Democrats and the Greens highlight the need for more targeted investment incentives.

R&D incentives are expected to increase.

Other business incentives are expected to increase.

Corporate taxes are expected to decrease or stay the same.

Taxes on digital business activity

- No significant developments are currently expected.

Taxes related to climate change or sustainability

- Levy obligation on single-use plastic products
  - The levy on specific single-use plastic products will be payable in 2025 based on data from 2024.
- Fuel Emissions Trading Act
  - Fixed price per of emission allowance increases to EUR55/T CO_2 from 1 January 2025

Windfall taxes

- The EU solidarity contribution was only levied for the years 2022 and 2023. From 2024, no EU windfall taxes will be collected.

VAT, GST or sales taxes

- Introduction of mandatory electronic invoice for domestic B2B sales is, in general, applicable as of 2025.

Personal taxes

- For the tax periods 2025 and 2026, the personal income tax brackets have been adjusted to account for inflation.

Other

- VAT: Changes in Regulation for Small Business
  - The qualifying threshold values for small businesses will be increased on 1 January 2025 (§ 19a VAT Act).
  - From 1 January 2025, entrepreneurs based in the European Union can also make use of the VAT provisions for small businesses (§ 19 VAT Act) if they fulfill domestic turnover requirements and their total turnover does not exceed EUR100k.

Germany

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Sec. 153 of General Fiscal Code (GFC), applicable to taxes arising after 31 December 2024, extends the obligation to report and correct tax returns upon findings in a tax field audit to cases where such audit leads to a correction of the tax bases and the matter is also relevant for other or subsequent tax returns that were not subject to the audit. This can lead to a situation, in which a correction due to a tax field audit of a previous year can directly trigger adjustments in all subsequent tax declarations (requiring active monitoring and action by the taxpayer).

Top tax enforcement or tax controversy development expectations for 2025

- Effective from 1 January 2025, sec. 197 para. 5 of GFC introduces (for the first time) a deadline for the issuance of tax field audit announcements for tax advised companies, i.e., audit announcements must be issued by the end of the calendar year (the latest) following the year in which the respective tax assessment notice became effective. The statute of limitations is set to end (the latest) after the expiry of five years as of the aforementioned due date. This aims to prevent the tax authorities from delaying tax audits, prevents taxpayers from remaining in uncertainty about possible supplemental claims and speeds up the tax audit process.

Tax audits in Germany in 2025 are generally expected to stay more or less the same in number and intensity; however, (cross-border) controversy may increase.

Top audit issues (all taxes)

1. Going forward, AI and digital tools will play an increasing role in enhancing the efficiency, accuracy and effectiveness of tax audits in Germany.
2. The German tax authorities have intensified their examination of transfer pricing arrangements, particularly those involving intangible assets and financial transactions.
3. VAT compliance remains a significant area of focus for tax audits in Germany.

Changes in tax audit approaches or methods

- The new Pillar Two compliance requirements will likely become an integral part of tax audits going forward, as tax authorities may examine the filed GloBE returns and declarations to confirm compliance with the global minimum tax requirements.

Changes to dispute prevention or dispute resolution tools or programs

- In financial court proceedings in Germany, all communications, including the filing of complaints and applications, must be conducted electronically through secure transmission channels. This includes using the special electronic lawyer's mailbox (beA) or the special electronic tax advisor's mailbox (beSt) for authenticated and secure communication. Documents must be submitted with a qualified electronic signature or through a secure transmission channel to confirm their validity.

Tax governance approach or processes developments for business taxpayers

- Starting 1 January 2025, all businesses in Germany must be able to receive electronic invoices for B2B transactions. This requirement makes sure that companies are prepared to handle e-invoices in structured formats (e.g., XML) for automated and error-free processing.
- The presumed delivery period for tax administrative acts sent by regular mail, email or electronic data submission was extended from three days to four days (sec. 122 para. 2 no. 1 and para. 2a GFC, sec. 122a para. 4 GFC). This extended presumption applies to all tax administrative acts sent after 31 December 2024.

Digital tax administration developments

- Germany is continuing to invest in digitalizing its tax administration processes. This includes the use of advanced data analytics and artificial intelligence to identify tax risks and improve compliance. Companies are expected to adopt these technologies to streamline their tax reporting and compliance processes.

Germany

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT[1]	~30%	~30%	–	Lower	Lower
PIT[2]	45% (+5.5% SSC)	45% (+5.5% SSC)	–	Same	Same
VAT/sales[3]	19%/7%	19%/7%	–	Same	Same

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1 Breakdown of CIT: Top federal (national) CIT rate (15%) + solidarity surcharge (5.5% of CIT) ***and*** trade tax (local): 7%-19.25%. The combined burden of CIT and solidarity surcharge (SSC) is 15.825% (Sec. 23, para. 1, KStG (Corporation Tax Act)).

2 Breakdown of PIT: Progressive PIT (max. 45%) + solidarity surcharge (5.5% of wage tax). The combined burden of PIT and SSC is 47.48%. (Sec. 32a, para. 1, EStG (Personal Income Tax Act)). Starting in 2020, the solidarity surcharge was abolished for personal income taxpayers with low and middle income (Sec. 4, SolzG (Solidarity Surcharge Act)).

3 Breakdown of VAT/sales: normal or reduced VAT rate (Sec. 12, para 1, UStG (VAT Act)).

Greece

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EY key contacts

Tax policy:	Tax controversy:
Stefanos Mitsios, Konstantina Galli	Tassos Anastasiadis

Key issues to watch in 2025

- BEPS 2.0 Pillar Two implementation
- Digital Transaction Duty (DTD) implementation, which replaced stamp duty
- New tax framework on corporate transformations implementation
- Voluntary compliance in the course of a tax audit under the new Tax Procedure Code
- Implementation of digital issuance of e-transportation documents and transmission to myDATA platform; digital monitoring of transportation, transshipment and delivery of goods

Key drivers of tax policy change

- Address tax evasion and smuggling
- Enhancement of voluntary tax compliance
- Acceleration of tax refunds
- Real-time reporting and digitalization of the tax administration

Significant tax developments in 2024

- Digital transaction duty is a new tax on specific transactions (L.5135/2024), which abolishes the stamp duty. It is declared and remitted digitally. This new tax is imposed regardless of the place where the transaction was carried out or the place of conclusion or execution of the contract compared to the stamp duty for which the territoriality principle applied.
- New tax framework on corporate transformations (L.5162/2024) abolishes the former tax related framework. There is a single targeted anti-tax avoidance rule applicable to all tax exemptions under the new tax framework.
- Enactment of BEPS 2.0 Pillar Two (L. 5100/2024).

Significant tax developments expected in 2025

- Tax authorities' guidance to be issued related to the implementation of the new DTD
- Digital issuance of e-transportation documents and transmission to myDATA platform as well as digital monitoring of transportation, transshipment and delivery of goods (A1174/2024)
- Specific and expanded tax incentives for tax year 2025 onward, which are related to the conduct of expenses associated with scientific and technological research (R&D), the exploitation of patents (Patent Box), and the extension of incentives for angel investors (L. 5162/2024)

Major legislative activity that could include tax

- Generally, tax provisions may be inserted into Greek legislation in the course of the tax year; however, usually a tax law is introduced at the end of each tax year.

Developments in tax transparency requirements

- Incorporation of the EU 2023/2226 Directive amending Directive 2011/16/EU on administrative cooperation in the field of taxation is expected within 2025 (Δ.Σ.Σ. Γ 1140059 ΕΞ 06-12-2024).
- A tax audit is limited to one year, and that may be extended for 12 more months under conditions and further extension for eight more months if the case under tax audit may result to criminal tax evasion (art.28 of L.5104/2024).

Major multilateral or bilateral cooperation activities

- Completion of synthesized texts of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS) and the double taxation treaties (DTTs) that Greece has concluded with five countries (Georgia, Malta, Norway, Iceland, Luxembourg) (Δ.Σ.Σ. Γ 1140059 ΕΞ 06-12-2024).

Greece

Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to increase (taking into consideration that by virtue of L.5162/2024 new R&D incentives were introduced being in force from 2025 onward).

Other business incentives are expected to increase (10% income tax reduction for seven years on business profit of businesses arising from the exploitation of their patents, which are globally recognized (art.37 L.5162/2024).

Corporate taxes

- Standard rate remains at 22%.
- BEPS Pillar Two may affect taxation of parent entities-members of MNE groups located in Greece and large-scale domestic groups under specific conditions (art.47 L.5164/2024).
- Amendment of the accounting thresholds concerning the determination of very small, small, medium-sized and large entities or groups is in force from 1 January 2024.

Taxes on digital business activity

- Taxes on digital business activity are not currently expected to be imposed within 2025.

Taxes related to climate change or sustainability

- Cruise duty is imposed on the voyagers who disembark to Greek ports under new L.5162/2024 (EUR5–EUR20).
- Resilience against climate crisis duty's amount has increased close to EUR0.50–EUR5 depending on the type of accommodation.

Windfall taxes

- Gas-fired power plants are subject to a special levy in favor of the Energy Transition Fund, which amounts to EUR10 per megawatt hour of higher calorific value of natural gas and is calculated on the quantity of natural gas used by each obligated electricity producer to produce electricity. This levy is imposed from August 2024 (art.43 L.5131/2024).

VAT, GST or sales taxes

- New VAT Code (L.5144/2024): In principle, the new code is an updated version of the previous one (L.2859/2000), including amendments that took place during the last 24 years, in a more comprehensive manner and avoiding any inconsistency that may have existed. There are no new significant rules included therein.

Personal taxes

- Income tax returns for individuals that are pre-completed via data available to the tax authorities may be finalized by the latter if the individuals do not submit timely any income tax return. In this case, the individuals may submit additional tax return lasts amend the finalized tax return (A.1080/2024).
- An insurance premium tax exemption for minors was introduced, (L.5162/2024 article 13 and A.1186/2024)

Other

- Doubled uniform tax on real estate property (ENFIA) will be imposed on vacant residential properties owned by banks for 2026 to 2028 (article 51 L.5167/2024 and O.3068/2024).
- 10% discount on ENFIA of 2024 is provided for individuals who insured their houses cumulatively for earthquake, fire and flood, via relevant insurance policy of insurance companies registered in Greece. For 2025 onward, a 20% discount is provided to the extent that the insured taxable value of the houses does not exceed EUR500,000 (art.10 L.5162/2024 and Ministerial Decision A.1014/2024).
- The suspension of taxation of capital gains on the transfer of shares deriving their value from real estate property has been extended for another two years (until 31 December 2026) – art.90 L.5162/2024.

Greece

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Voluntary compliance upon tax audit, until the case is brought before the courts, results to penalty discounts (depending on the status of the case) under new Tax Procedure Code
- VAT returns pre-filling in through myDATA platform information (A.1020/2024)

Top tax enforcement or tax controversy development expectations for 2025

- DTD imposition is expected to drive tax dispute activity mainly until related guidance is issued.
- Tax assessment due to pre-filed tax returns may lead to tax disputes.

Tax audits in Greece in 2025 are generally expected to

stay the same (A.1189/2024).

Top audit issues (all taxes)

1. Cases whose five-year statutory limitation period expires in 2025
2. Tax evasion cases
3. Cases for which the period for submission of income tax return expired within the last three years
4. Real estate transfer tax (RETT), inheritance, donation and parental gift taxes

Changes in tax audit approaches or methods

- Establishment of the Large Taxpayers Audit Centre results from the merger of the Large Enterprises Audit Centre and the High Net Worth Individuals Audit Centre, with jurisdiction covering the entire country (effect from 17 February 2025).
- Its objectives are inter alia: comprehensive 360-degree tax audits, using advanced methods for entities, corporate structures and individuals, and combatting tax evasion and avoidance through innovative approaches, including:
  - (i) Audits of tax avoidance schemes involving artificial arrangements and hybrid financial instruments
  - (ii) Investigations of digital assets like cryptocurrencies, non-fungible tokens (NFTs) and other encrypted financial tools

Changes to dispute prevention or dispute resolution tools or programs

- Under the new Tax Procedure Code, the taxpayer may voluntarily be compliant with the tax audit assessment, inter alia before the case is brought before the Dispute Resolution Committee or after and so enjoys penalty discounts.
- Tax return pre-filling is now available.

Tax governance approach or processes developments for business taxpayers

- Point-of-sale cash registers interconnection completion
- Digital clientele formation for specific businesses (test portal available)

Digital tax administration developments

- Mandatory issuance of e-delivery notes
- Utilization of myDATA uploaded information in order for tax returns to be pre-completed according to this data
- Digital Independent Authority for Public Revenue (IAPR) procedures update in order for the physical presence of the taxpayers in IAPR departments to be mitigated-AI/chatbot use to be developed
- "Once Only" principle to be introduced according to which the taxpayers submit information to the IAPR only once and this information is provided to other public authorities
- AuditLive (ΕλεγχοςLive) application is expected to apply to partial on-the-spot tax audits
- Acceleration of tax refunds
- Electronic registry implementation (digital certificates issuance, end-to-end digital business closure, etc.)

Greece
Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	22%	22%	–	Same	Lower
PIT	44%	44%	–	Same	Same
VAT/sales	24%	24%	–	Same	Same

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Guatemala

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EY key contacts	
Tax policy: Luis Ocando, Daniel Quesada	Tax controversy: Rafael Sayagues

Key issues to watch in 2025

- Political and economical agenda of the current government administration
- Increased tax audits continue to be expected
- Significantly larger Congressionally approved budget, which could result in an increased tax pressure
- Changes in tax authorities may occur

Key drivers of tax policy change

- Ongoing drive for more transparency for tax disclosures
- Increased focus on the tax administration in data governance, use of information technology for tax audits and facilitation of tax compliance

Significant tax developments in 2024

- Tax transparency measures
- Reduction of time for tax controversy processes, through pre-controversy "settlement agreements" with taxpayers, a measure that continues to significantly increase tax collection
- Application of the Criminal Code to dismantle major tax fraud networks

Significant tax developments expected in 2025

- Additional tax transparency and disclosure measures
- Increase in the comprehensive tax audits of corporate groups focusing on specific industries
- Increase of the pre-controversy settlement agreements with taxpayers
- Continuing digitalization of tax matters and procedures

Major legislative activity that could include tax

- Legislation was recently enacted with specific tax regimes for livestock producers, which also includes reforms to VAT law related to the Small Taxpayer regime and widens the powers of the tax administration in connection to the taxpayer registry.
- Ultimate beneficial owner legislation is being discussed in Congress.

Developments in tax transparency requirements

- Transparency and voluntary disclosure of information
- Digitalization of accounting records, tax documents, plus the obligation to use electronic invoices has been the major policy implemented by the Guatemalan Tax Authority
- Tax returns modifications to include extensive financial information

Guatemala
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- Corporate tax regimes and rates – 7% on revenue or 25% on profits – are expected to remain the same.
- The tax administration is expected to continue with robust audits and "settlement procedures" with taxpayers, especially on transfer pricing matters.

Taxes on digital business activity

- The tax administration has been reviewing the taxation rules applicable to digital business activities in Guatemala – a country that follows the territorial source taxation principle – to determine if a tax reform is needed.

Taxes related to climate change or sustainability

- No changes are currently expected.

Windfall taxes

- No changes are currently expected.

VAT, GST or sales taxes

- The VAT rate remains the same at 12%.
- The tax administration has more information to monitor VAT after the implementation of electronic invoice for all taxpayers.

Personal taxes

- Personal taxes remain the same with tax brackets of 5%-7%.

Guatemala

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The tax administration pursued major tax fraud cases against organizations related to corruption.
- Tax audits continued to be robust and focused.

Top tax enforcement or tax controversy development expectations for 2025

- Continued use of conciliatory meetings (settlement agreements) with taxpayers to avoid a tax controversy procedure
- Specific audits through the use of data governance
- Industry-specific audits

Tax audits in Guatemala in 2025 are generally expected to increase in number and intensity.

Top audit issues (all taxes)

1. Intercompany transactions (local transactions of corporate groups)
2. Transfer pricing
3. Income tax and VAT (deductible expenses/tax credits)

Changes in tax audit approaches or methods

- More focused audits
- Audits started by the tax administration with the data provided by taxpayers with IT tools

Changes to dispute prevention or dispute resolution tools or programs

- Increase of conciliatory meetings

Tax governance approach or processes developments for business taxpayers

- No changes are currently expected.

Digital tax administration developments

- Electronic invoice
- Digitalization of tax records and taxpayers' data
- Data governance

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	7% on revenue or 25% on profits	No change	–	Same	Same
PIT	7%	No change	–	Same	Same
VAT/sales	12%	No change	–	Same	Same

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Honduras

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EY key contacts

Tax policy:	Tax controversy:
Luis Ocando, Daniel Quesada	Rafael Sayagués

Key issues to watch in 2025

- Tax reform "Bill on Tax Justice"

Key drivers of tax policy change

- A territorial tax system has been in effect in Honduras since 2017, even though income tax law has not been amended to reflect this change.
- The tax authority increases tax collection efforts every year, especially in election years.
- Special customs and tax regimes are being reviewed to attract foreign investment.

Significant tax developments in 2024

- Electronic filling became available for more tax administration procedures.
- There is a new online platform for the tax administration.

Significant tax developments expected in 2025

- An electronic invoicing platform is expected to be implemented by the tax authority.
- VAT is expected to become applicable to inbound digital services.
- Electronic filling is expected to be available for more tax administration procedures.

Major legislative activity that could include tax

- Possible tax reform "Bill on Tax Justice" has been filed before national congress.

Developments in tax transparency requirements

- "Bill on Tax Justice" aims to eliminate bank secrecy for tax and customs purposes.
- "Bill on Tax Justice" aims to create a Central Registry of Ultimate Beneficial Owners.
- CbC reporting is likely to be required starting in 2025, first report due in 2026.

Major multilateral or bilateral cooperation activities

- CbC reporting is likely to be required starting in 2025, first report due in 2026.

Honduras
Expectations for tax policy

Significant tax reform is expected in 2025.

Elections are occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to decrease.

Corporate taxes

- 25% corporate income tax
- +5% solidarity contribution tax over total income of HNL1,000,000.00 (approx. USD$40,000)

Taxes on digital business activity

- VAT is expected to become applicable to inbound digital services, as announced on various occasions by the tax authority.

Taxes related to climate change or sustainability

- Still emerging

Windfall taxes

- Contribution for Care of Social Programs and Conservation of Road Heritage

VAT, GST or sales taxes

- 15% VAT rate
- 18% for special transactions (e.g., alcohol, cigarettes, first class airline tickets)

Personal taxes

- 25% personal income tax top rate

Honduras

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- More intensive tax audits

Top tax enforcement or tax controversy development expectations for 2025

- Electronic invoicing platform is expected to be implemented by tax authority.
- VAT is expected to become applicable to inbound digital services.
- Electronic filling is expected to be available for more tax administration procedures.
- A higher number of information requests are being sent to business taxpayers.

Tax audits in Honduras in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

1. Deductibility of expenses
2. Use of depreciation rules
3. Withholdings taxes applied to payments abroad
4. Use of invoice and receipts, and other tax documents
5. Transfer pricing rules (e.g., arm's-length principle, intercompany loans, permanent establishment)
6. Incorrect use of new tax administration online platform

Changes in tax audit approaches or methods

- No changes are currently expected.

Changes to dispute prevention or dispute resolution tools or programs

- No changes are currently expected.

Tax governance approach or processes developments for business taxpayers

- No changes are currently expected.

Digital tax administration developments

- Electronic filling expected to be available for more tax administration procedures
- Electronic invoicing platform expected to be implemented by the tax authority

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	25%	25%	–		
PIT	25%	25%	–		
VAT/sales	15%/18%	15%/18%	–		

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Hong Kong[1]

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EY key contacts

Tax policy:	Tax controversy:
Patrick Kwong	Wilson Cheng

Key issues to watch in 2025

- Implementation of global minimum tax and domestic minimum tax
- Budget deficits
- Enhanced tax incentives for funds, family offices and carried interest
- Introduction of company re-domiciliation regime

Key drivers of tax policy change

- Implementation of OECD's Model Rules globally
- Government's focus on reducing deficits and encouraging investment

Significant tax developments in 2024

- Refined foreign-sourced income exemption regime
- Introduced tax certainty scheme for disposal gains on equity interests
- Introduced patent box regime
- Removal of new residential stamp duty, buyer's stamp duty and special stamp duty
- Waived stamp duty for transfer of real estate investment trust units and transactions by jobbing business of options market makers
- Enacted legislation to provide tax deductions on reinstatement costs incurred
- Enacted legislation to refine the industrial and commercial building allowances
- Introduced a two-tiered standard rates regime for individual tax
- Provided new tax deduction for spectrum utilization fees
- Enhanced the aircraft leasing preferential tax regime

Significant tax developments expected in 2025

- Enactment of legislation related to global minimum tax and domestic minimum tax
- Resumption of hotel accommodation tax
- Enhanced tax incentives for funds, family offices and carried interest
- Case development on whether partnerships qualify for stamp duty relief

Major legislative activity that could include tax

- Introduction of company re-domiciliation regime

Developments in tax transparency requirements

- No changes are expected.

Major multilateral or bilateral cooperation activities

- Updated the list of participating jurisdictions on automatic exchange of financial account information
- Signed comprehensive double taxation agreements with Armenia, Bahrain, Bangladesh, Croatia and Türkiye

[1] "Hong Kong" in this chapter refers to the jurisdiction of Hong Kong Special Administrative Region of China.

Hong Kong
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections for the Legislative Council are occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to increase.

Corporate taxes

- The two-tiered profits tax rate for corporations remains the same: 8.25% on assessable profits up to HKD2,000,000, and 16.5% on any part of assessable profits over HKD2,000,000.
- The two-tiered profits tax rate for unincorporated businesses remains the same: 7.5% on assessable profits up to HKD2,000,000, and 15% on any part of assessable profits over HKD2,000,000.

Taxes on digital business activity

- Hong Kong does not impose any special taxes related to digital business activity.

Taxes related to climate change or sustainability

- Hong Kong has charging schemes on certain types of waste disposal, sewage and effluent, as well as usage of plastic bags, which are mandatory charges at a specific calculation basis imposed on users (e.g., HKD1 per plastic bag used).
- Charging for municipal solid waste has been put on halt until further notice.

Windfall taxes

- Hong Kong does not impose any windfall taxes.

VAT, GST or sales taxes

- Hong Kong does not impose any VAT/GST or sales taxes.

Personal taxes

- Introduced a two-tiered standard rates regime (15% for up to HKD5,000,000 assessable income and 16% for remainder) for salary tax and tax under personal assessment starting from the year of assessment 2024/25
- Increased the deduction ceilings for home loan interest and domestic rents to HKD120,000 from the year of assessment 2024/25
- Created a new tax deduction for assisted reproductive service expenses, subject to a ceiling of HKD100,000 a year starting from the year of assessment 2024/25.

Hong Kong
Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Stringent exemption requirements for Hong Kong's foreign sourced passive income

Top tax enforcement or tax controversy development expectations for 2025

- Implementation of global minimum tax in accordance with the BEPS 2.0 and a related Hong Kong minimum top-up tax

Tax audits in Hong Kong in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

1. Transfer pricing – in relation to headquarter and management services transactions, as well as issues related to intellectual properties
2. Offshore and/or unreported profits
3. Disallowance of deductions – particularly interest deduction derived from intercompany financing transactions and transactions that lack of supporting documentation or payments to no- or low-tax jurisdictions

Changes in tax audit approaches or methods

- No changes are expected.

Changes to dispute prevention or dispute resolution tools or programs

- No changes are expected.

Tax governance approach or processes developments for business taxpayers

- No changes are expected.

Digital tax administration developments

- Voluntary e-filing of profits tax returns from April 2023
- Mandatory e-filing for supplementary forms and other forms
- Provision of Inland Revenue Department iXBRL data preparation tools to taxpayers free of charge

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	16.5%	16.5%	–	Same	Same
PIT	15%	15%/16%	6.7%	Same	Higher
VAT/sales	0%	0%	–	Same	Same

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Hungary

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EY key contacts

Tax policy:	Tax controversy:
Tibor Palszabo	Gergely Sera, Gyorgy Suta, Marton Horanyi

Key issues to watch in 2025

- Retail tax extending to platform operators
- Annual valorization of excise duties with the rate of inflation
- Termination of several types of windfall taxes
- Subsequent reduction of VAT base in case of statutory payment obligations

Key drivers of tax policy change

- The scope of the retail tax has been extended to retail activity performed on online marketplaces from 2025 onward. Taxpayers that are otherwise subject to the retail tax will not be taxed on sales carried out through the platform, but the foreign or domestic platform operator will be subject to the retail tax. All retail sales carried out on the platform abroad and domestically are included in the tax base of the platform operator. No tax is payable on the sale of goods transferred abroad. If the platform operator also carries out its own retail activity, the tax base from the two activities is added together, unless this activity is carried out through its own platform.
- The Hungarian Pillar Two registration form for Hungary shall be filed by the last day of the tax year (31 December 2024 for calendar year taxpayers) by entities subject to GMT.
- The VAT act allows the subsequent reduction of the VAT base in cases when the taxpayer has a contractual obligation to refund money, as well as in the case of statutory payment obligations.

Significant tax developments in 2024

- Increased family tax base allowances in personal income tax
- Regulating VAT aspects of the Deposit Refund System (DRS)
- Modification of personal income tax rules due to the termination of the tax treaty with the US
- Introduction of eVAT: from 2024 onward, the tax authority to use the available data and prepare draft VAT returns for the taxpayers
- Implementation of rules for mandatory e-invoicing from 2025
- Increased legislative minimum wage, which affects all tax benefits and obligations linked to the minimum wage

Significant tax developments expected in 2025

- Further clarification of the retail tax rules with respect to platform operators
- Implementation of the EUDR
- Rules for the payment of GMT advances to be paid by certain taxpayers affected by QDMTT

Major legislative activity that could include tax

- Further implementation of EU CBAM in local legislation
- Further GMT compliance-related legislation

Developments in tax transparency requirements

- E-receipt: Originally the government intended to introduce the e-receipt from 1 January 2025. The introduction has been postponed to 1 July 2025.
  - The aim of the bill is achieving data protection, as the customer will not be identifiable.
  - The e-receipt will be issued once it appears in the e-receipt system operated by the tax authority.

Major multilateral or bilateral cooperation activities

- An amendment to the 2013 Convention for the Avoidance of Double Taxation in the Field of Taxes on Income and Wealth between Hungary and the Swiss Confederation has been issued.
- A bilateral agreement between the US and Hungary on the exchange of CbCR as part of transfer pricing documentation has been issued.

Hungary
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- In 2024, a new optional R&D tax relief was introduced, which can essentially be converted into quasi-cash support. It has been clarified through modifying the legislation that this tax relief can be applied to R&D projects that started on or after 1 January 2024.
- The film subsidy support system can operate in its current form for another six years.
- With regard to land suitable for the disposal of hazardous waste, the 2024 autumn tax package clarified that depreciation used for accounting purposes can be used for corporate income tax purposes as well.
- A modification to the Corporate Income Tax Act includes the addition of a new item to the exemplary list of business activity expenses. Consequently, the act will recognize free provisions to certain professional sports organizations as business-related, provided they are considered "spectator" sports.

Global minimum tax

- Domestic group members should establish, declare and pay the tax advance payments by the 20th day of the 11th month from the last day of the relevant tax year, for the first time for the tax year starting from tax years beginning in 2024. The amount of the tax advance is the amount of the expected tax, with the provision that if the taxpayer acted in bona fide good faith, no late payment surcharge, tax penalty or default penalty may be imposed on the deviation difference.

Taxes related to climate change or sustainability

- With respect to the EPR, green tax liability on circular products is repealed as of 1 January 2025. Consequently, submitting a green tax return on products falling under the scope of EPR is no longer required.
- The Hungarian government is expected to issue further local legislation with respect to the EUDR.

Windfall taxes

- The additional financial transaction levy will be enacted into the law regulating the levy; therefore, it will continue to apply after 1 January 2025.
- Effective 1 January 2025, the following taxes are terminated: the special tax on airlines, the special tax on pharmaceutical manufacturers, the windfall tax on pharmaceutical distributors, the special tax on energy producers, the income tax on energy suppliers affecting manufacturing companies (bioethanol producers, starch and starch product manufacturers, and sunflower oil producers), the windfall tax on telecommunications (surtax), and the increased rates of mining royalties.

VAT, GST or sales taxes

- The application of 5% VAT rate to newly constructed residential buildings will be extended for two years, until the end of 2026.
- As of 1 January 2025, the cases in which the indirect customs representative is entitled to exercise the right of deduction related to the importation of goods instead of the principal will be significantly reduced.
- From 1 January 2025, the supply of gas between taxpayer traders shall be subject to a reverse charge, if the supply takes place on a natural gas system situated in the territory of the community or on any other network linked to such a system. The regulation is temporary and will be repealed as of 1 January 2027.

Personal taxes

- The Hungarian government intends to extend the scope of family-related tax benefits. In line with that, the family tax base allowance will increase from 1 July 2025.
- The range of tax-free benefits will be expanded with several new items.
- Housing support can be provided by the employer as a cafeteria benefit to employees under 35, not exceeding an annual limit of HUF1.8 million, for rent or housing loan repayment, as per government decree conditions.

Other

- The suspension of advertisement tax payment obligations will be extended until 31 December 2025.
- From 1 January 2025, certain taxes will increase and an automatic inflation-tracking mechanism will also be introduced. The change affects the excise duty on tobacco, alcohol and certain energy products, among others. Valorization is applicable also to car tax, company car tax and registration tax.

Hungary

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The Hungarian tax authority employs a broad range of digital tools during tax audits and compliance checks.
- These tools enhance the efficiency of selecting taxpayers for tax audits year on year.

Top tax enforcement or tax controversy development expectations for 2025

- The tax enforcement procedure is expected to become more challenging for taxpayers.
- More administrative responsibilities due to the windfall and extra surplus taxes in certain sectors (e.g., retail tax).

Tax audits in Hungary in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

1. Transfer pricing: The Hungarian tax authority is more likely to scrutinize taxpayers that realized loss in the respective year or have been in a loss-making position for several years. The tax authority is expected to increasingly conduct tax audits based on risk analyses performed using data from transfer pricing reporting.
2. VAT refunds and issues: VAT refund requests and data-reporting system-based mismatches will likely continue to be one of the main focuses of the tax audits. The tax authority may also initiate a new, so-called data reconciliation procedure — the intention is to clarify data discrepancies quickly and efficiently to reduce the administrative burden on businesses. However, failure to contribute may result in a default penalty.
3. Local business tax (LBT) deduction: Since it is their capacity, municipalities are actively auditing LBT deductions. It is not uncommon for market consultants to be hired as auditors because the employees of the municipalities do not have the necessary qualifications. Therefore, taxpayers should prepare for increased attention.

Changes in tax audit approaches or methods

- Slightly fewer but more focused tax audits are expected.
- The LBT authority is becoming more active in tax audits.
- The tax authorities are setting shorter deadlines to the taxpayers for providing declarations and documents during the tax audits.

Changes to dispute prevention or dispute resolution tools or programs

- There are no significant changes expected.

Tax governance approach or processes developments for business taxpayers

- Taxpayers are subject to stricter reporting requirements and the tax authorities investigate closely whether the taxpayers comply with the requirements.

Digital tax administration developments

- Further improving e-invoicing tools for taxpayers
- Wider range of digital services to taxpayers
- Wider usage of digital tools, including AI-guided tools by the tax authority

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	9%	9%	–	Same	Same
PIT	15%	15%	–	Same	Same
VAT/sales	27%	27%	–	Same	Same

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India

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EY key contacts

Tax policy:	Tax controversy:
Ganesh Raj	Rajan Vora

Key issues to watch in 2025

- Comprehensive review of Indian Income Tax Act, 1961 (Act); some changes may be implemented in 2025 or 2026
- Possible modification of PE attribution rules
- Possible revision or introduction of safe harbor rules in a few sectors, especially the manufacturing sector
- India-Mauritius double tax avoidance agreement (DTAA) protocol
- Comprehensive rationalization of the existing rates under GST
- Customs duty classification and rates

Key drivers of tax policy change

- Expanding tax base, maintaining tax rates stability and checking tax evasion through data sharing and intelligent enforcement
- Rationalizing income tax law, GST law and rates and custom duties
- Leveraging technology to make tax administration simpler, more transparent and accountable for ease of compliance
- Minimizing disputes
- Continued prudent fiscal and debt management
- Improving ease of doing business
- Targeted interventions for sectors with large-scale employment potential
- Facilitate green financing

Significant tax developments in 2024

- Simplification of income tax provisions relating to:
  - Capital gains taxation
  - Withholding tax rate structure
  - Provisions for reassessments
  - Tax regime for charitable organizations
- Introduction of direct tax amnesty (Vivad se Vishwas) scheme to reduce amount stuck in litigation
- Corporate tax rate for foreign companies reduced from 40% to 35%
- Abolishment of 2% equalization levy
- Introduction of GST amnesty scheme to address disputes stuck in litigation from July 2017 to March 2020
- Creating the machinery framework for GST Tribunals
- Multiple law amendments and clarifications to resolve numerous high-value litigations and investigations

Significant tax developments expected in 2025

- Comprehensive review of the Act was announced in July Budget 2024* with the objective of:
  - Making the Act concise, lucid, easy to read and understand
  - Reducing disputes and litigation
  - Providing certainty to taxpayers

  Some of these changes potentially reflected in Budget 2025 (to be presented on 1 February 2025)
- Similarly, announcement of government's intent to further simplify and rationalize the existing GST tax structure and try expanding it to the remaining sectors, such as petroleum products; some developments may happen on this front in 2025
- Rationalization of custom duty rate structure
- Recommendations on restructuring of compensation cess in the event of its cessation post-March 2026

Major legislative activity that could include tax

- See above.

* Usually, the Union Budget is presented on 1 February every year. However, India held its general elections in 2024 and the newly elected government presented its first Budget in July 2024.

India
Expectations for tax policy

Developments in tax transparency requirements

- India does not have any specific tax transparency requirements for taxpayers.

Major multilateral or bilateral cooperation activities

- India is engaged in OECD/G20 discussions on BEPS Pillar One and Pillar Two.

Significant tax reform is expected in 2025.

Elections are not occurring in 2025; general elections were held in 2024.

R&D incentives are expected to stay the same as the government has been focusing on giving nontax incentives. For instance, the Anusandhan National Research Fund was announced in Budget 2024 for supporting basic research and prototype development. Similarly, a mechanism for spurring private sector-driven research and innovation at commercial scale with a financing pool of INR1 trillion will be implemented.

Other business incentives are expected to stay the same. The government has already shared its intent of phasing out incentives and maintaining lower tax rates.

Corporate taxes

- The following rates are now applicable to companies for the financial year 2024-25:
  - Domestic company that opts for lower tax rate without claiming any incentives – 25.17%
  - New manufacturing companies set up or registered on or after 1 October 2019 and that commence manufacturing up to 31 March 2024 – 17.16%
  - Domestic company that does not opt for lower tax rate and chooses to avail current incentives and deductions – based on turnover, different tax rates apply – 26% to 34.95%
- It is likely that in 2025 the government will continue its policy of stability in tax rates.

Taxes on digital business activity

- The July Budget 2024 abolished (with effect from 1 August 2024), the 2% equalization levy applicable on consideration received or receivable by a nonresident e-commerce operator from e-commerce supply or services.
- India continues to be actively involved in discussions on BEPS Pillar One and Pillar Two.

Taxes related to climate change or sustainability

- India does not have an explicit carbon tax. However, taxes on fuels (e.g., coal, petrol, diesel) are considerably high. These act as an implicit carbon tax.
- At sub-national level, some states impose a vehicle tax or green tax. For example: Rajasthan imposes green tax on motor vehicles, and Odisha applies taxes on vehicles.

Windfall taxes

- The government introduced a windfall profit tax on 1 July 2022, levied on domestic crude oil production.
- The windfall tax was levied as a special additional excise duty. It is aimed at absorbing the super profits earned by domestic crude oil producers (who choose to export fuel to reap benefits of skyrocketing global prices while affecting domestic supplies).
- The government of India abolished the windfall tax from 2 December 2024. As of now, there are no indications a fresh windfall tax will be levied.

VAT, GST or sales taxes

- As announced in July Budget 2024, the government's focus is on improving compliance, increasing revenue and simplify and rationalizing the tax structure. The coming months may see greater focus on:
  - GST rate rationalization
  - Decriminalization of GST law
  - Legislative reform for GST laws to create more certainty and simplification in doing business
  - Expeditious dispute resolution
  - Rationalization of audits and assessments
  - Sector-specific groups of ministers to provide recommendations (real estate, insurance etc.)

Personal taxes

- The government has been following a policy of imposing a higher tax on HNWIs while providing respite to middle- and lower-income tax payers. For instance, in Union Budget 2019, an enhanced surcharge was levied on HNWIs.
- In Budget 2020, the government introduced a simplified Concessional Tax Regime (CTR). It offered lower tax rates to taxpayers in lieu of all the incentives and deductions. In Budget 2023, the income tax slabs under CTR were revised. Tweaks were made to encourage more taxpayers (even super-rich taxpayers) to opt for the CTR.
- It is expected that to boost consumption, the government may lower the taxes, specially for the low- and mid-income segments.

India
Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The government has increased the use of technology and data intelligence through information tracking, taxpayer profiling and bringing more taxpayers into the tax net.
- To reduce litigation, the government enhanced the monetary limit for filing of appeals by the tax department before the Tax Tribunal, High Court and Supreme Court.
- The Supreme Court decided tax matters on timelines of reopening concluded audits for TY 2013-14 to 2016-17, which would impact close to 30,000 cases pending on similar timelines thar were reopened during the COVID-19 period wherein entire reassessment proceedings were revamped.
- The Supreme Court decided the eligibility of claiming the input tax credit in the light of Section 17(5)(c) and (d) of the Central Goods and Services Tax Act, 2017 (CGST Act) compelling the government to amend the law retrospectively.

Top tax enforcement or tax controversy development expectations for 2025

- An increased number of investigations is expected based on the availability of information and sharing of data among government authorities and assessments on account of same. There is a greater focus on collection of information by increasing the withholding taxes requirements.
- Areas like property purchased outside India, investment made by private equity in real estate in India and Indian residents investing in foreign securities may come under scrutiny.
- The Supreme Court is to decide the fate of online gaming companies in terms of the past litigations from the GST valuation perspective.

Tax audits in India in 2025 are generally expected to
increase in number and/or intensity.

Top audit issues (all taxes)

1. Business restructuring — focus on global structuring, sale of Indian businesses, challenging valuation under transfer pricing, challenging taxability of profit distribution (grant of exemption in certain criteria)
2. Benchmarking of financial instruments like compulsory convertible debentures, fully convertible debentures, optionally fully convertible debentures, etc.
3. Intragroup charges — taxability of foreign companies in India (DTAA vs. Act), benchmarking of intragroup charges from Indian TP perspective and challenging need-benefit test
4. Taxability of transfer of intellectual property rights in global deals involving India business transfer

Changes in tax audit approaches or methods

- No changes are currently expected.

Changes to dispute prevention or dispute resolution tools or programs

- Both the benches of Board of Advance Ruling have started functioning and the government has allowed withdrawal of applications pending for admission (which was earlier not allowed).
- APAs, 125 in total, were concluded during FY 2023-24, of which 39 APAs were bilateral APAs. The process of concluding APAs could be expediated further.

Tax governance approach or processes developments for business taxpayers

- India does not have any tax governance related regulations or requirements. Broadly, there are three reporting requirements in India: (1) preparation of tax audit report, (2) reporting related-party transactions under transfer pricing and (3) complying with CbCR regulations. Accordingly, companies comply with the above requirements. Some subsidiary companies that are headquartered out of India may undertake tax governance practices as per the guidance laid out by their parent entities.

Digital tax administration developments

- The Invoice Management System to be made mandatory, requiring action to be taken by the service recipient for being eligible to claim input tax credit
- The B2C dynamic QR code to be extended to INR100 cr assesses

India

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	34.9% (statutory rate 30% plus cess and surcharge) 25.17% (CTR of 22% plus cess and surcharge)	34.9% (statutory rate) 25.17% (CTR)	–	May expand	Same
PIT	39% (CTR)	39% (CTR)	–	May expand	Same
VAT/sales	Four tax slabs of 5%, 12%, 18% and 28% under GST	Four tax slabs of 5%, 12%, 18% and 28% under GST	–	May expand	Same

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Indonesia

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EY key contacts

Tax policy:
Yudie Paimanta

Tax controversy:
Yudie Paimanta

Key issues to watch in 2025

- BEPS 2.0 Pillar Two implementation
- Changes in the tax incentive regime
- Sustainability taxes, e.g., carbon tax
- Increase in national tax revenue budget
- Increased tax enforcement

Key drivers of tax policy change

- Enforcement of tax compliance to boost national tax revenue collection
- Implementation of "Renewal of the Coretax Administration System" to create an integrated tax information system using a large database
- Implementation of Pillar Two and interaction with existing tax incentives
- Tax authorities maximizing the use of information gained from exchange of information mechanisms
- Increment in tax controversy, particularly on transfer pricing, driven by pressure to collect more tax revenue
- Enforcement of the use of the e-tax court system for tax appeal process
- The use of 16-digit Taxpayer Identification Numbers was initially set at 1 January 2024, but later postponed to 1 July 2024
- VAT and sales tax on luxury goods borne by the government for the electric vehicle industry for the fiscal period of January-December 2024

Significant tax developments in 2024

- BEPS 2.0 Pillar Two implementation – Ministry of Finance (MoF) Regulation No. 136 Year 2024, dated 31 December 2024 and effective starting 1 January 2025 concerning Imposition of Global Minimum Tax Based on International Agreement (MoF 136/2024)
- Issuance of the implementing regulation of the arm's-length principle in transactions affected by a special relationship, among other things, to govern the requirements of preliminary stages on the preparation of the TP documentation, compliance testing and corresponding adjustment
- Streamlining of tax regulations for the implementation of Coretax Administration System
- Tax holiday extension with Pillar Two implementation for existing tax incentives
- Intensification of pre-tax audit approach through issuance of SP2DK (Request for Explanation of Data and Information)
- Implementing regulation of tax and customs facilities in national capital named "Nusantara" (Ibu Kota Nusantara/IKN) for several updates and more detailed elaboration of matters related to the administrative procedures, investment provisions, obligations, prohibitions and adding exceptions
- New regulation on the tax treatment of joint operations
- New procedures to implement tax facilities for government projects financed by foreign grants or loans
- New regulation on the deductibility of the allowance for doubtful accounts for financial institutions

Indonesia

Significant tax developments expected in 2025

- The 2021 law concerning harmonization of tax regulations (HPP Law) mandated an increase of VAT rate from 11% to 12% by 1 January 2025; however, there has been significant debate as to what types of goods should be subject to the increased rate. On 31 December 2024, the MoF issued Regulation No. 131/2024 (PMK-131), effective 1 January 2025, clarifying application and a transitional period.
- The current tax holiday regulation in Indonesia was extended in October 2024 and it has a specific clause where the company entitled to the tax holiday still can be subject to GMT. However, to date Indonesian incentives have not been adapted in response to the potential impact of GMT on companies enjoying a tax holiday.
- Anticipated changes to the tax holiday and the potential introduction of a new incentives regime, such as the qualified refundable tax credit (QRTC), are expected.
- There is potential for a of full implementation of the carbon tax through the Carbon Trading Bourse.
- New implementing guidelines for interest deduction rules based on EBITDA coverage may be introduced in the coming months.

Major legislative activity that could include tax

- The widespread opposition to the increase in the VAT rate from 11% to 12% may prompt an amendment to the HPP Law. However, as of now, we do not have any further information on this matter.

Developments in tax transparency requirements

- The MoF and the Indonesian Tax Authority (ITA) are generally moving toward improving tax transparency, but there are no concrete proposals in this area at present to our knowledge.

Major multilateral or bilateral cooperation activities

- The signing of the mutual recognition agreement for bilateral carbon trading between Indonesia and Japan
- The newly ratified multilateral instrument (MLI) to expand the existing covered tax agreements (CTAs) to include the additional 13 jurisdictions

Indonesia
Expectations for tax policy

Significant tax reform is expected in 2025 as the result of the implementation of BEPS 2.0 Pillar Two, Coretax Administrative System and the carbon tax.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to be changed as the result of the implementation of BEPS 2.0 Pillar Two.

Corporate taxes

- The CIT rate is expected to remain the same at 22%.
- BEPS 2.0 Pillar Two was implemented by MoF 136/2024.
- Changes in the tax incentive regime are expected due to the implementation of BEPS 2.0 Pillar Two in 2025.

Taxes on digital business activity

- Even though the government will focus on the digital economy, significant changes on tax regulations around digital business are not expected. If Pillar One does not proceed, the authorities appear prepared to implement unilateral rules on cross-border digital supplies.

Taxes related to climate change or sustainability

- The government has enacted the Carbon Trading Bourse that is in line with its de-carbonization commitment to achieve net-zero emissions in 2060 or sooner. It is expected that there will be establishment of implementing regulations for carbon tax administration in 2025.

Windfall taxes

- None

VAT, GST or sales taxes

- The VAT rate is increased from 11% to 12% starting 1 January 2025. The detailed rules on implementation of the new rate is explained in PMK-131, key highlights are:
  1. Starting 1 January 2025, the importation or delivery of taxable goods by a VAT-able entrepreneur within the Indonesia Customs Area (Customs Area) is subject to VAT rate of 12% on the import or sales value. The VAT rate of 12% is imposed on taxable goods that are categorized luxurious in nature. However, for the period of 1-31 January 2025, it is governed that the VAT base is 11/12 of the sales value (transitional period). These luxurious taxable goods are automotive vehicles and other types of goods that include luxury residences, such as luxury houses, apartments and alike, with sales value at least IDR30 billion; air balloons and gliders; private firearms and their ammunition; private helicopters and jets; and private cruise ships and yachts.
  2. The importation or delivery of taxable goods, other than the luxurious taxable goods above, delivery of taxable service within the Customs Area and the utilization of intangible taxable goods or taxable services from outside of Customs Area is subject to VAT rate of 12% on the adjusted VAT base. Adjusted VAT base is defined as 11/12 of the import value, sales value or replacement value. Accordingly, the effective VAT rate remains at 11% (i.e., 12% x 11/12 x import value or sales value or replacement value = 11% x import value or sales value or replacement value).
  3. For a VAT-able entrepreneur, where the output VAT was imposed using the adjusted VAT base, its Input VAT on the acquisition or import of taxable goods or services and utilization of intangible taxable goods or taxable services from outside of Customs Area in the Customs Area can be credited in accordance with the prevailing tax regulations.
  4. VAT on the delivery of taxable goods or services that have used other adjusted VAT base and other certain amount, which is specifically regulated under the prevailing tax regulations are exempted from the provisions under PMK-131. The VAT treatment shall continue to be calculated in accordance with such prevailing tax regulations.
  5. VAT-able Entrepreneur who delivers luxury taxable goods to the end-consumer, as stated above, shall apply the following:
     a. From 1 January 2025 to 31 January 2025, the VAT payable is calculated by using the VAT rate of 12% multiplied by the adjusted VAT base of 11/12 of sales value (i.e., to arrive at effective VAT rate of 11% of the sales value).
     b. Starting 1 February 2025, the VAT payable is calculated by using the VAT rate of 12% of the sales value.

Personal taxes

- Significant changes to personal taxes are not expected; however, the ITA will more focus on HNWIs.

Indonesia

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Intensification of exchange of information mechanism with other countries
- Increase in tax controversy, mostly on transfer pricing, driven by pressure to collect more tax revenue
- Issuance of SP2DK as a strategic priority
- Issuance of the core transfer pricing regulations
- Enforcement of the utilization of the e-tax court system for tax appeal process

Top tax enforcement or tax controversy development expectations for 2025

- Potential intensification of exchange of information mechanism with other countries
- Potential increase in tax controversy, mostly on transfer pricing, driven by pressure to collect more tax revenue
- Potential changes in tax policy to be made by the new government after the 2024 general elections

Tax audits in Indonesia in 2025 are generally expected to increase in number and intensity.

Top audit issues (all taxes)

1. Transfer pricing, especially cross-border transactions
2. Deductibility of expenses – availability of relevant supporting documents
3. Indirect approach of tax audit through various detailed reconciliation mechanisms
4. Withholding tax – implementation of a higher withholding tax rate through thorough verification of the beneficial ownership

Changes in tax audit approaches or methods

- There has been an Intensification of the pre-tax audit approach through issuance of SP2DK.
- Tax authorities are maximizing the use of information gained from exchange of information mechanisms.
- In the absence of tax regulation clarity on documents to support deductions, there have been more cases where the taxpayer must provide extensive and detailed data, information and documentation – even those that are not possessed by taxpayer but by a related entity.

Changes to dispute prevention or dispute resolution tools or programs

- The ability to undertake multilateral APAs was recently introduced in Indonesia.
- Implementing regulations for BEPS 2.0 Pillar Two in Indonesia were issued on 31 December 2024 with effective date of 1 January 2025 (UTPR will apply starting from 1 January 2026). At this stage it is still difficult to predict what approaches might be taken to the resolution of future disputes. It may be that the normal audit, objection and tax court appeal process would apply.

Tax governance approach or processes developments for business taxpayers

- Significant process developments are anticipated as a result of major tax reforms, including the implementation of a 12% VAT rate, Pillar Two, the Core Tax Administration System, carbon tax and more

Digital tax administration developments

- The Core Tax Administration System became active on 1 January 2025.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	22%	22%	–	Same	Same
PIT	5%-35%	5%-35%	–	Same	Same
VAT/sales	11%	12%	9%	Elaborated in VAT section	Elaborated in VAT section

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Iraq

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EY key contacts

Tax policy:	Tax controversy:
Mustafa Abbas , Rawan Al-Sharif	Mustafa Abbas , Rawan Al-Sharif

Key issues to watch in 2025

- Development of a new tax audit mechanism for international oil companies (IOCs)
- Digitalization of all Social Security filing procedures
- Amendment of Instruction No. 5 of 2011
- Digitalization of payment processes

Key drivers of tax policy change

- Efficient, decentralized tax auditing process: There is a push for more efficient, decentralized tax auditing processes through the adoption of a self-assessment method. This aims to reduce time and streamline tax procedures for businesses, while promoting more accurate tax auditing.
- Compliance and anticorruption: To increase compliance and reduce corruption, the government plans a full review and reform of the tax administration, such as by strengthening penalties for tax evasion and revising tax exemption statuses.
- Embracing technology: There is a significant push for the automation of the tax system, aiming to improve efficiency, reduce errors, and enhance compliance. The General Commission for Taxes (GCT) and Department of Retirement and Social Security (DRSS) plans to fully digitalize the tax and social security filing, auditing and payment process to improve efficiency and transparency.
- Modernization of outdated laws: The government and GCT are working together, considering taxpayer input, to update legislation and modernize Iraqi tax practice. Amendments are expected to be made to several outdated laws, including the introduction of VAT and diversifying non-oil revenue streams to promote a relevant and progressive system.

Significant tax developments in 2024

- Introduction of a self-assessment method for personal income tax: The GCT will now apply a self-assessment method for PIT, accepting the taxpayer's annual PIT schedule if it matches the audited financial statements. If discrepancies exist, additional PIT will be assessed at 15% of the difference, along with applicable penalties and interest.
- The DRSS launched the Daman Digital Portal to digitize social security procedures. Initially targeting companies in the oil, security, media and telecommunications sectors, the portal has now been expanded to include all sectors. All filing procedures are to be performed through the portal to achieve compliance with social security obligations.
- The Iraqi Council of Ministers issued Resolution No. 24074 of 2024, which mandates the Petroleum Contracts and Licensing Directorate (PCLD) to revert to the pre-2017 practice of deducting a 35% WHT on remuneration fees (RFs) paid to IOCs. This WHT is expected to be deducted at the source and transferred directly to the GCT, in 2025.
- The GCT has instructed all IOCs to finalize their corporate income tax assessments for fiscal years 2011-2023, while providing clarification on the taxation of other revenues and nondeductible expenses.

Significant tax developments expected in 2025

- Full implementation of reforms and new tax legislation is expected.
- The Supreme Committee for Overseeing the Implementation of Tax Reform is developing a new tax audit mechanism for IOCs, which will be applied on a go-forward basis after the closure of open tax years (2011-2023). Specific details of the new mechanism are yet to be finalized and disclosed.
- The shift from Iraqi Unified Accounting System (IUAS) to International Financial Reporting Standards (IFRS) is expected in financial year 2025 for CIT filing purposes.

Major legislative activity that could include tax

- Board of Supreme Audit expected to oversee the development of a comprehensive audit and financial policy
- Formation of a high-level intragovernmental committee to spearhead and oversee tax reform and related legislation

Iraq
Expectations for tax policy

Developments in tax transparency requirements

- Full digitalization of social security procedures through the Daman Digital Portal, requiring all companies to perform filing procedures online
- Digital authentication via QR codes being utilized by the GCT when issuing No Objection Letters and Release of Retention Letters for a secure and reliable tax environment

Significant tax reform is expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- Finalization of CIT assessments for fiscal years 2011-2023, considering the latest clarifications surrounding the taxability of other revenues and the treatment of nondeductible expenses
- Iraq's Ministry of Oil to deduct 35% tax from RF payments due to contractors and remit the retentions to the GCT in the names of the contractors
- Following the previous year's changes, 2025 to see the full implementation of recent CIT self-assessment reforms, alongside longer-term legislative changes, including the development and introduction of VAT laws
- Following a recent communication from the Iraqi Auditors Syndicate, expected transition from IUAS to IFRS for foreign companies' CIT filings, effective in 2025

Taxes on digital business activity

- Introduction of government budget in 2025 to allow for the tax audit of social media content creators and businesses; no instructions have been issued yet

Taxes related to climate change or sustainability

- Possible introduction of tax incentives for sustainable energy production in business operations that are still being discussed; no instructions have been issued

VAT/GST or sales taxes

- Possible reduction of custom duty and introduction of VAT

Personal taxes

- Upon the announcement of the new PIT self-assessment reform in 2024, we expect to see the widescale application of the new instructions.
- The DRSS has introduced full digitalization of Social Security filing and payment, and widescale registration to maintain compliance is expected.

Iraq

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Ministry of Oil tax retention on RF for IOCs
- PIT self-assessment legislation
- New Daman Digital Platform

Top tax enforcement or tax controversy development expectations for 2025

- New tax audit mechanism for IOCs
- Adoption of Daman Digital Platform

Tax audits in Iraq in 2025 are generally expected to

increase in number and intensity.

Top audit issues

1. There is uncertainty regarding what the new tax audit mechanism for IOCs will look like. Companies may face challenges in understanding and complying with the new requirements once they are finalized.
2. Many companies remain noncompliant with WHT expectations and liabilities. This remains a challenge, and it is unclear how the GCT plans to approach this issue.
3. The full adoption of the Daman Digital Portal for social security procedures may pose challenges for companies, particularly those unfamiliar with the new platform, leading to potential compliance issues.

Changes in tax audit approaches or methods

- The GCT will now apply a self-assessment method for PIT, accepting the taxpayer's annual PIT schedule if it matches the audited financial statements.
- The Supreme Committee for Overseeing the Implementation of Tax Reform is developing a new tax audit mechanism for IOCs.

Tax governance approach/processes developments for business taxpayers

- Introduction of PIT self-assessment method

Digital tax administration developments

- Full digitalization of Social Security compliance and audit procedures is underway.
- Cash payments are expected to be phased out in favor of e-payment and POS methods by the GCT by the latter half of 2025.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	35%	35%	–	Same	Same
PIT	15%	15%	–	Same	Same
VAT/Sales	NA	NA	–	NA	NA

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Ireland

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EY key contacts

Tax policy:	Tax controversy:
Joe Bollard	Enda Jordan, Sandra Brennan

Key issues to watch in 2025

- BEPS Pillar Two Implementation
- Employment status of contractors
- VAT digitalization
- Enhanced reporting requirements (employment tax)

Key drivers of tax policy change

- International tax developments from the OECD
- Economic conditions in Ireland
- Global economic conditions
- US tax and trade policy developments with respect to OECD tax and World Trade Organization tariff commitments

Significant tax developments in 2024

- Introduction of dividend participation exemption
- New outbound payment rules took effect
- Increase in R&D tax credit rate from 25% to 30%

Significant tax developments expected in 2025

- Implementation of the dividend participation exemption regime
- BEPS Pillar Two filing requirements (Finance Bill Budget 2025)
- Expect Irish Revenue to provide some clarity of digitalization of VAT, including introduction of e-invoicing and real-time reporting by 2030

Major legislative activity that could include tax

- Branch participation exemption

Developments in tax transparency requirements

- Real-time reporting for expenses and the Pay As You Earn (PAYE) system
- Increased data requirements in company's corporation tax returns
- Public CbCR applies for financial years commencing on or after 22 June 2024; a report is required to be published within 12 months of the date of the balance sheet for the relevant financial year
- The Corporate Sustainability Reporting Regulations came into effect on 6 July 2024, transposing the Corporate Sustainability Reporting Directive

Major multilateral or bilateral cooperation activities

- Liechtenstein double tax agreement signed 30 October 2024 – not yet in effect
- Oman double tax agreement signed 30 May 2024 – in effect as of 1 January 2025

Ireland
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- Trading tax rate of 12.5% not expected to change
- Participation Exemption for Branches to be considered

Taxes on digital business activity

- Nothing specific: normal tax rules apply

Taxes related to climate change or sustainability

- Increase in carbon tax rate
- Amendment to the CBAM regime has been flagged by the European Commission ahead of the full implementation date of 1 January 2026; expectation is that a simplified approach will be tabled during 2025.

Windfall taxes

- No windfall taxes currently apply.

VAT, GST or sales taxes

- There may be a return to a lower VAT rate (i.e., 9%) for the hospitality sector.
- There is consultation ongoing in relation to the introduction of e-invoicing and real-time reporting for VAT. After the approval by the Economic and Financial Affairs Council (ECOFIN) of the VAT in the Digital Age (ViDA) proposals in November 2024, we expect that Revenue will provide further clarity on their plan to roll-out e-invoicing and real-time reporting at some stage in 2025.

Personal taxes

- N/A

Ireland

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Increased Revenue interaction under all tax heads
- Increased use of data analytics and reconciliations

Top tax enforcement or tax controversy development expectations for 2025

- Real-time audits for some tax heads (i.e., payroll taxes)
- Revenue interaction and compliance interventions expected to remain high

Tax audits in Ireland in 2025 are generally expected to

increase in number and intensity.

Top audit issues (all taxes)

Payroll taxes

- Benefit-in-kind and expenses
- Contractor versus employee determination
- International secondments

Corporation tax

- For multinational companies: a focus on intercompany transactions with an increased focus on transfer pricing
- Audit of incentives: R&D, Knowledge Development Box
- Permanent establishment issues when there are international secondees in Ireland

VAT

- Rates being charged
- Reverse charge on cross-border activities
- Local establishment status being tested
- Reviews of underlying process and controls
- Strict enforcement of interest and penalties
- Stricter conditions for claiming no loss of revenue

Changes in tax audit approaches or methods

- Increased use of data analytics
- Real-time audits
- Interventions taking longer to complete

Changes to dispute prevention or dispute resolution tools or programs

- No changes are currently expected.

Tax governance approach or processes developments for business taxpayers

- No changes are currently expected.

Digital tax administration developments

- The EU reached agreement on ViDA, and e-invoicing will be the default system for issuing invoices in respect of intra-EU transactions.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	12.5%	12.5%	–	Same	Same
PIT	52%	52%	–	Same	Same
VAT/sales	23%	23%	–	Same	Same

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Italy

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EY key contacts

Tax policy:	Tax controversy:
Giacomo Albano	Maria Antonietta Biscozzi

Key issues to watch in 2025

- Cooperative compliance regime
- Implementing decree for Pillar Two
- Implementing decree for anti-hybrid penalty protection regime
- New rules for the calculation of individual income tax and corporate income tax

Key drivers of tax policy change

- More cooperative and transparent relationship between the taxpayers and tax authorities with the approval of further decrees for the implementation of the new cooperative compliance regime and procedural rules for the assessment of tax violation
- Alignment with international leading practice and EU directives (including Pillar Two)
- Income corporate tax reform

Significant tax developments in 2024

- Reform of tax penalties regime (both administrative and criminal)
- Reform of tax assessment procedure
- New rules on tax residence for individual and corporate entities
- Simplification of the controlled foreign corporation rules
- Attractiveness for foreign investments/foreign individuals: tax relief for the re-shoring of economic activities previously carried out abroad, in a country not belonging to EU or EEA
- Introduction of the Investment Management Exemption (IME) regime providing a protective framework to make sure that foreign investment vehicles (and directly or indirectly controlled entities) do not trigger a permanent establishment where their investment manager, operating in Italy on their behalf or for their benefit, can be assumed to be acting independently

Significant tax developments expected in 2025

- The 2025 Budget Law introduced a reduced 20% corporate income tax (as opposed to the ordinary 24%) applicable only to 2025 income under certain circumstances. Requirements include that the taxpayer temporarily retains at least 80% of its 2024 earnings and makes investments in qualifying assets by also respecting a certain level of employment.

Major legislative activity that could include tax

- New Guidelines to be issued by Italian Revenue Agency on the content of a Tax Control Framework for the purposes of the cooperative compliance regime
- Guidelines for implementing the tax relief for the re-shoring of economic activities previously carried out abroad, in a country not belonging to the EU or EEA

Developments in tax transparency requirements

- Publication of the Decree 6 September 2024 n. 125 implementing Directive 2022/2464/EU (CSRD) aims to promote corporate transparency on the ESG impacts of their activities by strengthening annual reporting obligations
- New implementing decrees for the cooperative compliance regime

Major multilateral or bilateral cooperation activities

- New rules concerning cross-border exchanges of information and mutual assistance between tax authorities during simultaneous and joint tax audit have been published. Essentially, a tax audit may be done: (i) toward different taxpayers located in different jurisdictions and (ii) by different tax administrations (Italian with other European tax agencies). These audits are performed on a regular basis under the co-ordination of the Italian Central Directorate of the Revenue Agency jointly with the corresponding foreign body.
- In a joint tax audit, two or more tax administrations join together to examine one or several transactions or issues of one or more related taxable persons with cross-border business activities in which the tax administrations have a common interest. Such audits are ruled by Council Directive 2011/16/EU, as amended by Council Directive (EU) 2021/514.
- As from 2024, the said procedural rules have been extended in case of joint tax audits involving third tax administration (i.e., extra-EU tax authorities) provided that an exchange information tax treaty exists.

Italy

Expectations for tax policy

Significant tax reform is not expected in 2025 considering that a broader tax reformation has been carried out through 2024.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- The 2025 Budget Law introduced a reduced 20% corporate income tax (as opposed to the ordinary 24%) applicable only to 2025 income under certain circumstances.
- For fiscal years after 2025, an alternative corporate income tax rate system will likely be introduced that may or may not differ from the special one adopted for 2025.

Taxes on digital business activity

- 2025 budget law has confirmed the 3% Italian Digital Services Tax applicable to large multinationals (over EUR750m global turnover) providing certain digital services within Italian territory. The tax is now applicable to all Italian entities of the multinational group, irrespective from the turnover (until 2024 the tax was applicable only to the Italian entities with a turnover exceeding EUR5.5m).

Taxes related to climate change or sustainability

- As of 1 January 2025, the green tax credit (so-called Superbonus) has been reduced to 65% (instead of the previous 70% or 110% until 2023) in certain cases or fully revoked in other cases.

Windfall taxes

- Starting from FY 24, the 50% windfall tax due by enterprises engaged in certain electricity, natural gas and oil business is no longer due.
- Starting from FY 24, the 40% windfall tax due by Italian banks or Italian branches of foreign banks shall is no longer due. However, the 2025 Budget law has introduced the postponement of certain deductions for banks and financial institutions.

VAT, GST or sales taxes

- For secondment of personnel entered into effect after 1 January 2025, a new tax regime is set out subjecting this contract to the ordinary VAT rate of 22% (previously deemed as out of VAT scope).
- Non-EU companies with a VAT representative in Italy must provide a guarantee to be enrolled in the VAT Information Exchange System database.
- A reverse-charge (RC) mechanism was introduced on supplies made by suppliers to logistic service operators (customers), which are labor intensive, carried out at the premises of the customers via use of capital goods of such customer, except when the customer is within the Public Administration.
  The RC must be approved by EU authorities. In the interim, the customer may opt for a special regime where payment of VAT due on the supply of service is performed by the customer in the name and on behalf of the supplier, which remains jointly liable for the VAT liability. The invoice remains due by the supplier and the VAT needs to be paid by the customer via the F24 form with no possibility of offsetting with credit VAT or other taxes.

Personal taxes

- Implementing decree on the Biennial Preventive Agreement: Italian Revenue Agency and taxpayers may agree on the quantification of the income attributable to the taxpayers for two subsequent FYs for income tax purposes (VAT is excluded). If the taxpayer accepts the income and net production value calculated by the tax authority, they receive premium treatment (e.g., no taxability of additional income exceeding the amount agreed with the tax authorities).
- Non-domiciled tax regime: Increase of the substitutive tax from EUR100k to EUR200k is to be applied on the foreign income in the hand of the individuals transferring their residence in Italy.
- New tax relief for workers moving the tax residence in Italy as from 2024 is for at least four years.
- New calculation rules for certain income will include, such as, employment income, professional income, capital gains arising from the sale of certain business assets.

Italy

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- New rules requiring a preventive discussion with the taxpayer before the issuance of a tax assessment
- New rules on the facultative/mandatory obligation to self-amend tax assessments in specific cases, even after the elapsing of the deadline to lodging a tax appeal before the Tax Court.

Top tax enforcement or tax controversy development expectations for 2025

- An increase of tax audits concerning hybrid-mismatches to promote to taxpayers the recently introduced penalty protection regime
- An increase of audits on the simulation of service supply contracts to mask the illicit supply of manpower with the assessment of higher VAT and corporate income taxes

Tax audits in Italy in 2025 are generally expected to

increase in number and intensity.

Top audit issues (all taxes)

- Extraordinary transactions (such as mergers, de-mergers, etc.) continue to be a topic of focus for tax authorities due to the potential applicability of tax anti-abuse rules.
- As a response to recent cases of carousel-frauds on VAT, cross-border transactions are being more heavily scrutinized.
- There is an increasing focus by the tax authorities on transfer pricing and PE-related issues.
- The beneficial ownership condition is very carefully scrutinized where a nil or reduced WHT is applied to payments based on an EU directive or applicable DTT, in particular when the ultimate owner of the group is non-EU.
- The tax authorities are focusing on intercepting the improper use of contributions and tax credits accrued even after the COVID-19 emergency.
- There has been a sharp increase in the investigative activities of Public Prosecutors' offices and of the Italian tax authorities with reference to fraud schemes involving the simulation of service supply contracts to mask the illicit supply of manpower. In such cases, the subcontractors, by eventually evading taxes and contributions due in relation to their workers, also involve the unaware commissioner in the fraudulent scheme, with all the associated risks (e.g., among others, non-deductibility of the VAT paid to the subcontractor).

Changes in tax audit approaches or methods

- The 2024 reform enhances a preventive dialogue between taxpayers and the Italian Revenue Agency.
- There are new rules on a mandatory preventive discussion with the taxpayers.
- The adoption of a tax control framework outside the cooperative compliance regime has been equalized to the cooperative compliance regime in terms of benefits. This includes penalty protection for administrative and (certain) criminal liability and reduced time to issue a tax assessment.
- The condition for access to these benefits is that the tax risks are disclosed through ordinary tax rulings before the filing of the tax returns or before the relevant tax deadlines.

Changes to dispute prevention or dispute resolution tools or programs

- There were no amendments to MAP or APA.

Tax governance approach or processes developments for business taxpayers

- The most recent approach may be summarized in a double action carried out by Italian legislation. On one hand, the introduction of measures incentivize self-disclosure with the tax authorities (e.g., the new cooperative compliance regime or the anti-hybrid mismatches penalty protection regime) and on the other hand, the introduction of tools to accelerate the payment of taxes through tax amnesty regimes (e.g., for R&D tax credit).

Digital tax administration developments

- Further implementation of information-sharing among all public databases, with the possibility of assessments also conducted with the help of AI

Italy

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	24%	24%	–	Same	Same
PIT	43%	43%	–	Same	Same
VAT/sales	22%	22%	–	Same	Same

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Japan

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EY key contacts

Tax policy:	Tax controversy:
Koichi Sekiya	Taichi Haraguchi

Key issues to watch in 2025

- Increase in the amount of basic deduction for PIT and the minimum guaranteed amount for deductions for employment income
- Expansion of a tax incentive to strengthen the business management capability of small and medium-sized enterprises
- Revision of tax exemption system for foreign tourists
- Legislation for global minimum taxation

Key drivers of tax policy change

- Adjustment of tax responsibility and employment adjustment measures during inflation
- Promote capital investment by small and medium-sized enterprises with high growth aspirations and create a positive cycle in the local economy
- Responding to changes in the international environment

Significant tax developments in 2024

- Flat-amount cut of PIT
- Creation of the Innovation Box System for transactions after 1 April 2025
- Introduction of Digital Platform Taxation of Consumption Tax for transactions after 1 April 2025
- Responding to global minimum taxation

Significant tax developments expected in 2025

- Increase in the amount of deductions for the basic deduction for income tax and the minimum guaranteed amount for deductions for employment income
- Expansion of a tax incentive to strengthen the business management capability of small and medium-sized enterprises
- Revision of tax exemption system for foreign tourists
- Legislation for global minimum taxation

Major legislative activity that could include tax

- 2025 tax policy reform agenda is expected to pass Parliament by March 2025. This includes the items listed as significant tax developments expected in 2025 as well as a special defense corporation tax (tentative name) will be levied at a rate of 4% on corporate tax amounts from fiscal years beginning on or after 1 April 2026.

Developments in tax transparency requirements

- No current developments

Major multilateral or bilateral cooperation activities

- Technical cooperation to developing countries, mainly Asian countries
- OECD Asia-Pacific tax and financial crimes investigation academy
- Cooperation among countries to solve problems facing tax administration

Japan
Expectations for tax policy

Significant tax reform **is not** expected in 2025.

Elections are occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to increase.

Corporate taxes

- Extension of special provisions for reduced corporate tax rates for small and medium-sized enterprises
- Expansion of a tax incentive to strengthen the business management capability of small and medium-sized enterprises
- Expansion of the special depreciation or tax credit system for the acquisition of machinery for specified businesses in the promotion area of the regional economic driving project
- Extension of the regional revitalization support tax system (corporate version of hometown tax payment)
- Responding to global minimum taxation

Taxes on digital business activity

- The tax reform in 2024 introduced the Digital Platform Taxation of Consumption Tax. The system obligates platform operators to remit consumption taxes on behalf of foreign digital services businesses. Platform operators of a certain scale that offer platform services to foreign businesses with Japanese customers are subject to the system.

Taxes related to climate change or sustainability

- No changes are currently expected.

Windfall taxes

- No changes are currently expected.

VAT, GST or sales taxes

- Revision of tax exemption system for foreign tourists (export goods sales system)

Personal taxes

- Increase in the amount of deductions for the basic deduction for PIT and the minimum guaranteed amount for deductions for employment income
- Raising the contribution limit for Defined Contribution Pension Plans

Other

- Tobacco tax rate will be raised by JPY0.5 per cigarette in April 2027, April 2028 and April 2029.

Japan

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Fraudulent consumption tax refund
- Cross-border transactions, including transfer pricing
- Withholding tax on payment to overseas

Top tax enforcement or tax controversy development expectations for 2025

- Fraudulent consumption tax refund
- Cross-border transactions, including transfer pricing
- Withholding tax on payment to overseas

Tax audits in Japan in 2025 are generally expected to

increase in number and intensity.

Top audit issues (all taxes)

1. Fraudulent consumption tax refund
2. Cross-border transactions, including transfer pricing
3. Withholding tax on payment to overseas

Changes in tax audit approaches or methods

- No changes are currently expected.

Changes to dispute prevention or dispute resolution tools or programs

- No changes are currently expected.

Tax governance approach or processes developments for business taxpayers

- No changes are currently expected.

Digital tax administration developments

- No changes are currently expected.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	23.2%	23.2%	–	Lower	Lower
PIT	45%	45%	–	Lower	Lower
VAT/sales	10%	10%	–	Higher	Higher

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Jordan

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EY key contacts

Tax policy and controversy:
Ali Samara
Mohammad Allouzi
Razan Halaby

Key issues to watch in 2025

- E-invoicing compliance

Key drivers of tax policy change

- Fiscal sustainability
- Economic growth and development
- Compliance with international standards

Significant tax developments in 2024

- Implementation of measures addressing noncompliance with e-invoicing regulations. This included the application of a penalty amounting to JOD500 (c. USD705) to affected taxpayers who had not completed registration with the e-invoicing system by 31 May 2024. There were subsequent efforts of the Jordanian Income and Sales Tax Department to actively engage with taxpayers and their representatives to support compliance with e-invoicing requirements, including the issuance of invoices through the national e-invoicing system and the integration of accounting systems.
- The extension of the term of the Income and Sales Tax Department's Settlement and Reconciliation Committee until 31 December 2024 allowed registered taxpayers to submit penalty waiver requests until the end of 2024.

Significant tax developments expected in 2025

- Improvement of the tax authority's electronic platform
- Enhancement of the efficiency of tax collection to curb the elevated debt level
- Challenging of tax deductions for expenses that are not supported by compliant e-invoices issued through the national e-invoicing system

Major legislative activity that could include tax

- Jordan does not currently have any major legislative activity that impacts its tax policy.

Developments in tax transparency requirements

- The Jordanian Income and Sales Tax Department remains dedicated to continually enhancing its e-invoicing portal. This would result in advancing transparency and tax revenue accumulations.
- The Aqaba Special Economic Zone Authority has established a dedicated e-invoicing department to provide additional support and assistance to affected taxpayers registered with the Aqaba Special Economic Zone. This initiative aligns with Jordan's commitment to international tax transparency, particularly in special zones that offer reduced tax rates and certain tax exemptions to registered entities.

Jordan
Expectations for tax policy

Significant tax reform is not expected in 2025.

R&D incentives are not applicable in Jordan.

Other business incentives are expected to stay the same.

Corporate taxes

- Corporate tax rate: Standard rates are to remain the same at 35% for banks, 24% for telecommunication, insurance and reinsurance, financial intermediation companies, companies that generate and distribute electricity, and companies that undertake mining raw material activities, and at 20% for all other sectors.
- In addition, a tax rate of 10% is applied to the net income of Jordan companies' foreign branches and net income realized by residents of Jordan from foreign sources if such income is generated from Jordanian monies or deposits. This rate will also remain the same.
- A national contribution at rates ranging from 1%-7% (depending on the sector of operations) also applies to taxable income.
- There are currently no changes to Jordan's tax legislation that are being considered by the Jordanian government.

Taxes on digital business activity

- Jordan does not have a specific tax regime applicable to digital business activities. The standard 16% GST applies on goods purchased through digital services and imported into the country.

Taxes related to climate change or sustainability

- Jordan does not impose a carbon tax or any other climate change-related tax that promotes carbon emissions abatement.

Windfall taxes

- Jordan does not impose windfall taxes.

VAT, GST or sales taxes

- A change to Jordan's GST legislation is unlikely to occur in 2025. Currently, a standard GST rate of 16% is applicable to the supply of goods and services inside Jordan and the importation of goods and services from outside Jordan or from free zones, special zones and development zones. This is the general rule unless the activity or type of goods being imported into Jordan is specifically exempt or subject to a different rate under legislation.

Personal taxes

- There are no changes being proposed by the government with respect to personal income taxes in Jordan. Accordingly, the rates, which are applied progressively on any income incurred in or from Jordan, for any natural person regardless of the place of payment, will remain the same.

Jordan

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- In 2024, the Jordanian Income and Sales Tax Department reinforced the national e-invoicing system, which was initially launched on 6 December 2022. The Income and Sales Tax Department engaged proactively with taxpayers to support compliance with the e-invoicing requirements. Adherence to these requirements is mandatory, with the authorities contemplating stringent penalties for noncompliance.

Top tax enforcement or tax controversy development expectations for 2025

- No major developments are expected in 2025.

Tax audits in Jordan in 2025 are generally expected to

increase in number and/or intensity.

Top audit issues (all taxes)

1. Taxpayer compliance with transfer pricing rules is a top issue.
2. Taxpayer compliance with e-invoicing regulations is crucial. Noncompliance may result in disallowing expenses during a tax audit if proper supporting documentation, such as electronic invoices generated through the e-invoicing system with all required elements and the Quick Response Code, is not available.

Changes in tax audit approaches or methods

- Changes in tax audit approaches are expected, with digitalization becoming a bigger part of audits. It is anticipated that reliance on the e-invoicing platform will be introduced, thereby increasing efficiency and oversight.

Changes to dispute prevention or dispute resolution tools or programs

- Changes to dispute prevention or dispute resolution tools or programs are not expected.

Tax governance approach or processes developments for business taxpayers

- None

Digital tax administration developments

- The tax authority in Jordan remains committed to enhancing its e-invoicing portal and is contemplating the establishment of a legal structure to oversee the execution of e-invoicing. This would boost transparency and improve tax revenue collection. However, the timeframe for these improvements is still uncertain.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	35%	35%	–	Same	Same
PIT	30%	30%	–	Same	Same
VAT/sales	16%	16%	–	Same	Same

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Kazakhstan

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EY key contacts

Tax policy:	Tax controversy:
Erlan Dosymbekov, Dinara Tanasheva, Roman Yurtayev	Dinara Tanasheva, Roman Yurtayev

Key issues to watch in 2025

- Pillar Two impact
- New Tax Code (effective from 2026)
- MLI and confirmation of beneficial ownership status
- State budget deficit

Key drivers of tax policy change

- The need to decrease the state budget deficit
- Government efforts to diversify the economy and attract foreign investments to manufacturing sectors, R&D and exploration of new mine fields
- The course to liberalize the of economy set by the President
- Digitalization of the tax administration

Significant tax developments in 2024

- Tax developments regarding digital assets
- Cancellation of corporate income tax benefits for income of commercial banks from government securities
- Changes in taxation of interest payments for listed securities
- Retrospective amendments adjusting income by the amount of received dividends for corporate income tax purposes
- Standardized VAT for electronic services in the Eurasian Economic Union
- Introduction of mandatory employer pension contributions (at employers' cost)

Significant tax developments expected in 2025

- Tax developments regarding R&D that were adopted in July 2024 and effective from 2025
- Mineral tax rate for mining of uranium increased from 6% to 9% for the period from 1 January 2025 to 1 January 2026

Major legislative activity that could include tax

- Developing the new tax code to be adopted in 2025 and effective from 2026

Developments in tax transparency requirements

- Introduction of obligations of a tax agent for companies in the e-commerce sector
- Cancellation of the last stage of the Universal Declaration

Major multilateral or bilateral cooperation activities

- Kazakhstan is considering signing the Multilateral Convention to Facilitate the Implementation of the Pillar Two Subject to Tax Rule (STTR MLI).
- There are ongoing bilateral cooperation activities on the conclusion of double tax treaties, investment protection agreements and trade and economic cooperation agreements with different countries.

Kazakhstan
Expectations for tax policy

Significant tax reform is expected during 2025 with a new tax code being developed to come into force from 1 January 2026.

Elections are not occurring in 2025.

R&D incentives are expected to increase.

Other business incentives are expected to stay the same in 2025; however, it is expected that the number of tax incentives will be reduced in the new tax code.

Corporate taxes

- R&D incentives include CIT incentives, such as:
  - (i) Decrease of taxable item to the amount equal to 50% of deductions of expenses on R&D
  - (ii) 100% exemption from CIT of income of accredited scientific entities in form of financing creation of scientific research centers at the research universities
- There have been no other significant changes in tax legislation effective from 2025.

Taxes on digital business activity

- There have been no significant changes in tax legislation effective from 2025.

Taxes related to climate change or sustainability

- Kazakhstan does not impose a carbon tax or any other climate change-related tax that promotes carbon emissions abatement.

Windfall taxes

- There have been no significant changed in tax legislation effective from 2025.

VAT, GST or sales taxes

- There have been no significant changes in tax legislation effective from 2025.

Personal taxes

- The last stage of the Universal Declaration that was expected to come into force from 2025 for all other categories of individuals, was amended. As such, more than 8 million individuals in Kazakhstan (people receiving income only in form of salaries, students, pensioners, etc.) were exempted from declaration. This decision was based on the increasing digitalization and availability of information from the second-tier banks.

Kazakhstan

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The issue of re-classification of payments for technical support services into royalties was clarified by the Supreme Court of Kazakhstan and certain criteria for payment for services and royalties were provided.
- The Supreme Court has issued a bulletin outlining the main points on the application of tax law.

Top tax enforcement or tax controversy development expectations for 2025

- Due to the state budget deficit, the tax authorities are expected to continue robust enforcement.

Tax audits in Kazakhstan in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

1. VAT refund
2. Discrepancies in reconciliation of CIT and VAT
3. Re-classification of payments for services into royalties
4. Transfer pricing control
5. Challenging deductions for purchase of goods, works or services from suppliers absent at the place of registration, recognized as false enterprises or bankrupt, registration recognized as invalid
6. Challenges of deductibility of intra-group charges
7. Challenges of beneficial owners for withholding tax purposes
8. Exemption of dividends from withholding tax

Changes in tax audit approaches or methods

- Within 2024, the tax authorities issued many preliminary decisions on initiating tax audits and requesting information within tight timelines. Upon receipt of the explanatory letters of taxpayers to such decisions, the tax authorities initiated tax audits. Wider application of such approach is expected in 2025.

Changes to dispute prevention or dispute resolution tools or programs

- No changes to dispute prevention or dispute resolutions tools or programs are expected in 2025.

Tax governance approach or processes developments for business taxpayers

- The pilot project on Horizontal Monitoring (cooperative compliance) was prolonged until the end of 2027.

Digital tax administration developments

- A pilot project on the Digital VAT was introduced, which is open to participation from October 2024 until December 2025. Under the pilot project, taxpayers who export goods, excluding the manufacturers of the exported goods, are eligible for VAT refund within 15 business days without conducting tax audit. To participate in this pilot project, the taxpayers must open a bank account in certain banks participating in the pilot project and operating with the Digital Tenge.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	20%	20%	–	Same	Same
PIT	10%/20%	10%/20%	–	Same	Same
VAT/sales	12%	12%	–	Same	Same

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Kuwait

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EY key contacts

Tax policy: Ahmed Eldessouky Indirect Tax: Aamer Bhatti, Mitul J Patel	Tax controversy: Ahmed Eldessouky Amit Arora Hassan Mahmood

Key issues to watch in 2025

- Introduction of business profits tax (BPT) for local companies in line with BEPS Pillar Two implementation, and supplementary tax (if applicable)
- Introduction of Excise Tax

Key drivers of tax policy change

- Kuwait is proactively positioning itself as a compliant and responsible member of the global economic community by adopting BEPS Pillar Two rules. In line with this commitment, Kuwait has enacted Decree-Law No. (157) of 2024, introducing an MNE domestic minimum top-up tax (DMTT). This is intended to align Kuwait with international tax standards and also safeguard against foreign tax leakage so that profits generated within Kuwait remain untaxed by foreign jurisdictions.
- The Kuwait government plans to introduce a BPT that may apply to both foreign and local companies. Currently, foreign companies operating in Kuwait are subject to a 15% tax on their share of profits from operations in the country. In contrast, certain local companies (outside the scope of Pillar Two) are either exempt from taxes or subject to a tax rate ranging from 1% to 2.5%. This marks a major policy shift in Kuwait's tax landscape, aimed primarily at diversifying the economy away from its traditional reliance on oil-based revenues. The move is also seen as a step toward creating a more equitable tax system, where businesses contribute more significantly to national revenue.
- Kuwait is considering the introduction of an excise tax, which would be levied on specific goods considered harmful to health or the environment. This includes items like tobacco, tobacco products, e-cigarettes and liquids used in the e-cigarettes, soft drinks, sweetened drinks and energy drinks, etc. The introduction of an excise tax aligns with global health and environmental objectives and reflects Kuwait's commitment to promoting public health and sustainable practices.

Significant tax developments in 2024

- On 24 December 2024, Kuwait's Council of Ministers (Cabinet) approved a law regarding the implementation of a DMTT on MNEs. The DMTT will be applicable on MNEs for taxable periods beginning on or after 1 January 2025.
- Double tax treaties were signed with the United Arab Emirates and the Kingdom of Saudi Arabia.
- In practice, the Kuwait Tax Authority (KTA) now mandates that taxpayers notify the KTA of the disposal of fixed assets at least one month in advance. This notification must include details such as the purchase dates, book values, and the date, time and place of disposal. Under this regulation, the disposal of an asset or good is prohibited until the KTA has been notified and a tax official is present at the disposal event.

Significant tax developments expected in 2025

- The DMTT is effective for fiscal years starting on or after 1 January 2025. It will apply to MNE groups operating in Kuwait.
- Introduction of a new BPT law is expected.
- Introduction of an excise tax is expected.
- Introduction of withholding tax and transfer pricing related requirements under the new law are expected.
- The signing of DTTs with both the Kingdom of Bahrain and Qatar are expected.

Major legislative activity that could include tax

- No further legislative activity is expected that could include tax.

Developments in tax transparency requirements

- Currently, there are no specific transparency requirements in Kuwait. Since Kuwait has joined OECD's Inclusive Framework on BEPS, more transparency requirements are expected to be introduced.

Kuwait
Expectations for tax policy

Significant tax reform may occur in 2025 with the introduction of a BPT that may supersede the tax regulations introduced in 2008. Kuwait is also considering the introduction of an excise tax.

Elections are not occurring in 2025.

R&D incentives are not present.

Other business incentives are expected to stay the same. Companies licensed under the Kuwait Direct Investment Promotion Law can benefit from tax, customs and other incentives provided under the law. However, certain criteria should be met on a yearly basis.

Corporate taxes

- The CIT at 15% was applicable only on foreign companies that operate in Kuwait (either directly or through shareholding in Kuwaiti/GCC entities). However, with the introduction of DMTT, all entities (foreign and Kuwaiti) may be subject to tax at 15%.
- Income from business activities conducted in the divided zone or the submerged divided zone is subject to a tax rate based on the taxable profit range of the operations attributable to the respective jurisdiction. If the taxpayer settles 50% of the tax due in the Kingdom of Saudi Arabia, the remaining 50% is required to be settled in Kuwait; otherwise, Kuwait reserves the right to claim and collect the entire tax amount due.

Taxes on digital business activity

- There are no specific rules to tax digital businesses. However, digital businesses are considered as normal businesses and taxed accordingly.

Taxes related to climate change or sustainability

- Kuwait does not have carbon tax or any other climate change-related taxes at present.

Windfall taxes

- There is no windfall tax in Kuwait.

VAT/GST or sales taxes

- There is no VAT or sales tax in Kuwait.

Personal taxes

- There is no personal income tax in Kuwait.

Other taxes

Currently, the following taxes are applicable in Kuwait for local companies:

- Kuwaiti closed shareholding companies are subject to zakat at 1% on adjusted profit (Zakat).
- Companies listed on the Kuwait Stock Exchange are subject to national labor support tax (NLST) at 2.5% on adjusted profit.
- Kuwait Foundation for the Advancement of Science (KFAS) is levied at 1% on profit.

However, with the introduction of DMTT, neither Zakat nor NLST will be applicable on MNEs any longer. KFAS would continue to apply.

Kuwait

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- There were no significant developments in 2024.

Top tax enforcement or tax controversy development expectations for 2025

- OECD Pillar Two Rules adoption and implementation

Tax audits in Kuwait in 2025 are expected to remain the same in number and/or intensity.

Top audit issues

- Denial of DTT benefit on offshore operations, especially if the entity operates as part of a joint venture
- Deferment of revenue and costs restricted only to the first year of operation; accordingly, even if there is a significant mismatch between revenue and costs (applicable on project-/contract-related operations), deferment to be generally challenged by the KTA
- Restriction under the Executive Rule of the deductibility of subcontract costs (including equipment rental, manpower hire and similar expenses) to the related revenue
- Disallowance of costs incurred outside of Kuwait as well as expenses paid through cash
- Disallowance of expenses for noncompliance with the 5% retention requirements

Changes in tax audit approaches or methods

- KTA carries out a compulsory tax inspection before issuing a tax assessment. While there have been discussions to carry out selective tax inspections, its implementation is not certain yet.

Changes to dispute prevention or dispute resolution tools or programs

- KTA has started to review the MAP applications (where a taxpayer considers that the actions of KTA resulted in taxation that is not in accordance with the provisions of the DTT). The KTA has been in discussion with the tax authorities of other countries on the MAP.

Tax governance approach/processes developments for business taxpayers

- There were no significant developments in 2024.

Digital tax administration developments

- As part of the reform to be brought in by new CIT Law in Kuwait, it is expected that Kuwait will implement a digital tax administration system. More visibility is expected in the future.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	15%	15%	–	Same	Same
DMTT	–	15%	100%	Changed	15% introduction
PIT	N/A	N/A	–	Same	Same
VAT/sales	N/A	N/A	–	Same	Same

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Lithuania

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EY key contacts

Tax policy:	Tax controversy:
Irmantas Misiūnas	Leonas Lingis

Key issues to watch in 2025

- Introduction of a tax policy package by the new government
- Efforts to promote economic growth, reduce shadow activities and achieve efficiency in governance
- Efforts to achieve sustainable financing for national security

Key drivers of tax policy change

- The newly elected Lithuanian Parliament and appointed government seek to make amendments in tax policies with a comprehensive approach to balancing immediate defense needs with long-term investments in social welfare, education, health care and infrastructure, all aimed at fostering a resilient and prosperous society.

Significant tax developments in 2024

- The CIT rate increased from 15% to 16% and reduced rate from 5% to 6% as of 1 January 2025.
- There are new limits (based on CO2 emission amounts) on allowable deductions for CIT purposes on purchase of passenger cars.
- Changes in taxation on the income of health care institutions were introduced.
- Changes in taxation on insurance contributions received by insurance companies were introduced.
- The temporary solidarity tax on banks has been extended for one more year until 31 December 2025.
- The excise duty rates on alcohol, tobacco and energy products were raised. A new variable of CO2 component for energy products and a new variable tariff rate security component for gas oils used in agricultural production were introduced.
- For personal income tax, investment accounts and changes in insurance contribution taxable income deductions were introduced.
- CESOP was implemented.

Significant tax developments expected in 2025

- The newly elected Parliament of the Republic of Lithuania and government are in discussions of future tax reform, which is expected to aim for sufficient budget resources to increase defense financing as well as allocate sufficient resources, e.g., to the social sphere, education, health care, and investing in infrastructure. If a tax policy package is accepted in the spring session, the changes will come into force six months after, most likely not earlier than 1 January 2026.

Major legislative activity that could include tax

- A new tax on insurance premiums (security contribution) under non-life-insurance contracts brought by the former government is not ruled out yet. This would subject to tax (10%) insurance premiums under non-life-insurance contracts, when the insurance risk is in Lithuania, except for insurance premiums on civil liability in respect of the use of vehicles paid by natural persons.

Developments in tax transparency requirements

- Additional requirements for taxi service providers to submit information to the tax authorities about individuals having license to provide taxi services

Major multilateral or bilateral cooperation activities

- Lithuania revoked a DTT with Belarus. As of 1 January 2026, residents of each country will be taxed according to the national legislations without the restrictions set by DTT.

Lithuania
Expectations for tax policy

Significant tax reform is expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- No significant developments are expected in 2025 other than those mentioned in the previous section.

Taxes on digital business activity

- No significant developments are expected in 2025.

Taxes related to climate change or sustainability

- No significant developments are expected in 2025, other than those mentioned in previous section.

Windfall taxes

- No significant developments are expected in 2025.

VAT, GST or sales taxes

- Lithuania adopted a SME VAT registration scheme in January 2025. The EC has initiated infringement procedure against Lithuania for failing to timely transpose the directive provisions to the national laws.

Personal taxes

- Key change as of 1 January 2025: Introduction of "investment account," under which income received via the "investment account" will not be subject to personal income tax until it is disbursed from the account and only the part exceeding the initial investment will be subject to tax.
- Termination of tax relief on contributions to life insurance and pension fund schemes. The relief will be gradually waived and for contracts concluded until 31 December 2024, and it will be valid for another 10 years.
- The approved increase of minimal monthly salary (MMS) for 2025 is EUR1,038 (2023 was EUR924).
- PIT relief is no longer applied to third-tier pension contracts as of 1 January 2025.
- The full amount of per diem for business trips abroad is exempt from personal income tax if the salary of the employee is equal to or greater than EUR1,713.

Other

- An increased tax rate of 22% (instead of 20%) is applied to gambling activities (slot machines and distance gambling, table games, bingo, totalizers, betting, and lotteries) as of 1 January 2025.

Lithuania

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Temporary solidarity tax on banks extension for one more year
- Introduction of investment account for PIT purposes
- Increase in excise duty rates on alcohol, tobacco and energy products, introduction of CO2 and security components
- CIT rate increase and new limits on allowable deductions for the passenger car purchases based on CO2 emissions

Top tax enforcement or tax controversy development expectations for 2025

- A tax policy package is foreseen to be introduced with expected changes in different tax areas.

Tax audits in Lithuania in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

1. Income in-kind taxation
2. Transfer pricing
3. Restructuring and goodwill
4. Application of 0% VAT rate and input VAT deduction
5. Rules on thin capitalization
6. Dividend and interest taxation
7. Creation of Permanent Establishment

Changes in tax audit approaches or methods

- Higher use of SAF-T based audits

Changes to dispute prevention or dispute resolution tools or programs

- No significant developments are currently expected.

Tax governance approach or processes developments for business taxpayers

- Changes may occur with new tax reform.

Digital tax administration developments

- Preparation and planning is expected for the upcoming changes due to the VAT in digital age (ViDA) package approval within EU level.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	15%	16%	1%	Higher	Same
PIT	32%	32%	–	Same	Same
VAT/sales	21%	21%	–	Same	Same

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Luxembourg

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EY key contacts

Tax policy:	Tax controversy:
Bart Van Droogenbroek	Hélène Crepin

Key issues to watch in 2025

- Pillar Two developments
- Amendment of controversy procedures
- Implementation of transfer pricing documentation (Master File and Local File)

Key drivers of tax policy change

As outlined in the Prime Minister's State on the Nation Address, the priorities of the government are:

- Supplying affordable housing, with initiatives such as a temporarily lowering the tax on capital gains derived from the sale of existing houses and new or increased tax credits, also the possible introduction of a tax on the mobilization of land
- Increasing the purchasing power of households, with a focus on single-parent families and individuals earning the minimum social wage
- Enhancing the attractiveness of Luxembourg, by supporting employees and strengthening businesses and the financial sector

Significant tax developments in 2024

- Entry into effect of the enhanced investment tax credit encouraging digital transformation and ecological and energy transition
- Entry into effect of the IIR and the QDMTT and update of the Pillar Two Law to incorporate latest OECD/G20 guidance
- Decrease of corporate income tax rate by 1% (as from tax year 2025)
- New minimum Net Wealth Tax regime (as from tax year 2025)
- Possibility to waive the application of tax exemptions for dividend income and capital gains, under certain conditions (as from tax year 2025)
- Enhancement of the existing profit-sharing regime (as from tax year 2025)
- Reversion to standard VAT rates (17%, 14% and 8%)
- Extension of the scope of transactions subject to the reverse charge mechanism

Significant tax developments expected in 2025

- Implementation of transfer pricing documentation for entities meeting certain criteria (Master File and Local File)
- Further updates to Pillar Two Law and implementation details expected
- Amendments to tax controversy procedures
- Further expansion of the double tax treaty network
- E-invoicing readiness might become an obligation for Luxembourg resident companies if they conduct business in other (EU) jurisdictions (e.g., Germany)

Major legislative activity that could include tax

- The annual draft Budget Law is usually released in October and often includes tax provisions affecting individual and corporate taxpayers. New tax provisions are frequently adopted through specific laws during the year.

Developments in tax transparency requirements

- As required by the law on the automatic and mandatory exchange of information reported by Platform Operators, the first reports had to be filed in 2024.
- Following the enactment of the law transposing the public CbCR Directive, the obligation of drawing up, publishing and making accessible the public CbCR applies to in-scope undertakings for fiscal years starting on or after 22 June 2024.

Major multilateral or bilateral cooperation activities

- Luxembourg signed the Multilateral Competent Authority Agreement on Automatic Exchange of Information Pursuant to Crypto-Asset Reporting Framework (CARF MCAA) and the Addendum to the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (Addendum to the CRS MCAA).

Luxembourg
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to increase.

Corporate taxes

- The CIT rate decreased by one percentage point as from tax year 2025.
- Application of the IIR and the QDMTT for financial years starting on or after 31 December 2023. If an MNE's Ultimate Parent Entity is in a jurisdiction that, pursuant to the Minimum Tax Directive, delays implementation of the IIR, the UTPR will apply for financial years starting on or after 31 December 2023, otherwise it will apply for financial years starting on or after 31 December 2024.

Taxes on digital business activity

- No stated intention to take any unilateral domestic measures.

Taxes related to climate change or sustainability

- Luxembourg's carbon tax is to gradually increase over the next several years.

Windfall taxes

- There is no stated intention to take any unilateral domestic measures.

VAT, GST or sales taxes

- Changes to the VAT treatment of directors' fees following the judgment of the Court of Justice of the European Union and the subsequent judgment of the Luxembourg District Court are expected.

Personal taxes

- Enhancement of the existing profit-sharing regime (as from tax year 2025)
- Overhaul of the existing expatriate tax regime (as from tax year 2025)
- Introduction of a young-employee bonus (as from tax year 2025)
- Adjustment of the PIT scales (as from tax year 2025)

Luxembourg
Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Enforcement of VAT following the entry into effect of the Central European System of Payment Information (CESOP)

Top tax enforcement or tax controversy development expectations for 2025

- Implementation of new transfer pricing documentation requirements
- Pending legislation amending some rules in tax controversy matters
- VAT authorities commencing to enforce their right to assess penalties for late VAT registration

Tax audits in Luxembourg in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

1. Transfer pricing
2. Foreign permanent establishments
3. VAT – Most findings result from cross-border supplies and/or purchases of services or goods (i.e., cross-check against the VAT Information Exchange System (VIES)
4. The method via which a company exercises its input VAT deduction right remains under strict review

Changes in tax audit approaches or methods

- No developments are currently expected.

Changes to dispute prevention or dispute resolution tools or programs

- A draft law is currently pending before parliament that introduces a provision dedicated to requests for bi- or multilateral APAs. The application formalities and the decision process are detailed in a Grand-Ducal regulation that has not been adopted yet.

Tax governance approach or processes developments for business taxpayers

- No developments are currently expected.

Digital tax administration developments

- The government is committed to continue its efforts to digitize tax administration. Digital exchanges with tax authorities will be encouraged and administrative procedures will be digitized, also using AI.
- Extension of mandatory electronic filing to further tax returns as from 1 January 2025 is expected.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	24.94%	23.87%	-4.3%	Same	Lower
PIT	45.78%	45.78%	–	Same	Same
VAT/sales	17%	17%	–	Same	Same

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Malaysia

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EY key contacts

Tax policy:	Tax controversy:
Amarjeet Singh	Amarjeet Singh

Key issues to watch in 2025

- Review of sales tax rates on non-essential items, particularly imported premium products
- BEPS 2.0 Pillar Two implementation effective 1 January 2025
- Greater transparency in tax disclosures
- Expansion of the service tax scope to include commercial services, particularly businesses that operate on a fee-based model

Key drivers of tax policy change

- A 2% tax was introduced on dividend income exceeding RM100,000 received by individuals, with exemptions on certain types of dividend income. This will apply to residents, nonresidents and individuals who hold shares through nominees.
- The New Investment Incentive Framework focusing on high-value activities was introduced.
- The government extended the incentive for hiring women returning to work, implementing flexible work arrangements and providing additional paid caregiving leave for employees.
- A review of sales tax rates on non-essential items and expansion of the service tax scope is in line with the government's objective to strengthen the country's fiscal position via a progressive approach.
- The government has proposed that a portion of the additional tax revenue will be allocated to enhancing financial aids for the citizens, as well as improving the quality of certain public sector services.

Significant tax developments in 2024

- Implementation of CGT on disposals of unlisted shares in Malaysian-incorporated companies, shares of a foreign controlled company deriving value from real property in Malaysia and all capital assets (movable or immovable property) situated outside Malaysia. This includes any rights or interest thereof, if the gains are received in Malaysia. This is only applicable to disposals made by a company, a limited liability partnership, a trust body and a cooperative society.
- The GloBE IIR top-up tax and QDMTT rules (referred to as the multinational top-up tax and the domestic top-up tax, respectively, in the domestic tax legislation) are incorporated into Malaysian tax legislation.
- Implementation of mandatory e-invoicing is undertaken in phases, with full implementation targeted from 1 July 2025.
- Enforcement activities underway by relevant authorities to alleviate price increases with profiteering elements due to the above changes.
- Sales tax on low-value goods (LVG) came into effect on 1 January 2024.
- A detailed guideline was released by the Royal Malaysian Customs Department (RMCD) pertaining to the increase in service tax rate as well as expansion of the service tax scope.

Significant tax developments expected in 2025

- Implementation of self-assessment system for real property gains tax (RPGT) effective 1 January 2025 is expected.
- The government is expected to undertake industry consultations prior to finalizing the scope of the sales tax and service tax (SST) expansion and applicable sales tax rates.
- The proposed expansion of SST scope and effective sales tax rates are expected to come into effect on 1 May 2025.
- Implementation of self-assessment system and transition from a "prior year basis" to a "current year basis" tax system for the Labuan tax regime is also expected.

Malaysia

Major legislative activity that could include tax

- Finance Act 2024, Measures for the Collection, Administration and Enforcement of Tax Act 2024 and Labuan Business Activity Tax (Amendment) (No. 2) Act 2024 were gazetted on 31 December 2024 to legislate the Budget 2025 proposals that were announced in October 2024.
- New Investment Incentive Framework (NIIF) is expected to launch in Q3 of 2025, which will shift focus from specific products to high-value activities and economic spillover to the country.
- Implementation of GMT effective 1 January 2025, which will introduce top-up taxes for existing tax incentives.
- Real Property Gains Tax Framework 2025 is effective 1 January 2025.
- Transfer pricing guidelines and audit framework were updated to incorporate recent year's legislative changes.
- Sales Tax Act 2018 and the Sales Tax (Rates of Tax) Order 2022 were amended to reflect the revised sales tax rates on non-essential items.
- The First Schedule of the Service Tax Regulations 2018 were amended to include the additional taxable services.

Developments in tax transparency requirements

- Mandatory e-invoicing is being implemented.
- The Tax Corporate Governance (TCG) Framework is being implemented.
- The implementation of mandatory electronic lodgement of a taxpayer's documents (e.g., audited financial statements/ management accounts, calculation of income tax) must be completed within 30 days after the due date for submission of the income tax return form. This is done via the Malaysia Income Tax Reporting System (MITRS) within the web portal of the Inland Revenue Board of Malaysia (IRBM).

Malaysia
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to increase.

Corporate taxes

- Introduction of new investment incentive framework to focus on high-value activities, such as:
  - Tax incentives for increased exports will be extended to include integrated circuit (IC) design activities
  - The Supply Chain Resilience Initiative offers incentives such as double tax deductions, investment-based tax deductions, outcome-based special packages for local vendors, and a matching investment fund to bolster local suppliers in the electrical and electronics (E&E), specialty chemicals and medical devices sectors
  - Economic spillover-based tax incentives will be implemented across 21 economic sectors in states, including Perlis, Kedah, Kelantan, Terengganu, Sabah and Sarawak to stimulate growth.

Taxes on digital business activity

- Service tax rate is increased from 6% to 8% with effect from 1 March 2024, excluding certain essential services.

Taxes related to climate change or sustainability

- Tax incentives will be provided for Carbon Capture Utilization and Storage (CCUS) activities, as part of the new investment incentive framework for high-value activities.
- Carbon tax is expected to be introduced on iron, steel and energy industries in 2026.

Windfall taxes

- Amendments to the windfall profit levy on crude palm oil from 1 January 2025 onward

VAT, GST or sales taxes

- The sales tax rate on non-essential goods, particularly imported premium products (e.g., salmon and avocado), will be reviewed.
- Providers of commercial services between businesses may be impacted by the proposed expansion of service tax scope.

Personal taxes

- The highest individual tax rate remains at 30% and is based on:
  - The taxpayer's residence status in Malaysia in a calendar year (i.e., a non-tax resident would be taxed at a flat rate of 30% without consideration of any tax reliefs and rebates)
  - The taxpayer's income level where the chargeable income of the taxpayer exceeding MYR2 million (around USD0.4 million) per annum is subject to a tax rate of 30% (i.e., the highest rate)
- The income tax exemption on foreign-sourced income received in Malaysia by resident individuals will be extended to the year 2036, provided that such income has been subjected to tax in the country of origin.
- Effective from year of assessment 2025, dividend income exceeding MYR100,000 per annum received by individual taxpayers, who are residents, nonresidents and individuals who hold shares through nominees, will be subject to tax at the rate of 2%.

  However, the following are exempted from dividend tax:
  - Dividends from abroad
  - Dividends distributed from the profits of companies with pioneer status and reinvestment allowances
  - Dividends paid, credited or distributed from the profits of shipping companies that are exempted from tax
  - Dividends distributed by cooperatives
  - Dividends declared by closed-end funds
  - Dividends received by residents from Labuan entities
  - Any exemption given on dividend income at shareholder level

  The dividend tax does not apply to distributions from the Employees Provident Fund (EPF), Amanah Saham National Bumiputera (ASNB), Lembaga Tabung Angkatan Tentera (LTAT) or unit trusts.
- Contributions to the EPF (compulsory pension scheme for employers and employees in Malaysia) will be made mandatory for non-Malaysian employees, in phases.

Other

- Effective 1 January 2025, Tax Identification Number (TIN) is no longer a classified material and will be accessible by other people, besides the registered taxpayer. This is important in implementing e-Invoicing as the TIN is required information in issuing an e-Invoice.

Malaysia

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Following the conclusion of the Voluntary Disclosure Program (VDP) on 31 May 2024, the RMCD had launched the Compliance Verification Audit (Audit Verifikasi Pematuhan, or AViP in the national language) on 10 July 2024, which is a new audit approach aimed to enhance taxpayers' compliance levels and provide them the opportunity to voluntarily disclose any non-compliance with indirect tax legislation.
- The framework for AViP was issued by the RMCD on 15 November 2024 to formally announce the implementation of AViP and outline the incentives offered under the AViP.
- The IRBM released the updated Transfer Pricing Tax Audit Framework 2024 effective 24 December 2024.
- The IRBM released the updated Tax Investigation Framework 2024 effective 31 May 2024.

Top tax enforcement or tax controversy development expectations for 2025

- It is anticipated that audits will intensify under the AViP approach.
- Following the implementation of self-assessment systems for RPGT and stamp duty, tax enforcement activities conducted by the IRBM are anticipated to focus on these areas.

Tax audits in Malaysia in 2025 are generally expected to increase in number and intensity.

Top audit issues (all taxes)

- Significant related-party transactions – Corporate taxpayers with significant related-party transactions (both cross border and onshore transactions)
- Tax incentives – Adherence to conditions stipulated for the taxpayer to be eligible for the tax incentives granted by the Malaysian government
- IRBM intensifying its focus on the compliance of employer obligations; while there are various employer responsibilities, IRBM is concentrating on timely notification of employee's commencement and cessation, adherence to monthly tax deduction (MTD) rules, filing of the employer's return (Form E), and the preparation of Form EA, among other duties
- Post importation – valuation and classification of goods
- Sales tax – valuation and exemption compliance
- Service tax on digital services
- Service tax on imported taxable services
- Service tax exemptions (e.g., B2B and intragroup exemption)

Changes in tax audit approaches or methods

- In CIT, the IRBM continues to adopt a "show, and not tell" evidence to justify certain transactions or tax positions taken by taxpayers. Taxpayers are expected to be more transparent and cooperative when it comes to furnishing information and documents required.
- Taxpayers are encouraged to make a voluntary disclosure and enjoy a penalty remission under the AViP in line with the RMCD's objective of promoting self-compliance among taxpayers.

Changes to dispute prevention or dispute resolution tools or programs

- There were no material changes in the last 12 months.

Tax governance approach or processes developments for business taxpayers

- The TCG Framework and the Guidelines to the TCG Framework were published on 11 April 2022 (guidelines updated on 23 February 2024) to assist companies in designing and operating their tax governance frameworks. this will provide greater certainty for taxpayers in meeting their tax compliance obligations and help expedite the resolution of tax issues
- E-TCC platform for taxpayers to obtain a tax compliance certificate, which is a pre-condition for companies that wish to participate in government procurements.

Digital tax administration developments

- Implementation of mandatory e-invoicing
- Mandatory use of the MITRS for online submission of taxation worksheets, financial statements and audit supporting documents from 1 January 2025

Malaysia
Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	24%	24%	Same	Same	Same
PIT	30%	30%	Same	Same	Same
VAT/sales	5% or 10% or exempt (sales tax)	5% or 10% or exempt (sales tax)	Same	Same	Same
	6% or 8% (service tax)	6% or 8% (service tax)	2% for certain services	Higher	Higher

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Mexico

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EY key contacts

Tax policy:	Tax controversy:
Jorge Libreros	Jorge Libreros

Key issues to watch in 2025

- Possible changes in the commercial relationship with the United States due to the United States-Mexico-Canada Agreement scheduled for its first review in 2026
- Elections on Supreme Court justices and federal magistrates and judges
- Continuation of the federal strategy to strengthen tax revenues: tax audits on import tariffs, challenging granted VAT and Special Tax on Production and Services certifications (tax credits), and increased intensity of requirements for refunds[1]
- Special regularization program for taxpayers with income of up to USD1.7m, allowing 100% discount in fines and interest[2]

Key drivers of tax policy change

- The fiscal policy considers three fundamental mechanisms: (1) the strengthening of revenue sources by combating tax evasion and avoidance, without increasing or creating new taxes; (2) an efficient exercise of the public budget under a criterion of austerity and the fight against corruption; and (3) a responsible management of the debt policy to maintain stable debt levels as a percentage of GDP.
- In terms of income policy, neither the Federal Income Law nor the Mexican Administrative Tax Rules for 2025 are proposed to change significantly, intended to grant legal certainty to obtain greater foreign investment and to generate income through the fight against informality.
- No new taxes or increase in the rates of existing taxes are planned. The tax incentives contained in the Federal Income Law remain unchanged.

Significant tax developments in 2024

- Continuation of the Tax Administration Service (SAT) tax audit efforts regarding UBO obligations, derived from the new faculties obtained through law amendments in May 2023.
- In February 2024, the federal courts issued two binding criteria regarding VAT treatment, one regarding VAT withholding due to sales from foreign entities with no PE in Mexico, and another allowing for denied VAT refund requests to be filed again, even if they were not challenged by taxpayers.
- In December 2024, the government issued a decree extending the tax benefits of reduced VAT of 8% and an Income Tax (ISR) rate of 20%, to certain taxpayers located in the northern and southern border region, up to 31 December 2025.
- In December 2024, a constitutional amendment was made to include smuggling and any activity related to false tax invoices to the catalog of crimes that warrant automatic preventive detention.

Significant tax developments expected in 2025

- Introduction of a 19% tax on imports from countries without free-trade agreements. Imports from the US and Canada are exempt from duties for purchases under $50, with a 17% duty for those between $50 and $117.[3]
- Possible implementation of tax incentives to attract foreign companies, particularly in sectors like electric vehicles, semiconductors and electronics.
- On 31 December 2025, the validity of the tax benefits decree issued to key sectors of the export industry, as well as the tax benefits decree issued to certain taxpayers located in the northern and southern border region, comes to an end.

Major legislative activity that could include tax

- It is expected that Mexico will start the implementation of Pillar Two of BEPS by means of new legislation. However, a specific date has not been announced by the Mexican government.
- There has been extensive discussion about the need for a major tax reform to increase revenue, due to the goal of decreasing the budget deficit and facing the debt increment and social program expenditures. However, to date, no significant tax amendment bill has been discussed.

Developments in tax transparency requirements

- There is interest from tax authorities to have more AEOI audits as well as to begin with UBO audits.

[1] "Master Taxation Plan for 2025" issued by the tax authorities on January 2025.
[2] Federal Income Law for 2025, 34° Transitory provision.
[3] 2025 General Rules for Foreign Trade.

Mexico
Expectations for tax policy

Major multilateral or bilateral cooperation activities

- As of 1 January 2024, the provisions of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (Multilateral Instrument or MLI) entered into effect in Mexico with respect to taxes withheld at source.

Significant tax reform is not expected in 2025.

Elections are occurring in 2025 (judicial branch).

R&D incentives are expected to increase.

Other business incentives are expected to increase.

Corporate taxes

- CIT is 30%.
- No changes for 2025.

Taxes on digital business activity

- Mexican and foreign legal entities are obliged to withhold the income tax and VAT resulting form the services provided by Mexican individuals through their digital platforms.
- The new 19% tax on imports from countries without free-trade agreements focuses on e-commerce activities. Imports from the US and Canada are exempt from duties for purchases under $50, with a 17% duty for those between $50 and $117.

Taxes related to climate change or sustainability

- Carbon credits are foreseen as a payment method in the Special Tax Law on Production and services.
- Certain Mexican States enacted taxes on gas emissions.

Windfall taxes

- None

VAT, GST or sales taxes

- VAT is 16%.
- No changes for 2025.

Personal taxes

- PIT is up to 35%.
- No changes for 2025.

Mexico
Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The guiding principles of the collection strategy in 2024 were:
  - Increase collection efficiency
  - Reduce tax evasion and avoidance
  - Provide the best taxpayer service

Top tax enforcement or tax controversy development expectations for 2025

- Robust audits are expected for 2025.
- Tax authorities will increase tax audits on import/export activities, as well as strengthen tax audits regarding anti-money laundering and UBO.

Tax audits in Mexico in 2025 are generally expected to
increase in number and intensity.

Top audit issues (all taxes)

1. CIT — Business reason and materiality of tax invoices
2. CIT — Salary Withholding
3. VAT refunds

Changes in tax audit approaches or methods

- Continue to strengthen defense files to demonstrate tax compliance and particularly regarding business reason and materiality of received goods and/or services

Changes to dispute prevention or dispute resolution tools or programs

- No significant changes are currently expected.

Tax governance approach or processes developments for business taxpayers

- No significant changes are currently expected.

Digital tax administration developments

- Federal tax authorities claimed as part of the "Master Taxation Plan for 2025" that a major improvement of tax services and tools for taxation will be enacted in 2025.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	30%	30%	–	Same	Same
PIT	35%	35%	–	Same	Same
VAT/sales	16%	16%	–	Same	Same

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The Netherlands

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EY key contacts	
Tax policy: Daniel Smit	Tax controversy: Roxana Bos Schepers

Key issues to watch in 2025

- Tax policy strategy of the government
- Tax consequences of the 2025 Tax Plan package
- Discussion about taxation on savings and investments

Key drivers of tax policy change

- On 13 September 2024, the Dutch government presented the program, setting out its plans for its current term. The program elaborates on the framework coalition agreement published in May by the Freedom Party (PVV), the People's Party for Freedom and Democracy (VVD), New Social Contract (NSC) and the Farmer-Citizen Movement (BBB). The government program also addresses the importance of (further) improving the Dutch business climate, including its attractiveness to multinational companies by, for example, safeguarding and enhancing a favorable investment climate. The current government would like to return the Netherlands to a position among the top five of the most competitive countries in the world. The plans stress that clear, stable and predictable tax policies are important for businesses and that the current government stands for stable and predictable tax policy. This could be achieved through, for example, stability in the regular corporate income tax rate, an adequately attractive fiscal scheme for knowledge workers, research and development incentives and the Innovation box..
- The Fiscal Strategic Agenda for 2024-2028 was also published in September 2024. The agenda outlines three priorities for the upcoming government period, making sure the Tax and Customs Administration is ready for the future, preparing legislation for a reform of the tax system and benefits system, and bringing tax on savings and investments (known as box 3) into calmer waters. In addition to these three priorities, the State Secretary aims to make progress on other tax-related topics. The issues addressed in the letter include the business and investment climate, taxation of very wealthy individuals, addressing tax avoidance, car taxes, promoting healthy behavior, and climate and environmental policies.

Significant tax developments in 2024

- Implementation of the 2024 Tax Plan package
- Implementation of Pillar Two legislation
- Publication of new and updated decrees on several tax issues, including about hybrids, mismatches, avoiding double taxation, yearly profit rules and earnings stripping

Significant tax developments expected in 2025

- Implementation of the government program with, among others, the aim to improve the Dutch business climate, including its attractiveness to multinational companies by, for example, safeguarding and enhancing a favorable investment climate, is expected.
- The government aims to prepare legislation during this term for a reform of the benefits and tax system, as well as various aspects of social security. The complex income tax system and benefits system is expected to be changed in that labor will be taxed less and pollution and wealth will be taxed more.
- Finding a solution regarding the current and future taxation on savings and investments (box 3) is expected.
- As from 1 January 2025, the 2025 Tax Plan package, consisting of 10 bigger and smaller tax bills, has entered into force. The 2025 Tax Plan package is focused on restoring purchasing power, reversing the deterioration of the fiscal investment climate, addressing overlaps between various tax provisions and clarifying various tax provisions.

Major legislative activity that could include tax

- On the 16 September 2025, the 2026 Tax Plan package will be published.

Developments in tax transparency requirements

- The Netherlands is a strong proponent of transparency and supports the initiatives that have been taken or have been proposed by the European Committee.
- EU Public CbCR disclosure of income taxes paid and other tax-related information, such as a breakdown of profits, revenues and employees per country becomes required for MNEs with a consolidated revenue exceeding EUR750m in each of the last consecutive two years. This applies for both EU-based MNEs and non-EU based MNEs doing business in the EU through a branch or subsidiary. The rules apply for financial years starting on or after 22 June 2024.

The Netherlands
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same

Corporate taxes

- The CIT rate remains the same: 19% on the first EUR200,000 and 25.8% for the excess.
- There is a new classification of (foreign) legal entities and partnerships using:
  - A comparison method (main rule), which applies if there is sufficient comparison with Dutch legal entities and partnerships
  - Two alternative methods:
    - Fixed classification
    - Symmetrical classification if there is insufficient comparison
- Furthermore, and accompanying the above, the "consent requirement" (toestemmingsvereiste), which was an important condition historically required to consider Dutch (and comparable foreign) partnerships as transparent from a Dutch tax perspective, is abolished.
- Under an adjustment of the regime for fiscal investment institutions, fiscal investment institutions may no longer directly invest in Dutch real estate.
- An adjustment was made to the regime of mutual funds and exempt investment institutions, that the regime will only be available to entities that are an investment institution or Undertakings for Collective Investment in Transferable Securities (UCITS) as referred to in the Financial Supervision Act.
- The Minimum Tax Act 2024 (Pillar Two) has entered into force as from 1 January 2024. Note that this is structured as a separate law, and therefore, it is not part of the corporate income tax act.
- The definition of "cooperating group" for the purpose of the conditional withholding tax was amended.
- The maximum interest deduction percentage for the application of the earnings-stripping rule was increased from 20% to 24.5%.
- Clarifications were made to the subject-to-tax tests in the Dutch Corporate Income Tax Act, 1969, in light of the Pillar Two minimum tax.
- Revision were made to the cancellation of debt income exemption in light of the limitations introduced in 2022 for the loss utilization rules.
- The EU general anti-abuse rule was codified in Dutch legislation.
- Abolition of the dividend tax repurchase facility was reversed.
- The real estate transfer tax rate for investors was reduced.
- Liquidation loss rules for intermediate holding companies were clarified.
- The branch exemption with respect to disregarded permanent establishments was clarified.

Taxes on digital business activity

- The Netherlands does not have any specific direct or indirect taxes or rules on digital business activity. The Netherlands is in favor of international measures regarding taxation of the digital economy and is expected to follow the OECD/EU policy in this respect.

Taxes related to climate change or sustainability

- As from 1 January 2025, several (smaller) measures concerning climate and sustainability have entered into force.
- There is a lot of subsidy available for entrepreneurs who continue to invest in sustainable energy. These will remain as relevant as ever in 2025.

Windfall taxes

- The Netherlands does not have any specific direct or indirect windfall taxes.

VAT/GST or sales taxes

- The VAT rate on culture, books and sports is set to increase to 21% in 2026 (but still under discussion). There are no other major changes regarding VAT/GST or sales tax.

Personal taxes

- A new tax bracket is introduced, and the rate for the initial tax bracket is reduced. The administration aims to provide financial relief primarily to vulnerable groups and middle-income earners. The top rate remains at 49.5% (box 1).
- The personal income tax rate on substantial shareholding (box 2) is 24.5% for the first EUR67,804 income per taxpayer and 31% for the excess. Substantial shareholders should be aware of the measure to reduce excessive borrowing from their own company.
- The tax allowance for savings and investments (box 3) is EUR57,684 per person. The tax rate is 36% in 2025. A discussion to modify box 3 (as from 2028) is still ongoing. The Dutch Supreme Court decided that the current system is not compatible with international principles.

Personal taxes (continued)

- Rented real estate is regarded as investment capital by default for the purposes of the business succession schemes, which means that these facilities do not apply to them. There are several other measures introduced to downgrade (or adjust) the business succession schemes.
- Starting in 2024, the 30% facility has been curtailed and adjusted to a 30%-20%-10% facility. In the 2025 Tax Plan package, this curtailment is largely reversed. A flat rate of 30% for the tax-free allowance will apply in 2025 and 2026. From 1 January 2027, the maximum tax-free allowance will be reduced to 27%. Additionally, the salary criterion will be increased. A transitional law is provided.

Top tax enforcement or tax controversy developments in 2024

- In principle the tax authorities have a sophisticated electronic tax compliance and audit system. The tax authorities are generally known for their high quality, reliability and approachability.
- The tax authorities face several structural challenges, such as the recruitment of new staff for the coming years and the modernization and improvement of the provision of information (ICT).
- In a Dutch Court decision published on 7 November 2024, regarding the tax interest rate for corporate income tax in the years 2022 and 2023, which was set at 8%, the Court found that this rate was not proportional. As a result, in the pending case, the Court has reduced this rate to 4%. However, it is still unclear if this new rate will apply to all corporate income tax assessments with tax interest, as this seemed to be a practical agreement between the litigating parties. Additionally, the final outcome is uncertain because the Dutch tax authorities can lodge an appeal against the decision of the Court.

Top tax enforcement or tax controversy development expectations for 2025

- It is not expected that the tax authorities shift their audit focus into new or different issues in 2025.
- It is likely that the tax authorities will continue to focus on tax fraud and prevention of tax avoidance and tax evasion.
- A special team of the tax authorities deal with Pillar Two issues.

Tax audits in the Netherlands in 2025 are generally expected to stay the same in number and/or intensity.

Top audit issues

- Transfer pricing. The tax authorities, among others, have shown interest in performing head-office audits (which include intragroup services and other activities performed by the head office) and in analyzing the commercial rationality as well as economic (functional/people) substance of transactions. The focus has evolved into understanding the alignment of risk assumption and the functional ability to manage those risks, accuracy of delineations of intercompany arrangements and control over the DEMPE functions. Next to head-office activities, intangible transactions are often evaluated, as well as business reorganizations, centralized purchasing companies and captive insurance companies. With the introduction of Chapter X in the OECD Guidelines, financial transactions (including loans, cash pooling arrangements and the approach to pricing intercompany guarantees) are increasingly assessed. During these transfer pricing audits, the tax authorities appear to have a particular interest in the economic substance of the transaction, with a focus on functional contributions by the relevant entities and whether this represents behavior observed with third parties — with particular focus on the risk control functions. As a result of the risk analysis, the tax authorities have also focused on transactions with entities in countries with low effective tax rates and specific deductions or losses. The tax authorities are open to offer advance tax certainty through mechanisms such as bilateral, multilateral and unilateral APAs, etc.

Changes in tax audit approaches or methods

- No major changes are expected in 2025. It is not known whether the tax authorities will launch any new audit approaches or methods.
- There has been increased scrutiny from the Dutch tax authorities accompanied by a penalization of underpaid tax, especially in transfer pricing discussions.

Changes to dispute prevention or dispute resolution tools or programs

- No major changes are expected in 2025. It is not known whether the tax authorities will launch any new tools or programs to dispute prevention or resolution.

The Netherlands

Expectations for tax enforcement and tax controversy

Tax governance approach/processes developments for business taxpayers

- No major changes are expected in 2025.
- The Dutch tax authorities are increasingly starting their tax audit by asking for a tax control framework, even when the cooperative compliance (horizontal toezicht) regime does not apply to the taxpayer.

Digital tax administration developments

- No major changes are expected in 2025. For the tax authorities spearheads for 2025-2030, see Meerjarenstrategie 2025-2030 (in Dutch only). The tax authority's information plan is based on fast, reliable service and expert and personal support where needed, effective supervision and fraud control and an agile and future-proof organization. Improvements are arranged in the information plan into five change areas: (1) implementation of laws and regulations, (2) digitization and optimizing contact with citizens and businesses, (3) information-driven supervision, enforcement and detection, (4) data management in order and (5) modernization.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	25.8%	25.8%	–	Same	Same
PIT	49.5%	49.5%	–	Same	Same
VAT/sales	21%	21%	–	Same	Same

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New Zealand

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EY key contacts

Tax policy:	Tax controversy:
Paul Dunne, Sladjana Lines, Sarah-Jane Leslie	Tori Sullivan, Nicola Shuttleworth

Key issues to watch in 2025

- Increased Inland Revenue compliance activity
- New Zealand's fiscal position and government response
- Inflation reduction policies
- Commencement of BEPS 2.0 Pillar Two

Key drivers of tax policy change

- Simplifying tax and reducing compliance costs, addressing integrity risks and improving fiscal sustainability
- Tight fiscal headroom, as potential for weaker economic conditions to reduce revenue and add cost pressures
- Reforms that support the tax base, and increased Inland Revenue focus into tax audit and enforcement activity can be expected

Significant tax developments in 2024

- Personal income tax thresholds were raised, resulting in a tax saving for most individuals.
- New Zealand has adopted the BEPS Pillar Two proposals, with the IIR and UPTR applying from 1 January 2025. A domestic IRR applies from 1 January 2026.
- The ability to claim tax depreciation on commercial buildings has been removed from the 2024/2025 income year, and interest deductions reinstated for financing residential rental properties.
- GST on certain services provided through digital platforms came into effect in April 2024.

Significant tax developments expected in 2025

- Generic tax response measures for emergency events due to weather or other natural causes
- Fringe benefit tax reforms, aimed at improving compliance and enforceability
- Review of the income tax treatment of software development expenditure, including Software as a Service (SaaS)
- Review of the taxation of charities
- Review of thin capitalization settings for infrastructure investments
- Changes for new migrants are expected to the taxation of investments held in foreign investment funds
- Review of the taxation of employee share and option schemes, likely with a particular focus on impacts for start-up businesses

Major legislative activity that could include tax

- The annual fiscal budget is set in May 2025, with decisions expected on whether to proceed with a proposed DST.
- An Annual Tax Rates Bill for 2025/2026 will be introduced during 2025, which may contain broad remedial reforms to improve existing settings, reduce compliance burdens and improve enforcement of existing tax bases.

Developments in tax transparency requirements

- The OECD crypto-asset reporting framework (CARF) is expected to apply in New Zealand from 1 April 2026.
- Disclosure requirements for New Zealand domestic trusts are under review and simplification may be announced in 2025/2026.
- New Zealand has adopted the OECD's disclosure requirements for digital platforms, applicable from 1 January 2024.

Major multilateral or bilateral cooperation activities

- Updates to New Zealand's double tax agreements with Australia and the United Kingdom are underway. In addition, new DTAs/protocols are being discussed with several other countries.
- OECD BEPS Pillar Two reforms enacted.

New Zealand
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to remain the same.

Other business incentives are expected to remain the same.

Corporate taxes

- Legislative changes are progressing to allow for the retrospective application of the 2% approved issuer levy in place of nonresident withholding tax (NRWT) of up to 15%.
- Changes to the eligibility criteria for certain collective investment funds, namely portfolio investment entities, are underway. Given the rate differential between portfolio investment entities (maximum 28%) and trusts (maximum 39%), the government is likely to be monitoring the taxation of portfolio investment entities carefully, and further reforms could be progressed.
- Remedial amendments to the tax treatment of partnerships and limited partnerships are underway, including a focus on the application of withholding taxes.
- The time bar applicable to NRWT and other tax adjustments related to transfer pricing adjustments is proposed to be increased from four years to seven years from 1 April 2025.

Taxes on digital business activity

- New Zealand continues to participate in the OECD/G20 Inclusive Framework work on BEPS 2.0 Pillar One.
- A bill to introduce a 3% DST is still before Parliament, though it is unclear whether the government will progress the bill. Decisions are likely to be announced in 2025.
- New Zealand is in the process of adopting the OECD CARF, which, if enacted, is expected to apply in New Zealand from 1 April 2026.
- The tax treatment of software development expenditure, including costs associated with the implementation of SaaS, is under review. Further consultation on potential reforms is expected during 2025.

Taxes related to climate change or sustainability

- The Auckland regional fuel tax and national Clean Car Discount Scheme have been repealed by the new government. Light electric vehicles and plug-in hybrid vehicles are now included in the Road User Charges (RUC) program, and a comprehensive restructure of the RUC and fuel tax system has been discussed.
- No significant new taxes or concessions focused on climate change or sustainability are expected in 2025.
- Reviews of aspects of the Emissions Trading Scheme have been announced.

Windfall taxes

- Not expected

VAT, GST or sales taxes

- New GST rules applicable to certain accommodation and transport services provided through digital platforms have been enacted, with general effect from 1 April 2024.
- The GST treatment of joint ventures is under review, and reforms could be announced during 2025.

Personal taxes

- 2024 saw a reduction of PIT for most individuals through changes to the PIT thresholds.
- No further changes to PIT are expected in 2025.

Other

- The previous government considered the possibility of a broad capital gains tax and wealth tax. However, with the change in government in 2023, these measures are unlikely to be considered again in the short-medium term.
- Interest deductibility for residential rental properties is being phased back in. Interest on rental properties is set to be 100% deductible for tax purposes by 1 April 2025.
- Generic tax response measures for emergency events are contained in draft legislation, which is expected to be enacted by 1 April 2025. The proposed measures aim to provide faster tax relief in times of emergency.

New Zealand

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The 2024 Budget allocated additional compliance funding to Inland Revenue, resulting in increased enforcement and audit activity.
- Inland Revenue released its refreshed Multinational Enterprise Compliance Focus for 2024. The document sets out Inland Revenue's views on the MNE landscape for tax compliance in New Zealand and provides some relevant pointers on what areas corporates should pay particular attention.
- Risk areas highlighted include the need for adequate customization of both corporate tax governance and transfer pricing documentation.

Top tax enforcement or tax controversy development expectations for 2025

- Audit and compliance review activity is anticipated to continue to rise steadily into 2025.
- Inland Revenue's focus on tax governance, particularly for large taxpayers, is likely to continue in 2025.
- Australian developments concerning the tax treatment of software intangibles and embedded royalties are being carefully monitored by Inland Revenue.

Tax audits in New Zealand in 2025 are generally expected to increase in number and intensity.

Top audit issues (all taxes)

1. Restructures – trusts or corporates
2. Transfer pricing and cross-border financing activities and intangibles
3. Losses

Changes in tax audit approaches or methods

- Significant increase in overall compliance and review activity
- Review of processes as well as tax position, with Inland Revenue seeking to understand compliance processes and governance settings
- Onsite/in-person reviews ahead of paper/desk reviews
- Use of extensive questionnaires around payroll and GST processes

Changes to dispute prevention or dispute resolution tools or programs

- No notable changes over the past 12 months.

Tax governance approach or processes developments for business taxpayers

- Inland Revenue expects all large taxpayers to document their tax policy and tax operations manuals that set out how the organization identifies, assesses and controls tax risk. Scrutiny of tax strategy and tax control frameworks is expected to continue in significant enterprise compliance reviews and audits.

Digital tax administration developments

- The government has announced a project considering ways to better support the transition to digital tax administration for tax intermediaries. That project is expected to be subject to consultation during 2025/2026.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	28%	28%	–	No	Same
PIT	39%	39%	–	No	Same
VAT/sales	15%	15%	–	No	Same

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Nicaragua

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EY key contacts

Tax policy:	Tax controversy:
Luis Ocando, Daniel Quesada	Rafael Sayagués

Key issues to watch in 2025

- Products are being sold at a price lower than their cost value.
- The official exchange rate of the córdoba versus the dollar was set at a fixed rate for 2025.
- The government established that all prizes of products or services must be published by businesses in córdobas.

Key drivers of tax policy change

- No significant tax policy drivers are expected.

Significant tax developments in 2024

- The government enacted a new law that provides incentives in the tourism sector for new investment projects.

Significant tax developments expected in 2025

- No significant tax developments are expected for 2025.

Major legislative activity that could include tax

- No significant developments are currently expected.

Developments in tax transparency requirements

- No significant developments are currently expected.

Major multilateral or bilateral cooperation activities

- No significant developments are currently expected.

Nicaragua
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- No significant developments are currently expected.

Taxes on digital business activity

- No significant developments are currently expected.

Taxes related to climate change or sustainability

- No significant developments are currently expected.

Windfall taxes

- No significant developments are currently expected.

VAT, GST or sales taxes

- No significant developments are currently expected.

Personal taxes

- No significant developments are currently expected.

Nicaragua
Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024
- No significant developments in 2024.

Top tax enforcement or tax controversy development expectations for 2025
- A higher number of fiscal audits of the Public Administration to the taxpayers

Tax audits in Nicaragua in 2025 are generally expected to increase in intensity.

Top audit issues (all taxes)
1. Intercompany transactions
2. Financial loans
3. Products sold at a price lower than their cost
4. Deductibility of expenses

Changes in tax audit approaches or methods
- The tax authorities have been applying a new method to calculate the commercial margin of products sold during tax audits.

Changes to dispute prevention or dispute resolution tools or programs
- No changes, it remains the process after the tax audit where the taxpayers and the Public Administration can pay off a reduction of the total amount charged as a penalty by the Public Administration. This process is expected to be the same in 2025.

Tax governance approach or processes developments for business taxpayers
- Businesses must update their corporate information before the tax authorities. Changes in the board of directors, shareholders, social capital, business name, address, etc.

Digital tax administration developments
- No significant developments are currently expected.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	30%	30%	–	Same	Same
PIT	30%	30%	–	Same	Same
VAT/sales	15%	15%	–	Same	Same

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Norway

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EY key contacts

Tax policy:	Tax controversy:
Hanne Skaarberg Holen	Hanne Skaarberg Holen

Key issues to watch in 2025

- Wealth tax and exit taxation for Norwegian private owners
- Continued implementation of BEPS Pillar Two
- Increased focus on use of indirect taxes

Key drivers of tax policy change

- The red/green government is dependent on support from parties with strong socialist and environmentalist agendas. Leading to increases in wealth tax and exit tax and a focus on high-net-worth individuals. This is expected to change if a blue government is elected during the Parliamentary election in September 2025.
- Targeted taxes relating to the use of land or natural resources to achieve a strong and non-shiftable tax base will be implemented.
- International developments, such as BEPS Pillar Two, will continue to also impact Norway.
- The use of funds from the Norwegian Sovereign Wealth Fund is increasing.

Significant tax developments in 2024

- Resource rent taxation on onshore wind power was implemented.
- The government chose not to increase taxation of private use of assets held by a corporate entity (the monster tax).
- The government unexpectedly chose not abolish the cooperative housing model (borettslagsmodellen), which has enabled tax free disposals of residential real estate.

Significant tax developments expected in 2025

- Preparations for the introduction of the EU CBAM will start in 2025.
- Temporary COVID-19-related taxes will be phased out, such as the removal of additional Social Security charges on higher salaries.
- The UTPR will be introduced.

Major legislative activity that could include tax

- There is a significant push for renewable energy, which is currently being slowed down by unfavorable tax rules. In particular, the depreciation rules for hydropower plants give a disincentive to further investments to increase capacity of existing plants. However, at present we are not aware of any ongoing legislative activity to amend this.

Developments in tax transparency requirements

- The shareholders' register for Norwegian companies is now public and there is an ongoing project to make real estate ownership in Norway transparent.
- CBC reporting has been implemented and annual filings are required for large multinationals. No new or additional general transparency initiatives are currently expected.
- There is a proposal to give the tax administration easier access to information from bank accounts.
- The Sovereign Wealth Fund (NBIM) has taken a proactive approach to include inter alia tax risk and tax compliance as part of their investment consideration.

Major multilateral or bilateral cooperation activities

- Norway supports the development of a UN framework convention aimed at strengthening international tax cooperation.

Norway

Expectations for tax policy

Significant tax reform is not expected in 2025.

The commission appointed for a potential general tax reform issued their report in December 2022. Some of the suggestions in the report related to resource rent taxes, and had already been set in motion before the report was issued. Remaining suggestions, such as higher taxation of pensions and private homes and VAT on food, received little political enthusiasm and have not been proposed.

The introduction of resource rent taxation on the fish farming industry and wind power and the increased resource rent tax on hydropower were perceived as aggressive, and the current government has pledged to avoid similar tax increases during their remaining years in power.

The Parliamentary election will be held in September 2025.

R&D incentives are expected to increase.

Other business incentives are expected to increase.

Corporate taxes

- No significant amendments are expected in 2025.

Taxes on digital business activity

- No significant amendments are expected in 2025.

Taxes related to climate change or sustainability

- The government supports the introduction of the EU CBAM. Implementing CBAM in Norway will require necessary preparations in 2025. It is too early to say when CBAM can be enacted in Norway.

Windfall taxes

- In 2024, Norway introduced a resource rent tax on onshore wind power, aimed at capturing economic rent from wind power production. The income from wind power production is taxed a rate of 25%.
- No new windfall taxes are expected in 2025.

VAT, GST or sales taxes

- No significant amendments are proposed, enacted or expected for 2025.

Personal taxes

- The government has introduced changes to the exit tax effective 1 January 2025. The threshold for taxable unrealized gains will increase to NOK3 million, so that only gains exceeding this amount are subject to exit taxation. The gains are taxed at a rate of 37.84%. Taxpayers may split payment over 12 years without interest or settle in full after 12 years with accrued interest. If the taxpayer returns to Norway within 12 years, the remaining tax may be waived. Additionally, 70% of any dividends received during the deferral period must be used to pay down the exit tax liability.

Norway

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- There was an increase in the degree of digitalization and requirements for automated tax filings (SAF-T).
- There was a focus by the public on the relationship between the tax authorities and the taxpayers after members of Parliament were acquitted of not paying or having paid too little tax for commuted housing paid for by the Parliament.
- There was a continued strong focus on transfer pricing.

Top tax enforcement or tax controversy development expectations for 2025

- An increasing focus on cryptocurrency and other blockchain transactions is expected.
- We do not expect the backlog at the tax appeals board to improve significantly in 2025, as no measures have been taken to provide adequate resources to their secretariat.
- The National Competent Authority continues to grow and provide solutions to double taxation based on tax treaties.

Tax audits in Norway in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

1. Transfer pricing
2. Cross-border restructurings
3. Broad cooperation with police and social security agencies to combat money laundering and undisclosed employment (arbeidslivskriminalitet)

Changes in tax audit approaches or methods

- There is a continued focus on the petroleum tax, which accounts for a large share of tax revenues.
- Transfer pricing efforts have been coordinated in a tax office task force that covers both petroleum taxation and ordinary taxation.

Changes to dispute prevention or dispute resolution tools or programs

- The Tax Appeals Board, set up in 2017, continues to have very extensive backlogs. Struggling to obtain adequate resources, they have seen some cases taking several years to be addressed. While the tax appeal board tends to solve significant controversy cases, the backlog and timeline considerations make this approach less attractive.
- There is a strong increase in using MAP with positive results in terms of solving double taxation. Norway's Competent Authority reports that almost all cases are solved on a timely basis, either through a MAP agreement or through unilateral relief.

Tax governance approach or processes developments for business taxpayers

- All business taxpayers must submit their tax returns through an accounting system to ensure compliance.

Digital tax administration developments

- New and revised tax return format introduced as a pilot in 2022, shifting to topic-based tax filings
- Suggested legislation to increase the tax administration's direct access to information from bank accounts

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	22%	22%	–	Same	Same
PIT	47.4%	47.4%	–	Same	Same
VAT/sales	25%	25%	–	Same	Same

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Oman

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EY key contacts

Tax policy and controversy Direct tax:	Tax policy and controversy Indirect tax:
Alkesh Joshi, Mohammed Raza, Amit Bhatnagar	Aamer Bhatti, Mitul Patel

Key issues to watch in 2025

- E- invoicing
- Administrative developments in relation to BEPS Pillar Two rules in Oman
- Personal income tax
- Tax stamps for excisable drinks
- New Harmonized System (HS) codes expansion

Key drivers of tax policy change

- In the broader context of economic diversification, additional sources of tax revenue are being considered to improve efficiency of collection.
- The government is actively trying to revitalize and revamp the tax regime for optimum collection of tax revenue.
- A double tax treaty between Oman and the following countries has been signed in 2024:
  - Luxemburg
  - Estonia
  - Ireland
  - Tanzania
  - Cyprus

Significant tax developments in 2024

- Royal Decree No. 80/2023 was issued giving authority to the Minister of Finance to decide on tax exemption-related matters in Oman.
- Royal Decree No. 70/2024 was issued on 31 December 2024, establishing the supplementary tax law on entities belonging to multinational groups. This decree implements a supplementary tax on entities that are part of multinational groups, enhancing Oman's tax framework to address the complexities of multinational operations and promoting fair taxation practices.
- Royal Decree No. 68/2023, issued on 23 October 2023, establishes the Public Debt Law in Oman and exempts income, including capital gains, from investments in government securities from taxation. The executive regulations and decisions for implementation are yet to be issued by the Ministry of Finance (MOF).
- The Oman Tax Authority (OTA) has initiated a retendering process to select partners for the design of an e-invoicing system in the country.
- Assessment orders have been issued for several taxpayers for VAT returns filed in 2021 and 2022, and the OTA has requested for additional information in many cases.

Significant tax developments expected in 2025

- Guidelines and Executive Regulations in relation to BEPS Pillar Two introduced through Royal Decree No. 70/2024 are likely to be issued by the OTA.
- New tax legislation relating to income from the renewables sector (especially in relation to the upcoming green hydrogen market) is expected.
- Based on recent statements by government officials in press reports, the implementation of personal income tax in Oman has been postponed indefinitely. The law concerning this tax will be reviewed again next year due to the current economic situation.
- The OTA is considering implementing e-invoicing in 2025, the implementation will likely follow a phased approach, starting with large taxpayers.
- Starting 31 January 2025, digital tax stamps must be affixed to all imported excisable beverages. This requirement will be enforced by the Oman Customs Authority.
- From 30 April 2025, the sale of excisable beverages without a tax stamp will be prohibited. On-site audits by the OTA will be conducted to confirm compliance with this regulation.
- Effective 1 January 2025, the Oman Customs Authority will implement a new 12-digit GCC Unified Tariff System. This new system will replace the current 8-digit code format to ensure alignment with the tariff systems of other GCC countries.
- An updated version of the VAT guides, relating to sector-wise regulations, may be issued by the OTA by January 2025.

Oman
Expectations for tax policy

Major legislative activity that could include tax

- No additional measures are currently expected.

Developments in tax transparency requirements

- No developments are currently expected.

Significant corporate tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are not expected to change.

Other business incentives are not expected to change.

Corporate taxes

- While there is a greater degree of scrutiny at the time of tax audits of taxpayers in recent periods, there is no change or update specifically with respect to corporate income taxes in Oman. The corporate income tax rate is expected to be same in 2025, at 15%.
- As a member of the OECD/G20 Inclusive Framework on BEPS, Oman has committed to implementing BEPS 2.0 rules. Oman issued Royal Decree No. 70/2024, introducing a supplementary tax law for multinational enterprises operating in Oman. This law includes a domestic minimum top-up tax (DMTT) and an IIR to make sure that multinational enterprises pay a global minimum tax of 15% on their profits.
- Further guidance and executive regulation are expected to be issued during 2025.

Taxes on digital business activity

- There is no separate digital business activity tax in Oman. From a VAT perspective, the OTA released the English version of the e-commerce guide. The guide provides guidance on the VAT treatment of the supply of goods and services related to e-commerce activities in Oman.

Taxes related to climate change or sustainability

- No taxes of such nature are applied in Oman currently.
- New tax legislation relating to income from the renewables sector (especially in relation to the upcoming green hydrogen market) may be considered by the government going forward.

Windfall taxes

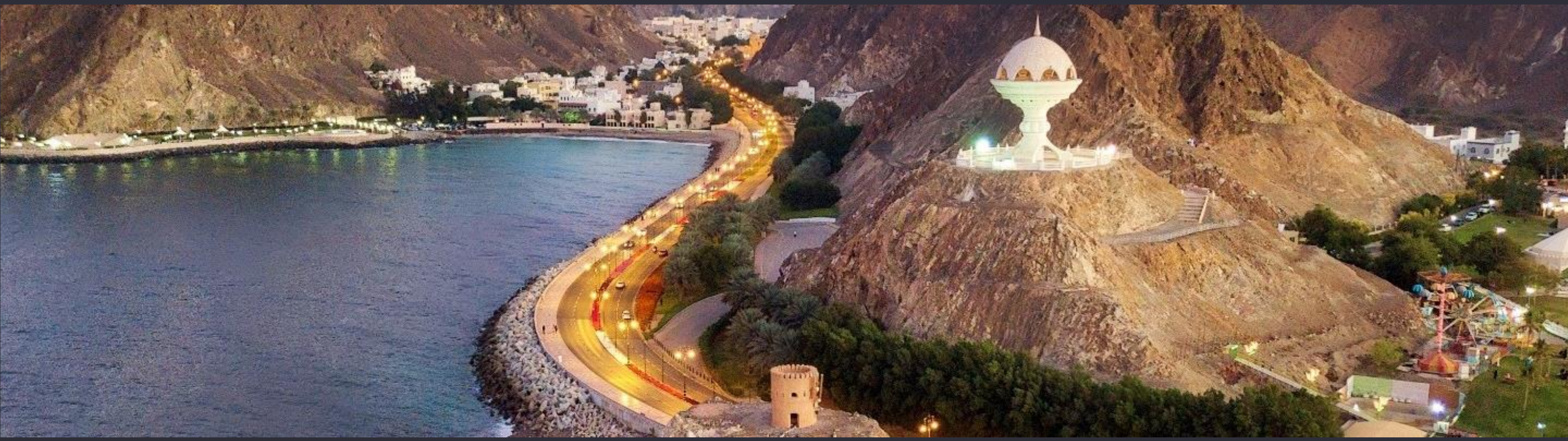
- No taxes of such nature are applied in Oman.

VAT/GST or sales taxes

- Changes to VAT rates are unlikely to occur in 2025.

Personal taxes

- Based on recent statements by government officials, the implementation of personal income tax in Oman has been postponed indefinitely. The law concerning this tax will be reviewed again next year due to the current economic situation.



Oman

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2025

- There is a significant increase in the extent and depth of investigation of tax returns. Also, as a part of their investigations, the OTA is increasingly requesting extensive documentation from the taxpayer.
- Several taxpayers have received assessment orders in relation to their VAT returns. The OTA has requested additional information from many taxpayers due to inadequacy or incompleteness of information submitted at the time of filing a tax return.
- There has been increasing focus on related-party transactions and transfer pricing requirements.
- Onsite investigations are being conducted by the OTA, covering a larger taxpayer base to verify the information being submitted as part of the tax returns.

Top tax enforcement or tax controversy development expectations for 2025

- It is expected that the OTA will increase and expand field visits in 2025 to further examine taxpayer compliance with the VAT law requirements.
- There is a possibility that the OTA may announce an intention to introduce e-invoicing during the year.

Tax audits in Oman in 2025 are generally expected to increase in number and intensity.

Top audit issues

1. **Transfer pricing:** Related-party transactions are analyzed in detail by the OTA during assessment proceedings. In many cases, the OTA is requesting transfer pricing reports for related-party transactions, although there are no defined TP guidelines or requirements set out in the income tax law.
2. **Tax losses:** Increased challenges from the OTA on companies incurring continuous losses over a number of years, where the OTA considers disallowing expenses to the extent of the tax losses in the absence of appropriate justification being presented for the nature of and reasons for incurring the losses.
3. **Documentation and higher instances of state audit:** The OTA is increasingly requesting a higher volume of supporting documentation for majority of the expenses incurred by a taxpayer. There has also been an increase in the State Audit Department's examination of assessment orders passed by the OTA. Taxpayers are required to be more diligent while filing returns and in providing supporting information.

Changes in tax audit approaches or methods

- No changes are expected.

Changes to dispute prevention or dispute resolution tools or programs

- No changes are expected.

Tax governance approach/processes developments for business taxpayers

- To boost trade within the GCC, Oman will implement a unified customs tariff starting 1 January 2025. This initiative aims to streamline customs operations across the GCC Member States. The new tariff system will feature 12-digit Customs HS codes instead of the previous 8-digit format.

Digital tax administration developments

- E-invoicing

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	15%	15%	–	Same	Same
PIT	N/A	N/A	N/A	Same	Same
VAT/sales	5%	5%	–	Same	Same

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Panama

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EY key contacts

Tax policy:	Tax controversy:
Luis Ocando, Daniel Quesada	Rafael Sayagues

Key issues to watch in 2025

- Possible amendments to Law 51 of 2005 (Organic Law of the Social Security Fund). The proposal contained in Bill No. 163 establishes an increase in the contributions to be paid by employers, raising them by 3%, while workers will continue to contribute the same amount.

Key drivers of tax policy change

- Complying with international standards regarding transparency and the exchange of information
- Implementing and monitoring minimum standards of the BEPS Action Plan
- Complying with the objectives to be removed from the EU list of noncooperative jurisdictions
- Analyzing and studying the possibility of including Pillar Two; focus on current regulations and the changes that must be made for its implementation

Significant tax developments in 2024

- Panama entered into force the Tax Procedure Code, which reinforces tax principles and procedures for taxpayers.
- Regulation were created on procedures to grant or recognize the assignment or offset of tax credits (income tax, property tax, dividend tax, complementary and educational insurance).
- New auditing processes based on the Tax Procedure Code were implemented, which provide greater control of response times to taxpayers.

Significant tax developments expected in 2025

- Amendments to the Organic Law of the Social Security Fund, with the purpose of modernizing and optimizing the social security system. These reforms seek to improve the transparency, efficiency and quality of the services offered to the insured, as well as the efficiency in the collection of contributions to the system.
- The main amendments intend to increase the retirement age by three years, 60 for women and 65 for men. Those close to retirement won't be affected. Also, employer contributions would rise by 3%, but worker contributions and retiree benefits would remain unchanged. The draft bill establishes that the Social Security Fund would not be privatized.
- Panama will continue to exchange information automatically with the respective jurisdictions in accordance with the CRS Multilateral Competent Authority Agreement (MCAA).

Major legislative activity that could include tax

- The possibility of including Pillar Two of the OECD model is being considered, with analysis focusing on the current regulations and the changes that must be faced for its implementation. Currently, the intention of the Panamanian government is not public knowledge.
- Fulfilling Panama's commitments regarding the application of DTTs and the prevention of tax evasion, as well as international standards in international taxation, the General Directorate of Revenue issued Resolution No. 201-3777 of 2024 to regulate the MAP provided in the DTTs ratified by Panama. This measure aims to give taxpayers access to this procedure under an existing agreement.

Developments in tax transparency requirements

- Panama continued the exchange of information with the US in compliance with FATCA.
- Adoption of measures and recommendations related to the automatic exchange of tax information and the exchange of information by request carried out by the OECD.

Major multilateral or bilateral cooperation activities

- Panama became an Associated State of the Mercosur trade and economic block, opening up commercial and economic opportunities for both parties. It is the first country outside the South American region to acquire the status of Mercosur Associated State.

Panama
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- 25% rate under ordinary tax regime
- Special regimes expected to remain the same regarding lower CIT rates for incentivized activities

Taxes on digital business activity

- Currently, not expected. However, this could change depending on the initiatives introduced by lawmakers.

Taxes related to climate change or sustainability

- Exemption on several taxes for recycling activities
- Photovoltaic energy incentives (special regimes for the generation of electricity from renewable resources)
- Natural gas-based energy incentives (special regimes for the generation of electricity from renewable resources)
- Hydroelectric power incentives (special regimes for the generation of electricity from renewable resources)
- Million Hectare Alliance Incentives (i.e., reforestation activities)

Windfall taxes

- None apply

VAT, GST or sales taxes

- 7% rate for transfer of movable property and services rendering
- Not expected to change

Personal taxes

- 25% rate
- Not expected to change

Panama

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Procedure to grant or recognize the assignment or offset of credits
- Tax-regularization measures enacted during the last quarter of the fiscal period

Top tax enforcement or tax controversy development expectations for 2025

- With the entry into force of the Tax Procedure Code, it is expected that the administrative processes, as well as the controversies arising therefrom, will continue to undergo a unification and standardization of guidelines to carry out the processes until their resolution.

Tax audits in Panama in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

1. Audit processes of omissions and inaccuracies of non-prescribed taxes. Through these processes, the review of specific taxes, such as VAT, dividends and presumed dividends, has been carried out.

Changes in tax audit approaches or methods

- Implementation of the new auditing processes based on the Tax Procedure Code, which provides greater control of response times to taxpayers.

Changes to dispute prevention or dispute resolution tools or programs

- With the entry into force of the Tax Procedure Code, the audit actions must be concluded within a maximum period of six months. However, it may be extended for another four months when specific circumstances arise.
- Tax regularization proposals: As a novelty, when the audit actions are concluded, and only after the issuance of an audit closing act, if the audit establishes a tax debt, a resolution signed by the General Directorate of Revenue called regularization proposal will be issued.

Tax governance approach or processes developments for business taxpayers

- Tax components of previously economic stimulus measures were implemented (i.e., tax regularization processes).
- Modernization and digitalization of processes administrated by the Panamanian Tax Administration. The digitalization and modernization process has been ongoing since 2021.

Digital tax administration developments

- In accordance with the new implementation of the Code of Tax Procedures (CPT), it grants the Tax Administration the power to use technology in its activities. This implies the implementation of procedures that guarantee the identification of taxpayers and officials through access codes to protect the information. In addition, any program that the Tax Administration intends to implement must be approved by resolution and comply with current legal regulations.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	25%	25%	0%	Same	Same
PIT	25%	25%	0%	Same	Same
VAT/sales	7%	7%	0%	Same	Same

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The Philippines

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EY key contacts

Tax policy:	Tax controversy:
Fabian Delos Santos	Jules Riego

Key issues to watch in 2025

- Passive Income and Financial Intermediary Taxation Bill
- Capital Markets Efficiency Promotion Act (CMEPA) Bill
- Digital economy taxation
- VAT refund mechanism for nonresident tourists

Key drivers of tax policy change

- Government priorities for 2025 are geared toward achieving social and economic transformation in line with the President's 8-Point Socioeconomic Agenda and Philippine Development Plan 2023-2028.
- The collection target of the Bureau of Internal Revenue (BIR) for the year 2025 is PHP3.2 trillion (around USD55 billion). There was a 7.67% increase from 2024's target of PHP3 trillion (around USD54 billion). Intensifying efforts by BIR to meet this target can be expected.
- The government has a program of significant tax reforms with the goals of modernizing the tax system, upgrading tax collection efficiency, attracting investments and boosting economic growth.

Significant tax developments in 2024

- The Ease of Paying Taxes (EOPT) Act was signed into law by the Philippine President on 5 January 2024. The law includes adoption of the accrual method in reporting gross sales per VAT returns, paying and filing taxes anywhere, and a reduction of invoicing requirements for VAT refunds.
- Real Property Valuation and Assessment Reform Act (RPVARA) was signed into law by the Philippine President on 13 June 2024. The law introduces the establishment of a single schedule of market values (SMV) or a table base unit market value for all kinds of real property.
- The CREATE MORE Act was signed into law by the Philippine President on 11 November 2024. The law aims to rationalize and expand fiscal and non-fiscal incentives to registered business enterprises (RBEs), including reduced corporate income tax rate, additional deductions and a simplified local taxation.

Significant tax developments expected in 2025

- Republic Act No. 12023 amends certain provisions of the Philippine Tax Code and imposes a 12% VAT on digital services provided by both resident and nonresident digital service providers.
- Package 4 of the Comprehensive Tax Reform Program aims to harmonize the taxation of passive income and financial intermediaries by reducing and simplifying the complicated tax rates on financial transactions.
- The rationalizing of the Mining Fiscal Regime aims to establish a single and rationalized fiscal regime applicable to all mining agreements while making sure the sector's sustainability and the government's equitable share to mining revenues achieved through additional royalties, windfall profits tax, export tax and ring fencing.

Major legislative activity that could include tax

- The Passive Income and Financial Intermediary Taxation Bill, part of the fourth package of the Comprehensive Tax Reform Program, aims to simplify the tax system by reducing final withholding tax rates and unifying tax rates on passive income. It seeks to harmonize business taxes on financial intermediaries, remove the IPO tax and rationalize the documentary stamp tax.
- The Capital Markets Efficiency Promotion Act (CMEPA) Bill aims to align the Philippines' tax rates with ASEAN countries to attract more investors and boost capital markets. It proposes reducing the stock transaction tax from 0.6% to 0.1% and lowering the dividends tax for nonresident aliens from 25% to 10%.
- The House-approved electric vehicle (EV) zero-tariff measure aims to boost EV adoption and covers imported two-, three- or four-wheeled EVs and their charging equipment from 2025 to 2030.

The Philippines
Expectations for tax policy

Developments in tax transparency requirements

- The BIR has continued its pilot program for an electronic invoicing system. The Electronic Invoicing/Receipting and Sales Reporting System (EIS) requires businesses to report sales transactions in real time, enhancing transparency by providing the BIR with immediate access to transaction data.

Major multilateral or bilateral cooperation activities

- Active participation and ongoing commitment as a member of the OECD/G20 Inclusive Framework on BEPS.
- Ratification of the Philippines' participation in the Convention on Mutual Administrative Assistance in Tax Matters (MAAC) jointly developed by the OECD and the Council of Europe to help stop tax evasion and avoidance.

Significant tax reform is expected in 2025 with the fourth package of the Comprehensive Tax Reform Program, the Passive Income and Financial Intermediary Taxation Bill.

Elections for Senate, Congress and local government positions will occur in May 2025.

R&D incentives are expected to increase.

Other business incentives are expected to increase.

Corporate taxes

- Simplify the tax system
  - Reduce the number of final withholding tax rates
  - Streamline the tax rates on passive income
  - Rationalize the documentary stamp tax
- Removal of IPO tax and reduction of stock transaction tax under the CMEPA

Taxes on digital business activity

- 12% VAT on nonresident digital service providers

Taxes related to climate change or sustainability

- A Single Use Plastic Tax Act has been proposed.

VAT, GST or sales taxes

- VAT refund mechanism for nonresident tourists

Personal taxes

- No significant changes are currently expected.

Other

- Enhanced fiscal regime for the mining industry
  - Proposed introduction of windfall profit tax mechanism in the mining industry
  - Revisit limitation on interest expense
  - Re-evaluate rate of royalties to be imposed
- Promulgation of the Taxpayers Bill of Rights
- Enactment of the motor vehicle road users' tax

The Philippines

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- BIR circularization and application of Revenue Memorandum Circular (RMC) 5-2024
- Continuation of Run After Fake Transactions (RAFT) program enforcement
- Operation against illicit vape retailers and resellers

Top tax enforcement or tax controversy development expectations for 2025

- Eliminate use of Fake Person with Disability (PWD) IDs
- Continuation of RAFT program enforcement
- Continuation of operation against illicit vape retailers and resellers

Tax audits in the Philippines in 2025 are generally expected to increase in number and intensity.

Top audit issues (all taxes)

1. Documentary support: Previously, the production of documentary support for material transactions (sampling) was sufficient. In 2024, the BIR has consistently required the presentation of 100% documentary support for expenses, direct costs, discounts and rebates as deduction from sales or deduction from gross income.
2. Application of RMC 5-2024: Findings for BIR Tax Audits often include final withholding tax and VAT due to the RMC 5-2024, wherein cross-border services, although entirely rendered outside the Philippines, are considered sourced within under the benefit-received theory.
3. Mandatory verification or audit for medium- and high-risk claims for VAT refund: Medium-risk claims will be subject to at least 50% verification or audit while high-risk claims will be subject to 100% verification or audit as amended by the Ease of Paying Taxes Act and as expounded by the Revenue Regulations (RR) 5-2024.

Changes in tax audit approaches or methods

- Stricter
- More document-based

Changes to dispute prevention or dispute resolution tools or programs

- No significant changes are currently expected.

Tax governance approach or processes developments for business taxpayers

- Tax Modernization Feasibility Study

Digital tax administration developments

- Online Registration and Update System (ORUS)
- BIR Digital Transformation program
- Electronic invoicing system

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	25%	25%	–	Same	Same
PIT	35%	35%	–	Same	Same
VAT/sales	12%	12%	–	Same	Same

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Poland

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EY key contacts

Tax policy:	Tax controversy:
Zbigniew Liptak	Michał Goj

Key issues to watch in 2025

- Budget deficit
- Presidential election
- Combating shadow economy
- Macroeconomic outlook

Key drivers of tax policy change

- Current direction of tax policy change is not certain.
- The outcome of the May 2025 presidential election may trigger reforms.
- Direction of the reforms may be driven by the state of the public budget and macroeconomic outlook.

Significant tax developments in 2024

- Adoption of Pillar Two — Minimum Taxation (effective 1 January 2025)
- Structured e-invoicing system deferred from 1 July 2024 to 1 February 2026
- Reform of real estate tax (effective 1 January 2025)
- Increased excise tax on tobacco products, including e-cigarettes (effective 1 March 2025)
- Simplification of VAT administrative obligations for small businesses (effective 1 January 2025)
- Discontinuation of 0% VAT rate for foodstuff — since 1 April 2024 5% rate applies

Significant tax developments expected in 2025

- Not announced at the moment

Major legislative activity that could include tax

- Not announced at the moment

Developments in tax transparency requirements

- Not announced at the moment

Major multilateral or bilateral cooperation activities

- Establishment of special task force combating shadow economy (based on recommendation of the International Monetary Fund)

Poland
Expectations for tax policy

Significant tax reform has not been announced for 2025.

Elections are occurring in 2025; presidential election is in May.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- No change is currently announced.

Taxes on digital business activity

- No change is currently announced.

Taxes related to climate change or sustainability

- No change is currently announced.

Windfall taxes

- No change is currently announced.

VAT, GST or sales taxes

- No change is currently announced.

Personal taxes

- No change is currently announced.

Poland

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Stabilization of the adjudication line of the Supreme Administrative Court concerning intertemporal rules of GAAR application (GAAR cannot be applied to the year 2016 in income taxes)
- The stabilization, at the level of tax authorities and administrative courts, of the ability for taxpayers to reclaim the overpayment of CITs, regarding previously limited tax costs in expenditures for intangible services provided by affiliated entities

Top tax enforcement or tax controversy development expectations for 2025

- WHT — expected clarifications regarding beneficial owner concept and look through principle
- Expected increase in MAP application to withholding tax issues
- TP — focus on review of COVID-19 adjustments to multinationals' policies
- Increasing role of additional tax liability as a measure affecting decisions on engaging in a dispute
- Pillar Two — advance rulings and issues around reporting

Tax audits in Poland in 2025 are generally expected to say the same in number and intensity.

Top audit issues (all taxes)

1. Fulfilling the obligations of a withholding tax remitter
2. Transactions with related entities (TP) — in particular, in terms of determining the market level of remuneration and the reorganization and transfer of functions/brand within the group
3. Fulfilling the responsibilities of a PIT remitter — especially when tax efficiency solutions exist within the organization for the benefit of employees
4. VAT — fixed establishment issues; increased focus on VAT fraud and missing trading

Changes in tax audit approaches or methods

- Increasing role of analysis in selection of entities subject to audit
- Increasing use of exchange of Information with other jurisdictions

Changes to dispute prevention or dispute resolution tools or programs

- There are planned amendments to regulations regarding investment agreements (an agreement concluded between an investor and a tax authority concerning the tax consequences of a planned investment in Poland) with the aim to incentivize taxpayers to sign these agreements.
- There is increasing coordination of excise duty and VAT rulings.
- The role of mutual agreement procedures in solving disputes is increasing.

Tax governance approach or processes developments for business taxpayers

- Cooperative Compliance Program — increasing number of participants as the tax administration is promoting use of this option

Digital tax administration developments

- CIT SAF-T file to be filed for 2025
- Increasing use of digital communication channels, including obligation to run e-communication account for corporations in 2025
- E-invoicing implementation required in 2026

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	19%	19%	Same	Same	Same
PIT	32%	32%	Same	Same	Same
VAT/sales	23%	23%	Same	Same	Same

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Portugal

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EY key contacts

Tax policy:	Tax controversy:
António Neves	Pedro Fugas

Key issues to watch in 2025

- BEPS 2.0 Pillar Two implementation
- Signature of the Multilateral Convention to Facilitate the Implementation of the Pillar Two Subject to Tax Rule
- Political stability
- TP directive
- Tax controversy: resident/nonresident discrimination

Key drivers of tax policy change

- Economic growth and investment
- Competitiveness
- Innovation
- Sustainability

Significant tax developments in 2024

- Transposition into national law the Directive (UE) 2022/2523 on Pillar Two
- Approval of the tax regime for loan funds and the extension of the special tax regime for private equity and venture capital funds to cover corporate investment vehicles
- End of the non-habitual residents regime and introduction of the new scientific research and innovation regime
- Incentives for the rental of residential property
- Introduction of a contribution on single-use packaging used in ready-to-eat meals

Significant tax developments expected in 2025

- Gradual reduction of the corporate income tax
- Creation of the VAT group regime allowing intra-group clearing of VAT balances
- Increase eligibility for the cash VAT regime reducing the pressure on the treasury resulting from the payment of VAT
- Extension of stamp duty exemptions
- Revision of the tax deductibility regime for goodwill
- Revision of the conditions to apply the participation exemption regime
- Further legislation and guidance on Pillar Two

Major legislative activity that could include tax

- Key tax issues are usually discussed and legislated when the government presents the annual state budget law
- The government has set up a commission to simplify and speed up tax processes and procedures
- Review of existing tax incentives

Developments in tax transparency requirements

- Decree-Law nr. 73/2023 transposed EU Directive 2021/201 on public CbCR applies for periods beginning on or after 22 June 2024.

Major multilateral or bilateral cooperation activities

- Portugal has expressed its intent to sign the Multilateral Convention to Facilitate the Implementation of the Pillar Two Subject to Tax Rule.

Portugal

Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are occurring in September 2025 to elect local authority bodies (no relevant tax changes are expected).

R&D incentives are expected to stay the same with adjustments.

Other business incentives are expected to increase. The government program "Accelerate the Economy" was approved by the Council of Ministers on 4 July 2024. The program foresees 60 distinct measures, which essentially focus on economy and tax. It can be expected that measures will be implemented

Corporate taxes

- The standard CIT rate was reduced from 21% to 20% (from 17% to 16% for SMEs and small mid cap).
- State Budget Law for 2025 reduces the autonomous taxation rates levied on costs incurred with vehicles, provided some conditions are met.
- Tax incentive for the capitalization of companies foresees that the deduction rate equals to 12-month Euribor rate (average) plus 2p.p. spread. The deduction was increased by 50% in the FY2025 (previously 30%).
- Tax incentive for salary increases foresees that expenses related to salary increases may be considered at 200% of their respective amount (previously 150%), if certain conditions are met.
- New companies may be licensed within the Madeira International Business Center until 31 December 2026 and can continue to benefit from a reduced 5% CIT rate until 31 December 2028.

Taxes on digital business activity

- Since 2021, crypto assets and crypto coins are taxed for PIT and stamp duty purposes.
- No digital tax is foreseen.

Taxes related to climate change or sustainability

- Phasing out of partial exemptions for harmful products (oil and energy products)

Windfall taxes

- The following contributions remain in force: (i) contribution on the banking sector and the additional solidarity on the banking sector, (ii) extraordinary contribution on the pharmaceutical industry, (iii) extraordinary contribution on suppliers of medical devices to the National Health Service, (iv) extraordinary contribution on the energy sector, (v) contribution on light and very light plastic bags, (vi) contribution on single-use packaging used in ready-to-eat meals and (vii) contribution for the conservation of forestry resources.

VAT, GST or sales taxes

- At the Economic and Financial Affairs Council of the EU (ECOFIN) meeting on 5 November 2024, the European Council approved the package of measures on VAT in the digital age. The timetable for implementation provides for gradual changes from 2025, when the first measures will be adopted.
- The reduced VAT rate will apply to the supply of electricity for residential purposes.

Personal taxes

- The Portuguese State Budget Law for 2025 adjusts the taxable income brackets by 4.62%, exceeding the inflation rate forecasted for 2025.
- Increase of the income tax exemption applicable to employment income and business/professional income earned by young individuals (up to 35 years of age) is expected.
- Increase of the deduction applicable to employment and pension income is expected.
- Increase in the amount of the nontaxable meal allowance, paid through meal vouchers, to the daily amount of EUR10.20 is expected.
- The amounts paid or made available to the employee or members of statutory bodies in 2025, attributed by the employer voluntarily and on a non-regular basis, as productivity bonuses, performance bonuses, profit sharing and balance sheet bonuses, are exempt from personal income tax, up to a limit of 6% of the employee's basic annual salary, provided certain conditions are met.

Other

- The vehicle circulation tax remains in force.
- The brackets for the assessment of the applicable real estate transfer tax rates are updated by 2.3%.
- The audiovisual contribution is still in force, and the monthly amounts applying to public service broadcasting and television will not be updated.
- The implementing regulation on template and electronic reporting formats for public CbCR is adopted as of 1 January 2025.

Portugal

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The Portuguese Constitutional Court has ruled that the extraordinary contribution on the energy sector on renewables is unconstitutional.
- The Portuguese court ruled that the wind turbine tower should not be taken into account when calculating the property tax value for the purposes of the municipal real estate tax of wind farms.
- There were several decisions on the discrimination between the tax treatment granted to Portuguese undertaking for collective investment and foreign UCIs.
- It has been ruled that arbitral courts have jurisdiction to rule on claims for annulment of assessments of the road service contribution, as well as the compensatory claims that are ancillary to them.
- The unconstitutionality of the additional solidarity contribution on the banking sector has been analyzed by the Constitutional Court.

Top tax enforcement or tax controversy development expectations for 2025

- Portuguese tax authorities challenging the withholding tax exemption on interest under the domestic rules that transposed the EU I&RD, using a similar rational for dividends
- Clarification about stamp duty exemption on commissions and guarantees associated with the issuance of bonds
- Exclusion of foreign-source income from municipal surcharge
- Continuous controversy over the abovementioned contributions

Tax audits in Portugal in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

- For CIT, the analysis of the application of benefits such as R&D tax incentive system for businesses (SIFIDE) and tax regime for investment support (RFAI)
- Application of the reduced and standard VAT rates
- Cross-referencing of tax relevant information provided by different taxpayers
- Assessment of any potential false invoices used to deduct expenses for CIT, PIT and VAT purposes

Changes in tax audit approaches or methods

- Increase in cases through which the General Anti-Abuse Clause will be raised

Changes to dispute prevention or dispute resolution tools or programs

- No changes are currently expected.

Tax governance approach or processes developments for business taxpayers

- Delivery of the SAF-T accounting file to Portuguese tax authorities, which contains several company's information, was postponed to 2025.

Digital tax administration developments

- The Portuguese tax authorities continues investing in the digitalization of their services, with increasing dematerialization, for example:
  - Electronic notifications and citations service are now on the Portuguese tax authorities' website.
  - Through Serviin, the tax administration has a service where deaf citizens can be assisted by video call every working day, between 9 a.m. and 7 p.m.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT[1]	21%	20%	-4.76%	Lower	Lower
PIT[2]	48%	48%	0%	Same	Same
VAT/sales	23%	23%	0%	Same	Same

[1] The rate can vary depending on where the taxpayer is located (mainland or islands) and its size (SMEs), and municipal and state surcharges may also be added.

[2] There is an additional solidarity tax rate for income of 2.5% up to 5%.

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Qatar

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EY key contacts

Tax policy:	Tax controversy:
Ahmed Eldessouky, Kevin McManus	Roger Akl, Fareed Patel, Sherif Ismail

Key issues to watch in 2025

- BEPS 2.0 Pillar Two (GloBE Rules) implementation
- Implementation of VAT

Key drivers of tax policy change

- BEPS 2.0 – Pillar Two (GloBE Rules)
- Broadening the tax base to support the shift of dependence away from oil- and gas-industry-driven revenue
- Protecting Qatari businesses (established and present) from international competition
- Adhering to the GCC VAT Framework signed

Significant tax developments in 2024

- On 23 December 2024, the Shura Council approved amendments to the Qatar Income Tax Law, Law No. 24 of 2018, to implement provisions of the OECD GloBE Rules in Qatar. The amendment to the law includes an IIR and a DMTT in Qatar, effective 1 January 2025. However, until the amendments are signed by the Amir and published in the *Official Gazette*, the specific provisions are not publicly available.
- Bangladesh and Qatar signed a DTT on 30 April 2024; however, it has yet to come into force.
- Saudi Arabia and Qatar signed a DTT on 30 May 2024; however, it has yet to come into force.
- Tajikistan and Qatar signed a DTT on 22 January 2024; however, it has yet to come into force.
- United Arab Emirates and Qatar signed a DTT on 30 May 2024; however, it has yet to come into force.
- The State of Qatar implemented the Integrated GCC Customs Tariff on 1 January 2025. The new tariff system comprises 12-digit tariff codes instead of 8-digit tariff codes. This change will apply to all GCC countries.

Significant tax developments expected in 2025

- Tax transparency measures are expected.
- The response strategy in addressing the OECD's BEPS 2.0 GloBE Rules is expected.
- The Qatar tax authority is expected to announce the introduction of VAT.
- Qatar commenced negotiating the terms of an Income Tax Treaty with Cambodia, Peru, Thailand, Turkmenistan and Swaziland, which are expected to agree in 2025.
- The General Tax Authority (GTA) announced the extension of the scope of application of excise tax to include sweetened beverages in 2025. The GTA will soon publish the required amendment in legislation and will declare the implementation date of the excise tax on sweetened beverages.

Major legislative activity that could include tax

- DTTs: Qatar has signed numerous DTTs with other countries aimed at preventing double taxation, thereby fostering international trade and investment.
- Economic Free Zones: Qatar has established several special economic zones, which offer tax incentives and benefits to encourage investment.
- Implementing OECD initiatives: Qatar has been working towards the implementation of the OECD's BEPS 2.0 Pillar Two and has approved the amendments to the law to include an IIR and a DMTT, effective 1 January 2025. There will be further guidance in the form of Executive Regulations on the administration of these provisions.

Developments in tax transparency requirements

- Qatar has been implementing tax transparency measures in line with international standards set by the OECD and has recently passed an OECD confidentiality assessment under which Qatar can become a recipient of information under AEOI frameworks.

Qatar
Expectations for tax policy

Significant tax reform is not expected in 2025, but it is expected that legislation to implement VAT and the OECD's Pillar Two GloBE Rules will be issued during 2025.

Elections are not occurring in 2025.

R&D incentives are expected to be the same.

Other business incentives are expected to stay the same.

Corporate taxes

- The standard corporate tax rate is to remain at 10%. Companies engaged in petrochemical industries and petroleum operations are taxed at the rates specified in their agreements, provided that the tax rate is not less than 35% on their taxable income.
- The Shura Council has approved amendments to the Qatar Income Tax Law, Law No. 24 of 2018, to implement provisions of the OECD Pillar Two GloBE Rules in Qatar. The amendment to the law includes an IIR and DMTT in Qatar, effective 1 January 2025.

Taxes on digital business activity

- Qatar has not introduced specific taxes on digital business activities.

Taxes related to climate change or sustainability

- Qatar does not impose a carbon tax or any other climate change-related tax that promotes carbon emissions abatement.

Windfall taxes

- Qatar does not levy windfall taxes.

VAT/GST or sales taxes

- Qatar has signed and ratified the GCC VAT Framework Agreement. However, VAT has not yet been implemented in Qatar.
- When implemented, the standard rate of VAT in Qatar is expected to be 5%.
- Qatar has also signed and ratified the GCC Common Excise Tax Agreement and has introduced excise tax on tobacco and tobacco derivatives, carbonated drinks, energy drinks and special-purpose goods, as of 1 January 2019.

Personal taxes

- Income tax is not imposed on employed individuals' salaries, wages and allowances.
- A self-employed individual may be subject to income tax if one derives qualifying income from sources in Qatar.

Other

- Other taxes, such as financial transaction taxes, solidarity surcharges, taxation of cryptocurrency, etc., are not expected in 2025.

Qatar

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- No major tax enforcement or tax controversy developments occurred in Qatar in 2024.

Top tax enforcement or tax controversy development expectations for 2025

- The introduction of VAT legislation
- Implementation of e-invoicing
- Increased focus on transfer pricing requirements compliance

Tax audits in Qatar in 2025 are generally expected to

increase in number and/or intensity.

Top audit issues

1. Disallowance of deductions of interest, management fees/sponsorship fees, head office overhead expenses
2. WHT assessments on offshore services
3. Transfer pricing adjustments on intercompany financing transactions, headquarter and management services transactions, and high-value services transactions

Changes in tax audit approaches or methods

- No major changes are currently expected.

Changes to dispute prevention or dispute resolution tools or programs

- No major changes to dispute prevention or dispute resolution tools or programs are expected.

Tax governance approach/processes developments for business taxpayers

- The GTA and the General Authority of Customs have announced the initiation of interconnectivity between their e-services. This integration is part of the efforts to streamline procedures and provide more efficient services to business taxpayers.

Digital tax administration developments

- The Dhareeba portal provides the GTA with digital channels to serve all its partners – the government, tax agents and the taxpayers. It has been designed to manage, calculate and review various types of taxes to help taxpayers identify the procedures related to their transactions and receive notifications on the progress of their operations.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	10%	10%	–	Same	Same
PIT	N/A	N/A	–	–	–
VAT/sales	N/A	N/A	–	–	–

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Romania

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EY key contacts

Tax policy:	Tax controversy:
Alexander Milcev	Emanuel Bancila

Key issues to watch in 2025

- Full integration into the Schengen area starting 1 January 2025
- Increase of dividend tax to 10% (from 8%)
- (Re-) Introduction of the construction tax
- BEPS 2.0 Pillar Two
- Elimination of specific tax incentives for employees
- Possible tax changes/increases due to the high state budget deficit and the commitments to gradually reduce the deficit
- Fiscal and state digitalization
- Strategic tax digitization projects through information systems

Key drivers of tax policy change

- High budget deficit will have to be recovered; thus, changes in tax policy are expected (some measures were already implemented).

Significant direct tax developments in 2024

- Introduction as of 1 January 2024 of (1) a minimum tax of 1% on turnover (MTT/IMCA) for companies having a total turnover of more than EUR50m in FY23 – MTT should be compared with the CIT and the maximum of the two would be paid; (2) a special tax on turnover for credit institutions – this tax is in addition to the CIT and is set to be 2% in FY24 and FY25 and 1% starting with 1 January 2026; (3) a special tax of 0.5% on turnover – for oil and gas companies that had in FY23 a turnover of more that EUR50m – this tax is in addition to the CIT and is set to be 0.5%
- Starting with 2024, tax losses to be carried forward and recovered at a rate of 70% of taxable profits obtained in the next five consecutive years (prior the tax loss could have been offset in full over a period of seven years)
- Starting with 2024, the new limitation of the deductible threshold for exceeding borrowing costs: EUR500,000 for operations with related parties that do not finance the acquisition/production of certain assets in progress; this threshold will not apply to credit institutions
- Introduction of 3% tax incentive for compliant taxpayers for their 2024 annual profit and microenterprise income taxes; tax authority to automatically grant this incentive by issuing a decision, provided all conditions are fulfilled
- Order No. 3562/2024 of the National Fiscal Administration Agency (OPANAF No. 3562/2024): guidelines for redirecting the profit tax by the deadlines for submitting the annual profit tax return
- Lowering of the bad debt provision limit from 50% to 30%; limit to apply to impairment adjustments for receivables related to amounts owed by both internal and external customers from 1 January 2024, onward
- Implementation of BEPS 2.0 Pillar Two minimum tax in January 2024, including an IIR and UPTR, in line with the provisions of the directive; the law also regulates the establishment of a national additional tax, to be determined at the level of the subsidiaries that are lower taxed in Romania, of the multinational and national enterprises groups that fall under the law
- Introduction in 2024 of special taxes on residential buildings and luxury cars registered in Romania, if their values exceed certain thresholds

VAT, GST or sales taxes

- Romania did not obtain the derogation to limit of VAT deduction right for real estate to 50%, as mentioned in the 2024 TPCO.
- The Romanian legislator expressly recognizes the applicability of the CJEU interpretation from case C-717/19 Boehringer Ingelheim in national legislation and, implicitly, reconfirms at the national level the right of taxable persons to reduce the VAT taxable base in connection with indirectly granted price reductions.
- Several changes were made to the rates applying to specified goods.

Romania

Expectations for tax policy

Significant tax developments in 2024 (continued)

VAT, GST or sales taxes (continued)

- **Electronic invoicing** is mandatory in Romania for business-to-government (B2G) transactions, with effect from 1 July 2022, and for business-to-business (B2B) transactions having the place of supply for VAT purposes in Romania, with effect from 1 July 2024.
- **e-Reporting of invoicing data** was extended to all categories of goods or services starting 1 January 2024.
- **Starting 1 July 2024**, for their B2B transactions performed toward economic operators established in Romania, economic operators established in Romania are obliged to issue and communicate electronic invoices exclusively through the RO e-Factura system.
- Specified transactions are excepted from **e-Reporting** requirements.
- **Starting 1 January 2025**, the obligation to use the RO e-Invoice system will be restricted only to operations for which the place of delivery or provision from a VAT perspective is in Romania.
- **Starting 1 January 2025, t**he RO e-Invoice system will be mandatory for simplified invoices as well, except for fiscal receipts.
- The **RO e-Transport** legislation was modified. The entry into force of the national e-Transport system for authorized economic operators was postponed until 31 March 2025.
- The **RO e-Sigiliu (e-Seal) system was implemented** for the purpose of achieving compliance with the traceability of road transport of goods in Romania.
- As of 1 January 2024, persons who have obtained an **Authorised Economic Operator (AEO) certificate** can no longer access the VAT deferral facility solely on the basis of AEO.
- **RO e-TVA system (RO e-VAT) has been** implemented starting with 1 August 2024. Its purpose is to pre-fill information on taxable transactions into VAT returns for each reporting period, by the 20th day of each month following the end of the tax period and make them available to taxable persons through the Virtual Private Space. Further, taxable persons registered for VAT purposes have the obligation to check, modify and complete the information in the VAT return according to the real tax situation and to sign and submit the VAT return according to the tax legislation in force.

SAF-T

- Starting from 1 January 2025, small businesses and nonresidents will be required to submit the Informative Declaration D406 (SAF-T), which includes information from accounting and tax records. There is a reporting grace period that reduces over time.

Personal taxes

- Starting 1 July 2024, income identified by the tax authorities from unknown sources is subject to 70% income tax on the adjusted taxable base.
- As of 1 January 2024, a special tax of 0.3% is due from individuals on high-value real estate residential buildings with a taxable value of more than RON2.5 million.
- A similar special tax of 0.3% is due from individuals owning vehicles registered in Romania with a purchase value over RON375,000 (around EUR75,000).
- From January 2024, the taxable rental income is calculated by deducting a flat 20% expense rate from the gross income (no deduction was allowed for 2023 income).

Significant tax developments expected in 2025

- Romania's entry into the Schengen area could simplify customs procedures, stimulate international trade and attract foreign investments, which would increase fiscal revenues. Access to common databases could aid anti-tax evasion measures, and the elimination of border controls could boost tourism.
- Dividend tax rate is increased from 8% to 10% for dividends distributed from 2025.
- Regarding micro-enterprises, the threshold is reduced from EUR500,000 to EUR250,000, respectively to EUR100,000 starting with 1 January 2026.
- Regarding ICAS, the turnover threshold was removed and tax will be owed by Romanian or other foreign legal entities that carry out activities in the oil and gas sectors. Income obtained by nonresidents is not part of the scope of double taxation avoidance conventions concluded between Romania and other states.
- The tax incentives granted to employees working in software development, construction, agriculture and food industries are withdrawn starting with the salary income related to January 2025.

Major legislative activity that could include tax

- Certain clarifications are expected with respect to the computation and applicability of the newly introduced taxes, such as MMT, ICAS and tax on constructions.

Developments in tax transparency requirements

- EU public CbCR applies from the first financial year starting on or after 22 June 2024, making the first reporting year 2025 for calendar year taxpayers.

Romania

Expectations for tax policy

Major multilateral or bilateral cooperation activities

- Full integration not Schengen area starting 1 January 2025.

Significant tax reform is not expected in 2025.

Elections for the president are occurring in May 2025, after the Constitutional Court annulled the 2024 presidential elections on 6 December 2024. The president is elected by popular vote for a maximum of two five-year terms. The outcome of the elections will play a significant role in shaping the country's corporate tax rate and tax reforms.

R&D incentives are expected to be amended to be a qualified tax credit under BEPS 2.0 Pillar Two. In 2024, some clarifications regarding the R&D tax credit providing the additional 50% deduction were brought in the context of computing MTT/IMCA.

Other business incentives are expected to stay the same.

Corporate taxes

- Overall, joining the Schengen area could greatly enhance Romania's tax efficiency and compliance, though it might also necessitate some adjustments and investments to address the emerging challenges and opportunities.

Taxes on digital business activity

- No specific tax is currently expected.

Customs duties

- Starting July 2024, centralized customs clearance at the level of the European Union was implemented. The companies certified AEO can apply for this procedure and benefit from import VAT deferment.

Taxes related to climate change or sustainability

- The CBAM authorization process begins in 2025, and companies will have to meet certain criteria to obtain the status of authorized declarant. Staring in 2026, only the authorized CBAM declarants will be able to import products subject to CBAM regulation.
- Starting 1 January 2025, the global recovery/recycling targets **for packaging waste have increased 5%**. Consequently, economic operators will have to pay more for failure to meet recovery/recycling targets. The tax is paid annually in January of the following year.

Windfall taxes

- On 7 November 2024, the Constitutional Court published a press release declaring unconstitutional the tax established for natural gas and electricity producers and traders on the wholesale market to contribute to the Energy Transition Fund. The official decision of the court has not yet been published.

VAT, GST or sales taxes

- There are informal discussions at the government level to raise the VAT standard rate in 2025; however, no official documentation is published.

Personal taxes

- Discussions continue on introducing progressive taxation on personal income. Still, there is no definite timeline for any upcoming implementation, at least not for 2025.

Romania

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The strategic objectives of the Romanian tax authorities are focusing on (1) budgetary revenue collection, (2) improving the services offered, (3) digital solutions, (4) preventing and fighting tax evasions and (5) efficiency and transparency.
- As a result of implementing automated electronic reporting systems, such as RO e-Factura, RO e-Transport, RO e-TVA, and RO e-case de marcat, the activities of tax audit and tax fraud prevention structures have been streamlined.
- In 2024, there was a significant increase in the number of tax audits. The trend for voluntary compliance was maintained, which means that before carrying out a tax audit, the tax authority sent a notice for compliance, so that the taxpayer can verify and modify. As a result of the compliance, the taxpayer may be or may be not subject to a subsequent tax audit.

Top tax enforcement or tax controversy development expectations for 2025

- For 2025, even more audit activity is expected as the government plans to increase the amount of funds collected for the state budget.

Tax audits in Romania in 2025 are generally expected to increase in number and intensity.

Top audit issues (all taxes)

1. Transfer pricing is a common hot topic in the past five years. Frequently, the tax authorities challenge the analyses made by the taxpayer, irrespective of chosen method and selected comparable; their focus is strictly limited at the periods for which additional liabilities might be assessed.
2. Recently, audits have frequently concluded that there is a fixed or permanent establishment, or both, and that all transactions or revenue are attributable to such, meaning additional CIT and VAT (if applicable).
3. As a result of implementing the RO e-Transport system, there has been an increase in anti-fraud inspections focused on verifying compliance with the obligations. Results have included substantial fines and the confiscation of goods transported.

Changes in tax audit approaches or methods

- In 2025 it is expected that the tax authorities will maintain the preference for the documentary verifications, expressed during 2024. Such verifying method consists in carrying out a coherence analysis of the taxpayer's/payer's fiscal situation, based on the existing documents in the taxpayer's/payer's fiscal file, as well as on the basis of any information and documents transmitted by third parties or held by the fiscal body, which are relevant for determining the fiscal situation.

Changes to dispute prevention or dispute resolution tools or programs

- N/A

Tax governance approach or processes developments for business taxpayers

- A series of electronic reporting systems are being developed and improved. The tax authority is constantly working on improving its systems to be able to take the ever-increasing volumes of data from taxpayers, to be able to analyze them accurately, so as to quickly identify areas of risk and to direct checks only to those taxpayers who report irregularities. At the same time, the legislation is being updated, to allow tax audits to be simplified, to be carried out mostly remotely and to encourage voluntary compliance.

Digital tax administration developments

- **Chatbot integration:** National Fiscal Administration Agency (ANAF) is implementing a conversational agent chatbot system to improve taxpayer interactions. This chatbot will be integrated with ANAF's internet portal, the Virtual Private Space service, the Contact Center and other available channels.
- **Audio-video communication platform:** ANAF is also introducing an audio-video communication platform to enhance the interaction between taxpayers and the agency. This platform will be connected to ANAF's internet portal and the Virtual Private Space service, aiming to provide a more efficient and user-friendly communication experience.

Romania

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	16%	16%	0%	–	Same
MET	3% (or 1%)	3% (or 1%)	0%	Changes to threshold	Higher
MMT	1%	1%	0%	–	Same
Additional taxes on turnover for credit institutions	2%	2%	0%	–	Same
ICAS	0.5%	0.5%	0%	Changes to taxpayers subject to MCA	Higher
Construction tax	0	1%	100%	New tax	Higher
PIT	10%	10%	–	–	Same
VAT/sales (standard rate)	19%, 9%, 5%, 0%	19%, 9%, 5%, 0%	–	–	Same

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Saudi Arabia

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EY key contacts

Tax policy:	Tax controversy:
Hosam Abdulkareem	Hosam Abdulkareem

Key issues to watch in 2025

- Issuance of new Income Tax Law and by-laws
- New law for Zakat and tax compliance procedures
- Potential BEPS 2.0 Pillar Two (GloBE Rules) implementation

Key drivers of tax policy change

- Implementation of OECD's BEPS 2.0 Pillar Two globally

Significant tax developments in 2024

- Issuance of Regional Headquarters (RHQ) regime tax regulations providing a 30-year tax holiday for corporate income tax and withholding tax and establishing TP requirements for RHQs
- Amendments to the Real Estate Transaction Tax (RETT) Implementing Regulations, including extending the scope of certain exemptions
- Additional VAT refund cases for real estate developers
- Tax amnesty extension (cancelation of fines) for certain taxes until 30 June 2025
- Announcement of the criteria for VAT payers to be included in the 10th to 19th wave of Phase 2 e-invoicing integration
- Issuance of detailed guidelines for the implementation of the new Zakat regulations
- Issuance of detailed guidance for the implementation of the APA program
- Signing of double tax treaties with Qatar and Kuwait, which are yet to come into force
- Ratification of the Saudi Arabia-Slovak Republic DTT effective from 1 January 2025

Significant tax developments expected in 2025

- Potential BEPS 2.0 Pillar Two (GloBE Rules) implementation
- Issuance of new Income Tax Law and by-laws
- Implementation of the proposed amendments in the VAT regulations along with introduction of other amendments to the VAT, RETT and excise tax legislation
- Guidelines on application of WHT by the Saudi investment funds

Major legislative activity that could include tax

- Ongoing legislative developments relating to introduction of amendments relating to CIT, VAT, RETT and excise tax, and potential implementation of GloBE Rules

Developments in tax transparency requirements

- No current developments

Major multilateral or bilateral cooperation activities

- No current developments

Saudi Arabia

Expectations for tax policy

Significant tax reform is expected in 2025 in relation to potential BEPS 2.0 Pillar Two (GloBE Rules) implementation.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- Corporate tax rates to remain the same: standard rate to remain at 20%. For taxpayers engaged in oil and hydrocarbon production the tax rates range from 50% to 85% depending on the amount of capital invested.
- WHT rates of 5%, 15% and 20%, depending on the types of income, are likely to change. The draft new Income Tax Law envisages application of a flat 10% WHT rate on the vast majority of the incomes except for dividends and royalties, which are still to be taxed at 5% and 15% rates, respectively (effective date or fiscal period is yet to be determined).
- Tax on capital gains will remain at 20%.

Taxes on digital business activity

- No developments with respect to taxes on digital business activity are expected.

Taxes related to climate change or sustainability

- No developments with respect to taxes related to climate change or sustainability are expected.

Windfall taxes

- N/A

VAT, GST or sales taxes

- Any changes to the VAT rate of 15% are unlikely to occur in 2025.
- Approval of the proposed amendments in the VAT Implementing Regulations is likely to occur in 2025.
- Implementation of Phase 2 of e-invoicing for taxpayers under Wave 11 to Wave 19 will occur in 2025.
- Following the numerous guidance issued by the tax authority in 2024, issuance of VAT guidelines and amendments to VAT Regulations is likely to occur in 2025 to provide more clarification and guidance.
- Mechanism related to VAT refunds for tourists is likely to be announced in 2025.

Personal taxes

- N/A

Saudi Arabia
Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- No significant developments in 2024 are expected.

Top tax enforcement or tax controversy development expectations for 2025

- For VAT audits, easier data gathering by the tax authority for audit purposes is expected due to the implementation of e-invoicing.
- With the extension of the TP regulations' applicability to Zakat payers, TP audits are expected to increase in 2025.

Tax audits in Saudi Arabia in 2025 are generally expected to stay the same in number and/or intensity.

Top audit issues (all taxes)

1. Transfer pricing audits are frequent and now more technical, with focus on loss-making companies, complex TP structures, and specific related-party transactions, e.g., involving services, royalties, financial transactions, intangibles. Disallowance of input VAT deductions are commonly related to certain expenses, including vehicle expenses, expenses unpaid for more than 12 months and expenses with noncompliant invoices.
2. Cross-border transactions and challenges in the interpretation of DTT provisions are expected.

Changes in tax audit approaches or methods

- No changes are currently expected.

Changes to dispute prevention or dispute resolution tools or programs

- No changes are currently expected.

Tax governance approach or processes developments for business taxpayers

- No changes are currently expected.

Digital tax administration developments

- Ongoing implementation of Phase 2 of e-invoicing to adhere to the tax digitalization development in Saudi Arabia

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	20%	20%	–	Same	Same
PIT	No PIT				
VAT/sales	15%	15%	–	Same	Same
RETT	5%	5%	–	Same	Same
Excise tax	50% to 100%	50% to 100%	–	Same	Same

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Singapore

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EY key contacts

Tax policy:	Tax controversy:
Angela Tan	Angela Tan

Key issues to watch in 2025

- Pillar Two – multinational enterprise top-up tax (MTT) and domestic top-up tax (DTT) implementation
- Tax governance and tax risks management
- Transfer pricing controversy and TP surcharges
- Capital allowance claims
- New GST e-invoicing regime

Key drivers of tax policy change

- Alignment with Pillar Two developments
- Promoting a culture of good tax governance and tax risk management as a leading practice in corporate governance
- Updates to TP guidelines issued by the Inland Revenue Authority of Singapore (IRAS)
- Developments in Singapore tax cases on capital allowance claims

Significant tax developments in 2024

- The Multinational Enterprise (Minimum Tax) Act (MMT Act) become law in Singapore. The MMT Act implements the MTT under the GloBE Model Rules of the OECD/G20 Inclusive Framework on BEPS and the DTT. Supplementary regulations gazetted on 30 December 2024. With this, the Pillar Two legislation can be considered as substantively enacted in Singapore as of 31 December 2024. Additionally, the IRAS published an e-Tax Guide on MTT and DTT on 31 December 2024.
- As part of Singapore's periodic review to make sure that tax incentives remain relevant, an additional concessionary tax rate tier of 15% was introduced under the Development and Expansion Incentive, Intellectual Property Development Incentive and Global Trader Programme.
- The Refundable Investment Credit (RIC) scheme was introduced to encourage companies to make sizeable investments that bring substantive, high-value economic activities to Singapore, in key economic sectors and new growth areas. The credits are to be offset against corporate income tax payable, DTT, penalty, surcharge or interest related to the company's income tax under the MMT Act. Any unused credits will be refunded to the company in cash within four years from when the company satisfies the conditions for receiving the credits. The scheme is consistent with the GloBE Model Rules for Qualified Refundable Tax Credits.
- To better align Singapore's tax regime for shipping entities with common international practices, an alternative basis of tax was introduced where the qualifying income of qualifying shipping entities is taxed by reference to the net tonnage of their ships.
- The IRAS announced the adoption of InvoiceNow, which will allow GST-registered businesses to transmit invoice data directly to the IRAS using InvoiceNow solutions.

Significant tax developments expected in 2025

- Pillar Two implementation

Major legislative activity that could include tax

- No significant developments are currently expected.

Developments in tax transparency requirements

- No significant developments are currently expected.

Major multilateral or bilateral cooperation activities

- On 26 November 2024, Singapore committed to implementation of the Crypto-Asset Reporting Framework (CARF) and is expected to commence exchanges under the CARF by 2027 or 2028 at the latest.

Singapore
Expectations for tax policy

Significant tax reform is not expected in 2025. Any tax changes will be announced in the Singapore Budget, scheduled to take place on 18 February 2025.

Elections will occur in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- As of now, there is no indication of any change in the corporate tax rate of 17%.
- The Pillar Two rules implement an MTT and DTT that tops up the MNE groups' effective tax rate in Singapore to 15%.

Taxes on digital business activity

- Singapore applies GST on digital services; no significant changes are currently expected.

Taxes related to climate change or sustainability

- From 2024 onward, the carbon tax was increased from $5 per ton to $25 per ton (2024–2025). The carbon tax rates will be increased to (i) $45 per ton (2026–2027) and (ii) $50–$80 per ton by 2030.

Windfall taxes

- Singapore does not impose windfall taxes.

VAT, GST or sales taxes

- The GST rate was increased to 9% with effect from 1 January 2024. As of now, there is no indication of any change in the GST rate of 9%.
- IRAS has introduced the GST InvoiceNow Requirement for certain GST-registered businesses. The GST InvoiceNow Requirement will be implemented by the IRAS progressively, starting from 1 November 2025 for newly incorporated companies that voluntarily register for GST, and from 1 April 2026 for all new voluntary GST registrants, regardless of their incorporation date. A soft launch for early adoption will commence from 1 May 2025, allowing any existing GST-registered businesses to voluntarily transmit invoice data to IRAS using InvoiceNow.

Personal taxes

- The top personal income tax rate was increased from 22% to 24% from the year of assessment 2024. As of now, there is no indication of any change in the top personal income tax rate of 24%.

Singapore

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The specialized teams within the IRAS that review specific matters (such as R&D claims, valuation of intellectual property rights (IPRs)) have gained experience over the years and have raised detailed questions that add to the depth and intensity of the tax audit process.

Top tax enforcement or tax controversy development expectations for 2025

- No significant developments are currently expected.

Tax audits in Singapore in 2025 are generally expected to stay the same in number and intensity.

Top audit issues (all taxes)

1. TP controversy and imposition of TP surcharge
2. Withholding tax compliance
3. Interest expense and borrowing cost deduction
4. Capital allowances claims
5. Non-remittance of foreign-sourced income

Changes in tax audit approaches or methods

- Tax audit questions of the IRAS continue to be extensive in breadth and depth, with a focus on contemporaneous documentary evidence.
- The IRAS is requesting meetings with taxpayers to better understand the taxpayers' business operations.
- Certain specific matters that require specialized technical knowledge, such as R&D claims and valuation of IPRs, are reviewed by specialized teams within the IRAS. Such teams comprise IRAS officers who have the relevant technical background and experience.

Changes to dispute prevention or dispute resolution tools or programs

- The IRAS has introduced a formal process to request for escalation of certain cases, e.g., cases where more than six months have passed from the date of last correspondence with complete information sent to IRAS, or for cases where no further progress can be made due to taxpayer/tax agent and IRAS holding different positions.
- The IRAS' Transfer Pricing Guidelines (Seventh Edition) published on 14 June 2024 has simplified the MAP process by removing the steps related to the pre-filing phase, i.e., the notification of intent and pre-filing meeting. The guidelines also clarified that taxpayers who object to the IRAS' TP adjustment must follow the IRAS' objection and appeal process to resolve the issue.

Tax governance approach or processes developments for business taxpayers

- The IRAS continues to encourage taxpayers to participate in the IRAS' Tax Governance Framework and the Tax Risk Management and Control Framework for corporate income tax, though they remain voluntary.

Digital tax administration developments

- The IRAS continues to use data analytics in their tax audit efforts. Taxpayers should be prepared for the new norm that discrepancy across different tax types are readily flagged out by the IRAS for reconciliation and explanation to be made by taxpayers.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change[1]	Overall base changes	Combined effect
CIT	17%	17%	–	Same	Same
PIT	24%	24%	–	Same	Same
VAT/sales	9%	9%	–	Same	Same

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[1] Any changes in the key tax rates will be announced in the Singapore Budget, scheduled to take place on 18 February 2025.

Slovakia

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EY key contacts

Tax policy:	Tax controversy:
Richard Panek	Tatiana Knošková

Key issues to watch in 2025

- Introduction of Financial Transaction Tax (FTT)
- VAT and CIT rate Changes
- Tax reform
- Budget deficit reduction

Key drivers of tax policy change

- Fiscal consolidation
- Increase of state income
- Thwart tax fraud and tax evasion
- Tax system consolidation

Significant tax developments in 2024

- Developments in Pillar Two
- Introduction of spin-offs as a new type of business combination
- Adjustment of thin capitalization rules to align national legislation with European directive (ATAD)
- Amendments of various acts and introduction of FTT (effective from 1 January 2025)

Significant tax developments expected in 2025

- The financial transaction tax, a new tax is on companies and self-employed individuals that applies to bank transfers and cash withdrawals, thereby affecting the daily financial operations of entrepreneurs. The act came into effect on 1 January 2025, with the first tax period beginning in April 2025.
- The general VAT rate increased to 23%, and new reduced rates of 19% and 5% have been introduced.
- There is a continued focus on tax incentives for electric vehicles and simplified documentation for electricity costs.
- New CIT rates of 24% and 10% were introduced based on the threshold of taxable income.
- An increase of R&D incentives from the tax period 2026 is under the discussions.
- Significant amendments of the Tax Code are expected.

Major legislative activity that could include tax

- The increase of the deduction of R&D expenses from the 100% to 200%, along with consideration of applying expenses for contractors as well from 1 January 2026 is under discussion (draft legislation not available yet).
- There is discussion to abolish the 10-year statute of limitations period for some types of tax audits.
- There is discussion to extend personal liability for tax underpayments to shareholders and directors of respective taxpayers.

Developments in tax transparency requirements

- Public CbCR
- Enhanced reporting requirements: new requirements for detailed reporting in connection with the newly introduced FTT
- A proposal to require VAT payers to issue, send and receive invoices in structured electronic format and report data from domestic transactions to the tax authorities in real-time starting from 1 January 2027

Major multilateral or bilateral cooperation activities

- Adhering to OECD rules
- Implementation of EU legislation

Slovakia

Expectations for tax policy

Significant tax reform is expected in 2025.

Elections of municipal authorities are occurring in March 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to increase.

Corporate taxes

- A new tax rate of 24% will apply to legal entities that generate taxable income exceeding EUR5 million.
- Reduction of the tax rate from 15% to 10% for legal entities and an increase in the threshold for taxable income for its application from EUR60k to EUR100k.
- Increase in the taxable income threshold for self-employed individuals (entrepreneurs) for the application of the 15% tax rate from EUR60k to EUR100k.
- Reduction of the withholding tax on dividends for individuals from 10% to 7%, this reduced rate should apply only to dividends paid from profits for tax periods starting in 2025.

Taxes on digital business activity

- There are no specific taxes related to the digital business activities.
- In Slovak, a digital permanent establishment is defined; however, the definition could be absent in DTTs. In the latest case, the Supreme Administrative Court of the Slovak Republic determined that the application of DTT exempts the company from tax or registration obligations in Slovakia.

Taxes related to climate change or sustainability

- Increased tax incentives for renewable energy and electric vehicles (electric vehicles and plug-in hybrid company cars for business and private use of employees)

Windfall taxes

- The solidarity contribution (Solidárny príspevok) in the oil and gas and refining industry is still in effect. The last contribution period is slated for tax period 2024.
- The levy on excess income of electricity producers is still in effect. The last levy period is slated for tax period 2024.

VAT, GST or sales taxes

- With the amendment to the VAT Act, the general VAT rate increased from 20% to 23% starting 1 January 2025. At the same time, the reduced tax rate of 10% is eliminated and a new reduced tax rate of 19% is introduced. The second reduced tax rate of 5% remains unchanged.
- The VAT Act further establishes a list of goods and services to which the new reduced tax rates will apply. Below are a few examples:
    - 5% VAT on meal preparation, rental housing support, basic food, medicines, medical devices, catering services (consisting of hotel services), fitness centers, sports events and more
    - 19% VAT on other food (other than basic food), electricity, catering services (consisting of serving non-alcoholic beverages) and more
- The new tax from sweetened non-alcoholic beverages comes into effect on 1 January 2025. The tax on sweetened non-alcoholic beverages is an indirect consumption tax and will essentially be collected and paid into the state budget by businesses that carry out the first supply of a sweetened non-alcoholic beverage domestically, which they collect in the price of the beverage. Different tax rates apply on the different categories of beverages.

Personal taxes

- Higher contributions for high-income employees: increased cap for social security contributions for employees with higher incomes, from the current EUR9,128 to EUR15,730 (the maximum assessed base will increase from 7 times to 11 times the average monthly wage)
- Lower Child Tax Bonus: starting from 1 January 2025, the eligibility for the tax bonus to be adjusted based on the child's age in different categories
- Introduction of a gradual reduction or even elimination of the entitlement to the tax bonus for high-income taxpayers
- Introduction of replacements of the parental pension with an assignment of a share of paid tax

Other

- Increase in the number of companies required to pay the special levy: pharmaceutical sector, electronic communications sector (e.g., mobile operators), refineries, other regulated industries

Key points of the FTT include:

- **Scope**: applies to financial transactions conducted within Slovakia, including payment services provided by both domestic and foreign payment service providers based on the taxpayer's order or consent
- **Transaction accounts**: includes payment accounts of legal entities, organizational units of foreign entities and individual entrepreneurs used for business-related transactions
- **Taxpayers**: individual entrepreneurs, legal entities and organizational units of foreign entities performing business activities or performing payments in Slovakia
- **Exemptions**: certain transactions are exempt, such as intrabank transfers between accounts of the same taxpayer (i.e., transfers within the same bank), card payments (excluding cash withdrawals), payments of health insurance/social security contributions and taxes, and other transactions

FTT rates:

- 0.4% of the transaction amount for most financial transactions, capped at EUR40 per transaction (excluding cash withdrawals) and recharged costs related to financial transactions for activities conducted in Slovakia
- 0.8% of the transaction amount for cash withdrawals
- A fixed fee of EUR2 per year for using credit card

Slovakia

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Public CbCR for the first financial year starting on or after 22 June 2024.
- Pillar Two implementation

Top tax enforcement or tax controversy development expectations for 2025

- FTT
- Amendments in Tax Code
- Changes in VAT and CIT rates

Tax audits in Slovakia in 2025 are generally expected to increase in number and/or intensity.

Top audit issues (all taxes)

1. Transfer pricing
2. VAT carousel fraud
3. Tax deductibility of management fees
4. WHT and application of DTTs

Changes in tax audit approaches or methods

- Implementation of electronic delivery systems

Changes to dispute prevention or dispute resolution tools or programs

- No changes are currently expected.

Tax governance approach or processes developments for business taxpayers

- The Tax Code is expected to undergo significant updates and changes.
- A specialized Supreme Administrative Court of the Slovak Republic, which began operating in 2021, started issuing decisions.

Digital tax administration developments

- E-invoicing and data reporting from domestic transactions to the tax authorities in real-time expected starting from 1 January 2027

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	15%/21%	10%/21%/24%	Higher	Higher	Higher
PIT	15%/19%/25% on portion of gross income exceeding EUR3,961.50 per month	15%/19%/25% on portion of gross income exceeding EUR4,036.79 per month	Same	Higher	Higher
VAT/sales	20%/10%/5% (applicable for selected products)	23%/19%/5% (applicable for selected products)	Higher	Same	Higher

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South Africa

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EY key contacts

Tax policy and controversy:
Jula Mabena

Key issues to watch in 2025

- Implementation of the 15% global minimum tax for multinationals and its impact on foreign investment and local subsidiaries
- AI audit tools, blockchain trials and real-time data analytics to curb tax evasion
- High government debt, increasing government wage bill, constrained economic growth and uncertain tax collections
- Possible challenge of certain long-standing policies by the Government of National Unity, established from the 2024 national elections

Key drivers of tax policy change

- The budget deficit was previously predicted to reduce to 5% of GDP in 2024/2025.
- Tax policy must be understood within the context of broader fiscal policy objectives, which focus on reducing the budget deficit and stabilizing public debt. These goals are pursued through strategies to boost economic growth, increase revenue collection and reduce expenditure.
- The government relies on the tax system to generate revenue while advancing economic priorities, such as job creation and climate change actions.
- As noted in the 2024 Budget Review, the government's long-term tax policy strategy remains focused on broadening the tax base, improving tax compliance and enhancing administrative efficiency. Together, these efforts are expected to raise long-term revenue sustainably while minimizing tax rate increases wherever possible.

Significant tax developments in 2024

- Implementation of the Global Minimum Corporate Tax effective from years of assessment commencing on or after 1 January 2024. This minimum tax will be implemented using two measures, namely the IIR and a domestic minimum top-up tax.
- Two-pot retirement reform was implemented, with contributions to retirement funds being split with one-third of contributions going into a savings component and two-thirds going into a retirement component. Withdrawals from the savings component were allowed from 1 September 2024.
- South Africa ratified the protocol amending the 2004 Double Tax Agreement with Kuwait, changing the dividend WHT rates to 5% for qualifying shareholders and 10% for others. The protocol states that it is retroactive from 1 April 2012, creating uncertainty on the treatment of past dividend payments to countries with a most-favored nation clause.
- A specialized South African Revenue Authority unit was established in 2024 to target cryptocurrency trading and investments.

Significant tax developments expected in 2025

- The publication of requirements for companies to qualify as unlisted real estate investment trusts (REITs) is expected.
- At least two statutory amendments are anticipated due to the Constitutional Court's judgment in favor of coronation regarding the application of the "foreign business establishment" exemption under the CFC rules. This judgment affects how South African holding companies are required to include foreign subsidiary profits.
- Potential reforms affecting the collective investment scheme industry are also on the horizon. Treasury has published a policy paper inviting comments on the taxation of these schemes, particularly concerning short-term trades and the treatment of speculative profits as capital gains, which are exempt from capital gains tax.
- The assessed loss limitation rule will not apply to a company that is in the process of liquidation, winding up or deregistration, as outlined in section 41(4) of the Income Tax Act. This provision allows such companies to utilize their full assessed losses during the liquidation process.
- The National Treasury is evaluating the implementation of a wealth tax on high-net-worth individuals.

South Africa
Expectations for tax policy

Major legislative activity that could include tax

- A Budget Speech taking place on 12 March 2025 will include tax policy and changes to tax rates, thresholds and rebates, where applicable. The National Treasury will also release additional documents, such as the Taxation Laws Amendment Bill (TLAB) and the Revenue Laws Amendment Bill (RLAB), which contain specific legislative proposals for tax rate changes, new policies, and technical amendments.

Developments in tax transparency requirements

- While South Africa does not currently mandate formal tax transparency disclosures, the Johannesburg Stock Exchange (JSE) has issued voluntary sustainability reporting guidelines that encourage companies to disclose tax-related information. These recommendations aim to promote accountability and alignment with broader ESG principles.
- Under the OECD's BEPS Action 5 (a minimum standard), South Africa participates in a mandatory transparency framework requiring the automatic exchange of information on specific cross-border tax rulings. This mechanism confirms that tax authorities globally receive timely data to assess corporate tax risks, combat profit shifting and address BEPS vulnerabilities effectively.

Major multilateral or bilateral cooperation activities

- South Africa is advancing plans to implement the OECD's 15% global minimum tax under Pillar Two, targeting MNEs with annual revenues exceeding EUR750 million. South Africa enacted the Global Minimum Tax Act, 2024 (Act 46 of 2024), on 24 December 2024, and the Global Minimum Tax Administration Act, 2024 (Act 47 of 2024), on 7 January 2025. The legislation introduces the GloBE Rules, aligning with the OECD's Pillar Two framework, and is effective for tax years beginning on or after 1 January 2024.
- South Africa has revised its double taxation agreements with several key trading partners (e.g., Mauritius, Netherlands and the UK) to align with OECD BEPS standards and curb treaty abuse.
- South Africa is a member of the OECD/G20 Inclusive Framework on BEPS, where it contributes to developing international tax rules to address base erosion and profit shifting, including tax challenges arising from the digitization of the economy.

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- The CIT remains the same at 27%.

Taxes on digital business activity

- South Africa levies a 15% VAT on e-services (e.g., streaming, software, online ads/gaming) provided by foreign vendors to local consumers. Foreign suppliers must register if annual sales exceed R1 million.

Taxes related to climate change or sustainability

- The first phase of South Africa's carbon tax, introduced in 2019, is scheduled to run until 31 December 2025. Revisions to the carbon tax rates for the second phase (from 1 January 2026 to 31 December 2030) are expected, with allowances likely decreasing over time.
- The tax allowance under section 12L of the Income Tax Act for energy efficiency remains unchanged. The 95c per kilowatt-hour rate for qualifying energy efficiency savings will continue to apply until 31 December 2025. This may be extended for another five years to 2030.
- A 150% investment allowance was announced for qualifying expenditure on the production capacity of electrical and hydrogen-powered vehicles. This allowance will apply from 1 March 2026 for qualifying investments in the initial year, and the incentive may span a 10-year period.

Windfall taxes

- While the idea has been discussed, no formal windfall tax has been introduced in South Africa to date.

VAT, GST or sales taxes

- The current VAT rate is 15%, which has been in place since 1 April 2018.
- No major changes took place during 2024. A change in rate is possible due to the continued increasing government debt that remains a challenge.

Personal taxes

- For the 2024/25 tax year (1 March 2024–28 February 2025), the personal income tax rates and thresholds remained unchanged from the previous year. The maximum marginal tax rate remains at 45%.
- The introduction of National Health Insurance (NHI) could lead to the removal of the medical tax credits, potentially affecting personal tax liabilities.

South Africa

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- In the 2024 Budget Speech, the National Treasury proposed the introduction of alternative dispute resolution (ADR) proceedings at the objection phase of tax disputes.
- The South African Revenue Service has been increasingly incorporating digital tools, including advanced data analytics and AI, into its tax administration and compliance processes.

Top tax enforcement or tax controversy development expectations for 2025

- The use of AI by the South African Revenue Service is expected to grow significantly in 2025, particularly in areas like debt collections and enforcing tax legislation. AI will play a central role in automating and optimizing various tax administration processes.
- AI technology will be employed to detect and prevent tax fraud, improving the South African Revenue Service's ability to identify fraudulent tax activities and mitigate risks associated with tax evasion.

Tax audits in South Africa in 2025 are generally expected to increase in number and intensity.

Top audit issues (all taxes)

1. Transfer pricing
2. VAT verification audits
3. Cryptocurrency

Changes in tax audit approaches or methods

- Use of AI-powered risk engines to analyze taxpayer data (e.g., income, expenses, third-party reports) and identify high-risk cases for audit
- Improved detection of tax evasion and fraud (e.g., VAT refund scams, hidden offshore assets)
- Faster resolution of audits through pre-populated returns and automated discrepancy alerts

Changes to dispute prevention or dispute resolution tools or programs

- Traditionally, ADR was available only after a taxpayer's objection was disallowed, leading to appeals. The 2024 National Treasury proposed extending ADR to the objection phase, allowing earlier resolution of disputes and reducing the need for prolonged litigation.

Tax governance approach or processes developments for business taxpayers

- Increased focus on formal reporting frameworks for digital assets, requiring disclosure of crypto transactions to address tax evasion risks

Digital tax administration developments

- Deployment of AI-driven tools for risk assessment, fraud detection and audit targeting, improving compliance monitoring

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	27%	27%	–	Same	Same
PIT	45%	45%	–	Same	Same
VAT/sales	15%	15%	–	Same	Same

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South Korea

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EY key contacts	
Tax policy: Seung Yeop Woo	Tax controversy: Seung Yeop Woo

Key issues to watch in 2025

- Preemptive governmental responses to stabilize the financial and foreign exchange market
- Discovery of new growth engines due to the current domestic political unrest and changing global business environment
- Enhancement of economic resilience by promoting export, investment and domestic business
- Expected deregulation and policy changes that may require substantive economic changes to overcome complex challenges
- Countermeasures to protectionism and reorganization of global supply chain in response to US Trump administration

Key drivers of tax policy change

- The Korean government aims to encourage a dynamic economy by promoting investment, employment, regional development and activating capital markets.
- To ensure stability of citizens' livelihoods, the government aims to alleviate the financial pressures associated with marriage, childbirth and childcare, while providing robust support to individuals and small business proprietors.
- The necessity to institute a judicious tax infrastructure, aimed at mitigating the tax obligations of individuals and businesses, as well as improving the overall efficiency of the tax system was recognized.
- The Korean government is committed to nurturing national strategic technologies and pioneering new growth engines, encompassing key sectors such as semiconductors, battery cells, shipbuilding and cutting-edge bio-technology, among others.
- Initiatives to attract global talent and highly skilled professionals across various industries are a priority.

Significant tax developments in 2024

- The adoption of the Pillar Two regulation commenced for the 2024 tax year. The regular filing deadline is within 15 months following the end of the fiscal year. However, it was extended to 18 months for the first year of application.
- The financial investment income tax, initially introduced to impose taxes on earnings from financial investments, including stocks, funds and derivatives, has been repealed.
- The commencement of the tax regulations for virtual assets is deferred by two years, shifting the effective date from 1 January 2025 to 1 January 2027.
- Securities transaction taxes for shares listed on the KOSPI and KOSDAQ were reduced from 0.2% in 2023 to 0.18% in 2024.

Significant tax developments expected in 2025

- In relation to the Pillar Two regulation, supplementary provisions pertaining to income inclusion, specifically the UTPR, will take effect from 1 January 2025.
- From 2025, family businesses with average sales of KRW500 billion or above for the preceding three years may not benefit from the special deduction for family business succession.
- Former SMEs may benefit from enhanced tax deductions for asset investments up to 20% and R&D expenses up to 35%, with a uniform 10% integrated investment tax credit for investments above the three-year average, all applicable for three years after losing the SME status.
- If a resident foreign professional athlete provides services and receives income under a contract with a professional sports team, a 20% withholding tax rate will be applied to the income regardless of the contract period.
- It is mandatory to apply for tax exemption and submit a payment statement for domestically sourced personal service income starting 1 January 2026.
- Transfer pricing management of Korean companies that import from Canada or Mexico to sell in the US may be scrutinized as the Trump administration is anticipated to impose high import duties from these jurisdictions. The Korean National Tax Service plans to hold an unofficial consultation with Korean multinational companies with subsidiaries in Canada and Mexico (January 2025).

South Korea

Expectations for tax policy

Developments in tax transparency requirements

- New requirement for tourism businesses or duty-free shop operators who receive duty-free shop escort services to directly pay VAT on duty-free shop escort services for tax transparency
- Validation of accuracy of customs declarations and establishment of a monthly final tax return system
- Intensification of the punitive tax for inaccurate customs declarations (40% to 60%) In instances of fraudulent activity
- Enactment of discretionary power to impose value-added tax on businesses engaged in tax evasion activities
- Establishments of a framework to mandate a corrective order and impose a penalty of up to KRW20 million, enforceable by the Commissioner of the National Tax Service, in instances where a virtual asset business neglects to report details of virtual asset transactions

Major multilateral or bilateral cooperation activities

- The purview of the automatic exchange of financial transaction information is to be expanded to include transactions involving crypto assets.
- South Korea is actively participating in the UN Tax Convention, focusing on specific topics such as digital economy taxation and prevention of tax avoidance by multinational corporations.
- To achieve carbon neutrality goals, South Korea is actively involved in multilateral climate agreements and bilateral environmental cooperation activities and is promoting international cooperation projects related to green energy technology.
- Applications for bilateral APA and MAP between South Korea – Mexico or South Korea – India are increasing, and many bilateral APAs between South Korea and India have been agreed recently.

Significant tax reform is not expected in 2025.

Elections – The response to this matter remains contingent upon whether or not the impeachment for current presidency is passed.

R&D incentives are expected to increase.

Other business incentives are expected to increase.

Corporate taxes

- Tax reduction for nonresident companies returning to Korea will be extended by three years to 31 December 2027.
- For corporations primarily engaged in real estate leasing, the tax base brackets for KRW200 million or less and over KRW200 million up to KRW20 billion will be consolidated into a single KRW20 billion or less bracket, to which a 19% tax rate applies.
- For SMEs that transition out of their SME status due to an increase in sales or other factors, a new tax deduction for asset investment has been instituted – for national strategic technologies (15% to 20%), new growth and source technologies (6% to 9%) and for the other technologies (5% to 7.5%).
- In addition, the new tax deduction for research and human resource development expenses has increased – for national strategic technologies (30% to 35%), new growth and source technologies (20% to 25%) and for the other technologies (15% to 20%). Both deductions are applicable for the tax year concluding within a three-year period from the commencement of the tax year in which they no longer qualify as SMEs.
- The deduction rate for the integrated investment tax credit on the portion by which the investment amount in the current year exceeds the average annual investment amount for the previous three years has been uniformly increased to 10%, irrespective of the industry, consolidating the previously differentiated rates of 4% for national strategic technologies and 3% for general, new growth and source technologies.

Taxes on digital business activity

- No changes have been made in digital tax.

Taxes related to climate change or sustainability

- There is no carbon or climate change tax regime.

Windfall taxes

- There is no windfall tax regime.

VAT, GST or sales taxes

- The additional charge imposed on individuals who register a business in a name other than their own will be increased from 1% to 2% of the supply value.

Personal taxes

- The criteria for foreign nationals exempt from reporting foreign financial accounts will be adjusted from 183 days or less to 182 days or less in line with the resident criteria under the Income Tax Act.
- The application period for the taxpayer's association credit for workers will be extended by three years to 31 December 2027, but the tax credit rate will be reduced from 5% to 3%.
- The entire amount of salary paid by a company to an employee in relation to childbirth, up to twice within two years after the child's birth, is exempt from the employment income tax.

Other

- The deadline for tax authorities to request submission or supplementation of data, such as foreign direct investment specifications from residents or domestic corporations that have made foreign direct investments, etc., is removed.

South Korea

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Commencement of the Pillar Two regulation
- Abolition of financial investment income tax

Top tax enforcement or tax controversy development expectations for 2025

- Virtual asset tax regulations deferred to 2027
- Pillar Two's UTPR implementation
- New tax deductions for former SMEs' asset investments up to 20%, and a unified 10% integrated investment tax credit for investments exceeding the past three-year average
- Possible challenges for APA discussions between competent authorities of South Korea and the US if tariffs are implemented

Tax audits in Korea in 2025 are generally expected to

decrease.

Top audit issues (all taxes)

1. Offshore tax evasion through unfair international transactions, such as underreported income utilizing overseas subsidiaries
2. Taxation of fixed business locations of foreign corporations and domestic source income of foreign corporations
3. Addressing the challenge of tax fairness between multinational corporations and domestic companies
4. Tax evasion committed by celebrities, entertainers and sports players
5. Continued attempts to impose tax on sales of intangible assets (especially in relation to ongoing concerns following exit sales) under the transfer pricing regime

Changes in tax audit approaches or methods

- The tax investigation notice period was extended from 15 to 20 days, except for seven days in case of reinvestigations.

Changes to dispute prevention or dispute resolution tools or programs

- There are no new tools or programs for dispute prevention and resolution.

Tax governance approach or processes developments for business taxpayers

- To enhance the tax payment process for foreign investors, a provision has been instituted allowing nonresidents, foreign corporations, qualified foreign financial institutions or income payers to directly submit claims for tax adjustments. Such claims can be filed within a period of five years, commencing from the eleventh day of the month subsequent to the month in which the withholding tax obligation arose.
- The National Tax Service has been promoting the Home Tax Enhancement Project to go beyond the convenience of filing and paying taxes and to reorganize the home tax so that taxpayers can easily understand and file without mistakes.

Digital tax administration developments

- There are no specific developments in digital tax administration.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	24%	24%	–	Same	Same
PIT	45%	45%	–	Same	Same
VAT/sales	10%	10%	–	Same	Same

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Spain

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EY key contacts

Tax policy:	Tax controversy:
Alberto Garcia Valera	Fernando de Vicente

Key issues to watch in 2025

- BEPS 2.0 Pillar Two implementation, the complementary tax
- Tax on interest and commission margins; tax on liquids for electronic cigarettes and other tobacco-related products
- Reduction of the general CIT rate for micro-enterprises and small entities
- Limitation on the offsetting of NOLs by large companies, extension of limitation on offsetting the carryforward tax losses of subsidiaries
- Continuation of previously increased taxes

Key drivers of tax policy change

- Strengthening the progressivity of the tax system by requiring a higher fiscal contribution from higher incomes and the wealthy
- Deepening environmental taxation and deterring undesirable consumption
- Addressing the challenges of a globalized economy, characterized by digitalization, the green transition and the fight against fraud, while considering the necessary emergence and regularization of the informal economy
- Complying with the objectives set by the EU

Significant tax developments in 2024

- A new complementary tax (Law 7/2024, of 20 December), a direct and personal tax designed to make sure that large multinational and national groups, with revenues exceeding EUR750 million, are taxed at least 15%. This tax applies when the effective rate in a jurisdiction is below that percentage, collecting the necessary amount to reach the global minimum.
- A new general CIT rate of 20% applied for companies with net value of turnover bellow EUR10 million. However, the transitional application will proceed as follows:

2025	2026	2027	2028	2029
24%	23%	22%	21%	20%

- A new general CIT rate for companies with net value of turnover bellow EUR1 million. A tax rate of 17% on the first EUR50,000 of the tax base and 20% on the remainder. However, the transitional application will proceed as follows:

Tax base	2025	2026	2027
0 to EUR50,000	21%	19%	17%
From EUR50,000	22%	21%	20%

- Limitation on the offsetting of negative tax bases for entities with a net turnover of at least EUR20 million in the preceding 12 months (50% when the net turnover in the referred 12 months is at least EUR20 million but less than EUR60 million; 25% when the net turnover in the referred 12 months is at least EUR60 million).
- The reduction in the tax base, under the concept of capitalization reserve, is increased from 15% to 20% of the amount of the increase in equity, provided that certain requirements are met.
- The PIT rate for the saving base was increased for revenues over EUR300,000 (from 28% to 30%). Additionally, the threshold for the total amount of gross employment income from the second and subsequent payers that necessitates the filing of a tax return has been raised to EUR2,500. Consequently, taxpayers with income up to EUR22,000 who have more than one payer will not be required to file a tax return, provided that the sum of the income from the second or subsequent payers does not exceed EUR2,500 (previously, this threshold was EUR1,500).

Spain
Expectations for tax policy

Significant tax developments expected in 2025

- Details on Pillar Two implementation expectations; interpretative or clarifying provisions regarding the complementary tax, which may incorporate the criteria defined in the Model Rules, Commentary, Administrative Guidelines, and other principles disseminated by the OECD and the EU

Major legislative activity that could include tax

- Major fiscal changes are not expected in 2025 due to the Parliamentary majorities.

Developments in tax transparency requirements

- CbCR

Major multilateral or bilateral cooperation activities

- No new participation is expected.

Significant tax reform is not expected in 2025.

Elections are not planned in 2025 but, given that the government does not have a parliamentary majority and must agree on each measure with several political parties, it is possible that elections will be called during 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- The standard tax rate is 25% (a minimum 15% rate) and 30% (a minimum of 18%) for financial and some oil and gas companies.
- A new general CIT rate for micro-enterprises and small entities has been introduced, according to the details previously outlined.
- The 50% limitation on the possibility of offsetting the carryforward tax losses of the subsidiaries by a tax group established for 2023 has been extended.
- The offsetting of negative taxable bases is limited to entities with a net turnover of at least EUR20 million, according to the details previously outlined.

Taxes on digital business activity

- Spain applies the tax on certain digital services, an indirect tax levied on the provision of certain digital services involving users located in Spanish territory.

Taxes related to climate change or sustainability

- Tax on non-reusable plastic packaging
- Tax on landfill, incineration and co-incineration

Windfall taxes

- The temporary tax established for 2023 and 2024 on energy has been abolished for tax year 2025.
- The temporary tax on credit institutions and financial credit establishments has been reformed to remain in force from 2025.
- The solidarity tax on large fortunes will be maintained indefinitely until a new regional financing regime is negotiated.

VAT, GST or sales taxes

- Spain usually has three VAT tax rates: (1) general (21%), (2) reduced (10%) and (3) super-reduced (4%).
- The food commodities and olive oil tax rate rose to 4%.
- The tax on essential food products rose again to a rate of 4%.
- The electricity and gas tax rate was raised, returning to the rate of 21%.

Spain

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The Supreme Court issued several rulings admitting the tax deductibility of directors' remuneration.
- The Supreme Court acknowledged in several rulings that, until the end of 2014, reports on research and development and innovation (R&D&I) projects issued by the General State Administration were binding for the tax administration for the purpose of tax incentives on R&D&I. Since 2015, the situation has changed.

Top tax enforcement or tax controversy development expectations for 2025

- Rulings of the Supreme Court on different procedural issues

Tax audits in Spain in 2025 are generally expected to
stay the same in number and intensity.

Top audit issues (all taxes)

1. Transfer pricing issues, both formal requirements and material grounds
2. Tax fraud involving mainly corporate reorganizations and R&D deductions
3. Transfer of shares of a special purpose vehicle company that has a photovoltaic project; review of the application of the exemption on the transfer of the shares
4. Distribution of dividends or payment of interest exempt from withholding to nonresident entities
5. Tax residency of individuals and special regime for inbound expatriates
6. VAT in electronic commerce

Changes in tax audit approaches or methods

- Increase in collection activity through liability transfer procedures
- Generalization of inspection visits to the offices and premises of audited taxpayers

Changes to dispute prevention or dispute resolution tools or programs

- The economic-administrative courts are reducing their resolution times.
- The courts of justice are increasing their resolution times due to the high volume of tax litigation.

Tax governance approach or processes developments for business taxpayers

- No changes are expected during 2025.

Digital tax administration developments

- The Spanish Tax Agency will continue with the development of the new comprehensive digital administration, a "virtual counter" designed under the premise of facilitating voluntary compliance with more and better information and assistance to taxpayers by a more agile, dynamic and closer tax administration.
- Electronic invoicing will be mandatory.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	30%	30%	–	Same	Same
PIT	47%	47%	–	Same	Same
VAT/sales	21%	21%	–	Same	Same

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Sweden

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EY key contacts

Tax policy:	Tax controversy:
Erik Hultman	Per Holstad

Key issues to watch in 2025

- Implementation of domestic Pillar Two legislation
- Proposed new rules on taxation of owners of closely held companies
- Taxation of carried interest – proposal on referral (2025)
- CBAM and its implementation

Key drivers of tax policy change

The government has published the following goals for tax law:

- A legitimate and fair tax system
- Clear rules
- Taxation close to taxable event
- Sustainable rules in relation to the EU

Significant tax developments in 2024

- A new act regarding global minimum tax implementing BEPS Pillar Two at a national level is effective as of 1 January 2024.
- Introduction of a new VAT act, in force from 1 July 2023: The new law is primarily aimed at modernizing the language and not the introduction of new material rules. However, the new act required companies to update language in their invoicing to adapt to the new act.
- To address increased fuel prices, the government decreased the percentage of renewable fuel mix into fossil fuel for the period 2024-2026 from the highest rate in EU to the minimum level required. Excise duty on fuel have also been decreased, from 1 January 2024.

Significant tax developments expected in 2025

- Amendments to new act on global minimum tax are expected to implement the administrative guidance from the OECD, but this has yet to be confirmed.
- Proposed taxation of owners of closely held companies is expected to result in proposed changes to the taxation of owners.

Major legislative activity that could include tax

- A large number of government agencies have been instructed to review and simplify the administrative responsibilities on corporations in regulations and processes (including the Swedish Tax Agency (STA)).

Developments in tax transparency requirements

- There is a new obligation for certain large corporate to prepare, publish and make available reports on income tax information. Corporation and groups with a revenue of more than SEK8 billion are affected.
- There is a new obligation as of 2024 for payment service providers to report to the Swedish Tax Agency information on certain cross-border payment transactions that they carry out.

Sweden
Expectations for tax policy

Significant tax reform is not expected in 2025.

National elections are not occurring in 2025.

R&D incentives are expected to increase.

Other business incentives are expected to stay the same.

Corporate taxes

- New act regarding global minimum tax implementing BEPS Pillar Two was approved in December 2023 and entered into force 1 January 2024.
  - Sweden introduced a QDMTT and implemented the EU directive on global minimum tax (EU) 2022/2523.
  - Some amendments to the legislation are expected during 2024 to implement administrative guidance from OECD.
- R&D incentives: The incentive allows for a reduction of social charges, currently with a maximum of KSEK1,500. This amount increased to KSEK3,000 per month from 1 January 2024. A larger review of R&D incentive with the aim to improve and increase incentives was initiated by the government in 2023. Changes will most likely be effective as of 1 January 2026.
- Progress on a new act on withholding taxes (previously expected to be applicable as from 1 January 2024) is paused. Once the legislative process continues there will most likely be material changes to the legislative act following the proposed EU directive on Faster and Safer Relief of Excess Withholding Taxes (FASTER).

Taxes on digital business activity

- No national digital service tax is currently expected.

Taxes related to climate change or sustainability

- No developments are currently expected.

Windfall taxes

- The temporary windfall tax on revenue for electricity in force between March and July in 2023 has not been renewed.

VAT/GST or sales taxes

- No significant developments are currently expected in relation to VAT.

Personal taxes

- A review of the taxation of owners of closely held companies with the aim to simplify the taxation rules and making it more attractive for owners, is expected to result in a legislative proposal.
- Proposed taxation of carried interest.
- The current government tax agenda is to have general reductions in taxation, primarily for individuals. As of January 2025, the income taxes have been slightly lowered on employment and pension income.

Sweden

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Enhanced focus on carried interest and management incentive programs, both in enforcement and controversy
- Continued strong focus on interest deductions

Top tax enforcement or tax controversy development expectations for 2025

- Continued focus on the taxation of individuals receiving carried interest

Tax audits in Sweden in 2025 are generally expected to stay the same in number and intensity.

Top audit issues

1. Transfer of intellectual property
2. Transfer pricing
3. Interest deductions
4. Indirect taxes – intra-group invoicing
5. Permanent establishment of foreign corporations in Sweden

Changes in tax audit approaches or methods

- The continuing trend is to not only review past years but also the current fiscal year.
- Digital analysis is increasing.

Changes to dispute prevention or dispute resolution tools or programs

- No developments are currently expected.

Tax governance approach/processes developments for business taxpayers

- No developments are currently expected.

Digital tax administration developments

- Enhanced availability for digital submission of returns and other communication with the STA.
- STA is developing digital tools for property taxation.
- STA uses application programming interfaces, AI and other digital tools to develop solutions to increase legibility and accessibility of tax rules.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	20.6%	20.6%	–	Same	Same
PIT	55.6%	55.6%	–	Same	Same
VAT/sales	25%	25%	–	Same	Same

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Switzerland

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EY key contacts

Tax policy:	Tax controversy:
Roger Krapf	Michel Greter

Key issues to watch in 2025

- Implementation of OECD BEPS 2.0 Pillar Two
- Increasing use of tax incentives among the Swiss cantons
- VAT on online platforms
- Increased tax controversy activity

Key drivers of tax policy change

- Implementation of OECD BEPS 2.0 Pillar Two
- Digitalization of the economy
- Measures for providing more equality (e.g., potential abolition of the "marriage penalty")
- ESG considerations

Significant tax developments in 2024

- OECD Minimum Tax (QDMTT)
- Heightened scrutiny of intercompany financing arrangements during tax audits
- Notification on withholding tax: reporting of reserves from capital contributions

Significant tax developments expected in 2025

- OECD Minimum Tax: Implementation of IIR
- Digitalization of Swiss Federal Tax Administration (SFTA)
- Adjusted tax regime for cross-border remote workers

Major legislative activity that could include tax

- Details and obligations of the Stabilization of the Old Age and Survivors' insurance reform (AHV21) (e.g., augmented retirement age for women)
- New wage withholding tax rates

Developments in tax transparency requirements

- BEPS actions
- Public country-by-country reporting
- Potential influence of DAC6 Directive

Major multilateral or bilateral cooperation activities

- Continued involvement in BEPS and BEPS 2.0

Switzerland
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- Switzerland introduced the Income Inclusion Rule as of 1 January 2025.

Taxes on digital business activity

- No changes are expected for direct taxes.
- Fo VAT, starting 1 January 2025, digital platforms will be required to collect VAT on sales they facilitate within Switzerland.

Taxes related to climate change or sustainability

- No substantial changes are currently expected.

Windfall taxes

- No changes are currently expected.

VAT, GST or sales taxes

- VAT on online platforms: Starting 1 January 2025, digital platforms will be required to collect VAT on sales they facilitate within Switzerland, provided certain conditions are met.

Personal taxes

- Possible referendum on the abolition of the imputed rental value (Eigenmietwert)
- Possible referendum on potential abolition of common taxation of married couples

Switzerland

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The SFTA continuously tightened its practice with regard to the treaty clearance by extending the application of tax avoidance schemes.
- In 2024, cash-pool deposits (and the remuneration thereon) were under increased scrutiny.

Top tax enforcement or tax controversy development expectations for 2025

- No material changes are currently expected.

Tax audits in Switzerland in 2025 are generally expected to slightly increase in number and intensity.

Top audit issues (all taxes)

1. Transfer pricing, particularly related to financial transactions
2. R&D incentives (particularly the R&D super deduction and patent box)

Changes in tax audit approaches or methods

- No changes are currently expected.

Changes to dispute prevention or dispute resolution tools or programs

- No changes are currently expected.

Tax governance approach or processes developments for business taxpayers

- No changes are currently expected.

Digital tax administration developments

- Further digitalization of tax administration is expected.
- The SFTA launched a new transfer pricing portal providing comprehensive guidance on Swiss transfer pricing, including explanations on topics such as the cost-plus method, withholding tax, cost-sharing agreements and intercompany loans.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	12%-21%	12%-21%	–	Same	Same
PIT	22.5%-41.5%	22.5%-41.5%	–	Same	Same
VAT/sales	8.1 %	8.1 %	–	Same	Same

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Taiwan

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EY key contacts

Tax policy:	Tax controversy:
ChienHua Yang	ChienHua Yang

Key issues to watch in 2025

- Increase in AMT rate from 12% to 15% for MNE groups that meet the OECD's Global Minimum Tax revenue threshold from 2025
- Evaluation of the feasibility of abolishing the stamp duty
- US-Taiwan Expedited Double-Tax Relief Act

Key drivers of tax policy change

- The Ministry of Economic Affairs (MOEA) announced draft amendments to the Statute for Industrial Innovation, extending the tax credit eligibility period for businesses investing in new equipment or technologies until 2029, as well as raising the maximum limit for eligible investments from TWD1 billion to TWD1.8 billion. Furthermore, to align with the latest trends in industry innovation, new provisions addressing AI and "energy saving and carbon reduction" aim to accelerate the adoption of smart technologies and low-carbon business models across a broad range of industries. Qualified investment expenditures can be used to reduce the CIT owed by either deducting 5% of the expenditure from the current year's CIT or 3% of the expenditure from the CIT due over the next three years.
- The Ministry of Finance (MOF) declared that if companies do not pay their CIT by the stipulated due date, it will be considered a minor violation provided they settle the due CIT just before the tax office levies any penalties for delayed payment. Since this is classified as a minor violation, the company will maintain its eligibility for the usage of carryforward losses.

Significant tax developments in 2024

- Amendments to the Income Tax Act include changes to WHT obligations, shifting the responsibility from natural persons to the juristic entities making the payments, such as profit-seeking enterprises, organizations and institutions. Additionally, the amendments revise the penalties for failing to file and issue WHT statements within the stipulated deadline. Tax authorities now have discretionary power to impose penalties within prescribed upper and lower limits based on the severity of the violations or the degree of culpability. Consequently, penalties will no longer be uniformly imposed based on fixed amounts or ratios.

Significant tax developments expected in 2025

- Effective 1 January 2025, amendments to some provisions of the Income Tax Act relax the processing of tax withholding for nonresidents, change the deadline for filing and issuing of vouchers, and modify the scope of withholding agents.

Major legislative activity that could include tax

- No legislative activity is currently expected.

Developments in tax transparency requirements

- No changes are expected.

Major multilateral or bilateral cooperation activities

- No additional activities are currently expected.

Taiwan
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives will increase with draft amendments to the Statute for Industrial Innovation extending the tax credit eligibility period for businesses investing in new equipment or technologies until 2029 and raising the maximum limit for eligible investments from TWD1 billion to TWD1.8 billion.

Other business incentives are expected to stay the same.

Corporate taxes

- The MOF has announced a draft amendment regarding the AMT rates for profit-seeking enterprises to be consistent with the OECD's GMT guidelines. From 2025, Taiwanese companies that are part of an MNE that meets the GMT revenue threshold will face an increased AMT rate from 12% to 15% in Taiwan. The GMT threshold is defined as any MNE group with annual consolidated group revenues of EUR750 million or more in any two out of the four immediately preceding fiscal years.

Taxes on digital business activity

- No changes are expected.

Taxes related to climate change or sustainability

- The Taiwan Ministry of Environment (MOENV) has officially approved and announced the charging rates of carbon fees on 21 October 2024. These rates are effective 1 January 2025. According to the Regulations Governing the Collection of Carbon Fees, the standard carbon fee rate has been set at NTD300 per ton, and entities subject to the carbon fee will be required to calculate and pay their carbon fees based on their total greenhouse gas emissions for the entire year of 2025 by May 2026.

Windfall taxes

- There are no windfall taxes in Taiwan.

VAT, GST or sales taxes

- Starting 1 January 2025, the threshold for business tax for small-scale businesses is raised. For sales of goods, such as in the trading industry, the business tax threshold will be set at a sales amount of TWD100,000 per month. For service industries like decoration services, it will be raised to TWD50,000 per month.
- The MOF proposes raising the VAT registration threshold from the current NTD480,000 to NTD600,000 for foreign enterprises, institutions, groups or organizations without a fixed place of business in the territory of Taiwan that sell electronic services in Taiwan.

Personal taxes

- The MOF has announced adjustments to the tax brackets for estate and gift taxes for 2025.
  - The estate tax brackets for 2025 will be as follows: amounts under TWD56.21 million will be subject to a 10% tax rate; amounts between TWD56.21 million and TWD112.42 million will be taxed at 15%; and amounts over TWD112.42 million will be taxed at 20%.
  - For the gift tax, the brackets for 2025 will be as follows: amounts under TWD28.11 million will be subject to a 10% tax rate; amounts between TWD28.11 million and TWD56.21 million will be taxed at 15%; and amounts over TWD56.21 million will be taxed at 20%.

Taiwan

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The tax treaty between Taiwan and the Republic of Korea took effect on 27 December 2023 and was applicable since 1 January 2024.

Top tax enforcement or tax controversy development expectations for 2025

- Taiwan's Ministry of Finance has announced plans to align AMT rates with the OECD's GMT guidelines, increasing the rate to 15% from 2025 for Taiwanese companies that are part of an MNE group with annual consolidated revenues of EUR750 million or more in any two of the four immediately preceding fiscal years.

Tax audits in Taiwan in 2025 are generally expected to

stay the same.

Top audit issues (all taxes)

1. CFC case selection and verification work: Taiwan implemented CFC rules in 2023, and May 2024 marked the first instance when CFC information had to be disclosed in the CIT return. Consequently, the National Taxation Bureau (NTB) stated that it will intensify the inspection process for selecting and verifying CFC cases. This includes making sure that profit-seeking enterprises that meet the requirements for a CFC should disclose relevant information on a prescribed form.
2. The one-time TP adjustment: Customs will inform NTB about the final assessment. The NTB has begun to conduct reviews regarding the customs-approved duty-paid value and require businesses to attach a Customs approval letter; if no Customs approval letter, the NTBs might disallow the one-time TP adjustment.
3. The NTB uses AI big data analysis to select and review cases based on risk indicators. Taking the trading industry as an example, factors with higher risk indicators include too many input vouchers, high inventory, or reviewing tax declaration on paper in the previous year but changing to a CPA audit review in this year.

Changes in tax audit approaches or methods

- The criteria for selecting and reviewing CIT cases have been updated to AI-based selection. The NTB has announced that it has enhanced its capability to conduct CIT inspections on profit-making companies through the introduction of AI. The new selection method involves collecting data and performing cross-checks across various tax categories. The AI system identifies cases with abnormal indicators that require further review.

Changes to dispute prevention or dispute resolution tools or programs

- No significant changes are expected.

Tax governance approach or processes developments for business taxpayers

- No significant changes are expected.

Digital tax administration developments

- No significant changes are expected.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	20%	20%	–	Same	Same
PIT	40%	40%	–	Same	Same
VAT/sales	5%	5%	–	Same	Same

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Thailand

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EY key contacts

Tax policy:	Tax controversy:
Kamolrat Nuchitprasitchai	Kamolrat Nuchitprasitchai

Key issues to watch in 2025

- Development on the e-tax system
- Enforcement of new legislation on BEPS Pillar Two
- Higher tax audit cases due to the increase in the government's fiscal burdens

Key drivers of tax policy change

- Economic recovery and growth: Following the COVID-19 pandemic, the government is likely to prioritize policies that support economic growth and recovery. This will likely involve measures to stimulate investment, boost consumption and create jobs. A key focus could be tax incentives for businesses investing in new technologies, research and development, and infrastructure projects. These incentives could include reduced corporate tax rates for companies investing in specific targeted sectors.
- Fiscal sustainability: Addressing fiscal challenges, including rising public debt and health care costs, will be another important driver. To achieve this, the government may explore broadening the tax base by closing loopholes and taxing previously untaxed sectors. Measures to improve tax compliance and reduce tax evasion are also likely to be implemented.
- Digital economy: The rapid expansion of the digital economy necessitates adjustments to the tax system to effectively tax digital businesses operating in Thailand. Tax incentives may be offered to encourage businesses to adopt digital technologies and modernize their operations, ultimately enhancing productivity and competitiveness.
- Environmental sustainability: The government may also leverage tax policies to promote environmental sustainability. This could include implementing carbon taxes or providing subsidies for renewable energy. Implementing a carbon tax or emissions trading system would incentivize businesses and individuals to reduce their carbon footprint, with the generated revenue potentially used to fund environmental protection initiatives or further investments in renewable energy.
- Social equity: Tax policies may be used to address social equity concerns, such as reducing income inequality and providing support for vulnerable groups.

Significant tax developments in 2024

- Introduction of worldwide income basis on foreign-sourced income for personal income tax purposes following the recent amendments that require local residents earning overseas income to be subject to personal income tax
- Aligning with international standards on financial information exchange
- Increasing tax compliance and improving digital infrastructure for tax reporting

Significant tax developments expected in 2025

- The new legislation on BEPS Pillar Two became effective in January 2025.
- Higher tax audit cases are expected due to the increase in the government's fiscal burdens.
- Long-term significant changes to the taxation system, including the reduction of the corporate income tax rate from 20% to 15% according to the OECD's guidelines and increasing the VAT rate from 7% to 15%, are expected.

Major legislative activity that could include tax

- None are currently expected.

Developments in tax transparency requirements

- The Revenue Department is mandating the transition to the e-tax system for certain types of taxes to enforce compliance among taxpayers.

Major multilateral or bilateral cooperation activities

- No changes are currently expected.

Thailand
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- As an implementation of BEPS 2.0 Pillar Two, the Emergency Decree mandates a supplementary tax for in-scope MNEs operating in jurisdictions where the effective tax rate of their constituent entities (CEs) falls below the 15% threshold. It is effective for fiscal years beginning on or after 1 January 2025, and includes a DTT, IIR and UTPR.
- The Emergency Decree was enacted on 26 December 2024 and applies to all CEs in Thailand that are members of an MNE group whose consolidated revenues of their ultimate parent entity (UPE) in Thai Baht are equivalent to EUR750 million or more in at least two of the four preceding fiscal years.

  All CEs in Thailand are required for filing, which is due within 15 months after the last day of the UPE's fiscal year. For the first fiscal year in which the MNE group is subject to the top-up tax under this decree, there is a three-month extension to 18 months. Thus, the first wave of filings will be due by 30 June 2027 for in-scope MNE groups with a fiscal year ending on 31 December 2025.
- Tax measure to promote e-tax systems to the taxpayers were extended (e.g., allowed additional expenses for the expenses incurred from e-tax system).
- A double deduction is allowed of expenses incurred for investment in expansion or improvement of properties (e.g., machinery, computer software) related to business operations located in the Special Development Zone (SDZ). The double deduction can be claimed for three to 20 consecutive accounting periods, depending on the type of assets. An agreement, purchase order, work order or other related documents for investment must be dated between 1 January 2024 and 31 December 2026.

Taxes on digital business activity

- Promote investment in digital assets by exempting from VAT the trades of cryptocurrencies and digital tokens and personal income tax on shares of profits or benefits derived from holding or possessing investment tokens.

Taxes related to climate change or sustainability

- Thailand promotes sustainable investment practice and support the growth of the Thai ESG sector by providing the personal income tax deduction for investments in the Thai ESG fund.

Windfall taxes

- Not applicable in Thailand but in consideration without explicit details and timeline.

VAT, GST or sales taxes

- Thailand maintains the reduced VAT rate of 7% for another year, until 30 September 2025, to support the economic stability of the country.
- The Revenue Department is aiming to mandate both domestic and foreign online platforms, which import low-value goods, not greater than THB1,500, to register for VAT with the Revenue Department and collect 7% VAT from sales of low-value goods by foreign sellers to Thai consumers.

Personal taxes

- The tax exemption on severance payments made to employees in accordance with the Thai Labour Protection Act due to involuntary termination of employment has extended the limit to the last 400 days' salary, but not exceeding THB600,000.
- The tax deduction on actual amount invested in Thailand ESG Fund (TESG) was raised from THB100,000 to THB300,000 per tax year, with a capped deduction at 30% of assessable income. The holding period for investments has been reduced from a minimum eight years to five years for purchases made between 1 January 2024 and 31 December 2026.

Other

- Financial Transaction Privileges for the Operators in Special Economic Promotional Zones (EEC) are anticipated to be granted in early 2025. Those financial transactions cover the Foreign Currency Transfers Abroad for specific purposes, Intra-Group Foreign Currency Transactions, Exemption from Repatriation Requirements, Use of Foreign Currency for Operators in Other Special Economic Zones, Transactions with Approved Financial Institutions.

Thailand

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- The recent amendments that require local residents earning overseas income to be subject to personal income tax
- Aligning with international standards on financial information exchange
- Focus on related-party transactions and expenses paid to overseas related parties
- To promote the green economy, incorporating both tax and non-tax measures, includes incentivizing tax-deductible donations to environmental activities and introducing sustainable bonds

Top tax enforcement or tax controversy development expectations for 2025

- Increase tax digitalization, including data analytics and implementing AI to score the taxpayers' risks from the big data
- Continue enhancing of e-filing, e-tax invoices/e-receipts and e-withholding tax systems to facilitate the tax process and develop digital tax transformation

Tax audits in Thailand in 2025 are generally expected to increase in number and intensity.

Top audit issues (all taxes)

1. Transfer pricing matters, e.g., expenses paid to related parties, true up/down adjustment
2. Focus on related-party transactions and expenses paid to overseas related parties
3. Corporate restructure, e.g., merger scheme, dissolution, new business model
4. Indirect tax matters, e.g., credit note issuance, VAT reverse charge

Changes in tax audit approaches or methods

- With the international exchange of information, tax authorities are increasingly using advanced systems to monitor and detect potential tax violations.
- There is a growing emphasis on "site visits" to educate taxpayers and confirm compliance, particularly for those who have not been audited in five years. This approach is likely to be extended to specific tax audits.

Changes to dispute prevention or dispute resolution tools or programs

- APAs are more acceptable by the Revenue Department for dispute prevention.

Tax governance approach or processes developments for business taxpayers

- The Revenue Department has continued extending measures to encourage taxpayers to apply the e-tax system and enhancing the digital services.
- Ultimately, the Revenue Department would develop a "ONE SEAMLESS TAX ECOSYSTEM," aimed at providing a smooth simplified one-stop service to the taxpayers.

Digital tax administration developments

- The Revenue Department issued detailed regulations to provide method and criteria for the taxpayers for issuance delivery, or retention of electronic tax invoice/receipt under the Ministerial Regulation No.384 (B.E.2565) (MR no.384).
- The Revenue Department issued the Revenue Notification No. 451 to enforce the taxpayers to file withholding tax via electronic channel, effective from 1 January 2025 onward.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	20%	20%	–	Same	Same
PIT	35%	35%	–	Same	Same
VAT/sales	7%	7%	–	Same	Same

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This information is current as of 10 January 2025.

Türkiye

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EY key contacts

Tax policy and controversy:
Ahmet Sağlı, Serkan Başyurt, Barış Can Erdemir, Ege Ertutar, Samet Akbulut

Key issues to watch in 2025

- Application of inflation adjustment
- Withholding tax application in electronic commerce
- Minimum corporate tax application to begin in 2025
- Increase in withholding tax rate to be applied on dividend distribution
- Transfer pricing

Key drivers of tax policy change

- Reducing income inequality through a progressive tax structure
- The application of taxes to support certain sectors (incentives) or to deter specific consumption habits (tobacco and alcohol taxes)
- Adjusting tax rates and government spending to address economic imbalances, such as inflation and unemployment

Significant tax developments in 2024

- The difference in the application of VAT and special consumption tax (SCT) in favor of imports for the importation of certain goods and domestic deliveries was eliminated.
- The domestic minimum corporate tax became applicable.
- The non-deductible VAT for a period of five years from the deduction account, and its allocation to a special account to be considered as an expense, was excluded.
- The exemption rate for the capital gains arisen from disposal of participation shares has been reduced from 75% to 50%.

Significant tax developments expected in 2025

- With the Law on Amendments to Tax Laws and Certain Laws and Legislative Decree No. 375, a minimum corporate tax was introduced for corporate taxpayers. According to the minimum corporate tax application that will be valid for 2025 and the following periods, it has come into force that the calculated corporate tax cannot be less than 10% of the corporate profit before deductions and exemptions.

Major legislative activity that could include tax

- A legislative proposal of amendments to the Capital Markets Law (CML) regarding crypto assets was submitted to the Presidency of the Grand National Assembly of Turkey (TBMM) on 16 May 2024, and the proposal has been enacted with Law numbered 7518 and is published in the *Official Gazette*.
- Via Law No. 7529, amendments regarding an inflation adjustment for companies in the process of liquidation or bankruptcy and an inflation adjustment of the "Investments in Progress" account came into force.

Developments in tax transparency requirements

- Regulations are being made to be in line with the general tax transparency framework established by the OECD. Türkiye published the General Communiqué of the Tax Procedure Law No. 529 on 13 July 2021, to achieve tax transparency and to establish a basis for the concept of beneficial ownership.

Major multilateral or bilateral cooperation activities

- As of 2 August 2024, Law No. 7524, was published in the *Official Gazette* regarding local and global minimum complementary corporate tax included in Articles 37 to 50 of the relevant law. The local and global minimum complementary corporate tax will start to be applied to the profits obtained as of 1 January 2024, for the 2024 fiscal year and the following taxation periods, as well as to the profits obtained in the special accounting period that begins in the 2024 calendar year for corporations subject to a special accounting period.

Türkiye
Expectations for tax policy

Significant tax reform is not expected.

Elections are not occurring in 2025.

R&D incentives are expected to increase.

Other business incentives are expected to increase.

Corporate taxes

- Domestic minimum corporate tax application

Taxes on digital business activity

- No changes are currently expected.

Taxes related to climate change or sustainability

- No changes are currently expected.

Windfall taxes

- No changes are currently expected.

VAT, GST or sales taxes

- No changes are currently expected.

Personal taxes

- No changes are currently expected.

Türkiye

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Inflation adjustment
- Financial expense restriction
- Stamp tax

Top tax enforcement or tax controversy development expectations for 2025

- A large number of disputes are expected to arise with the FY24 corporate tax returns due to inflation adjustments.

Tax audits in Türkiye in 2025 are generally expected to increase in number and intensity.

Top audit issues (all taxes)

1. Transfer pricing
2. Management fees paid to group companies
3. Beneficial ownership

Changes in tax audit approaches or methods

- The Amadeus program is used during tax inspections.

Changes to dispute prevention or dispute resolution tools or programs

- As of 2 August 2024, the Law No. 7524, was published in the *Official Gazette* No. 32620. With the aforementioned law, the principal tax has been excluded from the scope of settlement.

Tax governance approach or processes developments for business taxpayers

- No changes are currently expected.

Digital tax administration developments

- No changes are currently expected.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	25% (30% for banks and financial organizations)	25% (30% for banks and financial organizations)	–	Same	Same
PIT	40%	40%	–	Same	Same
VAT/sales	20%	20%	–	Same	Same

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Ukraine

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EY key contacts

Tax policy:	Tax controversy:
Vladimir Kotenko	Vladimir Kotenko

Key issues to watch in 2025

- Increase in tax collections (tax rate increases, broadening of tax base, tax administration enhancement)
- Increase in tax audit activities
- Harmonization of tax legislation with EU standards

Key drivers of tax policy change

- Making sure that the tax policies are responding to the war, recovery and development priorities
- Further reforms to boost domestic revenue mobilization under the National Revenue Strategy for 2024–2030 to help meet budget financing needs and cover growing war costs
- Focus on tackling illegal tax evasion schemes and tax avoidance
- Further aligning tax legislation and policies to the core OECD standards on international taxation

Significant tax developments in 2024

- The efforts in tax developments continued to be aimed at coping with various problems caused by war as well as mechanisms to support businesses.
- The law meant to achieve balanced budget revenues during martial law period (Law No.4015-IX) entered into force on 1 December 2024, with certain provisions effective from 1 January 2025. The key changes include:
  - Military levy increase from 1.5% to 5% and extension of its application to private entrepreneurs subject to special rates
  - Introduction of CIT advances for fuel retail traders
  - Increase CIT rate up to 25% for non-bank financial institutions (excluding insurers) *vs* standard 18% rate
  - Increase up to 50% CIT rate for banks for 2024
- Export security regime implemented for certain types of agricultural commodities. This requires that the exporter meeting certain risk criteria (related to repatriation of foreign currency proceeds) must assess 14%/20% VAT on exported goods. This VAT is reimbursed, once the currency proceeds are repatriated.
- Starting 1 July 2024, the limitation period for audits on taxation of nonresident's income originating from Ukraine has been increased from 1,095 days (three years) to 2,555 days (seven years), as well as the retention period for documents supporting transactions with nonresidents.
- Ukraine has ratified the Japan-Ukraine Income Tax Treaty. The new treaty will replace the former USSR-Japan Income Tax Treaty (1986) once it is effective.
- Tax administration benefits for highly compliant taxpayers during martial law were introduced, including:
  - No tax audits (subject to exceptions)
  - Shortened terms of VAT refund audits and of issuing individual tax rulings
  - Assigned compliance manager at the tax authority

Significant tax developments expected in 2025

- Tax reform will remain on the country's reform agenda to confirm that the tax policies are responding to the war, recovery and development priorities.
- Further alignment of tax legislation and policies to the core OECD standards on international taxation is expected.
- Revision is expected of the simplified tax regime to address the erosion of labor taxes by moving the legal basis for labor relations to civil law.
- Gradual increase of excise rates on fuels and tobacco goods is scheduled until 2028, to harmonize with EU taxation rules.
- Excise tax on ethyl alcohol is assessed by the manufacturers based on maximum productivity number of operation days of the manufacturing equipment.
- Establishment of principles for the taxation of virtual assets is expected.

Ukraine
Expectations for tax policy

Major legislative activity that could include tax

- Preparation of the legal framework introducing general anti-abuse rule, exit taxation, also revising foreign-controlled company taxation, interest limitation rules and other elements of the Anti-Tax Avoidance Directive (ATAD) started in 2024
- Preparation for implementation of the OECD Model Rules for Reporting by Digital Platform Operators (MRDPI) and the Directive on administrative cooperation in the field of taxation (DAC7) started in 2024
- As part of the harmonization with the EU VAT legislation, the system of VAT exemptions and reduced VAT rates to be revised (in accordance with Directive 2006/112/EU)
- As a step to rationalize tax expenditures, recent government approval of a new assessment methodology for tax incentives (benefits)
- Authorities to continue discussing initiatives for cancellation of duty and import VAT relief for imported postal parcels valued less than EUR150
- Preparation for the first reading of a bill to establish taxation rules for cryptocurrency
- An increasing number of registered draft laws related to tax exemptions and incentives for military purposes and for the period of martial law (e.g., for support of domestic industry and business, import or supply of goods for security and defense needs, tax benefits and support of victims, support of volunteer and charitable activities)

Developments in tax transparency requirements

- On 28 June 2024, the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (CRS MCAA) entered into force for Ukraine. The first automatic exchange of information on financial accounts was carried out in 2024.
- On 4 July 2024, the Multilateral Competent Authority Agreement on Automatic Exchange of Country-by-Country Reports (CbC MCAA) entered into force for Ukraine. The first reporting period for Ukraine to exchange CbC reports under the CbC MCAA is 2024.

Major multilateral or bilateral cooperation activities

- Further aligning the tax legislation with the core OECD standards on international taxation. Under the four-year OECD Ukraine Country Programme (launched in June 2023), the OECD supports Ukraine's reform and recovery and helps it advance toward OECD membership.
- Harmonization of tax legislation with the EU acquis, which is part of Ukraine's overall strategy for EU accession.

Significant tax reform has not been presented for public discussion as implementable in 2025.

Elections are not expected to occur in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- The standard CIT rate remains at 18%. The exception is an increase of the CIT rate for banks to 50% for the 2024 tax year and for other financial institutions to 25% starting in the 2025 tax year.
- Starting 1 December 2024, taxpayers engaged in retail fuel sales must pay CIT advances of UAH30,000, UAH45,000 or UAH60,000 per month, depending on the type of fuel station, for each point of sale.
- Starting in 2025, expenses of Diia City residents on purchases from private entrepreneurs who are single taxpayers should not exceed 20% of their total expenses.

Taxes on digital business activity

- Business-to-consumer supplies of digital services to Ukrainian-based customers by nonresidents continue to be subject to 20% VAT.
- The Memorandum of Economic and Financial Policies with the IMF indicates Ukraine's intention to develop clear principles for the taxation of virtual assets consistent with the EU rules.
- There is a Draft Law of Ukraine No. 10225-1 dated 17 November 2023, which offers to make transactions with virtual assets subject to corporate income tax and personal income tax but exempts them from VAT (except for transactions with some virtual assets).

Taxes related to climate change or sustainability

- The environmental tax rate in Ukraine is UAH30 (USD0.7) per ton of CO_2 emitted.
- There is a Draft Law of Ukraine No. 9596 dated 9 August 2023, which suggests introducing a zero rate of the environmental tax on CO_2 emissions for installations generating such emissions through the combustion of biofuels.
- The Association Agreement with the EU obliges Ukraine to create an emissions trading systems (ETS) with similar coverage to the existing EU ETS, which is a measure to reduce CO_2 emissions. The ETS is planned to be launched in test mode in 2025.

Ukraine
Expectations for tax policy

Windfall taxes

- A tax rate of 50% (vs. standard 18%) on the windfall profits of banks on the results of the 2024 tax year (i.e., retrospectively) has been introduced.

VAT/GST or sales taxes

- No VAT increases are adopted for 2025, but significant changes in budget expenditures may potentially prompt a reconsideration of this approach by the government.
- Starting 1 April 2024, import and supplies of unregistered medicines under access programs fall under the reduced 7% VAT rate.
- Certain goods related to energy infrastructure (e.g., power turbines, solar panels, rechargeable batteries) are exempt from VAT until 1 January 2026.
- A gradual alignment of VAT and excise rules with the EU acquis is anticipated.

Personal taxes

- Starting 1 December 2024 and for the period of martial law, individuals are subject to 5% military levy (vs. 1.5% rate effective prior to this date). The military levy for military personnel and law enforcement employees remains at 1.5% rate.
- Starting 1 January 2025, private entrepreneurs, depending on their tax group, are obliged to pay the military levy either at a rate of 10% of the minimum wage per month or at a rate of 1% of their income.
- Changes are discussed for the period from 2025 to 2027 (e.g., to restore the progressive scale of personal income tax, to strengthen control over the income and expenses of individuals).

Top tax enforcement or tax controversy developments in 2024

- There is a moratorium on scheduled (and some unscheduled) documentary tax audits for taxpayers meeting the criteria of highly compliant (not applicable for excise taxpayers, gambling businesses and providers of financial or payments services).
- Starting from 1 December 2024 the moratorium on tax audits of the first and second groups of private entrepreneurs was abolished.

Top tax enforcement or tax controversy development expectations for 2025

- Redeployment of tax audits are expected, with the moratorium remaining for taxpayers located in temporarily occupied territories or territories where hostilities are taking place (with certain exceptions).

Tax audits in Ukraine in 2025 are generally expected to increase.

Top audit issues (all taxes)

1. Interpretation of financial accounting rules
2. Disputes related to application of martial law special tax rules
3. Transactions' actual performance test
4. Nonresident activity in Ukraine
5. Business purpose test (disallowance of deductions and VAT credit)
6. Transactions with related parties, including transfer pricing issues
7. Withholding tax and treaty benefits

Changes in tax audit approaches or methods

- The e-audit program is expected to become operational by the end of 2025, which should automatically verify the consistency of tax declarations with other data.
- There is a bill to establish mandatory submission of SAF-T UA files for all large taxpayers in 2025, and for all VAT payers from 2027.
- Starting 1 May 2024, customs authorities resumed post-clearance of importers and exporters. From April 2025, powers of the post-clearance units will be enhanced due to scheduled changes to the Customs Code.
- The State Tax Service of Ukraine (STS) has announced completion of the development and implementation of the information and communication system BigData TP (automated system for working with large data for analysis of transfer pricing risks).
- During 2025, the STS is expected to continue developing software for digitalization of creating actual tax audit materials.
- To enhance the confidentiality of tax data, development of the concept of using de-personified data on taxpayers by the tax authorities was announced.

Ukraine

Expectations for tax enforcement and tax controversy

Changes to dispute prevention or dispute resolution tools or programs

- Development is expected of legislative amendments to improve the mutual agreement procedure to make sure Ukraine is in compliance with its obligations under the Double Taxation Agreement in accordance with the recommendations of Action 14 of the BEPS Action Plan.
- Draft Law No. 8387, registered on 27 January 2023, proposes to establish the presumption of innocence of the taxpayer in tax legislation as well as to introduce additional safeguards against obstruction of the taxpayer's business activity by the controlling authorities during the tax audit.

Tax governance approach or processes developments for business taxpayers

- Launch of the Concept of the Risk Management System (experimental project) was announced for 2025. This Concept anticipates inter alia to introduce a comprehensive and unified approach to managing tax compliance risks by taxpayers. Its methodology is based on the ISO 31000:2018 standard "Risk management — Guidelines," which is in line with the OECD recommendations. Implementation of the Concept should be carried out in stages until 2027.

Digital tax administration developments

- Starting September 2024, "E-residency" has been launched, which provides foreigners an opportunity to register as individual entrepreneurs in Ukraine, remotely open and manage bank accounts, run their businesses online, and sign documents with e-signature.
- The STS is tasked with creating a long-term Digital Development Plan until 2030 in accordance with the National Revenue Strategy of Ukraine.
- The STS received a positive assessment by the OECD Global Forum on the maturity and readiness of Ukraine's control system for information protection. As a result, the STS as a competent authority of Ukraine has joined the international system of automatic information exchange and has access to the international automatic exchange of information on financial accounts according to the CRS and country-by-country reporting with more than 168 foreign tax administrations.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	18% 50% for banks	18% 25% for financial institutions 25% for banks	+39% for nonbanking financial institutions -50% for banks compared to 2024	Same	Same
PIT	18% + 1.5% military levy 18% + 5% military levy after 1 December 2024)	18% + 5% military levy	Military levy increased and introduced for private entrepreneurs	Same	Same
VAT/sales	20%	20%	–	Same	Same

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United Arab Emirates

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EY key contacts

Tax policy:	Tax controversy:
Jeanine Daou	Mohamed El Swefy

Key issues to watch in 2025

- Corporate tax compliance and reporting, involving filing tax returns and tax payments
- Implementation of the domestic minimum top-up tax (DMTT) under the Pillar Two framework
- Increased attention on the application of transfer pricing rules
- Tax administration digitalization: UAE e-invoicing program to begin phased implementation in July 2026; a public consultation paper has a been issued

Key drivers of tax policy change

- Diversification of revenue sources: The UAE government is actively pursuing a strategy of economic diversification, exemplified by the introduction of VAT in 2018 and the recent implementation of corporate tax (CT), both of which aim to boost government revenues and create a more sustainable fiscal framework.
- Meeting global tax compliance standards: UAE aims to align tax policy with international tax standards and practices, especially considering initiatives like BEPS, visible in implementation of DMTT.
- Economic growth and investment: The government aims to have the tax system support the UAE's broader economic growth and attractiveness to foreign investors amid increased regional competition.

Significant tax developments in 2024

- Pillar Two: On 9 December 2024, the UAE Ministry of Finance (MoF) announced that DMTT will be effective in the UAE for financial years starting on or after 1 January 2025.
- Issuance of various tax guides and clarifications: As tax law evolves, the UAE continued issuing various guides, Cabinet Resolution No. 98 of 2024 regarding the UAE's Economic Substance Regulations (removing the requirement for businesses to submit notifications and economic substance reports for financial years ending after 31 December 2022), clarifications on CT, addressing the first tax period for juridical persons, registration time frames, record updates, extensions for tax returns and payment deadlines, and tax residence, as well as tax groups.
- VAT amendments: Several changes were made to the UAE VAT Law and Tax Procedure Law following the launch of the e-invoicing portal by the Ministry of Finance on 24 October 2024. The VAT Law and Tax Procedures Law now include provisions for e-invoicing.

Significant tax developments expected in 2025

- Implementation of Pillar Two: DMTT is effective for financial years starting on or after 1 January 2025.
- Continued development and implementation of CT: With the majority of first CT returns anticipated to be filed in 2025, there will likely be a greater focus on compliance issues.
- An R&D tax incentive is being considered. Based on feedback received during public consultations conducted in April 2024 (Public Consultation on the Potential Introduction of R&D Tax Incentives in the UAE), the proposed incentive is expected to take effect for tax periods starting on or after 1 January 2026.
- Ongoing emphasis on e-invoicing: Significant development is expected for the e-invoicing program. The UAE MoF has indicated that the e-invoicing program will become implemented in July 2026. A public consultation paper was issued on 6 February 2025. The consultation period remained open until 27 February 2025. The consultation aims to refine the e-Invoicing data dictionary by gathering feedback from stakeholders, understanding business requirements, identifying gaps and incorporating diverse perspectives to create a comprehensive e-Invoicing framework.

Major legislative activity that could include tax

- N/A

Developments in tax transparency requirements

- Increased reporting obligations: As the new tax regime is implemented and tax return filings increase over time, businesses may encounter more stringent reporting and disclosure requirements.

Major multilateral or bilateral cooperation activities

- The UAE has signed a double tax agreements with Qatar and Kuwait.

United Arab Emirates
Expectations for tax policy

Significant tax reform of introduction of DMTT took place at the beginning of 2025.

Elections are not occurring in 2025.

R&D incentives are expected to be announced in 2025 and to take effect for tax periods starting on or after 1 January 2026.

Other business incentives are expected to stay the same

Corporate taxes

- Numerous decisions and guides have been released in relation to the new CT regime, with the expectation of additional material being released in 2025 as the tax system matures.
- Significant tax reform took place at the beginning of 2025 with the introduction of DMTT. It has been introduced at 15% for tax periods starting on or after 1 January 2025 for MNEs in scope of Pillar Two.
- An R&D tax incentive is being considered with the aim to encourage R&D activities, foster innovation and economic growth within the UAE. Based on feedback received during public consultations conducted in April 2024 **(Public Consultation on the Potential Introduction of R&D Tax Incentives in the UAE)**, the proposed incentive is expected to take effect for tax periods starting on or after 1 January 2026. The R&D tax incentive will be expenditure-based, offering a potential 30%–50% tax credit and will be refundable depending on the revenue and number of employees of the business in the UAE.

Taxes on digital business activity

- Standard CT and VAT apply; the criteria and conditions for electronic commerce have been published for the purpose of keeping records of the supplies made. Increased scrutiny on compliance for e-commerce can be expected in the upcoming years.

Taxes related to climate change or sustainability

- No changes are currently expected.

Windfall taxes

- No changes are currently expected.

VAT, GST or sales taxes

- Implementation of the e-invoicing program to enhance tax transparency in reporting

Personal taxes

- UAE does not impose a PIT.

United Arab Emirates

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- With the general statute of limitation for audits by the Federal Tax Authority (FTA) being increased from five years from the end of each tax period to nine years, excluding cases of fraud or tax evasion, the FTA is provided with a broader time frame to initiate audits and assessments on older tax periods, resulting in an anticipated increase in audit activity.
- As a result of the aforementioned amendments, there has been a notable increase in the number of appeals for reviews or reconsideration requests submitted by taxpayers.
- The FTA formally implemented a tax assessment review procedure in 2024. If taxpayers disagree with the audit outcome, they have two options: they can either (1) request a tax assessment review within 40 business days of receiving the audit results, with the FTA expected to respond within 45 business days, after which they may file a reconsideration application within 40 business days of the FTA's decision, or (2) they can directly submit a reconsideration application to the FTA within 40 business days of receiving their audit results without filing a tax assessment review request.

Top tax enforcement or tax controversy development expectations for 2025

- Ongoing implementation of the CT regime: As businesses continue to adapt to the CT environment and more tax returns are filed in 2025, an increase in enforcement activities and clarifications requests is expected.
- Enforcement of TP regulations: Increased focus on transfer pricing policies, documentation and compliance may lead to more enforcement and controversy.

Tax audits in the UAE in 2025 are generally expected to increase in number and intensity.

Top audit issues (all taxes)

1. Tax return filing compliance
2. Compliance with transfer pricing requirements
3. Accurate e-commerce transactions recording per Emirate level for VAT purposes
4. Accurate recording of cross-border transactions
5. Eligibility of qualifying free-zone persons and accuracy in the determination of qualifying income

Changes in tax audit approaches or methods

- The UAE tax authorities are expected to enhance the use of digital tools and data analytics for tax audits and compliance checks. This includes the use of advanced technologies to identify audit targets and streamline the audit process.

Changes to dispute prevention or dispute resolution tools or programs

- No changes are currently expected.

Tax governance approach or processes developments for business taxpayers

- Businesses are enhancing tax governance by designing robust tax functions, implementing risk and uncertain tax position trackers and strengthening internal controls.

Digital tax administration developments

- The recent plan to implement an e-invoicing program, which will go live in July 2026, demonstrates the country's commitment to digital transformation.

United Arab Emirates
Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CT	9%	9%/DMTT at 15% for MNEs that meet specific criteria	Additional top-up tax for MNEs subject to the DMTT	Same	Implementation of DMTT might increase overall effective tax rate for MNEs
PIT	N/A	N/A	N/A	N/A	N/A
VAT/sales	5%	5%	–	Same	Same

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United Kingdom

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EY key contacts	
Tax policy: Chris Sanger	Tax controversy: Jim Wilson

Key issues to watch in 2025

- Further detail on tax policy in Spring Forecast and Autumn Budget, and elaboration of UK Corporate Tax Roadmap
- Whether performance of UK economy requires additional taxation to meet the government's fiscal rules
- Increased resources (5,000 additional HM Revenue & Customs (HMRC) employees) leading to increased compliance activity
- Compliance activity continuing to focus on international risks
- The effect on international assignment policies of the changes to the UK non-domicile regime

Key drivers of tax policy change

- There was a change of government after the July 2024 election with a Labour party majority.
- Higher economic growth is a key priority of the policy agenda of the UK government, to be enabled by:
  - Making sure public finances on stable footing
  - Providing a stable and predictable tax environment for businesses and investors
  - Encouraging investment both by government and private sector

Significant tax developments in 2024

- Significant cuts in employee social security in March Budget (last Conservative Government Budget)
- In October, first Budget by a Labour government in 14 years:
  - Future tax increases of GBP40b/year (~1.5% of GDP), predominantly from an increase in social security paid by employers (Employer National Insurance contributions (NIC))
  - Confirmation of non-domicile regime abolition and replacement temporary resident regime, effective from 6 April 2025
- Corporate Tax Roadmap, setting out government's medium-term corporate tax strategy, published alongside October Budget

Significant tax developments expected in 2025

- Numerous tax reforms announced or confirmed in fall 2024 come into effect from April 2025, including:
  - Increase in the base and rate of employer social security (Employer NIC)
  - Increase in capital gains tax rates from 28% to 32% for carried interest (to be followed by reform in April 2026 to tax as income at a rate of approximately 34%)
  - Non-domicile regime replaced by new tax regime for temporary residents
- Further detail on tax policy plans of current UK government (elected in 2024) in Spring Forecast and 2025 Autumn Budget
- Further details of UK Corporate Tax Roadmap
- Various corporate tax consultations planned for 2025 as part of Corporate Tax Roadmap, including:
  - Reforms to UK rules on transfer pricing, permanent establishment and diverted profits tax
  - Lowering thresholds for exemptions from transfer pricing and introducing requirements for multinationals to report cross-border related-party transactions to the UK tax authority (HMRC)
  - New process to give investors in major projects increased advance certainty on tax
- Inheritance tax expansion announced:
  - Full agricultural and business property relief to be capped at GBP1 million from April 2026 with 50% relief over that amount
  - Unused pension funds and death benefits to be subject to inheritance tax from 6 April 2027

United Kingdom
Expectations for tax policy

Major legislative activity that could include tax

- Finance Act 2024-25 covering Autumn Budget 2024 measures
- Autumn Finance Bill after 2025 Autumn Budget (to come into force in 2026)

Developments in tax transparency requirements

- Potential updates on UK implementation of Crypto Asset Reform Framework (CARF) and OECD amendments to CRS
- Potential updates on whether UK to extend above to require UK reporting entities to include information on UK residents

Major multilateral or bilateral cooperation activities

- Continued support for international cooperation on:
  - BEPS 2.0
  - CARF

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- The top corporate income tax rate will remain unchanged at 25%. Small profits rate and marginal relief are unchanged.
- Capital allowances regime is unchanged, including permanent full expensing and £1mn annual investment allowance.
- Existing R&D reliefs are maintained.
- Various corporate tax consultations are planned for 2025 as part of Corporate Tax Roadmap, including on:
  - Reforms to UK rules on transfer pricing, permanent establishments, and diverted profits tax
  - Potentially lowering thresholds for exemptions from transfer pricing, and introducing requirement for MNCs to report cross-border related party transactions to HMRC
  - New process to give investors in major projects increased advance certainty on tax

Taxes on digital business activity

- The UK has a digital services tax (DST) which is due to continue in 2025.
- However, there is a legislative requirement for a review of the DST to be completed by HM Treasury (the UK's finance ministry) and submitted by the end of 2025.

Taxes related to climate change or sustainability

- No major changes currently anticipated. UK government confirmed in Autumn 2024 that a UK CBAM will be introduced from 1 January 2027.

Windfall taxes

- No new windfall taxes are expected.
- Measures previously announced in Autumn Budget 2024 in respect of oil and gas profits are expected to remain in place.

VAT, GST or sales taxes

- Various measures previously announced in Autumn Budget 2024 take effect in 2025:
  - VAT: From 1 January 2025, VAT applies to education and boarding services provided by private schools.
  - Business rates: From 1 April 2025, private schools will no longer be eligible for charitable rate relief.
- Business rates reform: Government intends to permanently lower business rates for retail, hospitality and leisure properties from 2026-27.

Personal taxes

- Various measures previously announced in Autumn Budget 2024 are expected to take effect in 2025.
- Capital gains tax rates for carried interest will increase from 28% to 32%.
- Non-domicile regime is to be replaced by a new tax regime for temporary residents.

Other

- There will be an increase in the base and rate of employer social security (Employer NIC).
- A consultation is expected on the introduction of e-invoicing.
- Exchequer Secretary (the UK's revenue minister) appointed as HMRC chair and set out three strategic priorities:
  - Closing the tax gap
  - Modernizing and reforming HMRC
  - Improving customer service

United Kingdom

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- A recent HMRC technical note on large business compliance highlights increased HMRC compliance activity in 2024. Cross-border tax issues accounted for some of the fastest growth within these figures.
- HMRC has taken an increasingly wide view of the applicability of the anti-avoidance provisions of s.441 CTA 2009 (loan relationships for unallowable purposes) following its success in the Court of Appeal in Blackrock HoldCo 5 LLC, JTI Acquisitions Company (2011) Ltd and Kwik-Fit Group Ltd. The Supreme Court has refused to hear the appeals making them final.

Top tax enforcement or tax controversy development expectations for 2025

- Increased use of alternative dispute resolution (ADR) in larger cases is expected. HMRC uses a mediator, outside the case team, to facilitate resolution of the issue. This mediation is done on a without-prejudice basis.
- A continued increase in HMRC compliance activity and debt enforcement action is also expected following HMRC receiving funds to recruit 5,000 additional employees in the 2024 Budget. This is part of the government's published plan to close the tax gap.
- Questions from HMRC to MNEs on implementation of global minimum tax rules (BEPS Pillar Two).

Tax audits in the United Kingdom in 2025 are generally expected to increase.

Top audit issues (all taxes)

1. International tax, especially transfer pricing , the treatment of intangible assets and Cost Contribution Arrangements (CCAs) continues to be a priority area in relation to MNEs. HMRC has continued to recruit to support inquiries in this, area and the 2024 budget announced a review of the treatment of CCAs.
2. Research and development may also be an area for investigation, particularly where there is a large increase to the claim or for an entity that has not previously made a claim. New Additional Information Forms have been used for risk assessment and claims are being disallowed based on this information.
3. Off-payroll working and issues relating to globally mobile employees and nonresident directors continue to be of interest to HMRC.

Changes in tax audit approaches or methods

- There is an increase in detailed questionnaires being issued on particular areas and taxes, e.g., transfer pricing, employment status and VAT systems and processes as part of HMRC's risk assessment of large businesses.
- There is also a continuing increase in "One to Many" and "upstream" approaches for smaller businesses.

Changes to dispute prevention or dispute resolution tools or programs

- HMRC continues to publish new Guidelines for Compliance (GfC), which aim to reduce uncertainty for UK businesses by providing greater clarity and transparency of HMRC's compliance expectations. Recent additions include common risks in transfer pricing, VAT compliance controls and patent box computations. These releases form part of a series that have been published since 2022 covering various tax areas.
- Recently, several evolving themes have emerged in HMRC Business Risk Review+ (BRR+) discussions, including:
  - Very detailed questions on particular areas and taxes, e.g., transfer pricing, employment status, and VAT systems and processes
  - HMRC being more joined-up across taxes (e.g., an example of this is HMRC considering customs valuation as part of transfer pricing reviews and vice versa)
  - Requests for specific evidence to demonstrate the underlying governance process in the response to HMRC questions (e.g., Tax Risk Register, Tax Policy and Procedures, Corporate Criminal Offence (CCO) Risk Assessment)

Tax governance approach or processes developments for business taxpayers

- There is a continued focus on tax risk management, including Senior Accounting Officer (SAO) certification process, publication of tax strategy, and evidence of response to Corporate Criminal Offence (CCO).
- There is an increase in risk assessment of large businesses through the BRR+ process. The number of BRR+ completed increased to 984 in 2024, an increase of 67% from 2023.
- There have been more requests to "show not tell" from HMRC in risk assessments. Examples included an increase in requests for taxpayers to share tax risk registers as part of BRR+ or SAO and increased VAT and employment duties visits.

United Kingdom
Expectations for tax enforcement and tax controversy

Digital tax administration developments

- HMRC has been using data profiling in risk assessment for some time. It is expected that HMRC will continue to refine the profiles and increase the profiles. HMRC is also expected to be looking at how AI could improve data profiling.
- Making Tax Digital for income tax has an implementation date of April 2026, and Making Tax Digital for corporation tax has been delayed and will not be mandated before April 2026. It may be delayed further. All VAT-registered businesses should be signed up for Making Tax Digital.
- HMRC's legacy IT systems are to be reviewed as part of closing the tax gap.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	25%	25%	0%	Same	Same
PIT	45% (48% Scotland)	45% (48% Scotland)	0%	Same	Same
VAT/sales	20%	20%	0%	Same	Same

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This information is current as of 10 January 2025.

United States

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EY key contacts

Tax policy:	Tax controversy:
Jose Murillo, Colleen O'Neill, Ray Beeman, Josh Ruland, David Kirk, Lynlee Brown, Barbara Angus, Scott Roberti	Angela Evans, Kirsten Wielobob, Kiara Rankin

Key issues to watch in 2025

- Legislative efforts to extend Tax Cuts and Jobs Act (TCJA) provisions and potentially introduce new tax cuts and/or offsetting tax increases
- Continued trade and tariff policy shifts
- Outlook for sustainable energy tax incentives initiated under the Biden administration
- US engagement with BEPS 2.0 Pillar Two, but with a less cooperative posture
- State reactions to any federal law changes that are enacted

Key drivers of tax policy change

- Republican control of the presidency and Congress may facilitate sweeping tax policy changes in 2025, as congressional procedures allow for passage of legislation with a simple majority in the Senate.
- Revenue considerations may impact the scope of tax policy legislation, as there are differing views among congressional Republicans about whether tax reductions should be offset with revenue increases.
- Trading partner relationships may drive changes in tariff policy and impact companies' supply chains as the Trump administration intends to promote "Made in America" policies and other goals through tariffs.
- Energy tax considerations may shift from a focus on climate and sustainable energy to increasing domestic energy production and more traditional fuel sources.
- A U.S. Supreme Court decision has overturned longstanding precedent of court deference to agency regulations in cases of statutory ambiguity, which could open tax regulations to challenges.
- The change in administration is likely to affect the US posture on US implementation of the OECD/G20 Inclusive Framework's global minimum tax initiative.
- From a state perspective, states' tax policy considerations will be informed by the impact of sunsetting federal transfers associated with the American Rescue Plan Act and Cares Act, as well as the severity, if any, of revenue declines.

Significant tax developments in 2024

- Most of the significant federal tax developments in 2024 resulted from administrative guidance implementing prior tax legislation. The long-term outlook for said guidance, however, remains to be seen. President Trump has ordered that tax regulations go through White House review and that for every new rule, regulation or guidance issued, an agency must identify at least 10 existing regulations for elimination. Further, as is custom, the new administration froze all pending rules across all agencies, pending its review.
- Key regulations issued in 2024 include:
  - Proposed regulations on the application of the 15% corporate alternative minimum tax (CAMT) on the adjusted financial statement income (AFSI) of large corporations (REG-112129-23)
  - Proposed regulations on the application of the dual consolidated loss rules in the context of Pillar Two and on a new "disregarded payment loss" regime; these regulations to deny deductions or result in income inclusions in certain circumstances (REG-105128-23)
  - Proposed regulations under Sections 355, 357, 361 and 368 addressing nonrecognition treatment in corporate separations, incorporations and reorganizations (REG-112261-24)
  - Proposed regulations on the excise tax under Section 4501 imposing a 1% surcharge on certain corporate stock repurchases occurring after 31 December 2022 (REG-115710-22), concurrent with final regulations on reporting and paying said tax (TD 10002)

United States

Expectations for tax policy

Significant tax developments in 2024 (continued)

- Several regulations related to the Inflation Reduction Act of 2022 (IRA), including final regulations on the types of energy property that qualify for the Internal Revenue Code (IRC) Section 48 investment tax credit (TD 10005), final regulations on clean vehicle credits under IRC Sections 25E and 30D (TD 9995), and proposed regulations on greenhouse gas emission rates under IRC Sections 45Y and 48E (REG-119283-23)
- Final regulations describing rules and definitions for the transfer of eligible credits in a tax year (TD 9993)
- Proposed regulations providing updates to the previously taxed earnings and profits (PTEP) rules to address major legislative changes, including the enactment of IRC Sections 951A, 961(c), 965 and 986(c) (REG-105479-18)
- Final regulations under IRC Section 987 with guidance on determining income and currency gain or loss for a qualified business unit (TD 10016); accompanying proposed regs. to provide an election to simplify the computation of unrecognized IRC Section 987 gain or loss (REG-117213-24)

- Significant state tax developments in 2024 included continued response to previous federal tax law changes. Several states decoupled from TCJA provisions that restrict business deductions for interest expense, "bonus" depreciation, and IRC Section 174 research and experimentation costs.

Significant tax developments expected in 2025

- The incoming administration's tax policy approach is expected to focus on extending expiring and expired TCJA provisions, preserving current income tax rates that are scheduled to rise, potentially counteracting the cost of extending and preserving these provisions with offsetting tax increases and tariffs, possibly reducing corporate income tax rates for some domestic corporations and eliminating taxes on overtime pay, tips and Social Security benefits.
- State legislatures were responsive to the enactment of the TCJA and, thus, are expected to address extension of those policies. Lawmakers in more than half of states may consider the future of their elective pass-through entity taxes, which offset the expiring federal cap on state and local tax deductions for individuals.
- President Trump is likely to continue to use tariffs as a negotiating tool.
- There may be an effort to reverse tax regulations that do not align with the Trump administration's policy goals.
- One of President Trump's first actions after taking office was to issue numerous executive orders, including one that directs the U.S. Treasury Secretary to notify the OECD that the "Global Tax Deal" has no force and effect in the US absent an act by the U.S. Congress adopting the relevant provisions. The order further provides for the U.S. Treasury Secretary to identify whether any foreign countries are not in compliance with US tax treaties or have tax rules that are extraterritorial in nature or that could disproportionately impact US companies, with findings and recommendations to be delivered to the president within 60 days. The report will likely help shape the US path forward.
- Following issuance of the executive order, a bill was introduced in the U.S. House of Representatives that would require the U.S. Treasury Department to identify extraterritorial taxes and discriminatory taxes enacted by foreign countries that affect US businesses, such as the under taxed profits rule (UTPR). Under the bill, the US tax rates on US income of investors and corporations in those countries would be increased by five percentage points each year, up to a maximum increase of 20 percentage points.

Major legislative activity that could include tax

- The Republican Congress is expected to enact legislation to address President Trump's tax policy goals and make key provisions of the TCJA permanent using the budget reconciliation process. The tax items could be part of an initial reconciliation bill early in the year, or they could be part of a second reconciliation bill later in the year.

Developments in tax transparency requirements

- President Trump signed an executive order requiring federal agencies to make "large-scale reductions in force."
- It is widely expected the IRS's funding will be cut, both the IRA funds and the annual appropriations, especially in the enforcement arena, which could lead to a reduction in force. This has the potential to result in a significant loss of institutional knowledge, increased delays and a decline in audit rates, collections and criminal investigations.

Major multilateral or bilateral cooperation activities

- The United States-Mexico-Canada Agreement (USMCA), which replaced the North American Free Trade Agreement, is scheduled to be reevaluated in 2026. President Trump's stance on tariffs may reshape trade relationships in ways that could affect the future of the agreement.

United States
Expectations for tax policy

Significant tax reform is expected in 2025. Tax legislation is likely to focus on extensions of TCJA tax provisions that would benefit business and individual taxpayers. Less clear is whether tax legislation might include other elements of President Trump's tax plan, which would increase the cost of any tax legislation. Revenue implications may affect what is ultimately included in the final bill.

Elections are not occurring in 2025.

R&D incentives for US companies are likely to increase if President Trump's tax agenda is enacted.

Other business incentives may increase or decrease depending on the type of incentive and what provisions make it into final tax legislation. Under the Trump administration, incentives for sustainable energy-focused companies are expected to decrease while domestic energy production and more traditional energy sources will be encouraged.

Corporate taxes

- The top federal corporate income tax rate is 21%, and the average of the combined US federal-state rate is 26%, plus a 15% federal CAMT that applies to companies earning more than USD1b in profits, effective as of 1 January 2023.

Taxes on digital business activity

- There is currently no US federal digital services tax.
- Some states tax these activities. For example, Washington state has enacted a tax on digital automated services, and Maryland has a digital advertising gross revenue tax. Several states have also enacted marketplace facilitator statutes.

Taxes related to climate change or sustainability

- The US has green tax incentives for renewable energy, decarbonization and energy efficiency at the national, state and local levels.
- The 2022 IRA legislation included climate- and energy-related provisions designed to encourage and accelerate renewable energy technologies and production and to advance the use of electric vehicle (EV) technologies. 2024 saw continued implementation of these IRA incentives through administrative guidance at the federal level. The Trump administration may modify or rescind some of the guidance on these incentives, and Congress may look to them as a potential source of revenue for tax legislation.

Windfall taxes

- The US does not currently impose windfall taxes.

VAT, GST or sales taxes

- There is no VAT at the federal level, but US states and localities have different sales and use tax regimes and rates.

Personal taxes

- The top federal individual income tax rate is 37%, which rises to 43% when the average state tax rate of 6% is factored in. US state and municipal individual income tax rates generally range from 0% to 13.3%.
- There is also a federal 3.8% net investment income tax that applies to certain net investment income of individuals, estates and trusts that have income over statutory threshold amounts (and is not included in the 43% rate cited above).

United States

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Following the Supreme Court's repeal of the *Chevron* doctrine in *Loper Bright v. Raimondo*, 144 S.Ct. 2244 (2024), there is potential for significant tax controversy regarding the validity of Treasury regulations.
- The IRS continued to increase its audits of partnerships and high net worth individuals but nevertheless fell short of its ambitious target examination starts in FYE 30 September 2024. However, the IRS exceeded its target starts for corporations.
- The IRS continued enforcement efforts on specific issues, such as transfer pricing, research and development credits, and TCJA provisions, while increasing focus on economic substance issues, basis shifting and business use of private aircraft.

Top tax enforcement or tax controversy development expectations for 2025

- The IRS plans to increase its partnership examination starts for FYE 30 September 2025, but the target of 3,600 will be lower than initially planned due to case complexity and the need to train agents. The agency plans to keep individual and corporate targets around the same levels as prior years. Those plans and targets could change depending on the priorities of the Trump administration and a new commissioner.
- The IRS will likely continue to look for opportunities to assert the economic substance doctrine.
- Taxpayers may increase their challenges to the validity of Treasury Department regulations in light of favorable case law.

Tax audits in the United States in 2025 are generally expected to stay the same or decrease based on type of taxpayer and whether Congress decreases appropriated funding.

Top audit issues (all taxes)

1. Partnership basis
2. Transfer pricing
3. TCJA-related issues
4. Research and development credit
5. Business use of private aircraft
6. Self-employment tax on limited partners

Changes in tax audit approaches or methods

- Increased use of artificial intelligence and requests for large amounts of data from taxpayers
- Return to more in-person audits

Changes to dispute prevention or dispute resolution tools or programs

- The IRS is trying to reinvigorate its dispute prevention and certainty programs by expanding program eligibility requirements for Appeals consideration of certain cases.
- Consistent with that goal, the IRS's Large Business and International (LB&I) Division expanded eligibility requirements for its Compliance Assurance Process program to US privately held C-corporations, including foreign-owned companies.

Tax governance approach or processes developments for business taxpayers

- Large businesses are increasingly interested in technology tools to track tax risk and worldwide audits.

Digital tax administration developments

- The IRS has expanded and, depending on funding, hopes to continue to expand Online Account tools for individuals and businesses to allow access to more data and services.
- For filing season 2025, 24 states will participate in Direct File, assuming the program continues.
- The IRS remains very focused on cybersecurity and data protection.

United States

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	26%[1]	26%[1]	–	Same	Same
PIT	43%[2]	43%[2]	–	Same	Same
VAT/sales	N/A	N/A	–	Same	Same

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[1] The top federal marginal CIT rate is 21%. The 26% figure is an average that incorporates state and local municipal corporate income taxes, as well as other types of business taxes; as such, the top rate could be higher in states with higher state and city rates.

[2] The top federal individual income tax rate is 37%. The 43% figure reflects an average maximum state tax rate of 6%.

Uruguay

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EY key contacts

Tax policy:	Tax controversy:
Fernando Reggio, Leonardo Domankis, Rodrigo Barrios	Fernando Reggio, Leonardo Domankis, Rodrigo Barrios

Key issues to watch in 2025

- New government as from 1 March 2025
- Possible tax legislation changes

Key drivers of tax policy change

- Yet to be announced by upcoming government

Significant tax developments in 2024

- Obligation for almost all taxpayers to enter in the e-invoicing system

Significant tax developments expected in 2025

- It is possible for tax reform by the new government taking office on 1 March 2025.
- This reform may include change in VAT rules to create a "personalized" VAT regime.
- Increase in automatic controls by the tax authorities and further automation of tax returns and other control systems are also possible.

Major legislative activity that could include tax

- New government's five-year budget and planning law to be passed by Parliament

Developments in tax transparency requirements

- None currently

Major multilateral or bilateral cooperation activities

- Awaiting confirmation on when the Uruguay-US Tax Information Exchange Agreement (TIEA) enters into force.
- Awaiting how the Mercosur-European Union trade deal, which reached political agreement on 6 December 2024, will advance.

Uruguay
Expectations for tax policy

Significant tax reform is expected in 2025 as a new government begins.

Elections are occurring in 2025 only at a department level. National elections were held in 2024.

R&D incentives are expected to stay the same.

Other business incentives are expected to decrease or stay the same.

Corporate taxes

- Possible changes to increase rate or lower deductions. To be confirmed once new government begins.

Taxes on digital business activity

- No changes are currently expected.

Taxes related to climate change or sustainability

- No changes are currently expected.

Windfall taxes

- No changes are currently expected.

VAT, GST or sales taxes

- Possible change in rules to create a "personalized" VAT regime

Personal taxes

- Possible changes to increase rates or lower deductions; to be confirmed once the new government begins

Other

- Uruguay to review introduction of Pillar One — Amount B and Pillar Two rules

Uruguay

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Robust transfer pricing audits
- Increased and more timely controls by the tax authorities using the e-invoicing system information

Top tax enforcement or tax controversy development expectations for 2025

- Further enhancement of e-invoicing system will likely bring more automated and new controls by the tax authorities.

Tax audits in Uruguay in 2025 are generally expected to stay the same in number and/or intensity.

Top audit issues (all taxes)

1. Transfer pricing
2. Expense deductions and withholding tax obligations, especially in operations with nonresidents (including application of tax treaties)
3. Compliance with tax regulations on formalities of issued sales and other business documents

Changes in tax audit approaches or methods

- No changes are currently expected.

Changes to dispute prevention or dispute resolution tools or programs

- No changes are currently expected.

Tax governance approach or processes developments for business taxpayers

- No changes are currently expected.

Digital tax administration developments

- No changes are currently expected.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	25%	25%	–	Same	Same
PIT	36%	36%	–	Same	Same
VAT/sales	22%	22%	–	Same	Same

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Venezuela

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EY key contacts

Tax policy:	Tax controversy:
José Antonio Velázquez	Saul Medina

Key issues to watch in 2025

- Political and economic issues that are derived from the Venezuelan Presidential election process in 2024.
- An administrative order was published that establishes the issuance of digital invoices to public and private entities authorized by the National Tax Administration that do not use tax machines.

Key drivers of tax policy change

- There are different initiatives in the private sector evaluating the current national tax system with the goal to simplify and increase the collection of taxes. However, it is not apparent if such initiatives will be evaluated, considering the Venezuelan national presidential election.

Significant tax developments in 2024

- Administrative order establishing the issuance of digital invoices
- Decree establishing the exoneration of 0% rate in the tax on large financial transactions
- New special contribution related to Social Security Pension Protection

Significant tax developments expected in 2025

- Tax exonerations in custom duties, VAT and tax on large financial transactions
- Tax exonerations to the primary sector

Major legislative activity that could include tax

- No information has been released regarding legislative activity that could include tax effects for 2025.

Developments in tax transparency requirements

- No significant developments are expected for 2025 regarding tax transparency requirements.

Major multilateral or bilateral cooperation activities

- Treaties with China, Turkey and Russia

Venezuela
Expectations for tax policy

Significant tax reform is not expected in 2025.

Elections are not expected in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- The standard corporate tax rate remains at a maximum of 34%. No changes are expected to be adopted in 2025.

Taxes on digital business activity

- No specific taxes on digital business activity are in force; therefore, general tax provisions are applicable.
- No significant change is expected in this area.

Taxes related to climate change or sustainability

- Venezuela does not impose a carbon tax or any other climate change-related tax that promotes carbon emissions abatement.

Windfall taxes

- No changes are expected in 2025 regarding the oil tax.

VAT, GST or sales taxes

- The VAT standard rate remains at 16%.

Personal taxes

- The standard personal income tax rate remains at a maximum of 34%. No changes are expected to be adopted in 2025.

Venezuela

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Foreign exchange differential
- Expenses deductibility (salary/bonuses, bank, leasing)
- Income tax and VAT WHT (collection and payment)

Top tax enforcement or tax controversy development expectations for 2025

- Foreign exchange differential
- Expenses deductibility (salary/bonuses, bank, leasing)
- Income tax and VAT WHT (collection and payment)
- Tax on large financial transactions

Tax audits in Venezuela in 2025 are generally expected to increase.

Top audit issues (all taxes)

1. Tax audits made by the National Tax Administration and the Municipal Tax Administration are expected to be maintained. There is a focus on the taxability of FX differentials (income tax) and on the tax on economic activities (municipal tax).
2. There is focus on the comparison between taxable bases for income tax and VAT, to determine if there are differences and, in such cases, if such differences are reasonable and justified.
3. Tax audits on transfer pricing will continue.

Changes in tax audit approaches or methods

- No changes are currently expected for 2025.

Changes to dispute prevention or dispute resolution tools or programs

- No changes are currently expected for 2025.

Tax governance approach or processes developments for business taxpayers

- No developments are currently expected for 2025.

Digital tax administration developments

- No developments are currently expected in 2025.

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	34%	34%	–	Same	Same
PIT	34%	34%	–	Same	Same
VAT/sales	16%	16%	–	Same	Same

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Vietnam

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EY key contacts

Tax policy: Huyen Nguyen

Tax controversy: Dung Chi Nguyen

Key issues to watch in 2025

- Introduction of third version of draft Decree on Pillar Two
- New VAT Law effective from 1 July 2025
- Proposed amendments to the draft law on CIT
- Enhancement of tax audit and inspection
- Amendments on some articles on the Law on Tax Administration (Law No. 56/2024/QH15 dated 29 November 2024)

Key drivers of tax policy change

- Application of top-up tax under the GloBE rule, to protect Vietnam's State Budget in the context of Pillar Two
- Assessment of current tax laws (VAT, CIT, PIT, special sales tax) and propose a comprehensive revision of tax laws to adapt with socio-economy condition, requirement of effective tax administration and international practice

Significant tax developments in 2024

- Draft Decree (third version) guiding for the implementation of Resolution 107/2023/QH15 on Pillar Two is in the final appraisal stage of government and is expected to be issued early 2025.
- Orientation for tax inspection program in 2025 was introduced by the Government Inspectorate of Vietnam under the Official Letter No. 2220/TTCP-KHTH. According to this official letter, the Orientation for Tax Inspection program in 2025 is a guideline for inspection at all ministries, ministerial-level agencies, government agencies and People's Committees of provinces and centrally run cities. The Orientation is divided into two parts, which are specialized inspection and administrative inspection. For tax, inspection will be focused on some sectors such as electricity, oil and gas, telecommunication, banking, insurance, security, etc., and large-scale enterprises or enterprises with related transactions or suspicious transactions.
- Decision No. 673/QĐ-TCT dated 20 May 2024 promulgates the 2024 Tax Administration reform plan, which mainly focuses on regime reform, capability reform, tax registration, declaration, payment, exempt, reduction, refund, statistic, improvement of audit and inspection capability, and handling tax appeal and tax debt. In addition, the plan also covers the development of human resource, IT, modernization of facilities and state budget collection forecast.
- Decree 94/2023/ND-CP dated 28 December 2023 and Decree 72/2024/ND-CP dated 30 June 2024 on VAT reduction (from 10% to 8%) was applicable during the period from 1 January 2024 to 31 December 2024. Of note, there are still some uncertain areas during the application in practice that may create potential risk for taxpayers when applying the reduced VAT rate.
- Decree 64/2024/ND-CP dated 17 June 2024 extends tax payment deadline for VAT, CIT, PIT and land lease fee.

Significant tax developments expected in 2025

- Official Decree guiding the implementation of new VAT law, effective from 1 July 2025
- Official Decree guiding the implementation of the Resolution 107/2023/QH15 of National Assembly on the application of additional corporate income tax policy in accordance with the Global Anti-Base Erosion Model Rules
- Official Decree amending and supplementing the Decree No. 123/2020/ND-CP dated 19 Oct 2020 on e-invoices
- New law on special sales tax
- New law on corporate income tax
- Decree amending Decree No. 132/2020/ND-CP dated 5 November 2020 stipulating tax administration for related-party transactions
- Revision of relevant regulations to adapt with the new organization of tax authorities

Vietnam

Expectations for tax policy

Major legislative activity that could include tax

- The Vietnam government is restructuring for greater efficiency by reducing the number of ministries and agencies to 22 and addressing existing overlaps in public administration, merging the Ministry of Finance (MOF) and Ministry of Planning and Investment. MOF will restructure the General Department of Taxation into 12 functional departments and tax departments of 63 cities and provinces will be merged to form 20 areas covering nationwide.

Developments in tax transparency requirements

- No significant developments

Significant tax reform is not expected in 2025.

Elections are not occurring in 2025.

R&D incentives are expected to stay the same.

Other business incentives are expected to stay the same.

Corporate taxes

- Development of detailed guidance on CIT regulations to be consistent with the application of top-up tax scheme under GloBE rules
- New CIT law expected to be introduced within 2025 and anticipated to be effective as of 1 January 2026
- Standard rate remains at 20%
- Third proposal of some amendments in the Draft Decree amending Decree 132/2020/ND-CP on transfer pricing to remove obstacles during the implementation in practices (such as amending the related-party relationship based on loan transactions, allowing companies with no related-party transactions to claim deductions for non-deductible interest expenses incurred during 2020 to 2023, spread equally over the remaining period for carrying forward non-deductible interest)

Taxes on digital business activity

- Intensifying tax administration for e-commerce activities to be conducted by local tax authorities is expected.
- Enacted legislation requires foreign suppliers doing business in digital platform with Vietnam organizations and individuals to register for directly paying tax or authorize a party to do so on their behalf.
- E-commerce platforms are required to withhold and pay tax on behalf of business households and individuals engaging business on such digital platforms effective 1 April 2025.

Taxes related to climate change or sustainability

- No changes are expected in 2025. Vietnam does not impose a carbon tax.

Windfall taxes

- There are no windfall taxes in Vietnam,

VAT/GST or sales taxes

- Decree 180/2024/ND-CP decreases the VAT rate from 10% to 8% for certain goods and services during the period from 1 January 2025 to 30 June 2025.
- From 1 July 2025, the new VAT law will apply, which contains some key changes such as expansion of taxpayers, adjustment of VAT exempted goods and services, adjustment to taxable subjects and applicable tax rates, tax calculation method for imported goods, tax calculation method for promotional goods and services, and VAT refund eligibility.

Personal taxes

- A proposal for amending PIT has been drafted by the MOF and introduced in November 2024 for comments. According to the plan, the new PIT law to replace the current one is expected to be introduced by October 2025 and adopted by May 2026.

Vietnam

Expectations for tax enforcement and tax controversy

Top tax enforcement or tax controversy developments in 2024

- Implementation of VAT rate reduction (from 10% to 8%) and deferral of payment deadline for CIT, VAT, PIT to support taxpayers to overcome difficulties, recover and develop business activities
- Implementation of new tax administration processes related to tax refund, tax audit and inspection
- Accelerating digital transformation and applying risk management in tax administration (i.e., IT application in e-invoice management, implementation of e-tax services)

Top tax enforcement or tax controversy development expectations for 2025

- Implementation of Pillar Two
- Implementation of the new VAT law
- Tax policies to support enterprises impacted by COVID-19 pandemic are expected to be implemented, i.e., tax exemption and reduction, tax payment deferral
- Application of new IT tools (i.e., big data, AI) to strengthen the risk management of e-invoices, tax refund and tax audits and inspection
- Application of new tax administration processes due the restructuring of tax authorities' organization

Tax audits in Vietnam in 2025 are generally expected to stay the same in number and intensity.

Top audit issues

1. Transfer pricing: deem the profit margin based on internal comparable data, focus on the deductibility of service fees charged by related parties
2. CIT incentive: strict review of conditions to enjoy CIT incentives
3. Tax refund and exemption (VAT refund, tax refund/exemption under DTA): strict review of conditions for refund
4. Foreign contractor tax (FCT): strict view to treat the salary reimbursement scheme between the head quarters and the company in Vietnam as service subject to FCT

Changes in tax audit approaches or methods

- Focus on preparation before audit: request taxpayer to provide information in advance to study and perform in-depth analysis to clarify the key contents that need focus on inspection, assigning team members and estimating tax collection through inspection
- Tend to make the tax treatment based on the accuracy and completeness of the tax returns/supporting documents and wordings of regulations rather than considering nature of the economic transactions
- Interpret unclear regulations in a prudent and beneficial manner for tax authorities, to reduce risk of negative impact on the state budget revenue

Changes to dispute prevention or dispute resolution tools or programs

- In the context of tax authorities strengthening tax inspections and adjusting transaction prices, the implementation of the APA program becomes more effective and popular for taxpayers in managing transaction price risks in Vietnam. However, so far, no APA agreement has been signed in Vietnam and it will take a lot of time and effort to prepare documents and work with the Vietnamese government.

Tax governance approach/processes developments for business taxpayers

- No changes are expected in 2025.

Digital tax administration developments

- Since April 2023, the General Department of Taxation of Vietnam has announced and implemented the **"System of database analysis and e-invoice management"** applying the Big Data and AI technology. This system helps to screen, monitor and reconcile information declared by taxpayers and the number of issued electronic invoices to identify, prevent and handle the behavior of illegal e-invoice usage.

Vietnam

Summary of tax rate and base changes

Tax type	Top 2024 rate	Top 2025 rate	% rate change	Overall base changes	Combined effect
CIT	20%	20%	–	Same	Same
PIT	Resident: 35% Nonresident: 20%	Resident: 35% Nonresident: 20%	–	Same	Same
VAT/sales	10% (Decreased VAT rate 8% applied for certain goods and services, effective during 1 July-31 December 2023)	10% (Decreased VAT rate 8% applied for certain goods and services, effective during 1 January-30 June 2024)	–	Same	Same

The 2025 Tax Policy and Controversy Outlook is a survey of EY tax policy and controversy leaders in the jurisdictions concerned and represents only the personal views of those respondents.

This information is current as of 10 January 2025.

Glossary of terms

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AI: artificial intelligence

AEOI: automatic exchange of information

AMT: alternative minimum tax

APA: advance pricing agreement

ATAD: Anti-Tax Avoidance Directive

BEPS: base erosion and profit shifting

BEPS 2.0: the ongoing project on addressing the tax challenges arising from the digitalization of the economy

BEPS IF: BEPS Inclusive Framework

B2B: Business to business

CBAM: Carbon Border Adjustment Mechanism

CbC: country-by-country

CbCR: country-by-country reporting

CESOP: Central Electronic System of Payment information

CFC: controlled foreign company

CGT: capital gains tax

CIT: corporate income tax

CRS: Common Reporting Standard

CSRD: Corporate Sustainability Reporting Directive

DAC 6: EU directive regarding the mandatory automatic exchange of information

DAC 7: EU tax transparency rules reporting by digital platforms on their sellers

DAC 8: the proposed Crypto-Asset Reporting Framework

DMTT: domestic minimum top-up tax

DTA: deferred tax asset

DST: digital services tax

DTT: double taxation treaty

ESG: environmental, social and governance

ETT: electronic transaction tax

ETS: Emissions Trading System

EPR: extended producer responsibility

EU: European Union

EU ATAD 2: EU requirement for Member States include in domestic legislation a number of anti-hybrid provisions in line with OECD BEPS Action 2

EUDR: EU Deforestation Regulation

FATCA: Foreign Account Tax Compliance Act

FBAR: Report on the Foreign Bank and Financial Accounts

FDI: foreign direct investment

FTA: free-trade agreement

FTT: financial transaction tax

FX: foreign exchange

G20: The Group of Twenty, an intergovernmental forum comprising 19 countries and the European Union

GAAR: general anti-abuse rule

GCC: Cooperation Council for the Arab States of the Gulf

GDP: gross domestic product

GHG: greenhouse gas emissions

GMT: global minimum tax

GloBE: Global Anti-Base Erosion proposal under Pillar Two of the OECD

GST: goods and services tax

HNWI: high-net-worth individual

ICAP: International Compliance Assurance Programme

IFRS: International Financial Reporting Standards

IIR: income inclusion rule

IMF: International Monetary Fund

IP: intellectual property

ITR: income tax return

M&A: mergers and acquisitions

MAP: mutual agreement procedure

MDR: Mandatory Disclosure Regime

MNE: multinational enterprise

NOL: net operating loss

O&G: oil and gas

OECD: Organisation for Economic Co-operation and Development

PE: permanent establishment

PIT: personal income tax

PPT: principal purpose test

QDMTT: qualified domestic minimum top-up tax

R&D: research and development

SAF-T: Standard Audit File for Tax

SME: small- or medium-sized enterprise

TARIC code: Tarif Intégré Communautaire (Integrated Tariff of the European Communities)

TP: transfer pricing

UBO: ultimate beneficial owner

UN: United Nations

UTPR: undertaxed profits rule

VAT: value-added tax

WHT: withholding tax

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