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Global Tax Alert

The Latest on BEPS and Beyond

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Highlights

On 28 June 2025, the developments around Pillar Two took an unexpected turn as the G7 issued a statement on global minimum taxes. The statement responds to concerns expressed earlier by the United States (US) Secretary of the Treasury on US parented groups being subject to the Global Minimum Tax Rules, while the existing US minimum tax rules already provide for minimum tax safeguards. The G7 statement recognizes a "side-by-side" solution for Pillar Two could be appropriate if certain conditions are met.

The shared understanding as reflected in the statement is based on four "accepted" principles, which include the exclusion of US-parented groups from the Income Inclusion Rule (IIR) and Undertaxed Profits Rule (UTPR), as well as commitments to address risks related to base erosion and profit shifting (BEPS) and the level playing field, the parallel delivery of material simplifications and the desire to address the disadvantageous treatment of substance-based nonrefundable tax credits. To bring an environment that facilitates constructive discussions in the BEPS Inclusive Framework, Internal Revenue Code (IRC) Section 899 proposed in the draft One Big Beautiful Bill Act (OBBBA) were removed before the bill became law.

The most important question the statement raises is what dynamics it brings to the negotiations.

Shape the future with confidence

Looking at the principles, it is safe to assume that underlying the "accepted" principles are minimum conditions for some of the parties involved in the negotiations. The statement could be seen more an invitation for the Organisation for Economic Co-operation and Development (OECD)/G20 BEPS Inclusive Framework to negotiate and implement a solution that captures the G7 considerations, than a directional agreement, given the nature of the "accepted" principles. The principles reflect concepts that are prone to differences in interpretation and are not all pointing in the same direction. Fulfillment of one principle may only be possible when concessions are made on another, which makes it difficult to see at this stage where the common agreement will come out. For example, it may be difficult to achieve a level playing field if the Global Intangible Low-Taxed Income (GILTI) rules are based on global blending while Pillar Two continues with a jurisdictional approach. On the other hand, a global blending approach will require concessions when it comes to addressing BEPS concerns. Negotiations will have to take place to interpret the concepts and balance the tensions between them. This will also involve questions on retrospective effect to years for which taxes are already due, as otherwise US parented groups will still be subject to Pillar Two to some extent. Only when all these elements are considered and decided on, will directional guidance be provided indicating what the "side-by-side" approach will look like.

It is also relevant to assess how the statement and withdrawal of IRC Section 899 from the OBBBA could affect the timing of the negotiations. In a conference held in Munich on 10 and 11 July, it was suggested that securing sufficient time for negotiations leading to a permanent "side-by-side" solution may mean that temporary solutions stretching beyond the end of the calendar year would be necessary, for example in the form of an extension of the current temporary safe harbors.

However, issues with extension of the current temporary safe harbors are multi-dimensional. For example, US-parented groups could have part of their group subject to both GILTI and Pillar Two obligations while negotiations are ongoing but expect a full carve out to materialize before the Pillar Two obligations kick in. This may lead to the resurfacing of the threat of retaliatory measures. European-headquartered groups and other groups with headquarters in jurisdictions that have introduced the IIR have already expressed their concerns about the unlevel playing field that results from the UTPR safe harbor. This is particularly the case for businesses operating in what political leaders qualify as strategic industries. With key jurisdictions as China, India and the US not being subject to Pillar Two, European companies are asking for a similar treatment. But it is not obvious that all relevant European policy makers will be willing to provide these companies with a similar treatment to level the playing field, which may mean putting the Minimum Tax Directive temporarily on hold. Putting the Minimum Tax Directive on hold may in turn trigger EU Member States to re-assess their Qualified Domestic Minimum Top-up Taxes (QDMTTs).

In addition, as the Country-by-Country Reporting (CbCR) safe harbor can push businesses out of the easy administration rules and into the full calculations permanently, even if the full calculations show that no top-up tax is due, the benefits of the CbCR safe harbor diminishes over time, subjecting businesses to the significant administrative burden connected to Pillar Two full calculations. This will particularly affect companies that do not pay material levels of top-up tax, as they are looking forward to the promised material permanent simplifications. Finally, governments have also expressed dissatisfaction with the temporary safe harbors, given the loopholes and unlevel playing field connected to them.

All in all, the combination of these dynamics seems to suggest that the pressure to reach a solution before the end of the year will remain high. This may mean that the Summer break that OECD officials in Paris and European Union (EU) officials in Brussels were looking forward to, may be less relaxed than they hoped.

BEPS 2.0

OECD

G7 Statement on Global Minimum Taxes

On 28 June 2025, the G7 issued a statement on global minimum taxes. The statement responds to concerns outlined earlier by the US Secretary of the Treasury and set out a proposed "side-by-side" solution for Pillar Two in recognition of the existing US minimum tax rules.

The shared understanding is based on four "accepted" principles: (i) exclusion of US parented groups from the IIR and UTPR; (ii) commitments to address risks related to base erosion and profit shifting and the level playing field; (iii) delivery of material simplifications to the overall administration and compliance framework and (iv) addressing the disadvantageous treatment of substance-based nonrefundable tax credits.

In response, the OECD Secretary-General welcomed the G7's statement, noting its potential to enhance fairness and effectiveness in global tax systems.

See EY Global Tax Alert, *G7 Statement on Global Minimum Taxes*, dated 9 July 2025.

Country developments

Bahrain issues guidance on advance tax payments under the DMTT

On 2 July 2025, Bahrain's National Bureau for Revenue (NBR) published a manual outlining procedures for advance payments under the Domestic Minimum Top-up Tax (DMTT). The Filing Constituent Entity of an in-scope group is responsible for making quarterly advance payments and filing the annual DMTT return. Payments are generally due within 60 days following the end of each three-month period starting from the first day of the fiscal year. For groups with a fiscal year ending 31 December, the advance payments for the first and second quarters of the transition year must be paid together by 29 August 2025. Late declarations and payments may still be accepted but could trigger penalties in certain cases.

The manual provides clarity on Exclusions and advance payments, such as a Transitional CbCR Safe Harbor, de minimis activity and initial international activity, confirming that entities benefiting from these exclusions are not required to make advance payments unless their eligibility changes. The manual also prescribes that if the Exclusions initially adopted during the registration process were to change for any reason, the entity concerned will have to update their registration details accordingly.

Taxpayers may calculate advance payments using either the "Prior Year Method" (based on a prorated share of the prior year's liability) or the "Current Year Method" (based on a cumulative estimate minus prior payments). Once selected, the method must be applied consistently throughout the fiscal year. The guidance also emphasizes documentation obligations, requiring taxpayers to maintain detailed records to support calculations and demonstrate compliance as well as guide taxpayers toward the advance tax payment settlement process using Bahrain's national payment services.

Hungary extends Pillar Two registration deadline

On 19 June 2025, Hungary published in the *Official Gazette* the Spring Tax package. Among other items, this package extends the Pillar Two registration deadline from within 12 months of the beginning of the relevant fiscal year to two months after the end of the relevant fiscal year.

This extension became effective on 20 June 2025 and would apply to groups with a fiscal year starting on or after 20 June 2024.

Isle of Man updates Pillar Two legislation

On 19 June 2025, the Isle of Man published an updated version of the Global Minimum Tax (Pillar Two) Order 2024. The revised Order formally incorporates key elements of the OECD Administrative Guidance issued in January 2025, including provisions relating to Articles 8.1.4, 8.1.5, and 9.1 of the Global Anti-Base Erosion (GloBE) Model Rules. These updates apply to both the IIR and the QDMTT.

In addition, the Order has been amended to authorize the Treasury to prescribe the Safe Harbor status of another jurisdiction's QDMTT. These determinations may be made by Order and can apply with retroactive effect.

Kuwait issues executive regulations on Domestic Minimum Top-up Tax

On 29 June 2025, Kuwait's Ministry of Finance issued Ministerial Order No. 55/2025, setting out comprehensive regulations for the implementation of the Domestic Minimum Top-up Tax (DMTT). The Order provides detailed guidance on the calculation of GloBE Income, Covered Taxes and the Substance-based Income Exclusion.

The regulations establish compliance obligations, including registration and filing deadlines, a 10-year recordkeeping requirement, and expectations for documentation. In-scope multinational enterprises (MNEs) will be required to register for the DMTT by 30 September 2025. The regulations also outline the application of transitional safe harbor provisions and set penalties for noncompliance.

The Order requires that the DMTT be applied consistently with the most recent OECD Administrative Guidance and GloBE Commentary.

See EY Global Tax Alert, *Kuwait issues Executive Regulations to the Kuwait DMTT Law*, dated 14 July 2025.

Japan confirms it will not implement Amount B

On 30 June 2025, Japan's National Tax Agency (NTA) published a set of Frequently Asked Questions (FAQs) confirming that Japan will not adopt Amount B under the OECD's Pillar One framework. The NTA clarifies that Japanese taxpayers must continue to apply traditional transfer pricing methods in accordance with domestic law, even if transactions involve counterparties in jurisdictions that apply Amount B.

The FAQs makes clear that simplified outcomes based on Amount B will not be accepted for Japanese tax purposes. Instead, transfer pricing analyses, documentation and any Advance Pricing Agreements (APAs) must fully comply with Japan's existing arm's-length requirements.

Norway releases public consultation to amend Pillar Two legislation

On 16 June 2025, Norway launched a public consultation on proposed changes to its Pillar Two legislation. The amendments are intended to bring the existing Pillar Two legislation in line with the OECD's Administrative Guidance issued in June 2024 and January 2025. They also include technical corrections. If adopted, the changes would apply to financial years starting on or after 31 December 2023.

The consultation is open until 4 August 2025.

Slovakia issues draft legislation to amend Pillar Two legislation

On 16 June 2025, Slovakia issued draft legislation amending its Pillar Two legislation. These amendments aim to incorporate provisions from the OECD's June 2024 and January 2025 Administrative Guidance as well as the EU Directive on Administrative Cooperation (DAC) 9 Directive into local law.

The proposed amendments address areas such as the deferred tax liability recapture rule, allocation of profits and taxes for flow-through entities as well as the allocation of cross-border current and deferred taxes. Further, it incorporates guidance addressing the treatment of certain deferred tax assets that arose prior to the application of Pillar Two as a result of certain governmental arrangements or following the introduction of a new corporate income tax. Regarding DAC9 related amendments, these aim for simplified compliance through the central filing of a top-up tax information return.

If approved, all amendments (except those relating to DAC9) will be effective from 31 December 2025. The DAC9 provisions will enter into effect for fiscal years starting on or after 31 December 2023.

Other developments

OECD

OECD releases progress note on BEPS minimum standards

On 3 July 2025, the OECD released a report titled "Recognising progress and reducing burdens in the BEPS minimum standards," detailing recommendations endorsed by the Inclusive Framework during its April 2025 Plenary meeting in Cape Town, South Africa. The Inclusive Framework adopted recommendations to streamline peer review processes for BEPS minimum standards and proposed targeted adjustments to optimize resource allocation among members, focusing on high-impact areas while maintaining the integrity of the standards. Emphasis was placed on enhancing the BEPS Project's value by identifying priority areas for support, ensuring that MNEs pay taxes in jurisdictions where they create economic value. The progress note summarizes the outcomes, providing an overview of the implementation status of the four minimum standards, measures to reduce burdens, and renewed priorities for the Inclusive Framework to ensure all developing countries can benefit.

On Action 5, the report indicates that the implementation of the minimum standard on harmful tax practices is mature, with 97% of the 332 reviewed preferential regimes either abolished or amended, significantly reducing BEPS risks. Jurisdictions are now required to demonstrate genuine economic activity and adhere to enhanced transparency mandates. The revised peer review methodology (annexed to the progress note) introduces an upfront economic impact assessment to focus on high-risk regimes and prioritizes jurisdictions exhibiting lower BEPS risks. The OECD will continue monitoring compliance and provide tailored support to developing countries for effective implementation.

Regarding Action 6, notable progress has been made in preventing tax treaty abuse, with more than 1,600 bilateral agreements among Inclusive Framework members having an anti-abuse provision in line with the minimum standard. This is a significant increase from just 13 treaties in 2018. Currently, more than 90% of the relevant treaties are compliant with the minimum standard. Ongoing tailored technical assistance is available for jurisdictions needing support in incorporating anti-abuse provisions.

When it comes to Action 13, the report highlights that 120 jurisdictions have implemented country-by-country reporting obligations for MNEs generating revenues exceeding €750m, establishing more than 4,100 bilateral relationships for report exchanges. Nonetheless, the OECD recognizes the need for further efforts to help developing countries access and utilize these reports, particularly by addressing IT infrastructure barriers.

Finally, on Action 14, substantial improvements have been made in the implementation of Mutual Agreement Procedures (MAP), with 82 jurisdictions having completed their peer review processes and enhancing dispute resolution efficiency. Many jurisdictions are now resolving MAP cases within an average of 24 months. Future efforts will focus on ensuring all jurisdictions, especially developing countries, can effectively utilize MAP processes through capacity-building and tailored technical assistance.

Looking ahead, the Inclusive Framework will consolidate progress by optimizing resource allocation within the Inclusive Framework Secretariat and enhancing support for resource-limited jurisdictions. Additionally, as announced in the Cape Town plenary meeting, a comprehensive report on the BEPS work to date is expected in the last quarter of 2025. The OECD remains committed to enhancing fairness, compliance and transparency in international taxation, reflecting ongoing adjustments to methodologies and standards.

Global Forum releases report on Tax Transparency in Africa

On 1 July 2025, the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) released the seventh edition of the T*ax Transparency in Africa: Africa Initiative Progress Report*.

Launched by the Global Forum and the African Tax Administration Forum during the 17th meeting of the Africa Initiative in Seychelles, the report highlights progress in tax transparency across African countries in 2024. Notably, African countries submitted 1,756 exchange of information (EOI) requests, nearly doubling the figures from 2023, with 23 countries actively participating. The initiative has facilitated the identification of approximately €123m in additional revenues (tax, interest and penalties) through EOI on request (EOIR) and offshore investigations, along with more than €275m from automatic exchanges of financial account information.

Since 2009, the implementation of EOI has led to the identification of at least €4.2b in additional revenue (tax, interest, and penalties) across Africa. The report also notes that African jurisdictions have established more than 3,300 bilateral relationships for EOI, with 12 countries committed to automatic information exchange by 2026 and six already participating. Additionally, 14 countries have undergone peer reviews, with 10 receiving satisfactory ratings. Additionally, five countries are set to implement the Crypto-Assets Reporting Framework by 2027 or 2028.

OECD releases "Tax Co-operation for Development: Progress Report on 2024"

On 30 June 2025, the OECD issued the "Tax Co-operation for Development: Progress Report on 2024," outlining developments in international tax cooperation aimed at enhancing domestic resource mobilization in developing countries. The report provides a comprehensive overview of the OECD's initiatives and progress in enhancing tax cooperation and domestic resource mobilization in developing countries throughout 2024.

Key highlights of the report include the incorporation of Amount B into the OECD Transfer Pricing Guidelines and the signing of the Subject to Tax Rule Multilateral Instrument. In 2024, the OECD supported nearly 80 countries through tailored bilateral programs focused on BEPS and Transfer Pricing, resulting in nine additional developing countries' gaining access to CbCR. Furthermore, the report emphasizes the success of the Tax Inspectors Without Borders (TIWB) initiative, which has helped developing countries raise an additional US$2.4b in tax revenues, with a record 25 new TIWB programs launched in 2024. The Global Forum on Transparency and Exchange of Information provided bilateral support to 79 developing countries, identifying more than €45b in additional revenues through offshore tax investigations and voluntary disclosure programs since 2009.

Looking ahead, the OECD aims to further engage developing countries in discussions on international tax standards and enhance support for the implementation of the Global Minimum Tax as well as on the design and implementation of Tax Incentives. Priorities for 2025 include expanding access to CbCR reports, supporting the implementation of the Crypto-Asset Reporting Framework and continuing to adapt capacity-building efforts to meet the diverse needs of developing nations. The report underscores the OECD's commitment to strengthening tax systems in developing countries as a critical component of global efforts to achieve sustainable development goals.

OECD publishes peer review results on BEPS Action 14

On 26 June 2025, the OECD released 36 peer review results under BEPS Action 14, which focus on improving the effectiveness of MAP. This release features the full peer review reports for Belgium, Canada, Croatia, Estonia, Liechtenstein, and the United Kingdom, alongside 30 reports conducted under the simplified peer review process: Batches four (Azerbaijan, Brunei Darussalam, Curaçao, Gabon, Isle of Man, Jersey, Mauritania, Monaco, San Marino, and Togo), five (Armenia, Bosnia and Herzegovina, Côte d'Ivoire, Democratic Republic of the Congo, Georgia, Maldives, Mongolia, Panama, and Papua New Guinea) and six (Andorra, Bahamas, Bermuda, British Virgin Islands, Congo, Faroe Islands, Kenya, Macau, Paraguay, Sierra Leone, and Uruguay).

The six jurisdictions in the full peer review were assessed for the third time, but this is the first batch of full peer reviews conducted under the New Assessment Methodology for Action 14, released in 2023. The New Assessment Methodology sets out how monitoring of the Action 14 minimum standard is to be conducted from 2023 onward (the Continued Monitoring Process). Although the original Assessment Methodology allowed for the deferral of the peer review of certain jurisdictions, deferral is not provided for under the Continued Monitoring Process.

Therefore, all Inclusive Framework member jurisdictions (whether previously peer reviewed or not) will be subject to monitoring, under a full or simplified peer review process.

The results from the full peer review reports highlight that all six jurisdictions signed and ratified the BEPS Multilateral Instrument, issued MAP guidance, and established policies to facilitate access to MAP and ensure effective resolution of cases, with efforts to close cases within the targeted 24-month average. Similarly, the results from the simplified peer review indicate that most participating jurisdictions have either implemented or committed to measures for a functional MAP framework, as evidenced by treaty modifications, issuance of MAP guidance, and adequately resourced competent authorities.

The OECD will continue to publish peer review reports in accordance with the Action 14 assessment schedule.

Antigua and Barbuda signs MLI

On 18 June 2025, the OECD announced that Antigua and Barbuda signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI). At the time of signature, Antigua and Barbuda listed its tax treaties with the United Arab Emirates and the United Kingdom as Covered Tax Agreements (CTAs) and submitted a preliminary list of reservations and notifications regarding these CTAs (MLI positions). Aside from the minimum standard provisions, Antigua and Barbuda reserves the right not to apply the majority of MLI provisions. Notably, Antigua and Barbuda chose to apply Part VI of the MLI on Mandatory Binding Arbitration.

Antigua and Barbuda shall confirm its MLI positions at the time of depositing its instrument of ratification, acceptance, or approval of the MLI. The MLI will enter into force on the first day of the month following the expiration of a period of three calendar months after depositing the ratification with the OECD.

Peru deposits MLI with the OECD

On 9 June 2025, Peru deposited its ratification of the BEPS MLI with the OECD.

At the time of depositing its instrument of ratification, Peru confirmed its preliminary positions and expanded the scope of the reservation under Article 4 (dual resident entities) to state that the entirety of this Article will not apply to any of its CTAs. Previously, the reservation specified that it would not apply only to CTAs that addressed cases in which a person other than an individual is a resident of more than one Contracting Jurisdiction, requiring the competent authorities to endeavor to reach mutual agreement on a single Contracting Jurisdiction of residence and outlining the treatment of that person under the CTA if such an agreement could not be reached.

The provisions of the MLI will come into force for Peru on 1 October 2025.

See EY Global Tax Alert, *Peru deposits MLI with OECD*, dated 17 June 2025.

United Nations

UN Committee of Experts on International Cooperation in Tax Matters publishes Report on the 30th session

On 7 July 2025, the United Nations (UN) published the report on the 30th session of the Committee of Experts on International Cooperation in Tax Matters, held on 24-27 March 2025. The report provides a summary of the items discussed and decisions made during the session, covering a wide array of topics including tax transparency, transfer pricing, dispute avoidance and resolution, taxation issues related to the digitalized and globalized economy, wealth and solidarity taxes, taxation of crypto assets and digitalization.

The Committee also reviewed proposed changes to Article 6 of the UN Model Double Taxation Convention, addressing technical issues related to the definition of immovable property and its impact on residence State taxation. It also discussed Article 5A concerning income from extractives, with adjustments made to align it more closely with employment income definitions. Future work topics were identified, including the taxation of permanent establishments and the definition of income from immovable property.

In addition, the Subcommittee on Transfer Pricing presented guidance on various aspects, including compliance assurance and sector-specific guidance for agriculture and pharmaceuticals. Four priority areas for future work were identified: (i) intragroup financial transactions, (ii) the taxation of intangibles, (iii) intragroup services and (iv) industry-specific guidance, particularly for sectors such as telecommunications and infrastructure. The Committee approved the guidance and acknowledged its practical relevance for countries.

Regarding dispute avoidance and resolution, the Working Group suggested updating the UN Handbook on Avoidance and Resolution of Tax Disputes, focusing on bilateral advance pricing agreements and the relationship between tax, trade and investment agreements. The importance of mediation and bilateral resolution methods was highlighted.

The Subcommittee on Taxation Issues related to the Digitalized and Globalized Economy proposed a new provision on cross-border services, reflecting the diminishing relevance of physical presence for taxation. The Committee agreed to designate this provision as Article 12AA and discussed its implications for taxation in a digital economy.

Furthermore, the Coordinator of the Subcommittee on Wealth and Solidarity Taxes introduced a sample net wealth tax law, which the Committee approved, highlighting changes made since the previous session.

The 31st session of the Committee will be held on 21 to 24 October 2025.

Fourth International Conference on Financing for Development issues Sevilla Commitment

On 3 July 2025, during the UN Fourth International Conference on Financing for Development in Sevilla, Spain, the Sevilla Commitment was adopted, emphasizing the urgent need for reforms in the global financial architecture, particularly addressing issues related to domestic public resources and international tax cooperation. The commitment includes launching reforms to "enhance fiscal space," address debt challenges, and mobilize innovative financing from public and private sources. There is a call for continued reform of the international financial system to make it more inclusive and effective for ensuring that the system is fairer and more equitable.

The Sevilla Commitment outlines several key elements to enhance international tax cooperation. It emphasizes the necessity for inclusive and effective international tax cooperation that benefits all countries, particularly developing countries. Additionally, it calls for a stronger voice and representation of these countries in the international tax architecture, ensuring that their specific challenges and needs are addressed. The commitment also encourages constructive engagement in the ongoing negotiations of the UN Framework Convention on International Tax Cooperation, promoting dialogue among national tax authorities to share best practices and enhance cooperation on tax matters.

Furthermore, the Sevilla Commitment highlights the importance of implementing the OECD's BEPS Pillar Two framework and calls for country-based specific technical support for interested countries in adopting these rules, facilitating their implementation. Finally, the commitment advocates for enhanced tax transparency, recognizing the need for robust domestic registries and international cooperation to combat illicit financial flows.

Looking ahead, the Commitment outlines mechanisms for monitoring and follow-up on the commitments made, including annual reports and the establishment of national focal points for financing for development. As of next steps, the Conference recommends that the General Assembly endorse the Sevilla Commitment at its 79th session, as adopted by the Conference.

UN releases draft issues notes on Workstreams of the UN Framework Convention on International Tax Cooperation

On 27 June 2025, the Intergovernmental Negotiating Committee on the UN Framework Convention on International Tax Cooperation (INC) released the Draft Outline of Issues Overview and Scope on Workstream I on the framework convention, along with Draft Issues Notes on Workstreams II (taxation of income derived from cross-border services) and III (prevention and resolution of tax disputes).

The draft issues note for Workstream I details the scope of commitments to be included in the Framework Convention. It highlights three key commitments for discussion at the August 2025 sessions: (i) effective prevention and resolution of tax disputes, (ii) fair allocation of taxing rights, and (iii) sustainable development. The note emphasizes the importance of establishing fair and efficient mechanisms for dispute resolution, ensuring equitable taxation of MNEs, and promoting international tax cooperation that supports sustainable development goals. The drafting process is categorized into three groups: core commitments, provisions that depend on these commitments (like capacity building), and procedural provisions. The workstream will also continue to develop commitments related to tax evasion and avoidance, which pose significant challenges for developing countries. A recurring issue is the lack of pertinent information regarding income or assets held outside their country, which hampers effective tax policy implementation.

The draft issues note on Workstream II emphasizes the need to clarify the protocol's scope, which may include traditional services provided digitally and genuine digital services, while distinguishing it from the broader "taxation of the digitalized economy." The note highlights the differences in how jurisdictions currently tax cross-border services, particularly the challenges faced by developing countries that often impose gross-basis withholding taxes. These countries seek to modify existing tax treaties that limit their ability to tax non-residents effectively. Discussions within the workstream have focused on the need for new nexus rules that reflect contemporary business practices, as traditional rules based on physical presence may not adequately capture the realities of remote service provision. The workstream aims to develop principles that ensure a fair allocation of taxing rights while eliminating barriers to cross-border trade and investment. Participants have also emphasized the importance of recognizing the role of value creation in determining taxing rights, suggesting that jurisdictions where services are consumed should have a share in the tax revenue generated.

Discussions around Workstream III have recognized that tax disputes can be time-consuming and resource-intensive, often leading to double-taxation risks. Various mechanisms have been developed over time to prevent disputes, such as Advance Pricing Agreements and cooperative compliance practices. However, challenges remain, particularly regarding the asymmetry of information between taxpayers and tax authorities. The protocol's scope is still under discussion, with differing opinions on whether it should focus solely on cross-border disputes or also include domestic issues. The workstream aims to provide a comprehensive overview of these issues before proposing specific solutions after the August 2025 sessions.

As for next steps, the draft issues are open for written input from stakeholders and member states, with stakeholders invited to submit their inputs by 11 July 2025 and Member States by 21 July 2025. Following these deadlines, the INC will hold substantive sessions in New York, NY from 4 to 8 August 2025 for the first session and 11 to 15 August 2025 for the second session. During these sessions, the INC will consider the input received, which will be factored into the discussions. Ultimately, the draft convention and protocols will be submitted to the UN General Assembly for consideration in the first quarter of its 82nd session in late 2027, with a priority on finalizing commitments by the end of 2025.

Other

BRICS express support for UN Framework Convention on International Tax Cooperation

On 5 July 2025, the Finance Ministers and Central Bank Governors of BRICS (Brazil, Russia, India, China, South Africa) endorsed three declarations aimed at enhancing multilateralism and fostering economic development among member states. Among these, they adopted a Joint Statement declaration supporting the UN Framework Convention on International Tax Cooperation, highlighting its importance in establishing an inclusive and equitable global tax architecture.

The Joint Statement declaration emphasizes the need for a UN Framework Convention on International Tax Cooperation as a pivotal step toward a fair global tax system. It encourages active participation in the design of two early protocols and expresses the ministers' commitment to enhancing tax system transparency, fairness, simplicity and efficiency. Additionally, it calls for improved mutual assistance in tax matters, greater transparency and the curtailment of harmful tax practices, particularly concerning high-net-worth individuals. The statement urges all UN members to collaborate in creating fair and inclusive tax systems for the modern era.

On 6 July 2025, BRICS leaders issued the Rio de Janeiro Declaration, reaffirming their commitment to engage constructively in the UN Framework Convention negotiations and its protocols. This declaration reflects a broader agenda for collaboration and reform, emphasizing the promotion of a fair, inclusive, stable, and efficient international tax system for the 21st century. It focuses on tax transparency and fostering global dialogue on effective taxation to enhance progressivity and reduce inequality. The declaration aims to deepen global coordination among tax authorities, improve domestic revenue mobilization, ensure fair allocation of taxing rights, and combat tax evasion and illicit financial flows. It also welcomes the BRICS Joint Statement declaration supporting the UN Framework Convention and reiterates the intention to engage constructively in the Convention's negotiations.

Country developments

Denmark launches public consultation on draft law implementing DAC9

On 1 July 2025, the Danish Ministry of Taxation launched a public consultation on the draft bill aimed at implementing the Directive on Administrative Cooperation (2025/872) (DAC9) into Danish domestic law. DAC9 serves a dual purpose to both:

- Introduce a standard form for the filing obligation established by Art. 44 of the Minimum Tax Directive – the Top-up Tax Information Return (TTIR) which represents the incorporation of the GloBE Information Return (GIR) in EU Law.
- Set up a system that enables the automatic exchange of the information reported between the competent authorities of the EU Member States. In connection with the submission of the TTIR, entities must specify which information must be exchanged and with which jurisdictions. Additionally, the bill includes provisions for sanctions to enforce compliance with the TTIR and update the legal framework for the automatic exchange of financial account information.

In connection with the submission of the TTIR, entities must specify which information must be exchanged and with which jurisdictions it must be exchanged. Additionally, the bill includes provisions for sanctions to enforce compliance with the TTIR and update the legal framework for the automatic exchange of financial account information.

Denmark signed the GIR Multilateral Competent Authority Agreement on 11 June 2025, and the bill will also update the legal framework for the automatic exchange of financial account information.

The consultation deadline is 21 August 2025 and the bill, if approved, is set to take effect on 1 January 2026.

Denmark modifies transfer pricing regulations: Act 194 A

On 3 June 2025, Denmark's Ministry of Taxation adopted Act 194 A, introducing changes to the Danish transfer pricing rules aimed at simplification and reducing documentation requirements for controlled transactions. For example:

1. A new de minimis limit exempts companies with controlled transactions totaling less than DKK 5m from preparing transfer pricing documentation. Note that this exemption does not apply to transactions involving intangible assets or transactions with foreign affiliates in non-information exchange jurisdictions.
2. In addition, the asset and turnover thresholds for small companies have increased. To qualify for the exemption under the new limits, companies must have fewer than 250 employees and either a balance sheet asset criterion of less than DKK 195m or an annual turnover of less than DKK 391m.
3. Furthermore, companies will automatically receive a deferral for their transfer pricing documentation when they defer their tax return submission without needing to submit their transfer pricing documentation before their tax information, which under current rules could only be avoided by a separate request for deferral of the transfer pricing documentation.
4. The amendment also adds a new provision to the Danish Tax Assessment Act that supports a simplified approach to certain transactions, aligning with the OECD Amount B agreement. However, this provision is limited to 23 countries that have a double taxation treaty with Denmark, which may limit its usefulness for Danish groups.
5. An exception has been made for underlying subsidiaries in which the taxpayer, along with other parties, owns less than 5% of the capital and voting rights. This rule applies to situations in which the taxpayer has joint control over the subsidiary and favors investments made through transparent entities, like private-equity funds. These transactions will be exempt from documentation requirements, as long as they are not part of a joint control influence agreement.

The changes in respect of 1 - 3 are expected to take effect from the income year 2025, and the changes in respect of 4 - 5 are expected to take effect for income years beginning on or after 1 January 2025.

See EY Global Tax Alert, *Denmark modifies transfer pricing regulations: Act 194 A*, dated 8 July 2025.

Dominican Republic arrangement with US on exchange of country-by-country reports has been published

On 1 July 2025, the US Internal Revenue Service webpage was updated including the Dominican Republic-United States Competent Authority Arrangement on the Exchange of Country-by-Country (CbC) reports (Arrangement), facilitating compliance with international tax standards. The Arrangement aligns with the Dominican Republic's commitment to the OECD's BEPS Project, specifically implementing BEPS Action 13, which requires local and master file documentation alongside CbCR.

Taxpayers that are ultimate parent entities or constituent entities of multinational groups with consolidated annual revenues of DOP38.8b or more are obligated to comply with the CbCR requirements.

The Arrangement will enable annual and automatic exchanges of CbCR between the two countries' tax authorities, although affected entities should await an official statement from the Dominican Republic tax authorities to confirm the effective date.

See EY Global Tax Alert, *Dominican Republic arrangement with US on exchange of country-by-country reports has been published*, dated 10 July 2025.

Ecuador removes Andorra form preferential tax regimes list

On 17 June 2025, the Ecuadorian Tax Authority published Administrative Resolution No. NAC-DGECCGC25-00000013 modifying the list of regimes and jurisdictions considered "Tax Havens."

For a jurisdiction to be considered to have a preferential tax regime, it must meet at least two of the following criteria: (i) have an effective income tax rate below 60% of Ecuador's rate or an unknown rate; (ii) lack substantial economic activity in the country; and (iii) lack mechanisms for effective exchange of information.

According to the Administrative Resolution, Andorra has been removed from the list of tax havens as it has aligned its tax system with the OECD and EU standards on tax transparency and harmful tax practices

These changes are effective as of 17 June 2025.

Finland's Ministry of Finance launches public consultation on draft law implementing DAC8

On 27 June 2025, the Finnish Ministry of Finance launched a public consultation on the draft government proposal implementing the eighth Directive on Administrative Cooperation (DAC8) into domestic law. The proposal seeks to establish a legal framework that mandates crypto-asset service providers to disclose relevant information to tax authorities, thereby facilitating the automatic exchange of information in line with the OECD Crypto Asset Reporting Framework.

The draft proposal includes amendments to existing tax laws and introduces new reporting requirements for both crypto-asset service providers and financial institutions. It aligns with the recent amendments to the DAC, which extends the automatic exchange of information to encompass data reported by these service providers.

The rules are anticipated to come into effect at the beginning of 2026. Stakeholders are invited to submit their opinions on the draft proposal by 10 August 2025.

Finnish MoF releases public consultation on draft law implementing DAC7

On 25 June 2025, the Ministry of Finance (MoF) of Finland opened a public consultation on the draft government proposal aimed at amending the Act on the Information Disclosure Obligation of Digital Platform Economy Operators in the Field of Taxation and the Act on Tax Procedure to implement the seventh Directive on Administrative (DAC7) cooperation into domestic law. These rules seek to expand the reporting obligations of platform operators, requiring them to disclose information on sales and rental transactions conducted via their platforms to the Finnish Tax Administration.

The proposed amendments will apply to sellers residing in EU Member States, as well as to transactions involving residential and commercial properties located within the EU. Furthermore, it will encompass similar reporting requirements for sellers or properties situated in jurisdictions outside the EU that have committed to information exchange with Finland.

The laws are anticipated to come into effect at the beginning of 2026, aligning Finland with the OECD multilateral agreement on automatic information exchange regarding income from digital platform transactions.

Stakeholders are invited to submit their feedback by 15 August 2025.

German Ministry of Finance opens Public Consultation on draft law implementing DAC8 into domestic law

On 27 June 2025, the Federal Ministry of Finance of Germany published revised draft legislation aimed at implementing DAC8 into domestic law.

The proposed legislation introduces mandatory reporting obligations for cryptocurrency service providers to disclose specific transaction details to tax authorities. Additionally, existing reporting requirements related to financial accounts will be expanded to include digital payment instruments, such as electronic money and central bank digital currencies. These measures align with the OECD's Crypto-Asset Reporting Framework and the revised Common Reporting Standard.

The implementation of the rules is expected to be completed by 31 December 2025.

Japan clarifies interpretation of interest under earnings-stripping rules

On 24 June 2025, the Financial Services Agency (FSA) of Japan announced clarifications to the tax rules addressing the special taxation measures related to excessive interest payments. This development aims to clarify the interpretation of payments considered "economically equivalent to interest" under the country's earnings-stripping rules. This clarification follows consultations with the National Tax Agency and the Ministry of Finance, aimed at aligning Japan's laws with international standards, particularly those outlined in the OECD's BEPS Project Action 4 Final Report.

The FSA's announcement emphasizes that notional interest amounts from derivative instruments related to borrowings must be included under interest limitation rules, while unrelated derivatives, like commodity derivatives, are excluded. The FSA's assessment approach determines whether payments are closely linked to financing transactions, thereby qualifying as "economically equivalent to interest."

Lithuania implements DAC8 and allows retroactive application in APAs

On 30 June 2025, the parliament of Lithuania announced amendments to the Law on Tax Administration, which include the transposition of the Amending Directive to the 2011 Directive on Administrative Cooperation (2023/2226) (DAC8) and the rollback of APAs.

The DAC8 transposition mandates that crypto asset service providers collect and report user information related to reportable crypto transactions to the State Tax Inspectorate annually. This includes detailed definitions of reporting obligations and the types of transactions that fall under this regulation. The law actually exempts crypto asset service providers from reporting information about certain entities, such as government bodies and regulated financial institutions. Furthermore, crypto operators must register with the State Tax Inspectorate, and failure to comply may lead to severe penalties, including website blocking.

In addition, the amendments to APAs allow for retroactive applications, aligning with OECD BEPS Action 14 recommendations. This enables taxpayers to seek prior agreements on transfer pricing rules, enhancing dispute resolution mechanisms. The tax administrator is tasked with developing comprehensive guidelines to ensure effective implementation of these obligations.

The State Tax Inspectorate is expected to establish detailed rules regarding the reporting processes and compliance measures. The rules are expected to enter into force on 1 January 2026.

Singapore updates list of jurisdictions for exchange of CbC reports

On 20 June 2025, the Inland Revenue Authority of Singapore updated its list of jurisdictions with which it will exchange CbC reports under the Multilateral Competent Authority Agreement on the exchange of CbC reports. Singapore added to the list Cameroon, with which the exchange relationship is effective from financial years beginning on 1 January 2024.

Following this update, Singapore has an exchange relationship with a total of 97 jurisdictions.

For additional information with respect to this Alert, please contact the following:

Ernst & Young LLP (United States), Global Tax Desk Network, New York

- Ana Mingramm ana.mingramm@ey.com
- Jose A. (Jano) Bustos joseantonio.bustos@ey.com
- Roberto Aviles Gutierrez roberto.aviles.gutierrez1@ey.com

Ernst & Young Belastingadviseurs LLP, Rotterdam

- Marlies de Ruiter marlies.de.ruiter@nl.ey.com
- Maikel Evers maikel.evers@nl.ey.com
- Mahi Anastasiou mahi.anastasiou@nl.ey.com

Ernst & Young Belastingadviseurs LLP, Amsterdam

- David Corredor-Velásquez david.corredor.velasquez@nl.ey.com

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