

Quarterly tax developments

Things to know about this quarter's tax developments and related US GAAP accounting implications

December 2025

Updated through 31 December 2025

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Welcome to our December 2025 Quarterly tax developments publication, which focuses on income tax developments that could affect US GAAP accounting.

This edition is updated for certain developments identified from 4 December through 31 December 2025. New developments are designated by an asterisk (*) after the state or country name.

Here we describe certain tax developments previously summarized in Tax Alerts or other EY publications or identified by EY tax professionals or EY foreign member firms. These developments may affect your tax provision or estimated annual effective tax rate.

We compile this information because we recognize that, for many companies, the most challenging aspect of accounting for income taxes is identifying changes in tax law and other events when they occur so the accounting can be reflected in the appropriate period. However, this publication is not a comprehensive list of all changes in tax law and other events that may affect income tax accounting.

We list EY publications that you can access through our [Tax News Update website](#), if you are registered. Anyone interested in registering should contact Amy Herlihy at amy.herlihy@ey.com.

See our [previous editions](#) for additional tax developments.

Tax developments

Legislation enacted in the fourth quarter

Federal, state and territories

California – On 1 October 2025, California enacted legislation that updates the state's conformity to the Internal Revenue Code (IRC) as of 1 January 2025. California continues to selectively decouple from significant provisions of the Tax Cuts and Jobs Act (P.L. 115-97), including modifications to:

- ▶ IRC Section 174 on research and experimental (R&E) expenditures
- ▶ IRC Section 163(j) on the limitation on business interest expense deductions
- ▶ IRC Section 168(k) on a special depreciation allowance for qualified property and qualified improvement property
- ▶ IRC Section 179 on expensing certain business property or computer software
- ▶ IRC Sections 250 and 951A on global intangible low-taxed income (GILTI) and foreign-derived intangible income (FDII)

California does not conform to changes made by H.R. 1, the tax legislation signed into law by President Trump on 4 July 2025 (commonly known as the One Big Beautiful Bill Act) after the date of IRC conformity.

The changes became effective upon enactment.

On the same day, California also enacted legislation that temporarily suspends the state's taxation of federal refunds based on certain environmental credits and payments received in exchange for transferring those credits. The changes apply to tax years beginning on or after 1 January 2026 and before 1 January 2031. See Tax Alerts [2025-2021](#), dated 6 October 2025, and [2025-2032](#), dated 7 October 2025.

On 7 October 2025, California enacted legislation clarifying the grounds on which the California Franchise Tax Board may not preclude a disregarded single-member limited liability company from assigning the Motion Picture and Television Production Tax Credit 3.0 to affiliated corporations. The legislation applies to credits that were assigned and claimed on a timely filed tax return with the California Franchise Tax Board for tax years beginning on or before 1 January 2025. See the [State and Local Tax Weekly for 10 October 2025 and 17 October 2025](#).

On 10 October 2025, California enacted legislation allowing taxpayers to elect to sell low-income housing tax credits, as outlined by the California Tax Credit Allocation Committee (CTCAC), rather than requiring taxpayers to sell their credits to the CTCAC. The change is effective 1 January 2026. See the [State and Local Tax Weekly for 10 October 2025 and 17 October 2025](#).

Delaware¹ – On 19 November 2025, Delaware enacted legislation decoupling from changes made by H.R. 1 to the following provisions in the IRC:

- ▶ IRC Sections 174 and 174A on R&E expenditures
- ▶ IRC Section 168(k) on a special depreciation allowance for qualified property and qualified improvement property
- ▶ IRC Section 168(n) on a special depreciation allowance for qualified production property
- ▶ IRC Section 179 on expensing certain business property or computer software

The changes have varying effective dates.

¹ A Tax Alert has not been published on this development.



District of Columbia – On 3 December 2025, the District of Columbia enacted emergency legislation decoupling from changes made by H.R. 1 to the following IRC provisions:

- ▶ IRC Sections 174 and 174A on R&E expenditures
- ▶ IRC Section 163(j) on the limitation on business interest expense deductions
- ▶ IRC Section 168(k) on a special depreciation allowance for qualified property and qualified improvement property
- ▶ IRC Section 168(n) on a special depreciation allowance for qualified production property
- ▶ IRC Section 179 on expensing certain business property or computer software

The emergency legislation also specifies criteria that must be met for investments in a qualified opportunity fund after 31 December 2026 to receive certain benefits.

The emergency legislation is effective for 90 days and will expire on 3 March 2026. These changes need to be introduced through a separate bill that goes through the full legislative process, including a mandatory 30-in-session-day review period by Congress, to be permanently enacted. See [Tax Alert 2025-2409](#), dated 3 December 2025.

Illinois² – On 12 December 2025, Illinois modified its income tax laws to address certain changes made by H.R. 1, including:

- ▶ Continuing to decouple from bonus depreciation under IRC Section 168(k)
- ▶ Decoupling from bonus depreciation under IRC Section 168(n) (applies to tax years 2026 and after)

The changes are effective upon enactment.

Michigan – On 7 October 2025, Michigan enacted legislation updating the state's conformity to the IRC as of 1 January 2025. The legislation decouples from the following IRC provisions:

- ▶ IRC Section 174A on domestic R&E expenditures
- ▶ IRC Section 168(k) on a special depreciation allowance for qualified property and qualified improvement property
- ▶ IRC Section 168(n) on a special depreciation allowance for qualified production property

The legislation also effectively decouples from the H.R. 1 changes to the following IRC provisions:

- ▶ IRC Section 163(j) on the limitation on business interest expense deductions
- ▶ IRC Section 174 on R&E expenditures
- ▶ IRC Section 179 on expensing certain business property or computer software

The changes are generally effective for corporate income tax years beginning after 31 December 2024.

Pennsylvania – On 12 November 2025, Pennsylvania enacted legislation decoupling from changes made by H.R. 1 to the following IRC provisions:

- ▶ IRC Sections 174 and 174A on R&E expenditures
- ▶ IRC Section 163(j) on the limitation on business interest expense deductions
- ▶ IRC Section 168(n) on a special depreciation allowance for qualified production property

Other state tax incentives were also enacted. The changes have various effective dates. See [Tax Alert 2025-2403](#), dated 2 December 2025.

² A Tax Alert has not been published on this development.

International

Brazil³ – On 26 November 2025, Brazil enacted a 10% withholding tax on dividends distributed to nonresident companies, among others. The change is effective 1 January 2026.

On 26 December 2025, Brazil^{*4} enacted legislation reducing most federal tax incentives by 10% over two years, beginning in tax year 2025. The legislation also increases the withholding tax rate on interest on net equity paid or credited to nonresidents to 17.5% from 15%. Other changes include increasing the corporate tax rate for financial technology company (fintech) income to 40% or 45% (depending on the fintech's regulatory characterization) from 34%, as well as increasing the presumed profit margins for purposes of defining the taxable income under the presumed profit method by 10%. The changes are generally effective 1 January 2026.

Italy^{*5} – On 30 December 2025, Italy enacted legislation limiting the eligibility for the 95% exemption for capital gains from stock dispositions and the 95% exemption on dividend income to Italian companies that own either a minimum 5% of stock in the relevant subsidiary or stock with a tax value of no less than EUR 500,000.

The same thresholds apply as a requirement for claiming the 1.2% reduced withholding tax for dividends paid by an Italian company to companies in the European Union (EU) and certain countries in the European Economic Area (EEA). Other changes include eliminating the ability to defer, over five years, recognition of capital gains from asset sales (unless qualifying as a going concern), resulting in immediate taxation of gains from asset disposals occurring on or after 1 January 2026 (for calendar-year companies).

The legislation also includes:

- ▶ Increasing the rate of the regional tax on productive activities by two percentage points for fiscal years 2026 through 2028 to 6.65% from 4.65% for banks (up to 7.57% regionally) and to 7.90% from 5.90% for insurance companies (up to 8.82% regionally) and allowing an offset of up to EUR 90,000 against the incremental tax for fiscal years 2027 and 2028
- ▶ Limiting deductions for interest expense (currently fully deductible) for banks and financial intermediaries other than fund management companies and investment companies at differentiated rates from 96% to 99% for fiscal years 2026 through 2029 (as of 2030 full deduction should be reinstated)
- ▶ Requiring certain deductions for fiscal year 2027 related to deferred-tax assets to be claimed over multiple years

The changes are generally effective 1 January 2026.

Korea^{*} – On 23 December 2025, Korea enacted legislation increasing its corporate income tax rates as follows:

- ▶ 10% from 9% for taxable income of KRW200 million or less
- ▶ 20% from 19% for taxable income over KRW200 million to KRW20 billion
- ▶ 22% from 21% for taxable income over KRW20 billion to KRW300 billion
- ▶ 25% from 24% for taxable income over KRW300 billion

Other changes made by the legislation include:

- ▶ Imposing a 22% withholding tax on the difference between the consideration received and the fair market value for sales of assets located in Korea if the difference is 30% or more of the fair market value
- ▶ Taxing foreign corporations' dividend equivalents from over-the-counter derivatives
- ▶ Taxing dividends paid to foreign shareholders from a Korean corporation's capital reserves to the extent those dividends exceed what certain shareholders paid for the shares (applies to dividends received on or after 1 January 2026)

The changes are generally effective for effective for fiscal years beginning on or after 1 January 2026.

³ A Tax Alert has not been published on the legislation's enactment. For discussion of the proposed legislation, see [Tax Alert 2025-2232](#), dated 6 November 2025.

⁴ A Tax Alert has not been published on the legislation's enactment. For discussion of the proposed legislation, see [Tax Alert 2025-2572](#), dated 19 December 2025.

⁵ A Tax Alert has not been published on the legislation's enactment.

Other considerations

Court decisions, regulations issued by tax authorities and other events may constitute new information that could trigger a change in judgment in recognition, derecognition or measurement of a tax position. These events also may affect your current or deferred tax accounting.

Federal, state and territories

The Internal Revenue Service (IRS) finalized regulations modifying the interest capitalization requirements for improvements to property temporarily withdrawn from service. The final regulations eliminate the associated property rule, which previously included the value of certain related property (e.g., land or existing structures) in the accumulated production expenditures used to determine the amount of interest required to be capitalized. As a result, the amount of interest required to be capitalized has decreased. See [Tax Alert 2025-2039](#), dated 8 October 2025.

In two notices, the IRS outlined how the corporate alternative minimum tax (CAMT) applies to domestic corporate transactions, financially troubled companies and tax consolidated groups. Applicability dates and adjustments to financial statement income were also addressed. The IRS also announced its intent to partially replace the proposed CAMT regulations issued in September 2024 with new proposed regulations based on the guidance in the two notices and previous notices from summer 2025. See [Tax Alert 2025-2143](#), dated 23 October 2025.

In another notice, the Treasury Department (Treasury) and the IRS announced that forthcoming proposed regulations would source “borrow fees” or “negative rebates” from securities lending and sales-repurchase transactions to the recipient’s residence. Taxpayers may rely on rules in the notice until the forthcoming regulations are published. See [Tax Alert 2025-2195](#), dated 30 October 2025.

In four notices, Treasury and the IRS announced their intent to issue proposed regulations that would implement changes made to international tax rules by H.R. 1. The forthcoming regulations would address:

- ▶ The allocation of certain foreign income taxes that accrue during the mandatory, one-month “short year” caused by the repeal of the one-month deferral election for controlled foreign corporations
- ▶ The transition rule for dividends in the context of applying the new pro rata share rule under IRC Section 951(a)
- ▶ The effective date and application of IRC Section 960(d)(4), which disallows a foreign tax credit for 10% of any foreign income taxes paid or accrued (or deemed paid) on previously taxed earnings and profits
- ▶ New rules for calculating foreign-derived deduction-eligible income, as well as discussion of the meanings of intangible property, “any other property of a type” and sale or other disposition for purposes of IRC Section 250

See Tax Releases [2025-2381](#), dated 26 November 2025, and [2025-2425](#), dated 4 December 2025. Tax Alerts on the notices are forthcoming.

In a revenue procedure, Treasury and the IRS created a safe harbor allowing certain US exchange-traded products that hold digital assets and are investment and grantor trusts for US federal income tax purposes to stake their digital assets without jeopardizing their tax status. To qualify for the safe harbor, trusts must meet 14 requirements, including listing and trading their interests on a national securities exchange, owning only cash and one type of proof-of-stake digital asset, and conducting staking activities through custodians with strict controls. See [Tax Alert 2025-2345](#), dated 21 November 2025.

Iowa – The Department of Revenue certified that the corporate income tax rate will not decrease for tax year 2026 because the revenue threshold for recalculating the rate was not met. See the [State and Local Tax Weekly for 24 October 2025 and 31 October 2025](#).

Kansas – In a notice, the Director of Budget announced that previously enacted reductions in the corporate income tax rate, among others, will not occur in tax year 2026. The Director noted that the revenue thresholds on which the rate reductions depended were not met. See the [State and Local Tax Weekly for 26 September 2025 and 3 October 2025](#).



Massachusetts – In amendments to regulations, the Department of Revenue outlined how the addition of certain internet cookies by an out-of-state vendor to the computers or other electronic devices of Massachusetts customers could fall outside the scope of P.L. 86-272 and subject the vendor to Massachusetts tax. See the [State and Local Tax Weekly for 10 October 2025 and 17 October 2025](#).

Nebraska – The Department of Revenue issued guidance on a recently enacted law that prohibits “foreign adversarial companies” from claiming Nebraska tax incentives, such as income tax credits. The prohibition extends to any credits or incentives from past years that are carried forward. See [Tax Alert 2025-2317](#), dated 18 November 2025.

State – The following states have released guidance for state corporate income tax purposes addressing conformity to certain provisions in H.R. 1:

- ▶ Alabama
- ▶ Iowa
- ▶ Massachusetts
- ▶ New Jersey
- ▶ Tennessee
- ▶ Texas

See [Tax Alert 2025-2365](#), dated 25 November 2025, and the [State and Local Tax Weekly for 24 October 2025 and 31 October 2025](#).

Tax amnesties

This table shows tax amnesties that were announced or went into effect in the fourth quarter of 2025.

Jurisdiction	Amnesty period	Taxes covered	Reference
New Hampshire	1 December 2025 through 15 February 2026	Business profits tax, among others	https://www.revenue.nh.gov/tax-amnesty-program

International

European Union – The EU Council added Greenland, Jordan, Morocco and Montenegro to Annex II of its list of noncooperative jurisdictions for tax purposes and removed Vietnam. Annex II identifies jurisdictions that are making progress on reforming their tax policies to meet EU standards but remain subject to close monitoring. There are 11 countries on the Annex II list. See [Tax Alert 2025-2087](#), dated 15 October 2025.

Germany – The Düsseldorf Tax Court held that the head of a German fiscal unity (i.e., the parent of a consolidated group) could not use losses incurred by a liquidated Belgian entity, which was treated as a permanent establishment (PE) for German tax purposes, against income in Germany. The Court reasoned that the Germany-Belgium tax treaty exempts the Belgian PE’s profits and losses from German taxation, even if Germany applied a “subject-to-tax” condition allowed under the treaty. The Court also noted that EU law does not require Germany to recognize final losses incurred abroad. See [Tax Alert 2025-2295](#), dated 14 November 2025.

India – The Supreme Court held that a French drilling company could deduct administrative expenses and carry forward unused depreciation on tax returns filed during the five years that the company was in between customer contracts. The Court reasoned that the company had not ceased operations during the five-year gap based on its continued bids for new work. The Court also rejected a lower court’s determination that the business needed an Indian PE to be considered ongoing, noting that Indian income tax can apply to nonresidents that do not have a PE in India. See [Tax Alert 2025-2295](#), dated 14 November 2025.

Israel – In a circular, the tax authority clarified the transfer pricing method (typically the transactional net margin method) that Israeli research and development (R&D) centers need to use when providing routine services to foreign related parties. The tax authority also limited markup adjustments to 14% unless certain approvals are obtained. Additionally, the circular provided supporting language for a 6% capital gains tax rate on the exit of certain intellectual property (IP) from Israel, rather than a 23% IP exit tax. See [Tax Alert 2025-2276](#), dated 12 November 2025.

Things we have our eyes on

National, state and local governments continue to seek to increase their revenues. Companies should continue to monitor developments in this area. Some of these potential tax law changes are summarized here.

Federal, state and territories

Federal – The IRS and Treasury Department proposed regulations that would remove the domestic corporation look-through rule for determining domestic control of a qualified investment entity (QIE). With the change, QIEs could more easily qualify for exemption from taxes on gains from the sale of interests in US real property under the Foreign Investment in Real Property Tax Act. See [Tax Alert 2025-2230](#), dated 5 November 2025.

Florida – The state sued California in the US Supreme Court, challenging the constitutionality of California's exclusion of proceeds from the sale of certain fixed assets or property from its single sales factor apportionment provisions, which allocate the income of multistate companies to California for income tax purposes. Florida alleges that the exclusion violates the Commerce Clause, the Import-Export Clause and the Due Process Clause and seeks to enjoin California from enforcing it. See the [State and Local Tax Weekly for 24 October 2025 and 31 October 2025](#).

International

Argentina – In a draft general resolution, the tax authority proposed significant changes to Argentina's transfer-pricing regime, including:

- ▶ Tightening rules on comparables used in transfer pricing analysis
- ▶ Introducing new definitions for hard-to-value intangibles
- ▶ Adding clear guidelines for export commodity contracts
- ▶ Updating de minimis thresholds

See [Tax Alert 2025-2402](#), dated 2 December 2025.

Belgium – The Parliament is considering a bill that would amend Belgium's Pillar Two global minimum tax rules to clarify key concepts, among other things. Proposed changes include:

- ▶ Treating joint ventures entities and their affiliates as separate categories of entities for Pillar Two purposes rather than constituent entities
- ▶ Extending the application of Belgium's qualified domestic minimum top-up tax (QDMTT) to joint venture entities and their affiliates
- ▶ Shortening the statute of limitations under Belgium's Pillar Two rules to six years from 10 years
- ▶ Aligning and harmonizing Belgium's Pillar Two rules with some of the general tax concepts and procedures under its income tax code

See [Tax Alert 2025-2139](#), dated 23 October 2025.

Canada – Parliament is considering legislation that would reinstate accelerated rates of depreciation for most capital investments. The legislation would allow for an immediate write-off of the full cost of certain manufacturing and processing (M&P) machinery and equipment, clean energy equipment, and zero-emission vehicles acquired after 2024 and available for use before 2030. M&P machinery and equipment, clean energy equipment, and zero-emission vehicles available for use from 2030 through 2033 will be eligible for an accelerated first-year rate of depreciation, allowing for 75% of the cost to be written off for property available for use in 2030 or 2031 and 55% of the cost to be written off for property available for use in 2032 or 2033.

The legislation would also allow 100% expensing for certain other types of property (e.g., patents, data network infrastructure equipment, computer equipment and systems software) acquired after 15 April 2024 and available for use before 2027. Additionally, most other categories of depreciable property acquired after 2024 and available for use before 2034 are eligible for accelerated depreciation in the form of an enhanced first-year deduction. For companies in the resource sector, a similar enhanced first-year deduction would also allow for a faster write-off of certain Canadian development expenses and Canadian oil-and-gas-property expenses.



Other proposals in the legislation would:

- ▶ Temporarily increase to 10% from 4% the depreciation rate for certain rental housing construction projects that begin after 15 April 2024 and before 2031
- ▶ Increase tax incentives for scientific research and experimental development (SR&ED) by reinstating the income deduction for capital expenses related to SR&ED and incurred after 15 December 2024
- ▶ Replace Canada's transfer pricing adjustment and recharacterization rules with a single adjustment application rule that would apply if the actual conditions of the relevant transaction or series differ from arm's-length conditions (proposed to apply to tax years beginning after 4 November 2025)
- ▶ Strengthen the foreign affiliate rules by preventing Canadian companies from avoiding current taxation of their foreign affiliates' undistributed profits from passive businesses
- ▶ Strengthen anti-avoidance rules that deny deductions for inter-corporate dividends received under a synthetic equity arrangement by removing certain exceptions
- ▶ Strengthen the conditions that must be met for a corporation to qualify as a mutual fund corporation
- ▶ Exempt from tax certain capital gains from international shipping and adjust the calculation of tax depreciation on a vessel used to earn exempt international shipping income in some tax years and non-exempt income in other tax years
- ▶ Make technical amendments that would affect, among others, foreign affiliate share-for-share exchanges, foreign mergers, the limitation on excessive interest and financing expenses, and the definition of foreign accrual property income

In the 2025 federal budget, the government proposed allowing immediate expensing for eligible M&P buildings acquired after 3 November 2025 and first used in M&P before 2030. Eligible M&P buildings first used from 2030 through 2033 will be eligible for an accelerated first-year rate of depreciation (similar to M&P machinery and equipment). The government also proposed an accelerated depreciation rate for eligible liquefied natural gas equipment and related buildings acquired after 3 November 2025 and before 2035. Other proposals would:

- ▶ Narrow the definition of Canadian exploration expenses by excluding expenses related to determining the economic viability or engineering feasibility of a mineral resource (proposed to apply as of 4 November 2025)
- ▶ Tax investment income earned by a foreign affiliate of the Canadian insurer from property used to back the insurer's Canadian risks as foreign accrual property income (proposed to apply to tax years beginning on or after 4 November 2025)

See Tax Alerts [2025-2240](#), dated 6 November 2025, [2025-2293](#), dated 14 November 2025, and [2025-2401](#), dated 2 December 2025.

France – Parliament is considering the draft Finance Bill for 2026, which would extend the temporary corporate income tax surcharge for an additional year (i.e., through fiscal year 2026 for companies with a calendar year-end). The extended surcharge would apply to companies with revenue of EUR1 billion or more, with reduced rates of 10.3% (currently 20.6%) for companies with revenue realized in France equal to or greater than EUR1 billion but less than EUR3 billion, and 20.6% (currently 41.2%) for companies with revenue realized in France equal to or greater than EUR3 billion.

Other proposals would:

- ▶ Incorporate guidelines from the Organisation for Economic Co-operation and Development (OECD) on the treatment of deferred tax liabilities into French law
- ▶ Adjust the French QDMTT rules, particularly for undertaxed investment companies or insurance investment companies
- ▶ Align terms and definition under the French Global anti-Base Erosion rules with the specificities of certain industries

See [Tax Alert 2025-2102](#), dated 17 October 2025.

Ghana – In its 2026 Budget, the government proposed aligning Ghana’s income tax act with the leading practices of the OECD and other organizations. It also indicated its intent to strengthen rules taxing the income of nonresidents providing digital services in Ghana. See [Tax Alert 2025-2380](#), dated 26 November 2025.

Ireland – The government proposed amending the R&D tax credit by increasing the credit’s rate to 35% from 30% and increasing the first-year payment threshold to EUR87,500 from EUR75,000. Additionally, it proposed expanding eligibility for the dividend participation exemption (i.e., a corporate income tax exemption for dividends from foreign subsidiaries in certain jurisdictions) to include qualifying dividends from jurisdictions that impose a nonrefundable withholding tax upon the dividends when distributed. Other proposals include:

- ▶ Limiting balancing allowances (i.e., a deduction that arises when an asset’s depreciation value exceeds its sales price on disposal) to 80% of the relevant trading profits in any one accounting period (applies retroactively to any disposal occurring on or after 8 October 2025)
- ▶ Increasing the film corporation tax credit for eligible visual effects works produced in Ireland by applying a 40% rate for expenditures ranging from EUR1 million to EUR10 million and the standard 32% rate for expenditures over EUR10 million to EUR125 million, subject to EU State Aid approval
- ▶ Introducing a dividend withholding tax exemption for Investment Limited Partnerships and equivalent EU/EEA partnerships that are beneficially entitled to not less than 51% of the Irish distributing company’s ordinary share capital, subject to the outbound-payment rules

See [Tax Alert 2025-2048](#), dated 9 October 2025.

Israel – The Ministry of Finance, the Israel Tax Authority and the Israel Innovation Authority outlined a comprehensive tax reform package for the high-tech sector. Income tax incentives to be offered under the reform include:

- ▶ A capital gains tax exemption for foreign investors on investments in Israeli tech companies
- ▶ Passive income classification (and correspondingly lower tax rates) for certain Israeli fund investors
- ▶ Reduced withholding tax on interest and dividends for certain fund investors and technology investments
- ▶ Transfer pricing guidance for R&D centers

See [Tax Alert 2025-2228](#), dated 5 November 2025. See the Other considerations section of this publication for discussion of related guidance on the reform’s transfer pricing proposals.

OECD* – On 5 January 2026, the OECD released new administrative guidance detailing a “side-by-side” arrangement following agreement on key elements by the OECD/G20 Inclusive Framework on BEPS (Pillar Two). The administrative guidance includes a “side-by-side” safe harbor, simplified effective-tax-rate safe harbor, an extension of the transitional country-by-country reporting safe harbor, and a substance-based tax incentive safe harbor. The “side-by-side” safe harbor would effectively exempt US parented groups from the Income Inclusion Rule (IIR) and the Undertaxed Profits Rule (UTPR) for fiscal years beginning on or after 1 January 2026, subject to jurisdiction specific enactment. See [Tax Alert 2025-0123](#), dated 6 January 2025.

Turkey – In a draft communique, the Revenue Administration details how Turkey’s QDMTT, IIR and UTPR will apply to affected companies. See [Tax Alert 2025-2012](#), dated 3 October 2025.

United Kingdom – In the 2025 budget, the UK Chancellor of the Exchequer proposed decreasing the main rate of capital allowance (allowable tax depreciation) under the writing down allowance to 14% from 18%. The Chancellor also proposed a new 40% first-year allowance (another form of depreciation) beginning January 2026. Other changes include:

- ▶ Simplifying the UK transfer pricing rules
- ▶ Aligning the UK’s PE definition and rules on allocating PE profits with OECD principles
- ▶ Amending the UK’s Pillar Two rules to incorporate recent updates
- ▶ Broadening eligibility criteria under the enterprise management incentive rules beginning 6 April 2026
- ▶ Amending the anti-avoidance provisions that apply to share exchanges and company reorganizations with effect from 26 November

See [Tax Alert 2025-2397](#), dated 2 December 2025.

Appendix A

Overview of Pillar Two implementation across the world

Final legislation	
Jurisdiction	Rules covered
European Union	QDMTT, IIR, UTPR
Australia	QDMTT, IIR, UTPR
Austria	QDMTT, IIR, UTPR
Bahamas	QDMTT
Bahrain	QDMTT
Barbados	QDMTT
Belgium	QDMTT, IIR, UTPR
Brazil	QDMTT
Bulgaria	QDMTT, IIR, UTPR
Canada	QDMTT, IIR
Croatia	QDMTT, IIR, UTPR
Cyprus*	DMTT, IIR, UTPR
Czech Republic	QDMTT, IIR, UTPR
Denmark	QDMTT, IIR, UTPR
Finland	QDMTT, IIR, UTPR
France	QDMTT, IIR, UTPR
Germany	QDMTT, IIR, UTPR
Gibraltar	QDMTT, IIR
Greece	QDMTT, IIR, UTPR
Guernsey	QDMTT, IIR
Hong Kong	QDMTT, IIR, UTPR
Hungary	QDMTT, IIR, UTPR
Indonesia	QDMTT, IIR, UTPR
Ireland	QDMTT, IIR, UTPR
Isle of Man	QDMTT, IIR
Israel	QDMTT
Italy	QDMTT, IIR, UTPR
Japan	QDMTT, IIR, UTPR
Jersey	DMTT, IIR

Final legislation	
Jurisdiction	Rules covered
Kenya	QDMTT
Kuwait	QDMTT
Liechtenstein	QDMTT, IIR, UTPR
Luxembourg	QDMTT, IIR, UTPR
Malaysia	QDMTT, IIR
Mauritius	QDMTT
Netherlands	QDMTT, IIR, UTPR
New Zealand	IIR, UTPR
North Macedonia	QDMTT, IIR, UTPR
Norway	QDMTT, IIR, UTPR
Oman	QDMTT, IIR
Poland	QDMTT, IIR, UTPR
Portugal	QDMTT, IIR, UTPR
Qatar	QDMTT, IIR
Romania	QDMTT, IIR, UTPR
Singapore	QDMTT, IIR
Slovakia	QDMTT
Slovenia	QDMTT, IIR, UTPR
South Africa	QDMTT, IIR
South Korea	IIR, UTPR, QDMTT
Spain	QDMTT, IIR, UTPR
Sweden	QDMTT, IIR, UTPR
Switzerland	QDMTT, IIR
Thailand	QDMTT, IIR, UTPR
Turkey	QDMTT, IIR, UTPR
United Arab Emirates	QDMTT
United Kingdom	QDMTT, IIR, UTPR
Uruguay	QDMTT
Vietnam	QDMTT, IIR

Draft legislation	
Jurisdiction	Rules covered
Cabo Verde	QDMTT
Curaçao	QDMTT, IIR
Iceland	QDMTT, IIR
Lithuania	QDMTT, IIR, UTPR
Montenegro	QDMTT

Indicates new in Q4

Acronyms: IIR (Income Inclusion Rule), UTPR (Undertaxed Profits Rule), DMTT (Domestic Minimum Top-up Tax), QDMTT (Qualified Domestic Minimum Top-up Tax).

* Cyprus has introduced DMTTs, which are not anticipated to meet QDMTT status as part of the peer review.

Source: EY BEPS Developments Tracker **Base Erosion and Profit Shifting (BEPS) 2.0 | EY - global**

Note: Developments Tracker cut-off date – as of 10 December 2025.

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SCORE No. 29346-251US
(Updated 8 January 2026)

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