

Global Tax Alert

The Latest on BEPS and Beyond

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EY Tax News Update

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Highlights

This year commenced with the long-awaited [release](#) of the Pillar Two Side-by-Side package by the Organisation for Economic Co-operation and Development (OECD) Inclusive Framework. This package introduces four new safe harbors, providing businesses with greater clarity on the adjusted scope of the rules, the approach to simplification measures and a differentiated treatment for substance-based tax incentives.

However, companies will need to continue to monitor developments both in the Inclusive Framework and in relevant countries in 2026 and beyond. Inclusive Framework member jurisdictions have committed to implement the new package, but domestic implementation of the safe harbors will necessitate legislative changes in most Pillar Two jurisdictions. Also, the new package and its effects may affect the policy decisions made in some countries regarding Pillar Two going forward. In addition, the changes to the treatment of substance-based tax incentives may trigger changes in the tax incentives that countries choose to offer. The package also outlines various strands of follow-up work by the Inclusive Framework, including a review of countries' tax regimes, further administrative guidance on the Pillar Two rules - including integrity measures - and an eventual stocktaking on the effects of the side-by-side system and the global minimum tax rules. Consequently, businesses must continue their compliance preparations for the years before the new rules take effect, while evaluating the implications of the latest guidelines and tracking further activity at both domestic and international levels (also see the [replay of EY's global webcast](#)).



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In parallel, the Inclusive Framework has advanced its work on a new workstream addressing global mobility issues. The OECD hosted a public consultation meeting on 20 January 2026, in which exchanges among policymakers, business representatives and other stakeholders underscored the broad recognition of the evolving workforce and the new tax challenges it presents. Businesses highlighted increasingly complex but common fact patterns, which may signal challenges for the Inclusive Framework in finding effective solutions. The upcoming period presents an important opportunity for businesses and employees to engage with policymakers on the problems that they have experienced and contribute to the development of practical solutions.

Although, there have been no indications that the Inclusive Framework will resume its work on Pillar One Amount A, there have been recent comments regarding turning to work on taxation of the digital economy, including a statement by the United States Treasury Secretary, following the agreement on Pillar Two. There may be discussion of this topic in upcoming meetings of the G20, currently with the United States in the presidency in 2026, and the April 2026 Inclusive Framework plenary meeting in Dubai.

Before that, discussions on services taxation will take place in New York, where the next round of United Nations (UN) Framework Convention negotiations will commence on 2 February 2026. In preparation for negotiations on Protocol I regarding services taxation, the UN has published an [options paper](#) and a [background note](#) to inform the upcoming negotiations. Given the importance of cross-border services in a globalized economy, this workstream is significant. The chair of the negotiating committee has indicated that the draft version of Article 5 of the Framework Convention, [published](#) on 22 January 2026, should serve as important guidance. Under this provision, if adopted, parties “agree that all jurisdictions in which value is created, markets are located, revenues are generated or economic activities take place have a right to tax a portion of the income generated from such activities and shall take such actions as are necessary to ensure a fair allocation of taxing rights among all such jurisdictions.” Although the potential impact of the UN’s work remains uncertain, this development is another critical workstream for businesses to monitor and consider engaging on.

With this edition, and the forthcoming editions of 2026, the “Latest on BEPS and Beyond” is committed to reporting on these significant developments.

BEPS 2.0

OECD

OECD releases Side-by-Side Package on Pillar Two

On 5 January 2026, the OECD announced a political and technical agreement by the Inclusive Framework on a comprehensive package for a “side-by-side arrangement” (the Package). The Package, in the form of Administrative Guidance, includes a new Simplified Effective Tax Rate (ETR) Safe Harbour, a one-year extension of the Transitional Country-by-Country Reporting (CbCR) Safe Harbour, a new Substance-based Tax Incentive Safe Harbour and two Safe Harbours related to a Side-by-Side System. This Administrative Guidance will be incorporated into the Commentary to the Global Anti-Base Erosion (GloBE) Model Rules.

The Simplified ETR Safe Harbour will be applicable as of 2027 (and in certain circumstances as of 2026 in jurisdictions that so choose) and is intended to provide compliance simplifications for businesses and tax authorities. The Transitional CbCR Safe Harbour is extended by one year, to include 2027. Taxpayers may be able to choose between the Simplified ETR and Transitional CbCR Safe Harbours during the period of overlap.

The Substance-based Tax Incentive Safe Harbour allows a Multinational Enterprise (MNE) Group to treat Qualified Tax Incentives as an addition to the Covered Taxes of the Constituent Entities located in the jurisdiction, which allows MNE Groups to benefit from certain tax incentives that have requisite economic substance connections to the jurisdiction. The election can be made on a jurisdictional basis as of 2026. The Safe Harbour will allow jurisdictions greater flexibility in designing their incentives regimes.

The Side-by-Side (SbS) Safe Harbour provides that MNE Groups with an Ultimate Parent Entity (UPE) in a jurisdiction with a Qualified SbS Regime will not be subject to the Income Inclusion Rule (IIR) or Undertaxed Profits Rule (UTPR) if they elect the SbS Safe Harbour. These MNE Groups will remain subject to Qualified Domestic Minimum Top-up Taxes (QDMTTs). The Central Record of Legislation with Qualified Status has identified the United States (US) as the only jurisdiction with a Qualified SbS Regime, applicable as of the beginning of 2026. MNE Groups with a UPE in the US will remain subject to the global minimum tax rules in 2024 and 2025.

The UPE Safe Harbour applies to the domestic profits of MNE Groups with a UPE in a jurisdiction that has an eligible domestic tax regime. Such an MNE Group that elects the UPE Safe Harbour will not be subject to the UTPR in respect of the profits located in the UPE jurisdiction.

The Package indicates that the Inclusive Framework will continue working on technical clarifications and simplifications, including for the application of the GloBE Model Rules, as well as on integrity rules.

See EY Global Tax Alert, [OECD releases Side-by-Side Package on Pillar Two Global Minimum Tax: First impressions](#), dated 6 January 2026.

OECD updates Central Record of Legislation for global minimum tax

On 5 January 2026, the OECD updated the [Central Record of Legislation](#) with Transitional Qualified Status for the global minimum tax. This version reflects the transitional qualification mechanism status as of 1 December 2025.

This update follows the third update released in August 2025, which included legislation that had completed the transitional qualification mechanism process for the IIR, QDMTT and the QDMTT Safe Harbour.

In this latest update, the OECD added Hong Kong and Qatar as having a Qualified IIR. The OECD also added Bahrain, Hong Kong and Qatar as having a QDMTT and being eligible for the QDMTT Safe Harbour.

On the same day, the OECD added a new section to the Central Record of Legislation listing jurisdictions with Qualified SbS Regimes as of 5 January 2026. The United States is the only jurisdiction listed, with the SbS Safe Harbour applicable for fiscal years beginning on or after 1 January 2026.

OECD updates list of MCAA GIR new signatories

On 19 December 2025, the OECD released an [updated list](#) of jurisdictions that have signed the Multilateral Competent Authority Agreement on the Exchange of GloBE Information Returns (GIR MCAA). The GIR MCAA provides the legal framework for the automatic exchange of GloBE Information Returns. According to the update, on 4 November 2025, Sweden signed the agreement, bringing the total number of signatories to 23.

European Union

European Commission acknowledges Side-by-Side Package

On 12 January 2026, the *Official Journal of the European Union* published a [notice](#) in which the European Commission acknowledged the SbS Package and "confirms its application in the context of Council Directive (EU) 2022/2523" (the Minimum Tax Directive).

The notice also cites the provisions of Article 32 of the Minimum Tax Directive that require Member States to ensure the application of "qualifying internationally agreement on safe harbors."

In its notice, the Commission lists the safe harbors of the SbS Package that were agreed in the Inclusive Framework and notes that all the EU Member States have consented to them.

Although not stated explicitly, the Commission seems to suggest in the notice that it believes the safe harbors satisfy the requirements of Article 32 and can therefore be applied under the Minimum Tax Directive. It is anticipated that nearly all Member States will need to undertake measures to transpose and implement the guidance provided in the SbS Package into their respective domestic frameworks.

See EY Global Tax Alert, [OECD releases Side-by-Side Package on Pillar Two Global Minimum Tax: Detailed review](#), dated 16 January 2026.

Country developments

Australia releases updated Pillar Two guidance

On 18 December 2025, the Australian Taxation Office (ATO) released [updated guidance](#) detailing the application of Australia's Pillar Two rules to Tax Consolidated Groups (TCGs) and Multiple Entry Consolidated (MEC) groups, as well as addressing specific issues relevant to their Pillar Two obligations.

The new ATO guidance helps TCGs and MEC groups understand the interaction between the Rules and Australia's tax consolidation regime, while clarifying key compliance requirements such as lodgment obligations, reporting simplifications and the processes for calculating and allocating top-up tax.

The ATO also provides additional information on specific issues, including the process and rules for nominating a Designated Local Entity, prior period adjustments in respect of covered tax liabilities for previous fiscal years and expanded guidance on how Australian global and Domestic Minimum Tax rules may apply to joint operations and joint ventures.

See EY Global Tax Alert, [Australian Tax Office steps up Pillar Two readiness, releasing new guidance for taxpayers](#), dated 20 January 2026.

Cyprus releases consent statement on Side-by-Side Package safe harbors

On 8 January 2026, the Minister of Finance of Cyprus issued a [press release](#) providing “its full assurance and consent” to the safe harbors under the SbS Package. This includes, in particular, the SbS Safe Harbour, the UPE Safe Harbour, the Simplified ETR Safe Harbour, the extension of the Transitional CbCR Safe Harbour and the Substance-Based Tax Incentives Safe Harbour.

This confirmation is a key step for compliance with Article 32 of the EU Minimum Tax Directive, which requires that all EU Member States provide consent for an international set of rules and conditions to qualify as a “qualifying international agreement on safe harbours.”

Cyprus's consent was necessary in addition to the agreement reached at the OECD Inclusive Framework, because Cyprus is the only EU Member State that is not a member of the OECD and therefore cannot participate directly in OECD-level consultations.

Finland presents amendments to Pillar Two legislation to Parliament

On 22 December 2025, Finland presented [draft amendments](#) to its Pillar Two legislation for parliamentary approval. These amendments introduce minor technical changes to the legislation to further align with the OECD's model rules.

Key changes include the introduction of a provision enabling advance rulings on the application of Pillar Two rules and a new general anti-avoidance rule.

If approved, the amendments will apply retroactively to fiscal years beginning on or after 1 January 2024, except that the anti-avoidance rule will apply to fiscal years beginning on or after 1 January 2027.

Germany enacts amendments to Pillar Two legislation

On 23 December 2025, Germany enacted [amendments](#) to the domestic Pillar Two legislation. These amendments align the local law with Administrative Guidance issued by the OECD in December 2023, June 2024 and January 2025.

They also transpose the EU Directive on Administrative Cooperation (DAC9) into local law, enabling the exchange of GloBE Information Returns among EU Member States.

The amendments would generally apply to fiscal years starting on or after 31 December 2023, while the rules on the hybrid arbitration arrangements under the Transitional CbCR Safe Harbour shall apply to fiscal years starting on or after 31 December 2024.

Further, on 29 December 2025, a regulation regarding the GloBE Information Return (GIR) was enacted implementing the GIR template from DAC9, the Dissemination Approach, the Simplified Reporting Framework and the Agreed Administrative Guidance of January 2025 on Art. 8.1.4 and 8.1.5 Model Rules.

The regulation is effective from 30 December 2025, applying to all GIRs filed in Germany.

Israel implements QDMTT effective beginning in 2026

On 31 December 2025, Israel's QDMTT was [enacted](#) and applies from fiscal years beginning on or after 1 January 2026. Israel has not implemented the Income Inclusion Rule or Undertaxed Profits Rule mechanisms at this stage.

Israeli Constituent Entities must use an online form to notify the Israel Tax Authorities (ITA) of the entities' in-scope status within one year of the law's effective date and must also notify the ITA of any appointment of a Designated Filing Entity.

The QDMTT return, whether filed on an entity-by-entity basis or through a Designated Filing Entity, must be submitted via an online form no later than 15 months after the end of the relevant fiscal year.

See EY Global Tax Alert, [Israel implements Qualified Domestic Minimum Top-up Tax effective beginning in 2026](#), dated 14 January 2026.

Italy incorporates January 2025 Pillar Two Administrative Guidance

On 19 December 2025, Italy [published](#) amendments to its Pillar Two legislation, incorporating the OECD's Administrative Guidance from January 2025 into domestic legislation.

The amendments also outline the applicable penalties for delayed or erroneous filings of Pillar Two compliance reports.

These amendments are effective from 20 December 2025.

Liechtenstein amends Pillar Two legislation

On 23 December 2025, Liechtenstein introduced [amendments](#) to its Pillar Two legislation, focusing on compliance obligations for Liechtenstein-based Constituent Entities that will submit the GloBE Information Return (GIR) and rules for the exchange of GloBE Information Returns (GIR).

Under the revised rules, Ultimate Parent Entities and designated GIR filing entities located in Liechtenstein must register with the tax authorities within 15 months after the end of the fiscal year (18 months for the transition year). Failure to register may result in penalties. The new registration requirement complements the one already in place under which all local Constituent Entities and local Excluded Entities in Liechtenstein are required to register within 12 months from the end of the fiscal year during which the Group is subject to GloBE model rules for the first time.

The amendments also clarify the tax administration's responsibility to exchange GIR information with partner jurisdictions within the timelines specified in applicable agreements. Liechtenstein signed the GIR Multilateral Competent Authority Agreement (MCAA) on 29 September 2025.

These changes took effect on 1 January 2026.

Luxembourg releases Pillar Two compliance forms

On 6 January 2026, Luxembourg released on its online platform the forms for Pillar Two registration and filing of the local tax return and the GIR. In accordance with the Pillar Two law, every Luxembourg constituent entity (CE) belonging to an in-scope group is required to register using the online procedure. Joint ventures or joint venture subsidiaries within the meaning of Pillar Two Law that are located in Luxembourg are also required to register.

The Luxembourg local Top-up Tax return form is also available online covering Top-up Taxes under the IIR, UTPR and QDMTT. Pillar Two is a self-assessment tax. Taxes must be paid within one month of filing the return.

For groups in scope of Pillar Two for calendar year 2024, the deadline for registration and filing their GIR and Top-up Tax return is 30 June 2026.

See EY Global Tax Alert, [Luxembourg launches Pillar Two registration and return filing](#), dated 21 January 2026.

Netherlands announces intention to implement OECD Side-by-Side Package

On 5 January 2026, the Dutch Ministry of Finance [announced](#) that it intends to implement the OECD SbS Package into Dutch law. A stakeholder consultation on the matter is expected in spring 2026, and a separate legislative proposal is expected to be submitted to Parliament before summer 2026.

Singapore releases Pillar Two registration form

On 31 December 2025, the Inland Revenue Authority of Singapore (IRAS) [released](#) a one-time registration form and explanatory notes for in-scope MNE Groups under the *Multinational Enterprise (Minimum Tax) Act 2024* (MMT Act). The one-time registration covers the multinational enterprise top-up tax (MTT), domestic top-up tax (DTT) and GloBE information return.

The UPE must notify the IRAS of its registration liability by submitting the relevant group's information through an online registration form. The online registration is scheduled to begin in May 2026. The registration form must be completed within six months after the end of the first fiscal year to which the MMT Act applies. For calendar year-end MNE Groups, this means registration should be done between May (when the portal opens) and 30 June 2026. The UPE may appoint a Singapore Constituent Entity or local tax agent to submit the registration form on its behalf, supported by a letter of authorization.

A 10% surcharge on the DTT and MTT (if applicable) may be imposed if an in-scope MNE Group fails to notify the IRAS of its registration liability.

South Korea introduces QDMTT effective from 2026

On 23 December 2025, Korea enacted the [2026 Tax Reform Bill](#). Among other items, the 2026 Tax Reform introduces a QDMTT under *Korea Adjustment of International Taxes Act* (AITA) to secure the right to tax low-taxed domestic Constituent Entities under the OECD's Pillar Two *Globe Model Rules, Commentary and Administrative Guidance*.

The QDMTT will be effective for fiscal years beginning on or after 1 January 2026.

See EY Global Tax Alert, [Korea enacts 2026 tax reform bill](#), dated 6 January 2026.

Thailand releases draft of Pillar Two secondary legislation

On 30 December 2025, the Thai Cabinet [approved](#) in principle four drafts of secondary legislation issued pursuant to the Top-up Tax Emergency Decree, B.E. 2567 (2024). These drafts provide further details regarding the determination of in-scope MNE Groups and the Top-up Tax calculation.

The drafts are intended to provide detailed rules on (1) when MNE Groups that have undergone corporate restructuring are within scope, (2) the criteria for entities that are not Constituent Entities (Excluded Entities), (3) the allocation of Top-up Tax to Thailand under the UTPR if no Thai Constituent Entity has *Globe Income*, and (4) the adjustments to income, expenses and covered taxes, including rules for computing Thailand's Domestic Top-up Tax.

The aforementioned drafts of secondary legislation have been developed in line with the *Globe Model Rules, the Commentary, and the Administrative Guidance* issued by the OECD. They are expected to be enacted in the near future.

United Kingdom announces agreement to the OECD Side-by-Side Package

On 7 January 2026, the United Kingdom (UK) [announced](#) its agreement to the OECD's SbS Package. Measures implementing the SbS Package into UK law will undergo technical consultation before being incorporated into the next Finance Bill. Once enacted, these measures will apply to fiscal years beginning on or after 1 January 2026.

Other developments

OECD

Guatemala joins Inclusive Framework on BEPS

On 12 January 2026 Guatemala [joined](#) the Inclusive Framework on BEPS, bringing the total number of members to 148.

As new Inclusive Framework member, Guatemala has committed to comply with the BEPS minimum standards, which are contained in the final reports on Action 5 (Countering Harmful Tax Practices), Action 6 (Preventing Treaty Abuse), Action 13 (Transfer Pricing Documentation) and Action 14 (Enhancing Dispute Resolution). Guatemala will also participate on an equal footing with the members of the Inclusive Framework on BEPS in the remaining standard setting activities, as well as in the review and monitoring of the implementation of the BEPS package.

See EY Global Tax Alert, [Guatemala joins OECD/G20 Inclusive Framework on BEPS](#), dated 26 January 2026.

Indonesia notifies the completion of its internal procedures for the entry into effect of the MLI

On 12 January 2026, [Indonesia](#) notified the OECD Depositary of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI) regarding the completion of their internal procedures for the entry into effect of the MLI provisions with respect to its Covered Tax Agreements (CTAs) with Mongolia and Czech Republic.

This notification is required when a Contracting Jurisdiction has made the reservation in Article 35(7)(a) of the MLI. Article 35(7)(a)(i) allows a Contracting Jurisdiction to reserve the right to delay the entry into effect of MLI provisions until 30 days after the Depositary receives the last notification from all Contracting Jurisdictions making the reservation, informing the Depositary that internal procedures are complete for the entry into effect of the MLI with respect to that particular CTA.

As Mongolia and the Czech Republic did not make this reservation, the only notification required was that of Indonesia. Accordingly, the MLI will take effect for these CTAs 30 days after Indonesia's notification.

OECD releases ninth-annual peer report on Action 5

On 17 December 2024, the OECD [released](#) the ninth-annual peer review report on compliance by members of the Inclusive Framework on BEPS with the minimum standard on BEPS Action 5 for the compulsory spontaneous exchange of certain tax rulings (the transparency framework).

The report covers 139 Inclusive Framework jurisdictions, including all jurisdictions that joined prior to 30 June 2024, and Jurisdictions of Relevance (jurisdictions outside the Inclusive Framework but deemed of interest for transparency purposes) identified prior to 30 June 2024.

Of these 139 jurisdictions, 29 cannot legally or practically issue rulings within the scope of the transparency framework, and therefore no separate peer review report is included for them. Seven other members of the Inclusive Framework were not assessed because they do not impose any corporate income tax and cannot legally issue rulings within the scope of the transparency framework, nor do Inclusive Framework members exchange information on rulings with them.

The report covers the steps jurisdictions have taken to implement the transparency framework during the calendar year 2024. Notably, 113 jurisdictions did not receive any recommendations, having met all the terms of reference. Seven jurisdictions received a single recommendation each, while the remaining 19 jurisdictions received multiple recommendations. Altogether, this amounts to 46 recommendations for improvement during the year under review.

Additionally, the report indicates that, as of 31 December 2024, the jurisdictions reviewed issued more than 2,300 tax rulings within the scope of the transparency framework and conducted approximately 5,500 exchanges of information during the year, bringing the cumulative total to more than 64,000 exchanges.

United Nations

UN Committee of Experts on International Cooperation in Tax Matters publishes Report on the 31st session

In January 2026, the UN published the [report](#) on the 31st session of the Committee of Experts on International Cooperation in Tax Matters, held on 21-24 October 2025. This was the first meeting of the newly elected Committee, whose term runs from 2025 to 2029.

The report summarizes the discussions and decisions made during the session. The agenda addressed topics including the role of taxation in achieving the Sustainable Development Goals (SDGs), issues related to the UN Model Tax Convention (MTC), and the review and potential update of the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries (UN Manual). Procedural and organizational matters, as well as the establishment of subsidiary bodies, were also discussed.

The Committee reviewed the ongoing update of the UN MTC, focusing on technical revisions, structural issues and alignment with modern business models, including digital and service-based activities. Members emphasized enhancing developing countries' taxing rights and aligning updates with the SDGs. To advance this work, a Subcommittee on the Update of the UN MTC was established, prioritizing the modernization of the permanent establishment concept, treatment of income from immovable property and definitions of interest and royalties.

The Committee also addressed the review and update of the UN Manual to align with the 2025 UN MTC. A dedicated Subcommittee will oversee the update, prioritize key elements and propose a revised title reflecting its alignment with the updated MTC's title.

Several subcommittees were formed under the Committee's work programme to address emerging priorities, including:

- ▶ Digitalized and globalized economy: Examine permanent establishments, assess tax implications of emerging technologies and provide practical guidance for effective implementation
- ▶ Transfer pricing: Update the 2021 Transfer Pricing Manual, provide guidance on profit attribution to permanent establishments, develop sector-specific guidance and address unilateral advance pricing arrangements
- ▶ Tax administration and artificial intelligence (AI): Provide guidance on the use of AI in tax administration, including associated risks and enabling legal and regulatory frameworks
- ▶ Dispute avoidance and resolution: Monitor developments in international tax dispute resolution, complementing work on transfer pricing
- ▶ Environmental taxation, wealth taxation, and gender and taxation: Develop practical guidance, promote equity and support capacity-building in these areas

The objective of these committees is to provide commentary and guidance to support the UN's member countries, especially lower-capacity members.

Finally, the Committee discussed the relationship between its technical work and the ongoing negotiations on the UN Framework Convention on international tax cooperation. Members agreed that the Committee should continue to provide independent, practical guidance, while remaining aware of potential synergies with the intergovernmental process. The Committee highlighted that the Convention focuses on legal and political architecture, whereas the Committee provides technical guidance, which could support early protocols on dispute prevention, resolution and cross-border services. With the UN Framework Convention expected by 2027 and the Committee's mandate running through 2029, the processes can evolve side by side, complementary but independent.

The 32nd session of the Committee will be held from 23 to 26 March 2026.

European Union

European Commission issues Guidelines providing clarifications on the application of the Foreign Subsidies Regulation

On 9 January 2025, the European Commission [published](#) its Guidelines on the application of key provisions of the EU 2022/2560 Foreign Subsidies Regulation (the Regulation). The Guidelines are intended to enhance predictability and legal certainty in the enforcement of the Regulation, which seeks to address distortions in the EU internal market caused by foreign subsidies.

The adoption of the Guidelines follows a [public consultation](#), running from 5 March 2025 through 2 April 2025.

The Guidelines aim to clarify several key concepts under the Regulation and provide detailed guidance on various aspects of its application, including:

- ▶ Assessment of distortions (Article 4(1)): A two-step approach to determine whether a foreign subsidy strengthens a company's competitive position and negatively affects competition; a non-exhaustive list of examples of subsidies that may be considered distortive is also provided

- ▶ Assessment of distortions in public procurement procedures (PPPs) (Article 27): Criteria for identifying unduly advantageous tenders and assessing whether advantages stem from foreign subsidies
- ▶ Balancing test (Article 6): A process for the Commission to weigh negative effects of distortive foreign subsidies against possible positive effects
- ▶ Call-in mechanism for concentrations and PPP (Articles 21(5) and 29(8)): Conditions under which the Commission may request prior notification of non-notifiable concentrations or foreign financial contributions in PPPs if it suspects that foreign subsidies have been granted to relevant undertakings in the last three years; new safe harbors include low-value PPPs, subsidies below €4m and subsidies addressing certain extraordinary circumstances

As for next steps, by 14 July 2026 the Commission should submit a report to the European Parliament and the Council reviewing how the Regulation has been implemented and enforced. Where appropriate, the report may be accompanied by legislative proposals.

European Commission launches public consultation on DAC

On 16 December 2025, the Commission launched a [public consultation](#) on the "EU rules on administrative cooperation in the field of taxation - recast," soliciting input on policy options to simplify, clarify and improve the current functioning of the Directive on Administrative Cooperation (DAC) on compliance costs associated with reporting obligations to reduce, and the potential savings stemming from some of the policy options.

Taking into account the input received, the Commission plans to:

- ▶ Merge DAC and its amendments into one consolidated text.
- ▶ Remove duplicate reporting requirements and fix inconsistencies.
- ▶ Review DAC6 hallmarks and possibly address issues previously addressed by the Commission's Unshell proposal (see below).
- ▶ Examine the introduction of a common taxpayer identifier.
- ▶ Consider adjusting DAC7 thresholds for goods sales.
- ▶ Explore adding mandatory requirements to DAC1.

The deadline for submissions is 10 February 2026, and feedback submitted by stakeholders will inform the Commission's proposal expected by mid-2026.

ECOFIN adopts progress report on tax matters and report of the Code of Conduct Group on Business Taxation

On 12 December 2025, the Council of the EU held a meeting of the Economic and Financial Affairs Council (ECOFIN), at which Finance Ministers adopted the progress report on tax matters and the report of the Code of Conduct on Business Taxation. These reports reflect the work carried out under the Danish Presidency of the EU Council.

Progress report on tax matters

The [ECOFIN report on tax issues](#) outlines the state of play of tax-related files under the Danish Council Presidency from July to December 2025.

Overall, the report confirms that progress on key tax files over the past semester has been notably slow. The Danish Presidency did not pursue work on certain files on which limited progress was expected due to the positions of Member States, including Business in Europe: Framework for Income Taxation, noting that "it was decided to continue focusing on a number of other priorities."

The report contains limited references to Pillar Two, stating that "it remains under discussion within the Inclusive Framework, with a focus on identifying a solution following the G7 statement."

However, progress was made on administrative cooperation and information exchange with third countries. In particular, amendments to protocols on the automatic exchange of financial account information with Switzerland, Liechtenstein, Andorra, Monaco and San Marino were advanced, alongside an agreement on administrative cooperation in the field of direct taxation with Norway.

Cyprus assumed the EU Council Presidency on 1 January 2026. The [Programme](#) of the Presidency centers on simplification, decluttering and boosting competitiveness. On direct taxes, the Presidency plans to (1) adopt Council conclusions to update the EU list of non-cooperative jurisdictions; (2) push forward the DAC Recast; (3) start talks on the upcoming Taxation Omnibus; (4) begin work on the 28th Legal Regime; (5) advance discussions on the EU budget and Own Resources proposals within the new long-term budget; and (6) contribute to negotiations on the UN convention on International Tax Cooperation.

Report of the Code of Conduct Group on Business Taxation

The [report](#) of the Code of Conduct Group on Business Taxation (the Group) describes the Group's activities during the second half of 2025.

During this period, the Group considered potential adjustments to its working methods, including aspects related to the notification procedure for preferential tax regimes and the monitoring of the effects of specific tax measures.

The Group also agreed on principles and application practices concerning rollback and grandfathering rules, as well as on expenditure-based tax incentives. Monitoring of highly mobile activities in Special Economic Zones within Member States continued, and the examination of certain measures in several Member States was concluded.

In addition, the Group confirmed the EU List of noncooperative jurisdictions for tax purposes (Annex I) and revised the state of play document (Annex II), and continued discussions on the possible inclusion of beneficial ownership as an additional transparency criterion.

Country developments

Australia launches public consultation on draft law updating Transfer Pricing Guidelines for inbound distribution arrangements

On 10 December 2025, the Australian Taxation Office (ATO) [published](#) a draft version of its updated Practical Compliance Guideline (PCG) 2019/1DC, which outlines proposed amendments to PCG 2019/1. The draft guidelines are open for public consultation.

The draft guideline updates the framework for assessing transfer pricing risks linked to inbound distributors and the potential risk rating assigned to particular types of arrangements.

This development aims to clarify compliance approaches for businesses engaged in inbound distribution activities. In particular, it updates the ATO's profit markers for distributors in the information and communication technology and Life Sciences Industries, while ATO profit markers for general distributors and those in the motor vehicle industry remain the same as in the original PCG 2019/1.

The draft also modifies the scope of the application of the PCG, changing its definition of what is considered to be a distributor for PCG 2019/1 purposes. Usefully, the draft introduces a white-zone risk category that is available to certain taxpayers - e.g., those with an Advance Pricing Arrangement covering their distribution arrangements or that have recently obtained a low-risk or high-assurance rating for such arrangements in an ATO review.

The guideline does not alter existing tax laws or create safe harbors; rather serves as a tool for businesses to understand their risk exposure and compliance obligations.

The consultation period for PCG 2019/1DC will conclude on 13 February 2026.

Belgium submits draft bill implementing DAC8 to Parliament

On 9 January 2026, the Belgian government submitted a [bill](#) to Parliament implementing European Directive 2023/2226, extending automatic information exchange on crypto assets, life insurance income, tax rulings for individuals and digital currencies and amending Directive 2011/16, concerning administrative cooperation in the field of taxation (DAC8).

Next, the bill will be reviewed and debated in the finance commission of the Belgian Parliament, followed by a vote in the respective commission. Once approved by the commission, the bill will be scheduled for final debate and approval by the entire Parliament. The law will enter into force, after being published in the Official Gazette. At this stage, there is no view on the timing of the respective steps.

Cyprus enacts major tax reform legislation including higher transfer pricing documentation thresholds

On 31 December 2025, the Republic of Cyprus announced the enactment of tax reform measures designed to stimulate economic growth and enhance tax compliance, with most changes taking effect from 1 January 2026. This development includes a revision of the transfer pricing documentation thresholds for intragroup transactions, which have been adjusted to align compliance efforts with the economic significance of transactions.

Under the new legislation, the documentation thresholds have been increased as follows for each of the below categories:

- ▶ Goods: Transactions with connected persons that exceed (or should have exceeded, based on the arm's-length principle) €5m compared to the previous threshold of €1m
- ▶ Financial transactions: Transactions with connected persons that exceed (or should have exceeded, based on the arm's-length principle) €10m compared to the previous threshold of €5m (by reference to the maximum loan balance (i.e., only the loan principal including interest charged but not paid) during the tax year)
- ▶ All other categories of transactions (Services/Royalties/ License Fees and Other intangibles/Other): Transactions with connected persons that exceed (or should have exceeded, based on the arm's-length principle) €2.5m compared to the previous threshold of €1m per category

Furthermore, a director or officer controlling 50% or more of the voting rights of the board of directors is now classified as a related party for transfer pricing purposes.

Despite these adjustments, Circular 6/2023 remains applicable, requiring that transactions be documented even if they fall below the new thresholds. The Circular provides for the minimum requirements and available simplification measures for taxpayers that are exempt from the requirement to prepare Cyprus Local File.

Companies must continue to submit a Summary Information Table with their tax returns with no applicable de-minimis threshold. Future steps will likely involve monitoring compliance and assessing the impact of these reforms on the business environment in Cyprus.

See EY Global Tax Alert, [Cyprus enacts major tax reform legislation](#), dated 7 January 2026.

Hungary introduces new Transfer Pricing Decree tightening local compliance

On 23 December 2025, Hungary issued a new, comprehensive Transfer Pricing Decree effective from 2026 (with optional early adoption for 2025 for the rules applicable to the Local File). The new Decree tightens compliance expectations and introduces several substantial changes, most notably:

- ▶ Transforming local benchmarking from a tax authority expectation into a formal legal requirement: Taxpayers must prepare benchmarking analyses that reflect specific comparability expectations, including (1) strict geographic hierarchy; (2) exclusion of loss-making companies; and (3) reliance on corporate-level financial data
- ▶ Tightening segmentation and financial traceability rules: Taxpayers should demonstrate full traceability between the profit level indicators applied in the TP analysis and the Hungarian statutory accounts. This typically includes: (1) segmented profit and loss statements at the level of the tested transaction; (2) reconciliation between management reports and local statutory accounting figures; (3) detailed explanation of allocation keys; and (4) documentation allowing the Hungarian Tax Authority to reproduce and verify the calculations.

Additional substantive changes include development, enhancement, maintenance, protection and exploitation (DEMPE) requirements, a mandatory benefit test, revised low value-added services rules and updated transfer pricing data-reporting.

Multinational enterprises should review benchmarks, strengthen data processes, refresh functional analyses and consider early adoption.

See EY Global Tax Alert, [Hungary introduces new Transfer Pricing Decree tightening local compliance](#), dated 7 January 2026.

Ireland implements DAC8 into domestic law

On 23 December 2025, the Finance Act 2025 was signed into law by the President of Ireland. The Act includes legislation transposing DAC8 into domestic law. Member States had until 31 December 2025 to transpose the Directive into national law. DAC8 mandates that "crypto-asset service providers" (as defined) report

certain information regarding their customers' transactions in crypto assets to tax authorities. A crypto-asset service provider may be an entity or individual that is resident in Ireland for tax purposes.

The rules will apply to accounting periods ending on or after 1 January 2026 with the first returns due on or before 31 May 2027 in respect of the 2026 period.

Isle of Man issues updated guidance for MAP

On 18 December 2025, the Income Tax Division of the Isle of Man announced an update to Guidance Note - GN57, concerning the mutual agreement procedure (MAP) in double taxation agreements (DTAs).

The updated guidance details the conditions under which a taxpayer may initiate a MAP, including the necessary background information and documentation required to support their request. It elucidates the administrative procedures involved once a MAP is initiated, including required documentation and contact information for inquiries. Notably, all of the Isle of Man's comprehensive and limited tax treaties include provisions for initiating a MAP, aligning with the OECD's BEPS minimum standards.

Additionally, the guidance addresses the expected timeline for resolving MAP cases and the option for taxpayers to withdraw their requests if needed.

Italy adopts decree implementing DAC8 into domestic law

On 22 December 2025, Italy published in its Official Gazette [Legislative Decree No. 194/2025](#), implementing DAC8 into domestic law.

The decree mandates that qualifying crypto-asset service providers collect and transmit detailed information about customers classified as reportable persons to tax authorities by 30 June of the year following the relevant reporting period (therefore the first year of transmission will be 2027). Additionally, it establishes protocols for the exchange of information regarding cross-border rulings involving transactions exceeding €1.5m (or equivalent amount in another currency) - with the exception of certain rulings. The decree also outlines penalties and compliance measures associated with these reporting obligations.

Legislative Decree No. 194 entered into effect on 1 January 2026, following the issuance of a [ministerial decree](#) that sets forth the implementing rules for DAC8.

Lithuania adopts orders implementing DAC6, DAC7 and DAC8 into domestic law

In December 2025, the Lithuanian State Tax Inspectorate announced amendments to several national orders implementing EU administrative cooperation directives. The amendments relate to the implementation of Directives (EU) 2018/822 (DAC6), (EU) 2021/514 (DAC7), and (EU) 2023/2226 (DAC8).

Order No. VA-109 (DAC6)

[Order No. VA-109](#) implements DAC6, which introduces mandatory disclosure requirements for certain cross-border tax arrangements. Under DAC6, intermediaries and, in specific circumstances, taxpayers are required to report information on reportable cross-border arrangements to the tax authorities.

Order No. VA-95 (DAC7)

[Order No. VA-95](#) implements DAC7, which sets out reporting and exchange-of-information requirements for operators of digital platforms. The directive requires platform operators to collect and report information on sellers and relevant transactions, which is then exchanged between EU Member States.

Order No. VA-119 (DAC8)

[Order No. VA-119](#) implements DAC8, which extends the EU framework for administrative cooperation to crypto-assets. DAC8 introduces reporting obligations for crypto-asset service providers and provides for the automatic exchange of information on crypto-asset transactions and users between EU tax authorities.

The rules entered into effect on 1 January 2026.

Montenegro ratifies BEPS MLI

On 29 December 2025, the President of Montenegro signed Decree No. 01-009/25-2510, ratifying the BEPS MLI. The decree was published in *Official Gazette* No. 16/2025 of Montenegro on 31 December 2025.

At the time of signing (12 November 2025), Montenegro submitted its [provisional MLI position](#), which included a list of reservations and notifications regarding 40 tax treaties that it wishes to cover under the MLI framework (covered tax agreements/CTAs).

Article 16 (Mutual Agreement Procedure) of Montenegro's CTAs provides a framework for resolving cases in which taxation is not in accordance with the provisions of the CTA. Montenegro has chosen to apply specific time limits for presenting MAP cases under its agreements, with its CTA with Italy requiring presentation within a shorter period and 36 CTAs allowing period longer than 36 months. Montenegro also identifies certain CTAs that do not contain specific procedural provisions related to the MAP. Additionally, Montenegro reserves the right for the MAP not to apply in some cases but commits to meeting the minimum standard for dispute resolution under the OECD/G20 BEPS package, ensuring that a taxpayer who considers they are being taxed inconsistently under a CTA may present the case to the competent authority of their residence or nationality, which will then coordinate with the other jurisdiction to resolve the issue.

Singapore issues Transfer Pricing Guidelines (Eighth Edition) with helpful updates

On 19 November 2025, the Inland Revenue Authority of Singapore released the Transfer Pricing Guidelines (Eighth Edition), which include significant updates on various aspects of transfer pricing.

Key updates include additional guidance on financial transactions, a new simplified and streamlined approach for qualifying transactions and clarifications on the mutual agreement procedure for addressing double taxation.

Notably, related-party domestic loans entered into on or after 1 January 2025 will not be subject to transfer pricing adjustments if neither party is in the business of borrowing and lending, easing compliance burdens for taxpayers.

See EY Global Tax Alert, [Singapore issues Transfer Pricing Guidelines \(Eighth Edition\) with helpful updates](#), dated 15 January 2026.

UAE Federal Tax Authority issues detailed guidance on Advance Pricing Agreements

On 31 December 2025, the United Arab Emirates (UAE) Federal Tax Authority (FTA) released its first comprehensive [Corporate Tax Guide on Advance Pricing Agreements](#) (CTGAPA1) (APA Guide), setting out the procedural, administrative and technical framework for entering into Unilateral Advance Pricing Agreements (UAPAs). The APA program is being introduced in phases, with UAPA applications for domestic controlled transactions accepted from December 2025 and cross-border applications expected to start in 2026 (date to be announced).

Currently, only UAPAs are available, but bilateral and multilateral APAs will be introduced as the program develops, aligning with OECD requirements for information exchange in cross-border cases.

The APA Guide outlines details such as eligibility, scope, application process, monitoring and the terms for revising or canceling APAs, aiming to offer greater certainty for taxpayers with complex related-party transactions.

See EY Global Tax Alert, [UAE Federal Tax Authority issues detailed guidance on Advance Pricing Agreements](#), dated 6 January 2026.

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