

The Latest on BEPS and Beyond in review

Key OECD, EU and other developments
in 2025 and a preview of 2026



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Preface

This new edition of EY's annual publication, *The Latest on BEPS and Beyond*, provides a comprehensive overview of key international tax policy developments driven by the OECD, UN, and the EU. While the primary focus is on significant events from 2025, it also offers insights into early 2026 developments and what to anticipate for the remainder of the year. We begin with updates on the Pillar Two project, which remained a

priority throughout 2025 and into early 2026. Following this, we present an overview of the broader international tax developments of 2025. The publication concludes with a forward-looking perspective on international tax policy trends for 2026. We trust this edition will serve as a valuable resource to help you confidently shape your tax function in 2026 and beyond.



January 2025



February 2025



March 2025



April 2025



May 2025



June 2025



July 2025



September 2025



October 2025



November 2025



December 2025



January 2026



February 2026



March 2026

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1. Introduction

The pace of change across the international tax framework continued throughout 2025, reinforcing a trend that has been chronicled in the monthly editions of *The Latest on BEPS and Beyond*. What once appeared as discrete developments now form part of an interconnected policy environment shaped by geopolitical uncertainty, evolving multilateral cooperation and the operationalization of new global standards. Against this backdrop, multinational businesses and investors enter 2026 facing not only the cumulative effect of last year's legislative and administrative activity, but also a new cycle of policy refinement, implementation challenges and strategic adjustments. This annual publication is designed to serve as both a retrospective and a navigation tool: a consolidated reference that captures the key developments of 2025 that continue to shape the global tax landscape.

Looking ahead, the developments reviewed in this report carry immediate implications for the year now underway. The implementation of global minimum

tax rules remains a central focus, as jurisdictions integrate the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework's evolving guidance – including the Side-by-Side Package released on 5 January 2026 – into domestic frameworks and compliance processes. At the same time, negotiations on the United Nations (UN) Framework Convention on International Tax Cooperation have entered a more technical phase, signaling a potentially significant rebalancing of taxing rights and dispute-resolution mechanisms. Within the European Union (EU), policymakers have launched an agenda explicitly focused on strengthening competitiveness, with tax policy forming an integral part of that strategy through simplification initiatives, targeted incentives and renewed attention to administrative efficiency. Together, these dynamics underscore that 2026 will not merely be a continuation of existing workstreams, but a year in which the direction and interaction of global, regional and domestic tax policies will materially influence business decision-making and long-term planning.



2. Pillar Two

2.1 Overview of Inclusive Framework developments

Pillar Two entered 2025 with momentum – a growing base of jurisdictions had already enacted rules, while others were moving from political commitment to legislation, administration and first-year compliance. The global minimum tax is no longer a matter of policy design, but an operating system for corporate taxation that is being implemented, administered, and refined at pace. For in-scope multinational enterprise (MNE) groups, the focal point has shifted from “What do the rules say?” to more practical questions, such as how the rules apply in specific fact patterns, how to comply efficiently and how to keep pace as domestic legislation and guidance continue to evolve.

This context also explains the structure of this section. Unlike other sections of this publication, which take a more narrative approach, the Pillar Two section is designed to serve as a practical reference for practitioners. It follows a “year-in-review” reporting format, closer to the style used in the monthly publication of *The Latest on BEPS and Beyond*, so readers can quickly identify key developments and understand what they signal for implementation and compliance.

Accordingly, this section is organized into two parts. The first summarizes selected OECD/G20 Inclusive Framework developments that are most relevant to the operation of Pillar Two in practice. The second provides a region-by-region snapshot of implementation activity, reflecting that Pillar Two is increasingly becoming operational in numerous jurisdictions.

The developments covered in this section are not exhaustive. They represent a selection of the most relevant Pillar Two milestones during 2025. The summaries are intended to support orientation and prioritization in a fast-moving Pillar Two landscape, rather than to serve as a comprehensive catalog of all activity during the year.

2.1.1 OECD published list of signatories of the GIR MCAA

In January 2025, the OECD released an [updated version](#) of the Global Anti-Base Erosion (GloBE) Information Return (GIR) and [accompanying guidance](#). The revisions address cases in which no jurisdictions have taxing rights under the GloBE Model Rules and provide detailed instructions on completing specific sections of the return. A new annex provides a notification template that jurisdictions may use to

request confirmation from MNE Groups regarding their receipt of the GIR through an exchange of information relationship (see EY Global Tax Alert, [OECD releases new documents on GloBE Information Return](#), dated 21 January 2025).

On the same date as the release of the updated version of the GIR, the OECD released the [GIR Multilateral Competent Authority Agreement](#) (GIR MCAA) and related Commentary. The GIR MCAA establishes the framework for the automatic exchange of GIR data under the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. To support its implementation, the GIR MCAA is accompanied by detailed commentary that explains its provisions and application.

In August 2025, the OECD [released](#) the first list of jurisdictions that have signed the GIR MCAA. The OECD has updated the list periodically to reflect additional signatories. As of 3 March 2026, 28 jurisdictions have signed the GIR MCAA (see EY [The Latest on BEPS and Beyond | March 2026](#)).

Signature of the GIR MCAA is a necessary first step, but it does not, by itself, enable automatic exchange of GIR information. Exchange relationships become active once the relevant notifications are made (and domestic procedures are completed where required). Once jurisdictions have made the required notifications and exchange relationships are in place, the OECD has indicated that it will publish a list of active exchange relationships and keep it updated.

2.1.2 OECD releases GIR Status Message XML schema

In July 2025, the OECD released the [GIR Status Message XML Schema](#). The XML Schema is an IT format designed to support the automatic exchange of GIR data.

The release of the XML Schema provides jurisdictions with the necessary technical specifications to facilitate cross-border data exchange in a consistent and secure manner. It also includes a set of agreed file and record-level validation rules, which are to be applied to identify errors in submitted GIRs prior to exchange (see EY [The Latest on BEPS and Beyond | September 2025](#)).

2.1.3 OECD releases compilation of additional Pillar Two reporting requirements

In August 2025, the OECD [published](#) a compilation of additional Pillar Two information requirements introduced by Inclusive Framework member

jurisdictions. Among other items, it outlines due dates for Pillar Two registrations, notifications and domestic tax return filings.

The compilation is indicative only, based on voluntary submissions from jurisdictions, and may not capture all applicable requirements (see EY [The Latest on BEPS and Beyond | September 2025](#)).

2.1.4 Consolidated Commentary

In May 2025, the OECD published an updated [Consolidated Commentary](#) to the GloBE Model Rules.

This latest update incorporates all Administrative Guidance that was released by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) between March 2022 and March 2025.

The updated Consolidated Commentary does not introduce new guidance. Instead, it brings together all existing Administrative Guidance into a single document (see EY [The Latest on BEPS and Beyond | May 2025](#)).

2.1.5 Central Record of Legislation

The Central Record of Legislation with Transitional Qualified Status is a list of jurisdictions that have completed the transitional qualification mechanism for their legislation with respect to the Income Inclusion Rule (IIR), the Domestic Minimum Top-up Tax (DMTT) or the Qualified Domestic Minimum Top-up Tax (QDMTT) Safe Harbour. Throughout 2025, the OECD periodically updated the [Central Record of Legislation](#) with Transitional Qualified Status by listing additional jurisdictions that have successfully completed the transitional qualification mechanism process for the IIR, DMTT or QDMTT Safe Harbour.

As of 1 December 2025, the Central Record includes 46 jurisdictions with a Qualified DMTT eligible for the QDMTT Safe Harbour and 44 jurisdictions with a Qualified IIR.

Additionally, the OECD updated the Central Record to include jurisdictions with a Qualified Side-by-Side Regime (see [Section 2.1.6](#)). As of 5 January 2026, only the United States (US) has been listed as a jurisdiction with a qualified regime (see EY [The Latest on BEPS and Beyond | January 2026](#)).

2.1.6 Side-by-Side agreement

On 5 January 2026, the OECD [released](#) the much-anticipated Side-by-Side Package that had been agreed by the Inclusive Framework. This represented the culmination of months of discussions, which began in earnest at the April 2025 plenary meeting of the Inclusive Framework. This was the first meeting of the Inclusive Framework since the US President Trump had issued an executive order on the BEPS 2.0 project

immediately after his inauguration in January 2025. That executive order included a direction to the US Treasury Secretary and the US ambassador to the OECD to notify the OECD that any commitments made by the prior US Administration regarding “the Global Tax Deal” have no force and effect in the US, absent an act by the US Congress adopting the relevant provisions (see EY Global Tax Alert, [US issues Executive Order on BEPS 2.0](#), dated 23 January 2025).

At the April 2025 plenary meeting, the US explained its position on Pillar Two to the Inclusive Framework, proposing that the Pillar Two rules should apply alongside the US corporate tax system and its preexisting rules that protect against base erosion and profit shifting. In June 2025, the G7 issued a [statement](#) reflecting a shared understanding that a side-by-side system that exempted US-parented groups from the IIR and UTPR could preserve gains made by Inclusive Framework jurisdictions in addressing base erosion and profit shifting and provide greater stability and certainty in the international tax system going forward. The statement laid out key accepted principles underlying the shared understanding. In addition, the statement noted that the G7 looked forward to developing this understanding, and the underlying principles, within the Inclusive Framework with the aim of expeditiously reaching a solution acceptable to all (see EY Global Tax Alert, [G7 issues statement on global minimum taxes](#), 9 July 2025).

The January 2026 Side-by-Side Package reflects the principles that had been outlined in the G7 statement. The Package is in the form of Administrative Guidance that will be incorporated in the Commentary to the GloBE Model Rules. It includes four new safe harbors related to compliance simplification, substance-based tax incentives, and the Side-by-Side approach (see EY Global Tax Alert, [OECD releases Side-by-Side Package on Pillar Two Global Minimum Tax: Detailed review](#), dated 16 January 2026).

The Simplified Effective Tax Rate (ETR) Safe Harbour is intended to provide some compliance simplification and will be available starting with fiscal years beginning in 2027 (and jurisdictions may choose to make it available as of 2026 in certain circumstances). In addition, the existing Transitional Country-by-Country Reporting (CbCR) Safe Harbour is extended by one year to include fiscal years beginning in 2027. During the period when both safe harbors are available, companies will be able to choose between them.

The Substance-based Tax Incentive Safe Harbour provides more favorable treatment under Pillar Two for qualifying expenditure-based or production-based tax incentives that are sufficiently connected to economic substance in the jurisdiction. This safe harbor is available starting with fiscal years beginning in 2026.

The Side-by-Side (SbS) Safe Harbour provides an exemption from both the UTPR and IIR for MNE Groups headquartered in a country that has a sufficiently robust corporate tax regime for both domestic and foreign income. The Ultimate Parent Entity (UPE) Safe Harbour applies to MNE Groups headquartered in a jurisdiction that has a sufficiently robust corporate tax regime for domestic income and provides an exemption from the UTPR for profits in the headquarter jurisdiction.

The SbS Safe Harbour and the UPE Safe Harbour are available starting with fiscal years beginning in 2026. To date, the OECD has identified only the US as a jurisdiction qualified for the SbS Safe Harbour. The OECD has not yet identified any jurisdictions as qualified for the UPE Safe Harbour. Upon request by an Inclusive Framework member jurisdiction, the Inclusive Framework will evaluate the jurisdiction's tax regime against the eligibility criteria for the particular safe harbor. MNE Groups that elect the SbS or UPE

Safe Harbour will continue to be subject to QDMTTs. In addition, the Pillar Two rules continue to apply for 2024 and 2025 without regard to these new safe harbors.

The Side-by-Side Package notes several categories of ongoing work for the Inclusive Framework, including additional compliance simplifications, further administrative guidance on technical issues, streamlining reporting obligations and additional work on QDMTTs. In addition, the package indicates that the Inclusive Framework will conduct a stock take under an evidence-based process by 2029, which will take into account data on the effect of the global minimum tax and the Side-by-Side system and the level of QDMTT implementation.

Inclusive Framework member countries have committed to implementing the Side-by-Side Package. For most Pillar Two jurisdictions, incorporating the Package into their domestic laws will require legislative action.



2.2 Regional implementation

2.2.1 Introduction

Last year (2025) confirmed that Pillar Two has moved from concept to execution. By year-end, more than 55 jurisdictions had implemented at least one rule of the Pillar Two system, with another five still in the process of implementation. The implementation of Pillar Two has generally covered the full package (QDMTT, IIR and UTPR), while 11 jurisdictions opted for a narrower, QDMTT-only approach.

Throughout 2025, jurisdictions leaned into the practical administration of Pillar Two, starting to build out the compliance infrastructure that will drive outcomes in

practice: registration requirements, filing mechanics, templates and penalty frameworks.

Also, during 2025, a significant number of jurisdictions revisited their existing Pillar Two legislation to incorporate OECD Administrative Guidance, which underscores for groups in scope that implementation is not a single step, so tracking ongoing refinements and adjusting positions is required as the rules in relevant jurisdictions settle.

2.2.2 Americas

Implementation activity in the Americas remained limited in 2025. Developments were identified in Brazil and Uruguay, both of which implemented a QDMTT.

| Pillar Two implementation table for Americas | | | | | |
|--|-------|------------------|---------|------------------|---------|
| Jurisdiction | QDMTT | Effective date | IIR | Effective date | UTPR |
| Bahamas | Final | 1 January 2024 | No | | No |
| Barbados | Final | 1 January 2024 | Unclear | | Unclear |
| Brazil | Final | 1 January 2025 | Unclear | | Unclear |
| Canada | Final | 31 December 2023 | Final | 31 December 2023 | No |
| Curaçao | Draft | 1 January 2025 | Draft | 01 January 2025 | Unclear |
| Uruguay | Final | 16 December 2025 | No | | No |

Disclaimer: The information is based on the [EY BEPS 2.0 Pillar Two Developments tracker](#) updated as of 18 March 2026.

2.2.3 Asia Pacific activity

Across Asia Pacific, 2025 implementation activity occurred in Hong Kong (IIR and QDMTT), Japan (QDMTT and UTPR) and South Korea (QDMTT).

Other developments in the region included updating or developing their Pillar Two rules, such as incorporating Administrative Guidance into domestic law and introducing local compliance requirements.

| Pillar Two implementation table for Asia Pacific | | | | | | |
|--|-------|----------------|-------|----------------|----------|----------------|
| Jurisdiction | QDMTT | Effective date | IIR | Effective date | UTPR | Effective date |
| Australia | Final | 1 January 2024 | Final | 1 January 2024 | Final | 1 January 2025 |
| Hong Kong | Final | 1 January 2025 | Final | 1 January 2025 | Final | |
| Indonesia | Final | 1 January 2025 | Final | 1 January 2025 | Final | 1 January 2026 |
| Japan | Final | 1 April 2026 | Final | 1 April 2024 | Final | 1 April 2026 |
| Malaysia | Final | 1 January 2025 | Final | 1 January 2025 | Unclear | |
| New Zealand | No | | Final | 1 January 2025 | Final | 1 January 2025 |
| Singapore | Final | 1 January 2025 | Final | 1 January 2025 | Unclear | |
| South Korea | Final | 1 January 2026 | Final | 1 January 2024 | Final | 1 January 2025 |
| Thailand | Final | 1 January 2025 | Final | 1 January 2025 | Final | 1 January 2025 |
| Vietnam | Final | 1 January 2024 | Final | 1 January 2024 | Expected | |

Disclaimer: The information is based on the [EY BEPS 2.0 Pillar Two Developments tracker](#) updated as of 18 March 2026.

2.2.4 EMEIA

2.2.4.1 Africa

Implementation activity in Africa in 2025 was concentrated in Kenya, Mauritius and South Africa,

which all implemented QDMTTs. South Africa also implemented an IIR alongside the QDMTT.

In addition, Cabo Verde is in the process of implementing a QDMTT, but the legislation had not been enacted as of the beginning of 2026.

| Pillar Two implementation table for Africa | | | | | |
|--|-------|----------------|---------|----------------|---------|
| Jurisdiction | QDMTT | Effective date | IIR | Effective date | UTPR |
| Cabo Verde | Draft | 1 January 2026 | No | | No |
| Kenya | Final | 1 January 2025 | Unclear | | Unclear |
| Mauritius | Final | 1 July 2025 | No | | No |
| South Africa | Final | 1 January 2024 | Final | 1 January 2024 | Unclear |

Disclaimer: The information is based on the [EY BEPS 2.0 Pillar Two Developments tracker](#) updated as of 18 March 2026.

2.2.4.2 Middle East

Bahrain, Kuwait, Israel, Oman, Qatar, and the United Arab Emirates implemented QDMTTs during 2025. Oman and Qatar also implemented an IIR alongside

the QDMTT. All the Pillar Two legislation in this region is effective from 1 January 2025 except that Israel's legislation applies from 1 January 2026 and Turkiye's QDMTT and IIR as of 1 January 2024.

| Pillar Two implementation table for Middle East | | | | | | |
|---|-------|----------------|---------|----------------|---------|----------------|
| Jurisdiction | QDMTT | Effective date | IIR | Effective date | UTPR | Effective date |
| Bahrain | Final | 1 January 2025 | Unclear | | Unclear | |
| Israel | Final | 1 January 2026 | No | | No | |
| Kuwait | Final | 1 January 2025 | Unclear | | Unclear | |
| Oman | Final | 1 January 2025 | Final | 1 January 2025 | Unclear | |
| Qatar | Final | 1 January 2025 | Final | 1 January 2025 | No | |
| Turkiye | Final | 1 January 2024 | Final | 1 January 2024 | Final | 1 January 2025 |
| United Arab Emirates | Final | 1 January 2025 | No | | No | |

Disclaimer: The information is based on the [EY BEPS 2.0 Pillar Two Developments tracker](#) updated as of 18 March 2026.

2.2.4.3 European Union

In 2025, Pillar Two activity entered a decisive phase in the EU, moving from legislative design to practical implementation and legal scrutiny. The EU Minimum Tax Directive had laid the foundation, but developments during the year revealed the complexity of embedding the Pillar Two regime within the EU's legal and political framework.

filings with a single submission. It also established a process for disseminating relevant sections of the TTIR to other Member States based on their connection to the group. The TTIR format reflects the Inclusive Framework's GIR released in January 2025, with EU-specific adaptations. Because DAC 9 does not allow automatic updates, any future changes to the GIR will require formal legislative amendment of the DAC.

2.2.4.3.1 Roll out of Pillar Two rules

One of the most significant steps during 2025 was the adoption of Directive on Administrative Cooperation (DAC) 9 in May 2025, which expanded the EU's administrative cooperation framework to support Pillar Two compliance. DAC9 introduced a central filing mechanism for the Top-up Tax Information Return (TTIR), allowing MNE groups to replace multiple local

The deadline for Member States to transpose DAC9 was 31 December 2025, with the first centralized filings due by 30 June 2026 and the first information exchange to be completed by 31 December 2026 (see EY Global Tax Alert, [EU Member States reach political agreement on DAC9](#), dated 20 March 2025). However, at the beginning of 2026, **not all Member States** had met the transposition deadline. As a result, on 30 January 2026, the European Commission **initiated** infringement proceedings against the noncompliant

Member States (Belgium, Bulgaria, Czechia, Greece, Cyprus, Malta, the Netherlands, Portugal, Romania and Sweden) (See EY [The Latest on BEPS and Beyond | February 2026](#)).

2.2.4.3.2 Minimum Tax Directive provisions prompt legal scrutiny

The minimum tax rules have already faced legal challenges in the EU. In July 2025, the Belgian Constitutional Court [referred](#) questions on the UTPR to the Court of Justice of the EU (CJEU). The case examines Belgium's implementation of the Minimum Tax Directive, focusing on whether the UTPR provisions – particularly the imposition of top-up tax without regard to the financial capacity of affected entities – breach EU fundamental rights, freedoms and principles. The CJEU is currently reviewing the case, and a judgment is not expected before 2027. Although the ruling will be binding across the EU, the Belgian Court retains ultimate authority over domestic application of the rules. For more information, please see this [EY Local Tax Alert](#).

2.2.4.3.3 Ongoing negotiations reveal new challenges for implementation

Throughout 2025, EU Member States were engaged in ongoing negotiations surrounding the proposed Side-by-Side system within the OECD/G20 Inclusive Framework. While 26 EU Member States participate as members of the Inclusive Framework, discussions also took place at the EU level regarding both the Side-by-Side Package and the broader direction of the minimum tax rules. Before the Package was ultimately adopted on 5 January 2026, the negotiation process revealed a markedly fragmented EU position, with several Member States expressing concerns.

Estonia emerged as one of the most vocal Member State opponents to the minimum tax rules. In December, the Estonian Minister of Finance issued a public [statement](#) describing Pillar Two as “unsuitable for Estonia from the very beginning” and explaining Estonia's refusal to support the Side-by-Side Package being discussed within the Inclusive Framework. Estonia grounded its opposition not only in the administrative complexity and compliance burden associated with the minimum tax, but also in broader competitiveness concerns. In particular, it argued that mandatory implementation of Pillar Two within the EU places EU-based businesses at a disadvantage compared with companies operating in jurisdictions where implementation remains voluntary. Against this background, Estonia sought a carve-out from the Pillar Two rules and indicated that, as a fallback

option, it could accept an extension of the deferral available to small Member States under Article 50 of the Minimum Tax Directive. Other Member States also raised concerns during the negotiations, although most did not issue formal statements. All Member States ultimately lifted their objections, but it remains unclear how their objections were addressed.

2.2.4.3.4 Response to adopted Package

Drawing on the difficulties encountered during the adoption of the Minimum Tax Directive – in which achieving unanimity proved particularly challenging – EU policymakers repeatedly indicated that directly amending the Directive to incorporate a Side-by-Side approach is not a viable option.

Under Article 32 of the Minimum Tax Directive, safe harbors may be applied within the EU, provided all 27 Member States consent to them. No amendments to the Directive are necessary for changes to the GloBE framework that are adopted as safe harbors under Article 32 of the Directive.

All EU Member States except Cyprus are members of the Inclusive Framework and had joined the consensus to adopt the Package on 5 January 2026. On 8 January 2026, the Ministry of Finance of Cyprus issued a [press release](#) in which Cyprus “provides its full assurance and consent to the Side-by-Side Package, approved by the OECD/G20 Inclusive Framework on BEPS on 5 January 2026, and in particular the Side-by-Side 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.”

On 12 January 2026, the Official Journal of the EU published a [notice](#) in which the European Commission acknowledges the Package and “confirms its application in the context of Council Directive (EU) 2022/2523” (the Minimum Tax Directive). In its notice, the Commission lists the safe harbors of the Package that were agreed in the Inclusive Framework and confirms 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 Package into their respective domestic frameworks.

2.2.5 Rest of Europe

Europe was the region that had the most Pillar Two

Pillar Two implementation table for Europe

| Jurisdiction | QDMTT | Effective date | IIR | Effective date | UTPR | Effective date |
|-----------------|-------|------------------|-------|------------------|---------|------------------|
| Gibraltar | Final | 31 December 2023 | Final | 31 December 2024 | No | |
| Guernsey | Final | 1 January 2025 | Final | 1 January 2025 | Unclear | |
| Iceland | Draft | 31 December 2025 | Draft | 31 December 2025 | No | |
| Isle of Man | Final | 1 January 2025 | Final | 1 January 2025 | Unclear | |
| Jersey | No | | Final | 1 January 2025 | No | |
| Liechtenstein | Final | 1 January 2024 | Final | 01 Jan 2024 | Final | |
| Montenegro | Draft | 1 January 2026 | No | | No | |
| North Macedonia | Final | 1 January 2024 | Final | 1 January 2024 | Final | 1 January 2025 |
| Norway | Final | 31 December 2023 | Final | 31 December 2023 | Final | 31-December 2024 |
| Switzerland | Final | 1 January 2024 | Final | 1 January 2025 | No | |
| United Kingdom | Final | 31 December 2023 | Final | 31 December 2023 | Final | 31 December 2024 |

Disclaimer: The information is based on the [EY BEPS 2.0 Pillar Two Developments tracker](#) updated as of 18 March 2026.

activity in 2025, with developments across multiple jurisdictions. This activity included a significant pipeline of draft bills and amendments to the existing Pillar Two legislation, as well as development of guidance and operational measures supporting compliance.

2.3 STTR MLI

The Multilateral Convention to Facilitate the Implementation of the Pillar Two Subject-to-Tax Rule Multilateral Instrument (STTR MLI) is a treaty-based rule that applies to specified intragroup payments from source jurisdictions (i.e., the jurisdiction in which the income arises) that are subject to tax rates below 9% in the payee's jurisdiction of residence. The STTR MLI is the treaty vehicle for implementing that rule.

On 23 September 2025, Albania [signed](#) the STTR MLI, bringing the total number of signatories to 10.

Albania was the first signatory since the initial signing ceremony in September 2024 when nine countries signed. Signature is an important step, but signatories must ratify, accept, or approve the STTR MLI – as applicable under their constitutional requirements – and then deposit the corresponding instrument with the OECD for the Convention to enter into force. In December 2025, San Marino became the first jurisdiction to [deposit](#) its instrument of ratification of the STTR MLI

The STTR MLI will enter into force on the first day of the month following the expiration of a three-calendar-month period beginning on the date of deposit of the second instrument of ratification, acceptance or approval. The number of signatories and ratification deposits remains very low, so the STTR MLI has not taken effect yet.



3 Other OECD developments

This section provides brief updates on some other OECD developments in 2025.

3.1 BEPS Multilateral Instrument

Throughout 2025, activity with respect to the BEPS Multilateral Instrument (MLI) continued. During this period, Brazil, Montenegro and Antigua and Barbuda signed the MLI, and Peru and Argentina deposited their instruments of ratification with the OECD. Also, there were multiple updates to jurisdictional arbitration profiles and competent authority lists, supporting incremental operationalization of mandatory arbitration where adopted.

3.2 BEPS peer reviews

In 2025, the Inclusive Framework focused on streamlining its peer review processes while maintaining robust monitoring of the four BEPS minimum standards (see EY [The Latest on BEPS and Beyond | July 2025](#)). In particular, in relation to Action 5 (transparency on rulings) the Inclusive Framework completed an effectiveness review that led to revised terms, scope adjustments and updated exchange formats (see EY Global Tax Alert, [OECD publishes 'Revised BEPS Action 5 Transparency Framework on Tax Rulings'](#), dated 16 September 2025).

3.3 OECD Model Tax Convention and global mobility

The first comprehensive update of the OECD Model Tax Convention since 2017 was completed in 2025. The update adds a new paragraph to Article 25 (Mutual Agreement Procedure) and makes substantive revisions to the Commentary with respect to multiple articles. The most detailed changes relate to Article 5 (Permanent Establishment). The revised Commentary introduces an analytical framework that clarifies when use of a home or other relevant place in another country can amount to a fixed place of business permanent establishment (see EY Global Tax Alert, [OECD 2025 Update to the OECD Model Tax Convention – key highlights](#), dated 5 December 2025). These updates will be incorporated into the OECD Model to be published in 2026.

The changes to the Commentary related to Article 5 foreshadow future work of the Inclusive Framework, which has identified the issue of global mobility of individuals as an area of focus (see EY Global Tax Alert, [OECD/G20 Inclusive Framework issues statement following plenary meeting](#), dated 14 April 2025).

3.4 Tax Certainty Day

The OECD continued to spotlight tax certainty, dispute prevention and digitalization through events such as Tax Certainty Day and Forum on Tax Administration plenaries (see EY Global Tax Alert, [OECD holds Tax Certainty Day, presenting MAP and APA statistics and addressing dispute prevention and resolution developments](#), dated 4 November 2025).

3.5 Global mobility

On 26 November 2025, the OECD Secretariat released a consultation document on the global mobility of individuals as part of the first phase (scoping and diagnosis), with the objective of collecting data and information that would underpin decisions on the scope and prioritization of subsequent work. As part of that consultation the OECD received over 60 comment submissions (including an [EY comment letter](#)) and has since hosted a public consultation meeting (see EY Global Tax Alert, [OECD hosts public consultation on global mobility of individuals](#), dated 28 January 2026).

3.6 Automatic exchange of immovable property information

In 2025, the OECD advanced a new automatic exchange initiative for readily available immovable property information, with no new domestic reporting obligations (see EY Global Tax Alert, [OECD 2025 Update to the OECD Model Tax Convention – key highlights, dated 5 December 2025](#)). By year-end, 26 jurisdictions had committed to a modular Multilateral Competent Authority Agreement designed to use existing public and registry data for reciprocal exchanges expected to begin in 2029 (see EY [The Latest on BEPS and Beyond | December 2025](#)).

4 United Nations

4.1 Introduction

Last year (2025) was an important year for the UN to work on tax. The year marked the first full year of formal negotiations toward a UN Framework Convention on International Tax Cooperation, saw significant activity by the Committee of Experts on International Cooperation in Tax Matters, produced political statement on financing for development, and ended with a tightening of the UN's regular budget that will affect how the UN carries out its tax work.

- The intergovernmental negotiating committee began its work in 2025, launching formal negotiations to draft the Framework Convention and moving from preparatory stages into sustained, formal intergovernmental deliberations.
- The Committee of Experts continued its program of technical work. The Committee held its 30th session from 24 to 27 March 2025, which was the last meeting of the 2021-2025 membership, and its 31st session from 21 to 24 October 2025, which inaugurated the 2025-2029 membership. These meetings advanced updates to the UN Model Tax Convention and a number of operational instruments that will shape international tax cooperation for the coming years.
- On 3 July 2025, delegates at the Fourth International Conference on Financing for Development in Sevilla, Spain adopted the [Sevilla Commitment](#). The Commitment called for reforms to increase governments' ability to mobilize and manage public revenues and spending, address sovereign debt challenges, and mobilize new public and private financing. It focused on international tax cooperation, urging an inclusive architecture that strengthens the voice and representation of developing countries, promotes tax transparency and domestic registries and supports country-specific technical assistance for implementation of the OECD/G20 Inclusive Framework Pillar Two framework. The Commitment also set out monitoring and follow-up mechanisms, including annual reporting and national focal points for financing for development, and encouraged constructive engagement in the UN negotiations on the Framework Convention (see [EY The Latest on BEPS and Beyond | July 2025](#)).

4.2 Intergovernmental Negotiating Committee

4.2.1 Organization and governance

The intergovernmental negotiating committee moved from organization to drafting in 2025. The organizational session established the committee's rules of engagement and elected a Bureau intended to provide regional balance. The Bureau includes 17 vice chairs from Africa, Asia Pacific, Europe, Latin America and the Caribbean. Extensive debate at the organizational session focused on the decision-making process. Delegations discussed whether the committee should rely on consensus or majority voting. The committee ultimately agreed that every effort would be made to reach consensus; however, if consensus could not be reached, a simple majority generally would suffice and substantive matters related to a protocol would require a two-thirds majority of members present and voting. Several delegations expressed dissatisfaction with this outcome, and the US stated it would not continue to participate in the organizational session (see EY Global Tax Alert, [UN intergovernmental negotiating committee on Tax Framework Convention on Tax Cooperation holds organizational session](#), dated 17 February 2025).

4.2.2 Roadmap and workstreams

On 4 April 2025, the Bureau published a roadmap and working methods that set out a timetable from March 2025 to July 2027, anticipating three formal sessions per year and organizing the work into three parallel workstreams. Workstream I covers the Framework Convention. Workstream II addresses the early protocol on taxation of income from cross-border services. Workstream III focuses on the early protocol on prevention and resolution of tax disputes. Each workstream is co-led by one developing country and one developed country. The co-leads will prepare work plans and first drafts based on the milestones in the roadmap, with the Secretariat's logistical and technical support. The roadmap envisages informal consultations between formal sessions and calls for stakeholder briefings in advance of substantive meetings (see EY Global Tax Alert, [UN negotiating committee of Framework Convention on International Tax Cooperation releases roadmap and guidelines](#), dated 15 April 2025).

Draft issues notes for the three workstreams were released on 27 June 2025, and the Secretariat held three stakeholder briefings at the end of June and the beginning of July. Those materials invited comment submissions, and by mid-July the Secretariat had published more than 65 stakeholder contributions on the issues notes. In addition, the summer sessions drew more than 140 contributions from member states, international organizations, civil society, academia and business (see EY Global Tax Alert, [UN releases draft issues notes on the Framework Convention on International Tax Cooperation](#), dated 17 July 2025).

4.2.2.1 First and second sessions

The committee's substantive work began in August 2025 with two sessions in close succession, from 4 to 8 August and 11 to 15 August. In Workstream I, delegates concentrated on three early drafting priorities: effective prevention and resolution of tax disputes, fair allocation of taxing rights, and alignment of international tax cooperation with sustainable development and strengthened domestic resource mobilization. In Workstream II, delegates considered practical obstacles that prevent many source jurisdictions from taxing cross-border services under existing treaty rules and debated principles for a potential new nexus rule, including that it should support domestic resource mobilization, be administrable and be resilient to evolving business models. In Workstream III, delegates mapped the principal causes of cross-border disputes and discussed prevention and resolution tools ranging from advance pricing agreements and joint audits to measures to strengthen the Mutual Agreement Procedure (MAP) and the possible use of arbitration. During these sessions, there was an emphasis on the need for coordination across workstreams so that the convention commitments and the protocol provisions are coherent (see EY [The Latest on BEPS and Beyond | September 2025](#)).

4.2.3 Stakeholder engagement and inputs

On 24 October 2025, the workstream co-leads circulated a package that included a Draft Framework Convention Template, organized into 28 articles, and a Concept Note on Workstream III addressing prevention and resolution of tax disputes. The draft template contains initial text for objectives, principles and a first set of commitments as well as a provision on the relationship between the convention and any protocols. Several articles are noted but not yet drafted, covering capacity building, relationship with other instruments and domestic law, finance, data and information exchange, governance, dispute settlement, amendment, entry into force and withdrawal. The

Concept Note contains approaches to designing a disputes protocol that would concentrate on cross-border disputes, consider optional mechanisms to encourage participation, strengthen prevention through administrative cooperation and contemplate a range of resolution options including enhanced MAP, mediation and arbitration, while also noting information asymmetries and data access challenges (see EY [The Latest on BEPS and Beyond | November 2025](#)).

The Draft Framework Convention Template and the Concept Note on Workstream III were open for public comment from 27 October 2025 to 5 December 2025. The Secretariat published the more than 120 submissions that were received, indicating that they will be considered during the intersessional period ahead of the negotiating committee's fourth session scheduled for February 2026 (see EY [The Latest on BEPS and Beyond | December 2025](#)).

Member country responses and stakeholder input in 2025 surfaced a set of recurring tensions that will drive the next phase of negotiations. One central issue is the nature and specificity of the convention's commitments. Many countries urged a high-level principles-based convention with detailed obligations left to protocols. Several developing country delegations argued that commitments should nevertheless be strong enough to be operational and should be oriented to development needs. A closely related issue is the demand for clarity on the convention's legal relationship with existing bilateral and multilateral instruments. Numerous countries stated that their positions on many draft articles would remain provisional pending the drafting of the article on the relationship of the framework convention with other agreements and domestic law.

Many countries' responses also referenced issues of sovereignty and domestic policy. They called out measures they regard as core national prerogatives, including taxation of high-net-worth individuals and the design of tax incentives. Many country submissions argued that dispute resolution provisions be confined to cross-border disputes and cautioned against mandatory binding arbitration on sovereignty grounds. Capacity building was repeatedly described as essential by developing countries, who advocated development of a standalone article covering training, institutional support, technology transfer and access to data needed for complex audits and transfer pricing work.

Responses on specific draft articles show both areas of convergence and areas of persistent division. On allocation of taxing rights, some developing countries called for language that recognizes value creation in markets and for broader nexus criteria, while others urged text that preserves residence-based taxation. On mutual administrative assistance, several country submissions asked for explicit coordination with the

Multilateral Convention on Mutual Administrative Assistance in Tax Matters and for robust safeguards on confidentiality and data protection. For illicit financial flows, tax avoidance and tax evasion, countries asked for precise definitions and for a structure that separates related but distinct problems. On harmful tax practices, countries' views ranged from proposals to build on existing international work to concerns that prescriptive language could unduly restrict legitimate, substance-based incentives used to promote investment.

The submissions on the Workstream III Concept Note reflect several key themes. There is broad support for optionality as a design feature, with many countries preferring a menu of mechanisms and opt-in or opt-out approaches. Many see the protocol's scope as limited to cross-border disputes, and most country delegations rejected inclusion of purely domestic disputes. The views on whether the protocol should apply in non-treaty situations are mixed. A large group of countries argued that a shared legal basis, such as a tax treaty, should be required, while others were open to voluntary approaches that could provide a legal basis in particular circumstances. MAP was widely affirmed as the central mechanism, with many country submissions calling for measures to strengthen MAP's effectiveness, accessibility, and transparency. Mandatory binding arbitration was the most divisive issue, opposed by numerous developing countries for reasons of sovereignty, cost and perceived asymmetries and supported by some countries as an optional mechanism to provide finality where MAP fails. Mediation and conciliation drew broad support as optional, non-binding tools. Proposals for a UN-managed transfer pricing database received mixed responses, with developing countries largely in favor as a tool to address information asymmetries and other countries expressing concerns about feasibility, cost, governance and confidentiality and proposing alternatives such as pooled purchasing of commercial databases.

4.2.4 Political dynamics and outlook

The negotiating environment in 2025 combined active technical engagement with notable robust debate and disagreement. The US announced that it would not participate further in the organizational session and along with many other countries, expressed strong objections to the decision-making approach that was adopted. At the same time, political declarations such as the BRICS (Brazil, Russia, India, China and South Africa) joint statement in July 2025 signaled vocal support from a group of major emerging economies for an inclusive UN convention and for constructive engagement on the early protocols (see EY [The Latest on BEPS and Beyond | July 2025](#)).

Taken together, the work carried out and the feedback received in 2025 foreshadow a busy agenda for 2026. Key issues for the next phase of negotiations include the nature and specificity of convention commitments, the drafting of the article on the relationship with other instruments, the design of optionality and finality features for the disputes protocol, as well as the treatment of non-treaty situations. The negotiating committee returned to New York in February 2026 to consider revised drafts and to begin resolving those questions.

4.3 UN Committee of Experts on International Cooperation in Tax Matters

In 2025, the Committee of Experts established new membership and set an ambitious technical agenda for 2025-2029. The Secretariat published the [report](#) of the Committee's 30th session, summarizing the meeting held from 24 to 27 March 2025. The report records wide-ranging discussions on tax transparency, transfer pricing, dispute avoidance and resolution, taxation issues related to the digitalized and globalized economy, wealth and solidarity taxes and crypto assets. The discussion in the March 2025 session also identified future priorities, including the taxation of permanent establishments and the definition of income from immovable property (see EY [The Latest on BEPS and Beyond | July 2025](#)).

4.3.1 2025 Model Tax Convention update

The 2025 update to the UN Model Tax Convention marks a significant shift toward strengthening source-country taxing rights and fostering inclusivity by removing the phrase "between Developed and Developing Countries" from its title as a way of signaling the model's relevance to all UN member countries. Central to this update is the new Article 12AA, which replaces older rules to allow a gross withholding tax on payments for all types of services regardless of a provider's physical presence, alongside an expanded definition of royalties that now includes software payments. The update further broadens the tax base by introducing Article 5A, which creates a deemed permanent establishment for extractive and renewable energy activities lasting over 30 days, and by expanding source taxation rights to international air and maritime transport and insurance premiums (including reinsurance). Finally, the convention introduces a Subject-to-Tax Rule (STTR) to prevent low-taxation abuses and adds dispute resolution provisions designed to ensure that tax matters are settled through specialized tax treaty mechanisms rather than through broader trade or investment agreements.

4.3.2 Work program and subcommittees

The Committee of Experts convened its 31st session in Geneva from 21 to 24 October 2025, marking the start of the 2025-2029 membership and the election of a new Bureau. The 25-member roster reflects geographic diversity, with Europe accounting eight members, Africa six, Asia five, Latin America and the Caribbean five and Oceania one. The Committee indicated that its work will remain development-oriented and that the Secretariat's capacity-building activities, supported by a multi-donor project, are intended to help developing countries participate effectively in technical discussions and implement guidance.

Before the [31st session](#), on 29 September 2025, the Committee published 43 submissions received in response to its call for views. Contributors from member countries, international organizations, academia, civil society and the private sector emphasized practical needs for dispute resolution guidance, tax administration reform, transfer pricing tools and country support for advance pricing agreement negotiations. Remote work and other nexus questions, climate-related fiscal measures and tax-expenditure reform were also referenced in many submissions. These inputs were considered as the priorities were set for 2025 to 2029 (see EY [Latest on BEPS and Beyond - October 2025](#)).

The 31st session established a work program and appointed coordinators to subsidiary bodies to deliver technical outputs over the coming term. The Committee put foundational guidance at the center of its agenda, mandating a Subcommittee on the Update of the UN Model Tax Convention to prioritize revisions to the concept of permanent establishment, consider significant economic presence and profit attribution, and update definitions in Articles 6 (Income from Immovable Property), 11 (Interest) and 12 (Royalties). A Subcommittee to update the Manual for the Negotiation of Bilateral Tax Treaties is established to align the Manual with the 2025 Model Convention and incorporate practical negotiation tools, starting with essential updates and moving toward more comprehensive revisions.

Transfer pricing remains a Committee priority. The Committee mandated a Subcommittee on Transfer Pricing to update the UN Practical Manual on Transfer Pricing, with emphasis on intragroup financial transactions, the taxation of intangibles, intragroup services and industry-specific guidance for sectors such as telecommunications and tourism. That Subcommittee is also tasked with work on profit attribution to permanent establishments and guidance on unilateral advance pricing arrangements. The Committee made an explicit link between this technical

work and developing countries' needs for practical tools and capacity building.

The program includes workstreams on taxation of the digitalized and globalized economy, tax administration and artificial intelligence (AI), the taxation of extractive industries, indirect taxes, dispute avoidance and resolution, environmental taxation, wealth taxation and taxation and gender with [subcommittees established](#) for all these workstreams.

4.3.3 Interaction with the UN Framework Convention process

During the October 2025 session, the Committee also discussed its technical role as complementary to the intergovernmental negotiating committee working on the Framework Convention on International Tax Cooperation. Members agreed that Committee outputs should be practical and directly usable to help implement any legally binding instruments that may result from the intergovernmental process, and that there is scope for mutual reinforcement as the convention negotiation process proceeds. The Secretariat described an integrated approach linking country-level implementation challenges to the development of international norms, with the Committee's guidance providing the foundation for workshops, training and technical assistance.

The Committee's 32nd session took place from 23 to 26 March 2026 in New York.



5 EU direct tax policy developments

5.1 Introduction

In 2025, EU policymakers initiated a recalibration of EU tax policy as part of a broader focus on enhancing the EU's competitiveness while facing budgetary constraints and dealing with a rapidly changing geopolitical outlook. Geopolitical changes prompted some commentators and political factions to call for closer EU cooperation. However, when it comes to tax, Member States have been reluctant to give up tax sovereignty through EU harmonization of tax law.

Consequently, the Polish and Danish Council Presidencies of 2025 delivered limited progress on corporate direct tax initiatives, if progress is measured by newly adopted tax measures. In addition, throughout 2025, EU Member States devoted considerable resources to implementing previously adopted tax Directives and translating global tax standards into EU-level rules, reflecting the ongoing complexity of aligning with evolving international frameworks.

Building on the recognition that adoption of EU hard law (i.e., binding law) is challenging, the European Commission is unveiling a tax policy agenda that shifts away from expansive legislative ambition toward consolidation, soft-law approaches and simplification. Also, encouraged by Member States, the European Commission has decided to withdraw or deprioritize several tax initiatives, reflecting limited political appetite for new corporate tax measures at the EU level.

5.2 Rollout of EU competitiveness agenda driving new tax policy initiatives

EU leaders have designated enhancing competitiveness as a main priority for the EU's 2024-2029 legislative period. Following its installation in December 2024, the second Von der Leyen Commission began to roll out a comprehensive agenda. At the start, the Commission issued its [2025 Work Programme](#) (see EY Global Tax Alert, [European Commission announces initiatives to improve competitiveness and adopts 2025 Work Programme](#), dated 25 February 2025), which outlined the key policies and legislative initiatives for the year. These included high-level strategies through which the Commission intended to present new policy initiatives in a coordinated and comprehensive manner. Further, the Commission announced several concrete legislative proposals to reduce compliance burdens arising from EU rules.

5.2.1 The Competitiveness Compass

On 29 January 2025, the Commission released the [Competitiveness Compass](#), a Communication that serves as a roadmap that follows up on the [Draghi report](#) and outlines the Commission's competitiveness agenda for the next five years. The Compass closely follows the structure of the Draghi report and identifies flagship actions across three transformational pillars aimed at boosting competitiveness: closing the innovation gap, a joint roadmap for decarbonization and competitiveness, and reducing dependencies while increasing security. The Compass also frames competitiveness as the reference point for work on industrial policy, the single market, digitalization and regulatory simplification. Although there are few explicit references to tax in the Compass, the actions proposed in it will likely have a major impact on the tax framework across the EU – not only by informing upcoming EU tax initiatives, but also by demanding better coordination of domestic tax policies (See EY Global Tax Alert, [European Commission announces initiatives to improve competitiveness and adopts 2025 Work Programme](#), dated 25 February 2025).

The following sections present the key taxation-related initiatives announced in the Compass, including: the Start-up and Scale-up Strategy, the Clean Industrial Deal, the Savings and Investments Union, the Taxation Omnibus Package, the DAC Recast and the 28th Legal Regime.

5.2.2 Start-up and Scale-up Strategy

In the Competitiveness Compass, the EU highlighted start-ups and scale-ups as a strategic engine for Europe's growth and innovation. Building on this, in May 2025, the European Commission launched its [EU Start-up and Scale-up Strategy](#), which outlines EU and national level legislative, policy and financial measures to support start-ups and scale-ups throughout their lifecycle, with the aim of helping to close the innovation gap through better regulation, finance, market expansion, talent, and access to infrastructure and services. The accompanying [Staff Working Document](#) describes the current landscape and challenges in each of these areas. Tax-related challenges across these areas include significant compliance complexity and reporting burdens arising from dealing with multiple differing national tax systems, fragmented tax incentives, divergent tax treatments of assets and transactions and differing tax reporting standards. The Staff Working Document does not set out concrete EU-level policy solutions or specific legislative proposals for these areas.

5.2.3 Clean Industrial Deal supported by a Recommendation on Tax Incentives

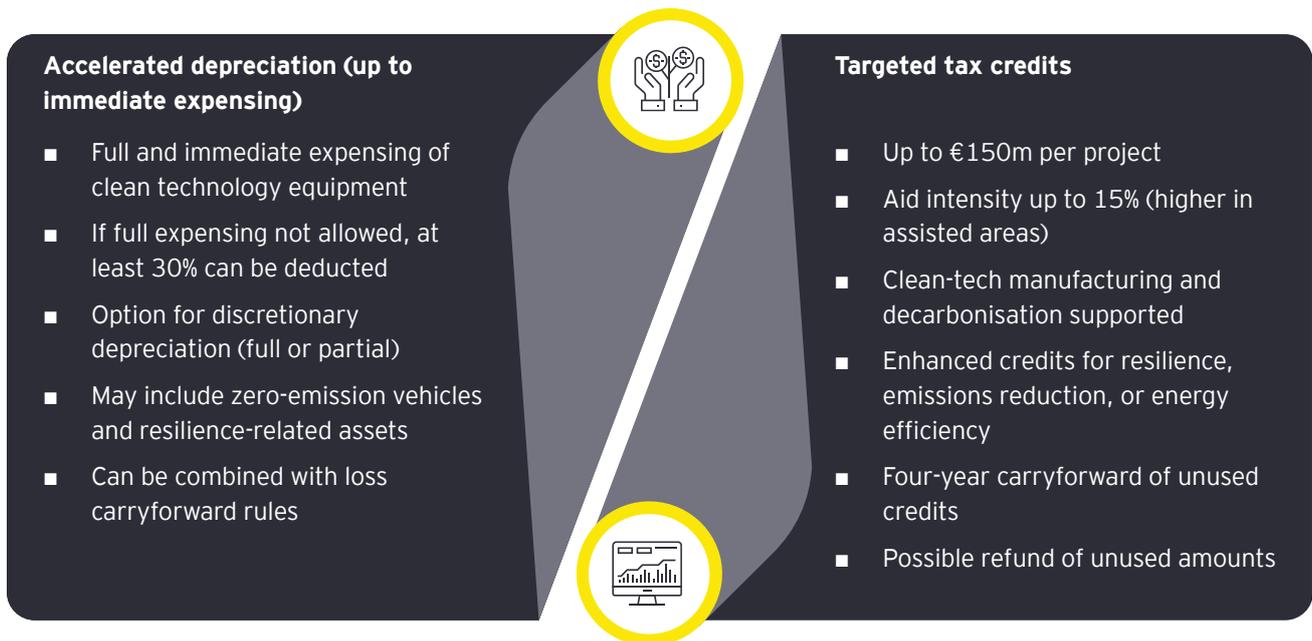
The Competitiveness Compass also announced the Clean Industrial Deal (CID) as a central component of the EU's strategy to enhance industrial competitiveness while accelerating the transition to climate-neutral and sustainable manufacturing. In February 2025, the Commission released its [CID Communication](#) intended to help European business reduce emissions while staying competitive, by promoting clean technologies and more efficient use of resources and addressing high costs. In 2025, the European Commission also adopted the [Clean Industrial State Aid Framework \(CISAF\)](#) and issued related tax recommendations for clean investments (see EY Global Tax Alert, [EU Commission recommends tax incentives to support Clean Industrial Deal](#), dated 8 July 2025).

The CISAF provides a new State-aid framework to support clean energy, industrial decarbonization and clean-tech manufacturing while complying with EU State-aid rules. From a tax perspective, CISAF itself does not establish or prescribe new EU-level corporate

tax incentives. Instead, it encourages Member States to rely on "non-selective" tax measures, such as accelerated depreciation, which generally do not constitute State aid and can be deployed more easily. Member States must announce any tax-related aid that exceeds €100,000 and are encouraged to consider principles of tax transparency and solidarity, including excluding entities that use tax havens. CISAF applies from 25 June 2025 until 31 December 2030, replacing the [Temporary Crisis and Transition Framework](#).

Following the adoption of CISAF, in July 2025, the European Commission released a [Recommendation on Tax Incentives](#) to support the CID recognizing that tax policies are a crucial instrument for achieving its objectives. The Recommendation sets out common principles to guide Member States when introducing and designing such incentives, focusing primarily on policy options linked to corporate income tax. It identifies two preferred instruments for Member States to encourage investment in clean technologies and promote industrial decarbonization: accelerated depreciation and targeted tax credits.

CID Recommendation on Tax Incentives



The Recommendation does not foresee EU-level funding to finance these incentives. Instead, it encourages Member States to offset part of the costs by narrowing tax gaps and reassessing existing tax expenditures, particularly those that no longer support the EU's environmental objectives. Consequently, this may lead Member States to introduce new tax measures or limit incentives.

Though Finance Ministers welcomed the Recommendation in their October [Council](#)

[Conclusions](#), they emphasized the need to keep tax measures simple, in line with principles of tax decluttering and simplification, and reiterated that, without binding EU rules, taxation is a national competence with Member States free to design and apply incentives based on their own circumstances, budget and priorities. As a result, the uptake of the proposed measures may vary and is likely to be limited, reflecting the experience with previous tax recommendations, which have historically been implemented unevenly and selectively across the EU.

5.2.4 Savings and Investments Union supported by a Recommendation on Savings and Investments Accounts

In the Competitiveness Compass, the Commission also announced the Savings and Investments Union (SIU) as a key initiative to strengthen the EU's economic competitiveness. The SIU aims to improve the functioning and integration of EU capital markets, which are fragmented due to differences in national frameworks and persistent cross-border regulatory, operational and tax-related barriers.

Building on the Capital Markets Union and the Banking Union, the SIU aims to address the challenge that, despite substantial private savings in the EU, these resources are not yet fully mobilized to support productive investment. EU households, for example, hold significant savings, but the EU faces growing

financing needs to support policy aims identified in the Draghi report. Limited participation in capital markets may constrain long-term wealth creation for citizens and restrict the availability of diversified financing for companies.

On 30 September 2025, the Commissions issued a [Communication](#) on the SIU and its [Recommendation](#) on "Savings and Investment Accounts" (SIAs) (see EY Global Tax Alert, [EU Commission releases recommendation aimed at boosting investments through Savings and Investment Accounts](#), dated 2 October 2025). The Recommendation encourages Member States to establish SIAs with favorable tax treatment, automated and simple tax compliance for investors, fair and transparent fees, and tax-neutral portfolio transfers between providers (including cross-border).

Recommendation on Savings and Investments Accounts

Portfolio portability and capped transfer costs

- Transfer entire SIA portfolio between providers, domestically or across borders
- No income tax triggered on transfers
- Existing tax benefits retained
- Transfers follow double tax treaty rules
- Fair, transparent, proportionate fees

Beneficial tax incentives

- Deductions, exemptions or deferrals for SIA income and assets
- Simplified or standardized taxation options
- Ensure SIAs benefit from the most favorable tax rules available nationally



Facilitated tax compliance

- Clear, upfront information on SIA tax treatment for investors and providers
- Providers may manage withholding tax and reporting
- Pre-filed tax returns where applicable

Implementation, alignment and reporting

- Monitor and evaluate SIA effectiveness, uptake, and budget impact of tax incentives
- Encourage alignment of tax incentives across Member States
- Avoid double taxation and support cross-border portability

Through this Recommendation, the Commission encourages Member States to implement and coordinate a combination of EU-level and national measures to support the SIU. Though support for SIAs will vary across Member States, some already have

similar accounts in place, and others are considering their introduction. A mid-term review is planned for 2027 to evaluate progress and guide any further adjustments.

5.2.5 Simplification focus

Throughout 2025, the European Commission has made “simplification” a key part of its competitiveness agenda. Under the 2024-2029 mandate, all Commissioners have been tasked with cutting unnecessary regulatory complexity, reflecting a broader effort to streamline EU rules that could slow investment, innovation and growth. This supports the Commission’s goal of reducing red tape and administrative burdens – by 25% overall and 35% for small and medium-size enterprises – so that EU legislation remains effective without imposing unnecessary costs on businesses and citizens. On 11 February 2025, the Commission translated these ambitions into the [Communication](#), “A simpler and faster Europe: Communication on implementation and simplification,” which reiterated its plans to issue several “omnibus” initiatives, aimed at reviewing and updating existing EU legislation across multiple areas. Addressing priority sectors identified by stakeholders and highlighted in the Draghi report, the Commission’s omnibus proposals focus on maximizing simplification by considering the interaction between different legislative measures.

Aligning with the simplification efforts of the Commission, during the March meeting of the Council of Economic and Financial Affairs, Ministers of Finance approved [Council Conclusions](#) on a “tax decluttering and simplification agenda which contributes to the EU’s competitiveness,” marking the first step toward streamlining the tax regulatory framework. In their Conclusions, the Finance Ministers indicated the four key principles on which the review of the tax framework should be built:

- Reducing the reporting, administrative and compliance burdens for Member State tax administrations and taxpayers;
- Eliminating outdated and overlapping tax rules and, where relevant;
- Increasing the clarity of tax legislation; and
- Streamlining and improving the application of tax rules, procedures and reporting requirements.

The Council recommended that simplification efforts begin with a review of DAC6 (mandatory disclosure rules) and the Anti-Tax Avoidance Directive (ATAD), while also encompassing the entire EU taxation acquis (i.e., the body of common rights, obligations and laws binding all EU member States), including indirect taxation. Additionally, the Council urged the Commission to develop guidelines through a consensus-based approach among Member States to ensure consistent application of EU tax rules and to discourage “gold plating,” which adds unnecessary regulatory burdens.

5.2.5.1 Taxation omnibus on the way

In 2025, the Commission released [10 omnibus proposals](#) including on sustainability, EU investments, common agriculture policy, defense readiness, chemicals, the automotive industry and food and feed safety. Some of the omnibus proposals have already been formally adopted by the Commission and Council, others have reached political agreement in trilogue negotiations or provisional agreement between co-legislators, and several remain under further negotiation or are progressing toward final adoption and implementation.

For 2026, the Commission announced in its [2026 Work Programme](#) additional omnibus proposals, including one to simplify EU tax rules that is scheduled for [release](#) in Q2 of 2026. As part of this initiative, the Commission is expected to propose a revision of the ATAD that builds on the ATAD [evaluation](#) launched in 2024 and feedback received from stakeholders. In its October 2025 meeting, the Platform for Tax Good Governance – a group assisting the Commission in initiatives to improve tax governance – discussed potential changes to ATAD based on a note for discussion, but documents from that session have not yet been made publicly available.

5.2.5.2 DAC recast

Building on this broader simplification agenda, the Commission is also reviewing the DAC. In this context, in 2025 the Commission published its [second evaluation](#) of DAC2 to DAC6, covering their application from 2018 to 2023.

The Commission found that the DAC has created a flexible framework for administrative cooperation, increasing information exchange between Member States and supporting tax authorities in risk assessments, compliance checks, and voluntary reporting. According to the evaluation report, the DAC delivers substantial financial benefits, with estimated annual tax gains of approximately €6.8b. The report also identifies five areas for improvement

- Reduce administrative burden;
- Improve the penalties framework;
- Introduce an EU tax identification number;
- Increase the systematic use of data and develop better traceability; and
- Assess the potential of digital transformation

Following the evaluation, in December 2025, the Commission launched a new [public consultation](#) on the DAC soliciting input on policy options to simplify, clarify and improve the current functioning of the DAC, on compliance costs associated with reporting obligations

to reduce, and the potential savings stemming from some of the policy options. The consultation period ended on 10 February 2025.

Taking into account the input received, the Commission plans to

- Merge the 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
- Examine the introduction of a common taxpayer identifier
- Consider adjusting DAC7 thresholds for goods sales
- Explore adding mandatory requirements to DAC1

5.2.5.3 The 28th regime – a single harmonized set of rules for innovative companies throughout the EU

With the release of the Start-up and Scale-up Strategy, the Commission elaborated on the development of a proposal for a “28th regime” – an optional framework designed to simplify cross-border operations for innovative companies.

To inform its legislative initiative, the Commission held a [public consultation](#) from 8 July to 30 September 2025, asking stakeholders how the regime should be structured. Responses generally welcomed the goal of reducing fragmentation and compliance costs but raised concerns about proportionality and integration with existing frameworks.

On 18 March 2026, the European Commission released the proposal for a Regulation on the 28th Regime Corporate Legal Framework – “EU Inc.”, as part of a several initiatives to enhance the competitiveness of the economy of the EU. The proposal primarily establishes a harmonized corporate legal framework, introducing a new legal form, the EU Inc. limited liability company, in the national legal orders of all Member States.

Although the Commission initially envisaged the introduction of a harmonized 28th Corporate Income Tax regime for EU Inc. companies, the proposal does not include such provisions. However, specific provisions aim at enabling EU Inc. companies to apply the EU common scheme for employee stock options, with the aim of attracting and retaining talent. The proposal harmonizes the timing of taxation of income derived from warrants by deferring taxation until the shares acquired upon exercise are disposed of.

The Commission has put forward the proposal under Article 114 of the Treaty of Functioning of the EU (TFEU); therefore, the submission follows the ordinary

legislative procedure. As a result, the proposal will be subject to negotiation and approval by both the European Parliament and the Council of the EU, to be followed by adoption in Member States by qualified majority voting and direct application across the EU as a Regulation. This approach contrasts with the adoption procedure for direct tax measures, which are typically based on Article 115 TFEU and require unanimous agreement among Member States (See EY Global Tax Alert, [European Commission publishes proposal on the 28th Regime \(EU Inc.\)](#), dated 24 March 2026).

5.3 EU Budget in 2025: New long-term budget resource proposals against Member State opposition

In 2025, preparatory work on the future financing of the EU's long-term budget advanced. Due to the expected increase in the EU budget and the need to repay loans obtained for the NextGenerationEU stimulus fund, the EU will need additional revenue – either by increasing contributions by Member States or introducing new “Own Resources” Historically, Member States have been cautious about any new Own Resources. (See EY Global Tax Alert, [EU Commission releases new ‘own resources’ package as part of its Multiannual Financial Framework, including lump-sum contributions by large companies](#), dated 23 July 2025.)

In 2023, the Commission proposed generating revenues from the Emissions Trading System (ETS), the Carbon Border Adjustment Mechanism (CBAM), and a [“temporary statistical Own Resource Based on Company Profits.”](#) The latter did not attract support from Member States.

In the first half of 2025, the Commission considered a wide range of alternative options, such as allocating UTPR revenues to the EU budget, introducing new corporate- and consumption-based levies such as Digital Services Taxes, excess profit taxation under Pillar One, and a single market levy, as well as financial and environmental taxes, and exit taxation on unrealized gains. External experts also suggested measures like a common external withholding tax and a minimum tax on high-net-worth individuals. During this period, the Polish Council Presidency released a report on progress in the EU Own Resource negotiations, which provides some information about Member States' positions.

These preparatory efforts culminated on 16 July 2025 in the Commission's [budget proposal](#) for the Multiannual Financial Framework (MFF) 2028-2034. The proposal outlined planned future spending priorities within an increased long-term budget of approximately €2t.

The proposal puts forward adjustments to the existing Own Resources and suggests a [package](#) of new Own Resources. The proposed adjustments include removal of discounts for large Member States.

The proposed new Own Resources comprise the following:

- Own Resource equal to 30% of revenues from the existing ETS (ETS1)
- Own Resource equal to 75% of revenues generated under CBAM
- A new Own Resource of €2/kg on non-collected electrical and electronic waste.
- Excise duty own resource: 15% of tobacco excise revenues
- Lump-sum contribution from large EU-operating companies (turnover exceeding €100m)

In the [Commission's estimates](#), the new Own Resources and the adjustments to the existing ones would generate around €58.2b per year.

The fifth on the list of proposed new Own Resource, the Corporate Resource for Europe (CORE), would target companies that are tax resident in the EU and that have an annual net turnover exceeding €100m. Under CORE, companies would be divided into four brackets based on their annual net turnover, and their contributions would be structured as lump-sum annual payments ranging from €100k to €750k annually. In response to the Commission's CORE proposal, several Member States expressed immediate reservations, questioning its design, implementation and potential impact on national fiscal sovereignty. These early reactions underscore differences in national positions that are likely to shape negotiations on the MFF and the EU revenue framework, which could lead to changes in proposed budget sources or even the adoption of alternative resources, or none at all.

The publication of the Commission's MFF proposal marked the start of formal negotiations in the Council and the European Parliament. Following the proposal, technical examination of the new Own Resources began within the Council's Working Party on Own Resources. Adoption of the next long-term budget follows the special legislative procedure under [Article 312\(2\) TFEU](#), requiring the consent of the European Parliament by an absolute majority (without the possibility of amendments) and a unanimous agreement by the Council. A decision on new Own Resources, under [Article 311 TFEU](#), also follows a special legislative procedure where the Parliament is consulted and may propose amendments that the Council can reject, with unanimity in the Council and subsequent ratification by Member States required.

As spending commitments for EU strategic ambitions and defense increase, budget negotiations are expected to intensify in 2026, which could make revenue adjustments – and potentially tax increases – necessary. Fiscal consequences of defense expenditure have become a significant topic for Finance Ministers in the EU. As a final decision on the budget increase and EU Own Resources, may not occur until December 2026, alternative proposals could emerge during the negotiations.

Additional tax increases may be anticipated around Europe due to market pressures and the adjustment and reinstatement of the Stability and Growth Pact (SGP). Under these rules, national government deficits are capped at 3% of Gross Domestic Product (GDP), and public debt must remain below 60% of GDP. These strict limits may prompt governments that are under budgetary pressure to increase taxes.

5.4 Follow-up to previously adopted EU tax Directives

In 2025, Member States advanced the implementation of EU corporate tax and transparency measures adopted in previous years as key transposition and reporting deadlines approached. This includes the EU Public CbCR Directive, the Faster and Safer Tax Relief of Excess Withholding Taxes (FASTER) Directive, and the eighth Directive on Administrative Cooperation (DAC8). Member States that fail to transpose EU measures on time could face infringement actions from the Commission, which could ultimately lead to fines.

5.4.1 Ongoing administrative hurdles under EU Public CbCR

Last year (2025) was pivotal for EU Public CbCR, marking the first reportable period for most in-scope MNEs under the EU Public CbCR Directive. Some in-scope MNEs already have been required to publish a report in Romania. Though the legal framework is now largely in place, uneven implementation across Member States and additional developments at the European Economic Area (EEA) level have introduced additional complexity for in-scope MNE groups.

5.4.1.1 Fragmented implementation of reporting formats and processes

The EU Public CbCR Directive requires MNEs to present their information using a standardized template and electronic formats that are machine-readable. In late 2024, the Commission published the [Implementing Regulation](#) establishing the template and formats applicable for Public Country-by-Country (CbC) reports of EU MNE Groups corresponding to financial years commencing on or after 1 January 2025. This made 2025 the first reporting year under the Directive

for which multinational groups headquartered in the EU were required to prepare and publish their CbC information in line with the standardized formats (see EY Global Tax Alert, [European Commission adopts final implementing regulation on template and electronic reporting formats for public CbCR](#), dated 3 December 2024). Nonetheless, some Member States have not yet fully implemented the administrative measures mandated by the Implementing Regulation, resulting in the need for alternative reporting approaches such as PDF submissions.

5.4.1.2 Accelerated timelines due to gold-plating measures

There also have been variations in some Member States' domestic transposition, such as Romania's early introduction of the rules (see EY Global Tax Alert, [Romania | CbCR in the spotlight – Tax authorities launch awareness campaign for voluntary compliance with 31 December 2025 deadline](#), dated 19 November 2025) or Spain's shorter publication window of six months instead of 12 months (see EY Global Tax Alert, [Spain implements EU Country-by-Country Reporting Directive applicable as of 22 June 2024](#), dated 22 December 2022), which reduce the time available for data collection and preparation of publication.

5.4.1.3 Delayed transposition of reporting thresholds

Several Member States did not meet the stipulated deadline to transpose the 2023 amendment to the Accounting Directive increasing the size thresholds used to classify companies as micro, small, medium or large. This classification is crucial for Public CbCR purposes because only medium-sized and large EU subsidiaries of non-EU groups are required to report. The European Commission has [launched](#) infringement proceedings against Member States to address this delay.

5.4.1.4 Steps taken in the extension to EEA countries

In 2025, procedural steps were taken to extend the obligations of the EU Public CbCR Directive to the EEA countries outside the EU – Liechtenstein, Norway and Iceland. Application of Public CbCR in these additional countries depends on a notification confirming that each has completed its constitutional requirements as stipulated by Article 103(1) of the EEA Agreement.

By the end of 2025, only Liechtenstein had [notified](#) the European Free Trade Association (EFTA) accordingly. Norway and Iceland have not yet notified EFTA. For businesses operating in the EEA, this introduces uncertainty and requires close monitoring of legislative developments to ensure timely compliance.

The anticipated extension will have the following

implications:

- In-scope multinational groups headquartered in Liechtenstein, Norway or Iceland will be subject to Public CbCR obligations solely in their ultimate parent entity jurisdiction, without additional reporting obligations in EU Member States.
- Non-EEA multinational groups with a significant presence in Liechtenstein, Norway or Iceland (i.e., medium-sized or large entities) will be subject to a reporting requirement in each of these countries.
- Data will need to be reported separately for each EEA jurisdiction.

5.4.2 Faster and Safer Tax Relief of Excess Withholding Taxes (FASTER) Directive

At the end of 2024, Member States adopted the [FASTER Directive](#) setting forth rules that aim to make withholding tax procedures in the EU more efficient and secure for investors, financial intermediaries and Member States. Member States are required to transpose the framework by 31 December 2028, with application from 1 January 2030, and as such, Member States are still in the early stages of transposition and domestic preparation (See EY Global Tax Alert, [EU Member States adopt the Directive on Faster and Safer Relief of Excess Withholding Taxes \(FASTER\)](#), dated 11 December 2024).

The Directive indicates that as part of the FASTER Directive implementation, the European Securities and Markets Authority (ESMA) should set out the methodology for calculating market capitalization and the market capitalization ratio of Member States. For 2026, a 1.5% threshold has been established. Member States with a market capitalization ratio below this threshold and a comprehensive relief-at-source system for excess withholding tax on dividends are exempt from FASTER's operational provisions laid out in Chapter III of the Directive. However, if their market capitalization ratio exceeds this threshold for four consecutive years, or if they at any time lack a comprehensive relief-at-source system, Member States must apply the Chapter III provisions and transpose them into national law. Once Chapter III applies, it remains in force for that Member State.

The European Commission on 16 January 2026 endorsed the proposal through the adoption of a [Delegated Regulation](#).

The Commission is also actively collaborating with industry stakeholders through dedicated working groups established to support the implementation of the FASTER Directive. These groups bring together representatives from industry and Member States to provide input on the development of the next steps, including the preparation of delegated and

implementing acts. The working groups focus on technical aspects such as electronic certificates, reporting templates and the portal for Certified Financial Intermediaries, ensuring that practical and operational considerations are addressed. These efforts are ongoing, with implementing measures expected to be finalized and rolled out during 2026 and potentially extending into 2027.

5.4.3 Directive introducing tax transparency rules for crypto assets (DAC8)

DAC8 triggered intense legislative activity in 2025, as Member States rushed to meet the 2025 transposition deadline. DAC8 includes expansion of the scope for reporting and automatic exchange of information to crypto-assets and e-money, aligning EU tax transparency rules with the OECD's Crypto-Asset Reporting Framework (CARF) (See EY Global Tax Alert, [EU adopts Directive introducing tax transparency rules for crypto assets \(DAC8\)](#), dated 24 October 2023).

EU Member States were required to transpose the Directive into national law by 31 December 2025, with most provisions applicable as of 1 January 2026. By the end of 2025, according to the latest officially reported notification information available on the European Commission's website not all Member States had notified the Commission that they have transposed DAC8 into national law. On 30 January 2025, the European Commission **announced** that it has initiated legal proceedings against Member States that have failed to implement DAC8 by 31 December 2025 sending letters of formal notice to Belgium, Bulgaria, Czechia, Estonia, Greece, Spain, Cyprus, Luxembourg, Malta, the Netherlands, Poland and Portugal.

In addition, on 26 November 2025, the Commission published the updated [Implementing Regulation](#) for the standardized XML schema to be used for DAC8 reporting in the Official Journal. The Implementing Regulation defines the computerized format for exchange, mirroring the OECD's CARF schema. Member States may use the EU DAC8 schema or provide a specific national schema.

5.5 Commission announced intention to withdraw proposals that had limited Member States support

The European Commission published its [2026 Work Programme](#) on 21 October 2025, reviewing ongoing corporate tax initiatives and adjusting priorities. Proposals for a debt-equity bias reduction allowance (DEBRA), a financial transaction tax and Unshell and Transfer Pricing Directives have been included in the list of proposals to be withdrawn due to limited appetite

among Member States. Proposals such as the Digital Services Tax (DST) and the Directive on a Business in Europe: Framework for Income Taxation (BEFIT) were retained. Although the withdrawals have not yet been effectuated, the Commission indicated that it intended to withdraw the proposals within six months of the October 2025 Work Programme release.

5.5.1 Withdrawal of Unshell Directive; elements to be kept alive through DAC6 Recast

In 2025, negotiations on the Unshell proposal (i.e., Directive laying down rules to prevent the misuse of shell entities for tax purposes) effectively stalled, following years of debate. Member States were concerned about overlapping obligations, duplicate reporting and additional compliance costs for both businesses and tax authorities across the single market. Many also questioned whether Unshell would provide significant benefits beyond existing tools like DAC6, particularly with the evolution of Unshell from its original aim of enforcing substance requirements to being an information-exchange tool relying on risk indicators and hallmarks, similar to DAC6.

In the first half of 2025, under the Polish EU Presidency, Member States considered the pending Unshell proposal in the context of the Finance Ministers' call for simplification and decluttering of EU tax rules. They noted that, if adopted, the Unshell framework would likely overlap with existing DAC6 obligations. Many Member States recognized that the policy objectives underlying Unshell could instead be achieved with "clarifications or amendments" of DAC6 hallmarks. They also expressed the view that new EU rules should not create undue administrative burdens. The Member States ultimately concluded that negotiations on Unshell would be discontinued.

5.5.2 Limited interest in BEFIT

In 2025, the appetite for the BEFIT proposal remained limited. EU Council Presidencies did not consider it a priority tax file, as they did not anticipate significant progress. Nevertheless, the proposal was retained on the list of pending tax initiatives rather than being withdrawn, indicating that the possibility of future reconsideration remains.

BEFIT is another attempt by the European Commission to introduce a pan-European tax framework, following the earlier Common Consolidated Corporate Tax Base (CCCTB) and Common Corporate Tax Base (CCTB) proposals, both of which were ultimately unsuccessful. Over time, the appetite for this level of EU-wide tax harmonization has diminished. Although the BEFIT proposal therefore is unlikely to advance in 2026, it remains a reference point for future EU discussions, and elements of BEFIT may nonetheless inform the

European Commission's forthcoming editions of the 28th Regime (see [Section 5.2.5.3](#)).

5.5.3 Member States lack appetite to address transfer pricing at EU level

In 2025, the proposed EU Transfer Pricing Directive faced significant political resistance and ultimately failed to advance. A large majority of Member States made clear during Council discussions that they did not see a viable path to progressing the Commission's proposal.

Early in 2025, there were discussions about creating a transfer pricing platform at the EU level to facilitate dialogue and consensus-building among Member States, instead of legislating in this area via a Directive. However, views differed widely on this, with some

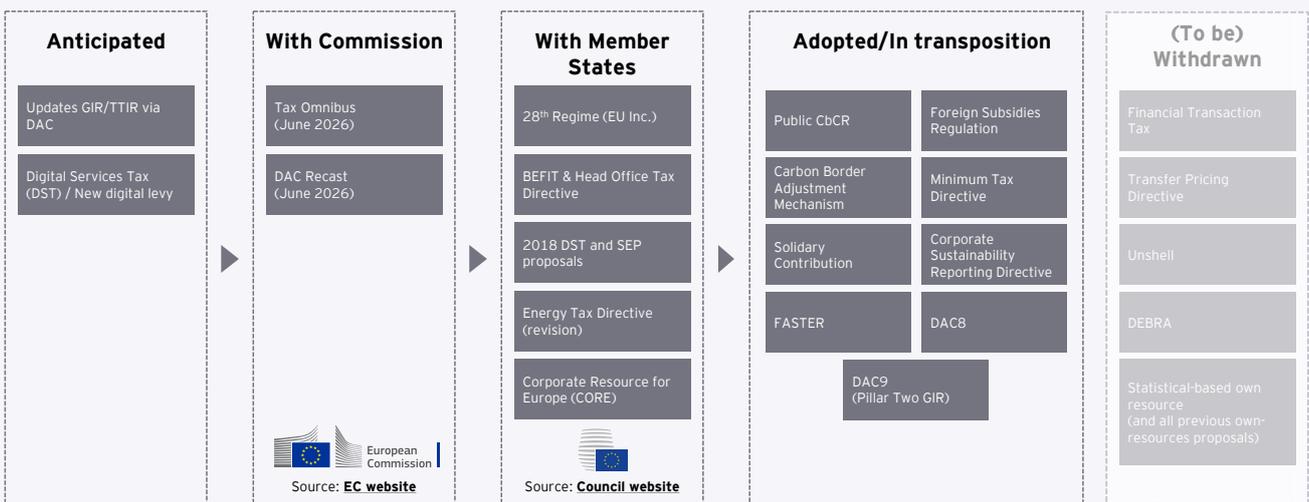
Member States fearing that a platform would overlap with OECD processes and others reluctant to commit to EU-level solutions on transfer pricing or to revisit fundamental issues such as the arm's-length principle. These disagreements prevented meaningful agreement on the purpose, scope or format of any such platform.

With negotiations stalled, the Transfer Pricing Directive was included in the list of withdrawals in the 2026 European Commission's Work Programme.

The withdrawal leaves national transfer pricing regimes based on the OECD Transfer Pricing Guidelines as the primary framework within the EU, which means that potential differences in interpretation and application in transfer pricing matters at the Member State level remain.

Below is an overview of EU tax initiatives and their different legislative stages as of beginning of 2026.

Tax initiatives at different legislative stages



The European Commission is shifting from hard law to soft law instruments in the field of taxation, including by issuing Recommendations. Recent examples of this approach include the [Savings and Investment Accounts Tax Recommendations](#), and the [Recommendations on Tax Incentives](#).

See commission work Programme (Annex and Factsheet) for 2026.

5.6 Code of Conduct Group on Business Taxation

In 2025, the EU continued its work on the Code of Conduct for Business Taxation, focusing on the monitoring of preferential tax measures and the biannual update of the EU List of noncooperative jurisdictions.

The EU List was updated twice during the year, first in February 2025 (see EY Global Tax Alert, [EU's revised list of noncooperative jurisdictions for tax purposes is unchanged; state-of-play overview is modified](#), dated 21 February 2025) and again in October 2025

(see EY Global Tax Alert, [EU Ministers revise list of noncooperative jurisdictions for tax purposes](#), dated 15 October 2025). The EU List was also updated in February 2026 (see EY Global Tax Alert, [EU issues revised list of noncooperative jurisdictions for tax purposes](#), dated 19 February 2026). Annex I (composed of countries that have failed to fulfil their commitments to comply with tax good governance criteria within a specific timeframe, and countries that have refused to do so) has been amended to include the Turks and Caicos Islands and Vietnam and to exclude Fiji, Samoa and Trinidad and Tobago. Annex II (state-of-play document including jurisdictions that do not yet comply with all international tax standards

but have committed to implementing reforms) has been amended to remove Antigua and Barbuda and Seychelles. As of the February 2026 update, Annex

I and Annex II of the EU List comprise the following jurisdictions:

| EU List | State-of-play overview |
|---|--|
|  American Samoa (added on 5 December 2017) |  Belize (added on 20 February 2024) |
|  Anguilla (added on 4 October 2022) |  British Virgin Islands (added on 17 October 2023) |
|  Guam (added on 5 December 2017) |  Brunei Darussalam (added on 18 February 2025) |
|  Palau (added on 18 February 2020) |  Eswatini (added on 4 October 2022) |
|  Panama (added on 18 February 2020) |  Greenland (added on 10 October 2025) |
|  Russia (added on 14 February 2023) |  Jordan (added on 10 October 2025) |
|  Turks and Caicos Islands (added on 17 February 2026) |  Montenegro (added on 10 October 2025) |
|  US Virgin Islands (added on 13 March 2018) |  Morocco (added on 10 October 2025) |
|  Vanuatu (added on 12 March 2019) |  Turkiye (added on 5 December 2017) |
|  Vietnam (added on 17 February 2026) | |

The revision of the EU List of noncooperative jurisdictions affects activities in and transactions with newly listed or delisted jurisdictions, given the defensive measures that have been implemented in Member States. It also has implications for Public CbCR, as under that Directive, disaggregated reporting is required for certain jurisdictions by reference to jurisdictions on Annex I and II.

In June and **November** 2025, the Code of Conduct Group (COCG) (Business Taxation) released its reports to the Council under the Polish and Danish Council Presidencies. These reports provide an overview of the work conducted by the COCG in the first and second half of 2025. During this period, COCG reviewed its working methods and provided guidance on the

application of existing rules, including the rules relating to rollback and grandfathering provisions and expenditure-based tax incentives. The COCG also examined ways to improve the notification process for preferential tax regimes and discussed methods for monitoring the effects of specific measures.

The COCG considered possible updates to the criteria used to assess preferential tax regimes, including the potential introduction of beneficial ownership as a fourth transparency criterion. While the importance of beneficial ownership was acknowledged, the Group concluded that no viable approach could be implemented at this stage. Consequently, no major changes were made to the assessment criteria.

6 Outlook: expectations for the evolving landscape

6.1 Introduction

The international tax landscape in 2025 and early 2026 evolved within an environment marked by accelerated geopolitical change. As highlighted in [EY Parthenon's 2026 Geostrategic Outlook](#), the international system is becoming more multipolar, consensus-based frameworks are under strain, and policy is increasingly shaped by considerations of resilience, security and strategic positioning. Large economic blocs react and adapt their trade and tax policies to this changing environment while continuing to advance their own agendas.

In 2026, businesses, investors and policymakers will operate in what the Geostrategic Outlook refers to as the “NAVI world” – a world defined by change that is nonlinear, accelerated, volatile and interconnected. Volatility is not an external shock to an otherwise stable system, but a structural feature of the current environment.

International tax developments in an evolving landscape

In 2026, several global and regional policy developments will demand close attention, with some initiatives previously set in motion becoming increasingly dynamic amid the ongoing geopolitical volatility noted above. These evolving trends reflect both longstanding priorities and new challenges that continue to reshape the international tax landscape.

6.2 Global minimum taxation

In 2026, there will be further developments in the global minimum tax framework. The Inclusive Framework will work on several tasks identified in the January 2026 Side-by-Side Package (see [section 2.1.6](#)). At the EU level, it is expected that the discussions on the impact of the minimum tax framework on European competitiveness will continue (see [section 2.2.4.3](#)). At the national level, legislators and tax authorities will need to focus on implementing the Package and establishing the necessary Pillar Two compliance processes, as the first filings are due this year. In addition, policymakers may face strategic considerations in response to the Package, such as whether to review or introduce changes to their tax systems, including considering the potential introduction of new tax incentives in light of the Substance-Based Tax Incentive Safe Harbour. For businesses, the obligations under the Pillar Two

framework may change from year to year as the new safe harbors take effect in jurisdictions, requiring a timely and adaptive approach to planning and compliance.

6.3 Digital services taxation and Pillar One

Policymakers have expressed their intention to resume discussions of the digital economy following the January 2026 agreement on Pillar Two. Meanwhile, there have been calls in various countries, and also in the European Parliament, for the introduction or expansion of DSTs. In the EU, the Commissioner for Taxation Wopke Hoekstra has expressed a preference for a potential EU-level solution should a global agreement not be reached. At the same time, in 2025, several Member States started considering introducing unilateral DSTs, driven by an urgent need to increase revenues. Similarly, digital services may receive renewed focus at the EU level in light of the ongoing discussions on the EU's Own Resources, which will continue into 2026.

It is expected that the issue of the taxation of cross-border services will once again come to the forefront in 2026, particularly in light of the ongoing negotiations at the UN over Workstream II (see [section 4.2](#)), in which a significant number of UN member states are calling for greater taxing rights for source and market jurisdictions. This is a development that affects many businesses, with uncertainty driven by national-level developments and an unclear path forward at both the OECD and UN levels.

6.4 Global mobility

It is expected that the Inclusive Framework will make more progress in 2026 in its project to address tax challenges related to global mobility. A public consultation meeting, hosted by the OECD on 20 January 2026, demonstrated that employers and employees face ever-more complex challenges, such as technological advancement, talent needs and employee preferences, that continue to change the way of working. Given the complexity, short-term solutions may not be possible and the policy discussion may initially focus on gathering further evidence and mapping potential solutions, which presents an important opportunity for businesses to engage with policymakers.

6.5 EU competitiveness agenda

At the EU level, it is expected that EU leaders will push for acceleration of the EU's strategic and competitiveness agenda (see [section 5.2](#)). In terms of concrete proposals, as expected the initial proposal for the 28th regime, issued on 18 March 2026, did not include tax recommendations. Later in the year, the Commission will present its Tax Omnibus and the DAC Recast. It remains to be seen how ambitious the simplification proposals will prove to be, particularly considering earlier indications by the Commission that the DAC may be expanded to incorporate "Unshell concepts" (see [section 5.5.1](#)).

For businesses, these dynamics mean that 2026 should be viewed as a preparatory and strategic year in the EU. The simplification agenda may ultimately result in reduced reporting obligations and a more-coherent administrative framework, but these benefits likely will take time to materialize. Companies can use this period to engage proactively with policymakers and provide feedback on practical compliance challenges.

6.6 Revenue needs

Many jurisdictions will face continued budgetary challenges given persistently high borrowing costs, due in part to rising debt-servicing obligations, demographic pressures and spending priorities related to defense or industrial policy (also see [section 5.3](#)). In 2026, this may trigger spending cuts and tax increases across regions. In addition to the potential for higher existing taxes and the introduction of new ones, taxpayers can anticipate increased tax audits and controversy.

6.7 Creating and strengthening partnerships

Geopolitical volatility is driving economic blocs to reassess trade and investment relations, often resulting in new barriers, such as tariffs or defensive measures. In parallel, efforts to diversify trade relationships continue. For example, in early 2026, EU leaders have already explored the option to activate the [Anti-Coercion Instrument](#), positioning it as a strategic measure to address external challenges. At the same time, the EU has advanced trade agreements with and [Mercosur](#), [India](#) and [Australia](#). For businesses, this means they may face new or higher barriers in some markets and lower barriers in others.

6.8 United Nations

In 2026, the UN Intergovernmental Negotiating Committee will move from scoping to focused technical drafting and solution-exploration across its three workstreams (see [section 4.2](#)): the proposed Framework Convention and the early Protocols on dispute prevention and resolution and services taxation. The Intergovernmental Negotiating Committee met in New York in February and will meet again in New York in August and in Kenya in November, with further opportunities for stakeholder input as drafting advances. This year will reveal the likely direction of the work ahead of its planned delivery in 2027.

Key issues to be addressed include how the Framework Convention and its Protocols will relate to existing treaties, whether a revised allocation of taxing rights for cross-border services will be developed and what tax certainty instruments the UN members may be willing to advance. The first two questions are particularly relevant because a large number of UN members are advocating for greater taxing rights for source and market jurisdictions, seeking a shift in the existing international framework with major implications for business and investors.

6.9 Wealth taxation and taxation of high-net-worth individuals

[Wealth taxation and high-net-worth individuals](#)

likely will remain an area of active political discussion rather than immediate policy change in 2026. However, some developments may occur at the national level, particularly as governments seek additional revenues. At the international level, in 2026 multilateral action is expected to remain limited, though work on related areas – such as transparency, including ongoing initiatives in the OECD – is expected to continue.

Nonetheless, political momentum for coordinated approaches is growing. The [Rio de Janeiro Declaration](#), issued at the G20 Leaders' Summit on 18-19 November 2024, highlights progressive taxation as an important tool to reduce domestic inequalities and calls for cooperative action to ensure high-net-worth individuals are effectively taxed. The Declaration states, "With full respect to tax sovereignty, we will seek to engage cooperatively to ensure that ultra-high-net-worth individuals are effectively taxed," including exchanging best practices, debating tax principles and devising anti-avoidance mechanisms, and further invites the Inclusive Framework to consider work on effective progressive tax policies. In addition, the emerging UN Framework Convention will include

a provision addressing high-net-worth individuals, offering another multilateral forum for technical work and potential policy convergence. Together, these developments increase the likelihood of sustained international dialogue and targeted cooperation in this area, even though sweeping, binding multilateral reform is unlikely in 2026.

6.10 Tax reporting and information exchange

Businesses and investors will face new obligations in the area of tax transparency. For many businesses, 2026 will be the first year in which they will publish a Public CbC Report in the EU and Australia. The rollout of new reporting requirements for crypto assets also will have significant implications for the relevant investor community. At both the OECD and UN levels, discussions will continue on further enhancing transparency standards and strengthening administrative cooperation frameworks. At the same time, the European Commission's commitment to simplification provides an opportunity for policy makers to reassess current tax transparency requirements (see [section 5.2.5](#)). For businesses and investors, this presents a chance to constructively engage with EU policymakers and thoughtfully explore avenues for meaningful simplification and reduction of compliance burdens.

6.11 Navigating volatility and uncertainty ahead

The pace of tax policy change seen in 2025 is expected to continue into 2026, with the international tax environment shaped by accelerating and increasing fiscal pressures. Volatility has become embedded in the system, influencing how tax rules evolve, how jurisdictions assert taxing rights and how global frameworks are negotiated. The volatility in the tax environment has become structural, making it a feature of international tax policy. As a result, scenario planning and anticipation of important policy developments are essential in navigating this landscape.

The continued implementation of global minimum tax rules, renewed debates on the taxation of cross-border services and the digital economy and evolving transparency standards, as discussed above, all point toward a year in which preparation, adaptability and early awareness will be necessary. This is a year (2026) to reinforce resilience by monitoring tax policy trends closely, anticipating where rules may shift next and ensuring internal systems and processes are positioned to respond effectively as changes materialize.





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