Regulatory updates

Recent tax developments

Last update: September 2025

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1 BEPS 2.0/Pillar 2 – Introduction of a global minimum tax rate

The OECD continues to develop the international guidelines for BEPS 2.0/Pillar 2 implementation. Individual countries (including Switzerland) have transposed the international requirements into national legislation, with more expected to follow.

Status:	• Entry into force 1 January 2024 in many countries, including the EU and Switzerland

1.1 BEPS 2.0/Pillar 2 in summary

Pillar 2 of the OECD's base erosion and profit shifting (BEPS 2.0) project aims to reduce international tax competition and thus the incentive for unjustified profit shifting within a group by introducing a minimum jurisdictional tax rate of 15%. This global minimum tax would apply to multinational groups with annual consolidated revenue of more than EUR 750 million with some limited exceptions, such as government entities, international organisations, non-profit organisations, pension institutions and investment funds acting as the top holding entity in a structure.

In summary, the set of rules ('GloBE rules') mainly operates with two parameters:
(1) a separate definition of tax expense and (2) a specific GloBE income tax base. The relevant tax expense generally includes any tax that relates to income and/or profit, as well as equity/capital. The starting point for determining the GloBE income tax base are the financial statements used for consolidation purposes of a group prepared in accordance with an accounting standard accepted for these purposes, such as IFRS, US GAAP or Swiss GAAP FER. However, the OECD also allows the calculation of local top-up taxes to be based on local financial accounting standards if countries choose to do so. Mathematically speaking, the ratio of the tax expense (numerator) to the GloBE income tax base (denominator) must be at least 15%, calculated on a country-by-country basis. If the effective tax burden in one country does not reach the required minimum tax rate and the GloBE income exceeds a certain substance-based threshold, the difference ('top-up tax') may be levied by either the respective country (through a domestic top-up tax; if applicable) or other countries where the group has presence, primarily the country of the ultimate parent company or an intermediate holding company.

1.2 Recent political developments

The exact timeline of the Pillar 2 implementation depends on when individual countries incorporate the rules into their local laws.

In Switzerland, the Qualified Domestic Minimum Top-up Tax (QDMTT) has been enacted for financial years starting on or after 1 January 2024. The filing on the OMTax platform requires financial statements and the corporate group chart, including ownership shares, among other information. In addition, the Swiss QDMTT is complemented by the Income Inclusion Rule (IIR) effective as per 1 January 2025. The Federal Council has made no further announcements with respect to the Undertaxed Payments Rule (UTPR), postponing implementation for the time being.

Numerous other countries, including the EU, UK, Liechtenstein, Japan, South Korea, Australia and Canada implemented Pillar 2 as of 2024, with more implementing the rules as of 2025. In addition to the GloBE Information Return (GIR), which will be exchanged between tax administrations based on a Multilateral Competent Authority Agreement (MCAA) and DAC9, jurisdictions may implement additional information reporting requirements with a due date on or before 30 June 2026.

Furthermore, the OECD is working on several adjustments to the global minimum tax rules which are aimed, among other objectives, at addressing US concerns regarding its impact on American companies (called the ‘side-by-side system’). However, over two dozen countries have criticised the proposal as it could undermine the tax’s effectiveness, disadvantage non-US companies, and infringe on their tax sovereignty. Official announcements on the side-by-side system and any permanent safe harbours are currently pending.

1.3 Recent publications

On 9 May 2025, the OECD released a consolidated commentary incorporating the Agreed Administrative Guidance that was released by the Inclusive Framework since March 2022 up until March 2025. In addition, the OECD revised the illustrative examples originally published on 14 March 2022 to include the illustrative examples developed as part of the various pieces of administrative guidance approved by the Inclusive Framework until March 2025.

In addition, the OECD published a GIR status message XML schema on 28 July 2025 that allows competent authorities that have received GIR information through the XML schema to report back to the sending competent authority whether the file contains any file- or record-level errors. This builds on the user guide for the GIR XML schema that was published on 15 January 2025 and supports the automatic exchange of information of GloBE Information Return (GIR).

Lastly, the OECD has been maintaining a central record of legislation with qualified status for a transitional period, as determined under the transitional qualification mechanism. This central record will be regularly updated in a timely manner after self-certification that has been submitted to the OECD/G20 Inclusive Framework on BEPS has undergone the agreed transitional qualification mechanism process.

1.4 What you need to do

With Pillar 2 implementation under way, taxpayers must determine whether they are within the scope and plan to meet the relevant global/local reporting requirements expected to be due 15 months from the end of the financial year concerned (18 months for the first filing). To accomplish this, they must conduct a review of the group’s CbCR processes and assess whether they can take advantage of the transitional CbCR safe harbours available. In addition, taxpayers must conduct an analysis of entities in the group and be aware of any potentially new filing requirements required by territories implementing a QDMTT. It is also imperative for enterprises to determine whether they already have all the data necessary for calculating the GloBE tax base as well as the relevant tax expense, so that a prompt calculation can be made as part of the provisioning and future financial closing process.
In many cases, adjustments to IT systems or reporting processes to facilitate efficient, automated calculation and ensure compliance will be unavoidable.

For further information, visit https://www.pwc.ch/en/services/tax-advice/corporate-taxes-tax-structures/beps2.html

2 BEPS 2.0/Pillar 1 – Addressing the tax challenges of the digital economy

Adoption of Amount A (affecting only the largest and most profitable MNEs) is currently uncertain due to the US administration's statements and a lack of consensus at OECD level. It is expected to take more time to resolve the technical aspects of how this should apply and the material differences in opinion among certain key countries. There is a material risk of Pillar 1 Amount A not being finalised or adopted.

The finalised report on Amount B (19 February 2024) introduces target remuneration levels for baseline marketing and distribution functions, which are relevant for a wide variety of MNEs across all industries and will be implemented as of 1 January 2025.

Status:

- BEPS 2.0 Amount A adoption currently uncertain/unspecified
- BEPS 2.0 Amount B already officially adopted by a number of countries/ most countries treat is as optional/certain countries chose not to adopt

2.1 BEPS 2.0 Pillar 1 – Amount A

The technical work on Amount A (formulary apportionment of profits to countries, even where an MNE has no physical presence) is currently halted. The Trump administration's announcement in connection with the 'Global Tax Deal' (without it being expressly specific as to which parts of BEPS 2.0 2-Pillar project it refers) and the complexity required to find a multinational consensus result in view of the current uncertainty as to whether this element of Pillar 1 will continue.

A multilateral convention (MLC) and an accompanying explanatory statement was to be published for signature and come into force in 2025. There is no word from the OECD about this, but the current expectation is that this is probably not going to happen.

The potential failure of Pillar 1 Amount A, which would be a globally agreed framework, brings the potential for local implementation of unilateral digital service taxes (DSTs) that several countries have announced back into the picture.

2.2 BEPS 2.0 Pillar 1 – Amount B

Amount B framework officially came into force (as OECD guidance) in January 2025 – subject to the decision of each country on whether this will be a 'safe harbour' approach, a mandatory approach, or will not be implemented at all.

The new guidance outlines how to determine arm's-length profitability levels for one of the most commonly applied intragroup business activities: the distribution of products by entities operating under a limited risk profile, either through a buy-sell model or by using group companies acting as sales agents/commissionaires.

The content of the report will be incorporated into the OECD's Transfer Pricing Guidelines ('TPG') in the course of 2025.

2.3 Key takeaways

- Unlike for Amount A of Pillar 1 of BEPS 2.0, there are no minimum size thresholds for the application of Amount B. Amount B will therefore apply to a wide range of groups, entities and industries.
- The scope of Amount B rules (now referred to as a 'simplified and streamlined approach') is limited to wholesale distribution of tangible goods and does not cover the distribution of services (including digital services).
- The definition of 'distributor' covers buy-sell distributors but also sales agents and commissionaires involved in the sale of goods – these are all business models commonly applied by Swiss groups.
- A set of rules has been established to determine whether a distributor's activities qualify as 'baseline' distribution and marketing activities. The rules require that a functional analysis and an accurate delineation analysis be performed to determine whether or not an entity is within the scope of the new rules.
- The guidance includes a pricing matrix outlining the specific profitability levels for different types of entities. The matrix has been slightly updated against earlier drafts, but the overall target reference values still range from 1.5% to 5.5%. Which rate applies depends on the industry, jurisdiction as well as operating asset and operating expense intensity of each qualifying entity.
- The application of the pricing matrix may result in target profit levels above those typically applied by Swiss groups or Swiss-based affiliates of foreign MNEs.

The report specifies that the Amount B 'simplified and streamlined approach' is now part of the annex to chapter IV to the OECD TPG. Local jurisdictions can begin to apply this new framework for fiscal years commencing on or after 1 January 2025.

In practice, we observe a number of tax authorities already using the pricing matrix (first published in a July 2023 draft consultation report) as a high-level reference point for the expected EBIT margins to be achieved by baseline distributor entities (for example, in APA/MAP negotiations). The indication from Swiss Federal tax authorities is that Switzerland will consider the 'safe harbour' approach.

3 Directive on Administrative Cooperation (DAC)

The directive includes reporting obligations for taxpayers and their advisers on cross-border tax arrangements within the EU or involving parties in the EU. Although DAC6 will not be introduced in Switzerland, the directive could affect Swiss groups with branches in the EU or financial services groups that serve clients based in the EU.

Status:	• Introduced on 1 July 2020

3.1 DAC6

Background

European Union (EU) member states are concerned that aggressive tax planning arrangements are eroding their respective tax bases and putting pressure on public finances. The EU views that most aggressive tax planning arrangements include a cross-border aspect. In June 2018, the EU therefore extended Directive 2011/16/EU to introduce mandatory disclosure of such potentially aggressive tax planning schemes by taxpayers or their intermediaries (e.g. tax advisers, lawyers) to their local tax authorities.

Directive 2018/822 ('DAC6') aims to ensure that the tax authorities of EU member states obtain sufficient information to take appropriate steps to counteract such tax planning arrangements. The directive is broadly drafted and affects taxpayers in the EU, both in the financial services and non-financial services sectors. Although DAC6 will not be introduced in Switzerland, it may affect groups headquartered in Switzerland that have EU operations or financial services groups that serve clients based in the EU.

Key measures of DAC6

DAC6 introduces the following key measures:

- Since July 2020, certain cross-border arrangements have had to be reported to the tax authorities by taxpayers or their advisers (intermediaries). The arrangements should be cross-border in nature, and they can include intra-EU transactions or transactions between EU and non-EU parties.
- The information reported is exchanged automatically between the tax authorities of all EU member states.
- The concept of intermediaries is broadly drafted and can include tax advisers, lawyers, banks and asset managers as well as service providers in the arrangements in question.
- Regarding the intermediaries, on 29 February 2024, Advocate-General Nicholas Emiliou delivered his opinion in case C-623/22 Belgian Association of Tax Lawyers that the waiver for third-party reporting requirements for legal professional privileges is applicable to lawyers only and cannot be extended to the activities of professionals such as accountants, auditors and tax advisers. The European Court of Justice will deliver its judgement in the coming months.
- The determination of what is reportable is based on certain 'hallmarks' contained in the directive. These hallmarks are indications/descriptions of potentially aggressive tax planning schemes.
- The hallmarks include arrangements relating to cross-border transactions, the automatic exchange of information and transfer pricing.
- Certain hallmarks apply only if one of the main benefits of the arrangement in question is to gain, or to expect to gain, a tax advantage.
- Relevant disclosures must be filed within a 30-day period.

Each EU member state has introduced sanctions to encourage correct reporting in accordance with DAC6. These sanctions focus on failures to file required disclosures, and result in punitive financial penalties (e.g. up to EUR 5 million in Poland) as well as non-financial sanctions. The deadlines for reporting on arrangements arise 30 days from the relevant event that triggers the reporting.

How reports are filed

- There is an inconsistent approach across member states in terms of the formatting/ transmission of reporting, with the following methodologies being the most frequent:
  - Online form
  - XML
- XML (extensible mark-up language) is a mark-up language for representing hierarchically structured data in the form of a text file that is readable by both computers and people. The member states provide schemes for structuring the information and then exchange these files with the other states.
- The content and language requirements differ across different member states. Furthermore, despite filing the report in one country, a summary filing in another country may be mandatory in certain other jurisdictions affected by the reportable arrangement.

Next steps

- Reporting is mandatory in all member states. It is therefore essential to have a sound DAC6 governance framework in place that details the DAC6-related roles and responsibilities within a group, defines processes for identifying, assessing and monitoring arrangements, and sets out a process for interacting with intermediaries and ensuring that reporting is completed in a timely and accurate manner.
- To avoid fines, particular attention should now be paid to the 30-day deadline for reporting 'new' arrangements.

Enquiries from local tax authorities regarding issued DAC6 reports are expected, but tax administrations have not yet been too active on the subject.

3.2 DAC7

- DAC7 (published 19 February 2021) aims at closing the 'tax gap' for both VAT and corporate tax generated through the 'share and gig economy' by requiring digital platform operators that connect sellers with users to report certain information about the sellers to relevant national tax authorities within the EU.
- The scope of application includes the sale of goods, personal services as well as the rental of immovable properties and any mode of transport – called 'relevant activities'.
- The information to be reported by the digital platform operator will include identification data of the sellers and information related to the profits obtained by those sellers through the platform.
- Both EU and non-EU operators are affected by the reporting obligation if they facilitate a 'relevant activity' conducted by their sellers with residence in the EU, or the rental involves immovable property located in a member state, irrespective of the seller's place of residence.
- Switzerland will not implement DAC7. The State Secretariat for International Financial Matters (SIF) has also opposed the adoption of the OECD standard, which is almost identical in terms of content.
- However, Swiss entities with subsidiaries or tax residences in the EU might be covered by the regulation.

- DAC 7 was implemented by member states by 1 January 2023. The first reports were to be published by 31 January 2024 for the year 2023.
- The European Commission has adopted equivalence decisions for New Zealand and Canada. For those two non-EU countries, equivalence will apply as of 2024, when their rules start to apply. For 2023, the two countries' platforms had to report directly to EU member states because DAC7 was already in force.
- Notably, several member states have not yet implemented DAC7. The European Commission is currently pursuing legal action against several countries, including Belgium, Cyprus, Greece, Poland and Spain, due to their failure to incorporate the directive into their national laws.
- In January 2024, the German Federal Central Tax Office published transitional regulations stating that, for the 2023 financial year reporting, there would be no objection if reporting platform operators notified each provider by 1 April 2024.
- On 3 April 2025, the European Commission published a list of statistical data that countries must provide before April each year to allow for the evaluation of DAC7 for potential revision. The data is related to the provision governing joint audits, which entered into force in 2024.

3.3 DAC8

- Extension of EU reporting duties in relation to cryptocurrencies and e-money. This involves cross-border exchange of information regarding digital assets.
- Crypto exchanges and brokers will have to provide tax authorities with data concerning the purchase and sale of cryptocurrencies and e-money.
- The OECD issued a model agreement in draft for the implementation of the automatic exchange of information relating to digital assets early in 2022 (the Crypto Asset Reporting Framework or CARF).
- The Council of the European Union reached a political agreement at the ECOFIN meeting regarding DAC8 to align with the OECD CARF and MiCA. The EU member states will have until 31 December 2025 to implement DAC8 in local law.
- On 17 January 2024, the European Commission announced that it had recommended updates to the agreements with five non-EU countries, including Switzerland. The recommended updates include rules regarding DAC8 integration.

3.4 DAC9

- Complements the Pillar 2 Directive (Directive (EU) 2022/2523) by streamlining filing obligations for multinational enterprise groups (MNEs) that are within its scope.
- Introduces a centralised framework for the exchange of the information contained in those filings. In doing so, DAC9 brings about significant simplification for business, as it enables MNEs to file only one top-up tax information return at central level for the entire group, as opposed to multiple filing being made by each constituent entity of the MNE group at local level.
- Member states need to transpose the directive into national legislation by 31 December 2025. MNEs are expected to file their first top-up tax information return by 30 June 2026, as required under the Pillar 2 Directive. The relevant tax authorities must exchange this information with each other no later than 31 December 2026.

4 OECD Crypto Asset Reporting Framework (CARF)

The OECD has released its new reporting framework for crypto assets (CARF).

Any individual or entity that, as a business, provides a service effectuating exchange transactions for or on behalf of customers, including by acting as a counterparty or as an intermediary to such exchange transactions, or makes available a trading platform, will be subject to the new reporting obligations.

Status	• Entry into force 1 January 2026

4.1 CARF in summary

- Extension of reporting duties in relation to cryptocurrencies compared to the existing OECD CRS
- The CARF was published by the OECD in October 2022.
- In November 2023, Switzerland announced, together with about 50 other countries (including Liechtenstein, Germany and the United States) that it intends to implement the new Crypto Asset Reporting Framework (CARF) on 1 January 2026.
- Switzerland started the consultation on the draft legislation in May 2024.
- Switzerland completed the consultation on the draft legislation in September 2024.
- The draft legislation was released in February 2025 and is now being examined by the Swiss Parliament.
- The legislation is currently in discussion in the Swiss Parliament, the final vote is expected in the autumn of 2025.
- Under CARF, Swiss legal entities and individuals that enable the transfer of crypto assets or make available a trading platform will have to report tax-relevant information of their reportable crypto asset users to the Swiss tax administration.
- In combination with the CARF implementation, there is an amendment to the existing common reporting standard (CRS), resulting in newly considering certain crypto assets and investments into crypto assets/derivates as Financial Assets. This could result in bringing non-financial institutions into the scope of a CRS financial institution.

CARF covers and defines (1) service providers or intermediaries who have to perform the reporting, (2) crypto asset users who shall be reported, (3) due diligence procedures to identify reportable crypto-asset users, and (4) reportable information that shall be reported.

4.2 Recent developments

In 2024, the OECD made significant progress in international tax cooperation by releasing important documents: FAQs in September, the XML schema in October and the implementation guideline for CARF in November.

In 2025, the OECD enhanced these frameworks further by releasing a status message XML schema in June and an updated XML schema for CARF in July.

At the same time, on May 15, 2024, Switzerland launched consultations to extend the automatic exchange of information (AEOI) in tax matters. The consultation ended in September 2024, leading to an amended draft in February 2025 that is currently being examined by the Swiss Parliament. Effective as of January 1, 2026, this extension will incorporate crypto assets into the AEOI framework and amend standards for the exchange of financial account information.

5 EU Directive on public country-by-country reporting ('public CbCR') and Australian draft public CbCR legislation

Public CbCR is a tax transparency initiative that requires large multinational companies with global revenues of at least EUR 750 million to publicly disclose key financial data for each tax jurisdiction in which they operate, enhancing the public's ability to scrutinise corporate tax metrics.

Status:

- The European Union has adopted the directive that entered into force on 21 December 2021 introducing mandatory public CbCR for multinational groups with consolidated revenues exceeding EUR 750 million in the last two consecutive financial years. Some EU member states implemented the directive with earlier deadlines (e.g. Romania, Croatia and Bulgaria).
- The Australian Parliament has passed legislation that introduced public CbCR obligations with effect from 1 July 2024. This requires large multinational groups with an Australian presence to submit data on their global financial and tax footprint to the Australian Taxation Office (ATO), which will be made available publicly. The first reporting deadline for groups whose financial year is the same as the calendar year will be 31 December 2026.

5.1 What is 'public CbCR'?

- Country-by-country reporting ('CbCR') is part of BEPS Action #13, which requires large multinational companies with global revenues of at least EUR 750 million to disclose aggregated financial and tax data to the relevant tax authorities annually on a country-by-country basis in a non-public report.
- Public CbCR, on the other hand, aims to publish the information previously contained in the CbCR and, consequently, to increase corporate transparency and enhance public scrutiny.
- The EU Accounting Directive with amendments relating to public CbCR (EU Directive 2021/2101 of 24 November 2021) was published on 1 December 2021 and entered into force on 21 December 2021.

5.2 Who is affected by public CbCR?

- The directive applies to groups and individual companies headquartered in the EU who are active in more than one jurisdiction and whose (consolidated) revenues in two consecutive financial years exceed EUR 750 million.
- It also covers subsidiaries and branches operating in the EU whose parent company has its registered office outside the EU ('third country'), if at least two of the following three conditions apply to a subsidiary:
  - Net revenue of more than EUR 10 million (up to EUR 12 million depending on the member state)
  - Balance sheet totalling more than EUR 5 million
  - Number of employees on a full-time equivalent basis: 50
- In the case of a branch, the only criterion is net revenue of more than EUR 10 million.

5.3 What must be disclosed?

The public CbCR must contain the name of the ultimate parent undertaking or the standalone undertaking, the financial year concerned and the currency used. Furthermore, a list of all the subsidiary undertakings in the relevant financial year must be published (to reduce the administrative burden, the list of subsidiaries included in the consolidated financial statements may be relied on). In addition to this, the report should include the following information:

- Brief description of the nature of the business activities
- Number of employees on a full-time equivalent basis
- Revenues (including the sum of net revenue)
- Amount of profit or loss before income tax
- Amount of income tax accrued during the relevant financial year
- Amount of income tax paid on a cash basis
- Amount of accumulated earnings at the end of the relevant financial year

The above information must be disclosed separately for each country in which the group/company is active if it is a member state, or is either on the EU list of non-cooperative jurisdictions for tax purposes ('the EU's blacklist') or listed for two consecutive years on the list of jurisdictions that do not yet comply with all international tax standards but have committed to reform ('the EU's greylist').

5.4 Who must publish a report?

- The 'ultimate parent undertaking' is subject to the reporting obligations if it conducts activities within the EU.
- If it has its headquarters outside the EU, it is the responsibility of the EU subsidiary or branch to disclose the information.

5.5 Where and how must the report be published?

- On the website of the undertaking concerned. If the ultimate parent undertaking is located outside the EU, but has subsidiaries or branches active within the EU, these subsidiaries or branches should publish and make accessible a report prepared by the ultimate parent undertaking.
- The report must be made accessible to the public for at least five years in one of the official languages of the European Union, free of charge, no later than 12 months after the balance sheet date.
- The report must be made accessible to the public in an electronic reporting format that is machine-readable.

5.6 What are the consequences of non-compliance?

Member states may impose sanctions consisting of penalties if undertakings infringe the national provisions in terms of the disclosure requirements.

5.7 Next steps

- With the entry into force of the amendment to the EU Accounting Directive on 21 December 2021, EU member states were to transpose the minimum standards of the directive into national law by no later than 22 June 2023. All member states have done so.
- Romania was the first member state to transpose the EU directive into national law, effective 1 January 2023 (i.e. first year of reporting on 31 December 2024 for 2023 year-end figures). Groups with a presence in Romania should be preparing for public CbCR disclosure earlier than the EU

directive's timeline. Croatia and Bulgaria transposed the EU directive into national law with effect on 1 January 2024 (i.e. first year of reporting on 31 December 2025 for 2024 year-end figures).
- The European Commission has released implementing regulation proposing a standardised template and electronic reporting formats that will be applied to the reports for the financial years starting on or after 1 January 2025. EU-headquartered groups are required use the common template and publish their reports in a machine-readable format, which can be either extensible hypertext markup language (XHTML) or inline extensible business reporting language (inline XBRL).
- Non-EU-headquartered groups are not required to use the template and electronic formats laid down by the regulation. For these groups, when publishing the full EU pCbCR on the ultimate parent's website, the requirement is to identify a single subsidiary or branch in the EU to publish its report in a machine-readable format which can be different from XHTML and inline XBRL.

In March 2024, Liechtenstein's parliament passed the legislation on public CbCR. The new rules on public income tax reporting are not yet applicable in Liechtenstein. For the rules to apply, the decision of the EEA Joint Committee is required. The EEA Joint Committee has to decide whether the rules on public income tax reporting shall be incorporated into the EEA Agreement. Once the EEA Joint Committee has approved the public CbC reporting, companies with operations in EEA countries (Liechtenstein, Norway and Iceland) should submit their public CbCR accordingly.

5.8 Australian public country-by-country reporting

The Australian Parliament has approved the legislation, which requires large multinational groups to publicly disclose certain tax information on a country-by-country basis as well as a statement on their approach to taxation. This will require large multinational groups with an Australian presence to submit data on their global financial and tax footprint to the Australian Taxation Office (ATO), which will be made publicly available.

According to legislation, CbCR parent entities with an annual global income of AUD 1 billion or more and AUD 10 million or more of Australian-sourced income will be required to disclose certain qualitative and quantitative tax information, disaggregated for Australia and 40 'specified' countries.

The list of 'specified' countries for which the required information will need to be reported separately on a CBC basis has now been made and registered. It covers 40 countries including Singapore, Switzerland and Hong Kong, and is broader than that adopted under the EU public CBC reporting regime.

Australian public CbCR rules require the disclosure of tax and financial information that is not currently included in the confidential CbCR filed with tax authorities and EU public CbCR. A description of a group's approach to tax and the reasons for the difference between income tax accrued (current year) and the amount of income tax due are two important disclosures not currently required under the other CbCR regimes.

For a December reporting period, the year ending 31 December 2025 would be the first year subject to Australian public CbCR, with reports due by 31 December 2026.

The legislation also imposes penalties of up to AUD 825,500 (approx. CHF 425,000) for failure to publish the required information on time depending on the duration of the delay and the frequency of the offence.

6 Foreign Subsidies Regulation (FSR)

With the FSR, the European Commission is seeking to extend the EU state aid rules outside the EU, to address 'subsidies' granted by non-EU countries. Under the FSR, the European Commission can exclude non-EU companies from engaging in M&A deals or public procurement procedures, in cases where the companies involved – or members of their group – have received financial contributions from non-EU countries.

Status:	• The FSR entered into force on 12 January 2023 and started to apply as of 12 July 2023, with mandatory notification obligations effective from 12 October 2023.

6.1 Background

The European Commission is concerned about subsidies provided by non-EU countries causing distortions to the EU's internal market, including by providing the recipients an unfair advantage to acquire companies or obtain public procurement contracts in the EU to the detriment of fair competition.

While EU state aid rules prevent EU member states from granting subsidies with a distortive effect on the internal market, the EU Commission has no instrument to assess similar subsidies granted by non-EU governments.

The FSR aims to address such distortions and close this regulatory gap.

6.2 Scope

Under the FSR, the EU Commission has the power to investigate financial contributions granted by non-EU governments to companies active in the EU. It is important to note that the FSR is not limited to non-EU companies, but also covers EU companies benefiting from foreign subsidies. If the EU Commission finds that such financial contributions constitute distortive subsidies, it can impose measures to redress their impact.

The regulation grants the European Commission sweeping powers by introducing three tools:

1. An ex-ante **notification obligation of concentrations** where (i) the EU turnover of the company to be acquired, of at least one of the merging parties or of the joint venture is at least EUR 500 million and (ii) the involved aggregate foreign financial contribution is more than EUR 50 million;
2. An ex-ante **notification obligation for public procurement procedures**, where (i) the estimated contract value is at least EUR 250 million and (ii) the bid involves a foreign financial contribution of at least EUR 4 million per non-EU country; and
3. For **all other market situations**, the EU Commission can launch investigations on its own initiative (ex-officio), including the option of requesting ad hoc notifications for smaller concentrations and public procurement procedures.

A foreign subsidy is a direct or indirect financial contribution by a non-EU government, which is limited to one or more companies or industries and confers a benefit on a company active in the internal market. Given that the definition is very broad, foreign subsidies within the scope of the FSR can comprise, for instance, interest-free loans, unlimited guarantees, capital injections, preferential tax treatment, tax credits, grants, etc.

In cases where a foreign subsidy that distorts or threatens the distortion of competition in the EU is deemed to have occurred, the European Commission has sweeping powers. In addition to blocking a deal or preventing a company from participating in public procurement procedures, it can impose repayment, behavioural remedies or divestments, or require companies to change their governance structure.

Furthermore, breaches of the FSR can lead to significant penalties. If the parties fail to report a notifiable transaction or breach other obligations imposed by the legislation, the European Commission can impose a fine of up to 10% of worldwide group turnover in the preceding financial year.

6.3 Next steps

According to a policy brief dated 1 February 2024, the European Commission has so far received more than 100 submissions for high-value public procurements and M&A transactions. By the end of January 2024, the EC had already entered into pre-notification discussions for more than 50 cases covering a wide range of sectors. The most common types of foreign financial contributions assessed in the first notifications relate to the sources of financing of the notified transactions. So far, these have included capital injections and equity contributions, but also loans obtained from financial institutions, state guarantees, direct grants for specific projects, as well as tax benefits, notably for R&D expenses and investment projects that could be considered as attributable to a third country.

The European Commission has published a staff working document dated 26 July 2024 that provides clarification about the application of regulations concerning foreign subsidies that distort the internal market, detailing the criteria for assessing distortions, the balancing test and specific considerations for public procurement procedures. This non-binding preliminary guidance will be supplemented as the European Commission gains more practical experience of applying the FSR tools.

On 5 March 2025, the European Commission launched a public consultation on the FSR guidelines with stakeholder feedback that was due on 2 April 2025. These guidelines aim to contribute to fostering predictability and ensuring transparency on certain key concepts in order to make it easier to apply the FSR in practice.

Following the initial consultation in March, the European Commission released its draft guidelines on the FSR on 18 July 2025. Stakeholders had until 12 September 2025 to provide feedback on the draft as part of the ongoing consultation process. The final version of the guidelines is expected to be published in January 2026.

Draft guidelines provide guidance on (i) the notion of distortion of competition caused by a foreign subsidy, (ii) the balancing test, which consider whether positive effects could counterbalance the distortive effects of a foreign subsidy, and (iii) the EC's competence to call in below-threshold M&A deals/public procurement bids.

Apart from the guidelines, the Commission also launched a call for evidence to prepare its first review of the FSR on 12 August 2025, which will run until 18 November 2025. The responses will be collected in the review report. Any amendments to the FSR would need approval from the European Parliament and the Council.

An essential first step towards being ready to operate with certainty under the FSR is to conduct an in-depth strategic review to understand its specific impacts and implications for businesses.

7 EU Council Directive on Business in Europe: Framework to Income Taxation (BEFIT)

The European Commission published a new package of proposals on 12 September 2023 to put forward a single set of tax rules for doing business in the EU (Council Directive on Business in Europe: Framework to Income Taxation [BEFIT])

Status:	• Draft • If adopted, member states would need to implement the BEFIT rules by 1 January 2028 and apply them to BEFIT groups as of 1 July 2028.

7.1 Background

BEFIT is the European Commission's proposal, which is described as aiming to reduce tax compliance costs for large cross-border businesses in the European Union. According to the Commission, the proposal "will make life easier for both businesses and tax authorities by introducing a new, single set of rules to determine the tax base of groups of companies." The proposal replaces the Commission's CCTB (common corporate tax bases) and CCCTB (common consolidated corporate tax base) proposals. If adopted, member states would need to implement the BEFIT rules by 1 January 2028 and apply them to BEFIT groups as of 1 July 2028. The BEFIT rules would apply on a mandatory basis to groups with annual revenues of at least EUR 750 million (i.e. the same revenue threshold as Pillar 2) and their 75%-owned subsidiaries (the 'BEFIT group'). For groups headquartered outside the EU, their EU entities will be included in a BEFIT group only if they totalled at least EUR 50 million of annual combined revenues in the EU in at least two of the last four fiscal years, or if those entities totalled at least 5% of the group's total revenues. The rules will be optional for smaller groups, which may choose to opt in as long as they prepare consolidated financial statements. The proposal does not include any sectoral exemptions, but sector-specific characteristics are reflected in the calculation of EU revenues.

7.2 Applying the BEFIT rules

1) Computing the tax base at entity level

All members of the same BEFIT group will calculate their tax base using a limited set of tax adjustments to their financial accounting profits or losses. Notably, the adjustments are not fully aligned to the Pillar 2 GloBE adjustments. For instance, the exclusion of dividends and gains from the disposal of shares is limited to 95% of the dividends and gains under BEFIT, with no such limitation under GloBE.

2) Aggregating the tax base at EU group level

The tax bases of the BEFIT group members will be aggregated into one single tax base. The profits and losses of related parties that are not members of the BEFIT group (e.g. because they are not in the EU) will not be aggregated in the group tax base.

3) Allocating the aggregated tax base

The BEFIT tax base will be allocated to members of the BEFIT group by using a transitional (seven-year) allocation rule. For each fiscal year between 1 July 2028 and 30 June 2035 at the latest, a percentage of the aggregated tax base will be allocated to a BEFIT group member based on the average taxable results in the previous three fiscal years. EU member states would be allowed to apply additional post-allocation adjustments (i.e. apply their national corporate tax base rules) in areas not covered by the common framework. Pillar 2 (domestic) legislation is relevant at this stage, as EU member states need to ensure that the effective tax rate is at least 15%.

The transitional allocation rule is intended to pave the way for a permanent allocation method that can be based on a formulary apportionment using substantive factors.

4) Facilitating transfer pricing compliance

For transactions with associated enterprises outside the BEFIT group, the proposal aims to simplify compliance with transfer pricing by introducing a common risk assessment tool. Under this 'traffic light system', based on an interquartile range of a public benchmark (which will be based on a transactional net margin method approach), transactions of limited risk distributors and contract manufacturers would fall in a low-, medium- or high-risk zone. EU member state tax administrations would be expected to focus their efforts on the high-risk zone. This common risk assessment does not interfere with the substantive rules that determine whether a certain transaction has been priced at arm's length.

7.3 Administration and procedures

A one-stop shop will enable the filing entity (in principle, the ultimate parent entity) to file the group's BEFIT information return with the tax administration of one EU member state. This administration will share the information with the other member states in which the group operates. Tax audits and dispute settlements will remain at the level of each member state.

8 Carbon Border Adjustment Mechanism (CBAM)

CBAM entered into force on 1 October 2023. CBAM is a milestone of the 'Fit for 55' package and is intended to price the emissions contained in products imported into the EU accordingly. Furthermore, the mechanism is intended to encourage greener, cleaner production in non-EU countries. Businesses affected by the CBAM will face additional reporting obligations and financial impact once the mechanism is fully operational.

Status	• Transitional period entered into force on 1 October 2023 • Operational CBAM will enter into force on 1 January 2026

8.1 Background

Initially, the CBAM was announced as part of the European Commission's 'Fit for 55' package. This initiative aims to reduce net greenhouse gas emissions by at least 55% compared to 1990 levels by 2030. The CBAM is designed to contribute to this objective by reducing carbon leakage. In this specific context, carbon leakage occurs when the EU's efforts to reduce carbon emissions are offset by increasing emissions in non-EU countries. This may happen when businesses relocate their production to non-EU countries with less ambitious carbon policies and/or increase their imports of carbon-intensive products from those countries. The mechanism is therefore supposed to prevent carbon leakage. Practically speaking, the CBAM will be a tax on the importation of carbon-intensive products from outside the European Union.

8.2 Who will be affected?

Under Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing the CBAM, importers of products and customs brokers acting as indirect representatives established in the European Union will be subject to the CBAM ('CBAM declarants'). Non-EU established importers must appoint a representative established in the EU to take over the compliance obligations according to the CBAM regulation.

The regulation applies to goods listed in Annex I of Regulation (EU) 2023/956 and which originate from a non-EU third country. Goods originating from Switzerland, Liechtenstein, Norway and Iceland are currently exempted from CBAM.

On 26 February 2025 the EU Commission published a proposal for various amendments regarding the CBAM Regulation ('**Omnibus Proposal**'). It is still in the proposal phase, which needs to be adjusted by the EU Council and Parliament. The proposed amendments include simplifications for importers of small quantities, change in the scope of CBAM goods, embedded emission calculation and stricter enforcement measures.

The proposed product categories for the scope of CBAM are aluminium, iron and steel, mineral products, fertiliser, electricity, hydrogen, and precursors and downstream products made of steel and iron. An extension to further categories, such as products made of polymers or chemicals, is possible in the near future. Based on the Omnibus Proposal, the list of CBAM-covered goods has been revised to exclude non-calcined kaolinic clays.

A major change in the Omnibus Proposal is the revision of the de minimis compliance threshold, which is currently set at EUR 150 per shipment for CBAM goods. Instead of this monetary threshold, introducing a new threshold based on weight has been proposed: companies importing up to 50 tonnes of CBAM goods in total over a calendar year would be exempted.

8.3 What do I need to know?

The CBAM has two phases: the 'transitional' (or 'start-up') phase until 31 December 2025 and the 'definitive phase' starting on 1 January 2026.

During the transitional phase, the CBAM is already in force but does not yet require importers to purchase CBAM certificates and pay the CO_2 price on emissions that are embedded in the imported products. Since 1 October 2023, importers have had to prepare and lodge CBAM reports on a quarterly basis in which 'embedded emissions' (a defined term) are stated. Embedded emissions mainly concern direct emissions (i.e. emissions released during the production of goods) and, in certain cases, also indirect emissions (broadly, emissions from the production of electricity consumed during production processes). The Omnibus Proposal simplifies the process for calculating embedded emissions. Specifically, emissions from certain input materials (precursors) already covered by the EU ETS or a fully linked carbon pricing system in a third country will not be included in the total embedded emissions calculation for complex goods. This prevents double counting and reduces the reporting burden for businesses.

The CBAM report also requires any carbon prices paid out in non-EU countries to be disclosed (in the transitional phase purely for information purposes and therefore with no credit offset). The Omnibus Proposal introduces default values for the carbon price paid in third countries, allowing importers to choose either these default carbon prices or claim deductions based on the actual carbon price they have paid. These proposed changes aim to lighten the administrative burden on non-EU installation operators.

CBAM reports need to be filed within a month of the end of the reporting quarter. The first CBAM report (covering the fourth quarter of 2023) was due by 31 January 2024. The last CBAM report of the transition period (for the last quarter of 2025) must be submitted by 31 January 2026.

The CBAM report must be prepared and submitted digitally through an IT system, which has yet to be fully implemented. If a company has not imported any CBAM goods during a quarter, no report needs to be submitted.

In the definitive phase, the quarterly reporting period will cease and companies will be required to submit annual CBAM reports. Based on the Omnibus Proposal, the annual deadline for submitting CBAM declarations should move from May to October.
Based on this, the first annual CBAM declaration covering the year 2026, would be due at the end of October 2027.

In the definitive phase, CBAM declarants would also be required to purchase the CBAM certificates. The CBAM certificates that correspond to the declared embedded emissions must be submitted for the respective reporting period. The Omnibus Proposal aims to shift the financial impact of CBAM from 2026 to 2027. This delay addresses uncertainties regarding the initial year of the post-transitional period and streamlines information exchanges between the CBAM registry and the common central platform. From 1 February 2027, member states will sell CBAM certificates to authorised CBAM declarants via a central platform. Declarants will be able to purchase CBAM certificates in February 2027 to cover emissions embedded in CBAM goods imported during 2026. They will still have two months (from February to the end of March 2027) to acquire the necessary certificates before the application of the new '50% rule' that will replace the previous '80% rule' for the first quarter of 2027.

The price of the CBAM certificates will be linked to the weekly average carbon price in the European Union's emission trading system.

In the definitive phase only authorised CBAM declarants will be able to import goods into the EU. On 17 March 2025, the European Commission adopted Implementing Regulation (EU) 2025/486, which establishes the rules and procedures for authorising CBAM declarants. This regulation is essential for importers of CBAM goods, as it outlines the application process, the timeline and criteria for obtaining and maintaining the status of the authorised CBAM declarant, which will be required for imports of CBAM goods as of 1 January 2026.

8.4 What affected businesses should do now

For the transitional phase, affected businesses will need to ensure the accuracy of the quarterly CBAM returns. This requires full visibility in terms of the quantity of imported CBAM products and the carbon price that may have already been paid in the country of origin. Furthermore, the affected businesses and their suppliers should know which direct and indirect emissions are embedded in the products, and how to calculate these in a CBAM-compliant manner.

For the definitive phase, businesses need to ensure to obtain the authorised CBAM declarant status and understand its financial implications.

In summary, the CBAM will probably affect businesses in three ways:

- It will increase the risk of non-compliance if affected businesses are not familiar with the rather complex process.
- It will increase the time (and associated costs) required to collect and to process data from suppliers.
- It will increase costs through the additional carbon price to be paid as of 2027.
- It will increase the risk of supply chain disruption if the authorised CBAM declarant status is not obtained by the end of 2025.

As the CBAM declarant must be an entity established in the European Union, non-EU-established importers may also need to think about appointing a representative in order to fulfil their CBAM obligations.

Goods produced in Switzerland, Iceland, Liechtenstein and Norway are exempt from the CBAM. It is therefore worthwhile to verify that the country of origin is correctly documented when exporting the listed products to the EU from these countries.

9 Stricter practice regarding input VAT reclaims

The FTA will publish a new practice regarding the right to recover input VAT. Based on the draft available, the FTA's intention to limit or deny the right to recover input VAT for all companies holding participations has become evident.

Status	• Entry into force unclear

9.1 Revised draft VAT Info 09, input VAT recovery published

The FTA published a draft of its revised VAT Info 09 on 10 February 2025. The deadline for feedback was 24 March 2025. The publication date of the final VAT Info 09 is as yet unclear.

9.2 Draft VAT Info 09 contains stricter and partially arbitrary rules when input VAT recovery is possible for companies holding participations (i.e. at least 10% of share capital)

The draft VAT Info 09 suggests that any company holding participations and engaging in very limited but not entirely ancillary VAT that is exempt without credit activities will completely lose its right to recover input VAT incurred in connection with the acquisition, holding and disposal of these participations (contrary to the rules in the VAT law). Once the final revised VAT Info 09 is published, companies affected may want to review their VAT position and may need to challenge the FTA to keep their right to input VAT recovery.