Regulatory updates

Recent tax developments

Last update: May 2026

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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 • In many countries, including Switzerland, the first filing deadline for calendar year filers is 30 June 2026

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%. If the effective tax burden in one country does not reach the required minimum tax rate under a specific set of rules ('GloBE rules') 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. 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.

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. Numerous countries, including the EU, UK, Liechtenstein, Japan, South Korea, Australia and Canada implemented Pillar 2 as of 2024, with additional countries having implemented the rules as of 2025.

In Switzerland, the Qualified Domestic Minimum Top-up Tax (QDMTT) has been enacted for financial years starting on or after 1 January 2024, with the first filing due on 30 June 2026 for calendar year filers. The QDMTT 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 of 1 January 2025. Companies can register and submit the GloBE Information Return (GIR) on the GIR application available on the Swiss Confederation's e-portal. The Federal Council has made no further announcements with respect to the Undertaxed Payments Rule (UTPR), postponing implementation for the time being.

In general, the GIR is expected to be exchanged between tax administrations based on a Multilateral Competent Authority Agreement (MCAA) and DAC9. Switzerland is expected to ratify the GIR-MCAA until mid-May 2026.

1.3 Recent publications

On 5 January 2026, OECD/G20 Inclusive Framework released the Pillar 2 'side-by-side' (SbS) package, introducing a permanent simplified ETR safe harbour (SESH), extending the transitional CbCR safe harbour by one year, creating a new substance-based tax incentive safe harbour, and

establishing a side-by-side system for jurisdictions with eligible domestic and worldwide minimum tax regimes.

The SESH is applicable for fiscal years from the beginning of 2027, or the beginning of 2026 in specified circumstances. If a tested jurisdiction qualifies for the SESH, the top-up tax for such a jurisdiction will be deemed zero for a fiscal year, reducing the compliance burden for many jurisdictions in which in-scope MNEs operate. To facilitate transition to the new SESH, the OECD extends the existing transitional CbCR safe harbour to all fiscal years commencing on or before 31 December 2027, excluding any fiscal year that ends after 30 June 2029, by one year.

Under the new substance-based tax incentive safe harbour, certain qualifying tax incentives (QTIs) can be added to covered taxes (or simplified covered taxes if SESH is utilised), effectively treating them as if additional tax had been paid. This reduces or eliminates any top-up tax that would otherwise arise solely because the incentive lowered the local tax. The guidance allows an election to include qualified refundable tax credits and marketable transferable tax credits, which are otherwise treated as income items for minimum tax purposes, as QTIs.

With that said, the centrepiece of the package is the SbS safe harbour, which allows MNEs headquartered in qualifying jurisdictions a deemed top-up tax of zero under the IIR or UTPR across all their domestic and foreign operations (including interests in JVs and JV subsidiaries) if certain eligibility and election conditions are met. The SbS safe harbour will take effect for fiscal years beginning on or after 1 January 2026. As of 5 January 2026, the United States is the only country identified in the OECD's Central Record as meeting the eligibility criteria.

Lastly, the OECD has been maintaining a central record of jurisdictions with qualified income inclusion rules, qualified domestic minimum top-up tax rules and QDMTT safe harbours, qualified SbS regimes, as well as activated exchange relationships for the automatic exchange of GloBE information. This central record will be regularly updated in a timely manner after self-certification 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 compliance under way, taxpayers should by now have determined whether they are within the scope and devised a 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). This includes conducting a review of the group's CbCR processes, assessing whether the group can take advantage of the transitional CbCR safe harbours, analysing the entities in the group and familiarising themselves with the new filing requirements in relevant jurisdictions. It is also imperative for enterprises to have determined whether they have the data necessary for calculating the GloBE tax base as well as the relevant tax expense, so that such calculation can be a part of the provisioning and future financial closing processes. 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 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

2.1 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 takes the view that most aggressive tax planning arrangements include a cross-border aspect. In June 2018, it 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.

2.2 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.

2.3 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 had 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.

2.4 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 needed 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.

3 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 2027

3.1 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 has been in force in Switzerland since autumn of 2025.
- However, Switzerland decided to 'activate' CARF only with effect as of 1 January 2027 instead of 1 January 2026.
- 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.

3.2 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 which was then 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.

At the end of 2025, the Swiss Federal Council decided to postpone the start date of the CARF regulation by one year. Thee CARF Due Diligence and Reporting Obligation will go live in Switzerland on 1 January 2027 instead of 2026.

4 EU Directive on public country-by-country reporting ('public CbCR') and Australian 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. For a December reporting period, the year ending 31 December 2025 would be the first year subject to EU public CbCR in all member states, with reports due by 31 December 2026 (except the early reporting deadline in Spain of 30 June 2026).
- 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.

4.1 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.

4.2 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 in the last two consecutive years:
  - Net revenue of more than EUR 10 million
  - 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.
- Local thresholds vary by EU Member State.

4.3 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 grey list').

4.4 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.

4.5 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.

4.6 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.

4.7 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 have prepared for public CbCR disclosure earlier than the EU

directive's timeline. Croatia 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).

- For a December reporting period, the year ending 31 December 2025 would be the first year subject to EU public CbCR in all other EU member states, with reports due by 31 December 2026 (except the early reporting deadline for Spain by 30 June 2026).
- 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 complete EU public CbCR 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.

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. On 13 June 2025, the EEA Joint Committee decided to incorporate the EU public CbCR Directive into the EEA Agreement (EEA Joint Committee Decision No 159/2025). In line with this, the Liechtenstein Parliament approved the EEA decision at its meeting of 2 October 2025. The Directive will enter into force in the EEA once the remaining EEA parliaments – Iceland and Norway – have also completed their approval processes.

While Iceland has also published draft legislation, the timing of the parliamentary procedures in Iceland and Norway has not yet been announced. Accordingly, the entry into force of the public CbCR Directive in the EEA – and therefore also in Liechtenstein – cannot yet be determined with certainty. Once the necessary parliamentary procedures are completed, companies with operations in EEA countries (Liechtenstein, Norway and Iceland) should publish their public CbCR accordingly.

4.8 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.

5 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.

5.1 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.

5.2 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.

5.3 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 9 January 2026, the European Commission published its guidelines on the application of the EU FSR, setting out how the EC will carry out its substantive assessment under the FSR. 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. While the guidelines are not legally binding and the final interpretation of the FSR remains at the discretion of the EU courts, they nonetheless constitute important *soft law*, describing the Commission's practice and offering companies valuable guidance on how the regulation will be applied.

On 20 March 2026, the Commission also published a 'brief' paper summarising the guidelines.

The final 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, on 20 February 2026, the Commission also published the results of its public consultation on the review of the FSR, which had previously been launched on 12 August 2025. A review of the Commission's implementing and enforcement practice will be conducted by 13 July 2026 and every three years thereafter, as required under Article 52(2) FSR. Any amendments to the FSR would need approval from the European Parliament and the Council. Among the 54 responses received, key concerns centred on the vagueness and breadth of the distortion and balancing test framework, the disproportionate burden of the M&A and public procurement notification regimes – including excessively low thresholds, an exaggeratedly broad concept of 'foreign financial contributions' and significant procedural delays and costs, as well as the overlap with existing merger control and foreign direct investment screening filings. The consultation results will feed into the

Commission's official review report due in July 2026, and any amendments to the FSR would need approval from the European Parliament and the Council.

6 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.

6.1 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. In November 2025, the European Parliament adopted its non-binding opinion on the BEFIT proposal in plenary, marking a critical step towards creating a single, common EU corporate tax rulebook. However, the proposal still requires unanimity in the Council for adoption, where technical examination continues within the Working Party on Tax Questions (Direct Taxation), with further reflection and technical work required to determine the next steps in negotiations.

6.2 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.

6.3 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.

7 Carbon Border Adjustment Mechanism (CBAM)

CBAM entered into force fully on 1 January 2026. 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.

Status	• CBAM entered fully into force on 1 January 2026

7.1 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.

7.2 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.

CBAM currently applies to approximately 600 aluminium, cement, electricity, fertiliser, iron and steel, and hydrogen products. For 2028, an expansion to about 200 additional downstream products such as machinery and vehicle parts is planned. Companies who import less than 50 tonnes of CBAM-relevant products per year are excluded from CBAM obligations.

7.3 What do I need to know?

CBAM entered into a transitional period in October 2023. During this time, companies were required to submit quarterly reports but not yet to purchase CBAM certificates. This changed with the start of the definitive period in January 2026 – since then, only authorised companies have been permitted to import CBAM products. In addition, companies are required to offset the emissions embedded in their imports partially by purchasing CBAM certificates (which are priced based on the ETS price).

To calculate these embedded emissions, companies can choose to either use actual data or default values. The latter are published by the European Commission and specific to each product code and country of origin. In contrast to actual emissions, embedded emissions based on default values do not have to be verified by accredited third-party verifiers. However, default values do include a mark-up that increases over the years, making them potentially less favourable than actual emissions.

Companies will be able to purchase CBAM certificates as of February 2027 to partially offset the emissions embedded in their imports during the calendar year 2026. The first annual CBAM declaration will need to be filed in September 2027.

7.4 What affected businesses should do now

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.

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.

8 Stricter practice regarding input VAT reclaims

The FTA has published a new practice regarding the right to recover input VAT. The new practice clarifies but also limits the right to recover input VAT for all companies holding participations.

Status	Entry into force: 1 January 2026

8.1 Revised VAT Info 09, input VAT recovery published

The FTA published its revised VAT Info 09 on 20 January 2026.

8.2 The FTA published its revised VAT Info 09 on 20 January 2026. 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 states that any company holding participations and conducting limited but non-ancillary VAT-exempt activities will lose its right to recover input VAT on those participations, contrary to current VAT law. The new guidance defines a “holding company” as an entity with only ancillary activities, making it eligible to reclaim input VAT. Entities not fitting this definition must prove that VAT-exempt activities make up less than 10% of total costs in account group 6 of the Swiss SME standard accounts. While VAT Info 09 brings some clarity, companies may risk losing input VAT recovery rights if they cannot provide the necessary proof.