Current Events in International Taxation - KPMG Tax Summit Berlin 2023

Tax Alert

October 2023

After a three-year break, the traditional KPMG Tax Summit was held in Berlin in September 2023, bringing together tax experts from all over the world.

The summit theme was *Global Reboot – Geopolitics, tax systems and society in flux*. Numerous speakers and panelists shared their experiences and assessments regarding current global trends and their impact on tax systems.

We would highlight the following key messages:

— The impact of geopolitical events on tax systems and tax policies is becoming increasingly significant, whereby the key priority of state policies is securing the resources.

— Within the OECD Inclusive Framework, a package of implementation measures has been further aligned to respond to tax challenges related to the digitalization of the economy – further development of the „two pillars" solution (Pillar 1 and Pillar 2).

— Faster progress is being made within Pillar 2, whose main objective is to ensure that large multinational companies pay corporate income tax at effective rate of at least 15% in all countries where they operate. In order to ensure this, three instruments have been introduced:

1. Qualified Domestic Minimum top-up tax (QDMTT) – to be introduced by the country where local branch of the multinational company taxed at an effective rate below 15% operates.

2. Income Inclusion Rule (IIR) –to be introduced by the country where the parent company operates, and whose branch in another country is taxed at an effective rate below 15%.

3. Undertaxed Profits Rule (UTPR) –introduced as a control mechanism for cases where the application of the previous two instruments does not ensure taxation at an effective rate of at least 15% - this rule enables also additional taxation of insufficiently taxed profits of the parent company.

— Several countries have already enacted regulations introducing (some of) the above-mentioned instruments, which will be applicable as early as 2024/2025, and there are drafts of such regulations in many countries.

Considering that the nominal corporate income tax rate in Serbia is 15%, the use of tax incentives, such as the ten-year tax holiday or research and development incentives, results in effective tax rate lower than 15%. If your company is part of a multinational group and utilizes some corporate income tax incentive in Serbia, there is a possibility that starting from 2024 or 2025 the tax savings realized in this regard may be adjusted in the foreign jurisdiction, by tax which the foreign parent company or other Group members will have to pay additionally.

Serbia is not the only country offering corporate income tax incentives - significant number of countries provides this type of tax incentives, so in upcoming period acceptable and unacceptable tax incentives will further crystallize.

According to the information available to us, the Serbian Ministry of Finance is currently monitoring and analyzing the solutions adopted worldwide, and based on the analysis conducted a decision will be made on whether Serbia will introduce any changes or will retain the existing provisions regarding corporate income tax incentives.

If you have any questions or need the support of our experts, feel free to contact us at tax@kpmg.rs

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