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E-News from the EU Tax Centre

Issue 176 – May 4, 2023

KPMG's EU Tax Centre compiles a regular update of EU and international tax developments that can have both a domestic and a cross-border impact, with the aim of helping you keep track of and understand these developments and how they can impact your business.

Today's edition includes updates on:

- **CJEU:** German tax rules applicable for non-resident closed-end real estate funds in breach of EU law
- **Council of the EU:** Elements of "Fit for 55" package adopted
- **European Commission:** Belgium referred to CJEU for failing to transpose ATAD (CFC rules)
- **Czech Republic:** Guidance on windfall profits tax published
- **Denmark:** Draft update of the list of non-cooperative jurisdictions
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- **South Africa:** 2023 Budget materials commit to Pillar Two implementation
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- **Spain (court decision):** Suspension of DAC 6 notification obligation for LPP intermediaries

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Latest CJEU, EFTA and ECHR

CJEU

German tax rules applicable for non-resident closed-end real estate funds in breach of EU law

On April 27, 2023, the Court of Justice of the European Union (CJEU or the Court) gave its decision in the case C-537/20 (L Fund). The case concerns the compatibility with EU law of the German corporate income tax applicable to non-resident closed-end real estate funds.

Under German tax law, domestic closed-end real estate funds are treated as corporate taxpayers but are exempt from corporate income tax. Tax is nevertheless due at the level of the investor. In the case of domestic funds with exclusively non-resident investors, the immovable property income is attributed directly to the investors, and the relevant tax is withheld by the fund. On the other hand, non-resident closed-end real estate funds do not benefit from the corporate tax exemption with respect to the immovable property income derived. Instead, such revenue is taxable at fund level.

The Court held that the German tax treatment of revenues derived by non-resident closed-end real estate funds, with exclusively foreign investors, from immovable property located in Germany was contrary to the free movement of capital.

For more information, please refer to Euro Tax Flash Issue 509.

Infringement Procedures and CJEU Referrals

Referrals

Belgium referred to CJEU for failing to correctly transpose the CFC rules under ATAD

On April 19, 2023, the European Commission (the Commission or the EC) referred Belgium to the CJEU for failing to correctly transpose the controlled foreign corporation (CFC) rules under the EU Anti-Tax Avoidance Directive 2016/1164 (ATAD).

The referral follows a reasoned opinion sent by the Commission on December 2, 2021, calling on Belgium to amend its CFC rules. The Commission argued that, contrary to Article 8(7) of ATAD, Belgian CFC provisions do not allow a taxpayer to deduct tax paid by a CFC entity in its state of residence from the taxpayer's Belgian CFC liability - see E-News Issue 144.

As Belgium did not satisfactorily address the Commission's concerns, the EC decided to refer the case to the CJEU.

For more information, please refer to the Commission's press release.

EU Institutions

Council of the EU

Elements of “Fit for 55” package adopted

On April 25, 2023, the Council of the EU formally adopted the Carbon Border Adjustment Mechanism (CBAM) and the reform of the European Union Emissions Trading System (EU ETS). The laws were previously adopted by the European Parliament and will enter into force 20 days after they are published in the Official Journal of the EU.

The EU ETS was initially introduced in 2005 and provides for a carbon market based on a system of cap-and-trade of emission allowances for energy-intensive industries and the power generation sector. The new rules increase the overall ambition of emissions reductions by 2030 in the sectors covered by the EU ETS to 62 percent compared to 2005 levels.

The CBAM, which mirrors and is a supplementary measure to the EU ETS, is a tool to address the risk of “carbon leakage”, that is where goods produced in a high ambition region – like the EU – are substituted with imports from a region with a lower carbon price or where production of goods is moved from the high ambition area to a lower one. The CBAM does this by placing a requirement that certain covered goods imported into the EU will need to surrender CBAM emission certificates for the embedded emissions in the imported good – mirroring the existing EU ETS for such goods produced in the EU. Covered goods include cement, electricity, fertilizers, aluminum, iron and steel, hydrogen, and indirect emissions under certain conditions.

The aim of CBAM is to incentivize non-EU countries to increase their climate ambition and to ensure that EU climate efforts are not undermined by production being relocated from the EU to countries with less ambitious climate policies. CBAM intends to reduce the risk of carbon leakage by encouraging non-EU producers to green their manufacturing processes and by supporting the import of goods into the EU by non-EU businesses that meet the climate criteria imposed in the EU member states.

The CBAM will only apply as a reporting requirement until the end of 2025 and will be phased in progressively, parallel to the phase-out of free allowances, as it becomes available under the amended EU ETS for the sectors involved. From January 1, 2026, CBAM will be fully operational and financial obligations will take effect and CBAM certificates will have to be surrendered.

For more details, please refer to a report prepared by KPMG in the Netherlands and the Council’s press release.

European Parliament

European Parliament Budget Committee Adopts Draft Resolution on New Sources of EU Revenue

On April 17, 2023, the Committee on Budgets of the European Parliament (BUDG Committee) adopted a draft resolution on new sources of EU revenue. The additional revenue sources include the following:

- corporate tax-based own resources which relates to the European Commission’s BEFIT initiative;
- an EU financial transaction tax;
- a new fair border mechanism that would impose a levy on companies importing goods into the EU with respect to any workers in their global supply chain who are paid extremely low daily wages;
- a tax on cryptoassets;

- green own resources; and
- national contributions based on statistics in the social or environmental areas where robust, common harmonized Eurostat data are available on an annual basis, such as a gender pay gap-based own resource and a biowaste-based own resource.

The resolution is to be voted on in a plenary session on May 9, 2023. The Members of the European Parliament (MEPs) call on the Commission to submit the next round of proposals for new own resources as soon as possible and no later than the third quarter of 2023.

For more information, please refer to the Parliament's press release.

FISC sub-committee hearing on the work of national tax authorities

On April 25, 2023, the European Parliament's Subcommittee on Tax Matters (FISC) held a public hearing on "*The Work of National Tax Authorities: Resources, Strategies, Cooperation*". The aim was to gather insights and opinions from experts on identifying ways to better support tax authorities.

The discussion focused on the effectiveness of the Directive on Administrative Cooperation (2011/16) (DAC) and possible ways to improve it, as well as on other initiatives that legislators should be pursuing. In addition, the exchange dealt with the digitalization of tax administrations and the role of the European Commission in tax administration cooperation.

For more information, please refer to the Parliament's press release.

OECD and other International Institutions

Organisation for Economic Cooperation and Development – OECD

Working Papers on the tax incentives for R&D and innovation

On April 20, 2023, the OECD released working papers on (i) the design features and (ii) the cost and uptake of income-based tax incentives for research and development (R&D) and innovation. The key findings of the papers include:

Design features working paper

- The use of R&D related income tax incentives, such as intellectual property regimes, have become increasingly common in recent years.
- The implementation of the BEPS Action five minimum standard has had a significant impact on the approach adopted by countries in the design of their income-based tax incentives, in particular regarding strengthening the link between economic substance and tax support.
- In 2021, 22 out of 38 OECD countries and 17 out of 27 EU countries offered income-based tax incentives, often in combination with expenditure-based tax incentives. Twenty-one OECD and 15 EU countries offered both forms of tax support in 2021.

Cost and uptake of income-based tax incentives for R&D and innovation

- Governments worldwide increasingly rely on tax incentives to promote business R&D and encourage innovation and economic growth.
- The report provides preliminary estimates of the cost of income-based tax relief for 23 out of 29 countries offering such support during the 2000-21 period. Overall, the magnitude of this support appears very small, amounting to less than 0.01 percent of GDP in 12 out of 23 countries.
- Preliminary figures point to a substantial variation in average income-based tax subsidies across countries, ranging from more than USD 1 million (approximately EUR 906,180) in Belgium, France, Israel, Luxembourg, and the United States to less than USD 100,000 (approximately EUR 90,618) in Cyprus, Lithuania, Korea, Poland and Portugal. According to the report, this variation can be attributed to several factors such as differences in the number, size and production intensity of beneficiaries and the generosity of income-based tax incentives across countries.
- The number of OECD (EU) countries offering income-based tax incentives has steadily grown, from five OECD (three EU) countries in 2000 to 22 (17 EU) countries in 2021. Their cost and uptake have been rising in most countries for which data are available.

For more information on local tax incentives, please refer to a dedicated OECD database and KPMG's Global R&D Incentives Guide.

Local Law and Regulations

Czech Republic

Guidance on windfall profits tax published

On March 10, 2023, the Czech tax authorities issued guidance on the application of the windfall profits tax, which is to be applied from 2023 to 2025 (for previous coverage, please refer to E-News Issue 165). Key clarifications include:

Scope:

- In addition to other requirements, the windfall tax will apply where the taxpayer is part of a corporate group with qualifying income exceeding CZK 2 billion (approximately EUR 85 million) in the first accounting period ending on or after January 1, 2021.
- This income threshold must be calculated for all members of the group, including where the parent company of the group is located abroad. Relevant income will include income of the Czech company (except for foreign income that may be taxed abroad in accordance with the respective double tax treaty) and income of the foreign company taxed in the Czech Republic.
- Taxpayers may apply for a binding assessment to get certainty on whether they fall in scope. The fee amounts to CZK 10,000 (approximately EUR 425) per binding assessment.

Windfall profits tax base

- The tax base must be recalculated pro rata where the current tax period deviates from the ones relevant for the adjusted comparative tax base (i.e. the four fiscal years starting on or after January 1, 2018).
- Taxpayers may transfer and offset windfall profits within the group subject to certain conditions.

Administration:

- The windfall tax liability needs to be settled through pre-payments in line with the regular income tax prepayment procedure.
- There are no special registration requirements in relation to the windfall tax.
- A windfall profits tax return must be filed within the same deadlines as an income tax return even if the taxpayer declares a zero-tax liability.

For more information, please refer to the report prepared by KPMG in Czech Republic.

Denmark

Proposal for a temporary solidarity contribution on the fossil sector

On March 22, 2023, the Danish government sent to the Parliament a draft bill to introduce a solidarity contribution on surplus profits generated by companies in the oil, gas, coal, and refinery industries prompted by the EU Regulation 2022/1854 on an emergency intervention to address high energy prices. The proposal closely follows the previous discussion draft (for previous coverage, please refer to E-News Issue 170) and includes the following key aspects:

- application to Danish companies and permanent establishments with at least 75 percent of their 2023 turnover attributable to operations in the fossil fuel sector;
- the tax would be levied at a rate of 33 percent on excess profits;
- excess profits would be calculated as the taxable profits (for corporate income tax purposes) in the fiscal year 2023 that are above 20 percent of the average taxable profits of the fiscal years 2018 to 2021;
- special credit rules would allow hydrocarbon producers to offset the solidarity contribution liability against hydrocarbon tax paid in 2023.

The draft bill is currently pending approval by the Danish Parliament. Once approved, the measure will enter into force on the day following its publication in the Official Gazette.

Draft update of the list of non-cooperative jurisdictions

On March 29, 2023, the Danish Ministry of Finance published the draft of a revised list of non-cooperative jurisdictions.

While the update would generally reflect the recent updates to the EU list of non-cooperative jurisdictions adopted by the Council of the European Union (please refer to Euro Tax Flash Issue 506), it is important to note that the draft list does not include the Russian Federation due to the existence of a tax treaty between Denmark and the Russian Federation.

In this context, on April 20, 2023, the Danish Ministry of Finance proposed the termination of such tax treaty with effect from January 1, 2024 at the earliest. The termination of the tax treaty would allow Denmark to apply the local tax defensive measures against non-cooperative jurisdictions also to payments made to entities resident or incorporated in the Russian Federation (i.e. deduction limitations and increased withholding taxation of 44 percent as opposed to the standard 27 percent withholding tax).

For more details on defensive measures adopted by EU Member States against non-cooperative jurisdictions, please refer to KPMG's summary of proposed or enacted measures.

Finland

Clarifications on DAC7 reporting obligations published

On April 21, 2023, the Finnish tax authorities published guidance providing clarifications on the application of the Finnish reporting rules implementing the Council Directive (EU) 2021/514 (DAC7). More specifically, the guidance provides clarifications on definitions and terms included in the Finnish transposition law, due diligence requirements, registration and reporting obligations, as well as other administrative aspects.

Germany

New guidance providing for a dynamic approach in using OECD commentary to interpret double tax treaties

On April 19, 2023, the German Ministry of Finance published guidance on the use of the OECD Commentary to the Model Tax Convention when interpreting German double tax treaties.

Key takeaways include:

- Updates to the OECD Commentary have to be taken into account when interpreting tax treaties, regardless of whether the respective treaty was concluded prior to such update (i.e. dynamic approach).
- An exception to the above principle applies where official guidance by the German Ministry of Finance provides for a different treaty interpretation. Consequently, the binding effect of administrative decrees or circulars on German tax authorities is not affected by updates to the OECD Commentary.
- The guidance does not follow the 2018 decision by the German Federal Tax Court (I R 44/16) where the court held that the interpretation of a tax treaty is not affected by changes to the OECD Commentary, unless a respective tax treaty is amended to include an explicit reference to such update.

Hungary

New windfall profits tax on producers of petroleum products introduced

On April 1, 2023, the Hungarian government published in the Official Gazette decrees providing for changes to the windfall profits taxes on oil producers and banks. Key amendments include:

- introduction of a new windfall profits tax on producers of petroleum products applicable on the net turnover determined based on annual accounts for tax year 2022 at a rate of 2.8 percent;
- introduction of several tax reliefs in relation to the current windfall profits tax on oil producers and decrease of the taxable base;
- the windfall tax rate on banking profits (currently at 8 percent) will be raised to 13 percent, with a second rate of 30 percent on profits exceeding HUF10 billion (approximately EUR 2.7 million), applicable for the second half of 2023;
- decrease of the tax base for the banking windfall tax to 50 percent of last year's income (currently 100 percent).

Luxembourg

Proposed amendments to transfer pricing rules

On March 28, 2023, the Luxembourg government published a draft bill that would introduce changes to the Luxembourg transfer pricing rules. Key amendments include:

- introduction of new advance pricing agreement (APA) and mutual agreement procedures (MAP) that would enter into effect from the date of publication in the Official Gazette;
- updated transfer pricing documentation requirements in line with the OECD guidelines that would become effective beginning tax year 2024.

For more information, please refer to the report prepared by KPMG in Luxembourg.

Lithuania

DAC7 transposition law amended

On April 4, 2023, Lithuania amended the law transposing DAC7 into domestic law, which was prompted by a letter of formal notice by the European Commission finding that Lithuania had only partially implemented the DAC7 reporting rules (for more information, please refer to E-News Issue 170).

To align with the Directive, certain definitions were added or replaced and administrative and filing requirements were specified.

For more information on the DAC7 transposition across the EU, please refer to Euro Tax Flash Issue 503.

Malta

DAC6 FAQs updated

On April 13, 2023, Malta's Commissioner for Revenue published updated FAQs providing clarifications on the reporting rules in respect of cross-border arrangements (DAC6). For previous coverage, please refer to E-News Issue 154.

Key takeaways from the updated FAQs include:

- Maltese intermediaries are only expected to comply with Maltese legislation and interpretation. The fact that a foreign intermediary concluded that an arrangement is reportable based on the DAC6 legislation in another EU Member State does not automatically trigger a reporting obligation in Malta.
- An intermediary (A) that provides tax advice services to another intermediary (B) in relation to a client on a no name basis (no underlying client details available to intermediary A) is generally required to report and request necessary information, unless the arrangement has already been reported by intermediary B or intermediary A is entitled to waive its reporting obligation due to its legal professional privilege.
- A structure being made available to a client in the initial meeting serves as an indication for a marketable arrangement. Information in relation to such reportable cross-border arrangement will be reported initially when the arrangement is marketed, and a further report would then need to be submitted when the client takes this up (e.g. by way of signing an engagement letter).

- The professional privilege waiver does not apply in cases where an employee whose profession is covered by professional secrecy is signing an advice on behalf of an entity which is not covered by said professional secrecy.

Netherlands

Proposal for 2024 tax reform bill published

On April 14, 2023, the Dutch government published the proposal for the 2024 tax reform bill. Key proposed amendments from a corporate income tax perspective include:

- the scope of conditional withholding tax applicable on dividend payments to be extended to reverse hybrid entities; and
- non-resident taxpayers with a substantial interest in a Dutch company (i.e. more than 5 percent) to be excluded from dividend withholding tax deduction.

The draft bill is currently pending parliamentary approval. For more details, please also refer to the explanatory memorandum published by the Dutch Ministry of Finance.

Norway

Public consultation launched on amendments to interest deduction limitation rules

On April 12, 2023, the Norwegian Ministry of Finance launched a public consultation on proposed changes to the local interest deduction limitation rules.

Under Norwegian tax law, the deduction of interest expenses between related parties is limited to 25 percent of taxable EBITDA where the annual net interest expense exceeds NOK 5 million (approximately EUR 420,000). Where companies are part of a consolidated group for accounting purposes, the limitation applies to interest expenses between both related and unrelated parties. In that case, the deduction applies if the annual net interest expense of the Norwegian part of the group as a whole exceeds NOK 25 million (approximately EUR 2.1 million) and to the extent the interest expense exceeds 25 percent of taxable EBITDA.

Most importantly, the proposed changes provide for an expanded scope to also cover expenses resulting from financial leasing agreements. For purposes of applying the interest limitation, the interest component would be calculated in accordance with the Norwegian Accounting Standard 14 (lease agreements).

Comments are requested by July 12, 2023. The proposed changes would become effect from 2024.

Saudi Arabia

New special economic zones regime introduced

On April 13, 2023, the Saudi Prime Minister announced the launch of four new Special Economic Zones (SEZ) in Saudi Arabia. Following the announcement, the KSA Economic Cities and Special Zones Authority (ECZA) published the following:

- a brochure providing an overview of the incentives offered, including reduced corporate income tax rates, to the SEZs in the Kingdom of Saudi Arabia. This provides details regarding the four newly announced SEZs

and the existing Special Integrated Logistics Zone (SILZ); and
- a public consultation regarding draft by-law for "Taxes and Customs in Special Economic Zones".

For more details, please refer to a report prepared by KPMG in Saudi Arabia.

South Africa

2023 Budget materials commit to Pillar Two implementation

On February 22, 2023, the South African government presented the 2023 Budget including commitments to implement the OECD Pillar Two solution. According to the accompanying budget review document, the South African government will publish a draft position on the implementation of Pillar Two for public comment during the 2023 legislative cycle. Subsequently, draft legislation will be prepared for inclusion in the 2024 tax amendment bill.

For more details, please refer to a report prepared by KPMG in South Africa.

United Kingdom

Guidance on R&D tax relief changes published

On April 18, 2023, HMRC published an updated final draft guidance on recent changes to the research and development (R&D) tax relief. Key changes include:

- Claimants will need to be aware of the additional information requirements, such as the separate digital form which must be submitted to HMRC prior to an R&D claim submission.
- Confirmation that HMRC will continue to accept extra information, including supporting reports.
- There will be no 'group exemption' (i.e. the requirement to provide the form applies at a company (rather than group) level and, therefore, multiple claimant entities in the same group will each need to submit a form.
- Further examples of how the Claim Notification requirements will operate in practice are provided.

For more information, please see a report prepared by KPMG in the UK.

Local Courts

France

Supreme Court clarifies the computation of foreign tax credit on exempt dividends

On April 7, 2023, the French Supreme Court (Conseil d'État) issued a decision on how to determine the foreign tax credit available for French parent companies in relation to foreign-source dividends that are exempt from French corporate income tax under the Parent-Subsidiary Directive.

The current decision follows a previous Supreme Court decision from July 5, 2022, confirming that the 5 (or 1) percent add-back[1] under the French participation exemption regime results in partial taxation of dividends received. As a result, the Supreme Court held at that time that taxpayers are entitled to a foreign tax credit up to the French tax corresponding to 5 (or 1) percent of the dividends. For more details, please refer to E-News Issue 158.

The decision at hand further clarifies that the foreign tax credit cannot exceed the French corporate income tax amount due on the difference between (i) the 5 (or 1) percent add-back and (ii) the expenses incurred on acquiring or maintaining the dividend income.

Germany

Deduction of final losses can be denied where Germany has waived its taxing right under a tax treaty

On April 27, 2023, the German Federal Tax Court published a decision (I R 35/22) finding that a German based bank cannot deduct final losses incurred by its UK foreign permanent establishment, where Germany has waived its power to tax the profits (and losses) of the permanent establishment under a double tax treaty.

The decision follows the CJEU's decision in the W case (C-538/20) concerning the compatibility of the German cross-border loss relief rules with EU law.

For more details, please refer to Euro Tax Flash Issue 486.

Spain

Suspension of DAC6 notification obligation for LPP intermediaries

On March 27, 2023, the Spanish Supreme Court published a decision in relation to the notification requirements for intermediaries, who are subject to legal professional privilege, to notify other intermediaries of their reporting obligation under DAC6.

The Court confirmed the CJEU decision of December 8, 2022 (for more details, please refer to Euro Tax Flash Issue 497), and suspended such notification requirement for Spanish DAC6 reporting purposes. Going forward, Spanish intermediaries subject to legal professional privilege are only required to inform clients about their reporting obligations within five days following the date on which the reporting obligation was triggered.

The Spanish government has also issued a corresponding legislative amendment that is currently pending approval by the Spanish Parliament.

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[1] Under the domestic tax rules implementing the EU Parent – Subsidiary Directive, foreign dividends benefit from a 95 or 99 percent exemption from corporate income tax, if certain conditions are met. However, the French parent company is required to add back an amount equal to 5 (or 1) percent of the gross dividend income, which is deemed as non-deductible for corporate income tax purposes.

French alternative investment fund entitled to refund of dividend withholding tax

On April 5, 2023, the Spanish Supreme Court (the Supreme Court) held that the dividend withholding tax applicable to payments made to an French alternative investment fund was in breach of the free movement of capital. As a result, the Supreme Court held that the fund was entitled to a partial refund of the dividend withholding tax.

The plaintiff was an alternative investment fund, resident for tax purposes in France. The fund received Spanish dividends which, under the double tax treaty concluded between Spain and France, were subject to a 15 percent withholding tax. Under Spanish law, domestic investment funds are subject to a 1 percent corporate income tax rate. The plaintiff considered that the Spanish law discriminates between non-resident and domestic investment funds and requested a partial refund of the taxes withheld in Spain. The claim was rejected by the Spanish tax authorities on the grounds that the investment fund was not regulated under the Directive 2009/65/EC [2] and therefore was not eligible for a refund. Following several appeals, the case was brought to the Supreme Court.

By citing settled CJEU case-law in the field of withholding tax claims, the Supreme Court concluded that the plaintiff was in a comparable situation with a Spanish investment fund. The Supreme Court also noted that, in their view, the only criterion of distinction for the different tax treatment was the residence of the fund. In light of the above, the Court found that the Spanish withholding tax treatment of the French alternative investment fund constituted an unjustified breach of EU law. As a result, the fund was entitled to a refund computed as the difference between the 15 percent dividend tax withhold at source and the tax burden that would have been applicable in the case of a Spanish fund.

KPMG Insights

EU Tax Perspectives

The European Union's (EU) institutions have been terribly busy in the past few months, discussing EU implementation of international initiatives and working on upcoming EU-specific proposals.

Against this backdrop, in the March 2023 session of the "EU tax perspectives" webcast series, a panel of KPMG specialists shared their insights on few of the latest developments from across the EU affecting multinational groups operating in Europe, including:

- BEPS 2.0 in the EU: state of play on the implementation of the EU Minimum Tax Directive (Pillar Two)
- Unshell Directive (ATAD 3): state of play and likelihood of adoption
- Tax transparency reporting, including practical insights on the EU Public Country-by-Country (CbC) Directive
- EU list of non-cooperative jurisdictions: the February 2023 update and its implications

Please access the event page for a replay of the session.

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[2] Directive 2009/65/EC of the European Parliament and of the Council of July 13, 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)

Key developments affecting digital economy platforms

On April 26, 2023, the next Global Indirect Tax Services (GITS) webcast focused on 'Key developments affecting digital economy platforms'.

In the world of indirect taxes, the focus on digital economy indirect tax measures has dominated the policy agenda for recent years. A panel of KPMG experts provided observations around key developments which will likely have implications across multiple jurisdictions in the years to come. Specifically:

- Investigations being conducted by the Italian tax authorities in which they are challenging whether digital platforms are providing access to its customers in return for access to customer data, giving rise to questions around whether there is a barter transaction causing a VAT liability (and if so, how to determine it).
- Legislative developments in New Zealand tax to introduce new platform and 'gig' economy measures that have the potential to be adopted elsewhere.

Please access the event page for a replay of the session.

New Framework Agreement for Social Security

The 27 member states of the European Union, Norway, Iceland, Liechtenstein, Switzerland, and the U.K. have been invited to sign a framework agreement for social security that will provide an opt-in to employers and employees to maintain social security coverage in the country of the employer when an employee works from home in another country less than 50 percent of the time.

The Framework Agreement is to enter into force on July 1, 2023, for those countries who sign it by that time. If a country signs the Framework Agreement after July 1, 2023, the Agreement will have effect for that country from the time of signature and it will not apply retroactively.

For more details, please refer to a report prepared by KPMG in the Netherlands.

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