Briefing

International review for October

Speed read

This month's update has a distinctly European flavour and illustrates how politics – and not always domestic politics – influences tax policy. Following intense debate during the recent election, Norway's 2026 Budget retains the country's wealth tax, albeit with some reform. After a turbulent few weeks, the new French Government has presented its 2026 Budget for Parliamentary review, although it is unlikely the significant fiscal consolidation proposals will survive the process intact. Ireland's Budget was full of giveaways, but also came with warnings on how geopolitics might impact tax receipts and constrain future spending. A FISC debate discussed the impact of the Trump Administration's tax policies in Europe, while the European Parliament adopted a resolution setting out its views on key EU tax issues.

Tim Sarson
KPMG
Tim Sarson is a Tax Partner at KPMG and the UK Head of Tax Policy. He has worked in the international tax and transfer pricing field since 1998, in both practice and industry. Email: tim.sarson@kpmg.co.uk.

Budget updates

Norway

The future of Norway's century old wealth tax prompted fierce debate in the country's recent parliamentary elections, with right of centre parties calling for it to be abolished. However, the Labour party won a second term in the September 2025 vote on a mandate to maintain the wealth tax, albeit some changes have been proposed in the 2026 State Budget.

Norway is only one of three countries in Europe (alongside Spain and Switzerland) that still impose a wealth tax, and the measure raises small sums of revenue. But with the international debate on wealth taxes intensifying, these territories provide interesting case studies on the practical operation and impact of such policies. The Norwegian Budget changes include:

- Proposal for payment deferral scheme: With effect from 2026, private taxpayers, in particular owners of business assets, will have the opportunity to apply for a deferral of wealth tax for up to three years, provided that the wealth tax payable exceeds NOK 30,000. A tax deductible market rate of interest will be charged on sums deferred. However, with the interest rate set at Norges Bank's key rate plus five percentage points, in practice business owners may find it cheaper to take out a private loan to pay the tax rather than opt for the deferral.
- Timing of wealth tax liability when moving out of Norway: Historically there have been disagreements regarding when wealth tax liability ceases when someone moves out of Norway, with the Tax Appeals Board recently interpreting the law in the taxpayer's favour, i.e. that one should not pay wealth tax the year before one is tax-exiled. A legislative amendment has been proposed, that will apply from 2026, making it clear that the wealth tax must be paid when moving out of Norway in the last year before emigrating for tax purposes.
- Change in method for valuing homes: The model used for calculating the asset value of housing will be revised and with the government saying the new model will provide 'significantly' more accurate estimates of market value, albeit the additional tax revenue arising from the change is modest.

Other Budget measures include a pilot scheme of targeted tax incentives to encourage young adults into the workforce; a phasing out of the VAT exemption for electric cars and changes to VAT on international trade of remotely delivered services.

France

Wealth taxes have also been proposed in France's 2026 Budget as part of a proposed package of over €30bn of spending cuts and new taxes, in an attempt to reduce the deficit in French public finances.

The proposal is for a 2% levy on assets in holding companies not used for business purposes expected to raise €1bn, although politicians on the left are calling for a broader 2% tax on all wealth over €100m.

Other tax proposals in the Budget include:

- a surtax on large companies with over €1bn in revenue will be extended, but halved, generating €4bn;
- extension of a temporary tax on income of higher earners raising over €1bn;
- reform of a variety of tax exemptions, including for example school fee deductions, yielding a combined €5bn; and
- a €1bn exceptional tax on health insurers.

However, in what is proving to be a turbulent period for French politics, it is unlikely that the proposals will survive intact as they progress through parliamentary review, a process required as the new Prime Minister Sebastien Lecornu has forgone a constitutional option that would allow the government to force through Budget legislation without a parliamentary vote.

Ireland

On 7 October 2025, the Minister for Finance, Paschal Donohoe, delivered Ireland's 2026 Budget. The headline business tax measures are:

- Enhancements to the R&D tax credit regime: The rate at which companies can claim the R&D tax credit will be increased from 30% to 35%. This is the second increase in a two-year period following the 25% to 30% increase in Ireland's F(No.2)A 2023.
- The first-year payment threshold will be increased from €75,000 to €87,500 and there will also be an administrative simplification measure on the level of inclusion of employee costs: where an employee performs not less than 95% of their duties in the carrying on of R&D, 100% of the employee costs shall be considered eligible R&D expenditure.
- Film and gaming industry reliefs: Amendments have been made to the Film Tax Credit to reflect a new 40% rate for productions with a minimum of €1m of eligible expenditure on relevant Visual Effects expenditure up to a maximum of €10m per production. There was also an extension of the Digital Games Tax Credit to 31 December 2031 and enhancements to allow for claims in respect of certain post-release content work. These amendments are both subject to a commencement order, pending approval from the European Commission.

In addition, Ireland's Finance Bill 2025, published on 16 October 2025, included a number of updates to improve the scope of the dividend participation exemption which was introduced in Ireland's FA 2024. Notable changes, which will apply with effect from 1 January 2026, include:

- distributions from a company resident in a territory with which Ireland does not have a Double Tax Agreement (DTA) will now be within the scope of the exemption where non-refundable withholding tax has been paid on the full amount of the distribution; and
- a company resident in a territory with which Ireland has newly-signed a DTA will now be able to qualify as a relevant subsidiary from the date the agreement is concluded.

Unlike some of its neighbours, the Irish Budget has increased overall spending by more than 7% on the prior year. This has been facilitated by healthy corporation tax receipts, in particular from US MNEs holding intellectual property in the country. However, the Irish Financial Advisory Council, the country's independent Budget watchdog, has warned against overreliance on corporate tax receipts to fund spending as these are vulnerable to geopolitical headwinds, including the potential impact of US tariffs.

FISC public hearing on 'Trump II Administration's tax policies'

Sticking with the ripple effect of US policy, on 23 September 2025, the European Parliament's Sub-Committee on Tax Matters (FISC) held a public hearing on the tax implications of the second Trump Administration's policy choices. The discussions focused on recent changes in US tax policy and their potential impact on the OECD's Pillar Two framework in the European Union (EU).

Dr Kimberly Clausing, Chair in Tax Law and Policy at the UCLA School of Law emphasised the importance of Pillar Two – now implemented in more than 40 jurisdictions – in protecting the ability of countries to collect their own tax revenues. Dr Clausing also quoted a study based on which Pillar Two could reduce the extent of profit-shifting by approximately 50%. The Undertaxed Profits Rule (UTPR) was mentioned as being particularly helpful, creating a level playing field globally and helping countries retain tax sovereignty. Dr Clausing concluded by emphasizing that the global agreement should be maintained, simplified and strengthened.

Dr Lucio Vinhas de Souza, Chief Economist and Director of the Economics Department, BusinessEurope, noted that the uneven implementation of Pillar Two has become a risk factor for Europe. He also noted that the proposed 'side-by-side' approach, under which US-parented groups would be exempt from the Pillar Two Income Inclusion Rule (IIR) and UTPR, would relieve US companies of many of the burdens experienced by their EU counterparts.

Quentin Parrinello, Policy Director, EU Tax Observatory asked that alignment with the US model be avoided, as it results solely from pressure by the Trump Administration. Mr. Parrinello argued that there is still a rationale for a minimum tax rate as prescribed by Pillar Two, as well as for the interlocking principle it contains.

Benjamin Angel, Director of Direct Taxation, Tax Coordination, Economic Analysis and Evaluation of the European Commission (EC), acknowledged the concerns of the business community and tax authorities on the complexity of Pillar Two, and noted that the introduction of a permanent simplified safe harbour remains a priority for the EU.

In respect of the side-by-side system, Mr Angel noted that other jurisdictions have asked for FISC to consider a broader application of the equivalence criteria on which the arrangement will be based. He said the outcome of discussions is uncertain, but any agreement would require clear safeguards. The EC's preference would be for the side-by-side system to be introduced in the form of a safe-harbour agreed upon at OECD Inclusive Framework level. Under this scenario, the Minimum Tax Directive would not need to be reopened. Mr Angel did note, however, that that an agreement at international level must nevertheless be reached quickly to allow EU countries to legislate for the changes.

The Q&A session further explored the themes above, with participants raising concerns about the implications of US tariffs, challenges in international and tax negotiations, and their effects on the EU tax system.

European Parliament resolution on simple tax rules and tax fragmentation

On 9 October 2025, the European Parliament adopted a resolution on simple tax rules and tax fragmentation, aimed at improving European competitiveness ('the resolution').

Although resolutions adopted by the European Parliament are not binding on the Council and the European Commission, they must be considered by the Commission and Member States when proposing or agreeing on new rules. The resolution is also a helpful summary of some of the key tax challenges facing the EU.

Key takeaways from the resolution include:

- Taxation and the business environment: The resolution stresses simpler and more predictable tax rules are crucial for a competitive and fair EU business environment. It warns that complex and fragmented tax systems deter investment and disproportionately burden SMEs. The European Parliament calls for greater tax coordination across Member States, while respecting national sovereignty.
- Tax simplification and digitalisation: The resolution also calls for the development of a comprehensive SMEs tax toolkit that would include practical templates, automated filing options, and digital support to ease administrative burdens. The resolution further calls for the creation of an EU Tax Data Hub to facilitate the automatic exchange of tax information and reduce administrative burdens.
- OECD Pillars One and Two, and international taxation: The resolution reiterates the EU's strong commitment to implementing the OECD/G20 Inclusive Framework two-pillar approach, whilst noting the January 2025 US Executive Order declaring that the OECD Global Tax Deal has no force in the United States. It urges the Commission to prioritise work to maintain and protect the agreement, prevent harmful tax competition, and safeguard EU interests, including preparing contingency plans and taking prompt action to protect the integrity of the Pillar Two Directive.
- Taxation and innovation: The Parliament stresses that innovation and R&D tax incentives are vital for growth and competitiveness but must be well-targeted, cost-effective, and regularly evaluated. It calls on the Commission to study their impact, ensure coordination among Member States, and explore tools such as transferable tax credits and super deductions to better support start-ups. ■

For related reading visit taxjournal.com

- ▶ The future of international tax reform (P Baker, 17.10.25)
- ▶ OBBBA: one big beautiful guide for non-US tax professionals (M Saunderson, J Groves & P McColgan, 15.10.25)
- ▶ The implications of G7 agreement on the global minimum tax (P Saint-Amans, 1.7.25)