

Briefing

International review for April

Speed read

This month's update reinforces that responding to unexpected and rapidly emerging events will be the defining theme of international tax policy in 2026. Countries around the world have been using tax as part of a package of policy measures in response to the ongoing crisis in the Middle East, with a particular focus on cutting fuel taxes. The US has made new tariff announcements and Colombia has introduced a temporary wealth tax for corporations in response to recent climate-related events. Following a recent snap general election, Japan has passed its tax reform agenda focused on supporting households with the cost of living. Aside from navigating uncertainty, tax incentives remain another key theme, as countries seek to ensure they are best placed to attract investment post-Pillar Two implementation. This month sees tax incentive developments in the UAE, Canada, Sweden and Malta.



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Tax policy responses to the crisis in the Middle East

This month has seen dozens of countries around the world introduce emergency temporary relief packages, with a mix of tax and non-tax measures, in an attempt to shield households from high energy prices as a result of the closure of the Strait of Hormuz.

In terms of tax policy, cutting taxes on fuel is one of the most popular responses. According to the International Energy Agency website, as at 14 April 2026, around 30 countries have taken steps to lower taxes on fuel. To give a few examples from many reported in the media, on 26 March 2026, Norway announced the suspension of its road usage tax on gasoline and diesel for five months starting on 1 April 2026. On 30 March 2026, Australia, which has one of the highest per capita demands for diesel in the world, announced that fuel excise on petrol and diesel would be halved for three months beginning on 1 April 2026.

On 26 March 2026, Spain approved a €5bn package of cuts to VAT on electricity, fuel and gas, and on the same day Poland announced cuts in VAT and excise taxes on fuels. However, it has been reported in the press that the European Commission has written to Spain and Poland to advise that the VAT Directive (2006/112/EC) does not permit a reduced VAT rate for fuel supplies, but instead permits member states to reduce excise duties on fuels to the minimum thresholds set out in the Energy Taxation Directive (2003/96/EC). At the time of writing, no formal response from Spain or Poland has been reported.

Although less common, other tax policy measures beyond fuel tax cuts are also being implemented. For example, on 7 April 2026, Singapore announced a support package worth almost S\$1bn, including increasing the corporate income tax rebate to 50%, up from the 40% announced in the 2026 Budget in February (see 'International review for March', *Tax Journal*,

27 March 2026, for more details). On 13 April 2026, Sweden's finance minister promised to avoid tax increases over the next four years, on top of other more immediate measures to help households with rising living costs (including, among other things, temporarily halving the VAT rate on food and bottled water from 1 April 2026 to 31 December 2027).

Given the high cost of maintaining such household support packages over the long term, it is perhaps unsurprising that, on 3 April 2026, Austria, Germany, Italy, Portugal and Spain reportedly wrote a joint letter to the EU Climate, Net Zero and Clean Growth Commissioner, Wopke Hoekstra, asking for an EU windfall tax on energy companies, similar to the temporary 'solidarity contribution' that EU countries agreed to impose in 2022. Press reports at the time of writing indicate that the EU Economy Commissioner, Valdis Dombrovskis, has said that the possibility of a coordinated European windfall tax is currently being assessed.

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US tariff developments

On 2 April 2026, President Trump signed a proclamation to adjust tariffs imposed under Section 232 of its Trade Expansion Act 1962 on imported steel, aluminium and copper products. The Section 232 duty will now apply to the full customs value of the article, regardless of the metal content in the imported article. According to a White House release, the proclamation establishes new rules for calculating the tariffs:

- a 50% tariff applies to the full value of articles made entirely or almost entirely of steel, aluminium or copper;
- a 25% tariff applies to the full value of derivative articles substantially made of these metals;
- certain metal-intensive industrial and electrical grid equipment will be subject to a 15% tariff through 2027;
- a lower tariff of 10% applies to products made abroad but entirely with US steel, aluminium and copper; and
- products containing 15% or less of steel, aluminium or copper by value are no longer subject to the Section 232 metals tariffs.

The amendments became effective with respect to goods entered on or after 6 April 2026.

Also on 2 April 2026, the president signed an executive order imposing a 100% tariff under s 232 on patented pharmaceuticals and their ingredients, to come into effect in 120 days for certain large companies and 180 days for smaller companies.

If a pharmaceutical product is from the EU, Japan, Korea, Switzerland or Liechtenstein, a 15% tariff will apply. A lower tariff will apply to pharmaceutical products from the UK, subject to the recently concluded UK pharmaceutical agreement. For companies that enter into most favoured nation (MFN) pricing agreements with the Department of Health and Human Services (HHS) and onshoring agreements with the Department of Commerce, a 0% tariff will apply through to 20 January 2029. For companies that only enter into onshoring agreements with the Department of Commerce, a 20% tariff will apply.

Generic pharmaceutical products, biosimilars and associated ingredients are not subject to tariffs at this time, but that will be reassessed in one year. In addition, orphan drugs, drugs for animal health and certain other specialty pharmaceutical products will be exempt, if they are from trade deal countries or meet an urgent public health need.

Japan passes tax reform bills

As reported in my January update (see 'International review for January', *Tax Journal*, 30 January 2026), in late 2025 the ruling coalition in Japan put forward tax reform proposals to help stimulate the Japanese economy, which was hard hit by US tariffs earlier in the year, and to help households struggling with the cost of living. These were put on hold to allow for a snap general election in February 2026; with Prime Minister Sanae Takaichi's Liberal Democratic party winning a landslide victory in that vote, Japan's national legislature passed these comprehensive tax reform bills on 31 March 2026.

Key corporate tax policies include special measures to promote investment in productivity-enhancing facilities, tax credits for R&D costs, and tax credits to promote salary increases. The reform also implements core elements of the Pillar Two side-by-side agreement, which effectively exempts US-parented MNEs from the global minimum tax rules.

Colombia introduces temporary wealth tax for corporations

On 24 February 2026, the Colombian government issued Decree 0173, establishing a temporary wealth tax applicable from 1 March 2026 to 31 December 2026. The measure aims to raise funds in response to recent climate-related events.

The tax applies to corporations with tax net equity equal to or exceeding US\$2.9m as of 1 March 2026. The general tax rate is 0.5%, while a higher rate of 1.6% applies to entities in the financial sector and to companies engaged in the coal and oil industries.

For compliance purposes, the tax must be paid in two instalments: the first on 1 April 2026 and the second in May 2026. A tax return must be filed on each respective due date.

The decree also incorporates anti-avoidance provisions. In the case of an asset spin-off, the beneficiary entity will be treated as the taxpayer and must determine whether it meets the tax net equity threshold by considering the combined assets of both the beneficiary and the demerged entity, as if the spin-off had not occurred.

Update on tax incentives

Beyond navigating uncertainty, tax incentives remain a key consideration for governments seeking to encourage regional investment post-Pillar Two implementation, and this month has seen various announcements in this regard.

UAE announces new R&D tax credit

On 18 March 2026, the UAE issued Ministerial Decision No. 24 of 2026, introducing a new non-refundable R&D tax credit. Key features of the measure include:

- the credit rate varies between 15%, 35% and 50%, depending on the amount of qualifying R&D expenditure and the average number of R&D staff per qualifying entity or tax group in each fiscal year;
- qualifying R&D expenditure comprises staff costs, consumables costs, subcontracting fees and arm's length contributions to cost contribution arrangements, provided that they are attributable to qualifying R&D activity, with a maximum expenditure of AED 5m (approximately €1.2m);

- the credit is non-refundable and may be utilised against UAE corporate income tax and/or Top-up Tax liabilities of the qualifying entity, tax group or domestic group; and
- where the tax credit has not been used in a given fiscal year, it can be carried forward to subsequent fiscal years, subject to conditions.

The new R&D tax credit applies from 1 January 2026.

According to its release, the Ministry of Finance will in due course evaluate potential enhancements to the regime, including consideration of a refundable credit and/or expanding the level of qualifying expenditure eligible for relief, either across the economy or within priority sectors.

Canada enacts enhancements to clean energy and technology manufacturing incentives

On 26 March 2026, Canada enacted enhancements to the clean technology investment tax credit (CT ITC), which provides a refundable tax credit of up to 30% of the cost of clean technology property, and the clean technology manufacturing investment tax credit (CTM ITC), which provides a refundable tax credit of up to 30% of the capital cost of investments in new machinery and equipment used to manufacture or process clean technologies and extract, process or recycle critical minerals. These included significant changes to:

- extend filing deadlines to 31 December 2026;
- allow certain newly acquired refurbishment property to qualify;
- expand the eligibility of the CT ITC to include waste biomass electricity and heat generation equipment;
- permit property used in connection with certain mineral extraction or processing activities to produce a lesser proportion of qualifying materials and still qualify as a CTM use; and
- expand the list of critical minerals that qualify for the CTM ITC.

Tax incentives remain a key consideration for governments seeking to encourage regional investment post-Pillar Two implementation

Sweden consults on new R&D tax incentives

The Swedish Ministry of Finance released a public consultation in March 2026 proposing reforms to Sweden's R&D tax incentive regime, aligned to the OECD/G20 Inclusive Framework's side-by-side package. The consultation proposes two alternative incentive models – an increased deduction or a refundable tax credit – both limited to salary-related R&D costs, without recommending one approach over another.

Malta introduces 175% R&D deduction

On 10 March 2026, Malta formally implemented certain tax measures announced in the 2026 Budget speech in October 2025. A key change was the introduction of a 175% deduction for qualifying expenditure on R&D and innovation incurred by persons engaged in a trade, business, profession or vocation, provided that the expenditure is for the use and benefit of that activity. ■

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