E-News from KPMG's EU Tax Centre

Key Insights of E-News Issue 222

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:

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- *CJEU:* CJEU rejects appeal against General Court's order on Madeira Free Zone scheme
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CJEU

CJEU gives guidance on proof of compliance with conditions for withholding tax exemptions (non-resident pension funds)

On November 27, 2025, the Court of Justice of the European Union (CJEU or the Court) delivered its judgment in case C-525/24. The case concerns the compatibility of Portuguese evidentiary requirements for non-resident pension funds seeking a withholding tax exemption with the free movement of capital under Article 63 of the Treaty on the Functioning of the European Union (TFEU). The dispute involved a Spanish occupational pension fund that received dividends from Portuguese companies in 2020 and 2021. These dividends were subject to a final withholding tax of 25 percent in Portugal.

Under the Portuguese tax code, domestic pension funds benefit from a corporate income tax exemption. Non-resident pension funds can benefit from a withholding tax exemption on Portuguese-source dividends if they meet certain criteria[1] and provide specific proof before income is paid. This proof is not required from resident funds and must take the form of a declaration certified by the home-state supervisory authority confirming satisfaction with these conditions. If proof is not provided in time, a refund may be requested, subject to the same documentary requirements.

The plaintiff sought a full refund of tax withheld at source on Portuguese dividends, arguing that it met all substantive conditions for the exemption but was unable to obtain such a declaration from the Spanish supervisory authority. However, since the plaintiff stated that it was unable to obtain this declaration, the Portuguese tax authority rejected the refund request, and the case was brought before the Portuguese tax arbitration tribunal. The tribunal noted that under the relevant Portuguese law, both domestic and foreign pension funds are subject to the same substantive conditions for the purpose of benefiting from the exemption. Nevertheless, it expressed doubts about the compatibility of the evidentiary requirements (applicable only to non-resident funds) with EU law and referred two questions to the CJEU:

- whether the evidentiary requirements imposed on non-resident pension funds constitute a restriction on the free movement of capital, and
- whether, in cases when the taxpayer claims that obtaining such proof is impossible, the tax authorities is required instead to obtain information directly from other Member States using EU administrative cooperation tools[2].

The Court noted that non-resident pension funds seeking to benefit from a withholding tax exemption in Portugal are subject to administrative burdens that do not apply to resident pension funds. The CJEU then recalled its settled case-law based on

[1] Non-resident pension funds can benefit from a withholding tax exemption provided they i) guarantee, exclusively, the provision of pension benefits, ii) are managed by an institution for occupational retirement provision, iii) are the beneficial owners of the dividends received and iv) held the shares of the paying company for at least one year.

[2] Directive 77/799/EEC on mutual assistance in the field of direct taxation and Directive 2008/55/EC on mutual assistance for the recovery of claims .

which applying additional administrative burdens solely to non-residents that are in a comparable situation to residents amounts to a restriction on the free movement of capital.

With regards to the comparability analysis, the Court recalled that that under settled CJEU case-law, when a Member State taxes dividend income received both by resident and non-resident taxpayers, the situation of the two categories becomes comparable. In the case at hand, the Court noted that the situations of resident and non-resident pension funds are objectively comparable, as both are eligible for the same substantive exemption. The difference in treatment can therefore only be permitted if it is justified by an overriding reason of public interest, such as effectiveness of fiscal supervision, and ensuring the effective collection of tax.

The CJEU recalled its settled case-law based on which Member States can require taxpayers to provide necessary information to verify eligibility for a tax advantage, but they cannot impose excessive or impossible administrative burdens on non-residents. In the Court's view, the requirement for a non-resident fund to provide a certified supervisory declaration from the foreign supervisory authority is justified only if: the supervisory authority of the fund's Member State has the power to issue such a declaration, the declaration can be issued within a reasonable timeframe, and there are no alternative means that would be less restrictive while still allowing the tax authority to verify effectively that the substantive exemption conditions are met.

If the conditions above are met, the next step is to examine whether the requirement is proportionate—i.e., not going beyond what is necessary to achieve its purpose. In this context, the Court noted that the proportionality assessment differs depending on whether the fund seeks i) immediate exemption at source, or ii) a refund after withholding.

In the first case - where exemption at source is sought, the CJEU emphasized that dividend-paying companies must have certainty regarding exemption conditions being met, before deciding not to withhold tax. Requiring a certified declaration may be necessary and proportionate, as the payer of the dividend has no other means to verify that the conditions for the exemption are met. The CJEU noted that it is for the national court to assess whether the evidentiary requirement is proportionate overall, taking into account the observation of the Portuguese government in its written comments that the tax authority admitted any documentation proving compliance with the conditions for exemption, provided that it is accompanied by confirmation from the relevant authorities in the fund's state of confirming its tax residence and its liability to income tax in that state.

In the second case, that of refund claims, the Court noted that the decision to grant the refund rests with the tax authorities, which may verify the evidence put forward by the non-resident entity by making use of existing mutual assistance mechanisms between the authorities of Member State. In the Court's view, the requirement to submit a declaration issued by the authorities responsible for the supervision of the non-resident pension fund, as the sole means of proof, goes beyond what is necessary to attain the objectives pursued.

The Court therefore held that Article 63 TFEU does not preclude a Member State from requiring a non-resident pension fund to provide a declaration certified by its home state supervisory authority in order to obtain an exemption at source, provided that the authority has the power to issue such a declaration, that it can be obtained within a reasonable timeframe, and that no equally effective but less restrictive alternative exists. However, the court found that Article 63 TFEU does preclude a Member State from requiring such a declaration as the exclusive means of proof when the fund seeks a refund of withholding that that has already been levied.

The Court did not answer the second question regarding whether Portuguese authorities must use administrative cooperation tools, as its answer to the first question made that unnecessary.

CJEU rejects appeal against General Court's order on Madeira Free Zone scheme

On November 13, 2025, the CJEU rejected an appeal filed by a Portuguese company against a General Court decision in a case concerning the Madeira Free Zone State aid scheme (case C-803/23 P).

The Madeira Free Zone State aid scheme – providing corporate income tax reductions and other tax benefits for companies established in the region, was initially approved by the European Commission (EC or the Commission) in 1987 as compatible regional aid. The scheme was subject to several successive amendments and approvals by the EC. The final successor of the scheme – i.e., Regime III, was authorized by the Commission through two decisions which covered the period January 1, 2007 – December 31, 2014. The approvals explicitly linked the amount of aid granted to jobs created / maintained in the region and to activities carried out locally.

Following concerns triggered during its standard monitoring of the implementation of State aid decisions, on December 4, 2020, the EC concluded that Regime III was not implemented in line with approved conditions. In particular, the Commission argued that the tax benefits were granted with respect to income that was not derived from activities carried out in the Autonomous Region of Madeira and to companies that did not create or maintain jobs in the region. As a result, the Commission concluded that the aid scheme under dispute was in breach of EU State aid rules (the Decision). The EC required Portugal to recover aid granted to companies that did not meet the approved conditions. Portugal decided to appeal the EC's Decision (case T-95/21) and on September 21, 2022, the General Court ruled that the Commission was correct to conclude that Regime III was not implemented in line with approved conditions and dismissed the appeal– see Euro Tax Flash Issue 485.

In parallel, several Portuguese companies also challenged the EC's Decision in front of the General Court. One of these companies was the plaintiff in the case at hand – case T-721/22. On October 18, 2023, the General Court held that the grounds relied on by the applicant raised questions similar or identical to those on which it had already ruled in case T-95/21 described above. Therefore, the General Court issued an order dismissing the appeal.

The plaintiff appealed the General Court decision in front of the CJEU arguing that the General Court erred in law by concluding that the 'job creation' criterion was not met. The company also argued that the Commission's decision infringes on the principles of legal certainty and legitimate expectations. The appeal emphasized that the applicant believed Regime III was fully compatible with the internal market because it was authorized by the Commission and replaced Regime II, which had always been considered compatible with EU law.

The CJEU reiterated that its jurisdiction on appeal is limited to reviewing legal issues and does not extend to reassessing factual findings. The CJEU further held that the General Court had not distorted the facts in finding that the Commission did not require Portugal to apply the full-time equivalent (FTE) or work-units-per-year (WU/Y) methodologies when assessing the job-creation criterion. Rather, in the Court's view, the Commission had merely indicated that Portugal's chosen methodology was insufficient to verify the existence and permanence of the declared jobs, while referring to FTE and WU/Y as possible – though not mandatory, alternatives. The Court further emphasized that many of the applicant's arguments targeted the General Court's factual assessments – particularly as to whether Portugal's methodology could verify the existence of real and lasting jobs. Such matters fall outside the CJEU's jurisdiction on appeal and are therefore inadmissible. The CJEU also rejected additional pleas on the basis that the applicant merely reiterated arguments previously made before the General Court without identifying any specific legal error, rendering those complaints inadmissible as well.

With respect to the second ground of appeal – based on legal certainty and legitimate expectations, the CJEU also rejected the arguments brought forward by the applicant. The Court held that the claims were based on the incorrect assumption that the EC required Portugal to use the FTE and WU/Y methods. The CJEU further noted that the applicant was, in effect, attempting to dispute factual assessments made by the General Court, which cannot be reviewed on appeal. As regards legitimate expectations, the CJEU upheld the General Court's conclusion that the applicant had not demonstrated the existence of any precise, unconditional, and consistent assurances from the Commission capable of giving rise to such expectations, particularly in circumstances where the aid was granted in breach of EU law.

EU Institutions

Key Insights

- European Commission publishes report on the evaluation of the DAC
- European Parliament: Resolution on the BEFIT proposal adopted

European Commission

European Commission publishes report on the evaluation of the DAC

On November 19, 2025, the European Commission published a [report](#) on the evaluation of Council Directive 2011/16/EU on administrative cooperation in the field of taxation (DAC).

Whilst the report overall concludes that the DAC provides a robust and well-functioning legal framework, it also outlines the lessons learned from the evaluation exercise and points to a number of action points that the Commission intends to explore to further improve the functioning of the Directive. The report underscores the need to streamline and simplify the DAC as well as to establish common EU guidance to ensure that the Directive is applied more consistently across all Member States. It also calls for stronger penalty regimes and improved processes to automatically reconcile DAC data with national data.

With respect to DAC6, the report highlights the EC's intention to clarify and streamline current hallmarks while maintaining the integrity and objectives of the system. Furthermore, the report notes that the EC will assess the possibility of incorporating principles and concepts from the previous Directive proposal to prevent the misuse of shell entities for tax purposes (Unshell) into the mandatory disclosure rules.

For more detailed information, please refer to Euro Tax Flash [Issue 571](#).

European Parliament

Resolution on the BEFIT proposal adopted

On November 13, 2025, the European Parliament adopted a [resolution](#) endorsing the European Commission's Business in Europe: Framework for Income Taxation proposal ('BEFIT Proposal').

The Resolution broadly supports the main elements of the Commission's proposal but also advances several significant amendments in line with the draft adopted by the Economic and Monetary Affairs Committee (ECON) of the European Parliament (please see E-News [Issue 218](#)). In addition, the resolution calls on the Council to consult the European Parliament if it plans to revise the approved wording or make significant changes to the Commission's Directive proposal.

The legal basis for the BEFIT proposal is Article 115 of the Treaty on the Functioning of the EU, under which the European Parliament has only a consultative role. Therefore, the proposed changes are non-binding on the Council.

For further background on the BEFIT Proposal, please refer to Euro Tax Flash [Issue 521](#).

OECD and other International

Key Insights

- G20 leaders’ declaration and OECD Secretary-General tax report published
- Updates to the OECD Model Tax Convention
- Consultation on tax issues relevant to the global mobility of individuals

OECD

G20 leaders’ declaration and OECD Secretary-General tax report published

On November 23, 2025, the G20 leaders issued a declaration following their meeting in South Africa and following the publication of the OECD Secretary-General report to the G20 leaders on November 22, 2025.

Key takeaways from a direct tax perspective include:

- *Pillar Two and side-by-side system*: according to the declaration, the G20 leaders reaffirm their commitment to finding a balanced and practical solution with respect to the ongoing discussions on Pillar Two that is acceptable for all. The declaration stresses that the solution should target a level playing field and reflect a fair treatment of substance-based tax incentives. According to the declaration, this will facilitate a constructive dialogue at OECD/G20 Inclusive Framework level on the tax challenges arising from the digitalization of the economy with a view to preserving the tax sovereignty of all countries. In this context, the OECD Secretary-General report confirms that the outline for a potential side-by-side arrangement and the treatment of substance-based tax incentives are being discussed at Inclusive Framework level with the aim to swiftly reach a solution that is acceptable and implementable while maintaining the overall integrity of the Pillar Two framework.
- *Global mobility:* the declaration welcomes the Inclusive Framework's new initiative to explore global mobility of individuals. In this context, the OECD Secretary-General report notes that this work is intended to explore tax-related issues and obstacles with respect to the changed nature of working, including cross-border and remote working. The report refers to the data gathering exercise already performed by the Inclusive Framework to gain understanding on how these issues affect Inclusive Framework members and their region. According to the report, in a next step, the OECD Secretariat will engage in more technical discussions to understand identified tax issues (see below for more information).
- *Tax, Inequality and Growth:* the declaration also welcomes the Inclusive Framework's new initiative to explore the interactions, trade-offs and synergies between taxation, inequality, and growth. In this context, the OECD Secretary-General report notes that the work is intended to identify both the opportunities and challenges involved in addressing inequality and fostering growth through tax systems, while also considering how these dynamics vary across jurisdictions. According to the report, a further objective is to facilitate the exchange of policy experiences among countries.
- *Other OECD / Inclusive Framework initiatives:* the G20 leaders welcome the stock-take on the progress and impact of the BEPS Project as well as progress on tax transparency and information exchange standard presented in the OECD Secretary-General report. The declaration sees an opportunity to build on these experiences and establish a new OECD framework to strengthen international tax transparency on immovable property on a voluntary basis.

- *UN tax cooperation:* the declaration refers to the ongoing negotiations to establish a United Nations (UN) Framework Convention on International Tax Cooperation and reaffirms the commitment by the participating G20 members to reach a broad consensus. At the same time, the declaration stresses that the UN negotiations should build on existing workstreams performed at the level of other international organizations to avoid unnecessary duplication of efforts.

For previous coverage on the OECD Secretary General report to the G20 Finance Ministers and Central Bank Governors, please refer to E-News Issue 220.

Updates to the OECD Model Tax Convention

On November 19, 2025, the OECD released the 2025 update to the OECD Model Tax Convention on Income and on Capital (the OECD Model Convention). Key updates include:

- *Commentary to Article 5 (home office permanent establishment)*: The 2025 update includes changes to the Commentary on Article 5, which introduce key, non-exhaustive indicators and examples to consider when assessing whether an employee's home or another remote location in a different jurisdiction may constitute a permanent establishment. In particular, the revised Commentary introduces a temporal test for determining whether remote working arrangements could trigger a fixed place of business PE for the enterprise. A remote working arrangement will generally not be considered a fixed place of business of the enterprise if the individual uses it for less than 50 percent of their total working time. If the 50 percent threshold is exceeded, the updated Commentary clarifies that the assessment will depend on the specific facts and circumstances and will evaluate whether there is a commercial reason for the remote working arrangement, such as facilitating business with local customers or suppliers.
- *Commentary to Article 5 (natural resources)*: The update introduces an optional alternative provision and related commentary regarding the creation of permanent establishments with respect to the exploration and extraction of natural resources. The option allows treaty partners to bilaterally set a lower permanent establishment threshold such that a non-resident enterprise would be considered to have a permanent establishment after engaging in natural resource activities in a country for a period that exceeds the bilaterally agreed upon threshold.
- *Commentary to Article 9 (associated enterprises)*: The revised Commentary clarifies how Article 9 and the arm's length principle apply to the characterization of debt and equity with respect to financial transactions. In addition, it clarifies the application of Article 9 in relation to domestic laws on interest deductibility, including those recommended in the BEPS Action 4 report. Related changes are also made to the Commentary to Articles 7 and 24.
- *Article 25 and related Commentary (mutual agreement procedure)*: A new paragraph in Article 25 clarifies that competent authorities can determine if an issue falls within a tax treaty's scope for dispute resolution under the General Agreement on Trade in Services (GATS). In addition, the revised Commentary includes specific language on tax certainty and double taxation elimination from the Amount B report (to simplify and streamline the application of the arm's length principle to baseline marketing and distribution activities), ensuring optionality in dispute resolution for jurisdictions not adopting Amount B.
- *Commentary to Article 26 (exchange of information)*: The revised Commentary provides that reflective non-taxpayer specific information, such as statistical data, non-taxpayer specific notes, summaries, or memoranda generated based on exchanged information, are subject to the confidentiality rules of Article 26(2), subject to certain exception. It also clarifies that information received with respect to one taxpayer can be used for tax matters concerning another taxpayer, without the need to inform the country that sent the information.

A revised version of the OECD Model Tax Convention taking into account these updates is to be released in 2026.

Consultation on tax issues relevant to the global mobility of individuals

On November 26, 2025, the OECD launched a public consultation with the objective of collecting data and information on tax and regulatory challenges relevant to the global mobility of individuals, including regarding any regional variations in the challenges, opportunities and priorities.

The consultation document outlines some of the initial tax concerns linked to global mobility that have been identified by the Inclusive Framework on BEPS as possible areas for further consideration, including:

- *Personal Income Tax (PIT):* the consultation document identifies PIT-related issues with respect to domestic residency tests, treaty taxing right allocation, compliance and administrative challenges for both individual and employer, dispute resolution, and interactions between tax rules and other aspects of domestic law (e.g., social security, pension regulations, labour law, or migration law);
- *Corporate Income Tax (CIT):* the consultation document further identifies CIT-related issues with respect to permanent establishments, residence determination, transfer pricing and profit attribution between countries that may arise from globally mobile employees.

The consultation document notes that those initial tax concerns have been outlined for illustration purposes and are meant to assist stakeholders to provide feedback on how tax rules could better facilitate opportunities arising from global mobility, or to highlight areas where uncertainty exists with respect to current rules.

The feedback period runs until December 22, 2025, and will be followed by a public consultation session for January 20, 2026.

For more information, please refer to KPMG's Tax News Flash.

Additional publications

On November 17, 2025, the OECD published the 2025 Tax Administration report.

On November 18, 2025, the OECD published a report on enhancing simplicity to foster tax certainty and growth, at the request of the South African G20 Presidency.

On November 20, 2025, the OECD released outcomes of the 18th annual OECD Forum on Tax Administration (FTA) plenary held in South Africa.

On November 25, 2025, the OECD published the 2025 Corporate Tax Statistics report.

Local Law and Regulations

Key Insights

- Greece: Ministry of Finance clarifies tax treatment of profit distributions relating to previously exempt periods
- Greece: Super-deduction regime to encourage investment in defense and allied manufacturing units
- Guernsey: Pillar Two registration portal launched
- Hungary: Tax amendments bills enacted (including Pillar Two and tax incentive changes)
- Latvia: Amendments to law on taxes and duties partially implementing DAC8 gazetted
- San Marino: General income tax reform including amendments relating to corporate taxation
- Slovakia: DMTT information return template published
- Sweden: Swedish Parliament approves changes to interest deduction rules

Greece

Ministry of Finance clarifies tax treatment of profit distributions relating to previously exempt periods

On November 7, 2025, the Greek Ministry of Finance issued a circular (available in Greek only) providing guidance on the corporate tax treatment of profits from earlier financial years in which certain legal entities were exempt from corporate income tax. The circular confirms that such profits remain exempt at the level of the entity, even if the entity subsequently loses its exempt status (for example, following a privatization or change in legal form).

However, the circular also clarifies that distributions of these exempt profits to shareholders continue to be subject to the standard 5 percent dividend withholding tax, unless a participation exemption or other specific exemption applies under domestic law or an applicable tax treaty.

The guidance applies to profits distributed or capitalized by entities whose exempt status arose under general or special provisions of Greek law and confirms the approach previously applied by the tax administration.

Greece establishes super-deduction regime to encourage investment in defense and allied manufacturing units

On November 11, 2025, the Greek Ministry of Finance published Article 13 of Bill 5246/2025 in the Official Government Gazette, introducing a new regional aid regime aimed at supporting investment in defense-related and allied manufacturing units, including a 100 percent super-deduction for qualifying capital expenditure.

The regime operates in line with Commission Regulation (EU) 651/2014 (GBER), which is the EU’s General Block Exemption Regulation and sets the conditions under which certain categories of State aid are to be considered compatible with the internal market. Under this framework, eligible projects include initial investments in defined manufacturing sectors such as weapons and ammunition, motor vehicles and components, aircraft and associated machinery, and military equipment.

Key takeaways include:

- *Eligibility:* The measure applies to all enterprises (regardless of size) that have a registered seat or branch in Greece and make investments in eligible projects, as defined in the GBER. The initial investment must be made in 2026, 2027 or 2028 and needs to be maintained in an eligible region for at least five years following completion. Non-compliance may result in the revocation of the tax benefit, with the amount of the claimed super-deduction becoming repayable in accordance with State aid recovery rules.

- *Calculation:* The super deduction amounts to 100 percent of the eligible expenditure in tangible and intangible assets (effectively resulting in a 200 percent deduction), unless the amount of the benefit exceeds a certain cap threshold. Depreciation of capital assets may also qualify as eligible expenditure provided the assets meet the GBER criteria.
- *Loss carry-forward:* Losses generated through the enhanced deduction may be carried forward for up to 15 tax years following the investment year.

The application procedure will be established by a joint decision of the Minister of National Economy and Finance and the Minister of Development, and the scheme will apply to expenditure incurred on or after January 1, 2026.

Guernsey

Pillar Two registration portal launched

On November 14, 2025, Guernsey Revenue Service published a guide to register a Domestic Filing Entity (DFE) under the Pillar Two requirements in Guernsey alongside the launch of the online registration platform.

As a reminder, the Guernsey Pillar Two law requires each in-scope group to register within twelve months from the start of the group's Ultimate Parent Entity's (UPE's) first accounting period in scope of Guernsey's legislation or six months from the date that the entity becomes a member of the MNE Group (whichever of the periods is last to end). The registration must be done by the Domestic Filing Entity.

The guide provides for an extension of the registration deadline from December 31, 2025, to February 28, 2026, for calendar year taxpayers. According to the guide, this takes account of the fact that the online registration form was made available close to the due date for those MNEs.

The guide further outlines the data points required for registration, the different registration steps that need to be followed as well as the special registration requirements for protected cell companies.

For previous coverage on Pillar Two requirements in Guernsey, please refer to E-News Issue 220.

Hungary

Tax amendments bills enacted (including Pillar Two and tax incentive changes)

On November 19, 2025, and November 21, 2025, respectively, two tax amendment bills were published in the Official Gazette in Hungary. From a corporate tax perspective, key measures include:

- *Pillar Two*: The bill incorporates into the legislative text some elements of the OECD transitional CbyC Reporting Safe Harbour. More precisely, the bill defines concepts related to the simplified effective tax rate, with the detailed rules for the calculation to be set out in a ministerial decree (currently only available in draft for consultation purposes).
- *Tax allowance for investments to increase manufacturing capacity in clean technologies:* A new tax allowance will be introduced from January 1, 2026, applying to investments that increase manufacturing capacity in clean technologies. The tax allowance amounts to 15 percent (in Budapest) and up to 35 percent (in other regions) of the costs incurred for investment in eligible assets, including those defined in Annex II of the new EU Clean Industry State Aid Framework (see Euro Tax Flash Issue 564). In turn, the current allowance for investments supporting the transition towards a net-zero-emission economy will be abolished from January 1, 2026.
- *Tax allowance for investments eliminating environmental damage:* A second tax allowance will be introduced from January 1, 2026, applying to investments eliminating environmental damage or supporting other specific environmental objectives with a volume of at least HUF 100 million (approximately EUR 262,650). The allowance amounts to the incurred costs multiplied by a certain percentage depending on the type of investment, subject to a maximum cap of EUR 30 million. It applies to eligible projects that begin after December 31, 2025.

For more information, please refer to a report prepared by KPMG in Hungary.

Latvia

Amendments to law on taxes and duties partially implementing DAC8 gazetted

On November 21, 2025, Latvia published amendments to the Law on Taxes and Duties that partially implement the Directive on Administrative Cooperation (2023/2226) (DAC8) and introduce elements of the OECD Crypto-Asset Reporting Framework (CARF).

Key takeaways include:

- *Introduction of DAC8 reporting obligations for crypto-asset service providers:* In scope providers will be required to collect and verify information on reportable users and crypto-asset transactions, applying specific due diligence procedures. Relevant information will be communicated to the Latvian tax authorities and exchanged with the tax authorities of other EU Member States where the reportable user is tax resident.
- *Authority to issue regulations:* The amendments empower the Cabinet of Ministers to adopt detailed rules on the triggers of reporting obligations, the scope and procedures for reporting and measures relating to the automatic exchange of information in-line with DAC8 and CARF.
- *Penalties for non-compliance:* Penalties of up to EUR 14,000 may be imposed for failures to comply with the new reporting obligations.
- *Updates to financial account rules:* The amendments expanded the notion of financial assets to include electronic money and central bank digital currency, as defined. The term crypto-asset aligns with Article 3(1)(5) of the Markets in Crypto-Assets Regulation (MiCA).

The amendments are scheduled to apply from January 1, 2026.

Note that DAC8 requires EU countries to expand the scope of the automatic exchange of advanced cross-border rulings to also include rulings issued to individuals (DAC3) and provides for amendments to the reporting obligations in respect of cross-border arrangements (DAC6). Neither of these aspects have been included in the bill.

For previous coverage of Latvia's DAC8 implementation, please refer to E-News Issue 214.

San Marino

General income tax reform including amendments relating to corporate taxation

On November 12, 2025, the Republic of San Marino enacted a general income tax reform including amendments relating to corporate taxation.

Key amendments from a corporate income tax perspective include:

- *Income tax rate increase*: The general income tax rate for legal entities will rise from 17 percent to 18 percent, for fiscal years from 2026 to 2030.
- *Income tax reduction*: Newly established enterprises can benefit from a 50 percent income tax reduction for the first five years, with flexible timing.
- *Withholding taxation*: Various amendments are made to the application of withholding tax on interest payments, including the introduction of a 13 percent withholding tax applicable to interest paid by resident enterprises (other than banks and financial institutions).
- *Loss carryforward*: Taxpayers can carry forward operating losses indefinitely and offset up to 70 percent of taxable income per year.

The new amendments entered into force on November 17, 2025, and will apply with effect from fiscal year 2026.

Slovakia

DMTT information return template published

On November 18, 2025, Slovakia published the template for the local Domestic Minimum Top-up Tax (DMTT) return.

Under the minimum taxation rules in Slovakia, the local DMTT return must be filed within 15 months after the end of the Reporting Fiscal Year (18 months for the transitional year), i.e. same deadline as for the GloBE Information Return (GIR).

Key information to be provided in the return include:

- *Identification of the taxpayer:* name, address, characterization for GloBE purposes;
- *Identification of the group:* group name, identification of the UPE, identification of the filing entity;
- *Notification of DMTT liability:* amount of DMTT liability for the fiscal year, allocation between different blending groups (investment entities, joint ventures), conversion of DMTT liability into Euro.

Notably, each local group member needs to file a DMTT return in Slovakia, regardless of whether top-up tax liability arises (i.e., the returns need to be filed even where the DMTT liability Is zero).

Sweden

Swedish Parliament approves changes to interest deduction rules

On November 19, 2025, the Swedish Parliament approved amendments to the Swedish interest deduction limitation rules to ensure compliance with EU law, particularly following previous decisions by the CJEU.

Whilst no amendments have been made to the interest deduction limitation rules stemming from the Anti-Tax Avoidance Directive (unlike previous proposals – see E-News Issue 197), changes concern the specific interest limitation regime in Sweden.

Under the current regime, interest deduction should be granted if the beneficial owner of the interest income within the group (i) is resident within the EEA, (ii) is resident of a state with which Sweden has a tax treaty not limited to certain income, or (iii) is subject to a corporate tax of at least 10 percent. However, no tax deduction should be granted if the underlying purpose of the loan exclusively or almost exclusively is to obtain a substantial tax benefit for the group.

Key amendments include:

- A specific rule for cross-border loans within the European Economic Area (EEA) is introduced. Under this rule, deductions for interest payments made to group companies in an EEA country (other than Sweden) will generally be allowed. However, deductions may be denied if the arrangement is considered “artificial” and primarily aimed at securing a significant tax advantage for the group. The purpose of these changes is to ensure that restrictions on interest deductibility apply only to “purely artificial arrangements” that lack economic substance and are mainly structured for tax avoidance.
- The acquisition rule (for interest on loans related to internal share acquisitions) will only apply to debts where the interest recipient is a Swedish company or a company outside the EEA. For EEA cross-border loans, the new "artificial arrangement" test applies instead.
- More generally, the specific interest deduction limitation rules remain unchanged for loans where the interest recipient is in Sweden or outside the EEA. Interest deductions can still be denied if the primary purpose of obtaining the loan is to obtain a tax advantage.

The amendments follows CJEU case law (case C-484/19) finding Sweden’s previous interest limitation rules, applicable between 2013 and 2018, to be in conflict with the EU’s freedom of establishment (please refer to E-News Issue 124).

According to the bill, the changes also aim to align with established CJEU case law on artificial arrangements. Reference is made to the EU Court's decision from October 4, 2024 (C-585/22), which assessed the Netherlands' interest deduction limitation rules (see E-News Issue 201).

The amendments take effect on January 1, 2026, and will apply to tax years beginning after December 31, 2025.

For more information on the Swedish Government proposal, please refer to a report prepared by KPMG in Sweden.

EU Tax perspectives – November 26, 2025 (replay now available)

European tax policy continues to evolve in response to a changing global policy and economic landscape. As policymakers continue to focus on simplification and competitiveness, businesses will be watching closely to understand the direction of EU tax reform and how it may impact them.

As the Cypriot presidency prepares to take office in January 2026, our EU Tax Perspectives discussion brought together specialists to consider key themes emerging across the EU tax agenda and what this could mean for multinational groups operating in Europe.

A panel of KPMG professionals reviewed the following developments and explored their potential implications for EU tax and international cooperation:

- The evolving direction of EU tax policy and the implications of the upcoming Cypriot presidency of the European Council.
- The European Commission’s agenda on tax simplification, competitiveness, and regulatory coherence.
- Insights on the tax aspects of the EU Savings and Investments Union (SIU).
- The future of BEPS 2.0 and cooperation on international tax frameworks.

The replay of the webcast is available on the event page.

European financial services tax perspectives – October 22, 2025 (replay now available)

On October 22, 2025, a panel of KPMG professionals shared their insights on some of the latest EU proposals that are likely to affect (A) asset managers, banks and insurers.

The European tax landscape is shifting fast and financial services institutions are feeling the impact. With BEP Pillar 2 implementation underway, firms are facing new challenges around global minimum taxation, substance requirements, and much more. At the same time, EU directives are reshaping compliance expectations, while local tax authorities ramp up enforcement. Add to that the growing focus transformation and digitalization it’s clear that tax leaders should be seeking to stay agile.

KPMG tax specialists took a closer look at:

- Regional landscape – with several governments across the region looking to set out their fiscal plans for the year ahead, what is the potential impact on future tax policy across financial services
- EU Savings and Investment Union (SIU): the impact of the SIU and its strategies to boost retail investor participation across the EU. Key insights from Luxembourg, Ireland and the UK.

- Beneficial ownership and substance: key insights from a recent KPMG survey on trends across the EU and the practice of local tax authorities. Spotlight on France, Ireland and Germany.

The replay of the webcast is available on the event page.

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Key links

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