E-News from KPMG's EU Tax Centre

Key Insights of E-News Issue 230

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:* AG opinion on the application of the anti-abuse rule under Parent-Subsidiary Directive
- *Council of the EU:* DAC9 implementation – state of play
- *European Commission:* New Pillar Two FAQ released
- *OECD:* OECD clarifies GloBE Information Return Central Filing
- *Greece:* Omnibus tax reform law enacted
- *Ireland:* Guidance issued on GIR filing and notification requirements under Pillar Two
- *Poland:* Tax Ordinance amendment including revision of Polish Mandatory Disclosure Rules
- *Türkiye:* Omnibus law introducing tax reforms approved
- *Germany (court decision):* Federal Tax Court clarifies that dividends paid during a liquidation period may benefit from the Parent Subsidiary Directive
- *Italy (court decision):* Italian Supreme Court holds that late submission of tax residence certificate does not preclude the applicability of the PSD withholding tax exemption

Overview of our E-News
E-News - KPMG Global

ETFs – Euro Tax Flash
Euro Tax Flash - KPMG Global

Table of contents

Latest CJEU, EFTA and ECHR **3**

CJEU **3**

AG opinion on the application of the anti-abuse rule under Parent-Subsidiary Directive 3

EU institutions **4**

Council of the EU **4**

DAC9 implementation – state of play 4
DAC8 implementation – state of play 4

European Commission **5**

New Pillar Two FAQ released 5

Other **6**

The European Central Bank report on "Financial integration and structure in the euro area" 6

OECD and other International Organizations **7**

OECD **7**

OECD clarifies GloBE Information Return Central Filing 7
Pillar Two: list of signatories of the GIR MCAA updated 8
Public consultation launched on revision of OECD Transfer Pricing Guidelines 8

Local Law and Regulations **9**

Bulgaria **9**

Pillar Two tax return forms updated 9

France **9**

France clarifies approach to centralized GIR filing and transitional relief 9

Greece **10**

Omnibus tax reform law enacted 10

Ireland **10**

Guidance issued on GIR filing and notification requirements under Pillar Two 10

Poland **11**

Tax Ordinance amendment including revision of Polish Mandatory Disclosure Rules 11

Türkiye **12**

Omnibus law introducing tax reforms approved 12

United Kingdom **12**

HMRC adopts OECD transitional approach for Pillar Two GIR filing 12

Local courts **13**

France **13**

Nantes Administrative Court of Appeal decision upholds French tax residency of Luxembourg holding company 13

Germany **14**

Federal Tax Court clarifies that dividends paid during a liquidation period may benefit from the Parent Subsidiary Directive 14

Greece **14**

Greek Supreme Court clarifies priority of treaty-based double tax relief 14

Italy **15**

Italian appellate tax court addresses treaty relief and double non-taxation in Luxembourg capital gain case 15

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Italian Supreme Court holds that late submission of tax residence certificate does not preclude the applicability of the PSD withholding tax exemption 15

KPMG Insights 17

KPMG European Financial Services Tax perspectives webcast – replay now available 17

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Latest CJEU, EFTA and ECHR

Key Insights

- AG opinion on the application of the anti-abuse rule under Parent-Subsidiary Directive

CJEU

AG opinion on the application of the anti-abuse rule under Parent-Subsidiary Directive

On May 21, 2026, Advocate General (AG) Juliane Kokott of the Court of Justice of the European Union (CJEU or the Court) recommended that the Court find that a withholding tax exemption under the Parent-Subsidiary Directive (the PSD or the Directive) may be denied, on an exceptional basis, even where the direct recipient of the dividends is the beneficial owner and carries out genuine economic activities, if the parent passes them on to the ultimate beneficiary through an artificial arrangement (case C-203/25).

The case concerns the denial by the Lithuanian tax authorities of a withholding tax exemption on dividends distributed by a Lithuanian subsidiary to its Cypriot parent company. The tax authorities didn't challenge the fact that the immediate parent qualified as the beneficial owner and had genuine economic activity but instead argued that the overall structure constituted a non-genuine arrangement aimed at obtaining a tax advantage designed to benefit the ultimate beneficial owner.

The AG took the view that, generally, abuse of a Member State's domestic tax rules does not automatically in and of itself justify denying the PSD benefits. However, abuse within the meaning of the Directive might be found where the distribution from the subsidiary to the parent is designed to allow the ultimate beneficiary to unlawfully avoid taxation in its state of residence. However, a direct link must exist between the abusive part of the arrangement and the granting of a tax advantage under EU law.

In the AG's view, the mere mirroring of amounts – i.e., the parent distributing to its shareholders a sum that is (almost) identical to the dividends received, as well as a close temporal proximity between receipt and redistribution, are neither sufficient in themselves nor necessary to demonstrate the existence of a non-genuine arrangement. The AG also concluded that, in determining whether a structure is abusive, the assessment of the 'purpose' of the arrangement must consider the subjective circumstancing, and the decisive factor is the knowledge of the person deciding to implement the arrangement, typically the majority shareholders.

It is important to note that AG opinions are not binding on the CJEU. It therefore remains to be seen whether the CJEU will follow the AG's recommendations.

For more details, please refer to Euro Tax Flash Issue 580.

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EU institutions

Key Insights

- DAC9 implementation – state of play
- DAC8 implementation – state of play
- European Commission published new Pillar Two FAQ
- European Central Bank publishes report on "Financial integration and structure in the euro area"

Council of the EU

DAC9 implementation – state of play

On May 6, 2025, Council Directive (EU) 2025/872 on Administrative Cooperation to establish a framework for the exchange of Pillar Two information between Member States (DAC9) was published in the Official Journal of the EU. The purpose of DAC9 is to introduce a framework for the exchange of Top-up tax information returns filed by groups in scope of Pillar Two with the tax administration of an EU Member State. This allows MNEs to switch from local to central filing in the EU, where the EU UPE or designated filing entity files on behalf of the group in an EU Member State.

Most EU countries had transposed DAC9 into national law by the December 31, 2025, deadline. However, the deadline was not met by all Member States and, on January 30, 2026, the European Commission announced its decision to launch infringement procedures against ten Member States that had not notified national measures transposing DAC9 into domestic legislation (see E-News Issue 227 for latest update).

Of those ten Member States, France, Poland, Romania and Sweden transposed the rules in the first quarter of 2026, whereas the following EU countries have more recently transposed DAC9 into national law:

- *Greece:* On May 15, 2026, Greece published in the Official government gazette a bill to transpose DAC9 into domestic law.
- *Portugal:* On May 11, 2026, the bill to transpose DAC9 was approved and officially recording in the Parliament's journal. The law is pending publication in the Portuguese Official Gazette.

To the best of our knowledge, the following Member States are yet to transpose the provisions of the Directive into domestic law: Belgium, Bulgaria, Cyprus, Czechia, Estonia, Lithuania, Malta, Spain.

For more details on DAC9, please refer to Euro Tax Flash Issue 572.

DAC8 implementation – state of play

On October 17, 2023, the Council of the European Union adopted amendments to the Directive on Administrative Cooperation (DAC) to introduce, amongst others, provisions for the exchange of information on crypto-assets (DAC8). This includes rules on due diligence procedures and reporting requirements for crypto-asset service providers, based on the OECD's Crypto-Asset Reporting Framework (CARF). DAC8 further aims to extend the scope of the exchange of information on cross-border rulings to those involving the tax affairs of high-net-worth individuals. Other changes brought by DAC8 include the extension of the automatic exchange of information to cover non-custodial dividend income and requirements to report the Tax Identification

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Number (TIN) for certain elements where this was not previously prescribed – including, inter alia, for certain categories of income and capital under DAC1, advance cross-border rulings and advance pricing agreements (DAC3), CbyC reports (DAC4) and reportable cross-border arrangements (DAC6).

With the exception of the provisions related to the TIN[1] Member States were required to transpose DAC8 by December 31, 2025. Most, but not all, EU countries met this deadline. On January 30, 2026, the European Commission announced its decision to launch infringement procedures by sending letters of formal notice to twelve Member States that had not notified national measures transposing DAC8 into domestic legislation (see E-News Issue 227 for latest update).

Of those twelve Members States, Belgium, Cyprus, Luxembourg, Netherlands and Poland transposed the rules in the first quarter of 2026, whereas the following EU countries have more recently transposed DAC8 into national law:

- *Estonia:* On April 7, 2026, Estonia has formally transposed DAC8 into domestic law.
- *Greece:* On May 15, 2026, Greece published in the Official Gazette a bill to transpose DAC8 into domestic law.
- *Malta:* On May 26, 2026, Malta has gazetted DAC8 into domestic law.
- *Portugal:* On May 11, 2026, the bill to transpose DAC8 was approved and officially recording in the Parliament's journal. The law is pending publication in the Portuguese Official Gazette.

To the best of our knowledge, the following Member States are yet to transpose the provisions of the Directive into domestic law: Bulgaria, Czechia, Spain.

For more details on DAC8, please refer to Euro Tax Flash Issue 572.

European Commission

New Pillar Two FAQ released

On May 29, 2026, the European Commission published the answer to a new frequently asked question (FAQ) in relation to the qualified status of the Income Inclusion Rule (IIR) in Cyprus, as well as exchange of GIR information between Cyprus and other EU countries.

According to the FAQ, Cyprus is not listed in the OECD Central Record that identifies jurisdictions that have been granted Transitional Qualified Status concerning the local implementation of the Domestic Minimum Top-up Tax (DMTT) and IIR. Cyprus is also not listed in the annex of countries that have joined the common understanding on central GIR filing.

Key takeaways include:

- *IIR qualified status:* The FAQ clarify that for the purposes of and in accordance with the Pillar Two Directive, the qualified status of the Cypriot IIR is directly derived from Article 3(18) of the Directive, for fiscal years commencing on or after 31 December 2023. Therefore, all EU Member States should treat Cyprus as having a qualified IIR in effect.
- *Exchange of GIR information:* The FAQ note that Cyprus can receive GIR as of May 31 2026, and is committed and obliged under EU law to exchange information under DAC9 with other Member States in time for the first exchange deadline (December 31, 2026). For that reason, the FAQ response stressed that other EU Member States should not require local filing where an MNE opts to file its GIR centrally in Cyprus.

Cyprus has also signed the GloBE Information Return Multilateral Competent Authority Agreement (GIR MCAA) but no exchange relationships with non-EU countries have so far been activated according to the OECD overview.

For more information on the OECD Central Record and the common understanding on central GIR filing, see the E-News summary below.

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Other

The European Central Bank report on “Financial integration and structure in the euro area”

On May 7, 2026, the European Central Bank (ECB) Committee on Financial Integration published a report entitled "Financial integration and structure in the euro area".

This ECB report is the fourth edition of its biennial analysis on financial integration and structure in the euro area and the EU. The report examines trends in financial integration, changes in financial system structure, and broader financial development and innovation, based on ECB indicators. The report is split into two chapters: one presenting analytical data on key financial trends, and another outlining policy priorities linked to initiatives such as the banking union, capital markets union, and savings and investments union.

From a tax perspective, the report identifies corporate tax fragmentation and inefficient withholding tax refund procedures as key barriers to cross-border investment within the EU. Despite initiatives like the FASTER Directive aimed at streamlining withholding tax relief for institutional investors, the report highlights that cross-border investing remains more costly than domestic investing, limiting capital market integration. The report also notes that tax design – such as capital gains tax relief for investment accounts, can encourage retail participation in capital markets, although behavioral factors like financial literacy and risk preferences may limit effectiveness.

More broadly, the report links taxation to wider structural issues affecting capital markets integration under the Savings and Investments Union agenda. The report emphasizes that harmonized tax rules, alongside reforms in supervision, pensions, and post-trading infrastructure, are necessary to improve capital allocation across the EU. Overall, taxation is presented as one of several interconnected barriers – that also include regulatory fragmentation and investor behavior, that must be addressed to deepen EU financial integration and improve the efficiency of savings deployment.

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OECD and other International Organizations

Key Insights

- OECD clarifies GloBE Information Return Central Filing
- List of signatories of the GIR MCAA updated
- Public consultation launched on revision of OECD Transfer Pricing Guidelines

OECD

OECD clarifies GloBE Information Return Central Filing

On May 18, 2026, the OECD released additional materials on the Global Minimum Tax (GMT), including guidance on central filing and exchange of the GloBE Information Return (GIR), updates to the Central Record, and administrative guidance on the application of the Transitional UTPR Safe Harbour. The releases come ahead of the June 30, 2026, filing deadline for calendar-year groups.

While the GMT framework originally envisaged centralized GIR filing to reduce duplicative local filings, practical challenges have limited its effectiveness. These include delays in activating exchange relationships under the GIR Multilateral Competent Authority Agreement (MCAA), incomplete transposition of DAC9 in the EU, and the absence of filing portals in some jurisdictions.

Key features of the May 2026 release include:

- *New guidance on central filing and exchange of the GloBE Information Return (GIR)*, with a common understanding among 33 of the 38 jurisdictions implementing the GMT for 2024 committing to waiving penalties and refraining from enforcing local GIR filing obligations (subject to domestic limitations) provided that the MNE centrally files its GIR in a listed jurisdiction and submits the required local notification. Notably, jurisdictions may require local filing if GIR information is not exchanged by December 31, 2026.
- *Update to the Central Record* to Include additional DMTT regimes that have been granted Transitional Qualified Status and are considered eligible for the QDMTT Safe Harbour, bringing the total number of listed jurisdictions to 50.
- *Administrative guidance* addressing the application of the Transitional UTPR Safe Harbour for MNE groups with 52–53-week fiscal years, extending its availability to fiscal years ending up to January 3, 2027.

Since the release of the guidance, a number of jurisdictions have already confirmed their position with respect to the common understanding, including:

- *France:* The French Tax Authorities (DGFiP) have confirmed their support for the OECD's common understanding for the first reporting year (see below for additional coverage).
- *Italy:* The Italian Ministry of Finance confirmed that Italy will participate in the OECD common understanding on GIR central filing.
- *Portugal:* The Portuguese Tax Authorities have acknowledged the OECD common understanding for the first reporting year and clarified its practical application. It is expected that penalties will be waived and local GIR filing requirements will not be enforced in Portugal where:
    - a complete GIR has been centrally filed within the relevant deadline in a jurisdiction included on the OECD list, and
    - the corresponding notification (e.g., via Modelo 62 registration) has been submitted in Portugal within the applicable deadline, indicating the entity responsible for the central filing under the GIR MCAA framework.

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- *Sweden:* The Swedish Tax Agency has updated its general guidance to reflect the OECD common understanding for the first reporting year. The Agency indicates that it will waive penalties and not enforce local GIR filing requirements where:
    - a complete GIR has been properly filed in a jurisdiction listed by the OECD, and
    - the Swedish Tax Agency has received notification that another group entity has filed the GIR in such a jurisdiction under the GIR MCAA framework.
- *United Kingdom*: The UK tax authority (HMRC) has confirmed that it will apply the transitional relief for GIR filings (see below for additional coverage).

For more information, please refer to a detailed report by KPMG International.

Pillar Two: list of signatories of the GIR MCAA updated

On May 29, 2026, the OECD updated the list of jurisdictions that have signed the GloBE Information Return Multilateral Competent Authority Agreement (GIR MCAA) to include Barbados, Cyprus, Czechia, Hong Kong (SAR, China) and Romania.

The list of 36 signatories now includes Australia, Austria, Barbados, Belgium, Canada, Croatia, Cyprus, Czechia, Denmark, Finland, France, Germany, Gibraltar, Greece, Hong Kong (SAR, China), Hungary, Ireland, Isle of Man, Italy, Japan, South Korea, Liechtenstein, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Romania, Singapore, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland and the UK.

For previous coverage on the GIR MCAA list of signatories, please refer to E-News Issue 228.

Public consultation launched on revision of OECD Transfer Pricing Guidelines

On June 1, 2026, the OECD launched a public consultation on revisions to Chapter VII of the OECD Transfer Pricing Guidelines.

The proposed revisions aim to update and clarify the existing guidance on intra-group services, taking into account developments in business models and tax administrations' experience over recent years. Key features include:

- the definition and identification of intra-group services, including how to delineate accurately whether a service has been rendered and provides value to the recipient;
- the application of the arm's length principle to intra-group services, including considerations around pricing methodologies and documentation;
- the continued relevance and potential refinement of the simplified approach for low value-adding intra-group services, including its scope and implementation;
- broader issues linked to cost allocation, benefit testing, and avoidance of duplication, which are considered key areas of practical difficulty for both taxpayers and tax authorities.

Interested parties are invited to submit their comments by July 22, 2026.

For more details, please refer to the OECD release and a dedicated KPMG Tax News Flash.

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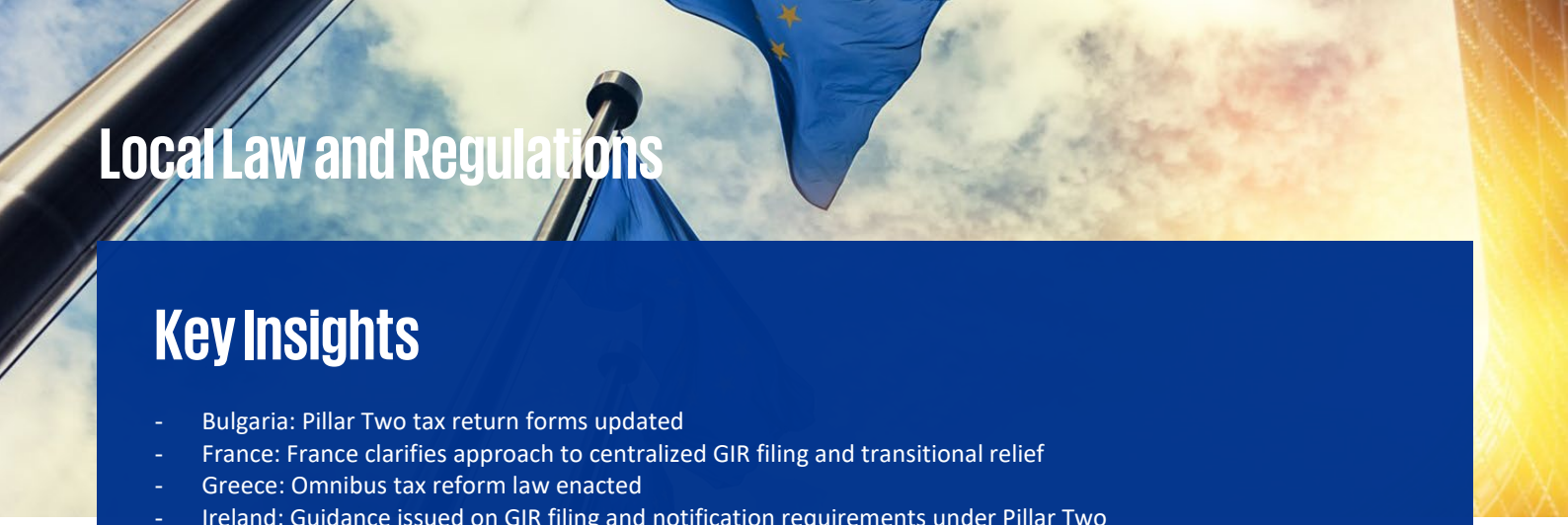

Local Law and Regulations

Key Insights

- Bulgaria: Pillar Two tax return forms updated
- France: France clarifies approach to centralized GIR filing and transitional relief
- Greece: Omnibus tax reform law enacted
- Ireland: Guidance issued on GIR filing and notification requirements under Pillar Two
- Poland: Tax Ordinance amendment including revision of Polish Mandatory Disclosure Rules
- Türkiye: Omnibus law introducing tax reforms approved
- United Kingdom: HMRC adopts OECD transitional approach for Pillar Two GIR filing

Bulgaria

Pillar Two tax return forms updated

On May 8, 2026, the new templates for IIR/UTPR and QDMTT returns were published in the Bulgaria Official Gazette. The templates include comments on the following:

- *IIR/UTPR Top-up tax:* a new return – Form 1080, applies to Bulgarian constituent entities and replaces an earlier template issued in December 2025. The form requires details on the reporting entity, group structure, GIR filing arrangements, and the amount of IIR top-up tax by jurisdiction, as well as the calculation and allocation of the UTPR based on employees and tangible assets.

- *QDMTT:* A separate return – Form 1081, has been introduced for reporting the Bulgarian QDMTT, also replacing the earlier template issued in December 2025. The form requires details on the reporting entity, group structure, GIR filing arrangements, and the calculation of the QDMTT, followed by its allocation to the designated person.
- *Filing requirement and deadlines:*
    - Standard filing deadline: 15 months after the fiscal year-end.
    - Transitional deadline: 18 months for the first reporting year.
    - Returns must be filed electronically via the National Revenue Agency portal.
- *Euro transition reporting rules:*
    - For periods ending on or before December 31, 2025: amounts must be reported in Bulgarian lev (BGN).
    - For periods ending after that date: reporting must be done exclusively in euro (EUR), in line with Bulgaria's euro adoption in 2026.

For previous coverage of Bulgaria's Pillar Two implementation, please refer to E-News Issue 209.

France

France clarifies approach to centralized GIR filing and transitional relief

On May 28, 2026, France's Directorate General of Public Finances (DGFiP) confirmed that it will implement the OECD's common understanding, despite delays in filing portals and exchange relationships.

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In line with the common understanding, French constituent entities will not, in principle, be required to file a local GIR where the return is centrally filed by the ultimate parent entity or a designated entity in a listed jurisdiction, provided that the DGFiP receives the GIR through exchange within six months of the filing deadline.

This transitional approach is expected to apply to filings due no later than December 31, 2026.

The DGFiP has indicated that during the transitional period it will take into account good-faith efforts by groups to comply with centralized filing and notification obligations and will adopt a lenient approach to penalties where local filing is not made as a result of applying the common understanding.

Where the GIR is not received within six months, the DGFiP may require local filing and apply late filing penalties until the obligation is fulfilled. The transitional approach does not apply where the GIR is filed in jurisdictions not included in the OECD annex.

Greece

Omnibus tax reform law enacted

On May 15, 2026, Greece enacted the Omnibus Tax reform, which was published in the official government gazette. The law introduces a wide range of tax measures across corporate taxation, indirect taxes, and transparency rules.

Key measures include:

- *Pillar Two:* It is clarified that Top-up taxes imposed under Pillar Two are non-deductible for corporate income tax purposes.
- *DAC8 and DAC9:* The law transposes DAC8 and DAC9 into Greek legislation, introducing crypto-asset reporting obligations for service providers (DAC8) and a standardized Top-up Tax Information Return for Pillar Two purposes, with exchanges between EU Member States (DAC9).
- *Advance Tax Rulings:* A formal advance tax rulings regime is introduced for the first time in Greece, allowing taxpayers to obtain binding guidance from the tax authorities on the tax treatment of planned transactions.

The legislation is effective following its publication on May 15, 2026, with further administrative guidance expected.

For more information, please refer to an April report and a May report published by KPMG in Greece.

Ireland

Guidance issued on GIR filing and notification requirements under Pillar Two

On May 26, 2026, Irish Revenue issued detailed guidance on the GIR filing and notification requirements under the Pillar Two rules.

Key clarifications include:

- *May 18 common understanding:* The guidance refers to the OECD common understanding for the first reporting year and notes that, where the GIR is centrally filed in a jurisdiction listed in the Annex on or before the specified filing deadline, the MNE Group should not be required to undertake local GIR filing in any other 2024 Implementing Jurisdiction, provided it has complied with the notification requirements in that local jurisdiction. This approach applies on the basis that these exchange relationships are expected to be activated and exchanges completed on or before December 31, 2026.
- *Partial GIR filing*: The guidance notes that, where an implementing jurisdiction cannot rely on central filing and exchange mechanisms, local filing may be required. In such cases, the information provided should be consistent with that contained in the centrally filed GIR and the local filing is only required to contain the information that the tax authority would have received under the dissemination approach if reliance had been placed on central filing and exchange mechanisms.

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- *QDMTT-only jurisdictions:* The guidance clarifies that a jurisdiction that has implemented only a QDMTT cannot act as a central filing jurisdiction and will not disseminate GIR information to other jurisdictions. However, such jurisdictions may receive GIR information from other jurisdictions, based on their taxing rights under the GloBE rules.
- *Validation and errors:* The guidance includes a 48-page list of validation errors aligned with the OECD rules, DAC9 requirements and GIR XML schema. In addition, the guidance notes that the OECD is expected to publish additional interpretative guidance in May 2026, which includes the switch-off of certain validation rules.
- *Future updates to the GIR XML schema:* Subject to updates planned by the OECD and the European Commission (EC), the structure of the standardized XML Schema is not expected to change for the 2024 and 2025 fiscal years. The OECD continues to engage on an updated version of the GIR XML schema, including potential changes required in respect of the Side-by Side package. Further revisions to the GIR XML Schema may be introduced that apply for fiscal years 2026 onwards

For more information on the recent Pillar Two amendments in Ireland, please refer to E-News Issue 227.

Poland

Tax Ordinance amendment including revision of Polish Mandatory Disclosure Rules

On May 15, 2026, the lower chamber of the Parliament (*Sejm*) approved a bill amending the Tax Ordinance (*Ordynacja Podatkowa*) to amend, inter alia, the Polish Mandatory Disclosure Rules (MDR).

While the MDR provisions introduced in Poland incorporate the requirements of EU Directive 2018/822 (DAC6) into Polish law, the former legislation extended beyond the minimum requirements imposed by DAC6 to cover a wider scope of potentially reportable arrangements (i.e., including reporting requirements for domestic arrangements).

The amendments aim to further align the Polish MDR provisions with DAC6. Key amendments include:

- *Intermediaries*: The distinction between primary (promoter) and secondary (supporter) intermediaries will be removed, along with MDR-2 reporting obligations (e.g., specific forms for supporters). Third country (non-EU) intermediaries are no longer considered promoters, i.e., non-EU intermediaries will not have reporting obligations. However, non-EU users (relevant taxpayers) remain subject to Polish reporting rules.
- *Removing reporting obligations beyond the Directive*: Polish-specific hallmarks (not mandated by the Directive), including those tied to value thresholds, will be removed. Only arrangements with a cross-border element will be reportable . Reporting obligations for VAT arrangements will also be abolished.
- *Alignment of hallmarks and main benefit test with DAC6*: Hallmarks will be updated to match DAC6, notably the B2 hallmark (concerning conversion of income category) will exclude references to “change in taxation principles” (often used as a supporting or even sole reporting basis). The MBT definition will be aligned with DAC6, in particular by removing the requirement to identify an alternative course of action that does not provide a tax advantage.
- *Legal Professional Privilege*: The updated proposal includes changes in respect of the requirement for intermediaries, who are subject to legal professional privilege, to report arrangements to the Polish tax authorities and to notify other intermediaries of their reporting obligation under DAC6 (following the CJEU decision of December 8, 2022 – (see Euro Tax Flash Issue 497) and the respective amendments included in the EU Directive 2023/2226 (DAC8)). Legal counsel, attorneys, tax advisers and patent attorneys should be exempt from the obligation to report arrangements (both bespoke and marketable) and therefore only be required to inform their clients (but not other intermediaries) of their reporting obligation under DAC6.
- *Penalties*: The final version of the approved amendments will not reduce the fines applicable for failures to submit MDR information or for late submissions thereof, which may still reach up to 720 daily rates (set by the court and takes into account the perpetrator's income, personal and family circumstances, financial situation and earning capacity). However, certain specific sanctions are being removed altogether.

For more details on the amendments to the Polish MDR, please refer to E-News Issue 216.

Once the bill is approved by the higher chamber of the Parliament (the Senate) and signed by the President, the new provisions will generally take effect on October 1, 2026.

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Türkiye

Omnibus law introducing tax reforms approved

On May 21, 2026, the Grand National Assembly of Türkiye approved an omnibus law introducing several tax reforms.

Key measures include:

- *Reduced corporate tax rate:* Introduction of a 12.5 percent corporate income tax rate for companies engaged exclusively in manufacturing and agricultural production, effective from the 2027 tax period (current rate is 25 percent).
- *Restriction on export incentives:* Companies applying the 12.5 percent rate will not be eligible for the existing 5-point corporate tax reduction on export income, preventing double tax benefits.
- *Transit trade and overseas income incentives:* Profits from overseas trade where goods do not enter Türkiye will benefit from a 95 percent corporate tax deduction, increased to 100 percent for companies operating within the Istanbul Financial Centre (IFC) or designated Industrial Zones.
- *Qualified service centers regime:* Newly defined "*qualified service centers*" (i.e., special category for companies operating in at least three countries and generating at least 80 percent of revenue from foreign affiliates) benefit from corporate tax deductions (95 or 100 percent) on eligible income.
- *Domestic minimum corporate tax adjustments:* Certain income streams (including transit trade, financial services exports, and qualified service centre income) benefit from preferential deductions or adjustments that effectively exclude them from the 10 percent domestic minimum corporate tax base, effective from 2026. Under this regime, all corporate taxpayers are required to pay at least 10 percent of their adjusted corporate income before any deductions and exemption.

The legislation now awaits presidential approval and publication in the Official Gazette before entering into force.

United Kingdom

HMRC adopts OECD transitional approach for Pillar Two GIR filing

On May 19, 2026, His Majesty's Revenue and Customs (HMRC) released guidance to reflect the OECD common understanding for the first reporting year. HMRC confirmed that it will not enforce local GIR filing requirements and will reduce certain penalties to nil where:

- a GIR has been centrally filed within the deadline in a jurisdiction listed by the OECD, and
- HMRC receives the relevant information through exchange within six months of the filing deadline.

To benefit from this treatment, groups must ensure that the Overseas Return Notification (ORN) is submitted on time, as timely ORN filing is a key condition for relieving groups from the UK local GIR filing obligation. Where HMRC does not receive the centrally filed GIR within six months of the deadline, it may require a local GIR filing and impose late filing penalties until the obligation is met.

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Local courts

Key Insights

- Nantes Administrative Court of Appeal decision upholds French tax residency of Luxembourg holding company
- German Federal Tax Court clarifies that dividends paid during a liquidation period may benefit from the Parent Subsidiary Directive
- Greek Supreme Court clarifies priority of treaty-based double tax relief
- Italian appellate tax court addresses treaty relief and double non-taxation in Luxembourg capital gain case
- Italian Supreme Court holds that late submission of tax residence certificate does not preclude the applicability of the PSD withholding tax exemption

France

Nantes Administrative Court of Appeal decision upholds French tax residency of Luxembourg holding company

On February 5, 2026, the Administrative Court of Appeal of Nantes (the Court) delivered a judgment concerning the tax residence of a Luxembourg-incorporated holding company. The Court upheld the French tax authorities' position that the Luxembourg holding company was effectively managed from France and therefore subject to French corporate income tax and penalties applicable for concealed activity.

The case concerned a company incorporated in Luxembourg in 2000 to commercialize intellectual property relating to the design, construction, and marketing of spherical houses. The company held exclusive rights to designs, models, and domain names developed by its founders and entered into licensing arrangements with several affiliated entities, including a French subsidiary. Following a tax audit covering the period from 2003 to 2010, the French tax authorities concluded that the company lacked a genuine operational presence in Luxembourg, noting that it had neither offices nor employees there. The authorities further found that the company's activities were, in practice, managed almost entirely by an individual – Mr. A, from the premises of the French subsidiary. In that role, Mr. A was responsible for the company's strategic decision-making, commercial operations, and banking activities. On this basis, the tax authorities determined that the company's place of effective management was in France and assessed additional French corporate income tax liabilities, together with the 80 percent penalty for concealed activity. The taxpayer appealed the decision of the French tax authorities and the case was brought in front of the Administrative Court of Appeal of Nantes.

The Court found that the plaintiff had failed to substantiate its claim that it was effectively managed from Luxembourg. In this regard, it rejected the relevance of the grounds put forward by the plaintiff for incorporating there – namely the favorable treatment of intangible asset valuation for start-up structures and the ability for the founders to retain control in the event of fundraising. In this regard, the Court held that these considerations were not sufficient to demonstrate that its place of effective management was in Luxembourg. The Court also noted that the taxpayer had not provided evidence of the steps taken in this respect. Furthermore, the Court dismissed the argument that the company was managed from Luxembourg due to the fact that its board meetings were held there. Instead, the Court held that whilst the location of board meetings can be an indicator of a company's place of effective management, this factor alone is not decisive.

Based on the above, the Court concluded that, under the France – Luxembourg double tax treaty, the plaintiff should be treated as a French tax resident because its place of effective management was in France, with the corresponding taxing rights over its profits allocated to France. In light of this finding, the Court ruled that the profits were subject to tax under French corporate income tax rules.

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With respect to the applicability of the 80 percent penalty for concealed activities, the Court rejected the plaintiff's argument that the activity was not concealed on the basis that a tax treaty on the exchange of information existed between Luxembourg and France. The Court noted that the exchange of information between the two tax authorities was limited to what was necessary for the application of the tax treaty and did not extend to protected information such as banking secrecy. As a result, the French authorities did not necessarily receive all the information required for the application of domestic tax rules. Accordingly, the plaintiff could not rely on any alleged misunderstanding of the scope of the exchange of information to justify its failure to comply with French reporting obligations.

The ruling is consistent with a recent decision of the Administrative Court of Appeal of Versailles. For more details, please refer to E-News Issue 225.

Germany

Federal Tax Court clarifies that dividends paid during a liquidation period may benefit from the Parent Subsidiary Directive

On March 3, 2026 (published on May 15, 2026), the German Federal Fiscal Court issued a ruling (VIII R 8/24) that dividend distributions made during a liquidation period can qualify for the nil withholding tax (WHT) rate under the German implementation of the EU Parent-Subsidiary Directive (PSD). The exemption is subject to the distributed profits being generated before the commencement of the liquidation.

Under the German rules implementing the PSD, dividends paid by a German subsidiary to a qualifying EU parent company are generally exempt from WHT. However, the exemption does not apply with respect to dividends that are accrued when a subsidiary is liquidated or reorganized.

The case concerned a Luxembourg parent company that held 100 percent of a German GmbH that was dissolved as of December 31, 2010, and subsequently entered into liquidation. During the liquidation period, the GmbH made profit distributions to its Luxembourg parent company. The distributed amounts were derived from profits generated prior to the commencement of liquidation. The German tax authorities treated the distributions as being accrued in connection with the liquidation and therefore denied the full WHT exemption. Instead, the authorities granted relief in form of a 10 percent WHT rate based on the applicable tax treaty between Germany and Luxembourg.

The Federal Fiscal Court rejected the tax authorities' position and confirmed that the distributions qualified for full exemption from WHT. The Court held that the limitation to distributions in the context of liquidation must be interpreted in a narrow sense and not be applied to distributions that are funded out of operating profits that were generated before the liquidation period, even if the dividend was resolved and paid during the liquidation period. According to the Court, the decisive criterion is the origin of the distributed profits, not the timing of the distribution. The PSD exemption therefore remains available for pre-liquidation earnings distributed after the start of liquidation.

The Court thereby upheld the decision of the lower tax court (Cologne), which had also decided in favor of the taxpayer.

Greece

Greek Supreme Court clarifies priority of treaty-based double tax relief

On May 7, 2025, the Greek Supreme Administrative Court (Supreme Court) issued a decision (827/2025) concerning the application of the Greece – Cyprus double tax treaty and the crediting of foreign tax against Greek corporate income tax.

The plaintiff was a Greek tax resident company with income generated through a permanent establishment in Cyprus, where profits were taxed at corporate income tax rate of 12.5 percent. The same profits were also included in the company's Greek taxable base and subject to Greek corporate income tax at 29 percent. The company claimed a refund of the portion of Cypriot tax that could not be effectively credited in Greece under the domestic tax computation rules.

The Greek tax authorities rejected the claim on the basis that, after offsetting Greek withholding taxes, advance payments, and part of the foreign tax credit, no Greek tax liability remained. Therefore, in their view, any excess foreign tax credit could not be refunded or carried forward. The Administrative Court of Appeal upheld this view, holding that allowing a refund would effectively require Greece to reimburse taxes it had not collected.

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The Supreme Court dismissed this approach and noted that the Greece – Cyprus double tax treaty has a supra-legislative force under the Greek Constitution. In the Supreme Court's view, the Cyprus tax must be credited against Greek tax attributable to the same income, up to the amount of Greek tax corresponding to that income. Any excess credit must be taken into account in a way that ensures full relief from double taxation. The Court therefore found that the lower court's restrictive interpretation of the domestic credit mechanism was inconsistent with the treaty obligations and ordered the refund of the taxes under dispute to the taxpayer.

Italy

Italian appellate tax court addresses treaty relief and double non-taxation in Luxembourg capital gain case

The Second-Instance Lombardy Tax Court (the Court) issued a ruling (2734/2025) concerning the denial of a refund of the 26 percent substitute tax levied on a capital gain realized by a Luxembourg-resident company following the disposal of its shareholding in an Italian company.

The dispute involved a Luxembourg company ultimately owned by shareholders resident in Saudi Arabia. The taxpayer argued that Article 13(3) of the Italy – Luxembourg double tax treaty allocated exclusive taxing rights over the capital gain to Luxembourg as the state of residence of the transferor. It further pleaded that the Italian participation exemption regime applied and that the higher taxation imposed on non-resident companies infringed the EU principle of free movement of capital.

The Italian tax authorities rejected the refund request, arguing that the taxpayer had failed to demonstrate effective taxation of the gain in Luxembourg. They also challenged the availability of treaty relief on the grounds that the Luxembourg entity was not the beneficial owner of the capital gain arising from the sale of the shares in the Italian company.

At first instance, the tax court ruled in favor of the taxpayer, holding that the treaty did not require the transferor to be the beneficial owner of the gain and, in any event, finding that the taxpayer retained sufficient control over the proceeds to qualify as the beneficial owner. On appeal, however, the Court overturned that decision and upheld the position of the Italian tax authorities.

The Court held that the conditions for the refund were not satisfied because the taxpayer had not established that the capital gain was effectively taxed in Luxembourg. It concluded that granting treaty relief where the gain benefited from an exemption in Luxembourg would result in double non-taxation. At the same time, the Court confirmed that the Italy – Luxembourg treaty remained applicable regardless of whether the beneficial owner of the gain was the taxpayer or its Luxembourg parent company and rejected the tax authority's attempt to disregard the corporate structure and attribute the gain directly to the ultimate shareholders resident in Saudi Arabia.

The Court also rejected the taxpayer's reliance on the Italian participation exemption regime, finding that the domestic provisions did not apply to the transaction at hand. In addition, it dismissed the argument based on the free movement of capital under Article 63 TFEU, holding that the taxation of resident and non-resident companies involved different factual situations and that the tax treatment reflected the allocation of taxing rights under the applicable double tax treaty.

Italian Supreme Court holds that late submission of tax residence certificate does not preclude the applicability of the PSD withholding tax exemption

On May 7, 2026, the Italian Supreme Court (the Supreme Court) published a decision (order No. 13128/2026) in a case concerning the withholding tax exemption on outbound dividends under Italy's implementation of the Parent-Subsidiary Directive (PSD).

The case concerned dividends paid in 2007 by an Italian company to its Danish parent. The Italian tax authorities denied the withholding tax exemption and assessed additional tax liabilities and penalties on the grounds that the Danish residence certificate required to apply the PSD exemption had been issued only after the dividends were paid.

The Supreme Court rejected the tax authorities' position, reaffirming its earlier case law that the residence certificate is a formal requirement intended to protect the paying subsidiary when granting the exemption. In the Court's view, where the substantive conditions of the PSD are satisfied, the late issuance or production of the certificate does not justify denying the

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exemption. Accordingly, the Supreme Court upheld the lower court's decision annulling the assessment and related penalties, stressing that the exemption remains available unless the tax authorities can demonstrate that the substantive conditions for the regime were not met.

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On April 29, 2026, a panel of KPMG tax specialists shared their insights on the tax initiatives poised to have the greatest impact on financial services, including a closer look at:

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- Bank Taxes in Europe – survey of the plethora of new, and not so new, specific taxes that can impact banks (and also their customers).
- Non-Harmonized Directives Across the EU – navigating the practical risks created for FS organizations by fragmented approaches across Member States.

The webcast playback and presentation materials are now available. Please click on the event page to access them.

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