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THE SUNDAY TAX TIMES

BY STI TAXAND

YOUR WEEKLY TAX MAGAZINE

The leading provider of exclusive global tax law news!

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Sunday Tax Times

Expert Insights in International Tax from STI Taxand

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Welcome to this week's edition of Sunday Tax Times, your trusted source for accessing global tax news in just a few minutes. We've designed this magazine specifically for C-level executives who have limited time but still want to stay informed about global tax changes that may impact their business strategies. Our goal is to provide you with the most important global tax news in just 5 minutes of easy reading every Sunday.

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STI Taxand is a Tier 1 firm according to the ITR World Tax rankings. All its partners are tax lawyers with many years of experience. Our competitive advantage at Taxand lies in our exclusive focus on tax—WE DO TAX, AND ONLY TAX. No audit or attest issues. This provides us with focus, clarity, and the power of doing only one thing. There is no other global organization like Taxand in the market today.

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At STI Taxand, we specialize in Transfer Pricing and Corporate Tax, providing businesses with innovative and tailored solutions in these critical areas. Whether you are structuring cross-border transactions or managing complex tax issues, our expertise ensures that your business stays compliant while maximizing value.

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Our firm is led by three exceptional partners, each a recognized expert in their respective fields:

STI Taxand is a core member of Taxand, Taxand is the world's largest independent organisation with more than 700 tax partners and over 3,000 tax advisors in 50 countries. We do tax, and only tax. No audit or attest issues.

Costas Savva
Lawyer, ACCA, LLM Vienna
A founding partner, Costas is a seasoned expert in Corporate Tax, advising multinational corporations on complex tax issues, including tax structuring and cross-border taxation. His hands-on approach and extensive experience in international tax make him an invaluable resource for clients seeking to navigate intricate tax challenges.

Demis Ioannou
Lawyer, ACA, MSc in Tax Oxford
A founding partner, Demis as an authority in Corporate and International Tax, specializes in tax planning for cross-border transactions and international tax restructuring. His strategic insight and understanding of the nuances of tax law help clients optimize their tax positions while ensuring compliance with ever-evolving regulations.

Christos Theophilou
Lawyer, ACA, MSc in Tax Oxford
A founding partner, Christos brings a wealth of knowledge in Transfer Pricing and international tax. With his academic background and practical expertise, he assists businesses in developing robust transfer pricing strategies that comply with local and global regulations. His forward-thinking solutions help businesses stay ahead in an increasingly regulated environment.

❶ GloBE news

1.1. THREE DOCUMENTS
The OECD published three documents relating to the GloBE Rules. The first document concerns support for central GloBE Information Return (“GIR”) filing and exchange for the 2024 reporting fiscal year. The second document is an updated version of the OECD’s central record for purposes of the global minimum tax. The third document provides administrative guidance on the application of the transitional UTPR safe harbour to MNE Groups with 52–53-week fiscal years.

1.2. CENTRAL FILING OF GIR AND EXCHANGE
Many MNE Groups had expected that they would be able to file their GIR in a single jurisdiction, with that jurisdiction subsequently sharing the relevant parts of the GIR with other jurisdictions. This process is referred to as central filing. The exchange of information would satisfy the MNE Group’s local filing obligations in other relevant jurisdictions.

1.3. TWO LEGAL INSTRUMENTS OF EXCHANGE
The exchange of the GIR is supported by two legal instruments. The first is the OECD’s GIR Multilateral Competent Authority Agreement (“GIRMCAA”) and the second is the EU’s DAC9. DAC9 governs exchange between EU Member States, while the GIRMCAA governs exchange between non-EU jurisdictions as well as exchanges between EU and non-EU jurisdictions.

1.4. SLOW TO SIGN AND ACTIVATE
Jurisdictions have been slow to sign and activate bilateral exchange relationships under the GIRMCAA, while some EU Member States have not yet implemented DAC9. As a result, there is concern that calendar-year MNE Groups may be required to file GIRs locally if exchange relationships are not activated before the 30 June 2026 GIR filing deadline.

1.5. COMMON UNDERSTANDING
To minimise compliance and coordination challenges, the OECD released a document describing a “common understanding.” Under this approach, implementing jurisdictions agreed to use mechanisms available under their domestic laws either to waive penalties related to local GIR filing obligations or to refrain from enforcing local GIR filing obligations before the relevant GIR exchange deadline, provided that the GIR has been centrally filed in one of the listed jurisdictions and the GIR notification has been submitted locally by the relevant deadline.

1.6. 33 JURISDICTIONS
The annex to the OECD document includes 33 jurisdictions participating in the common understanding. However, 37 jurisdictions had implemented an IIR or QDMTT applicable to fiscal years ending 31 December 2024.

1.7. NOT COMPLETELY COMMON
Four jurisdictions — the Bahamas, North Macedonia, the Slovak Republic and Vietnam — had not joined the common understanding as of 12 May 2026. In addition, Greece and Poland joined the common understanding only with respect to EU Member States appearing in the annex.

1.8. UPDATED CENTRAL RECORD
The OECD also updated its central record for purposes of the global minimum tax. The update recognises the Bahamas, Kenya, Kuwait and Oman as jurisdictions having QDMTT rules and QDMTT safe harbours under the transitional qualification mechanism. This brings the total number of listed jurisdictions to 50, with commencement dates varying between 2024, 2025 and 2026.

1.9. MIND THE GAP
The OECD’s third document addresses a gap between the transitional UTPR safe harbour and the side-by-side and UPE safe harbours for MNE Groups with 52–53-week fiscal years. The guidance provides administrative clarification on the application of the transitional UTPR safe harbour in these circumstances.

❷ Simplified ETR Safe Harbour (Part 10)

2.1. INTRODUCTION
The discussion forms part of a broader review of the five components of the Side-by-Side Package for the GloBE Rules, including the Side-by-Side Safe Harbour, the UPE Safe Harbour, the Substance-Based Tax Incentive Safe Harbour and the Simplified ETR Safe Harbour.

2.1.1. Side-by-Side Package
The Side-by-Side Package contains rules relating to the Simplified ETR Safe Harbour and related eligibility conditions applicable under the GloBE framework.

2.1.2. Topics
The Simplified ETR Safe Harbour discussion has so far covered tested jurisdictions, source of information, simplified income or loss, simplified taxes, simplified treatment of cross-border income and taxes, and tax neutral entities.

2.1.3. Four items
The latest discussion focuses on four items: ineligible tested jurisdictions, entry and re-entry criteria, integrity rules and applicability dates.

❷ Simplified ETR Safe Harbour (Part 10)

2.2. INELIGIBLE TEST JURISDICTIONS

2.2.1. Three types
The package identifies three categories of tested jurisdictions that are ineligible for the Simplified ETR Safe Harbour.

2.2.2. First type: stateless entities
Stateless constituent entities are treated as separate tested jurisdictions and are not eligible for the Simplified ETR Safe Harbour. Such entities are therefore subject to full GloBE computations. The rationale provided is that stateless entities are generally not taxable in the jurisdiction where they are created or where the place of business is located, making it unlikely that they would satisfy the Simplified ETR test. The package also provides for an exception to this treatment.

2.2.3. Second type: investment entities
Investment entities are also treated as separate tested jurisdictions and are excluded from the Simplified ETR Safe Harbour. The package notes that investment entities are generally designed to be tax neutral, with taxation imposed at investor level rather than at entity level. As a result, such entities are unlikely to meet the minimum ETR threshold. An exception is also provided for investment entities.

2.2.4 Third type: Tested Jurisdictions subject to election under Art. 7.3
Tested jurisdictions subject to an election under Article 7.3, relating to eligible distribution tax systems such as Estonia’s regime, are also identified as a separate category under the eligibility restrictions.

2.3. ENTRY AND RE-ENTRY CRITERIA

2.3.1. Two rules
The package sets out separate rules governing initial entry into, and re-entry to, the Simplified ETR Safe Harbour.

2.3.2. First rule: initial entry
An MNE Group may elect to apply the Simplified ETR Safe Harbour for the first time if the relevant tested jurisdiction did not have any top-up tax liability in any fiscal year beginning within the 24 months preceding the fiscal year for which the election is made. In effect, the tested jurisdiction must have zero top-up tax for the previous two years.

2.3.3. Second rule: re-entry
Where an MNE Group previously elected the Simplified ETR Safe Harbour but subsequently ceased to apply it, the group may re-elect the safe harbour provided that there was no top-up tax liability during the relevant two-year look-back period under either the full GloBE Rules or a specified safe harbour. Specified safe harbours include the Simplified Calculation Safe Harbour for non-material constituent entities and any other safe harbour designated by the Inclusive Framework.
The package clarifies that the transitional CbCR Safe Harbour is not treated as a specified safe harbour because of its “once out, always out” approach. Similarly, the QDMTT Safe Harbour is excluded because an MNE Group may still have top-up tax liability under a QDMTT in a year in which the safe harbour applies.

2.4. INTEGRITY RULES

2.4.1. Six rules
The package sets out six integrity rules designed to ensure consistency in the calculation of simplified income and taxes.

2.4.2. Integrity rule #1
To qualify for the Simplified ETR Safe Harbour, MNE Groups must ensure that their calculations comply with four core principles: the matching principle, the full allocation principle, the single expense and loss principle, and the single tax principle.

2.4.3. Integrity rule #2
Where the matching principle is not satisfied, the MNE Group must adjust the jurisdictional profit before tax in the tested jurisdiction recognising the expense in order to eliminate that expense. An exception applies where the mismatch arises solely because one party applies a local financial accounting standard.

2.4.4. Integrity rule #3
Where the full allocation principle is not satisfied, the relevant income must be included in the correct tested jurisdiction in accordance with the Model GloBE Rules. The package emphasises that all profit or loss of constituent entities must be reflected in the simplified income of the relevant tested jurisdiction.

2.4.5. Integrity rule #4
Where the single expense and loss principle is breached, the MNE Group must eliminate the duplicated expense from the jurisdictional profit before tax. The package clarifies that expenses economically deducted only once will satisfy the rule even where intra-group recharges or cost-sharing arrangements exist.

2.4.6. Integrity rule #5
Where the single tax principle is not satisfied, the MNE Group must eliminate the duplicated tax expense from the relevant tested jurisdiction.

2.4.7. Integrity rule #6
Financial instruments issued by one constituent entity and held by another constituent entity within the same MNE Group must be consistently classified as debt or equity by both parties based on the accounting standard applied by the issuer.

2.5. APPLICABILITY DATE

2.5.1. General applicability date
The general applicability date for the Simplified ETR Safe Harbour is fiscal years beginning on or after 31 December 2026. Implementing jurisdictions and QDMTT-only jurisdictions must incorporate the framework into domestic legislation from that date.

2.5.2. Earlier date
Jurisdictions may elect to apply the Simplified ETR Safe Harbour earlier, for fiscal years beginning on or after 31 December 2025. Earlier application is permitted where the QDMTT Safe Harbour applies, where only one jurisdiction has taxing rights, or where all jurisdictions with taxing rights have adopted the earlier application date and the MNE Group makes corresponding elections in all such jurisdictions.

❸ Asia Pacific

3.1. AUSTRALIA

The Australian tax authorities issued a notice reminding MNE Groups that the first public country-by-country reports are due for lodgment by 30 June 2026.

3.2. HONG KONG

The Hong Kong government released an updated proposal regarding amendments to the profits tax treatment of capital expenditure relating to intellectual property. The proposal would permit deductions for acquisition costs of IP acquired from associates and for upfront licence fees incurred under capital licensing arrangements.

The updated proposal also introduces additional changes, including allowing deductions where the IP is used outside Hong Kong but the related offshore IP income remains taxable in Hong Kong. The proposal also limits taxable sale proceeds in domestic intra-group IP transfers to the amount of deductions previously claimed and prevents any acquisition cost step-up for the purchaser. The government intends to introduce legislation in 2026, with the amendments applying to acquisitions or rights to use IP on or after 1 April 2026.

3.3. INDIA

A senior official from India's Ministry of Finance made comments regarding the grandfathering of pre-2017 investments for GAAR purposes following concerns raised after the Supreme Court's Tiger Global decision. The official stated that lower-level tax officers cannot independently apply GAAR and that any such decision must pass through a senior-level review process involving a GAAR panel.

3.4. KOREA

The Korean tax authorities announced tax incentives for foreign-invested companies, including exemptions from certain tax audits linked to increased domestic investment and youth employment. Companies with stable structures and transaction volumes will also benefit from streamlined and fast-tracked APA renewal reviews.

❹ Europe

4.1. EU: CBAM

The European Commission launched a public consultation on a draft implementing regulation relating to carbon prices paid in third countries under the Carbon Border Adjustment Mechanism ("CBAM"). The initiative will establish rules for converting carbon prices paid abroad into the equivalent number of CBAM certificates, while taking into account any compensation mechanisms available in the third country.

4.2. GREECE

Greece enacted an omnibus tax bill covering multiple tax topics. One of the provisions introduces a formal Advance Tax Ruling mechanism applicable to a defined range of tax and customs matters, excluding transfer pricing matters and issues already under dispute.

4.3. HUNGARY

Hungary's Parliament suspended the advertising tax indefinitely through an Act of Parliament, replacing the previous government decree on the matter.

4.4. UK

4.4.1. Advance tax certainty service

The UK tax authorities published guidance on the new Advance Tax Certainty Service for major investment projects. The service will launch on 1 July 2026, while expressions of interest may be submitted from 1 June 2026.

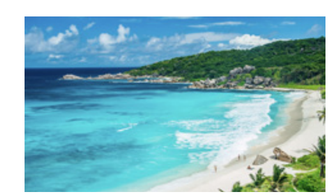
4.4.2. Tax adviser registration rules

The UK tax authorities also reminded tax advisers to register under the new tax adviser registration rules.

❺ Americas

5.1. CURACAO

Curacao announced that it will implement an IIR for fiscal years commencing on or after 1 January 2025, but will not implement a QDMTT or UTPR. The government stated that a QDMTT could reduce Curacao's attractiveness, particularly for subsidiaries of US-parented MNE Groups, in light of the Side-by-Side Safe Harbour.

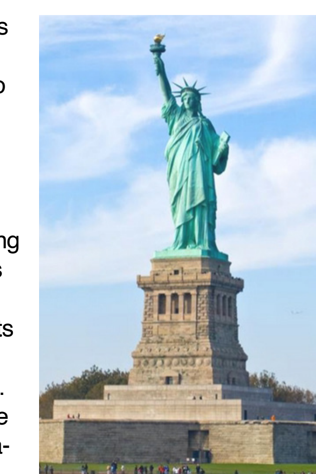


5.2. GRENADA

Grenada enacted legislation requiring non-resident suppliers of inbound digital services to register and charge VAT on digital services supplied to consumers in Grenada.

5.3. US

The US Treasury and IRS issued final regulations regarding information reporting for sales or exchanges subject to Section 751(a), relating to interests in partnerships holding inventory or unrealised receivables. The final regulations adopt the August 2025 proposed regulations without amendment.



❻ Treaty news

TREATY SIGNED
Germany / Ukraine

TREATY ENTERS INTO FORCE
Cyprus / Vietnam (1st June 2026)

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