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# The Further Development of a Tax Conference that has been Successful since 2001

*Report by Prof. Dr Wilhelm Haarmann, Attorney-at-law, certified tax advisor, certified public auditor, chair of the conference*

The F.A.Z. International Business Tax Conference 2025 has once again been very successful. This conference continues the tradition of conferences that first started in 2001 as the Haarmann Hemmelrath Tax Conference, continued in 2007 as the Haarmann Tax Conference, was then renamed the Tax Conference of the German Economy in 2018 and has now been continued in cooperation with the Frankfurter Allgemeine Zeitung as the F.A.Z. Steuerkonferenz der Wirtschaft/International Business Tax Conference. The author of this article owns the pleasure of having set up the conference in 2001 and having been responsible for its content, speakers and participants ever since. The event is organised by the Steuerinstitut der deutschen Wirtschaft e.V. and the Bundesverband der Steuerverantwortlichen in Unternehmen e.V. Since the year 2001 the conference has been held at the Hotel Adlon in Berlin.

## Content and objectives of the conference

The conference has remained the same in all essential points and still pursues the same goals:

1. The aim is a portrayal of a platform that serves all those for whom the topic of 'taxes' is an essential part of their work, i.e. on the one hand, heads and employees of tax departments, but also board members and managing directors of companies, entrepreneurs and consultants, especially in the legal, tax and auditing professions, and on the other hand, parliamentarians of the Finance Committee of the Bundestag, politicians and officials of the federal and state finance ministries and tax administrations, judges of the tax courts and the criminal courts responsible for tax offences, university lecturers, academics and researchers of institutes and chairs dealing with taxes in and outside universities. This circle is supplemented by the people dealing with tax issues at the European Commission and the European Court of Justice as well as the OECD and the UN. In addition, tax consultants, civil servants and employees of companies from European countries and the USA are speakers or participants in the event panels. The proportion of the latter is increasing due to the internationalisation of the conference.
2. According to this, since 2001 there have been panels with parliamentarians from all parliamentary groups represented in the Bundestag. Participants from all professional and interest groups listed above take part in many of the panels. Lectures are given by presidents of economic research institutes who link the general economic development with the development of tax law. There are presentations by and panels with representatives of the OECD, the UN, the European Commission and the European Court of Justice and foreign finance ministries.

In 2025, the following minor changes were made to the conference while still retaining the core elements of the event:

1. The conference was extended from 2 to 2 ½ days. The individual days could be booked separately.
2. 3 so-called country panels were conducted, in each of which 4 countries were presented in parallel and their tax characteristics were discussed (1st panel: France, Great Britain, Italy, Spain; 2nd panel: Estonia, Poland, Romania, Hungary; 3rd panel: Ireland, Netherlands, Austria, Switzerland).
3. English is used as the language for the international and European panels.

The further development of the conference made it even more international and furthermore highlighted the connection between economic development and tax policy more clearly.
This positive assessment of the conference presents both an incentive and a mandate to hold another conference of this kind next year (25 - 27 February 2026).

**What characterised this year's conference?** This year's conference took place just a few weeks after President Donald Trump took office in the USA. The US administration announcing that it would no longer participate in the OECD's global tax reforms had a formative effect on the conference.
The rejection of the global minimum tax by the new administration in the USA and the possible threat of retaliatory tax measures, which are possible in accordance with Art. 891 and Art. 899 of the US Internal Revenue Code, are of great concern to the German industry. From the US perspective, the UTPR (Undertaxed Profit Rule) could lead to discrimination against US companies, which in turn could trigger retaliatory tax measures against German and other European companies. For this reason, representatives of major German companies present at the conference called for the global minimum tax to be subjected to a fundamental review and at least suspended. Another aspect in favour of a review is that so far only 35 countries have actually introduced the global minimum tax, 27 of which are European Union countries. Countries such as the USA, China and India have not introduced the global minimum tax.
While the parliamentarians in the parliamentary round on the evening of 20 February were unreservedly in favour of the global minimum tax, one had the impression that the same parliamentarians in the discussion round on the morning of 21 February now showed a certain understanding for the wishes of the economy. The MPs Güntzler (MP CDU/CSU parliamentary group), Marvi (MP SPD), Sascha Müller (MP Bündnis 90/Die Grünen) and Herbrand (MP FDP) called for a decisive stance towards the USA on the matter. The MPs Güntzler (MP CDU/CSU) and Herbrand (MP FDP) can imagine a suspension of the global minimum tax. Hessian Finance Minister Prof Lorz also said in his keynote speech that if the global minimum tax did not have the desired effect and there was even a threat of retaliatory measures, it would have to be reconsidered as a whole and, if necessary, amended and suspended.

# Global tax policy in transition

*Challenges and developments in Europe and the USA*
*Report by Barbara Sarrazin*

The Business Tax Conference opened with a keynote speech by Prof. Dr. Alfons J. Weichenrieder (University of Frankfurt) on global economic and tax challenges. With the proverb “The dead live longer”, he drew attention to the lack of developments in German corporate tax law and raised the question of whether noticeable changes were imminent in view of the geopolitical situation. The announcement by the US government under Donald Trump that it would no longer participate in the OECD's global tax reforms dominated the entire conference (for more details, see the article by Prof. Dr. Wilhelm Haarmann).

**Budgetary pressure drives tax developments in Europe**

Prof. Dr. Dr. h.c. Clemens Fuest (President of the ifo Institute, Munich), gave an economic and fiscal outlook for Europe in his keynote speech, which was characterized by a high degree of uncertainty. In light of the ongoing war in Ukraine, Helen Pahapill from the Estonian Ministry of Finance announced the introduction of a temporary defense tax of 2%. Although France introduced a digital services tax (DST) early on, its application has so far been suspended due to the pending implementation of Pillar 1. Annabelle Bailleul-Mirabaud (CMS Francis Lefebvre/Paris) reported that, despite pressure from the USA, the French government intends to stick to it. Philip Baker (Barrister/KC/Field Court Tax Chambers/London) explained that the UK is focusing on stability and predictability in the area of corporation tax, but wants to tax inheritances and gifts more heavily in order to finance the state budget. According to Ákos Pál Baráti (Jalsovszky Law Firm/Budapest), Hungary has one of the lowest corporate tax rates in the EU, but at the same time its VAT rate of 27% is one of the highest in the world. Andreas Trost (Cuatrecasas/Barcelona) reported that tax evasion in Spain is punished with high penalties, but only if the amount evaded exceeds 120,000 euros.
Benjamin Angel (EU Commission/Brussels) emphasized with regard to the development of European law on direct taxation that the central topic of the EU Commission was the financing requirements of the member states. This should be covered by measures such as the simplification of regulations (“decluttering”) and the closing of taxation gaps at European level.

**Approaches in the tax procedure**

Slawomir Luczak (Soltysinski, Kawecki, Szlezak/Warsaw) explained that Poland was not focusing on higher tax rates, but on better cooperation between the tax administration and taxpayers. According to Christoph Schlager from the Austrian Ministry of Finance, the Austrian tax bureaucracy has developed considerably over the last 15 years. Christian Wimpissinger (Binder Grösswang/Vienna) highlighted, for example, the possibility of querying the abusive nature of a procedure as part of an advance ruling in order to minimize tax risks. Prof. Guglielmo Maisto (Maisto e Associati/Milan/President of the International Fiscal Association) reported on “tax settlements” in Italy to avoid excessively long proceedings.

**Future of Pillar 2?**

After the first countries applied Pillar 2 last year, there was consensus at the conference about the considerable administrative, regulatory and political burdens of the global minimum tax. Prof. Dr. Pascal Hinny expressed dissatisfaction in Switzerland about low results and high consulting costs and suggested temporarily suspending the political regulations. Dr. Achim Pross (OECD/Paris) emphasized that the aim of Pillar 2 was not so much to generate high revenues, but to steer the behaviour of taxpayers. The low tax revenue from Pillar 2 is not a negative sign, but an indicator that the regulations are working effectively. Deirdre Donaghy (Department of Finance/Dublin) explained that Ireland, as a small country, saw a need to actively participate in international initiatives such as Pillar 2. In response to Prof. Dr. Heribert Anzinger's (University of Ulm) question about national perspectives on international tax policy and developments in the EU, Donaghy explained Ireland's sensitive position between its close ties to the EU and its significant economic ties to the USA. Katharina Blank (German Federal Ministry of Finance) reiterated Germany's clear support for Pillars 1 and 2, saying that in order to avoid a fragmentation of international tax policy, Germany is actively involved in the OECD and the UN and should act in unison with the EU.

**Conclusion of the international tax conference 2025**

Industry representatives such as Matthias Schubert (SAP SE) emphasized the growing burden on European companies due to increasing bureaucracy and compliance costs, the lack of tax incentives for research and development and the uncertainty surrounding the future of multilateral tax projects. Pross noted that competition between the UN and OECD is often overestimated, as it is ultimately the member states and not the organizations that make the decisions. Progress can only be made if the countries are prepared to act - tax policy remains a national responsibility. Prof. Dr. Dr. h.c. Wolfgang Schön (Max Planck Institute for Tax Law and Public Finance/Munich) pointed out that the Trump administration was fundamentally questioning multinational tax initiatives and instead relying on bilateral agreements without wanting to enter into negotiations with the EU. By focusing on the interests of the individual member states, the issue of fair tax law is currently taking a back seat, which leads to the question: For which issues are the member states and Europe actually prepared to risk everything in transatlantic negotiations?

# Effects of global changes and upcoming reforms in national tax policy

*Report by Isabel Japec*

The second and third days of the F.A.Z. Business Tax Conference were dedicated to the German national tax law.

### The current situation of the German economy

In his keynote speech, Prof. Dr. Michael Hüther (Institut der deutschen Wirtschaft, Cologne) spoke about the challenges and the current situation of the German economy, thus introducing the parliamentary roundtable that took place in the evening. He saw politicians as facing several challenges, in particular decarbonization, demographics and digitalization. A tightening across the board of indicators can be seen, which is leading to a dampening of the economy's growth potential. It is therefore all the more astonishing that, from a macroeconomic perspective, nothing more than “pretty crumbly stuff” has happened in the meantime in terms of tax policy, at least at a national level. Several measures are needed, such as a serious debate on the debt brake, the creation of targeted investment incentives and reforms to direct taxes, which could be financed by an increase in VAT.

### Tax policy agenda of the parliamentary groups

Hüther's presentation was followed by the parliamentary roundtable with financial policy spokespersons from the parliamentary parties. The dominant topic was the parties' tax policy agenda ahead of the general election. There was a consensus among the party representatives that Germany's competitiveness and economic growth must be restored. According to Georg Geberth (Siemens AG), a reduction in the tax burden on companies and a large-scale expansion of research funding are necessary. For a large company like Siemens, which spends billions in this area, the current research funding is “just a drop in the ocean”. Prof. Dr. Dr. h.c. Wolfgang Schön (Max Planck Institute for Tax Law and Public Finance/Munich) gave some ideas on the direction a corporate tax reform could take. He also pointed out potential reforms that would have less of an impact on the federal budget and, for example, reduce the high level of bureaucracy for companies.

Sascha Müller (Member of Parliament, Bündnis 90/Die Grünen) described the introduction of an investment premium as a central point of tax policy in the party program. Counter-financing would have to be found for this, which could be started with a reform of the debt brake.

Fritz Güntzler (MP, CDU/CSU) came to the conclusion that it was important to reduce the tax burden for companies through several measures, such as a reduction in the tax rate and the introduction of bonuses and depreciation, in order to strengthen Germany as a business location. Income tax for natural persons must also be reformed, as the top tax rate starts too early here. Counter-financing through wealth or other taxes on assets should be rejected.

Michael Schrodi (MdB, SPD) felt that the economic situation in Germany was not quite so bad, but recognized the urgency of reforms, particularly in the area of income tax. It was important that possible tax rate reductions in this area did not benefit those who did not need them.

Markus Herbrand (MP, FDP) called for a digitalization offensive, the abolition of the solidarity surcharge and a corporate tax reform.

**Structural tax policy challenges and possible tax reform models**

The last day of the event began with a keynote speech by Dr. Nils Weith (Federal Ministry of Finance). Weith outlined the multiple crises (corona, energy sector, cold progression) and the structural tax policy challenges that need to be overcome. He then discussed possible tax reform options in income and corporate taxation, the progress made and measures still required for a modern and, above all, digitalized tax administration and gave an outlook on international tax law.

**Other items on the program that affect the national tax world**

Other important topics relating to national tax policy were discussed in various panels on the last day of the conference. The topics of digitalization and reducing bureaucracy were of particular relevance.
In the “Tax and Digital, Artificial Intelligence and Compliance” panel, various companies provided insights into developments in this area and the possibilities of using artificial intelligence to reduce bureaucracy. At the same time, however, ever more intensive data collection processes are being used to satisfy the “financial authorities' hunger for data”, as Christian Malisius (Commerzbank AG) noted. Sarah Abraham (Brückner Group GmbH) pointed out that digitalization must be linked to the respective corporate strategies in order to develop suitable tools that simplify data processing and evaluation. André Hengst (EY Tax GmbH) concluded that data as a result of economic activities are the main focus of the present and future tax management.
In the General Tax Code and Criminal Tax Law panel, the criminal tax law component of the use of artificial intelligence was examined in more detail. Specifically, the question of how to deal with programming errors in AI applications that affect tax reporting obligations and whose non-compliance has consequences under criminal tax law was discussed.
The “Group CorporateTaxation” panel focused on group financing and conversions as well as consolidated tax groups, which, according to Dr. Matthias Scheifele (Hengeler Mueller), is the “hot topic” in tax practice. Specifically, the focus was on the profit transfer agreement as a prerequisite for the assumption of a tax group and the hard line in case law with regard to the requirements for this. Prof. Dr. Klaus-Dieter Drüen (University of Munich) referred to the historical understanding of the tax group as a protective provision for trade tax revenue. In the meantime, this understanding has changed fundamentally. The fiscal unity is now seen as a structuring option for companies. Matthias Schubert (SAP SE) pointed out that companies with sufficient capacity to review the structure of the profit transfer agreement had an advantage over those that could not do so. The refusal of a tax group due to an ineffective or inadequately executed profit transfer agreement is associated with considerable economic consequences.
The keynote speech by Prof. Dr. Roman Seer (University of Bochum) dealt with legal protection in tax matters in Germany. Seer outlined the historical changes in fiscal jurisdiction and the out-of-court appeal procedure. He criticized what he considered to be vague and uncertain grounds for appeal. He also problematized the Federal Constitutional Court's unpredictable rulings on legal consequences and drew a comparison with legal protection at European level, where taxpayers are “better off” than under their own constitution. Overall, not all that glitters is gold when it comes to legal protection in tax matters.

# Geopolitical challenges that should not be underestimated

*Report by Isabel Japec*

On the last day of the event, the tax policy discussion was rounded off with a keynote speech by the Hessian Minister of Finance, Prof. Dr. Ralph Alexander Lorz. In addition to national tax policy issues such as the competitiveness of the German economy, tax policy as a location and future policy and possible tax reforms, Lorz also focused on global minimum taxation, which is now a "pink elephant". Lorz suggested that the project should be reconsidered if it were to become a "purely European event". Europe should not die in beauty while the rest of the world laughs about it.

Lorz also appealed for more attention to be paid to the new administration in the USA under President Trump and to recognize that fundamental changes have taken place. On the one hand, for the first time there is a US president who is ignoring the long-term interests of his country and, on the other, it must be expected that the USA will use all political mechanisms to enforce its own economic interests - also by exploiting Europe's vulnerability since security policy can be used for blackmailing.

According to Lorz, the key means of countering this is cohesion in Europe, as "otherwise we would be divided and eaten up individually". We need to be vigilant, united and flexible in all areas, especially in the areas of taxation and financial policy.

# Abuse of rights in EU law

*Case law of the ECJ in VAT law*
*Report by Barbara Sarrazin*

Right on time for the academic hour at 8:15 a.m., as a prelude to the second day of the conference, the judge at the European Court of Justice, Prof. Dr. Siniša Rodin, spoke on the concept of “abuse of law” in European Union law. The focus was on the general principles of legal interpretation and abuse of rights, its significance in EU law and its specific application in the case law of the ECJ in VAT cases.
The starting point for his considerations was the well-known work of the jurist Rudolf von Jhering on purpose in law. Rodin deduced from this that the abuse of rights consists of exercising rights in a way that contradicts their actual purpose. In contrast to fraud, which aims to misrepresent facts, abuse of rights means a distortion of the law itself. Two central challenges would arise for the practitioner of the law. On the one hand, the often difficult and controversial determination of when conduct contradicts the “meaning and purpose” of a provision. On the other hand, a decision that deviates from the strict wording conflicts with the fundamental principles of the protection of legitimate expectations and legal certainty. A particular difficulty in connection with EU law is also the tension between national law and the primarily applicable European law. Based on the ECJ decisions Italmoda (2014) and UP CAFFEE d.o.o. (2024), Rodin explained how the principle of the prohibition of abuse of rights in VAT law has developed into a generally recognized legal principle in European law.
A subsequent panel discussion focused, among other things, on the questions of purpose-oriented interpretation and the limits of competence in European Union law. Prof. Dr. Guglielmo Maisto (Maisto e Associati/Milan/President International Fiscal Association) discussed whether and to what extent the taxpayer's subjective side of the abuse is important. Prof. Dr. Johanna Hey (University of Cologne) recalled the varying degrees of harmonization and expressed doubts about the possibility of transferring the general principles of interpretation developed by the ECJ for Union law to the non-harmonized direct taxes of the Member States. She also emphasized that a more purpose-oriented interpretation of tax regulations is only possible if a clear purpose can be identified.

# Tax developments in France

*Report by Annabelle Bailleul-Mirabaud*

France had fully implemented the Pillar Two GloBE rules in its Finance bill for 2024 i.e. the IIR, applicable to tax years opened as from 31 December 2023 and the UTPR, applicable to tax years opened as from 31 December 2024. In addition, France introduced a domestic top up tax which is regarded as “qualified” by the OECD. The recently enacted French Finance bill for 2025 retroactively amends those rules to integrate the Administrative Guidance published by the OECD until the end of 2023; it also amends some aspects of the French QDMTT e.g. a “polluter pays principle” is introduced to split the corresponding liability between the various French entities concerned and the ultimate parent entity accounting standards must in principle be used for the computation.

As any country having implemented the UTPR, France could be subject to retaliatory measures from the United States following a White House order of 20 January 2025. Where France would contemplate cancelling its UTPR to potentially avoid retaliation, it could only do so if the corresponding EU Directive is amended, which would require the unanimity of the EU Member States. For now, those States maintain their international commitments notably regarding the application of the UTPR. The global uncertainty arising from this order regarding the effective application of the UTPR and its potential adverse consequences are thus also affecting French stakeholders. In addition, France may also be targeted by potential US retaliatory measures due to its 3% DST (Digital Service Tax) applicable since 1st January 2019, which increases the current uncertainty.

On the purely domestic side, large groups are to be subject to increased taxes: an exceptional surtax on corporate income tax applies in 2025, with an effective tax rate rising from 25.83% to approx. 31% for companies with a turnover between 1 billion and 3 billion euros and to approx. 36% in case of turnover above 3 billion euros; an 8% tax on shares buy-backs is introduced. In addition, the cancellation of the contribution on added value is deferred to 2030. Fortunately, favourable regimes such as the French IP box regime (reduced 10% corporate income tax rate on profits derived from patents and software) as well as the research tax credit are maintained.

# Tax settlements, outcomes of tax disputes and timeframes

*Report by Prof. Guglielmo Maisto and Aurelio Massimiano*

## 1. Tax Settlements and litigations

An analysis published by the Italian Ministry of Economy and Finance reveals that, of the €13,5 billion assessed during 2023 in direct taxes and VAT, €4 billion was subject to a tax settlement procedure. This procedure resulted in the determination of tax payments amounting to €2 billion (a 44% reduction of the original claim).
Regarding the tax litigation outcomes, the Italian Revenue Agency had a 48.7% success rate in First-Tier Tax Courts, while the Taxpayer won 21% of the cases. In Second-Tier Tax Courts the success rate was 44.6% for the Revenue Agency and 26.7% for the Taxpayer. At the Supreme Court level, the success rate was 38.5% for the Revenue Agency and 29.6% for the Taxpayer. In all the above statistics, the remaining percentage refers to other cases, such as tax settlements, etc.
With reference to the timeframe, the entire litigation process can extend up to 9 to 10 years.

## 2. International dispute prevention (APAs) and resolution mechanisms (MAPs)

The Italian tax administration's commitment to increase tax certainty trough international dispute mechanisms is evidenced by its decision to increase the number of officers dedicated to APAs and MAPs, a strategy that yielded immediate results. In 2021 and 2024, Italy was awarded by the OECD in recognition of its performance in resolving transfer pricing cases through MAPs. Regarding the progress made in the area of APAs, the latest statistics published by the OECD and the EU Commission demonstrate a consistent increase in the number of APAs in force. Similarly, the 2023 statistics on MAPs initiated under double tax treaties show 405 closed cases, with a final caseload of 874. The average time to close a MAP is 30 months (in line with the other EU MS). Under the EU AC, Italy was able to close 151 cases (against a started inventory of 479 cases and 108 new cases started during the year). However, the average time to conclude a MAP exceeds that of the other EU MS.

# What does a tax manager of a German multinational group need to know about Spanish tax?

*Report by Andreas Trost*

The Corporate Income Tax (CIT) rate in Spain is 25%. Offsetting tax losses is limited, e.g., companies with a turnover over EUR 60 million can offset only 25% of the tax base.
Spain has a complex CIT prepayment system with three payments in April, October, and December, that is based on the current year's P&L for large companies. This can cause temporary double taxation as exemptions only apply in the final tax return filed in July of the following year. Accurate cash tax planning is crucial.
The Commercial Code rules partnerships similar to German Kommanditgesellschaften or Offene Handelsgesellschaften, but they are subject to CIT and rarely used.
Spanish tax groups can exist without a Gewinnabführungsvertrag, and a non-Spanish entity can head a Spanish tax group.
Transfer pricing in Spain follows international principles, but documentation requirements apply also to domestic transactions. Companies must maintain detailed records of their transfer pricing policies. Non-compliance can result in significant fines.
Trade tax is a local tax based on fixed parameters and usually does not result in significant amounts.
For VAT, all entries must be uploaded electronically to the tax authorities within few days of the relevant invoice being issued. A tax group is also feasible for VAT in Spain, with three levels of integration differing in complexity. Usually, the least complicated level is used.
In Spain, a criminal offense in tax matters requires the will to fraudulently underpay and that the unpaid tax amounts to at least EUR 120,000 per tax and tax year.

**Practical aspects include:**
Tax filings are done online through self-assessment using the tax authority's website. Spain has strict filing deadlines with immediate surcharges for late filing. No extensions are available.
Taxpayers do not have a designated contact person at the tax authorities, which can make it challenging to get specific questions answered.
After filing, there is no assessment unless a tax audit occurs. Appealing assessments from tax audits requires paying upfront or guaranteeing the tax claimed, which may sometimes encourage settlements.

# Roadmap for corporate taxes in the United Kingdom

*Report by Philip Baker*

At the time of the presentation of the budget on 30 October 2024 the UK Government published a Corporate Tax Roadmap for policy on corporate taxation for the duration of the current Parliament (up to 2029, if Parliament runs its full term). A major emphasis is stability and predictability of the corporate tax system. Government policy is focused on achieving sustained economic growth, and certainty for business is an important aspect of encouraging investment. The Roadmap states: “The Government’s aim is to make the UK the most attractive major economy in which to invest and do business”.

The Roadmap commits to cap the headline rate of corporation tax at 25%. It also commits to maintain full expensing for qualifying plant and machinery (i.e. full deduction of cost in the year it is incurred). The UK has attractive reliefs for research and development including a repayable credit; there is a commitment to maintain those. The Patent Box regime will be maintained. The UK has become an attractive regime for headquarter companies, with a participation exemption for virtually all incoming dividends and realised gains, and no withholding tax on outbound dividends; there is a commitment to maintain this regime.

On international tax policy, the commitment is to maintain the “largely territorial” system. Most incoming dividends are exempt, and the profits of overseas permanent establishments are exempt on an elective basis. The UK has now implemented Pillar 2, with the UTPR in place for accounting periods beginning on or after 31 December 2024. So far as Pillar 1 is concerned, the UK began collecting a Digital Service Tax several years ago and remains committed to removing that tax when a multilateral solution is adopted.

The Roadmap also lists a number of consultations which are expected this spring, probably in March. These include transfer pricing changes (including abolition of UK-to-UK transfer pricing, taxation of permanent establishments, and merger of the Diverted Profits Tax into corporation tax). Also a proposed consultation on lowering the threshold for transfer pricing exemption, and one on cost contribution agreements. As an important element of certainty, a consultation is promised on a process to give advanced certainty to the taxation of major projects.

Overall, the Roadmap is designed to provide certainty, stability and predictability to those investing in the UK.

# Tax developments or special tax offerings in Hungary (2025)

*Report by Ákos Baráti*

Hungary offers one of Europe's most competitive tax environments with several incentives designed to attract foreign investment and support business growth.

**Corporate Income Tax Rate**
Hungary maintains a flat corporate income tax rate of 9% (lowest within the OECD).

**Holding and IP box regime**
For many decades now, Hungary does not impose withholding tax on dividends, interest, or royalties paid to foreign corporate entities based on domestic law. Additionally, dividend income is tax exempt, while capital gains on the sale of participations could also be easily exempted (subject to timely reporting and a 1-year holding period, but without minimum participation rules). Hungary has a highly favorable IP box regime for software and IP developed locally: tax exempt sale after a 1-year holding period, only 4.5% tax on licensing income.

**Tax incentives**
The most popular tax incentive is the development tax relief, which allows companies to reduce their payable CIT over multiple years with certain percentage of the eligible costs of a new investment.
Due to the introduction of the Pillar 2 rules, the relief became an unfavorable option for those who fall under Pillar 2. As a response, while the prior scheme is kept, a new system was also introduced. Past investments benefit from deferred tax claims without time limits. For new investments, the government introduced result-based subsidy outside the tax system, ensuring continued support while aligning with global minimum tax rules.

**New R&D tax incentive**
With the introduction of the global minimum tax, traditional tax incentives for MNEs subject to the GloBE regulation lost their effectiveness, therefore, Hungary has introduced a new R&D tax incentive.
The new incentive is classified as a subsidy rather than a tax incentive. Instead of reducing tax liability, it increases the income base for calculating the minimum tax, resulting in a smaller decrease in the effective tax rate. The new incentive amounts to 10% of eligible R&D costs and can be refunded over the year of incurring the costs and the following three tax years. Prior R&D tax incentives remain available.

# Why is Estonian employee share option tax regime in top in Europe?

*Report by Dr. Kaido Künnapas*

Estonia with its small economy and cold climate may not be the first region that comes into one's mind when choosing where to invest. However, our corporate income tax system is still top ranked in Europe, and the share option tax regimes in Estonia, Latvia and Lithuania are seen as the best ones in the Europe as per Index Ventures. Why so? And what Germany could borrow from us?

**Share options is a popular way how to remunerate work**

Share options are very popular among Estonian IT sector and startup community, but are also offered to the top level management of the companies with in more traditional business. It is common that with the birth of a new unicorn company, there are news about employees getting millionaires. This all works through share option schemes.

By its nature, a share option is a right that the employer grants to the employee with the content to purchase a share in the employer or employer's group company at some point of time in the future. Usually, the purchase price is a discounted price, but in Estonia it is quite often zero or a nominal value. There is usually a 3-year or 4-year waiting period before actual shares are delivered, which then can be sold. Employee shares can be non-voting shares, which makes it easier for the corporate governance purposes.

**Taxation applies usually only upon the exit of the employee**

Taxation of share options is attractive in Estonia because of almost no accompanying formalities, taxation upon exit of the employees and the flexibility and stability of the tax rules.

The grant of share options to employees is always exempt from any taxes. It is different from German system, where dry tax might hit already upon grant. Provided there is at least 3-year waiting period between the grant and exercise of the option, the exercise is exempt from any taxes. Only upon the sale of the share, employee must pay 22% personal income tax on the gains earned. However, it might be that the profits from the sale are not taxes in Estonia after all. Namely, the employee can move outside of Estonia without any exit tax becoming applicable.

# Tax developments in Poland

*Report by Sławomir Łuczak*

With the beginning of 2025, the professional tax discourse in Poland is centered on several significant changes which have been introduced into the Polish tax system. Entry into force of a law implementing the provisions of Directive 2022/2523 introducing the global minimum tax (Pillar 2) and amendments to the Local Taxes and Fees Act to clarify the definition the difference between “a building” and “a structure” for the purposes of calculating property tax, seem to have had the most impact. Taxpayers are currently analysing the situation in terms of how they will be affected by the new regulations.

As of January 1, 2025, a new law concerning small and medium-sized enterprises (SMEs) has come into force. The aim of the SME scheme, which is the implementation of Directive 2020/285, is to eliminate the disproportionate VAT burden imposed on subject-exempt taxpayers in cross-border transactions between EU member states. Generally, under the new regulations, certain categories of foreign entrepreneurs will be able to obtain VAT exemption without having to register for VAT purposes in Poland.

The current year has seen no change in the provisions that allow entrepreneurs to take advantage of the numerous tax relief schemes particularly focused on supporting innovation activities. Especially noteworthy are the research and development activities relief and the “IP Box” relief minimizing tax burden in the IT industry. In addition to these, Polish tax law also includes the innovative employees relief, the prototyping relief, the robotization relief and the expansion relief (which allows costs associated with promoting a new product to be deducted from the tax base).

Entities included in capital groups will have to analyze their situation in the near future in terms of the aforementioned minimum tax (Pillar 2). In this context, it should be borne in mind that there is still an ongoing doctrinal discussion about the effects of Pillar 2 regulations in the context of applicable tax reliefs and activities within special economic zones. According to assurances from the Ministry of Finance, the issue is expected to be resolved in the near future, but no details have yet been released.

# Romania’s Evolving Tax Landscape: Recent Developments and Innovation Incentives

*Report by Iulia Dragomir*

Romania’s tax policy has been shaped by recent geopolitical challenges and the need for fiscal stability. The government has adopted a fiscally conservative approach to stabilize the national budget in the short term while continuing to prioritize tax incentives that encourage innovation and long-term growth. Key measures have been announced for the R&D sector in the upcoming years, such as increase of the deduction of R&D expenses from corporate tax up to 200% and offering tax credits for R&D investments up to 30% of eligible expenses.

In 2025 Romania introduced important changes in capital taxation and labour tax policies. Notable changes in capital taxation include an increase in the dividend tax rate to 10% and a reduction in the eligibility threshold for the micro-enterprise tax regime. This will compel micro-enterprises previously subject to 1% or 3% tax on turnover to shift to the standard corporate tax regime. Romania’s 16% corporate income tax rate remains nevertheless competitive compared to the EU average of 21%.

With the transposition of the EU’s Pillar Two Directive into local legislation and the introduction of additional turnover taxes in 2024, companies with high turnovers face increased tax burdens. However, tax exemptions for reinvested profits in technological equipment and R&D incentives remain strong, including a 50% additional deduction for eligible R&D expenses and accelerated depreciation on machinery used in R&D.

In labour taxation, Romania has removed tax incentives for employees in the IT, agriculture, construction, and food sectors, while increasing the minimum wage. The personal income tax rate remains at 10%, despite discussions on implementing progressive taxation. R&D employees continue to benefit from full personal income tax exemption, and stock option incentives remain tax appealing.

In conclusion, Romania’s tax policy, while focused on budgetary stability, continues to offer significant incentives for innovation and economic growth. As these reforms unfold, businesses and investors alike will need to stay informed and agile to maximize the opportunities these tax measures present.

# Attractive tax conditions in Austria

*Report by Dr. Christian Wimpissinger*

Even - or especially - in light of the developments in international tax law in recent years, Austria remains interesting for internationally active groups and investors in terms of tax law. This is mainly due to the high number of double taxation agreements that Austria has concluded and the fact that both the authorities and the courts work quickly compared to other countries; this brings planning security (keyword: binding information) and trust. Of particular importance in the cross-border area is the fact that there is no withholding tax on interest (except for capital market products), and also none on dividends for significant shareholdings within the EU and in some other countries such as Switzerland, Norway or the UK, which are treated as EU member states in this respect. Capital gains on investments in foreign corporations are generally 100% exempt in Austria; conversely, Austria generally does not tax capital gains on investments in Austrian companies from abroad. These regulations on withholding taxes and capital gains have not changed in recent years and no changes are planned.

EU directives, such as those on global minimum taxation or anti-BEPS measures (Anti Tax Avoidance Directive), have also been implemented in Austria, albeit with some national specialties, such as an exemption threshold of € 3 million for the interest barrier and not - as in Germany - an exemption limit in this amount; if interest therefore exceeds this threshold, the amount below it remains fully deductible.

The levy on online advertising is currently the subject of heated debate in Austria, as it is being targeted by the USA as a digital tax, as is the UTPR regulation of the Minimum Taxation Directive. With regard to the latter, the EU needs to take action in order to implement possible adjustments, whereby postponing applicability is considered to make the most sense.

In the area of taxation of private individuals, the focus is often on the fact that Austria has no wealth tax and does not levy inheritance tax. In addition, there is a regulation which stipulates that persons with a vacation home are not therefore subject to unlimited tax liability in Austria. The abolition of inheritance tax was not an explicit decision by the legislator; rather, the tax( was overturned by the Constitutional Court in 2008 and has not been repaired since.

# Ireland enhances its inward investment tax measures through introducing a dividend participation exemption

*Report by James Somerville*

More than 1,200 multinational companies have chosen Ireland as their platform for international expansion, including some of the world's largest companies from sectors such as technology, life sciences, financial services and fintech, internet, engineering and business services.

Key attractions for foreign investors include the positive attitude of the Irish Government towards promoting foreign direct investment, Ireland's committed membership of the EU, its highly skilled and English-speaking workforce, its common law legal system, and the general ease of doing business in Ireland.

In addition, the Irish regime with its low rate of corporation tax, and various other incentives has been a contributory factor in this success. Corporation tax is charged at 12.5% on profits of a corporate trade carried on at least partly in Ireland, while non-trading income is taxed at 25% and gains are generally taxed at 33%.

Ireland as an EU member state has implemented all relevant EU tax directives, including the OECD Pillar Two minimum tax provisions. From 31 December 2023, a 15% minimum effective corporation tax rate applies to large corporate groups and standalone entities with a turnover of €750m or more, with a qualifying domestic top up tax in force.

To complement the 12.5% rate, Ireland has recently enhanced its tax legislation making Ireland a more attractive location for the establishment of holding companies. With effect from 1 January 2025, Ireland has added to its existing capital gains tax participation exemption by introducing a dividend participation exemption, which applies to dividends received from companies in EEA or double tax treaty countries. While there is a dividend withholding tax regime in place, there are broad exemptions available in respect of this.

Ireland's Minister for Finance stated that *"the introduction of a participation exemption for foreign dividends reflects Ireland's commitment to ensuring that our corporation tax code is competitive and attractive to business investment and aligns with international best practice."*

# Dutch improvements to the interest barrier, new classification rules for limited partnerships, continuation of the expat regime and developments in Box 3

*Report by Mr. Drs. Joost van Helvoirt*

Two changes regarding the earnings stripping rule were made for 2025. The proposal to eliminate the EUR 1 million threshold in the earnings stripping rule for real estate investment companies was withdrawn. This means that the EUR 1 million franchise will still be applicable for all taxpayers, including real estate investment companies. Furthermore, the fiscal EBITDA cap has been increased from 20% to 24.5%, leading to more deductible interest. Together with the 100% participation exemption, no addback of interest charges and a flexible fiscal unity regime, the Netherlands remain attractive for as holding jurisdiction for German multinationals.

The Dutch government implemented new tax classification rules, creating more clarity. No changes are implemented for legal entities. Dutch limited partnership (CVs) and foreign limited partnerships will be classified as transparent for Dutch tax purposes as from 2025, unless such limited partnership should be considered a “Fonds für gemeinsame Rechnung” (**FGR**) If so, they are only transparent under strict conditions. Therefore, in particular Dutch limited partnership (CVs) and foreign limited partnerships that act as an ‘investment fund’ may be impacted. Consequently, the tax treatment of a German KG could be affected, necessitating a review of existing structures.

The Dutch wage / income tax benefit for extraterritorial costs will remain in place. Foreign employees may be eligible for a tax-free cost compensation of 27%. The partial foreign taxpayer status (tax holiday) has been abolished per 1 January 2025. This entails that expats can no longer opt out for taxation on their investment income.

Finally, the Dutch Supreme Court ruled that Dutch income tax rules on investment income (so-called Box 3), which are based on deemed income on the fair market value of assets/liabilities, violate the right to property. Taxpayers should be able to provide counter evidence based on actual returns if these are lower than the deemed returns.

# Current developments in Swiss tax law 2025

*Report by Prof. Dr. Pascal Hinny*

**Corporate taxation**

The average effective profit tax rate (federal, cantonal and municipal) will be 14.3% in 2025; with the lowest burdens at around 11-12% (Central Switzerland) and the highest in Bern (22%) and Zurich (19.6%). Lower tax burdens are made possible by the patent box, the R&D special deduction and step-up depreciation in the event of relocation or function relocation; all subject to the OECD minimum tax. The regular VAT rate is 8.1%.

With low tax rates, a dense DTA network, high legal certainty and efficient access to the (tax) authorities (keyword: tax ruling), Switzerland is a world-leading international holding location. Holding, managing and exploiting, as well as developing, intellectual property rights in Switzerland is also attractive and popular from a tax perspective. Suitable structures allow - within the framework of the assets invested in a Swiss holding company - later tax-free distributions to investors, even without treaty protection. Due to legal concerns, Switzerland has not introduced the so-called Undertaxed Profits Rule (UTPR) for the minimum tax. This should also reduce friction with foreign states, such as the USA. The "unintentionally" collected OECD minimum tax is used to improve the company's location.

**Natural persons**

The average top tax burden for natural persons (income from approx. EUR 250,000 - 350,000) is stable at 33.3%. The lowest burdens apply at 20 - 23% in central Switzerland and the highest (40 - 46%) in particular in the large cities and western Switzerland; however, all earned income is subject to "uncapped" social security contributions of around 10.5% (half to be borne by the employer and half by the employee). Capital gains

from the sale of (movable) private assets, such as securities, are generally tax-free.

In return, an annual wealth tax of 0.1% - 1% is levied, depending on the canton.

People with non-Swiss nationality who do not work in Switzerland may be subject to lower taxes (so-called expense taxation). This type of taxation is currently very popular, particularly due to uncertainties and tax increases in other countries