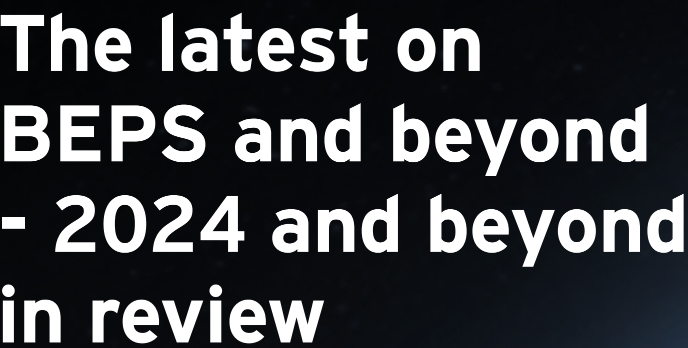


The latest on BEPS and beyond - 2024 and beyond in review

A review of key OECD, EU and other developments in 2024 and a preview of 2025

EY

Shape the future with confidence

Prephase

This new edition of the annual publication in EY's Latest on BEPS and Beyond series will provide you with an overview of the key international tax policy developments resulting from actions by the OECD, EU, UN and other international organizations. While it primarily focuses on the events of 2024, it also includes insights into what to expect in 2025. This is particularly relevant as 2024 was marked as the "global elections supercycle", a historic year for electoral democracy. Voters in more than 60 countries went to the polls, representing around half of the world's population.

As these elections in many cases led to changes in the political orientation of governments, the election results may lead to directional changes in policies, including tax policies. We begin with perspectives on the overall policy implications of the 2024 elections from. After this, we dive into the overview of the 2024 international tax developments. We conclude with an outlook on international tax policy developments for 2025. We trust this publication will be useful in helping you shape your tax function with confidence in 2025 and beyond.

Content

Introduction **5**

The geopolitical environment and its implications for international tax policies **6**

Pillar Two: Where are we now? **8**

- Introduction 8
- Overview of OECD-level developments 8
  - Signing ceremony for the STTR MLI 8
  - Revised GIR, XML schema and MCAA 8
  - Additional Administrative Guidance 9
  - Pillar Two qualified status 9
  - Consolidated Commentary to the GloBE Model Rules. 9
- Regional implementation overview 11
  - Americas activity 11
  - EMEIA activity 12
  - Asia Pacific activity 16
  - Emerging trends in 2024 17
- 2025 Outlook 17

Pillar One: Amount A and Amount B developments **18**

- Amount A 18
- Amount B 18
- 2025 Outlook 20

The European Union in transition **22**

- Introduction 22
- Pre-existing EU tax initiatives 22
  - Assessing the effectiveness of EU Directives 22
  - Developments in key direct tax files 23
  - Tax transparency 27
  - EU and Member States budgets: Tax policy impact 32
- Leadership transition and focus on regaining competitiveness 33
  - Elections and leadership changes 33
  - Focus on Improving the EU's Competitiveness 33
- What's next in 2025 38

United Nations tax developments **40**

- Introduction 40
- Framework Convention on International Tax Cooperation 40
- UN Committee of Experts on International Cooperation in Tax Matters 41
- Looking ahead 42

Other tax organizations **44**

Looking ahead and beyond **45**

Introduction

As geopolitical developments have been driving the direction of international tax policies since the COVID-19 crisis, and this trend intensified after 2022, our 2024 Annual BEPS and Beyond publication opens with a geopolitical perspective. For two of the biggest economic blocs, the European Union (EU) and the United States (US), elections in 2024 marked the end of a political leadership cycle and the start of the new one. In the EU, this took the shape of the newly appointed European Commission presenting and rolling out its agenda. In the US, President Trump and his Administration took office on 20 January 2025. For 2024 this meant that all eyes were on the elections, while at the same time the outgoing political leaders continued with the execution of their agendas.

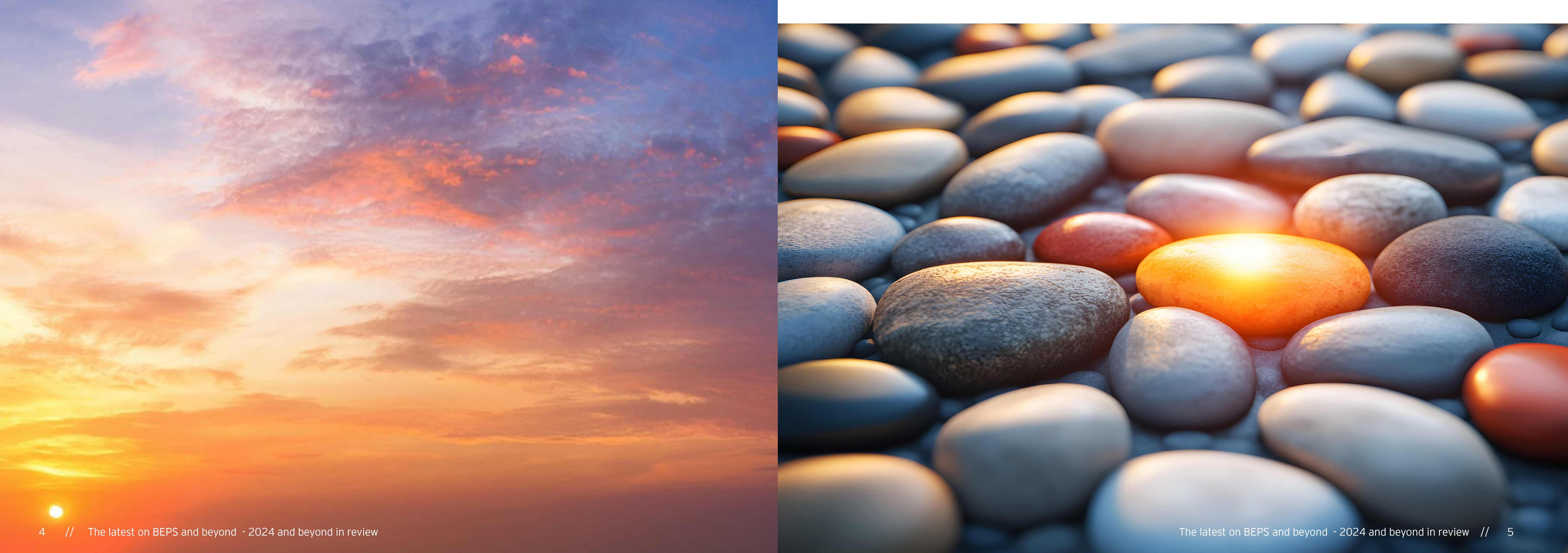
On international tax policy, the Global Minimum Tax, or Pillar Two, entered into effect as of 1 January 2024, be it partially as the Undertaxed Profits Rule (UTPR) only entered into effect in 2025. This publication provides an overview of adoption by jurisdictions per region, the additional guidance on Pillar Two agreed by the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on BEPS (Inclusive Framework) and the signing ceremony for the Subject to Tax Rule Multilateral Instrument. The status of the Inclusive Framework discussions on Pillar One Amounts A and B and the ongoing OECD work on tax reporting are also discussed.

Regarding the EU, this publication looks at the leadership changes in the European Commission and European Parliament in 2024, the priorities of the new European Commission and the progress made on existing tax initiatives, such as for example Unshell (Directive to prevent the misuse of shell entities for tax purposes), BEFIT (Directive on Business in Europe: Framework for Income Taxation) and FASTER (Directive on Faster and Safer Relief of Excess Withholding Taxes).

In relation to the United Nations (UN), the focus of this publication is on the negotiations on the Framework Convention, which is intended to provide a basis for the UN to develop multilateral legal instruments on tax. The ongoing work of the Committee of Experts on tax topics such as cross-border services is also discussed.

This publication also addresses the tax work of other regional organizations, as the influence of these organizations appears to be growing due to the current geopolitical climate feeding the appetite for regionally diverging policies.

This publication concludes with an outlook for 2025.



The geopolitical environment and its implications for international tax policies

The past year has been characterized by political and policy uncertainty, in large part due to the "global elections supercycle", a historic year for electoral democracy. In many countries around the world, voters gravitated away from incumbent or establishment candidates. Looking ahead, three core themes will likely characterize the world in 2025.

First, there will be a significant transition from political leaders focusing on winning elections to focusing on governing. This transition means that policies and regulations will change in many markets around the world, dramatically so in some cases. While business leaders may welcome the reduction in the inherent political uncertainty associated with elections, they will nevertheless need to focus on new policies and regulations that are proposed and implemented.

Second, many policymakers are likely to double-down on policies designed to ensure their economic competitiveness and sovereignty. Following the de-risking trend in 2024, governments will continue to expand trade protectionism and industrial policies to promote economic sovereignty. These policies will in most cases be targeted at products and sectors that governments see as critical to national security and future international competitiveness, such as digital and climate technologies.

Third, geopolitical rivalries will persist: The multipolar world will continue to complicate the global economic environment, including creating competing standards and systems for cross-border business activities, affecting the trajectory of globalization in 2025 and beyond. As geopolitical rivalries shape countries' foreign policies, heightened volatility and tensions in diplomatic and economic relations could also trigger new cross-border conflicts in 2025.

This geopolitical context will be influenced by other disruptive forces that are shaping the global operating environment, such as the generative artificial intelligence (AI) revolution and a rapidly ageing workforce. Newly elected governments will likely struggle to tackle these challenges as high debt levels impose fiscal constraints, which may create opportunities for the private sector to play a role in addressing societal priorities.

What specific actions can organizations take in navigating the geopolitical future with confidence in 2025?

Each of the above themes will affect organizations in unique ways and will therefore necessitate specific geostrategic actions to capitalize on the opportunities they present while also mitigating the risks they pose. EY's **Geostrategic Business Group** identified three geostrategic actions that executives should take to develop a more strategic approach to managing geopolitical developments in the year ahead.

- **Conduct political risk diligence for suppliers, market entry and transactions.** As economic security policies and diversification trends continue, it is increasingly important for executives to weave political risk assessments into their decision-making processes regarding changes in their operations and strategy.
- **Use strategic foresight to build resilience to future uncertainty.** Geopolitical rivalries are creating a volatile and uncertain outlook for the global operating environment. Strategic foresight methodologies such as scenario analysis enables executives to systematically manage future uncertainty to have more confidence in their strategic decisions.
- **Engage with stakeholders to safeguard and shape strategy.** In the **new era of selective globalization** – in which there are diverging paths for geopolitics, economic policies and company strategies across different sectors – the political dimension of strategy will continue to rise in importance. Engaging with stakeholders – including policymakers, regulators, civil society groups, employees, investors and customers – enables executives to plan and adjust strategy to incorporate these responsibilities and risks.

Implications for the international tax environment

The shift to a multipolar world, in combination with politicians coming to power with views that diverge from the traditional policy positions taken by their predecessors, will have important international tax policy implications. Pressure to increase spending to meet election promises together with the need to control or mitigate government debt will create a tension between spending and collection by governments. This provides opportunities for businesses that are on the spending end and risks for economic actors that are seen as sources of additional tax revenue. Also, these changes in the political and tax landscape could have relevant implications for supply chains and business models, which could trigger restructurings that will require careful tax analyses. The economic actors in the collection category may include high-performing businesses (windfall taxes), businesses providing goods or services that are deemed undesirable or underpriced (digital and behavioral taxes, and tariffs) and high-net-worth individuals. Also, the multipolar world may lead to international tax policies shifting away from global agreement to a more fragmented landscape where multiple organizations, including the OECD and the UN, will be developing diverging policy advice, which will become effective through bilateral negotiations or regional adoption. Hence, it is crucially important for businesses to monitor the policy environment, model the impact of tax proposals and consider engaging with policy makers when relevant regulatory risks or opportunities are identified. We hope this publication will provide you with a good starting point in shaping your future plans.

Pillar Two: Where are we now?

Introduction

The year 2024 marks a pivotal moment in the global tax landscape with the formal entry into effect of Pillar Two rules in multiple jurisdictions. However, the implementation is ongoing, as key components of the Global Anti-Base Erosion (GloBE) Rules, such as the UTPR, are just now coming into force. Moreover, the UTPR will not be fully applicable in 2025, due to the UTPR Safe Harbour.

The implementation of Pillar Two has been fragmented. While several countries, primarily EU Member States, have enacted the full GloBE Model Rules, others have taken a different approach, introducing only the Qualified Domestic Minimum Top-up Tax (QDMTT) to retain tax revenues. Meanwhile, some jurisdictions have selectively implemented aspects of Pillar Two in ways that align with their broader fiscal strategies. Major economies such as the US and China have yet to adopt the GloBE Model Rules. Other economies such as Mexico or India have remained silent on their intention to implement Pillar Two.

In response to the challenges associated with the implementation of Pillar Two, jurisdictions have continued refining their approaches. Many have incorporated the agreed Administrative Guidance into domestic law, demonstrating a commitment to Pillar Two as they navigate practical and political hurdles. At the same time, governments have begun reassessing their tax incentive regimes, with a growing focus on structuring investment-friendly policies that align with Pillar Two.

As a result, the global implementation of Pillar Two remains a work in progress, shaped by a mix of commitment, strategic adaptation, and ongoing debate over its long-term implications.

Overview of OECD-level developments

Activity in the OECD's efforts to advance the Pillar Two framework under the Base Erosion and Profit Shifting (BEPS) 2.0 initiative is continuing, reflecting the OECD's ongoing role in shaping the evolving global tax landscape.

During 2024 and early 2025, the OECD has introduced key updates and guidance to facilitate the consistent application of the GloBE Model Rules. Among these developments, the OECD released a Consolidated Commentary on the GloBE Model Rules, incorporating previous rounds of Administrative Guidance into a comprehensive document. Additionally, the OECD published the updated GloBE Information Return (GIR) and GIR XML Schema, refining reporting requirements and providing jurisdictions with structured tools to collect and exchange data. To support the consistent application of Pillar Two, the OECD also launched a peer review process, which allows jurisdictions to self-assess their transitional qualified status.

Signing ceremony for the STTR MLI

In September 2024, the OECD held a signing ceremony for the Multilateral Convention to Facilitate the Implementation of the Pillar Two Subject to Tax Rule (STTR MLI), aimed at ensuring a minimum level of taxation on specified intragroup payments taxed below 9% in the payee's jurisdiction (see **EY Global Tax Alert**). **Fifty-seven** members of the Inclusive Framework participated in the ceremony, with nine jurisdictions: Barbados, Belize, Benin, Cabo Verde, Democratic Republic of Congo, Indonesia, Romania, San Marino, and Turkiye signing the STTR MLI.

In addition, 10 jurisdictions have expressed their intent to sign the STTR MLI as soon as their internal processes are finalized: Belgium, Bulgaria, Costa Rica, Mongolia, Portugal, Senegal, Seychelles, Thailand, Ukraine and Uzbekistan.

The STTR MLI will enter into force on the first day of the month following the expiration of a period of three calendar months beginning on the date of deposit of the second instrument of ratification, acceptance or approval. As of the end of 2024, none of the jurisdictions that have signed the STTR MLI had yet deposited their instruments of ratification with the OECD as Depositary.

Revised GIR, XML schema and MCAA

In January 2025, the OECD released an **updated version** of the GIR and **accompanying guidance**. The revisions address cases where no jurisdictions have taxing rights under the GloBE Model Rules and provide detailed instructions on completing specific sections of the return. A new annex provides a notification template that jurisdictions can use to request confirmation from multinational enterprise (MNE) Groups regarding their receipt of the GIR through an exchange of information relationship (see **EY Global Tax Alert**).

On the same date as the release of the updated version of the GIR, the OECD released the **GIR Multilateral Competent Authority Agreement** (GIR MCAA) and related Commentary. The GIR MCAA establishes the framework for the automatic exchange of GIR data under the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. To support its implementation, the GIR MCAA is accompanied by detailed commentary that explains its provisions and application.

With the release of the GIR MCAA, the next step is for jurisdictions to sign the agreement. Once a signing ceremony takes place, the OECD Secretariat will maintain a list on its website of the jurisdictions that have signed the GIR MCAA and the active exchange relationships between them.

Furthermore, in July 2024, the OECD released a **public consultation** on a draft version of the GIR XML schema and the GIR User Guide. The GIR User Guide is organized into sections, each providing information on the schema's data elements and their attributes.

The GIR XML Schema is instrumental to the exchange of information reported under the GIR and jurisdictions can adopt the schema for domestic purposes to gather necessary information from their Filing Constituent Entities.

Following the public consultation, in January 2025, the OECD released the **GIR XML schema** and User Guide.

Additional Administrative Guidance

In June 2024, the Inclusive Framework released a **fourth tranche** of Administrative Guidance on the GloBE Model Rules. The June guidance provided further information on several technical aspects of the GloBE Model Rules, including the recapture of Deferred Tax Liabilities (DTL), differences between GloBE and accounting carrying values, allocation of cross-border current and deferred taxes, allocation of profits and taxes for Flow-through Entities, and the treatment of securitization vehicles (see **EY Global Tax Alert**).

In January 2025, the Inclusive Framework released additional **Administrative Guidance** addressing the treatment of certain deferred tax assets (DTAs) that arose before the introduction of Pillar Two. This guidance provides clarity on how these DTAs interact with the GloBE Model Rules and the transitional Country-by-Country Reporting (CbCR) Safe Harbour (see **EY Global Tax Alert**).

Pillar Two qualified status

In June 2024, the OECD released a **Questions & Answers document** outlining a peer review process to assess the qualified status of jurisdictions' IIRs, UTPRs and QDMTTs, as well as jurisdictions' eligibility for the QDMTT Safe Harbour. This review is intended to ensure consistent application of the GloBE Model Rules, including the Commentary and Administrative Guidance.

According to the document, jurisdictions can self-certify their transitional qualified status through a simplified process that allows swift recognition of domestic legislation implementing the GloBE Model Rules. This transitional status applies from the legislation's effective date and remains valid until a full legislative review is conducted, which must start no later than two years after the legislation's effective date.

If a jurisdiction loses its transitional qualified status, either because the full review determines the legislation does not qualify or the review is not initiated within the required timeframe, the loss is not applied retroactively.

Following this Questions & Answers document, in January 2025, the OECD published a list of jurisdictions (**Central Record**) that have successfully completed the transitional qualification mechanism process for the IIR, QDMTT, and QDMTT Safe Harbour.

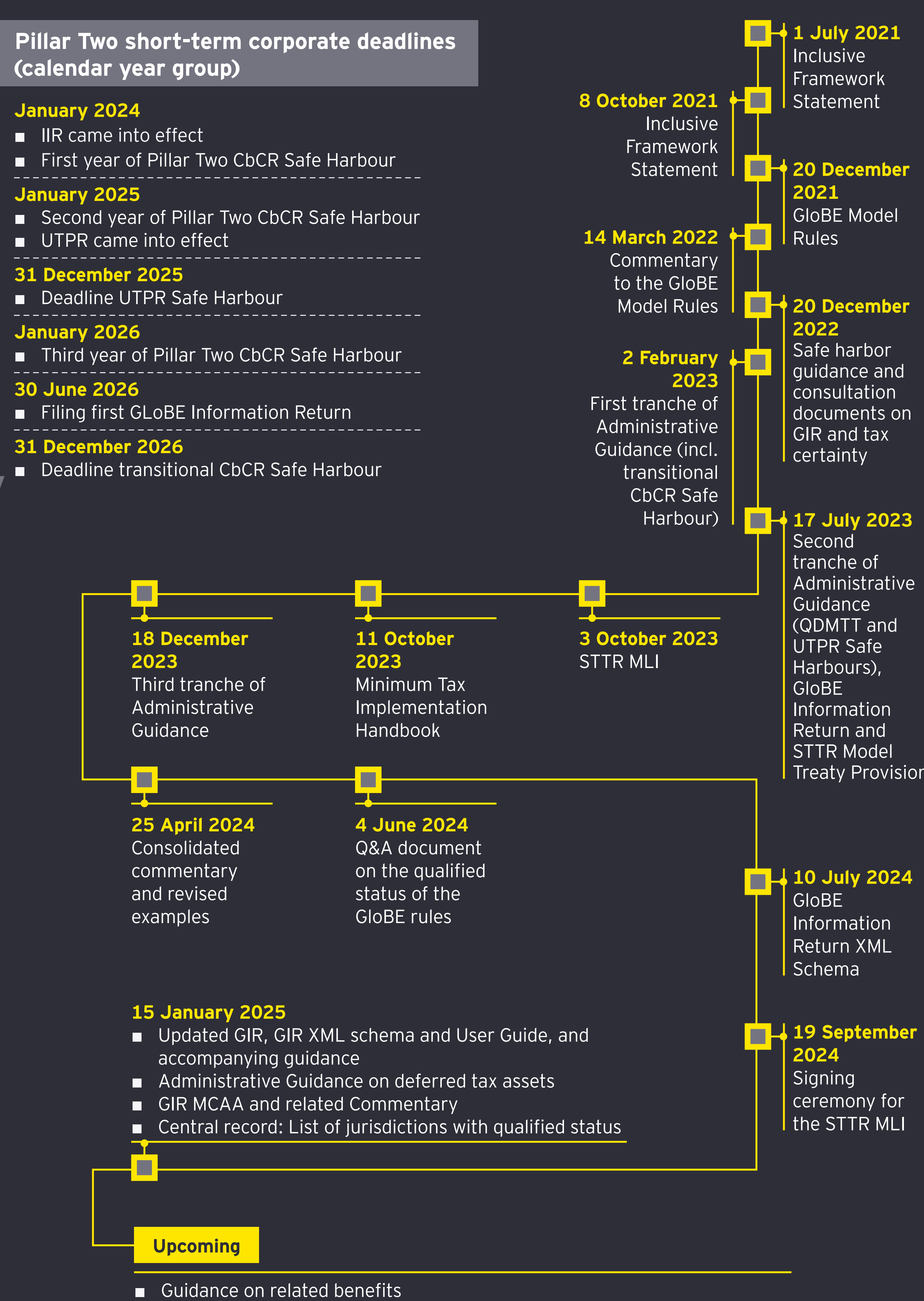
As of January 2025, the Central Record includes 28 jurisdictions with a QDMTT eligible for the QDMTT Safe Harbour and 27 jurisdictions with a Qualified IIR.

The Central Record specifies that the fact that a jurisdiction's legislation is not included in these lists does not mean that the legislation is not qualified. Instead, it means that, as at the date of the Central Record's publication, the process provided for under the transitional qualification mechanism had not yet been initiated or completed for that legislation (see **EY Global Tax Alert**).

Consolidated Commentary to the GloBE Model Rules.

In April 2024, the OECD published a **Consolidated Commentary** on the GloBE Model Rules, along with a **revised document** featuring illustrative examples under these rules. The updated Commentary incorporates the changes and additions from the three rounds of Administrative Guidance released in February, July, and December 2023 into a single, comprehensive text. Likewise, the revised-examples document incorporates the new examples introduced in those three rounds of Administrative Guidance.

Pillar Two Timeline



Regional implementation overview

Americas activity

United States

In 2024, the US Treasury Department continued active participation in the Inclusive Framework's Pillar Two work, but the US has not implemented Pillar Two specific legislation. However, the existing US international tax system includes two provisions that are similar, but not identical, to the Pillar Two IIR and QDMTT respectively: (1) the global intangible low-taxed income (GILTI) rules, enacted in 2017 with the Tax Cuts and Jobs Act, which impose US tax on US parents (including US intermediate parents) on low-taxed foreign income of their controlled foreign corporations, and (2) the corporate alternative minimum tax (CAMT), enacted in 2022, which is based on financial statement income and applies at a 15% rate. For MNEs subject to the US GILTI and CAMT provisions, the interaction between these rules and other jurisdictions' Pillar Two rules creates complexity. Administrative Guidance agreed by the Inclusive Framework addresses some key aspects of this interaction.

During 2024, Republicans in both the US House of Representatives and the US Senate continued to voice significant criticism of the BEPS 2.0 project, with a particular focus on the potential for foreign jurisdictions' UTPRs to tax US income. They also expressed concern about the Biden administration's participation in Inclusive Framework negotiations without involvement by the US Congress.

The November 2024 elections ushered in Republican control of the US government beginning in 2025, with President Trump returning to the White House and Republicans retaining a very narrow majority in the US House and gaining a narrow majority in the Senate. This change is expected to have important implications for US tax policy priorities, including US positions with respect to the BEPS 2.0 project.

On 20 January 2025, following his inauguration, President Trump issued numerous **Executive Orders** on a variety of policy issues, including one on the OECD "Global Tax Deal." The Executive Order directs the US Treasury Secretary to notify the OECD that any commitments made by the prior administration regarding the Global Tax Deal have no force and effect in the US absent an act by the US Congress adopting the relevant provisions. It further directs the US Treasury Secretary, in consultation with the US Trade Representative, to investigate whether any foreign countries are not in compliance with any US tax treaty or have any tax rules in place (or are likely to put any tax rules in place) that are extraterritorial or disproportionately affect US companies and develop options for protective measures or other actions that the US should adopt or take in response. The US Treasury Secretary is to deliver findings and recommendations to the President within 60 days.

Referring to this Executive Order, two days later the Republican members of the US House Ways and Means Committee announced the introduction of the **Defending American Jobs and Investment**. Like the bill of the same name introduced in 2023, the bill would require the US Treasury Department to identify extraterritorial taxes and discriminatory taxes enacted by foreign countries that could affect US businesses, with the Pillar Two UTPR noted as an example in the announcement. Under the bill, the US tax rates on US income of investors and corporations from those countries would be increased by five percentage points each year, up to a maximum increase of 20 percentage points.

It will be important to monitor developments with respect to this Executive Order, including the reactions of jurisdictions participating in the Inclusive Framework. The report to be delivered by the US Treasury Secretary is a crucial next step that will provide new information regarding the US approach going forward.

Rest of the Americas

Some jurisdictions within the Americas region advanced implementation of Pillar Two legislation in 2024. Jurisdictions such as Bahamas, Barbados, Brazil and Canada enacted Pillar Two legislation. **Bahamas** and Barbados implemented a QDMTT, effective from 1 January 2024. However, if the relevant Constituent Entity in these jurisdictions is not subject to the IIR or UTPR in 2024, the QDMTT may not take effect until fiscal years starting on or after 1 January 2025. Both of these jurisdictions opted not to implement the IIR and UTPR.

Brazil published a Provisional Measure to implement a QDMTT for fiscal years starting on or after 1 January 2025 (see **EY Global Tax Alert**). Canada introduced a QDMTT and IIR for fiscal years starting on or after 31 December 2023. In August, the Department of Finance of Canada has released draft legislation for the UTPR, which is expected to be enacted and proposing the rules to enter into effect for fiscal years starting on or after 31 December 2024 (see **EY Global Tax Alert**).

Further, Curaçao's Council of Ministers has approved draft Pillar Two legislation, proposing a QDMTT and IIR effective from 1 January 2025. However, some steps remain to be completed in the legislative process before this legislation can be enacted. Additionally, in September 2024, Puerto Rico launched a **public consultation** to explore implementing a QDMTT or an alternative form of domestic minimum tax; the consultation document noted that introduction of the IIR or UTPR was not being considered at that time.

Pillar Two implementation table

Americas						
Jurisdiction	DMTT	Effective date	IIR	Effective date	UTPR	Effective date
Bahamas	Final	1 January 2024	No	-	No	-
Barbados	Final	1 January 2024	Unclear	-	Unclear	-
Brazil	Final	1 January 2025	Unclear	-	Unclear	-
Canada	Final	31 December 2023	Final	31 December 2023	Draft	31 December 2024
Curaçao	Draft	1 January 2025	Draft	1 January 2025	Unclear	-
Puerto Rico	Unclear	-	No	-	No	-
United States	No	-	No	-	No	-

Disclaimer: The information is based on the EY BEPS 2.0 Pillar Two Developments tracker updated as of 26 February 2025

EMEIA activity

European Union: Minimum Tax Directive implementation

With the adoption of the EU Minimum Tax Directive at the end of 2022, all Member States committed to transposing the Pillar Two rules by 31 December 2023 (see **EY Global Tax Alert**). However, on that date, nine Member States had failed to comply with this deadline which led to the opening of **infringement procedures** by the European Commission (the Commission). At the same time, qualifying smaller Member States made use of the **option to defer** introduction of the IIR and UTPR. In 2024, Member States worked to finalize the transposition of Pillar Two into their domestic systems, including incorporating the Administrative Guidance agreed in the Inclusive Framework and introducing domestic compliance processes.

It is noteworthy that Cyprus, even though not a member of the Inclusive Framework, has been supporting the work carried out by the Inclusive Framework. Cyprus has provided full assurance and consent to the safe harbor rules and the Administrative Guidance, as reflected in a **press statement of 24 July 2024**. This means that all 27 Member States are committed to implementing the internationally agreed safe harbors.

Although the transposition of the Minimum Tax Directive has been relatively uniform across Member States, some Member States introduced their own administrative requirements without waiting for further coordination at the EU or Inclusive Framework level. For example, Belgium **introduced** an obligation for in-scope MNE Groups to register with the Federal Public Service Finance, requiring the filing of a Pillar Two Notification Form. Once filed, a Pillar Two identification number is to be issued, enabling advance tax payments for purposes of Belgium's QDMTT or IIR and related notifications and tax returns to be submitted. Other Member States also have begun work on the introduction of their own domestic processes.

Delayed transposition in nine Member States

Cyprus, Estonia, Greece, Latvia, Lithuania, Malta, Poland, Portugal and Spain, missed the deadline to transpose the Minimum Tax Directive into national law, prompting the Commission to initiate **infringement procedures**. Because Spain, Cyprus, Poland and Portugal had not notified their transposition measures to the Commission, it later took the **formal step** to refer these countries to the Court of Justice of the European Union (CJEU) for lack of transposition of the relevant EU provisions. The case can be retracted from the CJEU if the concerned Member States transpose the required rules and notify the Commission, which may not prevent such Member States from facing financial penalties for the period of non-compliance. All Member States now have transposed the Minimum Tax Directive. The **legislation** transposing the Minimum Tax Directive in Poland provides a specific approach on the application of the charging provisions, under which all rules are in force as of 1 January 2025, with the optional application of the QDMTT Safe Harbour and the IIR as of 1 January 2024. This approach addresses the inability to apply tax legislation retroactively under the Polish legal system.

Legal disputes

During 2024 at least two legal challenges concerning the Minimum Tax Directive were initiated:

- In February, a taxpayer appealed against an earlier decision by the General Court of the CJEU (**Case C-146/24 P** appealing against the **Decision** in Case T-143/23). In 2023, a Dutch company had requested the partial annulment of the Minimum Tax Directive based on the fact that the international shipping income exclusion provided by Article 17 of the Minimum Tax Directive does not cover income from certain shipping activities carried out under the Dutch tonnage tax scheme, which was authorized by the Commission in accordance with EU State aid rules. On 22 December 2023, the General Court of the CJEU declared the case inadmissible, as the applicant did not successfully demonstrate that the Directive altered rights acquired by the taxpayer prior to its adoption. An appeal is currently pending.
- In July, the American Free Enterprise Chamber of Commerce submitted an **action for annulment** to the Belgian Constitutional Court against articles 35 and 36 of the Belgian rules transposing the Minimum Tax Directive. Depending on the legal grounds submitted to the Constitutional Court, the Court may submit prejudicial questions to the CJEU.

EU Minimum Tax Directive Implementation Overview

EU Member States						
Member State	**DMTT**	**Effective date**	**IIR**	**Effective date**	**UTPR**	**Effective date**
Austria	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Belgium	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Bulgaria	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Croatia	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Cyprus	Final	31 December 2024	Final	31 December 2023	Final	31 December 2024
Czechia	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Denmark	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Estonia	No	-	Expected	31 December 2029	Expected	31 December 2029
Finland	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
France	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Germany	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Greece	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Hungary	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Ireland	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Italy	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Latvia	Unclear	-	Expected	31 December 2029	Expected	31 December 2029
Lithuania	Draft	1 January 2026	Draft	1 January 2026	Draft	1 January 2026
Luxembourg	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Malta	Unclear	-	Expected	-	Expected	-
The Netherlands	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Poland	Final	1 January 2025	Final	1 January 2025	Final	1 January 2025
Portugal	Final	1 January 2024	Final	1 January 2024	Final	1 January 2025
Romania	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Slovakia	Final	31 December 2023	Expected	31 December 2029	Expected	31 December 2029
Slovenia	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Spain	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024
Sweden	Final	31 December 2023	Final	31 December 2023	Final	31 December 2024

- Jurisdictions highlighted in yellow have postponed the application of the Minimum Tax Directive in line with Article 50.
- Jurisdictions in grey present particularities when it comes to the starting date of application of the IIR, UTPR or DMTT provisions.

Disclaimer: The information is based on the EY BEPS 2.0 Pillar Two Developments tracker updated as of 26 February 2025

Directive transposing the GIR into EU law (DAC9)

On 28 October 2024, the Commission published a proposal to revise the Directive on Administrative Cooperation (DAC9) to implement the GloBE Information Return as developed by the Inclusive Framework (see **EY Global Tax Alert**). This introduces a standard form for in-scope MNE Groups to file their top-up tax information return (TIR) and enables central filling of the TIR by introducing a system of automatic exchange of information between Member States, following a "dissemination approach", aimed at ensuring a consistent approach across the EU. Under the dissemination approach, implementing Member States will receive the data relevant to them, i.e.:

- The Member State of the MNE's UPE will receive the full TIR.
- All implementing Member States will receive the full General section of the TIR.
- Qualified Domestic Top-up Tax - only Member States, where constituent entities of the MNE are located, will receive the relevant parts of the General section of the TIR.
- Member States with taxing rights under the Minimum Tax Directive will receive specific Jurisdictional sections.

Once adopted and transposed by the Member States, the rules will require MNE Groups to file TIRs by 30 June 2026, with 2024 as the first year on which to report.

Other activity in Europe

In 2024, some other European jurisdictions also advanced their implementation of Pillar Two. Switzerland introduced an IIR set to take effect in 2025, but has indefinitely postponed adoption of the UTPR, citing legal concerns and the limited revenue potential (see **EY Global Tax Alert**).

Meanwhile, the United Kingdom (UK), which had already adopted a QDMTT and an IIR in 2023 with an entry into force date of January 2024, released **draft legislation** to incorporate the transitional CbCR) Safe Harbour rules. While draft legislation has previously been released for the UTPR for accounting periods starting on or after 31 December 2024, the UK has not yet implemented this rule. The UK also released **amendments** to align its Pillar Two legislation with the latest Administrative Guidance from the Inclusive Framework.

Additionally, North Macedonia has implemented Pillar Two. Starting in 2025, a QDMTT, an IIR, and a UTPR are applicable in this jurisdiction (see **EY Local Tax Alert**).

Africa activity

As of the end of 2024, the implementation of Pillar Two in the African region was fairly limited, with only a few jurisdictions having adopted the rules.

During 2024, South Africa published **final legislation** to introduce a QDMTT and an IIR, with retroactive effect for fiscal years starting on or after 1 January 2024, but does not currently have plans to implement the UTPR.

In December 2024, Kenya **introduced** a QDMTT generally effective for fiscal years starting on or after 1 January 2025.

Middle East activity

During 2024, several jurisdictions in the Middle East made progress in implementing Pillar Two. Bahrain introduced a QDMTT, effective in 2025, but did not implement an IIR or a UTPR (see **EY Global Tax Alert**). Oman implemented both a QDMTT and an IIR, effective in 2025, but did not implement a UTPR (see **EY Global Tax Alert**). Kuwait introduced a QDMTT in 2025 but did not implement an IIR or a UTPR (see **EY Global Tax Alert**).

Additionally, Qatar **announced** plans to proceed with Pillar Two, though specific details have yet to be provided. Meanwhile, the United Arab Emirates **announced** the introduction of a QDMTT, set to take effect in 2025.

Pillar Two implementation table

Rest of EMEIA						
Jurisdiction	**DMTT**	**Effective date**	**IIR**	**Effective date**	**UTPR**	**Effective date**
Bahrain	Final	1 January 2025	Unclear	-	Unclear	-
Kenya	Final	1 January 2025	Unclear	-	Unclear	-
Kuwait	Final	1 January 2025	Unclear	-	Unclear	-
North Macedonia	Final	1 January 2024	Final	1 January 2024	Final	1 January 2025
Oman	Final	1 January 2025	Final	1 January 2025	Unclear	-
Qatar	Final	1 January 2025	Unclear	-	Unclear	-
South Africa	Final	1 January 2024	Final	1 January 2024	Unclear	-
Switzerland	Final	1 January 2024	Final	1 January 2025	No	-
United Kingdom	Final	31 December 2023	Final	31 December 2023	Draft	31 December 2024

Disclaimer: The information is based on the EY BEPS 2.0 Pillar Two Developments tracker updated as of 26 February 2025

Asia Pacific activity

During 2024, numerous Asia-Pacific jurisdictions introduced or amended legislation to implement Pillar Two. Australia, New Zealand and Singapore enacted Pillar Two legislation during the year. Australia implemented a QDMTT and an IIR effective in 2024, and a UTPR effective in 2025 (see **EY Global Tax Alert**). Singapore introduced a QDMTT and an IIR effective in 2025 (see **EY Local Tax Alert**). In addition, New Zealand implemented an IIR and a UTPR effective in 2025 (see **EY Global Tax Alert**).

Japan amended its IIR rules in March 2024, effective from 1 April 2024, and released explanatory notes in April 2024. South Korea introduced regulations in February 2024, incorporating the GIR, and followed up with amendments in July 2024 to include safe harbor provisions (see **EY Global Tax Alert**) in line with the GloBE Model Rules. Furthermore, by the end of 2024, Indonesia (see **EY Global Tax Alert**) and Thailand (see **EY Global Tax Alert**) both implemented a QDMTT, an IIR and a UTPR effective generally from 1 January 2025.

Finally, by the end of 2024, the government of Hong Kong published a draft bill to implement an IIR and a QDMTT from 1 January 2025, and it postponed action on a UTPR subject to further study (see **EY Global Tax Alert**).

Pillar Two implementation table

Asia Pacific						
Jurisdiction	**DMTT**	**Effective date**	**IIR**	**Effective date**	**UTPR**	**Effective date**
Australia	Final	1 January 2024	Final	1 January 2024	Final	1 January 2025
Hong Kong	Draft	1 January 2025	Draft	1 January 2025	Unclear	-
Japan	Expected	1 April 2026	Final	1 April 2024	Expected	1 April 2026
New Zealand	No	-	Final	1 January 2025	Final	1 January 2025
Singapore	Final	1 January 2025	Final	1 January 2025	Unclear	-
South Korea	Unclear	-	Final	1 January 2024	Final	1 January 2025
Thailand	Final	1 January 2025	Final	1 January 2025	Final	1 January 2025

Disclaimer: The information is based on the EY BEPS 2.0 Pillar Two Developments tracker updated as of 26 February 2025

Emerging trends in 2024

The year 2024 has been marked by substantial progress and challenges in the global implementation of Pillar Two. Multiple jurisdictions advanced their legislative efforts to align with Pillar Two development, including incorporation of the four tranches of Administrative Guidance that had been released before the end of 2024. However, implementing these provisions into domestic law remains a complex and time-intensive task. An important consideration is that some jurisdictions are unable to apply Administrative Guidance retroactively, meaning aspects of Pillar Two rules in those jurisdictions will take effect in 2025 rather than 2024.

A significant development in 2024 was the rollout of registration processes for Pillar Two compliance. Countries such as Austria, Belgium (see **EY Global Tax Alert**), Germany, Hungary (see **EY Global Tax Alert**), and the **United Kingdom** have outlined specific registration requirements, with timelines varying significantly. Belgium, for instance, introduced its framework with deadlines as early as Q3 2024, whereas other jurisdictions have set deadlines extending into 2025 or even 2026, depending on the financial year-end of the MNE Group.

Another trend in 2024 has been the mixed reception to the UTPR. While some jurisdictions have moved forward with its implementation, others have reconsidered its feasibility. For example, Switzerland (see **EY Global Tax Alert**) has indefinitely postponed the rule, citing legal complexities and limited revenue potential, and jurisdictions like **Hong Kong**, **Jersey**, and Singapore have not acted on the UTPR.

2025 Outlook

In 2025, the global tax landscape will witness a shift as the first year of Pillar Two rules becomes fully applicable. While many countries have begun enacting relevant legislation and guidance, the pace of implementation has been slower than anticipated. With new governments taking office in several jurisdictions, including the United States, there may be significant changes in tax policy priorities that could impact international cooperation on tax matters.

In 2024, the EU continued to be a frontrunner in the introduction of the Global Minimum Tax rules. It is the largest economic bloc where taxpayers have become subject to the IIR as of 2024 and where the UTPR has become effective for 2025 other than in those situations where the UTPR Safe Harbour is applicable. The introduction of the Pillar Two rules not only comes with challenges for in-scope taxpayers in the EU, but may bring challenges for the Member States. In 2025, EU-headquartered companies may face more potential top-up tax and higher administrative costs associated with the Pillar Two rules than companies headquartered elsewhere. With competitiveness at the heart of the political agendas of the European Commission and EU Member States, this will be an important consideration for the EU going forward. Unanimity would be required to change the Minimum Tax Directive.

At a practical level new rules and guidance are still being developed by the Inclusive Framework and will need to be translated into jurisdictions' domestic legislation. Significant legislative work will need to be done in many jurisdictions, and tax administrations will need to do extensive preparations for the operation of what is effectively a new, separate corporate income tax. A relevant question is the provision of a permanent safe harbor to replace the Transitional CbCR Safe Harbour. As decision-making in the Inclusive Framework takes place on a consensus basis, it would not be surprising for further guidance to be delayed.

Pillar One: Amount A and Amount B developments

During 2024, the Inclusive Framework continued work on Pillar One, including development of a text of the Multilateral Convention to implement Amount A (MLC on Amount A) and a framework for Amount B.

Amount A in essence seeks to reallocate taxing rights to market jurisdictions with respect to the largest and most profitable MNE Groups, whereas Amount B is described as a simplified and streamlined approach to applying the arm's-length principle to baseline marketing and distribution activities, with a particular focus on the needs of low-capacity countries.

While discussions in the Inclusive Framework around Pillar One Amount A and Amount B and the OECD in 2024 released several final documents as part of the Amount B framework, a final Pillar One package was not agreed by the end of 2024.

In May 2024, the Statement by the Co-Chairs of the Inclusive Framework **indicated** that the Inclusive Framework was nearing completion of the negotiations on a final package on Pillar One (including a text of the MLC on Amount A and a framework for Amount B), with the goal of reaching a final agreement in time to open the Amount A MLC for signature by the end of June and with France and Brazil expressing interest in hosting the signing ceremony. However, this target timeline was not met.

On 13 January 2025, the OECD released another **statement** by the Co-chairs of the Inclusive Framework, providing information regarding the current status of negotiations regarding both Amount A and Amount B of Pillar One. Although consensus has not yet been reached on either the Amount A MLC or an Amount B framework that would require jurisdictions to apply Amount B in specified circumstances, the statement indicates that progress has been made and work is continuing.

Amount A

On 15 February 2024, Austria, France, Italy, Spain, the UK and the US released an update to the **joint statement** on a transitional approach to the treatment of existing digital services taxes (DSTs) and other relevant similar measures during the interim period before new Pillar One rules come into effect. Because the Inclusive Framework had issued a statement in December 2023 calling for the finalization of the Amount A MLC by March 2024 with a view toward a signing ceremony in June 2024, the participants in the updated joint statement agreed to extend the interim period set forth in the October 2021 joint statement until 30 June 2024. No further extension has been announced.

The January 2025 statement by the Co-Chairs of the Inclusive Framework indicates that negotiations during the first half of 2024 resolved some issues with respect to the Amount A MLC text, specifically:

- Clarification regarding the definition of DSTs and Relevant Similar Measures
- Inclusion of an election for common application of the Amount A MLC to a non-State jurisdiction and the State that is responsible for its international affairs
- Modifications to the Marketing and Distribution Safe Harbour

While the Amount A MLC text reflecting these changes has not been released and consensus on the text has not yet been reached in the Inclusive Framework, it is further indicated that there have been no further developments with respect to the Amount A MLC text since June 2024, with negotiations having focused instead on outstanding Amount B issues.

Amount B

On 19 February 2024, the OECD published the **final report** on Pillar One Amount B, which is intended to simplify and streamline the application of the arm's-length principle to baseline marketing and distribution activities, with a particular focus on the needs of low-capacity countries (see **EY Global Tax Alert**).

Unlike other BEPS 2.0 measures, Pillar One Amount B is not subject to a revenue threshold and can be applicable to many multinational businesses. Jurisdictions can choose to apply the Amount B approach for in-scope transactions of tested parties in their jurisdictions for fiscal years starting on or after 1 January 2025. Jurisdictions that choose to apply Amount B may choose to apply it by either (i) permitting tested parties resident within their jurisdiction to elect to apply the Amount B approach; or (ii) by requiring the use of the Amount B approach in a prescriptive manner by their tax administration and tested parties resident in the jurisdiction. For jurisdictions that do not elect to apply Amount B, the remainder of the OECD Transfer Pricing Guidelines will be guiding for price setting and dispute resolution. The Report is incorporated into the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2022 (OECD TP Guidelines).

The Report includes a description of additional work continuing in the Inclusive Framework on Amount B in the following areas:

- Updated Commentary on Article 25 of the OECD Model Tax Convention, providing specific language relating to tax certainty and the elimination of double taxation that retains optionality in all dispute resolution mechanisms for jurisdictions that do not adopt Amount B, which was expected to be released shortly after the February 2024 release of the Report.
- Additional optional qualitative scoping criterion that jurisdictions may choose to apply besides the published quantitative c, with any additions to be incorporated into the OECD TP Guidelines, which was expected to be released by 31 March 2024.
- List of low-capacity jurisdictions, which was expected to be released by 31 March 2024.
- Competent authority agreements to be used in the context of bilateral tax treaty relationships where Amount B is applied by low-capacity jurisdictions to avoid double taxation, as well as to prevent double non-taxation, which were expected to be developed by the Inclusive Framework during 2024.
- Framework for gathering information on the practical application of the Amount B approach once it has been in operation for a period of time, which were expected to be developed by the Inclusive Framework during 2024.
- Further work by the Inclusive Framework on the interdependence between Amount B and Amount A of Pillar One, to be undertaken before the Amount A MLC is signed and enters into force.

While work on the Amount B framework has continued, deliverables with respect to much of this additional work have not been released yet.

On 17 June 2024, the OECD **released** two new documents on the Pillar One Amount B approach for transfer pricing for certain baseline marketing and distribution transactions: (1) a statement on the definitions of qualifying jurisdictions within the meaning of sections 5.2 and 5.3 of the Amount B guidance, and (2) a statement on the definition of covered jurisdictions within scope of the political commitment on Amount B (see **EY Global Tax Alert**). Under the political commitment, subject to their local rules, members of the Inclusive Framework agreed to respect the outcome of Amount B where such an approach is applied by a covered jurisdiction and to take steps to relieve potentially resulting double taxation where there is a bilateral tax treaty in effect between the relevant jurisdictions. The OECD made clear that the inclusion of a jurisdiction on the list of covered jurisdictions does not mean that the jurisdiction necessarily will adopt Amount B.

On 26 September 2024, the Inclusive Framework **released** a Model Competent Authority Agreement (MCAA), which jurisdictions can use to facilitate the implementation of the political commitment on Amount B (regardless of whether a tax treaty is in place or not).

On 19 December 2024, the OECD also **released** a pricing tool and fact sheets to facilitate the understanding and operation of the simplified and streamlined approach to transfer pricing. Upon this release, the OECD indicated that it will maintain a list of jurisdictions that have officially confirmed adoption of Amount B, including the date of adoption. The OECD further noted that the adoption is taking time because countries are completing other fiscal priorities in 2025/2026 (see **EY Global Tax Alert**).

The January 2025 statement by the Co-chairs of the Inclusive Framework notes that substantial work has been done on the parameters for the Amount B framework, but identifies the following outstanding issues remaining among some jurisdictions:

- How to reflect the interdependence between the Amount A MLC and Amount B
- What terms should be applied in a filter to screen out jurisdictions that account for a low number of disputes relating to transactions of the type addressed by Amount B
- What terms should be included in an optional qualitative test that some jurisdictions argue is needed to ensure that certain above-baseline transactions do not fall in scope of Amount B
- How to address concerns of some jurisdictions that the pricing matrix delivers inappropriate outcomes for them

According to the January 2025 Statement, the discussions of the first three issues above are well-advanced. On the fourth issue, various solutions have been proposed, but no approach that has the support of all Inclusive Framework members has been found yet. The Inclusive Framework continues to work on these issues.

2025 Outlook

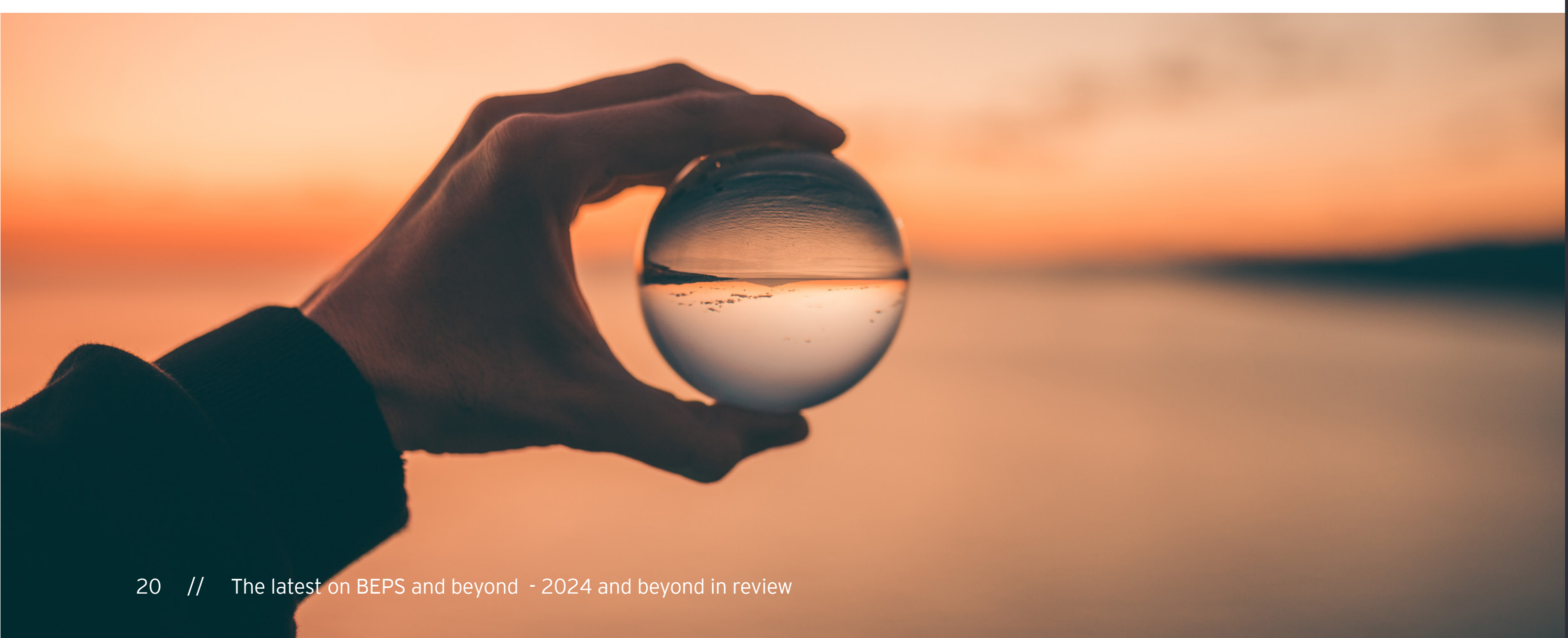
Inclusive Framework members have started to update their legislation to implement their political commitment on Amount B, with Ireland and the Netherlands (see EY Global Tax Alert) publishing regulations in October and December 2024 respectively. In addition, on 8 January 2025, the His Majesty's Revenue and Customs (HMRC) International Manual was updated to reference the political commitment the UK has made for Amount B.

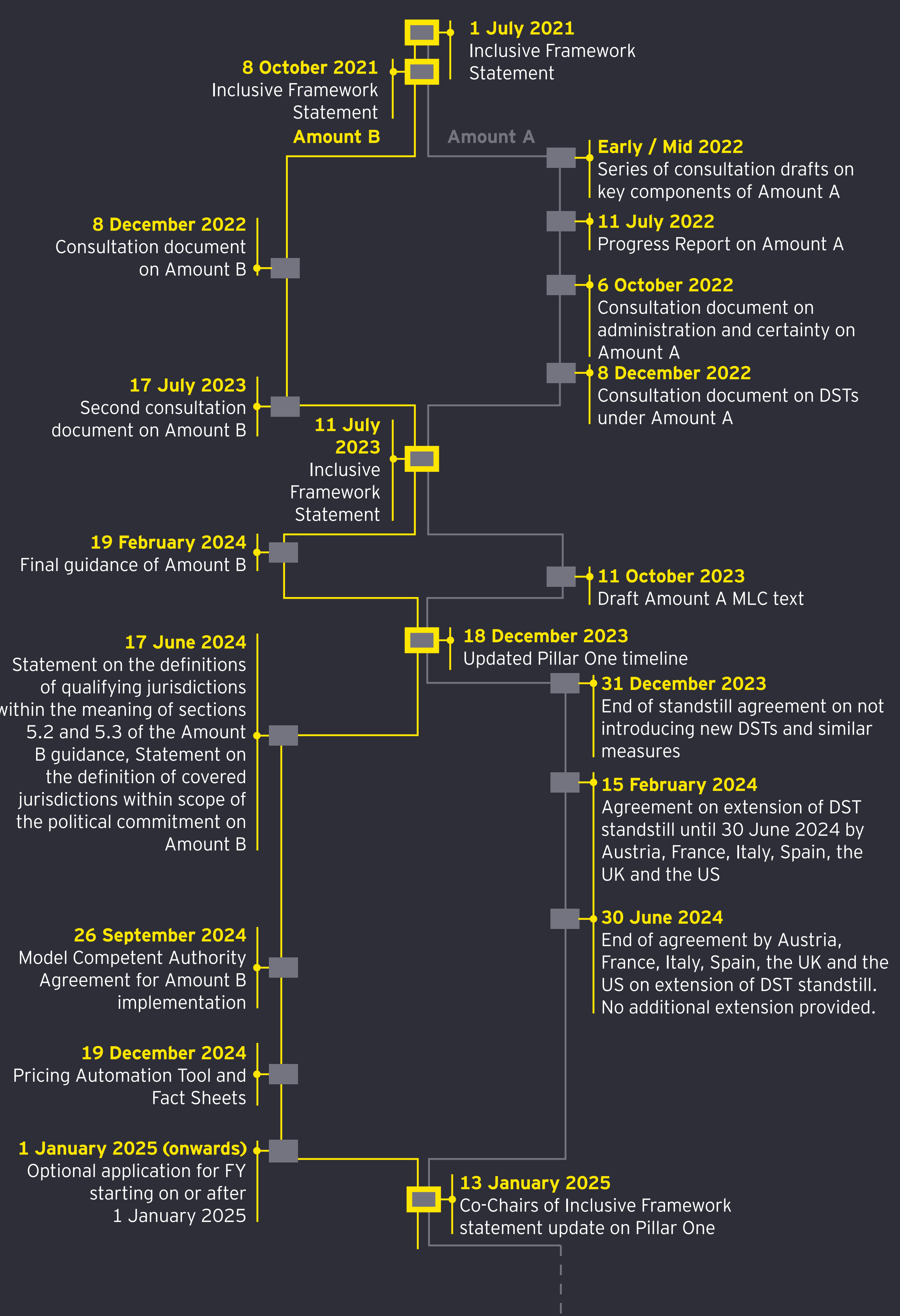
On 18 December 2024, the US issued a notice announcing the intention to issue regulations to implement Amount B (see EY Global Tax Alert). The notice provides that taxpayers that are US distributors or US-related suppliers may elect to apply Amount B for taxable years beginning on or after 1 January 2024. It indicates that further consideration will be given to the possible development of proposed regulations that would also allow the Internal Revenue Service (IRS) to mandate application of Amount B. The US is the first jurisdiction to affirmatively provide for the application of Amount B by its MNEs with in-scope transactions.

It is important that companies assess how the jurisdictions that are relevant to their business choose to react to the implementation of Amount B and how this may impact the pricing of in-scope transactions. Companies should also continue to monitor further developments on Amount B in the Inclusive Framework.

There continue to be significant hurdles to Amount A coming into effect. These ongoing challenges may have implications in 2025, potentially including jurisdictions asserting additional taxing rights over global business income through the introduction of new DSTs, the expansion of existing DSTs and other unilateral actions.

On the EU front, Commission representatives have indicated that the Commission continues to support Pillar One and is actively engaging on it. However, it is important to note that it is not clear whether this position is shared by EU Member States. Assuming that unanimity will be required to have Pillar One rules adopted at the EU level, the positions of EU Member States will be crucial. If global agreement cannot be reached, the Commission continues to support an EU-specific solution, which could take the shape of some form of a digital tax. In this regard, it is important to note that Pillar One revenues were earmarked as a source of funding for the EU (as own resources).





The European Union in transition

Introduction

The European Union operates on a five-year legislative cycle. Every five years, European citizens vote for their representatives in the European Parliament, which then endorses a new European Commission and its members for a five-year term. 2024 was a transition year, marking the end of the term of the first Commission led by Ursula von der Leyen (Von der Leyen I Commission), following European elections in June 2024. On 1 December 2024, a second Commission led by Von der Leyen took office (Von der Leyen II Commission).

During this transition year, the EU continued its work on several tax-related initiatives. Section 5.2 below will discuss these key initiatives, while Section 5.3 focuses on the EU's leadership transition and EU competitiveness as its key priority.

Selected decision-making institutions of the European Union

The EU functions via a unique system of independent, interconnected institutions, each with a defined role that contributes to the overall functioning and development of the EU.

The European Commission, one of these institutions, plays a central role as the executive body with the authority to propose legislative actions. Each term of the Commission lasts five years, with each new Commission outlining its agenda at the beginning of its term.

The legislative bodies comprise the Council of the EU (the Council), representing Member States, and the European Parliament (the EP). The type of decision-making and involvement of the legislative bodies differ based on the matter at hand. For direct tax issues, the Council is the sole legislative body and decisions need to be taken by unanimity. The EP merely has an advisory role in direct tax matters.

European Commission

Council of the EU

European Parliament

Pre-existing EU tax initiatives

Assessing the effectiveness of EU Directives

In 2024, the Commission conducted evaluations gathering stakeholder feedback and analyzing various EU tax Directives. These evaluations are typical elements of the legislative lifecycle. After such evaluations, the Commission releases a report which summarizes stakeholder contributions. These reports are then submitted to the Council (and sometimes also to the European Parliament) for further consideration of potential actions. The evaluations in 2024 covered the Tax Dispute Resolution Mechanism Directive, multiple iterations of the Directive on Administrative Cooperation in Tax Matters, and the Anti-Tax Avoidance Directive (ATAD).

Tax Dispute Resolution Mechanism Directive

The Tax Dispute Resolution Mechanism Directive was adopted in 2017 and entered into force in 2019, with the aim to resolve cross-border tax disputes and eliminate double taxation within the EU. In March 2024, the Commission sought feedback through a **public consultation** to gather data on the Directive's effectiveness and identify areas for improvement. Following the public consultation, the Commission analyzed the feedback received and submitted a **report** to the Council, indicating that the findings were somewhat constrained by the limited experience of Member States with the Directive's application. As a result, the Commission suggested that a future evaluation, once more data is available, may provide more concrete conclusions and insights into the Directive's impact and effectiveness. One suggestion made by EY and other commentators in their submissions was to include the Minimum Tax Directive in the scope of the Tax Dispute Resolution Mechanism Directive, as it remains uncertain how disputes under the Minimum Tax Directive will be addressed.

Directive on Administrative Cooperation in Tax Matters

In May 2024, the Commission turned its attention to the Directive on Administrative Cooperation (DAC), evaluating DACs 2 to 6. These Directives encompass measures for financial account reporting (DAC2), tax rulings (DAC3), CbCR (DAC4), beneficial ownership (DAC5), and mandatory tax disclosures (DAC6). The **consultation** aimed to assess the effectiveness and added value of these measures in combating tax avoidance and improving transparency (see **EY Comment Letter**). In mid-December 2024, the Commission released a **report** summarizing the stakeholder input from the public consultation, with the final conclusions set to be published in early 2025. The report calls among others for more detailed guidance and EU-level examples for each hallmark, although stakeholder submissions reflected a preference against adding more detailed hallmarks to avoid excessive complexity and administrative burden.

ATAD

In July 2024, the European Commission **consulted** on the ATAD. ATAD has required Member States to introduce, among others, interest deduction limitations, exit tax provisions, and controlled foreign companies rules. The Commission invited the public to share feedback on the implementation of ATAD, its effectiveness in tackling aggressive tax planning, and its relevance amid recent developments (see **EY Comment Letter**).

Specifically, when it comes to ATAD, many stakeholders have pointed to the overlap between the newly introduced Minimum Tax Directive and some ATAD measures, such as the controlled foreign companies and anti-hybrid mismatches rules. The Commission may address these overlaps by proposing amendments or even removing certain measures, possibly under the condition that the Minimum Tax Directive is applicable.

Moving forward, it is anticipated that the Commission will leverage the insights gained from these evaluations to fulfill its overall goal to declutter EU legislation and reduce administrative burden and complexity for businesses.

Developments in key direct tax files

In 2024, Member States continued their negotiations on several of tax proposals by the Commission from previous years. They also continued their work under the EU's Code of Conduct on Business Taxation, including reviewing third country regimes and discussing potential future changes to the review criteria.

No consensus on Unshell

The Unshell draft **Directive**, often referred to as ATAD 3, was published on 22 December 2021 and proposed rules to identify and deny tax benefits to low-substance entities (see **EY Global Alert**).

Although technical analysis of the proposal had started in the first semester of 2022, Member States have not yet reached consensus on key technical aspects. In response to these negotiations and in an attempt to address the divergent views among Member States, the Belgian EU Council Presidency tabled a new approach for Unshell, with key suggestions on scope, hallmarks, reporting obligations, and exchange of information and administrative actions. This new approach was not made public, but was **reported** on by the Belgian EU Council Presidency in June 2024.

The new approach was further developed by the **Hungarian EU Council Presidency**, but it appears that it has not sufficiently addressed the concerns raised by Member States. In particular, the negotiating Member States want to further examine the interaction with DAC6 (which also includes economic substance hallmarks) and address concerns about administrative burdens. Although the new Commissioner for Climate and Taxation, Wopke Hoekstra, has already underscored the importance of Unshell and indicated his intention to work closely with Member States to progress the negotiations, next steps to be taken remain unclear.

Directive on Faster and Safer Relief of Excess Withholding Taxes (FASTER) adopted

The Faster and Safer Relief of Excess Withholding Taxes (FASTER) Directive aims to make withholding tax procedures in the EU more efficient and secure for investors, financial intermediaries and Member States.

Following the initial negotiations of EU Member States in 2023, EU Finance Ministers ultimately agreed on 14 May 2024 on a **compromise text** (see **EY Global Tax Alert**). Their agreement included several amendments made during the negotiations to the Commission's original **proposal**. As a result, the European Parliament needed to be re-consulted for a second (non-binding) **opinion**,

which it provided on 14 November 2024. In addition, a legal-linguistic review was undertaken and editorial changes were made.

On 10 December 2024, EU Finance Ministers formally **adopted** the **Directive**. The adopted text is aligned with the political agreement reached on 14 May 2024 (see **EY Global Alert**). The Directive outlines the following key provisions:

- The Member State of residence shall issue digital tax residence certificates (eTRCs) to individuals and corporate entities within 14 calendar days of their eTRC request.
- Under certain conditions, Member States should choose between a "relief at source" procedure and a "quick refund" system, or a combination of both, for withholding tax on dividends from publicly traded shares and, where applicable, interest from publicly traded bonds.
- A new standardized reporting process imposes common reporting obligations on certain financial intermediaries involved in the payment chain.

EU Member States will have until 31 December 2028 to transpose the Directive into national legislation with the rules applicable as of 1 January 2030.

Low appetite for BEFIT proposal

In 2024, it became clear that the Commission's proposal for the Directive "Business in Europe: Framework for Income Taxation" (BEFIT) has not attracted much support. Published on 12 September 2023 (see **EY Global Tax Alert**), the proposal seeks to create more coherence on the tax base in the EU for, in particular, large MNE groups, aims to minimize the compliance burden linked to transfer pricing obligations within the EU and would allow for cross-border loss compensation.

In January 2024, the European Commission completed a public consultation on the proposal, resulting in **feedback** from 52 stakeholders including EY (see **EY Comment Letter**). While many commentators would welcome more uniformity in corporate tax rules and practices in the EU, most business commentators expressed concern that BEFIT would introduce additional complexity and administrative burdens, in part because the transfer pricing obligations would remain as the Pillar Two rules apply on a country-by-country basis.

In addition, the national Parliaments of Sweden, Ireland and Malta have expressed concerns with the proposal, holding the view that it conflicts with the subsidiarity principle, stressing that the EU should only act if it is more effective than action at the national level.

In general, Member States raised two major concerns on how the BEFIT proposal would: (i) interact with national corporate tax rules and other EU tax initiatives; and (ii) be able to meet the objective of simplifying corporate taxation rules in the EU and reducing the administrative burden for businesses and tax authorities.

Discussions continued in 2024, focusing on key technical areas. While some Member States called for a political debate on BEFIT, it was considered that more technical analysis is needed before advancing negotiations, with the objective of preparing a discussion on the policy choices.

HOT proposal raises fundamental concerns

On 12 September 2023, the European Commission issued a proposal for a Directive establishing a Head Office Tax (HOT) system for micro, small and medium-sized enterprises (SMEs) to simplify corporate tax compliance for SMEs that operate across borders within the EU (see **EY Global Tax Alert**)

According to the **tax progress report** of the Belgian EU Council Presidency, several Member States had called for a general discussion before technical negotiations continue. The Hungarian EU Council Presidency continued the **discussions** and focused on three key issues: narrowing the scope of the Commission's proposal, gathering Member States' concerns, and exploring alternative measures to support SMEs. While there is broad support for facilitating SMEs' activities, the HOT proposal has faced strong resistance due to fundamental concerns of principle. In response, several Member States have called for a wider review of measures – beyond taxation – to better help SMEs scale up and tap into new market opportunities.

Interest in shift from a Transfer Pricing Directive to a Transfer Pricing Platform

The proposal for a Transfer Pricing Directive was issued on 12 September 2023, with the aim of ensuring that the arm's length principle and the latest version of the OECD Transfer Pricing Guidelines are incorporated into EU law and thus the legislation of all EU Member States (see **EY Global Tax Alert**).

Based on its **tax progress report**, the Belgian EU Council Presidency led three discussions and indicated that Member States raised fundamental concerns, including the risk of creating an additional EU transfer pricing standard; losing flexibility in negotiating and applying the OECD Transfer Pricing Guidelines; and the applicability in relation to third countries and transactions with associated enterprises outside the EU. To address these concerns, Member States have expressed interest in replacing the idea of a Transfer Pricing Directive with that of a Transfer Pricing Platform as a new soft law forum, somewhat akin to the previously established EU Joint Transfer Pricing Forum.

The Hungarian EU Council Presidency have led **technical discussions** on establishing the platform, with notable progress in defining the platform's institutional set-up, structure, mandate, governance, and voting rules. In parallel, the Hungarian EU Council Presidency has also worked to advance discussions on the Transfer Pricing Directive proposal.

Code of Conduct Group on Business Taxation

In 2024, there were important updates related to the Code of Conduct Group on Business Taxation (CoCG) and the EU List of non-cooperative jurisdictions. The output of the CoCG is important, as it triggers **defensive measures** in multiple Member States and determines the jurisdictions for which CbCR information needs to be made public.

In 2024, the EU made an update to the CoC adopted in 2022. This revision expanded the CoC's focus from just preferential tax measures to include tax features of general application that could create opportunities for double non-taxation or lead to the double or multiple use of tax benefits for the same amount of income. This broader scope, effective from 1 January 2024, applies to tax features introduced or amended after 1 January 2023.

Also, the EU amended its List of non-cooperative jurisdictions. The most recent update occurred on 18 February 2025 (see **EY Global Tax Alert**). No changes were made to the EU List of noncooperative jurisdictions for tax purposes (Annex I). However, Costa Rica and Curaçao were removed, while Brunei Darussalam was added to the state-of-play overview, which monitors jurisdictions' cooperation with the EU on tax good-governance principles (Annex II).

EU list of non-cooperative jurisdictions and jurisdictions with pending commitments (as per 18 February 2025)

Annex I	Annex II
American Samoa (added on 5 December 2017)	Antigua and Barbuda (added on 8 October 2024)
Anguilla (added on 4 October 2022)	Belize (added on 20 February 2024)
Fiji (added on 12 March 2019)	British Virgin Islands (added on 17 October 2023)
Guam (added on 5 December 2017)	Brunei Darussalam (added 18 February 2025)
Palau (added on 18 February 2020)	Eswatini (added on 4 October 2022)
Panama (added on 18 February 2020)	Seychelles (added on 20 February 2024)
Russia (added on 14 February 2023)	Turkiye (added on 5 December 2017)
Samoa (added on 5 December 2017)	Vietnam (added on 24 February 2022)
Trinidad and Tobago (added on 5 December 2017)	
US Virgin Islands (added on 13 March 2018)	
Vanuatu (added on 12 March 2019)	

The next review of the EU List is scheduled for October 2025, continuing the biannual update cycle.

The CoCG has requested commitments from jurisdictions that had outstanding recommendations resulting from recent reviews by the Inclusive Framework related to CbCR. Jurisdictions that have not yet activated CbCR exchanges with all Member States will be asked to commit to addressing this issue. The commitments will be recorded in the state-of-play overview in the next CoCG's update. This could result in the addition of multiple jurisdictions to the state-of-play overview.

Finally, the CoCG also has indicated it has made progress concerning the future addition of criterion 1.4 on beneficial ownership information. A finalized proposal may come in 2025, with the added criterion potentially leading to a further increase in listed jurisdictions.

Tax transparency

During 2024, the EU and its Member States continued their work on a number of transparency initiatives that were adopted in prior years, but for which transposition in most Member States was still ongoing and further EU guidance needed to be developed.

Milestones in public CbCR implementation

Rules entered into effect

In 2021, the EU adopted public CbCR rules that Member States had to transpose by 22 June 2023, for the rules to enter into effect for financial years starting on or after 22 June 2024 (see **EY Global Tax Alert**). By June 2023, 17 Member States had not yet implemented the Public CbCR Directive into domestic legislation, leading the Commission to initiate infringement procedures. Despite the initial delays, by the end of 2024, all Member States had incorporated the rules into their national laws.

2024 was a milestone year for public CbCR not only because of the rules entering into effect in all Member States, but also because businesses with a relevant footprint in Romania had to publish their first reports (see **EY Global Tax Alert**).

Adoption of reporting format

The Directive requires MNEs to present their information using a standardized template and electronic formats that are machine-readable. On 1 August 2024, the Commission released a draft Implementing Regulation to standardize income tax information presentation for public CbCR purposes, launching at the same time a public consultation with interested parties were invited to provide feedback (see **EY Global Tax Alert** and **EY Comment Letter**). On 21 October 2024, the Commission released a revised draft of the Implementing Regulation introducing minor changes, including a clarification that ultimate parent entities not incorporated in a Member State, and their reporting subsidiaries, would not be required to use the template, although they would be expected to publish their report in a machine-readable format.

On 29 November 2024, the Commission officially adopted the **Implementing Regulation** (see **EY Global Tax Alert**), which introduces a common template and electronic formats for public country-by-country reports, sets requirements for report filing and defines the reportable data taxonomy. It is detailed in four annexes: Annex I provides a common template for uniform tax information presentation, Annex II specifies XBRL standards for electronic communication, Annex III outlines the requirements for marking up and filing reports, and Annex IV defines the taxonomy elements for data disclosure. To enhance accessibility and readability, the Implementing Regulation mandates the use of eXtensible Hypertext Markup Language for structuring the reports and requires Inline eXtensible Business Reporting Language to embed detailed financial data, aligning with the technical specifications in Annex II.

Published in the Official Journal of the EU on 2 December 2024, the Implementing Regulation will take effect for financial years starting on or after 1 January 2025.

Diverging timing and other challenges

Some Member States, like Romania and Croatia, introduced the public CbCR rules early. In Romania (see **EY Global Tax Alert**), for example, reportable groups were to submit their first report by the end of 2024 covering financial year 2023. Given the short time between the Implementing Regulation's adoption and Romania's first report deadline, the government has **allowed** alternative submission methods. These alternatives include following DAC rules (Parts B and C of Annex III to Council Directive 2011/16/EU) or choosing their own reporting format as long as the report includes the required information. This is one of several deviations in the implementation of the Directive.

Another challenge arises with the members of the European Economic Area (EEA) – Liechtenstein, Norway, and Iceland – which are expected to be covered by the Directive, as it has EEA relevance. In 2024, however, the Directive remained under scrutiny for formal inclusion in the EEA Agreement. This uncertainty leads to inconsistencies in how the Directive is applied with respect to these countries. While some Member States have already anticipated the broader application of the Directive to these three countries within their national implementation, others have not, resulting in variations in the reporting requirements imposed by individual Member States (e.g., segregated vs aggregated reporting). If Member States align with the Directive and extend their rules to the entire EEA, segregated reporting will be required for these countries, alongside Member States and jurisdictions included in the EU List of noncooperative jurisdictions for tax purposes and the state-of-play overview (under specific conditions).

Public CbCR implementation tracker – European Economic Area

Member State	Implementation status	Early application	Early application date[1]	Optional clauses			Deadline
				Safeguard clause[2]	Publication		
				Included	Duration	Website exemption[3]	
Austria, Bulgaria, Czechia, Denmark, France, Ireland, Latvia, Lithuania, Luxembourg, Slovakia	Final legislation	No	N/A	Yes	5 Years	Yes	12 months after the balance sheet date of the financial year for which the report is drawn up
Belgium, Greece	Final legislation	No	N/A	No	N/A	Yes	12 months after the balance sheet date of the financial year for which the report is drawn up
Croatia	Final legislation	Yes	1 January 2024	Yes	5 Years	Yes	12 months after the balance sheet date of the financial year for which the report is drawn up
Cyprus	Draft legislation	-	-	-	-	-	-
Estonia, Italy	Final legislation	No	N/A	No	N/A	No	12 months after the balance sheet date of the financial year for which the report is drawn up
Finland, Liechtenstein, Malta, the Netherlands, Poland, Portugal	Final legislation	No	N/A	Yes	5 Years	No	12 months after the balance sheet date of the financial year for which the report is drawn up
Germany	Final legislation	No	N/A	Yes	4 Years	Yes	12 months after the balance sheet date of the financial year for which the report is drawn up
Hungary	Final legislation	No	N/A	No	N/A	No	5 months after the balance sheet date of the UPE
Norway	No activity	-	-	-	-	-	-
Romania	Final legislation	Yes	1 January 2023	Yes	5 Years	Yes	12 months after the balance sheet date of the financial year for which the report is drawn up
Slovenia	Draft legislation	No	N/A	Yes	5 Years	Yes	12 months after the balance sheet date of the financial year for which the report is drawn up
Spain	Final legislation	No	N/A	Yes	5 Years	No	6 months after the balance sheet date of the UPE
Sweden	Final legislation	Yes	31 May 2024	Yes	5 Years	No	12 months after the balance sheet date of the financial year for which the report is drawn up

Legend

1. Early application means the legislation will be applicable for financial years starting before 22 June 2024.
2. The Safeguard Clause enables Member States to allow for one or more specific items of information to be temporarily omitted from the report where their disclosure would be seriously prejudicial to the commercial position of the undertakings to which the report relates. Information pertaining to tax jurisdictions included in Annexes I and II of the EU list of non-cooperative jurisdictions for tax purposes shall never be omitted.
3. Member States may exempt companies from publishing the report on their websites if the public registry provides free access to the reports. The company's website must indicate this exemption and provide a link to the relevant register's website

Disclaimer: The information is based on the EY Public CbCR Developments tracker updated as of 3 February 2025. Iceland is not covered in this version of the tracker.

In 2024, there was activity outside the EU on legislation similar to the public CbCR Directive. The Australian public CbCR rules were enacted on 10 December 2024. On 12 December 2024, the Australian government released the final legislative instrument listing the specified jurisdictions for segregated reporting (see **EY Global Tax Alert**). The Australian rules apply to financial reporting periods commencing on or after 1 July 2024, with reporting due 12 months after the financial period end.

Additionally, Moldova adopted legislation similar to the public CbCR Directive in 2023, with the provisions set to take effect on 1 January 2025.

The growing number of reporting obligations for companies, particularly MNEs, is leading to greater complexity and challenges. A key issue is the variation in requirements across different Member States which requires MNEs to navigate and comply with differing national rules, imposing a significant administrative burden. For non-EU MNEs, this divergence could also raise concerns regarding competitiveness, as the discrepancies in reporting obligations may influence investment decisions in favor of one Member State over another. Additionally, the fragmented nature of segregated reporting requirements across jurisdictions adds another layer of complexity.

It is possible that additional non-EU countries will adopt similar public CbCR measures in the future, leading to more tax transparency and further complicating the global compliance landscape for MNEs.

Corporate Sustainability Reporting Directive and tax: a complicated affair

The Corporate Sustainability Reporting Directive (CSRD) was adopted in late 2022 and entered into force on 5 January 2023, marking a significant step towards increased corporate transparency in the EU. The CSRD extends public reporting requirements to a broader spectrum of companies, aiming to enhance data quality to match financial data standards, standardize sustainability disclosures for transparency, and increase the accountability of the board of directors by providing investors and stakeholders with insights into companies' social, environmental and governance impacts. Starting in 2025, large publicly traded companies with over 500 employees must report under CSRD, aligning with the European Sustainability Reporting Standards (ESRS) for their 2024 annual reports.

Although tax is not one of the ten mandatory reporting standards in the ESRS, some taxes, such as for example green taxes, or tax incentives will in many situations become reportable under mandatory standards (such as ESRS E1 Climate Change), thereby triggering public tax disclosures. Additionally, the CSRD includes a broad requirement that companies must report on any topic deemed a material topic from a sustainability perspective. As a result, tax could be considered an important issue for companies in specific situations, potentially requiring them to disclose details about their tax practices and impacts as part of their sustainability reporting. An example mentioned in the CSRD refers to the impact of aggressive tax planning schemes on specific societies and the associated tax costs for these jurisdictions. And finally, even in situations where tax is not deemed a material topic, companies might still choose to report on tax matters to showcase responsible tax practices and societal contributions.

EU and Member States budgets: Tax policy impact

Two intertwined developments in 2024 will prompt new tax measures at the national and the EU level in the coming years: the reinforcement of the Stability and Growth Pact (SGP) and the emerging EU budget gap, relating to the funding of EU institutions and projects, which will need to be addressed by increased or new "own resources" for the EU.

EU commitments prompt tax increases and budget cuts

The SGP consists of rules to ensure that all Member States maintain sound public finances and coordinate their national fiscal policies. Government deficits shall remain below 3% of gross domestic product (GDP), and debt below 60% of GDP. From 2020 to 2023, the corrective part of the SGP which ensures that Member States adopt appropriate policy responses to correct excessive deficits and/or debts, was put on hold allowing for increased deficit spending due to the COVID-19 pandemic and, later, due to high energy costs and budgetary pressures throughout the EU.

On 29 April 2024, Member States **revised** the SGP, with the new rules taking effect on 30 April 2024. The revised SGP rules allow Member States more time and flexibility to achieve sustainable debt levels through fiscal adjustments towards the SGP ceilings.

The revised rules apply fully starting with the 2025 budget drafts of Member States. On 19 June 2024, the Commission published its "European Semester" Recommendations, offering guidance on fiscal policy and tax reforms for Member States. In September 2024, Member States began submitting their medium-term budgetary plans, outlining strategies for the next four to five years. These plans must address the priorities identified in the country-specific recommendations issued during the European Semester.

The SGP is poised to significantly reshape the tax policies of Member States, impacting their borrowing and spending power and putting additional pressure on their domestic fiscal reforms, including in Member States like Germany and France which saw their governments collapse over budget disputes.

New negotiations on own resources may trigger EU-wide taxes

As a result of the leadership transitions in 2024, little progress was made in discussing the long-term EU budget challenges and future own resources. Meanwhile, the EU is realizing it needs to balance the imperative to invest in areas such as the green and digital transitions (also through its Clean Industrial Deal) with the obligation to repay previous debt commitments, including those from the Next Generation EU. Next Generation EU is a recovery instrument that was put in place to help repair the immediate economic and social impact of the COVID-19 pandemic. The EU is borrowing up to EUR 800b on capital markets for this purpose. Additionally, the need to bring Member States back under the debt and budget deficit thresholds of the SGP further intensifies this tension. These financial pressures may necessitate tax increases or the introduction of new taxes, a topic already under discussion in working parties focused on EU own resources. Furthermore, cutting expenditures at the Member State level could undermine the overall competitiveness of the EU, creating a tension between fiscal responsibility and the need for strategic investment in future growth.

In earlier negotiations on the future EU budget, potential new EU-wide measures were identified as future sources of revenue for the EU budget. These sources of revenue are, amongst others, necessary to pay the interest and part of the lending the EU engaged in in the context of Next Generation EU. The then-identified sources of revenue included the introduction of a Financial Transaction Tax, a Digital Levy, and earmarking anticipated revenues from BEFIT and Pillar One Amount A.

As of the end of 2024, preparations for the negotiations on own resources have started. In December 2024, the Polish EU Council Presidency announced it will guide the development of an own resources system, exploring measures to make this system "less regressive" and identifying new revenue sources for the EU budget, particularly those linked to the Single Market. The negotiations already started in early 2025.

Among the taxes considered as an own resource was a Financial Transaction Tax. In June 2024, a study was launched to examine the potential for a more harmonized framework in the EU financial sector. Although the initial focus was on indirect measures, particularly value-added tax (VAT), discussions soon expanded to include the potential for a Financial Transaction Tax. This study is set to continue in 2025. Given the upcoming EU budget discussions, any proposals from the study on taxation of financial activities as an own resource are expected to be finalized soon to inform Member States' negotiations.

Leadership transition and focus on regaining competitiveness

2024 was a pivotal year for the EU, marked by

significant political, and legislative developments that will have a major impact on the EU's tax policies for the years to come. This section highlights key events and initiatives that are shaping these policies, focusing on the EU's governance, its lagging competitiveness, and ambitions for legislative simplification.

Elections and leadership changes

The EU's policies are steered by the leaders of the 27 Member States in the European Council and turned into concrete legislative proposals by the European Commission. The adoption of legislation relies on negotiations among the Member States within the Council of the EU. Additionally, the European Parliament may also be involved in this process, depending on the specific type of legislation being considered.

From 6 to 9 June 2024, EU citizens **voted** for the European Parliament. These elections marked the start of a new five-year legislative cycle, which has also triggered the appointment of a new European Commission. In a complex process of nominations by EU leaders and scrutiny by the new European Parliament, the European Commission was appointed.

On 27 June 2024, EU leaders **nominated** Ursula von der Leyen for a second term as European Commission President, Kaja Kallas as High Representative for Foreign Affairs and Security Policy, and Antonio Costa as European Council President. On 18 July 2024, Ursula von der Leyen was **reelected** as the European Commission President by the Members of the European Parliament after negotiations. The European Council appointed Antonio Costa and Kaja Kallas on **28 June 2024** and **24 July 2024** respectively.

Upon her re-election, Ursula von der Leyen outlined her vision for the next five years, focusing on "Defence and security, sustainable prosperity and competitiveness, democracy and social fairness, and leading in the world while delivering in Europe." These priorities were reflected in her **political guidelines**, forming the basis of the next European Commission's agenda. On 17 September 2024, von der Leyen **proposed** the composition of her College of Commissioners, with the Commissioners-designate undergoing Parliamentary **hearings** in November 2024 to demonstrate their knowledge, abilities, performance, and qualifications. Wopke Hoekstra was nominated as Commissioner for Climate, Net Zero and Clean Growth and will also hold the taxation portfolio. During his **hearing**, Hoekstra emphasized the four key areas he is planning to focus on: greening taxation, closing the tax gap, simplification, and international tax workstreams.

On 27 November 2024, the Parliament **approved** the entire proposed College, which was formally **appointed** by the Council the next day. The process, lasting almost six months, resulted in the Von der Leyen II Commission taking office on 1 December 2024, with a term until 31 October 2029.

Focus on Improving the EU's Competitiveness

Throughout 2024, EU Leaders have pushed for prioritization of initiatives to enhance the EU's competitiveness. On 17 and 18 April 2024, EU leaders **agreed** on a European Competitiveness Deal, and on 8 November 2024 they adopted the "**Budapest Declaration** on the new European Competitiveness Deal". The EU leaders took inspiration from reports of **Letta** and **Draghi** with a focus on

- Addressing the EU's innovation and productivity challenges to boost growth;
- Reducing the cost of energy and building EU energy resilience through coordination and integration;
- Strengthening EU economic security in a fragmenting global trade environment;
- Revitalizing the Single Market to preserve European prosperity; and
- Coordinating investment strategies to finance EU priorities.

In her **speech** right after the College's approval by the Parliament, Von der Leyen reconfirmed that improving the EU's competitiveness will be a key priority for the Von der Leyen II Commission. It is expected that the European Commission's proposals will rely heavily on the reports by Letta and Draghi. Concretely, Von der Leyen also announced that the first major initiative of her European Commission will be the Competitiveness Compass, based on the following three pillars of the Draghi Report: closing the innovation gap with the US and China, a joint plan for decarbonization and competitiveness, and increasing security and reducing dependencies. Other early actions include proposing omnibus packages with proposals amending existing EU legislation to reduce administrative burdens, aligning with the European Commission's commitment to reducing reporting requirements and cutting red tape by at least 25%.

Eyes on the EU's Competitiveness

Introduction

In recent years, businesses have voiced concerns about the EU's competitiveness gap compared to major blocs like the US and China, citing factors such as a burdensome regulatory framework, high energy prices in the EU and fragmented legislation. For example, in 2024 more than a thousand companies from 25 sectors called for elevation of a European industrial deal as a priority of the next EU institutional cycle by joining the **Antwerp Declaration**. To explore possible ways to address this issue and improve EU's competitiveness, two key reports were commissioned by the European Commission. Enrico Letta was commissioned to report on the Future of the Single Market, while European Commission President Ursula von der Leyen **commissioned** the Draghi report on the future of European competitiveness. Released in 2024, these reports are expected to shape the EU's policies for the next five years.

Enrico Letta's report on the future of the Single Market

On 1 April 2024, Enrico Letta, former Prime Minister of Italy, published his report "**Much More Than A Market – Speed, Security, Solidarity. Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens**". The report aims to guide EU leaders in discussions geared toward bolstering the EU's Single Market and its impact on the EU's competitive edge.

The Letta report suggests the main strategic challenges and opportunities for the EU in the coming years, namely executing a fair, green, and digital transition, pursuing the EU's enlargement, and enhancing the EU's security. The report identifies connected issues that the EU's Single Market is currently facing, with a strong emphasis on the need to improve the EU's capital market.

Concrete recommendations set out in the Letta report include accelerating integration in the Single Market for services, simplifying regulations for a more dynamic Single Market, and creating a Savings and Investments Union. The latter would support mobilizing private capital and would be developed from the incomplete Capital Markets Union. The Union would help both to keep European savings within the EU and make the EU more attractive for inbound investment. The integration of financial markets and removal of other obstacles to cross-border investment would require regulatory reforms, including in the tax area. In addition, the report suggests introducing tax incentives to investment in EU-wide investment funds.

Mario Draghi's report on the future of European competitiveness

On the 9 September 2024, Mario Draghi, former European Central Bank President and former Italian Prime Minister presented a two-part report on "**The future of European competitiveness**" as a response to a particular request from the European Commission.

The Draghi report analyses the state of the European competitiveness in the fast-changing geopolitical environment and global and EU economy. It provides recommendations to boost the European competitiveness while preserving European social values and system of rights. **Part A** of the report introduces a new competitiveness strategy for Europe; **Part B** outlines specific recommendations for ten different sectors, such as clean technologies, pharma, defense and others, and introduces horizontal policies. Part A and Part B of the report outline the competitiveness issues that the EU and European sectors, companies, and institutions are facing and propose areas for action and respective recommendations to address these issues.

President European Central Bank 2011–2019, Italian Prime Minister 2021–2022

> "If Europe cannot become more productive, we will be forced to choose. We will not be able to become, at once, a leader in new technologies, a beacon of climate responsibility and an independent player on the world stage. We will not be able to finance our social model. We will have to scale back some, if not all, of our ambitions.
>
> This is an existential challenge.
>
> Europe's fundamental values are prosperity, equity, freedom, peace and democracy in a sustainable environment. The EU exists to ensure that Europeans can always benefit from these fundamental rights. If Europe can no longer provide them to its people – or has to trade off one against the other – it will have lost its reason for being.
>
> **—Mario Draghi**

The Draghi report proposes three areas for action with the aim of boosting European competitiveness: focusing on closing the innovation gap with the US and China, a joint plan for decarbonisation and competitiveness, and increasing security and reducing dependencies. Based on these areas for action, the report proposes the building of an overarching framework and directions of work for the EU leaders and stakeholders.

The future of European competitiveness: Three areas for action

Closing the innovation gap	Decarbonization and competitiveness	Increasing security and reducing dependencies
Europe needs to accelerate innovation and find new growth engines to close the innovation gap with the US and China, especially in advanced technologies	Europe must move forward with a joint plan for decarbonization and competitiveness, aiming to bring down high energy prices while continuing to decarbonize and shift to a circular economy	Europe must react to a world of less stable geopolitics, where dependencies are becoming vulnerabilities, and it can no longer rely on others for its security
20% the EU labor productivity lower than the US level	**2-5 times** higher prices for electricity and natural gas compared to the US	**40%** of imported critical raw materials are sourced from strategically unaligned countries and difficult to substitute

Addressed sectors: energy, critical raw materials, digitalization and advanced technologies, energy-intensive industries, clean technologies, automotive, defense, space, pharma, and transport

To start with, the analysis in the Draghi report shows that Europe faces a critical challenge in closing the innovation gap, as its productivity growth has slowed. The lagging digital technology industry in the EU is the key source of this gap. Without an increase in productivity growth, Europe risks stagnant GDP growth, which could potentially lead to unsustainable public debt levels. There is a need to significantly accelerate technological and scientific innovation and improve the commercialization pipeline.

Promotion of technological and energy innovation and facilitating start-ups and scale-ups would enhance the EU's industrial competitiveness. The EU must remove growth barriers for innovative companies. Such barriers include insufficient and fragmented support for research and innovation, low demand in the European market, and regulatory and jurisdictional hurdles. The skills gaps and shortage of skills act as additional barriers to innovation and technology adoption which may hinder decarbonization efforts.

The second area for action is a joint plan for decarbonization and competitiveness. Here, the Draghi report puts the major focus on lowering energy costs, as the energy cost in the EU are two to five times higher than in the US. This affects growth and corporate investments. Decarbonization would offer an opportunity for Europe to lower energy prices, take the lead in clean technologies, and become more energy secure. The execution of the joint decarbonization and competitiveness plan must be aligned with capturing industrial opportunities presented by the green transition and leveling the playing field in sectors more exposed to unfair competition from abroad, including potential application of tariffs and other trade measures.

The Draghi report recognizes that a differentiated industrial strategy is necessary. The strategy should recognize that globalized trade will remain a source of products necessary for the EU market. However, it also should introduce targeted measures to protect European technology and industrial interests and de-risk the trade relationships.

Four industrial strategies depending on the European interest

EU industries with large cost disadvantage	EU industries with concerns on the place of production	EU industries of strategic interest	EU innovative infant industries
No or low protection	**EU production autonomy**	**EU strategic interest safeguards**	**Full protection**
Free trade is used to generate cost benefits for the industries where the gap is already too large, for example, solar panels.	**Protection** from unfair competition for jobs and **level playing field distortions**, yet the EU is agnostic about where the underlying technology originates from.	**Leverage on the size of the EU market to ensure access to new technology**, know-how and manufacturing capacity.	**Protection** of infant industries where the EU has an innovative edge and sees high future growth potential.
Actions: ■ Import and benefit from foreign subsidies. ■ Diversify suppliers to limit dependencies and ensure low import prices.	**Actions:** ■ Encourage inward foreign direct investments. ■ Deploy trade measures to offset the cost advantage of foreign subsidies.	**Actions:** ■ Increase the long-term "bankability" of new investments in Europe. ■ For example, require local content requirements or joint ventures with EU companies. ■ Allowing for the production to increase in the event of geopolitical tensions.	**Actions:** ■ Shield off entire market. ■ Apply the full range of protective measures until the industry reaches sufficient scale.

As a third area of action, Europe must react to a world of less stable geopolitics as it can no longer rely on others for its security. European cooperation is important for mitigating costs and vulnerabilities and increasing security and reducing dependencies. The Draghi report focuses on reducing external vulnerabilities, such as reducing dependencies on risky trade relationships when it comes to imported critical raw materials and critical technologies essential for the Europe's digitalization. It also includes bolstering domestic production capacity and protection of key network infrastructures.

Increasing security as an area of action also focuses on strengthening industrial capacity for the defence and space industries. European cooperation is crucial for tackling fragmentation and insufficient aggregation and coordination of public spending at the EU level for both sectors, The EU needs to coordinate efforts to address sectoral low demand, small markets, duplication of capacities, and fragmentation of supply chains to reduce costs and bolster security.

To translate the analysis into actions, the Draghi report identifies four major building blocks that act as categories of instruments to use in the execution of the Clean Industrial Deal that is foreseen:

- The full implementation of the Single Market in key policy areas, which will help to unlock domestic demand and investment (e.g., in the areas of financing, telecommunication, energy);

- Alignment of industrial, competition, and trade policies as part of an overall strategy. The industrial policies should focus on sectoral support, while the competition policies should facilitate market entry, levelling the playing field for domestic companies at all the development stages, which do not receive the same state support as their competitors from other regions;
- Mobilizing public and private financing, with the aim to finance key action areas and increase the investment to GDP ratio by 5% to 27% of GDP. The proposed measures include implementation of the Capital Markets Union and complete Banking Union, and issuance of a common European safe asset - common debt instruments – to provide a large, liquid market attracting global investors and enhance the role of the euro as a reserve currency; and
- Reforming the EU governance to act more cohesively as a Union and move towards increased depth of coordination. This will result in improved efficiency and effectiveness of the EU governance process and streamlining implementation of accepted legislation in the Member States. and in reducing regulatory burden for European companies.

At the same time, it is essential to preserve social inclusion in Europe. This includes providing opportunities for education and welfare, ensuring that policies remain consistent in a push towards the Single Market and increased attractiveness of more regions and cities. Europe should accept that the phase of hyper-globalization is passing, adapt to new realities, and ensure that the governments are focusing on empowering people.

Major impact on tax

The Draghi report will have a significant impact on the tax landscape across the EU because it on the one hand presents explicit references to taxation, such as multiple references to tax incentives and a reference to lowering and leveling the energy taxation playing field, and on the other hand will require changes in tax legislation to be executed, for example the lowering of the administrative costs for business with 25 to 35%. The recommendations to support both horizontal and sectoral policies also will affect taxation. These include the extension of the qualified majority voting to taxation. These and other measures referenced in the Draghi report, if implemented, will significantly affect the EU tax framework.

Turn to action

On 29 January 2025, the European Commission issued the **Competitiveness Compass for the EU** (the Compass) – a communication on competitiveness that provides the roadmap for the Draghi's report and translates it into the Commission's agenda for the coming five years. see **EY Global Tax Alert**.

The Compass structurally follows the Draghi report and proposes the flagship actions for three transformational imperatives or pillars to boost competitiveness, that follow three areas for action of the Draghi report. The document also suggests complementary actions on horizontal enablers echoing the horizontal policies of the Draghi report, which should be taken across all the sectors. Altogether, the Compass provides the agenda on what major measures and proposals are to be expected from the Commission.

The Compass' actions will have a significant impact on tax. The major proposals that are particularly relevant for taxation start with the introduction of the 28th legal regime by Q1 2026, which aims to simplify rules, reduce costs and remove regulation barriers for innovative companies and allow them to fully benefit from the Single Market. The Clean Industrial Deal and Action Plan on Affordable Energy aims to ensure a supportive state aid to clean technologies industries with the New State Aid framework proposed by Q2 2025.

One of the major actions proposed with the Horizontal enablers is the simplification of the regulatory environment. The Commission again confirmed their commitment to reduce the reporting burden by at least 25% for all companies and 35% for SMEs. The first Simplification Omnibus package covering simplification in the fields of sustainable finance reporting were presented in Q1 2025. The actions establishing a Savings and Investments Union include the reform and harmonization of fragments insolvency frameworks EU-wide and removing of taxation barriers to cross-border investment.

The Compass proposes a new approach to competitiveness that combines industrial policies, investment and reforms, united around a common vision. A large-scale simplification and a new governance framework to coordinate actions between the EU and Member States underpin this approach. EU institutions, national governments, regional authorities and companies, must work together in a joint endeavor and take commitment and cooperation to a new level.

What's next in 2025

As we look ahead to 2025, several key developments and initiatives are expected to shape the EU's tax policy landscape. Member States will continue their negotiations on pending proposed Directives, with a particular focus on adopting DAC9 to facilitate the reporting and exchange of the TIRs relating to the Global Minimum Tax. Given the resistance to other proposals such as BEFIT, significant progress is unlikely. However, BEFIT may resurface in another form in the context of EU proposals to lower the administrative pressure for big multinationals. Also, there may be more developments on the establishment of the Transfer Pricing Platform. The Polish EU Council Presidency's program highlights a focus on initiatives related to indirect taxes, indicating that there may be limited progress on direct tax proposals beyond DAC9.

EU tax developments will also interact with global discussions, particularly those within the BEPS project. While Pillar Two has already been reflected in the EU's implementation, questions remain about the EU reaction if the US resistance to introduction of Pillar Two persists and the future of Pillar One, especially the feasibility of agreeing on and ratifying Amount A. The EU has thus far been committed to these negotiations but may need to consider alternatives in 2025 if global consensus remains elusive.

Additionally, the topic of wealth taxation has gained traction at the G20, with several Member States expressing interest. If this topic gains further traction and is perhaps taken up by the Inclusive Framework, it may also become a topic for the EU. In any case, as the UN Framework Convention on Tax Cooperation negotiations commence, Member States will need to approach these multilateral discussions strategically.

Furthermore, EU officials have indicated that they may undertake work on tax issues related to increased cross-border working and mobility of labor. Member States have highlighted this as an important issue. While the OECD has also recently initiated a workstream in this regard, which may result in changes to the OECD Model Tax Convention and Commentary, as well as the OECD Transfer Pricing Guidelines, there may be additional work to be undertaken within the EU.

Early 2025 will see Member States revisiting discussions on funding the EU budget and identifying new own resources. This could include sector-specific measures, such as taxes on financial activities, and potentially revisiting DSTs given the uncertainty regarding revenue from Pillar One Amount A. The EU's budgetary needs will drive these discussions, and Member States will explore various alternative options to ensure sustainable funding.

Additionally, there will be new initiatives to support the EU's latest priorities. Under the new mandate, the European Commission is expected to present holistic, horizontal proposals for simplifying the regulatory environment to ensure that the EU remains competitive on the global stage. A major initiative will be the presentation of omnibus packages aimed at reducing administrative burdens and reporting obligations. This shift may result in fewer separate tax Directives and more integrated tax measures within broader policy proposals. Such proposals, for example, will seek to improve the EU's capital markets including by removing tax obstacles, while tax will also be important for incentivizing investments in innovation and decarbonization of European industry. Later proposals may include measures to declutter the EU's tax rules. European Commission officials have also indicated a focus on closing the tax gap, sharing best practices among EU tax administrations, and leveraging the Semester Recommendations to influence tax policies of Member States that do not meet the SGP criteria.

2025 is expected to bring a plethora of new EU tax initiatives, potentially taking different forms than seen in the past. This reflects the rapidly changing global landscape and the EU's need to adapt its tax policies to remain competitive and effective. The next few years likely will not look like the past few, as the EU navigates the complex and evolving challenges in a rapidly changing geopolitical environment.

United Nations tax developments

Introduction

In 2024, the UN continued to make significant strides in the effort to enhance its role in international tax policy, building on momentum from the previous year. This progress comes against the backdrop of increasing South-to-South trade, which emerging and developing countries see as underscoring the need for a more inclusive and cooperative international tax framework.

Historically, the UN has played an advisory and facilitative role in international tax matters. The UN has focused on providing guidance and fostering dialogue among member countries, particularly supporting the interests of developing countries. However, the ambitions for the future mark a significant shift, with the UN now aiming to take a more central and proactive role in setting international tax standards and enhancing global tax cooperation.

This section covers two aspects of the UN's work on tax: the efforts towards a new framework convention on international tax cooperation, and the ongoing work by the Committee of Experts on International Cooperation in Tax Matters.

A framework convention is a legally binding multilateral agreement that establishes an overall system of international tax governance. It outlines the core tenets of future international tax cooperation, including the objectives, key principles governing the cooperation, and the governance structure of the cooperation framework. Framework conventions may also include institutional provisions for creating a plenary forum for discussion between countries, endowed with the authority to develop further normative instruments to which countries could then become a party.

The Committee of Experts on International Cooperation in Tax Matters is a subsidiary body of the Economic and Social Council (ECOSOC). Its main functions include developing tax policies and promoting cooperation. The Committee works on creating and updating international tax policies and guidelines to address global tax issues, such as tax treaties, transfer pricing, and taxation of the digital economy. It also fosters international cooperation among countries to improve tax administration and compliance, helping to combat tax evasion and avoidance. The topics included in the work program of the Committee are now being considered for inclusion in new Fast Track Instruments that would facilitate the faster dissemination of these policies.

Framework Convention on International Tax Cooperation

Since the approval of **Resolution 77/244** on 30 December 2022, in which the UN decided to begin intergovernmental discussions on ways to strengthen the inclusiveness and effectiveness of international tax cooperation, the UN has been steadily working towards an international tax cooperation framework convention. Later, on 22 December 2023, the UN General Assembly adopted **Resolution 78/230**, which established a Member State-led, open-ended Ad Hoc Intergovernmental Committee to draft terms of reference (ToR) for a UN framework convention on international tax cooperation (see the **Latest on BEPS and Beyond** – January 2024).

In 2024, the Ad Hoc Committee held three sessions: an Organizational Session in New York from 20-22 February, a First Session in New York from 26 April to 8 May, and a Second Session in New York from 29 July to 16 August.

During the **Organizational Session**, the Ad Hoc Committee elected its Chair, 18 Vice-Chairs, and Rapporteur. It also agreed on the structure for work to deliver on its mandate of the Ad Hoc Committee, including outlines and modalities for the work of the Ad Hoc Committee, modalities for multi-stakeholder engagement, and a roadmap for the Ad Hoc Committee's work.

During the **First Session**, the Ad Hoc Committee undertook substantive scoping of the draft ToR and discussed an indicative list of matters to be addressed. This included consideration of the development of early protocols on specific priority issues simultaneous with the development of the framework convention.

On 7 June 2024, the Ad Hoc Committee's Bureau released a "**zero draft**" for the ToR and requested stakeholder feedback, receiving more than 100 submissions. Subsequently, a **revised ToR** was released in mid-July 2024, serving as the basis for discussions at the Second Session of the Ad Hoc Committee (see the **Latest on BEPS and Beyond** – July 2024).

During the **Second Session**, the **ToR** were agreed by vote on 16 August 2024. The Ad Hoc Committee then submitted the ToR to the 79th Session of the UN General Assembly for consideration (see **EY Global Tax Alert**).

On 27 November 2024, the UN Second Committee (Economic and Financial) considered the draft resolution titled "Promotion of inclusive and effective international tax cooperation at the United Nations" (document **A/C.2/79/L.8/Rev.1**). Hungary, on behalf of the EU, requested a vote on operative paragraphs 2 and 5 of the draft resolution. Operative paragraph 2 refers to adoption of the ToR for the UN Framework Convention on International Tax Cooperation, while operative paragraph 5 refers to the convening of an intergovernmental negotiating committee to address organizational matters and decide on the subject of the second early protocol. The Second Committee voted to retain both paragraphs and then approved the resolution, including the ToR, in a recorded vote of 125 in favor, 9 against, and 46 abstentions. The EU issued a **statement** explaining its abstention: "If the upcoming process in the negotiating committee's organisational session is not conducted in a fairer, transparent, and more inclusive way, and if this process does not safeguard a broad consensus-based decision-making process, ensuring that we work towards a convention that is effective (i.e., implemented by the most parties), EU Member States may have to choose to disengage from these negotiations. In particular, the imposition of simple majority decision-making for the committee would be unacceptable and may leave EU Member States unable to participate in the future convention."

On 24 December 2024, the UN General Assembly voted on the resolution put forward by the Second Committee (document **A/79/435/Add.6**), approving it in a recorded vote of 119 in favor, 9 against (Argentina, Australia, Canada, Israel, Japan, New Zealand, Republic of Korea, United Kingdom and United States), and 43 abstentions (including the EU Member States, Costa Rica, Switzerland, and the United Arab Emirates) (see **EY Global Tax Alert**).

With this vote, the UN General Assembly adopted the ToR for the development of the UN Framework Convention on International Tax Cooperation (**Resolution 79/235**).

Among the key elements of the ToR is a stipulation that two early protocols are to be developed simultaneously with the Framework Convention. One of the early protocols will address the taxation of income derived from the provision of cross-border services in an increasingly digitalized and globalized economy. The subject of the second early protocol was to be decided at the Organizational Session of the intergovernmental negotiating committee, drawing from the following specific priority areas: (a) taxation of the digitalized economy, (b) measures against tax-related illicit financial flows, (c) prevention and resolution of tax disputes, and (d) addressing tax evasion and avoidance by high-net-worth individuals and ensuring their effective taxation in relevant countries.

UN Committee of Experts on International Cooperation in Tax Matters

Among other initiatives, the Committee of Experts has been working in recent years on taxation issues related to the digitalized and globalized economy, including developing a new Article 12B on income from automated digital services for inclusion in the UN Model Tax Convention between Developed and Developing Countries and assessing the effectiveness of the physical presence tests in the Convention. It has also focused on the development of a new Fast Track Instrument to streamline and expedite the amendment process for bilateral double taxation treaties.

During the **28th session** in March 2024, after several years of work, the Fast Track Instrument was finalized. The Instrument uses a system of schedules to present pre-agreed amendments on various issues, including the definition of recognized pension funds, taxation of natural resources and indirect capital gains, fees for technical services, income from automated digital services, arbitration of disputes, subject to tax rules, capital gains from immovable property, and services permanent establishments. A matching process identifies compatible treaty amendments between parties, with the UN Secretariat facilitating the procedure.

During the **29th session** in October 2024, the text of the Fast Track Instrument was transmitted to ECOSOC for review and adoption. Ultimately, for the Fast Track Instrument to become a treaty, it must be adopted through an intergovernmental process, either through ECOSOC or another appropriate mechanism.

Regarding the work on the relevance of physical presence tests, a new article and accompanying commentary on cross-border services (provisionally referred to as Article XX) was introduced for consideration during the March 2024 session. Article XX, titled "Fees for Services," sets out the rules for taxing fees for services paid to a resident of one state by a resident of the other, providing that these fees may be taxed in the recipient's state of residence. Article XX would allow a country to tax payments for cross-border services regardless of where the services are performed, and without any minimum threshold requirement such as a permanent establishment or fixed base in the country or the physical presence of the service provider in the country for a minimum number of days.

During the October 2024 session, revised versions of Article XX and its commentary were presented for approval. A vote was requested and it took place in a closed meeting of the Committee. It was announced that the vote, by a clear majority, was in favor of including the article and its commentary (with some small final adjustments) in the next version of the UN Model Tax Convention. The commentary as adjusted, and the numbering for the article, will be presented at the **30th session** of the Committee in March 2025.

Looking ahead

An intergovernmental negotiating committee established in 2025 will be responsible for drafting the Framework Convention on International Tax Cooperation and the two early protocols. The committee is scheduled to meet three times a year in 2025, 2026, and 2027, with each session lasting no more than 10 working days. It is expected to complete its work and submit the final text of the Framework Convention on International Tax Cooperation and the two early protocols to the UN General Assembly for consideration in 2027.

At the organizational session in 2025, the intergovernmental negotiating committee elected a Bureau consisting of a Chair, 17 Vice-Chairs, and a Rapporteur, ensuring representation from various regions. The committee established a decision-making process that strives for consensus. When consensus cannot be reached, a simple majority vote generally will be sufficient, but a two-thirds majority will be needed on matters of substance relating to a protocol to the Framework Convention on International Tax Cooperation. The subject of the second early protocol has been chosen as the prevention and resolution of tax disputes.

A detailed roadmap is to be finalized by the end of the first quarter of 2025, which will include guidelines for several workstreams and the frequency of virtual meetings (see **EY Global Tax Alert**).

Following the transmission of the Fast Track Instrument to ECOSOC, the council will review it and determine the next steps for its adoption and implementation. The council's discussions are expected to consider the potential challenges in its implementation and the benefits it could bring to member countries. The review process will involve consultations with member countries.

Moreover, in 2025, the UN will release an update to the UN Model Tax Convention. This updated version will include not only the addition of Article XX, but also other changes that the Committee has been working on since the last update of the UN Model Tax Convention in 2021. This includes a new Article 5A, which establishes lower thresholds for source state taxation with respect to certain natural resource activities. Article 5A will cover both renewable and non-renewable resources. It also disapplies Article 8 with respect to international transport related to such resources if those activities continue in a jurisdiction for more than 30 days. It also includes a new Article 12C, which replaces the existing Article 5(6), on the taxation of insurance activities and allows taxation of insurance premiums on a gross basis.

Other tax organizations

In the evolving landscape of global tax standards, the OECD and the UN continue to be the main global organizations. However, the framework for international tax is becoming increasingly fragmented. The role of regional organizations in influencing tax policy is expanding.

In 2024, the African Tax Administration Forum (ATAF) increased its activity and influence in shaping tax policy across the continent, releasing several key documents aimed at addressing emerging tax challenges and supporting member countries in their tax administration efforts:

- **Revised suggested Approaches to Drafting Domestic Minimum Top-Up Tax Legislation, which** offers three alternative models for countries to consider, allowing them to choose the one that best fits their legislative context.
- **Policy brief on Taxing Digital Firms in Africa, which** updates ATAF members on the status of the global tax debate and provides legislative policy options for taxing these businesses in Africa.
- **Communication** on Amount B, indicating that many African countries have expressed their intention to incorporate the simplified and streamlined approach into their transfer pricing legislation, aligning with the OECD Transfer Pricing Guidelines and the ATAF Suggested Approach to Drafting Transfer Pricing Legislation.
- **Technical Note on Amount B**, highlighting the design features of most importance if Amount B is to maximize benefits to African countries.
- A revised **Suggested Approach to Transfer Pricing**, including model text for implementing Amount B.

ATAF's advisory role has extended beyond administration, with ATAF also helping shape policy directions and contributing to broader policy developments.

In the Asia-Pacific region, several development partner organizations and tax administrative capacity-building agencies are active. Two of the most prominent are the Asia Development Bank (ADB) and the Study Group on Asia Pacific Tax Administration and Research (SGATAR). The ADB, a development partner to the OECD, is involved in tax-related capacity building for its developing member countries. It has launched several initiatives to support OECD initiatives, such as:

- Joining the Global Tax Forum – tax transparency and automatic exchange of information;
- Joining the Inclusive Framework and adopting the BEPS Minimum Standards; and
- Capacity building in relation to Pillar One and Pillar Two implementation.

It is worth highlighting the continued development of the ADB Tax Hub and its role in supporting member countries to implement international standards. The ADB also launched its BEPS 2.0 Help Desk concept in coordination with the OECD in 2023, with the goal of supporting member countries to develop capacity to implement Pillar Two and then Pillar One through:

- Resources and guidance books;
- Training – one-on-one and one-on-many – on key technical issues;
- Knowledge sharing forums; and
- Regional Forums.

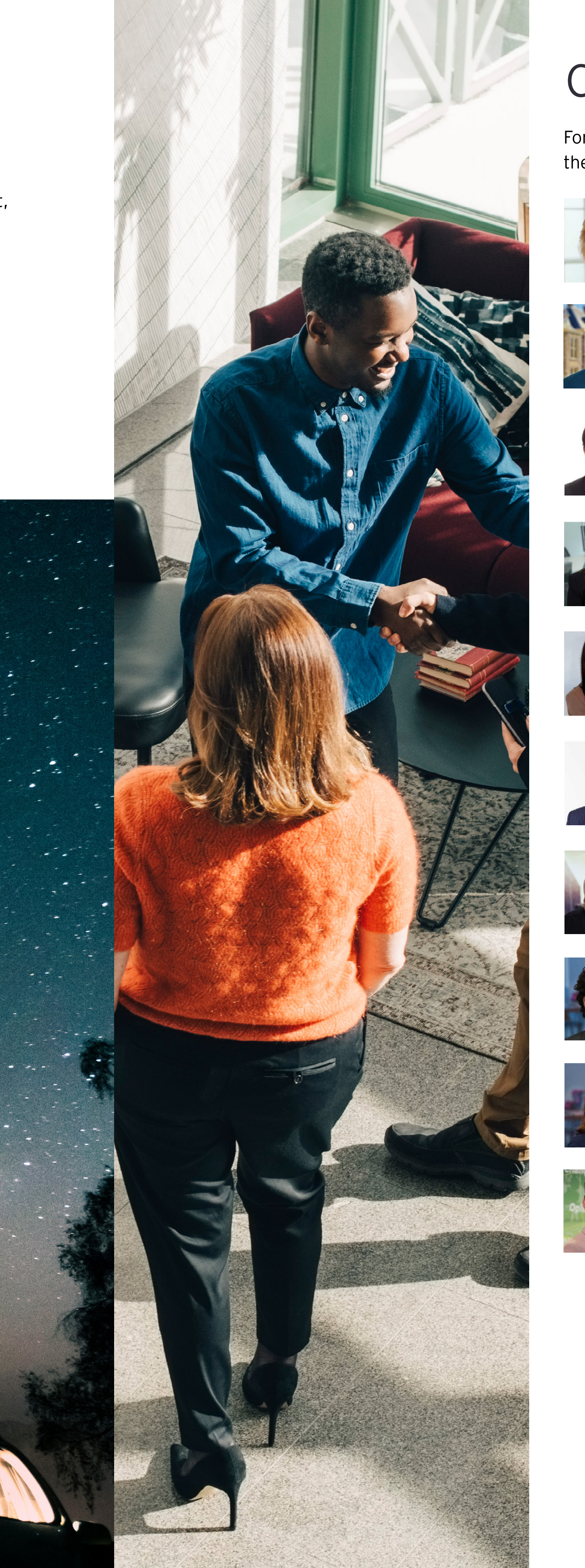
SGATAR is a platform to enhance the performance of tax administrations in the Asia-Pacific region by promoting collaboration and communication among member tax administrations. There are currently 18 members : Australia, Cambodia, People's Republic of China, Chinese Taipei, Hong Kong China, Indonesia, Japan, Lao People's Democratic Republic, Macao China, Malaysia, Mongolia, New Zealand, Papua New Guinea, Philippines, Republic of Korea, Singapore, Thailand, and Vietnam.

SGATAR's activities have centered on aiding administrative reform through the sharing of information and insights with regard to specific tax issues. More broadly, it has sought to facilitate the alignment of various tax systems in the Asia-Pacific region in order to foster a tax regime favorable to the smooth development of trade and investment. A specific focus area for SGATAR has been BEPS, particularly the tax administration challenges posed by BEPS and their impact on jurisdictions in the short and long term. SGATAR has sought to identify relevant BEPS issues, to discuss mechanisms to address MNE risk, and to consider the role multilateral co-operation can play (especially among SGATAR members).

The interpretation and implementation of global tax standards can significantly impact their effectiveness. While OECD and UN involvement is expected to continue, the implementation will be influenced by these regional organizations and the EU. Regional bodies likely will play a crucial role in how global tax standards are rolled out.

Looking ahead and beyond

This new edition of the annual publication of the Latest on BEPS and Beyond shows on the one hand how much happened in 2024, but on the other hand that many of the developments in 2024 were merely a prelude to a wave of geopolitical, regional and local developments that will likely have a major impact on the tax positions of businesses in 2025. The impact may be much more differentiated than in earlier periods, with tax policies specifically designed to enhance a specific economic blocs' competitiveness, to incentivize investments in innovation, to execute strategic trade policies for specific sectors, to influence behavior and to manage and lower deficits. Given this fast-moving environment, it will be essential for tax teams to monitor the tax policy environment closely. With our monthly Latest on BEPS and Beyond publications, we aim to keep you on top of these developments. In between these publications, we hope that our alerts on international tax developments will keep you informed. Finally, our EY tax policy team and colleagues worldwide stand ready to assist you in navigating this volatile political and tax environment so you can shape the future with confidence.



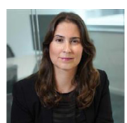
Contacts

For additional information with respect to this publication, please contact the following:

Marlies de Ruiter
Partner/Principal
Rotterdam, Netherlands
marlies.de.ruiter@nl.ey.com

Maikel Evers
Partner
Rotterdam, Netherlands
maikel.evers@nl.ey.com

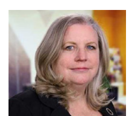
David Corredor-Velásquez
Senior Manager
Amsterdam, Netherlands
david.corredor.velasquez@nl.ey.com



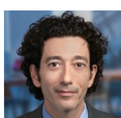
Mariana Lemos
Senior Manager
Porto, Portugal
mariana.lemos@pt.ey.com

Andromachi Anastasiou
Senior
Rotterdam, Netherlands
andromachi.anastasiou@nl.ey.com

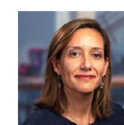
Matt Andrew
Partner/Principal
Hong Kong, China
matt.andrew@nz.ey.com



Barbara M. Angus
Client Serving Contractor ITTS
Washington, United States
barbara.angus@ey.com



Jose A. (Jano) Bustos
Partner/Principal
New York, United States
joseantonio.bustos@ey.com



Ana Mingramm
Partner/Principal
New York, United States
ana.mingramm@ey.com

Roberto Aviles Gutierrez
Manager
New York, United States
roberto.aviles.gutierrez@nl.ey.com

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2025 EYGM Limited.
All Rights Reserved.
EYG NO. 002131-25Gbl

ED None.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com