Quarterly Tax Developments

Things to know about Q1 tax developments and related IFRS accounting implications

March 2025

The better the question. The better the answer. The better the world works.

Shape the future with confidence

Welcome to our Q1 2025 Quarterly Tax Developments publication, which focuses on income tax developments that could affect International Financial Reporting Standards (IFRS) accounting.

Here we describe certain tax developments previously summarized in EY Tax Alerts or other EY publications or identified by EY tax professionals or EY foreign member firms. These developments may affect your tax provision or estimated annual effective tax rate.

We compile this information because we recognize that, for many companies, a significant aspect of accounting for income taxes is identifying changes in tax law and other events when they occur so the accounting can be reflected in the appropriate period. This publication, however, is not a comprehensive list of all changes in tax law and other events that may affect income tax accounting.

This edition covers certain substantively enacted, enacted and effective tax legislation, as well as regulatory developments, legislative proposals and other items, including developments on the Organisation for Economic Co-operation and Development (OECD) global minimum tax rules under Pillar Two, identified through 17 March 2025, except as noted.

You can access the EY publications referenced in this document through our Tax News Update website for more information.

In this issue:

Tax developments

Legislation substantively enacted (or enacted) in the first quarter of 2025

Under IFRS, companies are required to account for the effects of tax law changes on their deferred tax assets and liabilities in the period the legislation is substantively enacted. Similarly, companies must reflect the effects of a substantively enacted change in tax laws or rates in their annual effective tax rate computation in the period the changes are substantively enacted. If an interim change is significant, temporary differences may need to be estimated as of the enactment.

France — On 15 February 2025, France enacted a temporary, nondeductible surcharge on certain large companies or tax-consolidated groups. The surcharge applies to the first fiscal year ending on or after 31 December 2025 and is based on the average corporate income tax owed for the fiscal year in which the tax is due and the prior fiscal year. The corporate income tax is assessed before offsetting any tax reductions, credits or receivables.

A 20.6% surcharge applies for standalone companies or tax-consolidated groups with revenue realized in France equal to or greater than EUR 1 billion but less than EUR 3 billion. A 41.2% surcharge applies for standalone companies or tax-consolidated groups with revenue realized in France equal to or greater than EUR 3 billion.

Other changes include:

- Imposing a temporary 12% nondeductible tax on the profits of large shipping companies
- Limiting expenses that can be included when computing the research and development (R&D) credit
- Applying a pay-and-refund withholding tax procedure on dividends and assimilated income paid to residents of jurisdictions that have a tax treaty with France, where the treaty does not provide a withholding tax for that income, or exempts that income from withholding tax
- Adding partial demergers and new cases of simplified mergers to the list of transactions that qualify as tax-free

The changes are generally effective 16 February 2025. See Tax Alert 2025-0477, dated 14 February 2025.

Japan[1] — On 31 March 2025, Japan enacted a 4% special defense surtax, which will apply on top of its 23.3% national corporate tax. The surtax will increase the effective tax rate of companies with equity exceeding JPY 100 million to 31.52% from 30.62%. For companies whose equity is JPY 100 million or less, the effective tax rate increases to 35.43% from 34.59%. The changes are effective for fiscal years beginning on or after 1 April 2026. For calendar-year companies, the change is effective for tax years beginning on or after 1 January 2027.

United States: federal, state and territories

IRC conformity

The chart below lists the states that enacted legislation this quarter updating their conformity to the US Internal Revenue Code (IRC). The chart includes enactment and effective dates, the date of conformity and IRC provisions to which the state decided not to conform. Additional information on the state's IRC conformity can be found in the cited reference.

[1] A Tax Alert has not been published on this development.

State	Enactment date	Date of conformity	Effective date	Reference
Arizona	28 February 2025	1 January 2025	Tax years beginning from and after 31 December 2024	State and Local Tax Weekly for 21 February 2025 and 28 February 2025
Idaho	27 January 2025	1 January 2025	Retroactive to 1 January 2025	State and Local Tax Weekly for 24 January 2025 and 31 January 2025
South Dakota (bank franchise tax)	18 February 2025	1 January 2025	1 July 2025	State and Local Tax Weekly for 21 February 2025 and 28 February 2025
West Virginia	24 February 2025	31 December 2024	Retroactive to the extent permitted under federal income tax law	State and Local Tax Weekly for 21 February 2025 and 28 February 2025

United Kingdom[2] – On 20 March 2025, the United Kingdom enacted Finance Act 2025, which sets the corporation rate for 1 April 2026 through 31 March 2027 at 25% (the same as the current rate). Other changes include:

- Continuing to align the UK's Pillar Two legislation with the Global Anti-Base Erosion Model Rules (GloBE Rules) of the OECD, with the changes having effect from various commencement dates
- Introducing the Pillar Two undertaxed profits rule for accounting periods commencing on or after 31 December 2024
- Repealing rules governing taxation of income from intangible property (i.e., the rules for offshore receipts in respect of intangible property) for income arising on or after 31 December 2024
- Increasing the energy profits levy to 38% from 35% retroactively to accounting periods beginning on or after 1 November 2024, as well as extending the levy's expiration date to March 2030
- Eliminating the 29% investment allowance under the energy profits levy and reducing the rate of decarbonization investment allowance to 66%, which are both effective for expenditures incurred on or after 1 November 2024
- Allowing film and high-end television companies to claim an enhanced 39% rate of audio-visual expenditure credit on their UK visual effects costs incurred after 1 January 2025, and excepting these costs from 80% cap on qualifying expenditures

Legislation effective in the first quarter

Bermuda[3] – Effective for tax years beginning on or after 1 January 2025, a 15% corporate income tax applies to Bermuda businesses that are part of multinational enterprise (MNE) groups with annual revenue of EUR 750 million or more. The new corporate income tax is intended to align with the global minimum tax rules under Pillar Two, so that the tax will mitigate the top-up tax payable to other jurisdictions on profit earned in Bermuda. The tax also leverages certain key scoping elements and definitions in the global minimum tax rules, such as the definitions of entity, group, MNE group, constituent entity and ultimate parent entity. The changes were enacted 27 December 2023.

Estonia – Effective for tax years beginning on or after 1 January 2025, the corporate income tax rate increases to 22% from 20% and the corporate income for credit institutions (i.e., the bank levy) increases

[2] A Tax Alert has not been published on this development.
[3] A Tax Alert has not been published on this development. For discussion of the bill when first proposed, see Tax Alerts 2023-1728, dated 17 October 2023, and 2023-1941, dated 22 November 2023.

to 18% from 14%. Other changes include eliminating the reduced 14% tax rate on regular dividends. The changes, among others, were enacted 30 June 2023. See Tax Alert 2025-0186, dated 9 January 2025.

Italy — Effective 1 January 2025, the corporate income tax rate may decrease to 20% from 24% for eligible companies that increase their number of employees and use their profits to acquire certain business assets from 1 January 2025 through 31 October 2026 (for calendar-year companies). Other changes include:

- Allowing nonresidents to pay an 18% substitute tax on unrealized gains in crypto assets and certain Italian land and stock in exchange for a stepped-up basis in those assets
- Requiring banks and insurers to claim certain deductions for tax years 2025 and 2026 over multiple years
- Limiting use of tax losses and notional interest deductions for FY25 by banks or insurers to 54% their incremental income for corporate income tax purposes
- Extending the expiration of the increased deduction for hiring new permanent employees by three years through 2027

The changes were enacted 31 December 2024. See Tax Alerts 2025-0183, dated 9 January 2025, and 2025-0366, dated 31 January 2025.

Korea, Republic of — Effective 1 January 2025, the expiration date of the current 20% to 50% R&D tax credit is extended by three years to 31 December 2027 for seven categories of national strategic technologies and 14 categories of new growth or original technologies. Other changes include:

- Extending the expiration date of various integrated investment tax credits for national strategic technologies by three years through 2027 and increasing the applicable rates to 19% to 35% from 15% to 25%
- Modifying the global minimum tax rules to align with recent OECD guidance

The changes were enacted 31 December 2024. See Tax Alert 2025-0206, dated 10 January 2025.

Also effective 1 January 2025, withholding taxes apply to gains from the disposal of virtual assets (e.g., digital currency) by nonresidents. The changes were enacted 31 December 2022. See Tax Alerts 2023-0068, dated 11 January 2023, and 2023-0069, dated 11 January 2023.

Luxembourg[4] — Effective 1 January 2025, the top corporate income tax rate decreases to 16% from 17%. Other changes include:

- Allowing companies to waive, under certain circumstances, the application of income tax exemptions for dividends and capital gains
- Extending the income tax credit for hiring unemployed persons for eligible companies by two years through 2026

The changes were enacted 24 December 2024.

Netherlands[5] — Effective for tax years beginning on or after 1 January 2025, Dutch limited partnerships are deemed to be transparent entities for Dutch tax purposes unless they would qualify as a reverse hybrid entity. Comparable foreign partnerships are also deemed to be transparent entities unless the reverse hybrid rules applied. Foreign limited partnerships and foreign legal entities with no Dutch legal equivalent are classified under one of two additional classification methods. Certain grandfathering rules may apply, however, to mitigate any realization of taxable gain as a result of the implementation of these rules. The changes were enacted 27 December 2023.

---

[4] A Tax Alert was not published on the law's enactment. For discussion of the draft legislation, see Tax Alert 2024-2300, dated 16 December 2024.

[5] A Tax Alert has not been published on the legislation's enactment. For discussion of the bill upon passage by the Dutch Parliament, see Tax Alert 2023-2098, dated 19 December 2023.

Effective 1 January 2025,[6] the maximum interest deduction increases to 24.5% of fiscal earnings before interest, taxes, depreciation and amortization (EBITDA) from 20% of fiscal EBITDA. Other changes effective 1 January 2025 (or for financial years starting on or after 1 January 2025) include:

- Allowing Dutch companies to take qualifying Pillar Two top-up taxes into account when determining whether sufficient tax has been levied to claim certain benefits under Dutch corporate income tax rules, such as participation exemption, foreign branch exemption and a specific Dutch interest-deduction-limitation rule (anti-base erosion rule)
- Clarifying the standard used to determine whether group companies together could be considered a cooperating group, which would subject the group to Dutch conditional withholding tax (25.8%), and placing the burden of proving relatedness on the tax authority

The changes were enacted on 17 December 2024.

For purposes of tax year 2025 Dutch Controlled Foreign Company (CFC) rules,[7] the following jurisdictions are considered low-tax jurisdictions: American Samoa, Anguilla, Bahamas, Bahrain, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Fiji, Guernsey, Guam, Isle of Man, Jersey, Palau, Panama, Russian Federation, Samoa, Trinidad and Tobago, Turkmenistan, Turks and Caicos Islands, Vanuatu; and the US Virgin Islands.The list will apply for all of calendar-year 2025.

Portugal — Effective for tax years beginning on or after 1 January 2025, the nominal corporate income tax rate decreases to 20% from 21%. For certain small or mid-sized businesses, a 16% rate (previously 17%) applies to the first EUR 50,000 of taxable income, while a 20% rate applies to taxable income over EUR 50,000. A 20% rate (previously 21%) also applies to taxable income of entities headquartered in Portugal.

Autonomous taxation rates (i.e., caps on expense deductibility) for certain commercial, industrial or agricultural vehicles decrease as follows:

- 8% (previously 8.5%) for vehicles whose acquisition cost is less than EUR 37,500 (previously EUR 27,500)
- 25% (previously 25.5%) for vehicles whose acquisition cost is equal to or greater than EUR3 7,500 (previously EUR 27,500) and less than EUR 45,000 (previously EUR 35,000)
- 32% (previously 32.5%) for vehicles whose acquisition cost equals or exceeds EUR 45,000 (previously EUR 35,000)

Depending on the circumstances, autonomous taxation rates will not increase by 10 percentage points for tax losses incurred in tax year 2025 by certain commercial, industrial or agricultural companies.

Other changes include:

- Changing the basis for calculating the notional interest deduction and increasing the available deduction by 50%, subject to certain limitations
- Extending the expiration date of the 5% corporate income tax rate for companies licensed in the Madeira Free Trade Zone by four years through 2028
- Allowing companies to deduct 200% (rather than 150%) of salary increases paid to workers with indefinite-term employment contracts

The changes were enacted 31 December 2024. See Tax Alert 2025-0447, dated 10 February 2025.

Turkey — Effective for tax years beginning on or after 1 January 2025, a corporate minimum tax applies equal to 10% of a corporation's income before applying certain exemptions and deductions. Other changes include:

---

6 A Tax Alert was not published on the law's enactment. For discussions of the draft legislation (proposing 25% instead of 24.5%), see Tax Alert 2024-1713, dated 17 September 2024.

7 For discussions of the applicable CFC rules, see Tax Alert 2019-0244, dated 29 January 2019.

- Applying a 1% withholding tax rate for payments that intermediary service providers and electronic commerce intermediary service providers make to service providers and electronic commerce service providers for their activities under the Law No. 6563 on the Regulation of Electronic Commerce

- Eliminating the exemption for earnings on real estate investments by certain investment funds and partnerships in Turkey if they do not distribute 50% of their earnings within a specified period (applies to income earned as of 1 January 2025)

- Increasing the corporate income tax rate on earnings of certain public-private partnerships to 30% from 25%

The changes were enacted 2 August 2024. See Tax Alerts 2024-1500, dated 5 August 2024, and 2025-0416, dated 6 February 2025.

United States: federal, state and territories

Colorado — Effective for tax years beginning on or after 1 January 2025 but before 1 January 2035, qualified taxpayers in new and emerging industries may claim an apprenticeship tax credit against their state income tax liability for certain apprentices employed in Colorado for at least six months. The credit is up to $6,300 for six months of employment plus $1,050 for each additional month of employment and is capped at $12,600 per apprentice per year. The changes were enacted 10 May 2024. See the State and Local Tax Weekly for 24 May 2024 and 31 May 2024.

Connecticut — Net operating losses (NOLs) incurred in income years beginning on or after 1 January 2025 may be carried forward 30 years instead of 20 years. The change was enacted 6 June 2024. See the State and Local Tax Weekly for 7 June 2024 and 14 June 2024.

Georgia — Select unused tax credits generated during tax years beginning on or after 1 January 2025 are now subject to reduced carryforward periods of either three years (previously zero or five years), five years (previously 10 years) or 10 years (previously 15 years), depending on the credit. The new limits were enacted 6 May 2024. See Tax Alerts 2024-0908, dated 3 May 2024, and 2024-0956, dated 10 May 2024.

Iowa — Effective for tax years beginning on or after 1 January 2025, financial institutions with an investment subsidiary may elect to include that subsidiary's income and expenses on their Iowa bank franchise tax return. The election, once made, remains in place provided the investment subsidiary remains a subsidiary of the financial institution, unless the Iowa Department of Revenue grants leave to file separate returns. For purposes of apportionment, the investment subsidiary's commercial domicile will be the commercial domicile of the financial institution. The change was enacted 1 May 2024. See Tax Alert 2024-0941, dated 9 May 2024.

Louisiana — Effective for tax years beginning on or after 1 January 2025, a flat corporate rate of 5.5% replaces Louisiana's graduated corporate income tax rates of 3.5%, 5.5% and 7.5%. Other changes include:

- Allowing businesses to elect to deduct the entire costs of qualified property, qualified improvement property, and research and experimental expenses as permitted under IRC Sections 168(k) and (e)(6) and 174

- Eliminating preferential apportionment treatment for companies with sales and inventory in foreign trade zones

- Repealing the deduction for expenses disallowed by IRC Section 280C

- Repealing various tax credits, such as the new markets tax credit, the brownfields investor tax credit and the solar energy tax credit

The changes were enacted 4 December 2024. See Tax Alert 2024-2266, dated 11 December 2024.

Massachusetts — Effective for tax years beginning on or after 1 January 2025, all industries must use a single sales factor apportionment formula for corporate excise tax purposes. Financial institutions must also source their receipts from investment and trading activity differently for sales factor purposes. The changes were enacted 4 October 2023. See Tax Alert 2023-1655, dated 5 October 2023, as well as

Tax Alert 2024-2331, dated 18 December 2024, which discusses a subsequent adjustment to single sales factor apportionment provisions.

Nebraska – Effective for tax years beginning on or after 1 January 2025, the corporate income tax rate decreases to a flat 5.2%, replacing the graduated rates of 5.58% on the first $100,000 of corporate income and 5.84% for income above $100,000. Additional rate decreases are scheduled for 2026 and 2027. The change was enacted 31 May 2023. See Tax Alert 2023-0991, dated 2 June 2023.

Effective for tax years beginning on or after 1 January 2025, corporations may immediately deduct 60% of the full cost of depreciable business assets that are:

- Qualified property or qualified improvement property under IRC Section 168
- Placed in service after 31 December 2024

Corporations may only claim the 60% deduction to the extent the expenditures were not deducted for federal income tax purposes. Alternatively, they may irrevocably elect to amortize the expenses over five years, rather than taking an immediate deduction.

Additionally, corporations may immediately deduct research and experimental expenditures (as defined in Treas. Reg. Section 1.174-2) that they incurred during the tax year and elected to treat as expenses. The changes were enacted 23 April 2024. See Tax Alert 2024-1021, dated 20 May 2024.

New York – Effective for tax years beginning on or after 1 January 2025 and ending before 1 January 2028, newspapers and broadcast media may claim income tax credits for hiring and retaining new employees. The hiring credit equals $5,000 per net new full-time job, while the retention credit equals 50% of annual wages (up to $50,000) per eligible employee. The cap on an eligible business is $300,000. The credit was enacted 20 April 2024. See the State and Local Tax Weekly for 26 April 2024 and 3 May 2024.

North Carolina – Effective for tax years beginning on or after 1 January 2025, the corporate income tax decreases to 2.25% from 2.5%. Additional decreases are scheduled for the following years until the rate reaches 0% in 2029. The change was enacted 18 November 2021. See Tax Alert 2021-2174, dated 2 December 2021.

Pennsylvania – Effective for tax years beginning on or after 1 January 2025, the corporate income tax rate decreases to 7.99% from 8.49%. The change was enacted 8 July 2022. See Tax Alert 2022-1085, dated 18 July 2022.

Other considerations

Court decisions, regulations issued by tax authorities and other events may constitute new information that could trigger a change in judgment in recognition, derecognition or measurement of a tax position. These events may also affect your current or deferred tax accounting.

Chile – The local tax authorities updated the list of jurisdictions deemed to be tax havens by removing 46 countries and adding four countries. Countries removed from the list include Bahamas, Bermuda, British Virgin Islands, Cayman Islands, Costa Rica, Curaçao, El Salvador, Hong Kong, Malaysia, Qatar, Serbia, Thailand, the United Arab Emirates and Vietnam. Bolivia, Gabon and Lesotho were added, as well as Antarctica, to which Chile, among other countries, has made a territorial claim. See Tax Alert 2025-0649, dated 12 March 2025.

Cyprus – The government announced the 10-year government bond yield rates for various countries as of 31 December 2024. Companies use these yield rates to determine the reference interest rate for their notional interest deduction for the 2025 tax year. See Tax Alert 2025-0513, dated 18 February 2025.

European Union – The Council of the European Union (EU) added Brunei Darussalam to Annex II of its list of noncooperative jurisdictions for tax purposes and removed Costa Rica and Curaçao. Annex II identifies jurisdictions that are making progress on reforming their tax policies to meet EU standards but remain subject to close monitoring. There are eight countries on the Annex II list. See Tax Alert 2025-0527, dated 21 February 2025.

Germany – In a fact sheet, the Federal Central Tax Office outlined how companies could satisfy aspects of the anti-treaty shopping rule and claim an exemption from or refund of withholding tax on dividends. See Tax Alert 2025-0721, dated 20 March 2025.

India – In a circular, the tax administration's Central Board of Direct Taxes outlined how to apply the principal purpose test (PPT) in the context of Indian tax treaties. Under the PPT, treaty benefits will not apply if obtaining the treaty benefit is one of the principal purposes of the arrangement or transaction, unless granting the treaty benefit accords with the treaty's purpose.

According to the Central Board, the PPT applies from the date of entry into force of (1) treaties entered bilaterally and (2) amending protocols to those treaties. For treaties that incorporate the PPT under the multilateral instrument (MLI) convention, the PPT will apply from the effective date of the treaty's MLI provisions.

The Central Board also clarified that the PPT does not apply to the grandfathering provisions in India's treaties with Mauritius, Singapore and Cyprus. See Tax Alert 2025-0315, dated 24 January 2025.

The Delhi High Court held that a Korean company did not create a fixed-place or service permanent establishment (PE) in India by sending its employees to work for its Indian subsidiary. The Court reasoned that the subsidiary operated independent of its parent, the assigned employees' roles were limited to facilitating the subsidiary's activities, and the employees did not perform services on the Korean company's behalf and were seconded and at the disposal of the Indian entity. See Tax Alert 2025-0465, dated 13 February 2025.

Separately, the Delhi High Court held that a Finnish company did not create a PE in India by supplying telecommunications equipment to its Indian subsidiary for installation in India. The Court reasoned the Indian subsidiary operated as an independent entity, did not conclude contracts on behalf of the Finnish parent company and was not under its direct control. See Tax Alert 2025-0679, 13 March 2025.

Italy – The Court of First Instance of Pescara (i.e., a trial court) held that a US company was entitled to a refund of dividend withholding tax for the difference between the 5% tax withheld under the Italy-US income tax treaty and the 1.2% tax typically withheld on dividends paid to Italian companies or companies in the EU/European Economic Area (EEA). The Court reasoned that EU law prohibited the US company from being treated differently than companies in Italy, the EU or the EEA. The applicability of the Italy-US treaty did not change that conclusion, as bilateral treaties are still subject to EU law. See Tax Alert 2025-0592, dated 4 March 2025.

Mauritius — The Supreme Court held that an electricity producer and seller with incidental interest income could exempt 80% of that income from corporate tax. The Court disagreed with the interpretation of the Mauritius Revenue Authority (MRA) and the Assessment Review Committee (ARC) that the 80% exemption only applies to incidental interest income. In the Court's view, the MRA and ARC misinterpreted the core income generating activities (CIGA) by insisting the exemption did not apply if the company did not engage in any of the examples of CIGA listed in the regulations. See Tax Alert 2025-0394, dated 4 February 2025.

Mexico — In a presidential decree, the government granted eligible companies the ability to immediately deduct a percentage of their investment in new fixed assets used in productive economic activities. The percentages range from 35% to 91%, depending on the asset, which must be used for at least two years after the deduction is claimed. Certain exclusions apply (e.g., investments in furniture or automobiles).

The decree also allows eligible companies to deduct training and innovation expenses for fiscal years 2025 through 2030. The deduction equals 25% of the increase in these expenses within the fiscal year, calculated as the positive difference between training or innovation expenses and their average expense over the last three fiscal years. Companies that do not deduct these expenses in the year incurred may not deduct them in subsequent years. See Tax Alert 2025-0303, dated 23 January 2025.

OECD — The following jurisdiction deposited its instrument of ratification for the MLI to implement tax treaty-related measures to prevent base erosion and profit shifting (BEPS) this quarter:

- Kenya (enters into force 1 May 2025)

See Tax Alerts 2025-0190, dated 9 January 2025, and 2025-0413, dated 6 February 2025.

Peru – The Supreme Court held that a 30% withholding tax applies to fees from consulting services provided via email if the services are automatic and provided digitally. The Court reasoned that the services qualified as digital services to which the withholding tax applied. In reaching this conclusion, it rejected the government's position that withholding tax applied, regardless of whether the services were automatic or provided digitally, because they were listed in regulations as examples of digital services. See Tax Alert 2025-0459, dated 12 February 2025.

Turkey — In a presidential decree, the government increased the withholding tax rate to 15% from 10% on investment fund earnings. Other changes include:

- Replacing the reduced withholding rates that previously applied to various deposit accounts with withholding rates of 0%, 10%, 12% or 15%, which apply based on the type of account and the length of the account's maturity
- Extending the 0% withholding rate on Turkish government bonds, treasury bills and certain lease certificates until 30 April 2025
- Applying a 10% withholding tax to income and gains from bank-issued bonds and bills and certain lease certificates
- Applying a 15% withholding tax to income and gains obtained from bank-issued bonds with a maturity of less than 365 days and certain short-term lease certificates
- Increasing withholding tax rates on income and gains from certain securities issued by mortgage financing institutions to either 10% or 15% (depending on the securities' maturity) from either 5% or 7.5% (depending on the securities' acquisition date)

The changes are retroactively effective to 1 February 2025. See Tax Alert 2025-0416, dated 6 February 2025.

United States: federal, state and territories

Federal —The Treasury Department (Treasury) and the Internal Revenue Service (IRS) finalized regulations on classifying and sourcing digital content and cloud transactions. The final regulations adopt a new "predominant character" test for characterizing digital content and cloud transactions with multiple elements. They also introduce a new sourcing rule for sales of electronically transferred copyrighted articles that is based on the customer's billing address.

The final regulations apply to tax years beginning on or after 14 January 2025. Taxpayers meeting certain requirements may elect to apply the 2025 Final Regulations in their entirety to tax years beginning on or after 14 August 2019 and all subsequent years. See Tax Alert 2025-0280, dated 21 January 2025.

Separately, the Treasury and the IRS finalized regulations on disregarded payment losses (DPLs), including an anti-avoidance rule applicable to both dual consolidated losses (DCLs) and DPLs. The DPL rules apply to tax years beginning on or after 1 January 2026, while the anti-avoidance rule applies to DCLs incurred in tax years ending on or after 6 August 2024 and to DPLs in tax years beginning on or after 1 January 2026. See Tax Alert 2025-0288, dated 21 January 2025.

Additionally, the Treasury and the IRS finalized regulations on the IRC Section 45Y clean electricity production tax credit (PTC) and the IRC Section 48E clean electricity investment tax credit (ITC) established by the Inflation Reduction Act. To qualify, an eligible facility that generates electricity must have a net-zero or negative greenhouse gas (GHG) emissions rate. The final regulations, which largely adopt the proposed regulations, detail how to (1) determine rates of GHG emissions resulting from producing electricity, (2) petition for provisional emissions rates and (3) determine eligibility for these credits. See Tax Alert 2025-0343, dated 28 January 2025.

In a revenue procedure related to the tax credits, the Treasury and the IRS list technologies described in the final regulations as non-combustion and gasification facilities with a zero or negative GHG emissions rate. See Tax Alert 2025-0343, dated 28 January 2025.

Tax amnesties

This table shows tax amnesties that were announced or went into effect in the first quarter of 2025.

Jurisdiction	Amnesty period	Taxes covered	Reference
Saudi Arabia	1 January 2025 – 30 June 2025	Corporate income taxes, among others	Tax Alert 2025-0106, dated 2 January 2025

Things we have our eyes on

National, state and local governments regularly change tax laws and administrative guidance to achieve fiscal objectives. Companies should monitor these developments. This section summarizes some of these potential changes.

Belgium – The five political parties expected to form a new federal government agreed to modify Belgium's corporate income tax. Proposed changes include:

- Replacing the dividends-received deduction with an exemption that includes higher thresholds for larger companies
- Taxing certain capital gains on certain investment vehicles at 5% but only crediting withholding tax on those gains if the company meets a minimum (i.e., increased) renumeration condition for company directors
- Allowing indirectly related companies to share profits and losses under the group contribution regime
- Introducing an optional simplified method for calculating disallowed expenses
- Allowing 100% of investment deductions to be carried forward
- Accelerating depreciation for certain investments in R&D, defense and energy transitions

The changes are expected to be effective in 2026. See Tax Alert 2025-0429, dated 7 February 2025.

Brazil – The National Congress is considering a bill that would impose a 10% withholding tax on dividends paid to nonresident shareholders, including foreign legal entities. See Tax Alert 2025-0713, dated 19 March 2025.

Canada[8] – Following an initial announcement early in the quarter by the Minister of Finance that the federal government intended to introduce legislation that would defer a proposed increase in the capital gains inclusion rate to 1 January 2026 from 25 June 2024, the new Prime Minister later announced that the proposed increase in the capital gains inclusion rate from one-half to two-thirds for all capital gains realized by corporations will instead be canceled. As a result, the federal government will no longer move forward with the proposed increase and all related consequential changes.

Cyprus – A blueprint for tax reform, prepared by the University of Cyprus at the government's direction, proposed increasing the corporate income tax rate to 15% from 12.5% and increasing the carryforward period for tax losses to 10 years from five years. Loss utilization after five years would be limited to a percentage of the company's taxable profits for the tax year.

Other proposals include:

- Basing depreciation for used buildings on the new owner's purchase cost
- Renewing depreciation on buildings that have received a green energy upgrade
- Taxing gains from certain cryptocurrency trades
- Modifying the rules for corporate reorganizations
- Repealing rules on deemed distribution of profits
- Introducing anti-abuse rules for disguised dividends
- Introducing incentives for transitioning to green energy and digital transformation, such as accelerated depreciation, deductions for upskilling and training staff, and removing restrictions on carrying forward tax losses from these activities

---

[8] A Tax Alert has not been published on this development. For discussion of the prior announcement by the Minister of Finance, see Tax Alert 2025-0407, dated 5 February 2025.

The proposed measures will go through a public consultation process. Some of the proposed measures could be retroactively effective to tax year 2025; the increase in the corporate income tax rate, however, is very unlikely to be effective for the 2025 tax year. See Tax Alert 2025-0579, dated 28 February 2025.

Denmark — In draft legislation, the Minister of Taxation proposed taxing interest incurred on loans for Danish real estate that a nonresident debtor pays to a related nonresident creditor. Other proposals include requiring nonresident companies with a PE or real estate in Denmark to apply a 22% withholding tax to interest, capital gains and royalties paid to related nonresident companies, regardless of whether the payor has a Danish legal forum. See Tax Alert 2025-0680, 13 March 2025.

Hong Kong — In the FY 2025-26 budget, the Financial Secretary proposed allowing companies to deduct expenses related to intellectual property (IP), including lump-sum licensing fees for acquiring the rights to use IP and related expenses incurred on the purchase of IP (or the right to use IP) from associates. Other proposals include:

- Taxing income from eligible commodities traders in international maritime businesses at 8.25% instead of 16.5%
- Allowing ship lessors to deduct ship acquisition costs under an operating leasing

See Tax Alert 2025-0611, dated 5 March 2025.

India — In the Union Budget for 2025, the Finance Minister proposed narrowing the definition of significant economic presence to exclude nonresident purchases of Indian goods for export. Other proposals include:

- Extending the expiration date of various tax incentives for international financial service centers from 31 March 2025 to 31 March 2030, including a tax exemption for deemed dividends paid to treasury centers
- Treating securities held by Category I and Category II alternative investment funds as capital assets and income from those assets as capital gains
- Increasing the long-term capital gains tax on certain securities held by foreign institutional investors and specified business trusts to 12.5% (plus applicable surcharge and cess) from 10%
- Reducing the rate on long-term capital gains on listed equity shares, equity-oriented mutual funds and units of business trust in the hands of a business trust to 12.5% from the maximum marginal rate (varies from 22% to 30%)
- Limiting the use of tax losses following a corporate reorganization by shortening the successor's carryforward period to eight years from the year the loss was recorded, rather than eight years from the year the reorganization occurred

See Tax Alert 2025-0380, dated 3 February 2025.

OECD — In new administrative guidance, the OECD outlined the treatment of the reversal of certain deferred tax assets in the computation of covered taxes for Pillar Two tax arising before application of the global minimum tax, due to certain governmental arrangements or following the introduction of a new corporate income tax after 30 November 2021. See Tax Alert 2025-0266, dated 17 January 2025.

Singapore — In Budget 2025, the Prime Minister and Minister of Finance proposed allowing companies to deduct innovation expenses incurred under a cost sharing arrangement (CSA) instead of CSA-related innovation expenses that qualified as R&D. The proposal would be retroactively effective to 19 February 2025.

Other proposals include:

- Adding a 15% tax rate to the existing 10% and 13.5% rates available under various tax incentive regimes for the financial services sector (retroactively effective to 19 February 2025)
- Introducing a reduced 5% corporate tax rate for qualifying income of newly listed fund management companies in Singapore

- Extending the expiration date of the Maritime Sector Incentive regime (including corporate and withholding tax exemptions) five years to 31 December 2031 and expanding the withholding tax exemption for ship-container lease payments to include agreements entered on or before 31 December 2031
- Expanding the income tax exemption for gains from the disposal of certain shares to include gains from the disposal of preference shares that the investee company treats as equity under applicable accounting principles

See Tax Alert 2025-0525, dated 20 February 2025.

United States: federal, state and territories

Federal –The US, via executive order, instructed the US Treasury Secretary and US Ambassador to the OECD to notify the OECD that any commitments made by the Biden administration regarding the Global Tax Deal (e.g., the global minimum tax rules under Pillar Two) have no force and effect in the US absent an act by the US Congress adopting the relevant provisions. The US Treasury Secretary was also directed to investigate, in consultation with the US Trade Representative, whether any foreign countries have not complied 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. See Tax Alert 2025-0304, dated 23 January 2025.

Further, members of the House Ways and Means Committee introduced a bill that would require the Treasury to identify extraterritorial taxes and discriminatory taxes that are enacted by foreign countries and affect US businesses, such as the undertaxed profits rule. Under the bill, the US tax rates on US income of investors and corporations in those countries would increase by five percentage points each year, up to a maximum increase of 20 percentage points. See Tax Alert 2025-0304, dated 23 January 2025.

The Ways and Means Committee is developing a budget reconciliation bill that includes extending some provisions of the Tax Cuts and Jobs Act. The bill could also include provisions that would:

- Restore and make permanent R&D expensing and bonus depreciation
- Tax income from domestic production and all manufacturing at a reduced rate of 15%

See Tax Alerts 2025-0684, dated 14 March 2025, and 2025-0693, dated 14 March 2025.

In other legislative developments, members of the Senate Finance Committee introduced a bill that would permit companies to immediately deduct investments in qualified property, while members of the US House of Representatives introduced a bill that would make permanent the reduced income tax rate on foreign-derived intangible income (FDII). Absent congressional action, the FDII rate will increase to 16.4% from 13.125% in 2026. See Tax Alerts 2025-0314, dated 24 January 2025, and 2025-0421, dated 7 February 2024.

The Treasury and the IRS proposed regulations that would base the sourcing of cloud transactions on the costs of specified intangible property, personnel and tangible property. See Tax Alert 2025-0280, dated 21 January 2025.

The Treasury and the IRS proposed regulations under IRC Section 162(m) on the limitation on deductions for employee compensation that is paid by a publicly traded company and exceeds $1 million. The proposed regulations are intended to implement changes under the American Rescue Plan Act, which expands the scope of employees whose compensation is subject to the limitation. They also provide broader guidance on how IRC Section 162(m) applies to compensation paid by foreign affiliates and unrelated third parties. See Tax Alert 2025-0295, dated 22 January 2025.

The Treasury and the IRS proposed regulations on how to determine and report qualified derivative payments on securities lending transactions. The regulations would exclude mark-to-market gain or loss on a securities loan from base erosion payments and provide an alternative method for determining the recipient of a substitute payment on a securities loan. See Tax Alert 2025-0378, dated 31 January 2025.

The Treasury and the IRS proposed regulations on nonrecognition treatment in spin-offs and other corporate transactions under IRC Sections 355, 357, 361 and 368. The regulations would introduce greater flexibility for some aspects of spin-offs while tightening existing ruling standards for other aspects of spin-offs or substantive law relating to both spin and non-spin transactions. See Tax Alert 2025-0408, dated 6 February 2025.

California — In the FY 2025-26 budget, the governor proposed adopting a single sales factor for financial institutions, retroactively effective to tax year 2025. Other proposals include increasing available funding for the California Film and Television Tax Credit 4.0 to $750 million (from $330 million) for FY 2025-26 through FY 2029-30. See the State and Local Weekly for 10 January 2025 and 17 January 2025.

Connecticut — In the FY 2026-27 biennial budget, the governor proposed increasing the biotech R&D credit to 90% from 65% and modifying combined reporting rules by eliminating the $2.5 million cap on any change in liability between the prior reporting system and the adoption of unitary combined reporting. Other proposals include:

- Limiting deductions for prior-year tax losses over $6 billion
- Extending the 10% corporate surcharge an additional three years through 2028
- Reducing the top film production tax credit rate to 25% from 30% of qualifying expenditures

See the State and Local Tax Weekly for 7 February 2025 and 14 February 2025.

Florida — In the FY 2025-26 budget, the governor proposed creating a new corporate income tax credit program for investments in new ventures focused on research, innovation, science and engineering. See the State and Local Tax Weekly for 7 February 2025 and 14 February 2025.

Maine — Revenue Services updated its proposal (first issued in December 2024) to amend rules for sourcing, for corporate income tax purposes, receipts from the performance of services. Under the proposal, as revised in January 2025, services would be sourced based on all available facts (e.g., taxpayer books and records) and could be sourced to a person that did not pay or contract for them. The proposal would also distinguish between determining where a service is received and determining the amount of gross receipts from the performance of services in Maine. See the State and Local Weekly for 24 January 2025 and 31 January 2025.

Maryland — In the FY26 budget, the governor proposed gradually lowering the corporate income tax rate to 7.99% from 8.25%, beginning in 2028. Other proposals include:

- Adopting mandatory worldwide combined reporting, with the ability to make a water's-edge election, effective for tax years beginning after 31 December 2027
- Phasing out state funding for enterprise zone tax credits

See the State and Local Weekly for 24 January 2025 and 31 January 2025.

Massachusetts — In the FY 2026 budget, the governor proposed applying the corporate excise tax to securities corporations. Other proposals include:

- Adding affiliated captive insurance companies in the list of entities subject to combined reporting
- Limiting state tax benefits from investments in a qualified opportunity zone to investments in zones located in the state

The changes would apply retroactively to tax years beginning on or after 1 January 2025. See Tax Alert 2025-0382, dated 31 January 2025.

New Jersey — The Division of Taxation proposed regulations to address recent statutory changes to the corporate business tax (CBT). The proposed regulations would clarify the treatment of NOLs and their carryovers, more closely aligning the state's provisions with IRC Section 172. They would also establish a pooling system for combined group members and would require tracing of NOLs to be maintained by the combined group and members. These changes would apply retroactively to privilege periods ending on or after 31 July 2023.

Additionally, the proposed regulations would add a bright-line nexus rule requiring businesses with over $100,000 in receipts or 200 transactions to file CBT returns in New Jersey. The change would apply retroactively to privilege periods ending on or after 31 July 2023.

Other proposed changes include:

- Replacing prior rules on the ordering of tax credits with a simplified ordering method
- Treating digital assets like other financial products for tax purposes
- Clarifying the treatment of IRC Section 959 dividends
- Clarifying how to source capital gains when they are integrated or not integrated in business and operational income
- Incorporating the Multistate Tax Commission (MTC) guidelines on the federal prohibition (P.L. 86-272) on state taxation of out-of-state businesses whose only connection to the state is soliciting orders for sales of tangible personal property and expanding on other activities not specifically covered under the MTC's guidelines

See Tax Alert 2025-0561, dated 26 February 2025.

New York — In a budget bill, the governor proposed extending the expiration date of the Excelsior Jobs program by 10 years through 2039 and expanding its scope to include the semiconductor industry. Income tax credits available to semiconductors for supply-chain projects include:

- A jobs credit equal to 7% of gross wages paid
- An investment credit equal to 3% of the cost or other basis for federal income tax purposes of the qualified investment
- An R&D credit of up to 15% of the qualified R&D expenditures attributable to activities conducted in New York State

For R&D projects in New York State, semiconductors could claim an income tax credit equal to 5% of the cost or other basis for federal income tax purposes of the qualified investment. A credit for workforce training would also be available, subject to certain caps on the credit value.

Other changes include disallowing depreciation and interest deductions claimed by institutional real estate investors on covered properties. See Tax Alert 2025-0418, dated 6 February 2025.

Separately, the New York legislature is considering bills that would reduce the exclusion for global intangible low-taxed income (GILTI) for corporate franchise tax purposes to 50% from 95%. Corresponding to that proposed increase in the apportionable tax base, the bills would increase the GILTI inclusion in the denominator of a taxpayer's apportionment formula to 50% to from 5%.

Other proposed changes include increasing the graduated corporate rate tax structure for corporate taxpayers, starting in 2026, as follows:

- 8% of a corporation's business income base for those with a business income base for the tax year of over $2.5 million
- 12% of the corporation's business income base for those with a business income base for the tax year of over $10 million
- 14% of the corporation's business income base for those with a business income base for the tax year of over $20 million

For corporations under the $2.5 million threshold, the corporate business income tax rate would be 6.5% from 2026 onward. See Tax Alert 2025-0418, dated 6 February 2025.

Pennsylvania — In the FY 2025-26 budget, the governor proposed accelerating previously enacted reductions in the corporate net income tax (CNIT) rate by two years and adopting mandatory combined reporting. Other proposals include eliminating the three separate bank taxes and subjecting banks and financial institutions to the CNIT. See the State and Local Tax Weekly for 7 February 2025 and 14 February 2025.

Rhode Island — In the FY 2026 budget, the governor proposed increasing the carryforward period for the R&D tax credit to 15 years from seven years and eliminating various tax credits that are minimally used or obsolete (e.g., the R&D facilities deduction and the specialized investment tax credit). See the State and Local Weekly for 10 January 2025 and 17 January 2025.

IASB update

Overview of new pronouncements issued as of 25 March 2025

The table below provides an overview of the pronouncement issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) effective 25 March 2025.

New pronouncement	Effective date
International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12	Note 1
Lack of exchangeability – Amendments to IAS 21	1 January 2025
Annual Improvements Volume 11	1 January 2026
Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7	1 January 2026
Contracts Referencing Nature-dependent Electricity–Amendments to IFRS 9 and IFRS 7	1 January 2026
IFRS 18 *Presentation and Disclosure in Financial Statements*	1 January 2027
IFRS 19 *Subsidiaries without Public Accountability: Disclosures*	1 January 2027

Note 1 – The amendments were effective immediately upon issuance.

More details on the above pronouncements can be found in our publication **IFRS Core Tools - IFRS Update of standards and interpretations in issue 31 December 2025.**

Reminder of the key requirements of International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

Temporary exception from recognition and disclosure of deferred taxes

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as Pillar Two legislation and Pillar Two income taxes, respectively.

The amendments introduce a mandatory exception in IAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The IASB did not expand the scope of the temporary exception to include the measurement of deferred taxes recognized under domestic tax regimes, as an entity would not remeasure such deferred taxes to reflect Pillar Two income taxes it expects to pay when recovering or settling a related asset or liability.

The amendments note that the temporary exception provides entities with relief from accounting for deferred taxes in relation to this complex new tax legislation, allowing stakeholders time to assess the implications. It also avoids entities developing diverse interpretations of IAS 12 that could result in inconsistent application of the standard.

The IASB did not include a sunset date for the temporary exception but will monitor the implementation of the Pillar Two Model Rules to determine when to undertake further work.

Disclosure of application of the exception

The amendments require an entity to disclose that it has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Disclosure of current tax

An entity is required to separately disclose its current tax expense (income) related to Pillar Two income taxes in the periods when the legislation is effective as this helps users of financial statements understand the relative level of those taxes.

The IASB did not provide further clarifications on when a Pillar Two top-up tax is considered to be an income tax in the scope of IAS 12, or on whether to require entities to treat all top-up taxes as if they were income taxes. An entity is required to apply judgment in determining which top-up taxes it considers to be income taxes in the entity's circumstances.

An entity with operations in a jurisdiction where Pillar Two tax legislation first takes effect in 2024 will be required to disclose Pillar Two current tax expenses in its 2024 annual financial statements for the first time. IAS 12 does not provide how such information should be presented, but our publication ***International Tax Reform – Pillar Two disclosure in practice*** offers some practical examples of these disclosures.

Transition and effective date

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments.

Disclosure in periods before (substantively) enacted legislation takes effect

The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes.

As countries around the world enacted Pillar Two legislation, in some jurisdictions that legislation is effective in 2024, while in other jurisdictions the legislation will be effective in 2025 (or later years). In the latter case, a group may still need to make the above disclosures in its 2024 financial statements regarding Pillar Two legislation that is (substantively) enacted but not yet effective.

In some cases (e.g., when the ultimate parent entity is already in scope of Pillar Two tax legislation), the (substantive) enactment of Pillar Two tax legislation in additional jurisdictions might shift the Pillar Two tax liability within the group but not materially affect the group's overall exposure. However, in other cases, the (substantive) enactment of Pillar Two tax legislation in additional jurisdictions may bring more group entities within scope of Pillar Two and affect the group's overall exposure.

We expect that the requirement to disclose qualitative and quantitative information about an entity's exposure to Pillar Two income taxes will continue to be relevant in the future.

EY publications

International Tax Reform – Pillar Two disclosures in practice (June 2024) EYG No. 005234-24Gbl

Applying IFRS — *International Tax Reform — Pillar Two Disclosures* (November 2023) EYG No. 011096-23Gbl

IFRS Developments Issue 218: *Amendments to IAS 12: International Tax Reform Pillar Two Model Rules* (May 2023) EYG No. 005193-23Gbl

Overview of the key requirements of new pronouncements effective in future periods

IFRS 18 – Presentation and Disclosure in Financial Statements

Effective for annual periods beginning on or after 1 January 2027.

Key requirements

In April 2024, the Board issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which replaces IAS 1 *Presentation to Financial Statements*. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information.

Statement of profit or loss

An entity will be required to classify all income and expenses within its statement of profit or loss into one of five categories: operating, investing, financing, income taxes, and discontinued operations. In addition, IFRS 18 requires an entity to present subtotals and totals for "operating profit or loss," "profit or loss before financing and income taxes" and "profit or loss."

Main business activities

For the purposes of classifying its income and expenses into the categories required by IFRS 18, an entity will need to assess whether it has a 'main business activity' of investing in assets or providing financing to customers, as specific classification requirements will apply to such entities. Determining whether an entity has such a specified main business activity is a matter of fact and circumstances, which requires judgment. An entity may have more than one main business activity.

Management-defined performance measures

IFRS 18 introduces the concept of a management-defined performance measure (MPM), which it defines as a subtotal of income and expenses that an entity uses in public communications outside of financial statements, to communicate management's view of an aspect of the financial performance of the entity as a whole to users. IFRS 18 requires disclosure of information about all of an entity's MPMs within a single note to the financial statements and requires several disclosures to be made about each MPM, including how the measure is calculated and a reconciliation to the most comparable subtotal specified by IFRS 18 or another IFRS accounting standard.

Location of information, aggregation and disaggregation

IFRS 18 differentiates between "presenting" information in the primary financial statements and "disclosing" it in the notes, and it introduces a principle for determining the location of information based on identified "roles" of the primary financial statements and the notes. IFRS 18 requires aggregation and disaggregation of information to be performed with reference to similar and dissimilar characteristics. Guidance is also provided for determining meaningful descriptions, or labels, for items that are aggregated in the financial statements.

Transition

IFRS 18, and the amendments to the other accounting standards, is effective for reporting periods beginning on or after 1 January 2027 and will apply retrospectively. Early adoption is permitted and must be disclosed.

EY publications

Applying IFRS: A closer look at IFRS 18 (July 2024) EYG No. 006508-24Gbl

IFRS 19 - Subsidiaries without Public Accountability: Disclosures

Effective for annual periods beginning on or after 1 January 2027.

Key requirements

In May 2024, the Board issued IFRS 19 Subsidiaries without Public Accountability: Disclosures (IFRS 19), which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards.

An entity applying IFRS 19 is required to disclose that fact as part of its general IFRS accounting standards compliance statement. IFRS 19 requires an entity whose financial statements comply with IFRS accounting standards including IFRS 19 to make an explicit and unreserved statement of such compliance.

Eligible entities

An entity may elect to apply IFRS 19 if at the end of the reporting period if all three of the below apply:

- It is a subsidiary as defined in IFRS 10
- It does not have public accountability
- It has a parent (either ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards

Public accountability

An entity has public accountability if either of the below apply:

- Its debt or equity instruments are traded in a public market, or it is in the process of issuing such instruments for trading in a public market
- It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (i.e., not for reasons incidental to its primary business)

Disclosure requirements and references to other IFRS accounting standards

The disclosure requirements in IFRS 19 are organized into subheadings per IFRS accounting standards and where disclosure requirements in other IFRS Accounting Standards remain applicable, these are specified under the subheading of each IFRS accounting standard.

IFRS 19 disclosures exclude IFRS 8 *Operating Segments*, IFRS 17 *Insurance Contracts* and IAS 33 *Earnings per Share*. Therefore, if an entity that applies IFRS 19 is required to apply IFRS 17 or elects to apply IFRS 8 and/or IAS 33, that entity would be required to apply all the relevant disclosure requirements in those standards.

Transition

IFRS 19 is effective for reporting periods beginning on or after 1 January 2027 and earlier adoption is permitted.

If an eligible entity chooses to apply the standard earlier, it is required to disclose that fact. An entity is required, during the first period (annual and interim) in which it applies the standard, to align the disclosures in the comparative period with the disclosures included in the current period under IFRS 19, unless IFRS 19 or another IFRS accounting standard permits or requires otherwise.

EY publications

IFRS Developments Issue 226: IASB issues IFRS 19 Subsidiaries without public accountability: Disclosures (May 2024) EYG No. 004381-24Gbl

Other EY publications

Good Group (International) Limited - December 2024 (September 2024) EYG No. 007634-24Gbl

Good Group (International) Limited Alternative Format - (December 2024) (September 2024) EYG No. 007634-24Gbl.

Good Group Interim Financial Statements June 2025 EYG No. 001722-25Gbl.

International GAAP® Disclosure Checklist for Annual Financial Statements (February 2025) EYG No. 002353-25Gbl.

Appendix A

Treaty changes

Tax treaties are agreements between countries that typically address withholding tax rates or exemptions on dividends, interest and royalties paid in multiple jurisdictions. Exceptions may apply based on the tax treaty (e.g., reduced rates may apply to certain categories of investors, capital gains from immovable property or property-rich companies may be taxable). The following tax treaty changes were effective in the first calendar quarter, except where indicated.

Countries involved		Summary of changes
Albania	Slovak Republic	Provides general withholding tax rates of 8% on dividends and royalties and 10% on interest; exempts capital gains from tax.
Algeria	Japan	Provides general withholding tax rates of 10% on dividends and royalties and 7% on interest; exempts capital gains from tax.
Andorra	Iceland	Provides general withholding tax rates of 10% on dividends and 5% on interest and royalties; exempts capital gains from tax.
Andorra	Lithuania	Provides general withholding tax rates of 10% on dividends and interest and 5% on royalties; exempts capital gains from tax.
Andorra	Netherlands	Provides general withholding tax rates of 15% on dividends and 5% on royalties; exempts interest and capital gains from tax.
Argentina	China	Provides general withholding tax rates of 15% on dividends, 12% on interest and 10% on royalties; exempts capital gains from tax.
Argentina	Turkey	Provides general withholding tax rates of 15% on dividends, 12% on interest and 10% on royalties; exempts capital gains from tax.
Austria	China	Provides general withholding tax rates of 10% on dividends, interest and royalties; exempts capital gains from tax.
Azerbaijan	Slovak Republic	Provides general withholding tax rates of 10% on dividends, 8% on interest, and 5% or 10% on royalties; exempts capital gains from tax.
Bangladesh	Maldives	Provides general withholding tax rates of 15% on dividends and 10% on interest, royalties and service fees; exempts capital gains from tax (effective in both countries 1 July 2024 for withholding taxes).
Brazil	Norway	Provides general withholding tax rates of 15% on dividends and interest and 10% on royalties and technical services fees; exempts capital gains from tax.
Brunei	Philippines	Provides general withholding tax rates of 15% on dividends and interest and 10% on royalties; exempts capital gains from tax.
China	Gabon	Provides general withholding tax rates of 5% on dividends, 10% on interest, and 5% or 7.5% on royalties; exempts capital gains from tax.
Croatia	Egypt	Provides general withholding tax rates of 10% on dividends, interest and royalties; exempts capital gains from tax.
Croatia	Hong Kong	Provides general withholding tax rates of 5% on dividends, interest and royalties; exempts capital gains from tax (effective 1 April 2025 in Hong Kong).
Curaçao	Malta	Provides general withholding tax rates of 5% on dividends; exempts interest, royalties and capital gains from tax.
Czech Republic	Sri Lanka	Provides general withholding tax rates of 10% on dividends, royalties and technical service fees, and 5% on interest; exempts capital gains from tax.

Countries involved		Summary of changes
Czech Republic	United Arab Emirates	Provides general withholding tax rates of 5% on dividends and 10% on royalties; exempts interest and capital gains from tax.
Ecuador	United Kingdom	Provides general withholding tax rates of 10% on dividends, interest and royalties; exempts capital gains from tax (effective 1 April 2025 or 6 April 2025 for certain UK taxes).
Egypt	Qatar	Provides general withholding tax rates of 10% on dividends and interest; exempts capital gains from tax.
Estonia	Pakistan	Provides general withholding tax rates of 12.5% on dividends and interest and10% on royalties and technical service fees; exempts capital gains from tax (effective 1 July 2024 for Pakistan).
France	Moldova	Provides general withholding tax rates of 10% on dividends, 5% on interest and 6% on royalties; exempts capital gains from tax.
Greece	Japan	Provides general withholding tax rates of 10% on dividends and interest and 5% on royalties; exempts capital gains from tax.
Ireland	Oman	Provides general withholding tax rates of 10% on dividends, 5% on interest and 8% on royalties; exempts capital gains from tax.
Korea	Rwanda	Provides general withholding tax rates of 10% on dividends, interest, royalties and technical services fees; exempts capital gains from tax.
Korea	Turkey	Provides general withholding tax rates of 15% on dividends and 10% on interest and royalties; exempts capital gains from tax.
Liechtenstein	Romania	Provides general withholding tax rates of 10% on dividends and 5% on interest and royalties, exempts capital gains from tax.
Lithuania	San Marino	Provides general withholding tax rates of 10% on dividends and interest; exempts royalties and capital gains from tax.
Luxembourg	Rwanda	Provides general withholding tax rates of 10% on dividends, interest, royalties and technical service fees; exempts capital gains from tax.
Netherlands	Moldova	Provides general withholding tax rates of 15% on dividends, 5% on interest and 2% on royalties; exempts capital gains from tax.
New Zealand	Slovak Republic	Provides general withholding tax rates of 15% on dividends and 10% on interest and royalties (effective 1 April 2025 for certain taxes in New Zealand).
Spain	Paraguay	Provides general withholding tax rates of 10% on dividends and 5% on interest and royalties; exempts capital gains from tax (effective 14 October 2024 for certain taxes).
Qatar	Uzbekistan	Provides general withholding tax rates of 8% on dividends and interest and 10% on royalties and technical services fees, exempts capital gains from tax.
Saudi Arabia	Slovak Republic	Provides general withholding tax rates of 5% on dividends and 10% on interest and royalties; exempts capital gains from tax.
Sierra Leone	Turkey	Provides general withholding tax rates of 10% on dividends, interest and royalties; exempts capital gains from tax.
Switzerland	Kuwait	Provides general withholding tax rates of 15% on dividends and 10% on interest and royalties; exempts capital gains from tax.

Appendix B

Overview of Pillar Two implementation across the world

Final legislation	
Jurisdiction	**Rules covered**
European Union	QDMTT, IIR, UTPR
Australia	QDMTT, IIR, UTPR
Austria	QDMTT, IIR, UTPR
Bahamas	QDMTT
Bahrain	QDMTT
Barbados	QDMTT
Belgium	QDMTT, IIR, UTPR
Brazil	QDMTT
Bulgaria	QDMTT, IIR, UTPR
Canada	QDMTT, IIR
Croatia	QDMTT, IIR, UTPR
Czech Republic	QDMTT, IIR, UTPR
Cyprus***	DMTT, IIR, UTPR
Denmark	QDMTT, IIR, UTPR
Estonia	Filing obligations
Finland	QDMTT, IIR, UTPR
France	QDMTT, IIR, UTPR
Germany	QDMTT, IIR, UTPR
Gibraltar	QDMTT, IIR
Greece	QDMTT, IIR, UTPR
Guernsey	QDMTT, IIR
Hungary	QDMTT, IIR, UTPR
Indonesia	QDMTT, IIR, UTPR
Ireland	QDMTT, IIR, UTPR
Isle of Man	QDMTT, IIR
Italy	QDMTT, IIR, UTPR
Japan	IIR
Jersey***	IIR
Kenya	QDMTT
Kuwait	QDMTT
Latvia	Filing obligations
Liechtenstein	QDMTT, IIR, UTPR
Lithuania	Filing obligations
Luxembourg	QDMTT, IIR, UTPR
Malaysia	QDMTT, IIR
Malta	Filing obligations
Mauritius*	QDMTT
Netherlands	QDMTT, IIR, UTPR
New Zealand	IIR, UTPR
North Macedonia	QDMTT, IIR, UTPR
Norway	QDMTT, IIR
Oman	QDMTT, IIR
Poland	QDMTT, IIR, UTPR
Portugal	QDMTT, IIR, UTPR
Qatar	QDMTT, IIR
Romania	QDMTT, IIR, UTPR
Singapore	QDMTT, IIR
Slovakia	QDMTT
Slovenia	QDMTT, IIR, UTPR
Spain	QDMTT, IIR, UTPR
South Africa	QDMTT,IIR
South Korea	IIR, UTPR
Sweden	QDMTT, IIR, UTPR
Switzerland	QDMTT
Thailand	QDMTT, IIR, UTPR
Türkiye	QDMTT, IIR, UTPR
United Arab Emirates	QDMTT
United Kingdom	QDMTT, IIR, UTPR
Vietnam	QDMTT, IIR

Draft legislation	
Jurisdiction	**Rules covered**
Canada	UTPR
Curaçao	QDMTT, IIR
Hong Kong	QDMTT, IIR
Lithuania	QDMTT, IIR, UTPR
Norway	UTPR

Intention to implement Pillar Two
Israel

Indicates new in Q1

Acronyms: IIR (Income Inclusion Rule), UTPR (Undertaxed Profits Rule), QDMTT (Qualified Domestic Minimum Top-up Tax).

* Mauritius has enacted a law incorporating an initial provision placeholder for the introduction of Pillar Two. Detailed legal provisions and regulations regarding how these countries will implement Pillar Two are expected to be developed in the future.

** The United States is not included in the implementation overview above since this jurisdiction does not yet have final or draft legislation and has not yet indicated an intention to implement Pillar Two into domestic law. Additionally, the OECD is not included as it does not possess legislative authority.

*** Jersey and Cyprus have introduced domestic minimum top-up taxes (DMTTs), which are not anticipated to meet QDMTT status as part of the peer review.

Source: EY BEPS Developments Tracker *Base Erosion and Profit Shifting (BEPS) 2.0 | EY – Global*

Note: *Developments Tracker cut-off date – As of 27 March 2025*

Last quarter's IFRS publication and webcast:

IFRS Quarterly Tax Developments publication - December 2024

IFRS Quarterly Tax Developments Q4 webcast replay

EY publications:

Good Group (International) Limited - December 2024

EY ASC 740 Guide (September 2024)

IFRS Core Tools – IFRS Update of standards and interpretations in issue 30 June 2024

Applying IFRS - International Tax Reform - Pillar Two Disclosures in practice (June 2024)

Applying IFRS — International Tax Reform — Pillar Two Disclosures (November 2023)

IFRS Developments Issue 218: Amendments to IAS 12: International Tax Reform Pillar Two Model Rules (May 2023)

Applying IFRS: A closer look at IFRS 18 (July 2024)

IFRS Developments Issue 226: IASB issues IFRS 19 Subsidiaries without public accountability: Disclosures (May 2024)

Our latest thinking:

Six actions for tax teams before year-end 2024

Steps required for the operational impact of Pillar Two

How to alleviate BEPS 2.0 Pillar Two data challenges

How a decade of transparency changed the tax world

Contact us:

EY Tax Accounting and Risk Advisory Services

Global

Brian Foley
EY Global Tax Accounting and Risk Advisory Services Leader brian.foley@hk.ey.com

Australia

Michelle Mori michelle.mori@au.ey.com

Canada

Jeremy Shnaider jeremy.shnaider@ca.ey.com

France

Brigitte Auberton brigitte.auberton@ey-avocats.com

Anne-Lyse Blandin anne.lyse.blandin@fr.ey.com

Germany

Carsten Harborth carsten.harborth@de.ey.com

Martin Ellerbusch martin.ellerbusch@de.ey.com

Greater China

Iris Tao iris.tao@cn.ey.com

India

Dinesh Agarwal dinesh.agarwal@in.ey.com

Italy

Massimo Milcovich massimo.milcovich@it.ey.com

Japan

Takehiro Furukawa
takehiro.furukawa@jp.ey.com

Maki Tayama maki.tayama@jp.ey.com

Korea, Republic of

Jang Kyu Shin jang-kyu.shin@kr.ey.com

Netherlands

Ryan van Zalen ryan.van.zalen@nl.ey.com

Spain

Juan Angel Cobo De Guzman Pison
juanangel.cobodeguzmanpison@es.ey.com

Sweden

Jonatan Villanueva
jonatan.j.villanueva@se.ey.com

Switzerland

Sarah Drye sarah.drye@ch.ey.com

Philipp Kuhli philipp.kuhli@ch.ey.com

United Kingdom

Sophie Coleman scoleman2@uk.ey.com

United States

Adam C Sweet adam.sweet@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, multidisciplinary 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.

EYG no. 002780-25Gbl
ED None

ey.com