Private Client Newsletter

February 2026

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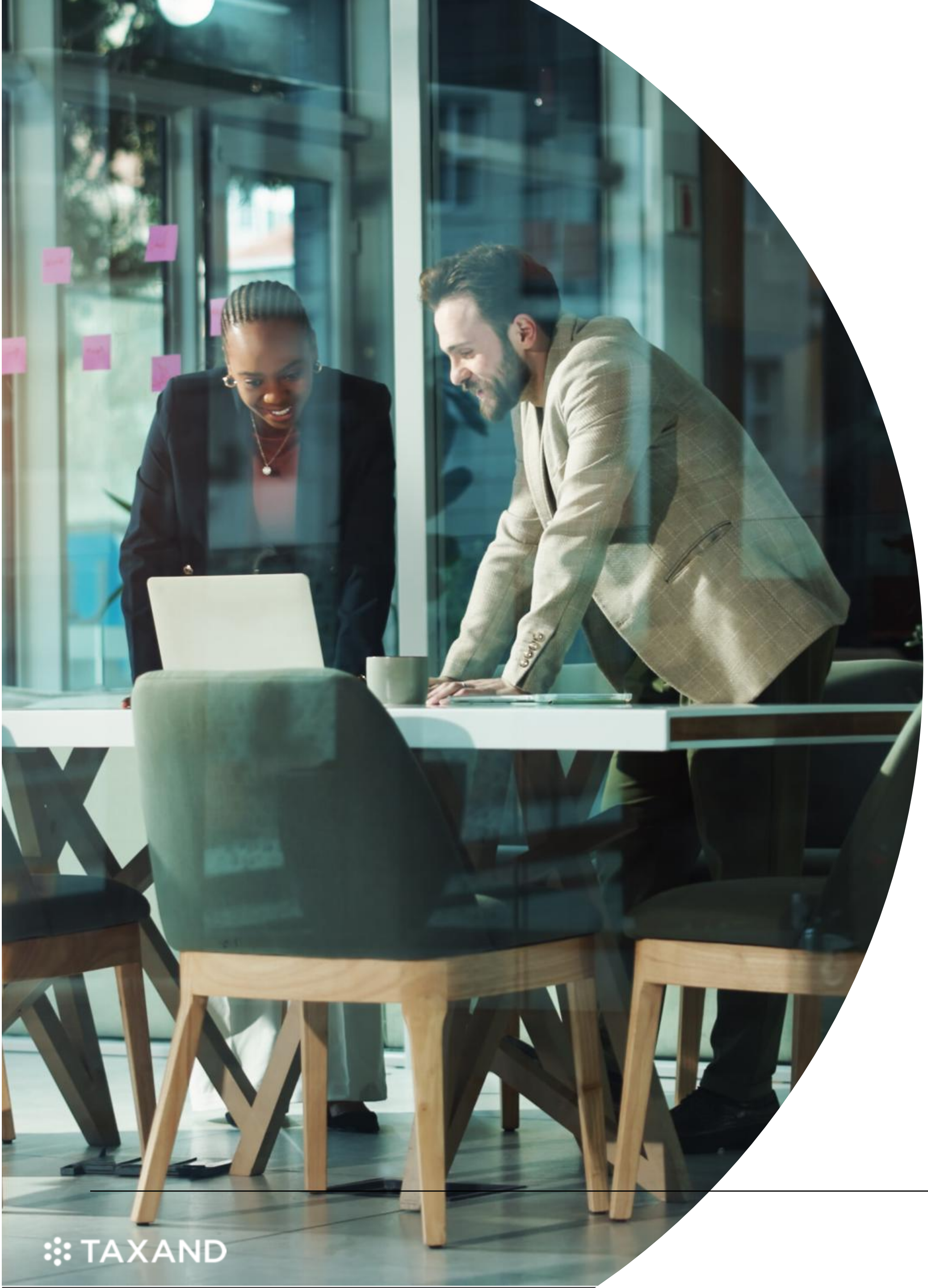

CONTENTS

INTRODUCTION

Welcome to the inaugural edition of **Taxand's Private Client Newsletter**.

This issue brings together insights from private client tax experts across **11 Taxand jurisdictions**, highlighting key developments and practical considerations shaping the private client tax landscape globally.

The aim of this newsletter is to provide clients with timely, relevant, and easy-to-navigate updates to support informed decision-making in an increasingly complex international environment.

Each country chapter includes contact details for the contributing experts, who would be pleased to discuss the topics covered or address any questions you may have.

We trust you will find this first edition helpful and look forward to sharing future updates with you.

Enjoy reading!

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AUSTRIA

LeitnerLeitner
Tax

VAT Exemption for Luxury Property Rentals from 2026

Effective January 1, 2026, Austria plans to implement a statutory VAT exemption for the leasing of "**luxury properties**" pursuant to the pending draft of the Fraud Prevention Act 2025. "Luxury properties" are defined as residential units with acquisition or construction costs exceeding **€ 2 million** within five years of purchase or completion.

With the mandatory VAT exemption for renting out such luxury properties, the entitlement to deduct input VAT for the corresponding acquisition or construction costs will simultaneously be eliminated. The acquisition or construction of particularly prestigious properties is typically associated with high input costs, which are generally subject to the standard VAT rate (20%). Consequently, the rental frequently resulted in significant input tax refunds, while rental income was subject only to the reduced VAT rate of 10%. This led to inconsistent outcomes. Owners of such properties were often corporations or foundations that rented these properties to related parties. The reform therefore aims to curb the use of input VAT deductions for the private use of luxury properties.

Properties acquired prior to December 31, 2025 remain subject to existing provisions, permitting VAT application and full input tax recovery where arm's-length conditions are satisfied.

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FRANCE (1/2)

New tax regime applicable to management packages

A new tax regime applicable to gains derived from management package instruments (Article 163 bis H of the French Tax Code) has been in force in France since February 2025.

The new framework covers all equity instruments or instruments giving access to equity, including instruments issued under qualified plans (free shares, BSPCE and stock options) as well as non-qualified instruments (ordinary shares and preferred shares). It applies to any disposal, sale or conversion of such instruments carried out from 15 February 2025, including where the relevant securities were acquired prior to that date.

The main aspects of this regime are summarized below (*with modifications expected in the context of the Finance Bill for 2026 – see below*).

The new regime applies to **net disposal gains** that are: (i) realized on securities subscribed or acquired by employees or managers (or granted to them free of charge), and (ii) **received *"as consideration for the functions performed as an employee or manager"*** within the issuing company or a related entity.

- Net gains realized upon the disposal of such instruments are **taxed as employment income** at a marginal rate of **59%.** This rate includes a **newly introduced specific employee social contribution of 10%**, 45% marginal income tax, and a 4% exceptional surtax on high incomes (*CEHR*). No employer social contributions are due.
- **However, subject to certain conditions, part or all of the net disposal gain** may be taxed under the capital gains regime, at a marginal rate of **34%.** The portion of the gain eligible for the capital gains regime is determined by applying to the subscription or acquisition price of the securities a "*financial performance multiple*" calculated by reference to the company's performance over the holding period. The net gain realized is taxed under the capital gains regime up to this threshold, with any excess being taxed as employment income.

Impact on "PEA" account: Securities falling within the scope of the new regime can no longer be held in a PEA (*Plan d'Épargne en Actions*). Where such securities are already held in a PEA, they no longer benefit from the tax exemption provided by the plan.

Finance Bill for 2026 considerations: The Finance Bill for 2026 should introduce clarifications, notably regarding the calculation of the capital gains threshold, the rules governing the withdrawal of shares from a PEA subscribed prior to the 2025 Finance Law, the possible deferral of taxation in the event of reinvestment, and other technical provisions.

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FRANCE (2/2)

The Finance Bill for 2026

The French Government has engaged its responsibility on a revised version of the Finance Bill for 2026 pursuant to Article 49(3) of the French Constitution. Several parliamentary groups have tabled “motions of no confidence” aimed at toppling the Government and, as a result, abandoning this version of the Finance Bill. However, such motions require the support of an absolute majority of Members of Parliament to be adopted, a threshold which may be difficult to reach in the current parliamentary context.

Accordingly, should these motions of no confidence fail, as currently expected, the Finance Bill presented by the Government on 21 January should be enacted and published **around mid-February**.

The provisions contained in the Finance Bill do not introduce major upheavals compared to what might previously have been anticipated. Unless otherwise specified, they are intended to apply **solely to income earned in 2026** and to take effect as from the day following the publication of the Finance Act. The main measures affecting private wealth taxation are expected to be those outlined below.

Overview of the measures

- **Differential contribution on high incomes** (“CDHR”): The Government intends to make permanent the application of the CDHR, which is designed to ensure a minimum effective tax rate of 20% on income received by French tax residents. By way of reminder, the CDHR applies to taxpayers whose adjusted reference taxable income exceeds €250,000 for single, separated or divorced individuals, and €500,000 for jointly taxed couples. Taxpayers transferring their tax residence during the year are subject to the CDHR for the year of departure and/or arrival: departing taxpayers on income received up to the date of departure, and arriving taxpayers on income received from the date of arrival.
- **Tax on non-operational assets of private holding companies**: The initial draft Finance Bill provided for the introduction of a 2% tax on non-operational assets held by French and non-French private holding companies meeting certain criteria. The new version significantly narrows the scope of this tax, limiting it to so-called luxury assets held by such companies (including yachts, cars, works of art, fine wines, racehorses, etc.), while increasing the tax rate from 2% to 20%.
- Finally, no amendments or extensions are contemplated with respect to the scope of the **French real estate wealth tax (IFI)**, to the **Exit tax regime** or to the territorial rules applicable to **gift and inheritance taxes**.

General comment on tax audit trends: *Significant increase in the number of information requests made by the French tax authorities to foreign tax administrations, in particular where non-resident taxpayers hold real estate assets in France, in order to confirm / check the non-tax residency status of individuals owning French assets in France.*

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GERMANY

Changes to exit taxation to include investment shares

German exit taxation will now include privately held investment shares, whether foreign or domestic. Originally, exit taxation applied only to shares in corporations with a minimum holding of 1%. German exit taxation will now cover **investment fund shares** if a direct or indirect holding of at least 1% has been held within the last five years or shares with an acquisition cost of at least EUR 500,000 are held directly or indirectly upon termination of unlimited tax liability after 31 December 2024. This is significant given it also covers shares in ETFs held by private investors.

Group clause for the taxation of incentive schemes

Section 19a of the German Income Tax Act (GITA) governs the **taxation of employee participation schemes**. It permits a deferral of tax on the non-cash benefit for up to 15 years. The non-cash benefit is the difference between the purchase price of the shares when they are granted and the fair market value. The regulation has now been extended to include a group clause. This means that Section 19a GITA also applies if shares are granted by a company belonging to the same group as the employer. As a result, where a group is involved, all entities within that group must satisfy the statutory thresholds for employee numbers, turnover and total assets. The group clause has retroactive effect from 1 January 2024.

Lifting of the loss offset restriction for losses from forward transactions and worthless capital investments

The **loss offset restriction** for losses from forward transactions and worthless investments for income tax purposes has been lifted. Ongoing losses can be offset by either positive capital gains or share disposal gains where share disposal losses occur. This also applies to existing loss carryforwards from forward transactions and worthless capital investments. However, losses from the sale of shares can still be offset only against gains from the sale of shares.

Annual Tax Act 2025

- The **basic tax allowance for income tax** is:
  - EUR 12,096 for the 2025 assessment period, and
  - EUR 12,348 from the 2026 assessment period onwards.

  The surcharge on the top tax rate will continue to be levied on taxable income exceeding EUR 277,826.
- The **travel allowance for journeys** between the home and the main place of work will increase to €0.38 per kilometre travelled.
- The **gross list price limit for electric company cars** has increased from EUR 70,000 to EUR 100,000. The amendment is relevant for the calculation of the taxable benefit in kind, which is calculated at 0.25% of the gross list price per month.

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Increasing number of so-called “support procedure” in 2025 initiated by the Hungarian tax authority

Parallel with the increasing number of the investment opportunities in foreign financial products and assets, the volume of the unreported and therefore untaxed income in the individuals’ income tax return has increased significantly.

However the collection of the information from the local financial institutions and its annual automatic exchange with other jurisdictions - based on the OECD Common Reporting Standard (CRS) and the Directive 2014/107/EU (hereinafter: DAC2) - continuously improves.

Based on the information received via the international information exchange procedure the Hungarian tax authority conducts risk analysis to identify risks related to the fulfilment of tax obligations and to exclude or determine the existence of identified risks. It may initiate a support procedure to resolve anomalies identified during the risk analysis.

During the support procedure the Hungarian tax authority contacts the individual to obtain the tax reports and documents issued by the financial institutes and the analytics based on the income tax return is prepared. The aim to understand how the income realized from foreign investments is reported in the tax return comparing with the revenue information provided by the financial institutions. Participation in the support procedure is voluntary, so taxpayers cannot be penalized for violations that are not resolved during the procedure, but recommended. In case of the lack of cooperation the Hungarian tax authority might initiate a tax audit in which the participation is already mandatory and any tax findings can be penalized.

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ITALY: LED-TAXAND (1/2)

Amendments to the participation exemption regime on dividends and capital gains

The 2026 Budget Law introduces significant changes to the Italian participation exemption regime (PEX) for dividends and capital gains realized by companies, so impacting significantly also on investments made by individuals through a private company vehicle. Taxation of dividends distributed to individuals remains unchanged (26%).

Under the previous PEX regime, dividends and capital gains on Italian and foreign shareholdings, under certain conditions, benefitted from a 95% exclusion/exemption with an effective tax burden of 1.2%.

Under the new rules, the 95% exclusion/exemption would apply only if, in addition to all requirements already set out under the previous rules, the relevant participation either (i) represents at least 5% of the share capital or (ii) has a tax cost of at least EUR 500,000. For 5% threshold testing, indirect holdings within the same group are also taken into account, considering any dilution along the control chain.

Where the participation meets neither of the two new tests, dividends and capital gains are fully taxable for corporate income tax purposes at 24% rate.

Moreover, Italian-source dividends paid to EU/EEA “white list” corporate recipients that cannot access the Parent-Subsidiary regime and do not meet one of the two above thresholds would be subject to the ordinary 26% withholding tax (subject to treaty reductions).

The new rules apply to dividends distributions approved as from January 1, 2026, while the new provisions for capital gains apply to sales of shareholdings purchased or subscribed starting from January 1, 2026.

Crypto assets taxation

As from January 1, 2026, the substitutive tax on capital gains and other income derived from crypto-assets increases from 26% to 33%. A lower 26% rate will apply to miscellaneous income connected with the holding, transfer, or use of euro-denominated e-money tokens, provided that the tokens are effectively and permanently pegged to the euro and backed by euro-denominated reserve assets held with EU-authorised entities. For such qualifying tokens, conversions between euros and the tokens, as well as redemption into euros at par, are not treated as taxable realization events for gains or losses.

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ITALY: LED-TAXAND (2/2)

New residents flat tax regime

The 2026 Budget Law increases the annual flat tax for individuals, transferring their tax resident in Italy under the new residents regime, to EUR 300,000 for the main applicant (from EUR 200,000) and to EUR 50,000 per family member (from EUR 25,000). The increase applies only to individuals transferring their civil-law residence (“habitual abode” according to Article 43 of the Italian Civil Code) to Italy after 31 December 2025. Those already in the regime will remain under the previous amounts (EUR 100,000/200,000 for main applicants and EUR 25,000 for family members). A transfer of habitual abode by 31 December 2025 should preserve the EUR 200,000 flat tax even if tax residence applies from 1 January 2026.

In an unpublished tax ruling issued last December, the Italian Revenue Agency confirmed that individuals who moved their tax residence to Italy as from fiscal year 2024 may apply the *new residents* flat-tax regime to foreign-source income and, at the same time, the *inbound workers* regime (50% reduction of taxable base) to income arising from activities performed in Italy. The possibility to combine such two regimes makes Italy attractive for high ranked managers, who can take advantage of the flat-tax on foreign source income while benefitting from a reduced taxation on the employment income arising from activity carried on in Italy.

Increase of financial transaction tax

The 2026 Budget Law increases the Italian financial transaction tax (“Tobin Tax”). The rate on transfers of shares and other equity instruments would double (from 0.2% to 0.4% for instruments not traded on regulated markets/MTFs, and from 0.1% to 0.2% for transactions executed on such markets), while the levy on high-frequency trading increases from 0.02% to 0.04%. The new rates apply to the transactions carried on from January 1, 2026.

Increase of substitutive tax for the step-up of the shareholdings

The 2026 Budget Law increases the substitute tax applicable to the step-up (redetermination) of the tax basis of shareholdings, raising the rate from 18% to 21%.

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ITALY: MAISTO E ASSOCIATI

MAISTO E ASSOCIATI

Increase of the flat forfait tax to 300.000 euro

- An optional forfait regime was introduced in Italy back in 2017, allowing individuals who have not been Italian residents in at least nine out of the previous ten years, to elect for a yearly substitute flat tax in lieu of ordinary taxation on foreign-source assets and income, irrespective of their amount. The regime has proved over time very effective in attracting to Italy foreign HNWI as well as professionals in the private equity industry
- The amount of the yearly flat tax amount, was originally set at 100,000 euro, plus 25.000 euro for each family member. That amount of the yearly substitute tax was increased to 200,000 for individuals moving to Italy as from August 2024 and has been now further increased to 300,000 euro by the Budget Law for 2026 for individuals who move their residence (i.e. permanent abode) to Italy after 1 January 2026. Also the flat tax for each family member has been increased by the Budget Law for 2026 from 25.000 euro to 50.000 euro
- The Forfait Tax Regime is nevertheless retaining its appeal. Those increases do indeed marginally affect HNWI, while at the same time avoiding a “massive relocation” which could have raised concerns about the fairness of the regime.
- In addition, the increases both from 100.000 to 200.000 euro and from 200.000 to 300.000 are not retroactive, as they apply only to individuals transferring their residence to Italy after the relevant cut-off date, while the flat tax continue to apply at the original amount to individuals already benefiting from the regime

Entitlement to dividend exemption

- Dividends and capital gains on shares in resident or not resident companies (not benefiting from foreign privileged tax regimes) are, subject to certain conditions, included in the taxable income of Italian companies subject to corporate income tax at the standard 24% rate for 5% of their amount, with an effective 1.2% (24% x 5%) effective taxation
- The Budget Law for 2026 has introduced an additional condition for that participation exemption regime to apply, namely that the participation represents a participation at least equal to 5% of the capital of the participated company or has a tax basis of at least 500.000 euro.
- The new condition is required for profit distributions resolved after 1st January 2026 and for capital gains on shares acquired after that date
- Minority equity investments (such as those typically made in club deals or listed companies) may be deeply impacted by that measure that are likely leading to the revision of typical family holding structures

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Recent developments on taxation of individuals

Dividend tax

As of 1 January 2026, the dividend tax rate for individuals will be increased from the current 10% to 16%.

Tax audits for Romanian individual tax residents

The Romanian Tax Authorities have increased the number of audits at the level of individuals, tax residents in Romania, for transactions carried out on stock exchanges (especially foreign exchanges) dating back to 2019. These audits aim to identify capital gains that have not been properly declared and taxed in Romania.

Recent tax changes impacting tax resident individuals

The Romanian Government has initiated a legislative proposal for a tax bill aimed at reducing the excessive budget deficit. **Essential takeaways in the area of taxation of individuals:**

Income tax on cryptocurrencies

As of 1 January 2026, gains derived from cryptocurrencies will be taxed at 16% (an increase of 6 percentage points compared to 2025). Gains under RON 200 per transaction, but not more than RON 600/year are not taxed.

Capital gains

As of 1 January 2026:

- capital gains from private transactions such as sale of shares will be taxed at 16% (instead of 10% in 2025).
- capital gains obtained from regulated stock markets on transactions performed through Romanian intermediaries/brokers, held:
  - for more than 365 days will be taxed at 3% (compared to 1% in 2025);
  - for less than 365 days will be taxed at 6% (compared to 3% in 2025).

Social health insurance contributions for independent activities (freelancers)

Starting 1 January 2026, the ceiling for the annual computation of the compulsory social health insurance contribution owed by self-employed individuals earning income from independent activities will be increased from 60 to 72 gross minimum monthly salaries guaranteed for payment (approximately EUR 58,000/year). The maximum heath contribution (at 10%) will be thus of approx. EUR 5,800/year.

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SOUTH AFRICA (1/2)

Trusts in focus

Trusts remain a cornerstone of South African succession planning for high net worth individuals and families. Properly structured and administered, trusts (in various forms but most commonly *inter vivos* discretionary trusts) can be used to separate growth assets from individual personal estates (preventing potential onerous, even punitive, double taxation implications in South Africa, where death triggers both estate duty and capital gains tax), support multi-generational wealth transfer, streamline the succession process, and provide governance, continuity and asset-protection benefits.

Many South African residents (Residents) have accordingly either settled trusts themselves, or are beneficiaries of trusts (local, offshore or both).

This involves complex considerations from a South African legal, regulatory and tax perspective, with regulation sourced from both common law and statute.

We set out below certain important considerations and updates in this regard.

Settling and funding a trust: key South African considerations

There are a number of key South African considerations to consider when settling a new trust or funding an existing trust. These include:

- **Tax residence and implications:** The nature and terms of the trust arrangement, as well as the identity, role and location of trustees (and protector/s, if applicable) should be considered to determine the tax residence of the trust, and any South African tax, regulatory or legal implications for Residents.
- **Donations:** Donations tax is levied on donations by Residents at the rate of 20% on donations up to an aggregate amount of R30 million and 25% on donations exceeding R30 million, subject to an annual ZAR100,000 exemption for individuals.
- **Deemed donations:** Interest-free or low-interest loans advanced to a trust by or at the instance of a Resident natural connected person are likely to trigger the application of section 7C of the South African Income Tax Act (RSA ITA), which results in deemed annual donations equal to the difference between the interest rate actually charged, and the "official rate". Deemed donations may also arise if property is disposed of by a Resident to a connected person, for less than market value.
- **Donor attribution rules:** Where a trust is funded by a donation, settlement or similar disposition (which may include interest-free loans) by a Resident, the so-called 'donor attribution rules' contained in the RSA ITA may attribute certain of the trust's income and/or capital gains to the funder.
- **Transfer pricing:** South Africa's transfer pricing rules may apply to cross-border transactions between related parties.
- **Reportable arrangements:** Contributions made by Residents to offshore trusts where that Resident has or acquires a beneficial interest may trigger reporting obligations to the South African Revenue Service (SARS).
- **Exchange controls:** South Africa has exchange controls which regulate *inter alia* inflows and outflows. These controls would apply to cross-border transactions, as well as transactions between Residents and non-Residents. Depending on the nature and terms of these transaction, prior approval from an Authorised Dealer or the South African Reserve Bank (SARB) may be required.

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SOUTH AFRICA (2/2)

Recent developments of interest

Income tax

- Flow-through tax treatment may be applied to income and capital gains realised by trusts where relevant amounts are vested in beneficiaries in the same tax year (which runs from 1 March to 28/29 February of the following year). Legislation was recently amended to clarify that this flow-through treatment would not apply to Resident trusts where amounts are vested in non-Resident beneficiaries in the same tax year. The income tax rate applicable to trusts in South Africa is 45% and the effective capital gains tax rate is 36%.

Exchange control

- **Trust-to-trust distributions:** A recent exchange control development allows a Resident trust to make application to SARB for approval to distribute funds to a foreign beneficiary trust, subject to relevant SARS verification processes. This has become a useful mechanism to externalise wealth from existing South African trust structures. However, the application process can be time-consuming.

Trust law

- **Beneficial ownership disclosure requirements:** Statutory provisions have been introduced to require beneficial ownership disclosures in certain circumstances, for trusts and beneficiaries.

- **Case law:** Recent case law has reiterated the importance of ensuring that common law requirements and trust deed provisions are properly adhered to when trustees take decisions, to ensure the validity of the trust action.

Later life asset and/or cash transfers into trusts can be costly and complex. Although there are some mechanisms which may potentially mitigate the negative impact of certain of the anti-avoidance provisions mentioned above, early advice is crucial.

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Wealth tax: combined income-wealth limit. New decision of the Spanish Supreme Court

Under Spanish law, individuals resident in Spain are taxed under a personal obligation on their worldwide net wealth, whereas nonresidents are taxed under a real obligation only on assets and rights located in Spain.

Spanish law includes an anti-confiscation mechanism which limits the aggregate of Wealth Tax (WT) and Personal Income Tax (PIT), the so-called "combined income-wealth limit‟. Specifically, for Spanish tax resident individuals subject to WT on their worldwide assets, the sum of the total WT liability and PIT liabilities cannot exceed 60% of the sum of the amounts of taxable income for PIT purposes (with certain exclusions and rules to determine such limit). Should the threshold be exceeded, the gross WT liability will be reduced up to that 60% limit, though the reduction cannot exceed 80% of the gross WT liability.

Historically, this limit was only applicable to residents (taxed under a personal obligation), not to nonresidents taxed under a real obligation. However, in two recent decisions (Judgments of October 29 and November 3, 2025), the Supreme Court has confirmed that nonresidents who are liable for WT in Spain are entitled to apply the combined income-wealth limit. According to the court, excluding nonresidents from this limit violates the principle of free movement of capital enshrined in EU law.

The court pointed out in this connection that the purpose of the joint limit is to avoid the possible confiscatory effects of WT, so there is no objective justification for excluding non-residents.

The rulings create an opportunity to recalculate prior WT liabilities and to seek refund where, absent the combined income-wealth limit, the sum of WT and PIT liabilities would exceed 60% of the applicable PIT tax base. It will also be a measure to limit WT burden for future years.

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SKEPPSBRON SKATT TAXAND

Changes to the 3:12 rules (closely held companies)

Background

If a company (a Swedish limited liability company (AB) or a foreign equivalent) is seen as a closely held company, and the shares are seen as qualified, any dividends will be taxed under the specific rulings for closely held companies.

In short this means that dividends up to a certain amount are taxed at 20%, whereafter progressive tax rates apply up to approx. SEK 8 million, whereafter the tax rate goes down to 30%. This implies potential hefty taxation for the part that is base for progressive tax rates (up to 55%). Shares in a closely held company are considered **qualified** if the owner, or a person closely related to the owner, has been actively involved to a significant extent in the company during the tax year or any of the four preceding tax years.

"Actively involved to a significant extent" means having contributed to the company's profit generation. The company does not need to have made a profit.

Changes to the 3:12-rules as of 1 January 2026

As of 1 January 2026, a new framework for the so-called 3:12 rules has entered into force. These rules govern the taxation of dividends and capital gains on shares in closely held companies and are of central importance to shareholders who are actively involved in their companies. The new rules introduce both simplifications and substantive changes, making it important to understand how they differ from the previous regulations.

New method for calculating the "low-taxed amount" (dividend allowance)

- The calculation of the dividend allowance ("threshold amount") has been fundamentally redesigned.
- In many cases, the outcome will be broadly unchanged compared to the previous rules.
- However, family-owned companies with few shareholders and limited payroll costs may experience a less favourable result.
- Payroll-intensive companies may benefit, as the wage-based component can result in a higher dividend allowance.

Shortened qualification (quarantine) period

- The qualification period has been reduced from 5 years to 4 years
- The shortened period will apply for the first time as from 1 January 2027
- This allows shareholders to exit the 3:12 regime more quickly.
- After the qualification period, distributions may be taxed at 25%, provided that the shareholder has been completely passive in the company throughout the entire period.

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SWITZERLAND

Switzerland votes against the introduction of a federal inheritance tax

- On 30 November 2025, the Swiss people and the cantons voted on the Young Socialists' initiative to introduce a gift and inheritance tax at the federal level. The result was a clear victory: the people voted against the proposal by 79% of the votes cast.
- The Young Socialists called for an inheritance tax of 50% on estates and gifts worth more than CHF 50 million, with the proceeds to be used to combat climate change. No exceptions were planned, for example for spouses, direct descendants, or charitable institutions. The introduction of such a tax would not only have made succession difficult for many Swiss family businesses, but would also have led to an exodus of significant taxpayers and thus to drastic tax losses.
- As a result, the authority to levy inheritance and gift taxes remains solely with the cantons, which, with a few exceptions, fully exempt transfers to spouses and direct descendants.

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UNITED KINGDOM (1/2)

New UK foreign income and gains ("FIG") regime replaces remittance basis

Since 6 April 2025, the remittance basis for non-UK domiciled individuals has been replaced by a FIG regime for qualifying new UK residents, which grants 100% tax relief on "qualifying foreign income and gains" during their first four years of tax residence, provided the individual has been non-UK tax resident for at least 10 consecutive years beforehand. A claim for relief under the FIG regime must be made every tax year that it applies for via self-assessment and the individual must specify whether they are making a claim for qualifying foreign income, qualifying foreign gains or both. If an individual makes a claim under the new regime, they will lose their entitlement to both their annual personal allowance for income tax and their annual capital gains exemption, regardless of whether their claim is only made in relation to qualifying foreign income or gains. Transitional rules apply for non-UK domiciled individuals who were claiming the remittance basis of taxation prior to the change, including a temporary repatriation facility.

New Overseas Workday Relief ("OWR") requirements

Since 6 April 2025, eligibility for OWR is determined by an employee's residence rather than their domicile and may be claimed for a maximum of four years (in order to match the duration of the new FIG regime), providing that the employee was non-UK tax resident for at least 10 consecutive years beforehand. The maximum amount of OWR that can be claimed will be capped at the lesser of £300,000 or 30% of a person's total employment income.

Updates to the UK's proposed carried interest tax regime

The UK government has published an updated draft of the legislation for the new carried interest tax regime, effective from 6 April 2026. Although the headline rules remain the same as those originally set out, with all carried interest to be taxed as trading income and "qualifying carried interest" benefitting from a reduced effective rate of approximately 34.1%, the updated legislation contains some helpful amendments. Key amendments clarify relief for non-residents with limited UK workdays, improve weighted-average holding period calculations, especially for credit funds, secondary funds and funds of funds, and offer unilateral UK relief for overseas capital gains tax. There are still concerns, however, particularly with regard to the application of the payment on account rules, which may cause cash flow difficulties for fund executives, and risks relating to international double taxation.

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UNITED KINGDOM (2/2)

UK tightens rules for globally mobile workers

A number of tweaks to the UK's approach for globally mobile employees and new arrivals were made in November's Budget. From April 2026, provisional overseas workday relief delivered via payroll will be capped at 30% of income to align with self-assessment limits. Anti-avoidance has been strengthened, with dividends paid to temporary non-residents linked to post departure trading profits losing their automatic exemption from UK income tax. Minor administrative amendments to the new residence-based tax regime are expected, with most having retrospective effect from 6 April 2025, which will be relevant to those impacted by FIG relief, overseas workday relief or the temporary repatriation facility. On a more optimistic note, the government has announced that it will explore ways of further developing its tax offer for high-talent new arrivals.

Proposal to tax image rights as employment income

From 6 April 2027, it is proposed that all image right payments related to an employment will be treated as taxable employment income, subject to income tax and both employer and employee NICs.

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TAXAND

ABOUT TAXAND

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Overall there are more than 700 tax partners and over 3,000 tax advisors across 50 countries, focussed on understanding you and your business needs; collaborating to deliver tailored, practical local and international tax advice, in consideration of your strategic goals.

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