



Compensation Tax Newsletter

February 2026

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INTRODUCTION

Welcome to **Taxand's Compensation Tax Newsletter**.

This first issue of 2026 brings together input from employment and compensation tax specialists across **19 jurisdictions**, highlighting recent developments and considerations in this area across a global context.

The articles in this edition focus on recent legislative and policy changes affecting remuneration structures and related tax obligations in different markets.

Each country chapter outlines key local developments and includes contact details for the contributing specialists, who would be pleased to discuss any of the matters covered.

We look forward to sharing further updates with you.

Enjoy reading!

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New tax regime for carried interest schemes

Effective as from 29 July 2025, Belgium implemented the first ever income tax regime dedicated to carried interest schemes. This regime provide for a 25% taxation for carried interest income (whether in the form of distributions, capital gains, etc.) received (directly from - or in respect of - alternative investment companies/funds) by individuals (and not companies) who are taxable in Belgium (by reason of their residence and/or professional activity). This income qualifies as moveable income (and not professional income) and Belgian social security contributions are not due on this income.

New capital gain tax on financial instruments

Although not yet voted, it is anticipated that (effective as from 1 January 2026), Belgium will implement a new capital gains tax for Belgian tax resident individuals. This tax will apply upon disposal of various financial instruments (including shares, warrants, options, etc.) and its rate will be equal to 10%. An exemption will apply to the first EUR 10,000 of capital gains (net of capital losses) realized during each income year and a specific regime will apply to "substantial participations" (i.e., of at least 20%) being disposed of, for which a EUR 1,000,000 tax exemption will apply with a progressive tax rate (ranging from 1.25% to 10%) applicable for the excess. Latent capital gains existing as of 31 Decembre 2025 will remain tax exempt. An exit from Belgium will be assimilated (under certain conditions/exceptions) to a disposal and make the tax applicable. It is expected that the bill governing this new tax should be enacted in Q1 2026.

Canadian Government Cancels Capital Gains and Stock Option Changes; Lifetime Capital Gains Increase Proceeds

In Canada, the 2024 Federal Budget initially proposed to increase the capital gains inclusion rate from 50% to 66.7% for gains over \$250,000 (the **"Proposed Increase of the Capital Gains Inclusion Rate"**) and, correspondingly, to reduce the stock option deduction from 50% to 33.3% for the employment benefit received upon exercising or surrendering employee stock options above the same \$250,000 threshold (the **"Proposed Reduction of the Stock Option Deduction"**). The 2024 Federal Budget also proposed to increase the Lifetime Capital Gains Exemption (the **"LCGE"**) limit to \$1,250,000, which meant that an individual could receive up to \$1,250,000 capital gains—tax free—from eligible dispositions. As confirmed in a March 21, 2025 news release from the Office of the Prime Minister of Canada, the federal government has decided to cancel both the Proposed Increase of the Capital Gains Inclusion Rate and the Proposed Reduction of the Stock Option Deduction. The current federal government has indicated that there is no legislative intention to implement these two proposed tax measures in the future. However, the more recent 2025 Federal Budget confirmed that the proposed increase to the LCGE limit would proceed, which means that the LCGE limit will be \$1,250,000 for 2025 and, after indexing to inflation, will be \$1,275,000 for 2026.

Employee Ownership Trusts becoming a real option for Canadian business ownership

Employee Ownership Trusts (EOTs) have been available in Canada since January 1, 2024. Initially the rules included a restrictive Canadian geographical requirement on business operations resulting in EOTs generating little interest. To make EOTs more desirable, these requirements have been relaxed and a temporary \$10M per person tax exemption on capital gains realized on the sale of a business to an EOT is now available. EOTs must still meet several technical requirements designed to ensure control does not remain with the selling group and that all employees (not just senior management) benefit. Where the conditions can be met, EOTs enjoy tax relief on financing activities and employees can receive favourable tax treatment on EOT distributions. The \$10M exemption ends on December 31, 2026.

Chinese Overseas Income Individual Income Tax (“IIT”) Declaration in 2025

During Chinese annual IIT filing period (Mar 1-Jun 30), many residents have received tax authorities’ notices to declare overseas income from 2022-2024. Mandatory declared items include comprehensive income, operation income, and other classified income (e.g., overseas interest, stock dividends, capital gains from stock/futures/virtual currency transactions). Even without official notices, residents must proactively declare; non-compliance risks back taxes, 0.05% daily late fees, and fines (50%-5x unpaid tax), with criminal liability for serious cases. The general tax recovery period is 3 years (extendable to 5 years for special cases), while no time limit applies to tax evasion. Overseas-paid IIT can be credited against Chinese tax liability, but supporting documents (e.g., tax certificates, bank statements) should be retained, with local tax authorities’ practices governing credit for withheld taxes without formal proof.

Internet Platform Tax Rules 2025

Effective October 1, 2025, China’s State Taxation Administration Circular 16 overhauls tax compliance for internet platforms and their practitioners (e.g., live streamers, couriers, tutors). Key updates include adjusting IIT withholding for service income to a cumulative method (3%-45% progressive rates, with a monthly CNY5,000 deduction), clarifying distinctions between service and operation income, and mandating platforms to handle VAT and surcharge filings on behalf of practitioners. Eligible small-scale taxpayers enjoy VAT exemptions for monthly sales below CNY 100,000 (tax-exclusive). The rule also regulates multi-platform income aggregation, correction/rebate procedures, and corporate income tax deductions for platforms.

Czech taxation 2026: executives, ESOP, unified reporting and CZK 40m cap

Updates effective 1 January 2026:

- Remuneration of non-resident executives / board members is no longer subject to 15% withholding tax, but to progressive taxation (15% / 23%), with a tax return obligation once income exceeds the statutory threshold (set as 36× the average wage for the relevant year).
- A new regime for qualified employee stock options is introduced, allowing tax deferral and (if conditions and limits are met) no SSC/HI on the option benefit. This builds on the 2025 change under which deferred taxation for employee shares / options has been available only if the employer filed the required notification (effective 1 April 2025).
- “Unified monthly reporting” is introduced, consolidating monthly payroll reporting into a single submission and requiring updates to payroll processes, data flows and internal controls.
- The CZK 40m annual cap on the time-test exemption applied in 2025 to shares/securities and crypto assets; in 2026 it applies to crypto assets only.

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Introduction of New Danish Top-top Tax from 2026

Effective 1 January 2026, a new “top-top” tax applies to individuals with personal income exceeding DKK 2,592,700 after 8% labour market contributions.

In Denmark, personal income is taxed progressively, with the labour market contribution calculated first and the remaining income taxed under progressive rates.

The reform replaces the current 15% top tax on income above DKK 611,800 (2025) with three layers (all thresholds after labour market contributions):

- 7.5% middle tax on income above DKK 641,200 (2026)
- 7.5% top tax on income above DKK 777,900 (2026)
- 5% top-top tax on income above DKK 2,592,700 (2026)

This increases the marginal tax rate from about 55.9% to about 60.5% including labour market contributions.

The thresholds are indexed annually.

Danish Expat Tax Scheme: Lower Minimum Salary Requirement from 2026

The Danish Expat Tax Scheme allows foreign researchers and highly-paid employees to be taxed at a favorable flat tax rate on their Danish employment income for a limited period, instead of the ordinary progressive Danish income tax.

The scheme is commonly used by Danish employers when recruiting specialists and key staff from abroad and can improve cost predictability for both the employer and the employee.

Eligibility is subject to a number of conditions, including a minimum salary level, specific employment terms, and meeting Danish tax liability and procedural requirements.

From 1 January 2026, the scheme becomes more accessible because the minimum remuneration threshold is reduced from DKK 78,000 per month in 2025 to DKK 65,400 per month in 2026.

The salary requirement is indexed annually.

The expat tax regime more favourable as of 2026

Effective 1 January 2026, the flat withholding rate for foreign experts eligible for the expert tax regime has been reduced from 32% to 25%. The change applies to salaries paid as of 1 January 2026.

If a foreign individual has already been eligible for the regime in prior years, the Finnish salary payer can apply the new rate at their own initiative without the eligible employee needing to apply for a new tax card. Non-Finnish employees remain eligible for the expat tax regime up to 84 months.

Further, as of 1 January 2026, Finnish citizens relocating to Finland after being treated as non-resident for at least five consecutive calendar years can apply for the expat tax regime for a maximum of 60 months, provided all other conditions are met.

The individual must apply for the tax card within 90 days from their arrival and the simultaneous start of the employment in Finland.

Other prerequisites of the expat tax regime, such as the definition for special expertise and the minimum cash salary of EUR 5,800 per month, remain unchanged.

Reduction of progressive tax rates for earned income

As of 1 January 2026, the progressive state tax rates applicable for earned income, such as salary and wages, have been slightly reduced so that the highest marginal tax rate is now approximately 52% (vs. 58% in 2025).

Tax rules on equity-based incentives under the Government's review

In the midterm fiscal plan released in April 2025, the Finnish Government expressed its aim to "create the best employee incentive schemes in Europe". The Government initiated a study to map the current state of taxation of employee stock options and other equity-based incentive schemes and assess the need for changes, and the work is currently ongoing.

Thus far, there has been no indication of what the changes might entail. We expect that the results of the study will be presented in mid-2026 and legislative work to implement potential changes would start in late 2026.

New tax regime for management packages in 2025

- Gains from the disposal of securities received through management packages are taxed, in principle, as employment income (up to 45% + 4% + social contributions) if acquired in connection with professional functions. The scope of application should be defined more precisely but should apply to every financial mechanism allowing an accelerated financial gain for employees and corporate officers (ratchet or sweet equity mechanisms).
- Part of the gain remains partially taxable as capital gain (31.4%), if some conditions are met, notably that the securities carry a risk of capital loss and have been held for at least two years (subject to exceptions). The capital gain regime is limited to a portion of the gain not exceeding a multiple of three times the increase in the company's equity ratio.

New BSPCE regime in 2025, distinction between exercise and disposal gains

- Limitation of the favorable regime applicable to BSPCE (i.e. share warrants for startup companies).
- Exercise gain is subject to different tax rates depending upon the duration of the employment contract:
 - Less than 3 years: fixed rate of 48.6% (i.e. 30% + 18.6% social contributions)
 - More than 3 years: flat tax at 31.4% or option for progressive income tax scale

- Capital gain is subject to the new management package regime described above.
- Both gains are taxable at the moment of the disposal of the shares.

Possible prorogation of the CDHR for 2026 [to be confirmed]

- Draft finance bill for 2026 provides for the prorogation for the minimum 20% effective taxation rate introduced in 2025 for high-income households.
- Specifically, a differential contribution on high income applies when the global income of the household exceed €500,000 for married or civil union couples and €250,000 for single individuals.
- The contribution equals the difference between 20% of the adjusted household's global income, and the total amount of income tax, CEHR, certain final withholding taxes, and applicable adjustments.

Increase in the CSG rate in 2026

- The social Security Finance Act for 2026 provides for an increase in social security contributions on capital income.
- The CSG rate will increase from 9.2% to 10.6%, representing a rise of 1.4 percentage points and raising the flat tax rate to 31.4% (i.e. 12.8% income tax and 18.6% social security contributions).

New documentation requirements for German employers with seconded employees

- The Federal Ministry of Finance's letter of **19 December 2025** introduces new documentation requirements for German employers with seconded employees.
- German employers must provide their employees with a **certificate** containing the following information:
 - **Total costs** incurred by the secondment (salary, social security contributions and administrative costs);
 - **Allocation of the total costs** between the group entities (percentage allocation);
 - An explanation of the **group companies' interest** in employees' activities;
 - **Confirmation** that the cost allocation is final;
 - The **percentage of taxable remuneration** in relation to the total costs of the seconded employee;
 - Total **number of working days** and the **number of working days abroad**.

Significance of the certificate to be issued by the employer:

- **It confirms that the cost allocation alignment** for transfer pricing purposes is aligned with the right to tax the employee's remuneration according to Art. 15 (2) b of the OECD-Model Tax Convention;
- In Germany, the **costs of seconded employees** are **not tax-deductible** if the employee works in the interest of a foreign group company;

Relevance of the certificate for the employee's **German income tax assessment**:

- The certificate creates the presumption that the **allocation of costs is in line with the arm's length principle**.
- As a result, an **extensive review** of cost allocation should no longer be required during the income tax declaration process.

Greek developments

Below we summarize certain recent developments that are of particular interest to compensation tax.

Law 5246/2025 provides for reductions in the personal income tax scale

Law 5246/2025, published on 11 November 2025 introduced reductions to the personal income tax rates. The changes, applicable to income earned from tax year 2026 onwards, aimed to adjust downwards the tax scale for income from employment and pensions and provide for further downwards adjustment i) for taxpayers having dependent children, ii) for taxpayers with age of up to 30 years old, and further amend the provisions for the taxation of business income in order for individuals earning business income to be eligible for the above downwards adjustments (i.e. young aged or/and having children etc.).

Circular 2107/2025 clarifies the tax treatment of contributions to occupational funds and group pension plans

Following amendments to the Income Tax Code under L. 5178/2025, which apply retroactively from 1 January 2024, the Tax Administration issued Circular 2107/2025 to clarify the tax treatment of employer and employee contributions to occupational funds and group pension plans.

The Circular clarifies that employer and employee contributions to Optional Occupational Insurance Funds, Mutual Aid Funds formed by conversion under art. 6 par. 20 L. 3029/2002 and premiums to group pension plans, are excluded from taxable employment income to the extent that they do not annually and cumulatively exceed 20% of (i) the employee's gross remuneration from employment plus (ii) the benefits in kind included in taxable employment income.

The Circular provides that all amounts qualifying as gross remuneration under labour law are taken into account for this calculation, whether or not they are included in taxable employment income.

Circular E.2094/2025 provides clarifications regarding the application of the Digital Transaction Duty on remuneration in accordance with the provisions of Law 5177/2025

Pursuant to art. 16 of L.5177/2025 Digital Transaction Duty is imposed on remuneration paid in return for services, which do not arise in the context of an employment relationship and do not fall within the scope of VAT.

The Circular further clarifies that the concept of remuneration provided within the framework of employment, for which no DTD is imposed, includes remuneration under any legal relationship that gives rise to similar obligations and rights as an employment relationship. Said remuneration includes fees such as salary, overtime pay, various allowances that constitute salary or an increase thereof, off-site allowances, travel expenses, and expense reimbursements.

Hungarian Family Tax Allowance

Hungary offers a family tax allowance that increases employees' net take-home pay if they are raising dependent children. The benefit works by reducing monthly income tax and part of the social security contributions if not fully utilized against income tax. So it can be felt immediately through payroll.

In 2025 and 2026, the Hungarian government significantly increased the allowance in two phases, making it substantially more valuable than in prior years. From mid-2025 onward, families receive a notably higher monthly tax benefit per child, and from January 2026 the allowance reaches its full, doubled level.

The allowance can usually be claimed by one parent or shared between parents, depending on their income situation and payroll setup. Eligibility is primarily linked to entitlement to family allowance and from 2025 onward the benefit is limited mainly to Hungarian, EEA, Ukrainian, and Serbian citizens.

Overall, the 2025–2026 changes significantly increase monthly net income for families and make the family tax allowance one of the most generous child-related tax benefits in Hungary.

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Option to replace 10% surtax on bonuses for the financial sector with charity devolutions

The Finance Bill for 2026 allows employers to replace the 10% surtax applicable to variable compensations paid to managers and directors operating in the financial sector (which, based on a recent legislative amendment, no longer include managers of holding companies of industrial groups) with a devolution to qualifying charity entities of an amount equal to twice the applicable surtax.

Implementing rules are still to be issued. The measure can be regarded as a potential alternative if there is room to review the amounts of gross bonuses so as to absorb a part or all of the cost of the charity devolution, thereby converting a tax liability – which economically burdens the employee – into a charitable donation. Subject to certain conditions, such donations may qualify for deductibility for CIT purposes.

Clarifications on carried interest/management investment plans

With some rulings issued in 2025 tax authorities provided new interpretations on the rules applicable to carried interest/MIP schemes that provide that income deriving from certain shareholdings with enhanced economic rights held by managers of such entities may – subject to specific conditions – qualify as financial income (possibly 26%) and not employment income (up to 43% plus surtaxes).

Among these, tax authorities addressed a case where, to facilitate the subscription, the issuer granted a loan to managers to fund the subscription of the MIP shares.

Tax authorities, commenting on a case which did not fall in the “safe harbor” provisions, took the view that the investment in the MIP shares would not qualify as an “investment at risk” – even if in case of full-recourse loans – if the terms or the repayment of the loan are linked to the expected duration of the investment.

In addition, in some rulings, tax authorities required a contractual lock-up clause for the managers until the earlier of the end of a 5-year period and the change of control.

The design of new incentive plans should consider these interpretative criteria. Also, it is recommended to revisit existing plans to ensure that they are not impacted by the above interpretations.

New interpretations on the “conventional regime”

In a recent ruling, tax authorities went back on the interpretation of the “conventional regime”, i.e. the regime whereby Italian-resident employees who – subject to specific conditions – work abroad more than 183 days in a 12-month period can determine their employment income based on presumptive amounts rather than on standard rules.

Namely, tax authorities clarified that the social security contributions suffered in the host State in accordance with local legislation are deductible from the “conventional employment income”.

1. The Dutch Tax Authorities enforce rules on false self-employment

Based on the Dutch law the Dutch Tax Authorities (hereafter: "DTA") may challenge that the status of independent contractors should be qualified as an employment relationship, resulting in the obligation for the employer to withhold and remit Dutch wage tax and social security contributions. The DTA did not enforce the requalification until 1 January 2025 unless there is malicious intent, or a notification has been given by the DTA and it has not been followed up. As of 1 January 2025, the enforcement on false self-employment has started again and the DTA can impose additional tax assessments if they requalify the independent contractor activities to an employment relationship. In case of a requalification, no tax assessments will be imposed for the period prior to 2025, and no penalties will be imposed for 2025. As of 2026, the regular rules will apply again.

2. Employee stock options in Start-Ups and Scale-Ups

As of 1 January 2027, the tax regime for employee stock options in start-ups and scale-ups will be amended. The taxable base will be adjusted to 65%, and taxation will be deferred until the shares are sold.

3. Expat ruling ("30% ruling")

For 2026, the regular salary threshold for the expat ruling is EUR 48,013 and the lower salary threshold is EUR 36,497. In 2026, all individuals who have been granted the expat ruling may apply the expat ruling to a maximum of EUR 262,000 of their gross salary. Furthermore, 2026 is the last year in which employees subject to transitional law can opt for partial non-tax resident status.

4. Lucrative Interest multiplier

The 2026 Tax Plan introduces per 1 January 2028 a multiplier in Box 2 tax rates for indirectly held lucrative interests/ carried interests. This multiplier broadens the tax base for income from indirectly held carried interest where the underlying benefits are already taxed under the substantial interest regime in Box 2. The measure is intended to increase the effective tax burden on such income to up to 36% instead of 31%.

New Tax Withholding Rules for Employers in Norway: Relief of tax withholding account obligations

Norway has introduced changes to its tax withholding regulations from 2026, eliminating the previous requirements for employers to maintain a separate tax withholding account or provide a bank guarantee. Under the new scheme employers are obligated to pay the tax withholding directly to the tax authorities.

The Old System

Under the previous regime, employers were required to establish a dedicated tax withholding account or provide bank guarantee from a Norwegian registered bank to ensure compliance with their obligation to withhold and remit tax on employees' salaries. This system was designed to safeguard the Norwegian Tax Administration's ability to collect withheld taxes, but it created administrative burdens and financial costs for businesses.

What the New Rules Mean

From 2026 a new system is introduced where employers, instead of separating salary tax withholding in a separate bank account or alternatively provide a bank guarantee towards the Norwegian authorities, are required to pay the tax withholding on salary payments directly to the tax authorities.

The deadline for such payments is under the new rules set to one business day after the salary payments are made. This requires that the employers adjust their systems to manage direct payments within the deadline.

These changes are welcome for new foreign companies setting up payroll for employees in Norway, as the old rules required setting up banking relationships in Norway which could be complex and time-consuming for foreign entities. For companies already having a tax withholding account, is important establishing new systems that comply with the new rules of direct payments and also adjusting to the new deadline for payments to the tax authorities.

Taxation of dividends

The personal income tax applicable to dividends was increased from 10% to **16%**.

Taxation of investment income

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).

Taxation of income from the transfer of virtual currencies

The income tax rate applicable to the gain derived by individuals from the transfer of virtual currencies is taxed was **increased to 16%**.

Other amendments related to income tax

- The tax rate applicable for certain income granted by a legal entity to its associates/ shareholders (related to personal use of goods/ services etc.) was **increased to 16%**.
- The taxation of income from prizes and gambling was also increased starting with August 1st 2025.
- New rules were implemented for personal income tax owed for short-term accommodation and rental income.

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 health contribution (at 10%) will be thus of approx. EUR 5,800/year.

In Slovakia, the year 2025 was marked by another round of fiscal consolidation measures aimed at restoring the sustainability of public finances. This package also included changes to the personal income tax framework, which entered into force on 1 January 2026.

Greater Progressivity of Personal Income Taxation

a) Employment Income

This measure will primarily affect above-average earners, specifically those with a gross monthly salary exceeding €4,282. In addition to the existing two tax rates of 19 % and 25 %, new rates of 30 % and 35 % will be introduced, resulting in the following progressive taxation:

Annual Tax Base 2026 (€)	Personal Income Tax Rate
approx. 44 thousand	19 %
over 44 thousand	25 %
over 60 thousand	30 %
over 75 thousand	35 %

Only the portion of income exceeding the relevant threshold will be taxed at the higher rate.

b) Business Income of Individuals (self-employed persons + sole traders)

Up to the annual amount of EUR 100,000, business income of individuals is taxed at a special favourable rate of 15 %. If the taxable income increases this amount, the rates for personal income taxation of employment income are applicable (19 %, 25 %, 30 % and 35 %).

Adjustment of thresholds for tax-free allowances:

The full amount of 2026 tax free allowance for a taxpayer is EUR 5,967 and applies when the tax base (after deduction of social and health insurance contributions) is lower than EUR 26,083. For individuals with higher income, the non-taxable portion of the tax base is gradually reduced; once the taxpayer reaches a tax base of EUR 43,983 or more (i.e. 154.8 times the subsistence minimum), the tax-free allowance is equal to zero.

Increase in Health Insurance Contributions

The rate will increase by 1 % both for employees (from 4 % to 5 % of gross salary) and for self-employed persons / individual payers (from 15 % to 16 % of business income).

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Taxation of foreign pensions likely to change

In terms of South African tax law, retirement benefits received by South African tax residents from foreign retirement funds may be fully exempt from tax in certain circumstances. Specifically, a tax exemption applies to any lump sum, pension, or annuity received by a tax resident from a source outside South Africa, if that amount is received as consideration for past employment outside South Africa.

In the 2025 draft tax legislation, it was proposed that this exemption be deleted. This would have resulted in South African tax residents being taxed on foreign sourced retirement benefits with effect from 1 March 2026. The reasons given for this proposal were firstly to prevent double non-taxation of these benefits and secondly to allow South Africa to exercise its taxing rights under double tax treaties.

As a result of public comments received, the proposal was withdrawn by National Treasury, but it was indicated that government would initiate a renewed consultative process with stakeholders. It is therefore expected that further proposals will be introduced in this regard.

In our view, the removal of the tax exemption would result in significant issues which should be considered before this change is legislated. These issues include potential double taxation of foreign retirement benefits funded out of after-tax income and the need to implement a comprehensive legislative framework to cater appropriately for the tax treatment of foreign retirement benefits to align this with benefits provided by South African retirement funds.

Employees may claim a tax deduction for foreign taxes paid on remuneration

Taxpayers may claim either a tax credit or may elect to claim a deduction for foreign taxes paid in respect of any foreign income which is included in their South African taxable income. However, the deductions which employees may claim against their remuneration are limited.

It is now proposed to include in the allowable deductions for employees, a deduction for foreign taxes paid in any foreign country on their remuneration. In particular, employees who derive taxable gains from foreign equity instruments in terms of a share incentive plan may elect to claim a tax deduction (as opposed to a tax credit) for foreign taxes paid on these gains.

Single employment tax registration for groups of companies proposed

In the 2025 Budget, it was indicated that one nominated employer for a group of companies or an employee share scheme trust within a group of companies would be allowed to register as the employer for purposes of employment tax compliance and filing obligations on behalf of multiple companies in a group. This would ease the administrative burden on both the tax authority and the companies as it would avoid multiple registrations of employers where this can be consolidated into one registration. This would be particularly beneficial in the context of share incentive arrangements involving employee share scheme trusts.

However, no proposed amendment was included in the 2025 draft tax legislation, and it is hoped that this change will be included in the 2026 legislative cycle.

Valuation of certain fringe benefits to increase for returning residents

The valuation of bursaries and scholarships provided by employers to relatives of employees and fringe benefits relating to residential property acquired by or used by employees (including loans for acquiring such properties) is based on an employee's prior year's remuneration. However, this excludes exempt remuneration for qualifying services rendered outside South Africa. With effect from 1 March 2026, such exempt remuneration will be included in the valuation of these fringe benefits. This means that employees who received exempt income from foreign services in a prior tax year will have a higher taxable value for these fringe benefits in the subsequent tax year or will no longer qualify for exemptions that they previously could claim. This change may affect South African tax residents who return to South Africa having worked abroad and receive these benefits.

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Carried Interest Regime

Spanish Personal Income Tax law ("**PIT Law**") has recently established a specific carried interest tax regime (the "**Carried Interest Regime**" or the "**Regime**") whereby the income derived from participations, shares or other rights, including success fees, which grant special economic rights in certain entities, obtained by the administrators, managers or employees of such entities or their management companies or entities in their group, shall be considered as employment income.

For the purposes of applying the Carried Interest Regime, it is essential that the income derives from the eligible entities established in the Spanish PIT Law, which expressly includes the Alternative Investment Funds of a closed-end nature defined in Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 included in any of the following categories:

- i. entities defined in Article 3 of Law 22/2014, of November 12, which regulates venture capital entities, other closed-end collective investment entities and management companies of closed-end collective investment entities, and which amends Law 35/2003, of November 4, on Collective Investment Institutions;
- ii. European venture capital funds regulated in Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds,

- iii. European Social Entrepreneurship Funds regulated in Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds;
- iv. European long-term investment funds regulated in Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds; or
- v. Any analogous entity. In this case, the application of the Carried Interest Regime is not automatic, as it requires a case by case comparability analysis to determine whether the foreign entity can be considered or not analogous to the eligible vehicles established in the Spanish PIT Law.

Additionally, the Carried Interest Regime shall not apply when the special economic rights arise, directly or indirectly, from an entity resident in a country or territory classified as a non-cooperative jurisdiction or with which there is no mutual assistance framework in place for the exchange of tax information.

Under the Carried Interest Regime, the employment income obtained would be included in the tax base only in a 50% of overall amount, provided that certain requirements are met:

- a. The special economic rights of said participations, shares or rights are conditional upon the remaining investors in the entity obtaining a minimum return as defined in its regulations or bylaws.
- b. The participations, shares or rights are held for a minimum period of five years, unless they are transferred mortis causa, liquidated early, or become void or are lost in whole or in part as a result of a change of management company, in which case they must have been held uninterruptedly until such circumstances arise.

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Exemption for the delivery of shares to active employees

Although this tax exemption was already established in the PIT Law, an increasing number of listed companies (resident and non resident in Spain) are analyzing the application of the annual exemption of Euro 12,000 for the delivery of shares of the company or other group company (free of charge or at a price below normal market value) to its active employees resident in Spain. In general terms, the requirements for its application are:

- a. That the offer is made under the same conditions for all employees of the company. In the case of groups or subgroups of companies, the aforementioned requirement must be met in the company to which the employee to whom the shares are delivered provides services.
- b. That each of the employees, together with their spouses or relatives up to the second degree, do not have a participation, direct or indirect, in the company in which they provide their services or in any other company in the group, greater than 5%.
- c. That the shares are not transferred during the three years following their delivery date.

In this regard, it should be noted that the Law 28/2022, of December 21, 2022, on the pro-motion of the ecosystem of emerging companies, increased up to Euro 50,000 euros per year the exemption established in the PIT Law in the case of emerging entities, and, also in this case, has eliminated the requirement to grant to all the employees under the same conditions. Additionally, in the event that the delivery of shares or equity interests derives from the exercise of purchase options on shares or equity interests previously granted to employees by the start-up company, the requirements for consideration as a start-up company must be met at the time the option is granted.

Reliefs in the Swedish non-resident tax

As of January 1st, 2026, the Swedish non-resident tax has been reduced from 25.0% to 22.5%. A further reduction to 20.0% will enter into force January 1st, 2027.

The reason given for the reduction is that it is needed to match the adjusted tax relief that tax residents are granted in the form of tax reduction due to employment or business income.

The Government is of the opinion that the adjusted tax reduction for tax residents might result in a larger number of non-residents claiming voluntary taxation under the tax-resident rules, thus increasing the workload for the Tax Agency. By reducing the tax rate for non-residents, such an increase might be limited.

The non-resident tax is a flat rate tax at source, applicable to employment income and pensions (not business or investment income). Income taxed with the special non-resident tax is not to be reported in a Swedish income tax return.

Taxation with the special non-resident tax requires as special application to the Swedish Tax Agency. For employment income, an application must be made for each income year. For pensions paid from Sweden, it is sufficient with one application. For the following years, the Tax Agency will issue new decisions annually.

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UNITED KINGDOM (1/2)

Increase of enterprise management incentives (“EMI”) limits

EMI plans offer flexible, tax-advantaged share options that can be tailored for growing companies and are particularly attractive to start-ups. The UK government has announced that it will double the aggregate value of EMI options a qualifying company can grant from £3m to £6m from 6 April 2026. The gross asset limit of a qualifying company will also rise from £30m to £120m and the maximum number of full-time equivalent employees that can be engaged by a qualifying company will increase from under 250 to under 500. The maximum holding period for qualifying options will also be extended from 10 years to 15 years, with legislation being introduced to permit the amendment of existing options. These changes will allow more businesses to offer EMI options to their employees as they move from start-up to scale-up.

Rise in dividend tax rates

From 6 April 2026, the ordinary dividend tax rate in the UK will rise from 8.75% to 10.75% and the upper rate will increase from 33.75% to 35.75%. These changes will affect the tax treatment of loans to participators and share buybacks. When a close company loans money to participators (those with an interest in the capital or income of the company), a corporation tax charge is (subject to limited exemptions) applied at the same rate as the upper dividend tax rate. On a share buy-back, a portion of the payment received by shareholders may be taxed as a dividend. The dividend additional rate will remain unchanged at 39.35%.

National insurance contributions (“NICs”) relief to be capped on pension salary sacrifice

From April 2029, a new £2,000 cap will apply to the amount of pension contributions that can benefit from relief from UK social security contributions (NICs) through salary sacrifice arrangements. Employers need to assess potential increased costs, particularly if they currently share employer NICs savings with employees by making additional pension contributions. The new measure does not affect associated income tax relief on pension contributions, which is unchanged. Furthermore, the government has confirmed that employees can continue using salary sacrifice to reduce their annual income and remain eligible for tax-free childcare and avoid the personal allowance taper. Employers should start preparing for these adjustments well in advance of the 2029 implementation date.

New procedures for modified payroll schemes

If a non-resident employee of a UK company performs duties both in the UK and overseas, the employer can apply to the UK tax authority to only apply withholding (PAYE) on the proportion of the salary that relates to the employee’s estimated UK workdays. Since 6 April 2025, a more streamlined process has applied under which the employer can operate a modified PAYE scheme as soon as HMRC acknowledges receipt of an online application. However, it is important to note that, unlike the previous regime, a new application has to be made every tax year.

UNITED KINGDOM (2/2)

New tax rules for non-UK domiciled individuals

The tax treatment of individuals who are UK resident but not domiciled changed from 6 April 2025. Now, a new set of rules applies which is based on an individual's residence rather than their domicile. Under these rules, individuals can claim tax relief on their foreign income and gains (FIG) in the first four years of UK tax residence as long as they were non-UK resident for the 10 years before their arrival. Such individuals can also claim relief on their overseas earnings (overseas workday relief or OWR) for their first four tax years of residence. However, unlike the previous regime for OWR, the relief must be specifically claimed by way of a special election and is subject to a monetary cap.

New obligations for users of "umbrella companies"

Umbrella companies are a form of intermediary through which workers can provide their services to end clients without becoming their employees. In these situations, it is the umbrella company that employs the worker and is responsible for deducting income tax and NICs. The UK government notes the role that umbrella companies play in the need for a flexible labour market but acknowledges that some are being used to facilitate tax avoidance and even fraud. Legislation takes effect from 6 April 2026 that will make businesses using these hiring arrangements jointly responsible for the PAYE and NICs obligations of the umbrella company. Usually this will be the employment agency that engages the umbrella company but, in some circumstances, it will be the client to which the worker provides their services.

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