CENTURION

CENTURION GROUP TAX NEWSLETTER – Q2 2025

EUROPEAN DEVELOPMENTS ROUNDUP

Spain: reversed several tax measures when Parliament repealed the Royal Decree-Laws 9/2024 and 10/2024 in January, though the 50% group tax losses limitations has been extended through 2024-2025.

Italy: 2025 Budget Law enhanced DST measures, cryptocurrency tax increases, and introduced new VAT reverse charge mechanisms in logistics alongside lower corporate rates for qualifying investments.

Portugal: reduced its corporate income tax rate while extending VAT exemption for construction projects to address the housing crisis.

The second quarter of 2025 marked a turning point for international taxation. Trade tensions between the US and EU over digital services taxes reached new heights. France shocked the business world with substantial corporate tax surcharges. Meanwhile, the global minimum tax under Pillar Two achieved critical mass, now covering 90% of multinational enterprises within scope by year-end.

TAX WARS HEAT UP: US-EU TENSIONS REACH BOILING POINT

The Trump administration intensified its response to European digital services taxes in February, directing the US Trade Representative to review DST investigations across France, the UK, Italy, Spain, Austria, and Turkey. This review has expanded to consider whether Canada and other nations should face similar investigations. With Pillar One negotiations collapsed, the roll-back commitments that previously protected these taxes have fallen away, setting the stage for potential trade retaliation.

Without global tax agreement, European digital services taxes face unprecedented US scrutiny and possible trade consequences.

EU VAT CLARITY: SHORT-TERM RENTALS FACE NEW COMPLIANCE RULES

The European Court of Justice clarified VAT treatment for furnished accommodation, creating compliance challenges for short-term rental operators. While basic holiday lettings retain VAT exemption, properties offering "para-hotel services" like daily cleaning or concierge facilities may lose exemption protection and face standard VAT rates. Airbnb operators and holiday letting companies should urgently review their service offerings to avoid unexpected tax exposures.

US BOI RELIEF: AMERICAN OWNERS ESCAPE FOREIGN REPORTING RULES

FinCEN's Interim Final Regulations delivered significant relief under the Corporate Transparency Act. US persons are now exempt from beneficial ownership disclosure requirements for foreign reporting companies, providing welcome relief for American families using cross-border structures. However, foreign beneficial owners still face extensive reporting obligations. The change simplifies compliance for US-controlled international arrangements while maintaining scrutiny over foreign ownership. Clients should review existing corporate structures to optimi**S**e compliance positions.

TAX DEVELOPMENTS

Hong Kong: Finalised Pillar Two implementation with Income Inclusion Rule and Hong Kong Minimum Top-up Tax from 2025, while deferring UTPR to reduce compliance burden.

Singapore: Enhanced equity market incentives with 5% rates for newly listed fund managers and extended GST remissions through 2029-2030

Mauritius: Introduced a 5% "Fair Share Contribution" on income exceeding Rs 24 million and overhauled its Smart City Scheme, removing key exemptions for projects after June 5.

UK NON-DOMICILE REGIME UPDATE

The United Kingdom's revised non-domicile regime, which took effect on April 6, continues to present implementation challenges as the market adapts to the new residence-based inheritance tax system. Wealth management firms are actively restructuring client arrangements, while the Temporary Repatriation Facility sees continued utilization. Meanwhile, the UK's digital services tax, which generated £678 million in 2024, remains under discussion in US-UK trade negotiations.

DIGITAL SERVICES TAX LANDSCAPE

Digital services taxes remain active across eleven jurisdictions including Austria, Denmark, France, Hungary, Italy, Poland, Portugal, Spain, Switzerland, Turkey, and the UK, with eight additional countries having announced or planned similar measures. Despite US pressure, these taxes continue to generate strong revenue collection, though compliance complexity for multinational technology companies continues to increase.

H2 2025 OUTLOOK AND OUR SUPPORT

Escalating US-EU trade tensions signal broader disruption ahead. For import/export businesses, the intersection of tax and trade policy creates compound risks requiring integrated planning.

We help clients with:

- Cross-border property investment structuring and tax optimization
- Post-UK non-domicile regime planning and structure reviews
- International residence, citizenship, and succession planning
- Multi-jurisdictional tax planning for high-net-worth families

Contact Us

Centurion Group
Leading international tax advisors with over 30 years' experience in helping high-net-worth individuals navigate complex cross-border taxation.

Website: www.groupcenturion.com
Email: info@groupcenturion.com

David Rawson-Mackenzie
Managing Partner, International Tax

Email: david.rm@groupcenturion.com
Phone: +44 207 079 5879