auren

INTERNATIONAL BUSINESS

"Auren International Business" is a quarterly publication comprised of contributions from colleagues around the world. The newsletter includes country-focused articles, international tax cases, and technical updates on various topics that impact businesses. The experts at Auren possess the knowledge and experience to assist you on your journey, and this issue can serve as the starting point for your inquiries.

Some of the features of this edition include:

Brazil's implementation of the Global Minimum Tax under BEPS, sustainability initiatives in Colombia led by major sports figures as indicators of financial growth, and Germany's evolving crypto asset framework with implications for cross-border investment.

We hope you find the contents of this newsletter useful and informative. Happy reading!

August 2025

auren.com

Index

Brazil Implements Global Minimum Tax Under BEPS Pillar 2

In December 2024, Brazil formally adopted the OECD's Pillar 2 framework through Law No. 15,079/24, replacing Provisional Measure No. 1,262/24. The legislation that took effect from January 2025, introduced a Qualified Domestic Minimum Top-Up Tax (QDMTT), aligned with the GloBE rules (Global Anti-Base Erosion), ensuring that multinational groups are taxed at a minimum effective rate of 15% in each jurisdiction where they operate.

The QDMTT was implemented as an additional CSLL (Social Contribution on Net Profits) levy and applies to Brazilian entities belonging to multinational groups with consolidated revenues exceeding EUR 750 million in at least two of the four previous fiscal years. The rule aims to prevent base erosion and profit shifting, while securing Brazil's taxing rights before top-up taxes are collected abroad under the Income Inclusion Rule (IIR) or Undertaxed Profits Rule (UTPR).

The effective tax rate is determined by dividing the adjusted income taxes reported in the financial statements by the GloBE income, calculated by adjusting the company's net income as prescribed in the law (e.g., disregarding dividends and equity gains/losses).

Any shortfall below the 15% standard triggers a top-up tax over the Excess Profit, defined as GloBE income minus carve-outs for payroll and tangible assets. Additionally, Law No. 15.079/24 allows certain regional tax incentives, such as SUDAM and SUDENE, to be converted into Qualified Refundable Tax Credits (QRTCs).

As a result, the Brazilian Federal Revenue Service expects a significant increase in tax collection, estimating that the reform could generate additional revenue of approximately BRL 3.4 billion in 2026 and BRL 7.3 billion in 2027. This development marks a pivotal shift in Brazil's international tax policy, reinforcing alignment with OECD standards, a crucial step toward full membership, and signaling a broader transition from unilateral measures toward multilateral tax convergence.

Catarina Lisboa
catarina.lisboa@vmsadvogados.com.br
Brazil

Sustainability: in the spotlight of major sports figures as an indicator of financial growth

Much has been said about integrating sustainability into everyday activities. A concept that was once seen as exclusive to large extractive industries now covers all spheres of society, and the world of sports is no exception.

The role sustainability plays in sports is not merely an altruistic invitation to care for our environment. It represents a call to preserve the very existence of sports as we know them. Without coordinated efforts, the competitions we currently enjoy are at risk of disappearing. Moreover, athletes' performance will be affected by the environmental degradation that impacts their health, and, perhaps surprisingly, the reputational and financial outcomes of the industry's top figures.

Faced with this reality, the Beijing Olympic Games made a first step. However, due to a lack of understanding, these actions became compensatory emission efforts rather than a transformative change. The real challenge lies in taking action from the very beginning of the production chain and from the training grounds where athletes are shaped. While some emissions are inevitable due to the nature of sporting events, it has been proven that with the right mix of technology, investment, education, and public policy, it is possible to hold sustainable competitions—ones where greenhouse gas (GHG) mitigation actions can be measured and verified—offering our planet a chance to recover.

Sport is a direct window to the world. What is shown through this platform generates engagement, memory, and an unstoppable wave of behavioral imitation. Therefore, more than just a trend, sports have taken on the responsibility of reshaping internal policies. Today, many clubs have modified their facilities, training schedules, and even their gear to reduce their carbon footprint, ensuring a return on investment that makes the concept of sustainability even more appealing.

The message to fans, sports finance managers, and public policymakers is clear: environmental sustainability is no longer a bonus it is a regulatory requirement embedded in the most rigorous corporate guidelines, supported by a robust and rapidly evolving legal framework. Respecting these rules ensures the continuity and permanence of sports business ventures. Failing to meet environmental standards could leave organizations out of major financial agreements. Therefore, efforts in this area must be auditable and verifiable to ensure true financial growth.

Andrea Anaya
andreaanaya@delahozattorneys.com
Colombia

auren

Crypto assets

1. German tax classification of crypto assets

The Federal Ministry of Finance (BMF) announced in its letter dated 6 March 2025, specified key aspects of the income tax treatment of crypto assets and introduced new cooperation, record-keeping and retention obligations for taxpayers. The key points are outlined in the following.

a) Cryptocurrencies as "other assets" (Section 23 EStG)

The BMF confirms once again: cryptocurrencies such as Bitcoin, Ethereum, Solana or similar tokens are considered "other assets" for tax purposes within the meaning of Section 23 para. 1 sentence 1 no. 2 EStG. They are not categorised as capital assets or currencies. This means that gains from private sales transactions are subject to income tax if they are realised within the statutory speculation period. NFTs are expressly excluded from the scope of application.

b) Speculation period: 1 year or 10 years

- **Standard period: 1 year**

  If a crypto asset is sold within one year of acquisition, any profit realised is taxable.
- **Extended period: 10 years**

  If the crypto asset was previously used for income - e.g. through staking, lending or as collateral for a loan - the holding period is extended to ten years (Section 23 (1) sentence 1 no. 2 sentence 4 EStG).

Exception: If the lending or staking is processed via a smart contract, for example, where you still have the legal power of disposal, a case-by-case assessment is required.

c) Exemption limit of 600 euros

If the total profit from private sales transactions (including cryptos, art, gold, etc.) in the calendar year is less than EUR 600, this remains tax-free (Section 23 (3) sentence 5 EStG).

d) Exchange = sale

The exchange of one crypto token for another, for euros or for a service is treated as a sale for tax purposes.

- The fair market value (market value) of the asset received at the time of exchange is decisive.
- This also applies to so-called token swaps or the exchange of coins within the same wallet.

Example:

Exchange of 1 ETH for 20 SOL →Taxable transaction. The gain results from the market value of the SOL minus the acquisition cost of the ETH.

e) Selling price & income-related expenses

- The **selling price** is the value converted into euros at the time of the transaction.
- **Income-related expenses**, such as transaction fees ("gas fees") or costs for stock exchange and wallet services, can be taken into account to reduce profits if they are directly attributable to the taxable sale.

f) FIFO principle (First In - First Out)

The "first-in-first-out" (FiFo) method is generally used to determine the acquisition costs for cryptocurrencies sold:The first coins purchased are deemed to be the first to be sold. Alternatively, the individual assessment can also be selected - however, this requires complete documentation.

2. duties to co-operate according to § 90 AO

Taxpayers must document all crypto transactions:

- Purchases, sales, exchanges, transfers
- Evidence of acquisition costs, holding periods and equivalent values in euros
- Disclosure of platforms used, wallets and, if applicable, private keys (this may be required for hardware wallets)

Anyone who fails to do so risks an assessment by the tax office.

3. recording and retention obligations

Content of the records:

At least the following information must be documented for each transaction:

- Date and time
- Type of transaction (purchase, sale, exchange, lending, etc.)
- Number and designation of tokens
- Wallet addresses used (sender and recipient)
- Transaction fees
- Value in euros at the time of the transaction
- Retention period: **10 years**
- Use of professional tools recommended (e.g. coin tracking)

4. special constellations: Mining, staking and lending

a) Mining

What is mining?

Mining is the process by which new cryptocurrencies - e.g. Bitcoin - are generated. This involves providing computing power to validate and secure transactions. As a reward, miners receive newly generated coins and transaction fees.

Differentiation:

- Proof of Work (PoW): Classic mining with high energy and hardware input (e.g. Bitcoin).
- Proof of Stake (PoS): Coins are earned by freezing ("staking") existing tokens (see next point).

Tax treatment:

- Income from mining is deemed to be income from commercial operations (Section 15 EStG).
- The profit is to be determined within the framework of an income statement (EÜR) or by balance sheet accounting.
- Operating expenses such as electricity costs and hardware can be recognised.

b) Staking

What is staking?

Staking is the "freezing" or "locking" of cryptocurrencies to secure the blockchain network and validate new blocks. In return, participants receive a reward in the form of new tokens.

Example: You hold 100 ETH and use them via a staking pool. You receive e.g. 4 ETH per year as a reward.

Tax treatment:

- The staking rewards are deemed to be other income (Section 22 No. 3 EStG), provided there is no commercial activity.
- The time at which the tokens are received is decisive for taxation.
- The market value at the time of receipt forms the basis for taxation.
- Please note: Anyone who actively offers staking as a service (e.g. with their own validators) may be considered a commercial organisation.

Effect on speculation period:

- Staking extends the speculation period from one year to **ten years**, as it is a "transfer for use" (Section 23 (1) sentence 1 no. 2 sentence 4 EStG).

c) Lending (lending of cryptocurrencies)

What is lending?

Lending describes the transfer of cryptocurrencies in return for interest - similar to a bank loan. Users lend their coins to third parties via centralised platforms or smart contracts.

Tax treatment:

- The interest is taxable as other income (Section 22 No. 3 EStG).
- The time of receipt and the respective market value determine the tax base.
- Here, too, commerciality can be assumed in the case of regular or organised rental.

Effect on speculation period:

- Lending extends the speculation period to ten years, as the property is used in return for payment.

Daniel Eisenreich
daniel.eisenreich@auren.de
Germany

The Global Minimum Tax (GloBE) in Italy: the new framework for large multinational groups

With Legislative Decree No. 209/2023, Italy has transposed EU Directive 2022/2523, introducing global minimum taxation in line with the Pillar 2 model developed by the OECD and G20. The aim is to ensure that large multinational groups pay at least 15% tax in each country in which they operate, avoiding tax avoidance and harmful competition between jurisdictions.

How the global minimum tax works

The Global Minimum Tax states that the effective tax rate (ETR) of each Group company has not be less than 15% in each country in which they operate (this is therefore not an average group tax rate, but a tax rate for each individual country).

The GMT is applied at three levels of taxation:

1. **Supplementary tax (Income Inclusion Rule, IIR):** this applies to parent companies resident in countries that have signed up to the GloBE and are required to apply a supplementary tax to foreign subsidiaries resident in countries with an effective tax rate (ETR) of less than 15%.
2. **Supplementary tax (UnderTaxed Payment Rules,** UTPR): if the parent company is resident in a country that has not adopted GloBE, its subsidiaries resident in countries that have adopted GloBE are jointly and severally liable for the supplementary tax due for those companies belonging to the group that are resident in countries with a tax rate of less than 15%.
3. **Qualifying Domestic-Minimum Top-Up Tax (TUT):** due by resident Group companies to supplement their taxation up to the minimum effective level of 15%, if the taxation resulting from the application of domestic income taxes is lower.

Applicability and start date

The legislation applies to Italian companies that are part of multinational or national groups with annual revenues of at least €750 million, calculated on the basis of the consolidated financial statements and exceeded in at least two of the four previous financial years. For the first year 2024, the reference is to the period 2020–2023.

Location and implementing rules

The tax is determined on a jurisdictional basis. Entities are located according to the criteria set out in Article 12 of the decree, based on tax residence, the presence of permanent establishments, and agreements between States. In the event of dual residence or changes during the financial year, specific rules apply.

Case	Localization criteria
General rule	The entity is considered to be located in the country where it is resident for income tax purposes.
Partnerships and other transparent entities	The entity is, as a rule, stateless.
Permanent	The entity is considered to be located in the country where it is located, if that country is linked to Italy by a convention and that convention provides for the taxation of permanent establishments.
Entities with dual residence	The entity is considered to be located in the country where it is resident according to the convention linking the two countries.

The decree is accompanied by a series of implementing measures, published between May 2024 and February 2025, which regulate technical aspects such as transitional regimes, deferred taxation, economic substance (SBIE), and reporting obligations for companies.

Giulia Salin
g.salin@tributarioassociato.it
Italy

STUDIO TRIBUTARIO
BALDAZZI ZATTERA
& ASSOCIATI

Member of
Antea
Alliance of independent firms

Luxembourg as a Magnet for Global Talent: Beyond the New Tax Regime

Luxembourg is taking bold steps to attract international professionals by launching a highly competitive tax regime in 2025. The focal point of this initiative is a 50% tax exemption on gross salary, up to €400,000 per year, available for a generous period of up to 8 years. This means eligible workers could effectively double their net salary compared to similar roles in other European countries with higher income tax rates.

To benefit from the tax exemption scheme for highly qualified employees, certain general conditions will apply. Eligible professionals must:

1. Be employed for a job that is their main professional occupation;
2. Hold skills or expertise that are essential and hard to find locally;
3. Not have resided or carried out a professional activity in Luxembourg during the five years preceding their recruitment;
4. Be employed under a Luxembourg work contract and carry out the majority of their professional activity in the country;
5. Have a fixed annual salary of at least €100,000 (gross amount before benefits in cash and in kind).

The regime targets highly skilled workers, especially in sectors like finance, law, IT, healthcare, and engineering. Whether you're relocating independently or as part of an intra-company transfer, this tax break could significantly improve your long-term financial outlook.

In parallel, Luxembourg continues to support highly qualified workers through the EU Blue Card for third-country nationality professionals, which offers fast-track residency for those with a university degree and a job offer meeting the minimum salary threshold: EUR 63,408/ year set by the Grand-Ducal regulation as well as an employment contract of at least 6 months.

With high salaries, low taxes, and a streamlined path to living and working in Europe, Luxembourg is emerging as a true magnet for international talent. At Auren Luxembourg and Inlaw Luxembourg, we have the necessary expertise to assist you on the tax and immigration related aspects of your relocation. Do not hesitate to contact us!

Magali Micheletti and Patrick Houbert
magali.micheletti@auren.lu
phoubert@blbinlaw.com
Luxembourg

auren

IN LAW LUXEMBOURG

Member of Antea Alliance of independent firms

Tax residence

Under internal law, the taxation of personal income is governed by two fundamental rules:

- place of residence
- source of income

To summarize

a Moroccan resident is taxed in Morocco on all income received both in Morocco and abroad => worldwide income a non-resident is taxed in Morocco on Moroccan-source income place of residence depends on three concepts:

- a principal place of residence
- the center of economic interests
- duration of stay

The 183-day criterion is not sufficient to define tax residence. The above implies :

- Submitting a telematic declaration before February 28 of "Impôt sur le Revenu" (income tax) relating to remuneration received both abroad and in Morocco for the previous financial year;
- Pay the Income Tax result by telematic means.

Taxpayers who receive salary income from a single employer domiciled or established in Morocco are exempted from this declaration, which will apply and pay the corresponding retentions.

According to the hierarchy of norms, conventional law takes precedence over domestic law, and residence must be examined in the light of the dispositions set out in bilateral tax conventions.

For example, in the case of the Morocco-Spain tax treaty, the treaty takes priority.

Article 4 Resident

2. Where, in accordance with the dispositions of paragraph 1, a physical person is considered to be a resident of each of the Contracting States, the case shall be resolved in accordance with the following rules:

1° Such person shall be deemed to be a resident of the Contracting State in which they have a permanent home available to them. Where they have a permanent home in each of the Contracting States, they shall be considered to be a resident of the Contracting State with which their personal and economic links are closer (center of vital interests);

2° If the Contracting State in which they have their center of vital interests cannot be determined, or if they don't have a permanent home in either of the Contracting States, they shall be considered to be a resident of the Contracting State in which they have an habitual abode;

3° If such person has an habitual abode in each of the contracting States or in neither of them, they shall be considered a resident of the contracting State whose nationality they possess;

4° If such person possesses the nationality of each of the contracting States or of neither of them, the competent authorities of the contracting States shall settle the question by mutual agreement.

Fatima-Zahra Naciri Gascon
fnaciri@fidupartner.com
Morocco

FIDUPARTNER

Member of Antea Alliance of independent firms

A Quiet Revolution in Accounting: Pakistan's Emerging Role in Business Process Outsourcing

In today's interconnected business world, the boundaries of traditional office spaces have dissolved, giving rise to a flexible model where talent and efficiency matter more than geography. As companies reimagine their operating strategies, business process outsourcing (BPO) has become a central pillar for streamlining functions, especially in finance and accounting.

Amid this shift, Pakistan is emerging as a noteworthy player in the global outsourcing landscape, offering a blend of technical expertise, cost efficiency, and a growing culture of digital adaptability.

Accounting Without Borders

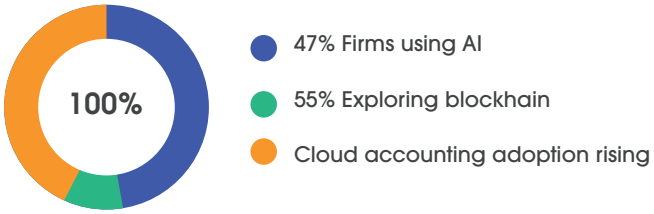
The accounting profession, long rooted in precision and regulatory discipline, is now being reshaped by global dynamics. As entities around the world seek smarter, leaner ways to manage compliance, financial planning, and strategic decision-making, outsourcing certain finance functions has become increasingly common. This growing demand finds a promising answer in Pakistan's highly trained workforce.

Professionals in Pakistan, including Chartered Accountants, ACCA members, and other credentialed experts, are already contributing to global markets in areas such as financial analysis, audit support, taxation, ERP implementation, forensic reviews, and international compliance. Backed by institutions like **ICAP** and **ICMAP**, these professionals receive training grounded in international frameworks, including **IFRS, ISA**, and various sustainability and ESG standards.

A Sector Shifting Gears

Pakistan's economy has gradually transitioned from its agrarian roots to one where services play a dominant role. As of 2023–24, services account for over 57% of the nation's GDP, reflecting both transformation and opportunity. Parallel to this, the global market for accounting services—already valued at over $500 billion—continues to expand, driven by technological innovation and regulatory evolution.

Digital Transformation Adoption



Digital Transformation Adoption is accelerating in accounting

Market Size (2023)

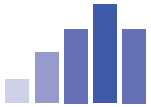
$544B

Global accounting market

Projected Growth

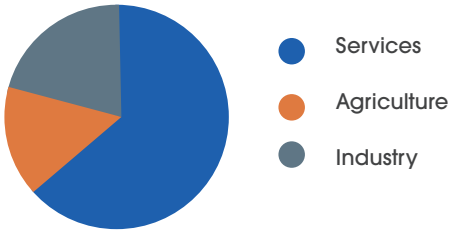
$735B

By 2028 at 6.2% CAGR



It is in this climate that Pakistani firms are beginning to find new purpose. Their agility in embracing tools like AI, machine learning, and blockchain allows them to stay aligned with international expectations. Already, nearly half of global accounting firms have adopted AI solutions for automation, and over 50% are exploring blockchain to secure financial transactions. Many Pakistani firms are keeping pace and, in some cases, leading "on this front".

Pakistan's GDP Distribution by Economic Sector



Quality and Value in One Package

What sets Pakistan apart is its rare balance of world-class expertise delivered at a highly competitive cost. Unlike the traditional outsourcing hubs of the past, which often forced companies to choose between cost and competence, Pakistan offers a rare combination of both.

Its professionals are not only cost efficient but also globally competent, proficient in English, familiar with cross-border regulations, and increasingly aware of

evolving areas such as ESG reporting, which is expected to grow into a **$2.95 billion global market** by 2027. From CFO advisory to tax structuring, the range of services continues to expand, and so does the confidence of international clients.

Credibility Earned, Not Assumed

In a world that sometimes views services from developing nations with caution, credibility becomes currency. Pakistani firms are actively building this trust, securing international certifications, aligning with global networks, and showcasing their insights through forums and publications.

In Pakistan, client confidence in outsourced financial services is reinforced not only by strong ethical practices and data security measures, but also by robust institutional oversight. Bodies such as the **ICAP** operate a dedicated **Quality Assurance Department**, which regularly evaluates audit firms for compliance with international benchmarks. The **Pakistan Audit Oversight Board (PAOB)**, aligned with global oversight frameworks, further ensures audit quality through independent inspections. Additionally, Pakistani professionals actively adopt emerging standards, including **IFRS S1 and S2** for sustainability-related disclosures and climate risk reporting, demonstrating both technical competence and a forward-looking approach. These elements combined provide a credible, regulation-backed environment that appeals especially to **SMEs and high-growth companies** seeking reliable, cost-efficient financial partnerships.

Looking Ahead: A Connected Ecosystem

Pakistan's accounting sector saw a **20% rise in export revenue between 2021 and 2023**, reaching around **$150 million**, a figure that suggests both progress and untapped potential. The nation's accounting bodies continue to modernize their curricula, while professionals specialize in growth areas such as forensic accounting, which itself is expanding at over **8.2% annually**.

More than just a back-office solution, Pakistani accounting professionals are increasingly becoming integral partners in business growth, regulatory navigation, and financial innovation.

Final Thoughts: Redefining Global Partnerships

As companies around the world look for efficient, resilient, and tech-savvy financial partners, Pakistan's role in global accounting and audit services is growing steadily—but without fanfare. It is not just about outsourcing anymore; it is about finding the right people, with the right skills, at the right value.

Pakistan, it turns out, might just be that place.

Khadija Abdul Ghaffar
khadija@adaco.com.pk
Pakistan

Current real estate market trends in Paraguay: Where will demand move in 2025?

1. Rise of gated communities and private developments

In recent years, and especially in 2025, gated communities and private developments have positioned themselves as one of the most sought-after options in the Paraguayan real estate market. This phenomenon is no coincidence, but a direct response to the specific needs of today's buyers:

Factors that explain this trend:

- **Security and access control:**

Growing concerns about security have led many families to choose to live in communities with gated communities, security cameras, internal patrols, and clear rules for living together.

- **Quality of life and urban planning:**

These developments offer paved streets, lighting, green spaces, and common areas (parquet areas, playgrounds, swimming pools) that are not always available in traditional neighborhoods.

- **Family and community environment:**

The opportunity to live in an environment where children can play safely, where neighbors know each other, and where rules for living together are respected has become a distinguishing value.

- **High land appreciation:**

Investments in these neighborhoods tend to have a good medium-term outlook. Many people buy land to build on in the future or as a way to secure capital.

The real estate market in Paraguay is evolving. More and more people are looking to live in quiet, safe, and well-organized places. At the same time, many young people are taking the step of buying their first property, thanks to new financing options and more affordable options.

In short, 2025 is a year of many opportunities for those who want to buy, sell, or invest in real estate. The important thing is to be well informed, analyze the options, and make decisions with a vision for the future.

Mirta Guerreros
mirta@consultoria.com.py
Paraguay

crs+sch
cáceres+schneider

Member of
ntea
Alliance of independent firms

Expansion of IT Companies into Asian Markets

Asia is one of the fastest-growing regions in the world when it comes to technology investments. The market is vast – with over 4.7 billion potential customers, primarily young, digitally fluent individuals who are eager for new and innovative solutions. This segment continues to grow at a steady rate of 6.4–7.4% annually, and in 2024 its value surpassed USD 1.3 trillion. Projections indicate that by 2034, the Asian IT and telecommunications market will be worth USD 2.04 trillion.

The countries with the highest potential include India, South Korea, Indonesia, Vietnam, and Singapore. What makes these markets stand out?

South Korea: A mature market known for high-quality services and strong competitiveness.

Japan: A conservative but highly stable and reliable economy.

Taiwan: Known for advanced technology and openness to international partnerships.

Singapore: A startup-friendly environment where tech companies can receive up to 70% reimbursement from the government for pilot testing costs.

India: A rapidly growing economy with a large population and strong demand for IT services.

Indonesia / Vietnam: Among the fastest-growing countries in the region.

Before taking the high-risk step of international expansion, companies typically reach out to consulting firms that specialize in a given sector and have a solid presence in the local market. A consultant's expertise and know-how can help avoid costly mistakes – such as overlooking cultural differences or failing to comply with local regulations.

Entering a new market requires thorough analysis, including market potential, competitive landscape, demand for the product or service, and identifying key pros and cons. This research provides a strong foundation for developing a tailored market entry strategy. In some cases, it may turn out that setting up a local entity isn't necessary – working with a local partner or launching a joint project may be more effective.

When considering an international investment, it's important to factor in local conditions and **ask yourself a few essential questions about the market environment**:

- Does the product or service meet local requirements?
- Who will represent the company on the ground?
- What sales channels make the most sense (distributor, partner, branch office)?
- Are sales materials and presentations available in the local language?
- Does the team understand local cultural and business differences?

We often see companies planning expansion into Asian markets base their decisions solely on data and reports, without taking into account the insights of customers and local partners. Other common mistakes include choosing a business partner too hastily, ignoring cultural differences, failing to adapt the product to local needs, or focusing only on price at the expense of quality. Building strong, lasting relationships with clients and partners is of critical importance as well. Remote management simply won't cut it – regular contact, in-person meetings, and participation in local industry events are essential.

What do Asian business partners expect? Credibility is crucial. They are typically interested in a company's track record and past business relationships. They also highly value openness to dialogue, flexibility, and patience. In Asia, hierarchy, consensus-building, and long-term relationships play a fundamental role. At the same time, the region offers immense potential – and success often depends on persistence and consistency.

Krzysztof Drynda
krzysztof.drynda@tias.pl
Poland

tias
there is always a solution

Member of Entea
Alliance of independent firms

Beyond Formal Compliance: Approaches to Effective Compliance

A deeper understanding of regulatory compliance, not as a mere formality, but as a tool to enhance corporate ethical culture

It has now been ten years since compliance became a permanent fixture in the corporate landscape. Yet, the proliferation of generic and off-the-shelf models risks distorting their true scope, purpose, and usefulness. Against this backdrop, there is a growing need to rethink regulatory compliance as more than just a legal obligation. What is called for is a comprehensive approach, one that blends legal prevention with ethical culture. Far from being an empty formula, compliance should be understood as a dynamic process, tailored to the reality of each organization and aimed at creating value. Because simply complying is not enough, it must be done meaningfully.

The following lines offer a practical and reflective perspective for designing and implementing a viable, suitable, and achievable compliance system, moving away from what is known as "fake" or "cosmetic" compliance. The goal is to contribute to a deeper understanding of regulatory compliance, not as a mere formal requirement, but as a tool to promote and showcase corporate ethical culture.

It is essential to have at least a basic understanding of the regulatory framework under our Criminal Law. Since the reform introduced in 2015, Article 31 bis of the Spanish Criminal Code established the principle of transferred liability, meaning that legal entities can be held criminally liable for offenses committed by employees when such offenses result from a lack of proper control by the company.

In this regard, a legal entity may be exempt from criminal liability if it has effectively adopted and implemented a criminal risk management model.

With this context in mind, let us turn to the issue at hand: what happens when compliance programs are weak, incomplete, or merely simulated? This may lead companies to mistakenly believe they have met the necessary requirements and are therefore exempt from criminal liability.

Nothing could be further from the truth. It is critical to identify the elements that make an organizational and management model effective and efficient enough to serve as grounds for exemption from liability. In this regard, Spain's Public Prosecutor's Circular 1/2016 is particularly relevant. It emphasizes that for compliance models to be truly effective, they must influence and promote an ethical organizational culture.

This distinction is crucial, as compliance is often viewed solely through a legal lens, that is, simply adhering to all applicable regulations. However, for a system to function properly, it must also be appropriate and coherent. For example, appointing a compliance officer serves little purpose if they are not given the independence and resources necessary to do their job effectively.

The Evolution of Compliance

The early stages of compliance followed this minimalistic path, with the goal of simply ensuring adherence to regulations. These beginnings were shaped by a business environment focused on maximizing profits, sometimes at the expense of ethics, and occasionally even legality.

However, from a more modern corporate perspective, lawmakers began to see the limitations of this model. It became clear that for a compliance system to be effective and efficient, it must be fully integrated into the foundations of the organization. This shift in thinking requires companies to voluntarily adopt corporate policies, ethical values, and behaviors.

Thus, it is worth examining the implementation of a compliance plan from both legal and ethical perspectives. Depending on the lens through which it is viewed, different key elements will emerge to enhance its effectiveness and efficiency.

The starting point must be at the top of the organization. The board of directors, governing body, and/or senior management must lead by example and clearly demonstrate their commitment to a culture that prioritizes honesty and integrity. If the leadership is not genuinely committed to the compliance program, it will be nearly impossible to transmit that commitment to the rest of the workforce.

Moreover, these ethical values must be reflected in the company's procedures, decision-making processes, responses to incidents, accountability mechanisms, and so on. In short, compliance should be part of the company's overall strategy.

From a legal standpoint, implementing an organizational and management model begins with analyzing the company's context and business activities to identify any that might carry criminal risk. Once identified, the next step is to assess the likelihood of such risks materializing and the potential impact on the organization.

Beyond simply eliminating identified threats, the goal is to prevent them, by adopting policies and measures to reduce both the probability of occurrence and their potential impact, and to respond appropriately when risks do arise.

Compliance is not static. Mechanisms must be in place for oversight and monitoring. Whistleblowing channels play a key role here, placing frontline defense in the hands of employees and middle managers, who must receive ongoing training and awareness. This is complemented by the work of the compliance officer, who must regularly carry out supervision and monitoring tasks.

Clearly, designing an organizational and management model is not a one-off exercise. Its very nature requires adaptability, evolution, and continuous effort. It demands constant vigilance and active involvement at all organizational levels. Developing a compliance manual is only the starting point.

Three Key Questions

To evaluate the effectiveness of a compliance program, it is useful to consider the questions posed in the U.S. Department of Justice's *Evaluation of Corporate Compliance Programs* (updated in September 2024):

- Is it well designed?
- Is it effectively implemented?
- Does it work in practice?

These are the core elements of a sound and effective compliance program. Accordingly, one final reflection is worth noting: the exoneration or mitigation of legal liability under Article 31 bis of the Spanish Criminal Code should not be the ultimate goal of compliance, it should be a natural consequence. In other words, what should be pursued is the adoption of a genuine corporate culture rooted in ethics and good governance. That, in turn, will lead to the adoption of effective measures and protocols that provide criminal liability protection as a byproduct.

Lastly, case law is increasingly addressing compliance-related issues, a clear sign of how far the field has come in the last decade. A recent ruling by the High Court of Justice of Catalonia (Judgment 4448/2024, Case No. 246/2022, dated December 11) underscores the real-world consequences of an incomplete compliance plan. In this case, deficiencies were identified in the training aspect:

"It is inferred as a deficiency the lack of evidence of effective attendance by the employees at the training sessions, and the absence of proof demonstrating proper assimilation of the content delivered."

Here, training shortcomings were taken as evidence of the compliance program's ineffectiveness and ultimately worked against the party relying on the program in court.

In conclusion, implementing a compliance program should never be seen as a mere box-ticking exercise that produces a decorative manual. Rather, it must be understood as a living, effective system tailored to the specific reality of each organization. It should stem from an institutional commitment that permeates the organization with an ethical culture at all levels.

The message is clear: if you're going to do it, do it right with qualified professionals, adequate resources, and a genuine willingness to integrate it into your organization's strategy.

Legislation

Article 31 bis, Organic Law 10/1995, of November 23, Spanish Criminal Code.

Case Law

High Court of Justice of Catalonia, Judgment 4448/2024, Case No. 246/2022, dated December 11.

Bibliography

(1) *https://www.justice.gov/criminal/criminal-fraud/page/file/937501/dl?inline=*

Héctor Paricio and Víctor Ayllón
hector.paricio@auren.es
victor.ayllon@auren.es
Spain

New Tax Framework for Foreign-Sourced Income: Thailand's Draft Decree Explained

The taxation of foreign-sourced income has emerged as a pivotal issue within Thailand's tax system, particularly as increasing numbers of Thai individuals engage in overseas employment, investment, and asset holdings. The government seeks to achieve a delicate balance between closing tax loopholes and incentivizing the repatriation of overseas funds to stimulate domestic economic growth.

Historical Framework

Under the previous Revenue Department Order No. GorKhor 0802/696, dated 1 May 1987, foreign-sourced income remained exempt from Thai personal income tax provided it was brought into Thailand in a tax year different from the year in which it was earned. This provision enabled many individuals to legally defer the remittance of foreign income, thereby avoiding immediate taxation obligations.

Current Regulatory Changes

Effective 1 January 2024, the aforementioned provision was repealed by Revenue Department Order No. Por.161/2566. Under this regulation, individuals classified as Thai tax residents, those residing in Thailand for more than 180 days within a calendar year, are now obligated to pay personal income tax on foreign-sourced income if such income is remitted to Thailand, regardless of the calendar year it is earned. The applicable personal income tax rates for this remitted foreign income range progressively from 5% to 35%, determined by the total taxable amount.

Unintended Consequences and Policy Response

While Revenue Department Order No. Por.161/2566 was enacted to enhance tax transparency and align Thailand's tax framework with international standards, including those established by the OECD, it has generated an unintended consequence. Many Thai individuals earning foreign-sourced income have opted not to remit such funds to Thailand due to concerns regarding potentially substantial tax burdens.

In response to these matters, the Revenue Department is currently drafting a new Royal Decree (hereinafter referred to as "the Draft") designed to address these conditions.

Key Proposed Provisions

The Draft includes the following principal proposals:

- Tax Exemption Extension: Personal income tax exemption will apply to foreign-sourced income remitted to Thailand within one to two years from the year it was earned. If remitted after that, the income tax will be applied.
- Elimination of Same-Year Requirement: The current requirement mandating income remittance within the same calendar year it was earned will be removed.

This revised approach aims to provide taxpayers with enhanced flexibility in managing financial transactions, such as year-end dividend payments, while serving as a positive incentive for overseas Thais to repatriate funds for domestic investment across capital markets, business enterprises, and real estate sectors.

Current Status and Implementation Considerations

While the Draft represents a promising policy development, it has not yet been formally enacted and enforced. Uncertainty remains regarding whether the new provisions will apply retroactively to income remitted to Thailand during 2024.

Until formal enactment occurs, timing remains a critical consideration. Remitting income outside the anticipated grace period may result in taxation under current regulations.

Conclusion

The recent policy initiative by the Thai government reflects a broader strategic objective to incentivize, rather than penalize, the repatriation of foreign-sourced income. This approach serves dual purposes—reducing the tax burden on individuals earning income abroad while acting as a catalyst for attracting capital back into the domestic economy. Should the Draft be formally enacted and enforced, it will communicate a clear and positive message to overseas Thai nationals that repatriating funds will no longer entail prohibitive tax costs.

The success of this policy framework will ultimately depend on its implementation details and the government's ability to balance revenue generation with economic stimulus objectives.

Panisa Suwanmatajarn
panisa.s@thelegal.co.th
Thailand

THE LEGAL

Member of Antea Alliance of independent firms

E-Invoicing

E-invoicing, or electronic invoicing, refers to the process of issuing invoices in a digital, structured format that can be automatically read and processed by accounting and tax systems. Unlike traditional paper or PDF invoices, e-invoices eliminate the need for manual data entry, reduce the risk of errors, and accelerate financial operations. This technology is becoming increasingly important as businesses worldwide move toward automation, compliance, and digital transformation.

In the United Arab Emirates, e-invoicing is gaining strong momentum. While it has not yet been officially mandated, the Federal Tax Authority (FTA) has confirmed its plans to introduce a structured e-invoicing system, similar to those already implemented in countries like Saudi Arabia and Egypt. These countries have set the standard in the region by requiring businesses to issue invoices in real-time through government-monitored platforms. The UAE is expected to follow this model, with a phased implementation that will begin with larger companies before expanding to small and medium enterprises.

The move toward e-invoicing aligns closely with the UAE's broader economic and digital strategy. As the country strengthens its tax infrastructure with initiatives like VAT and corporate tax, digital invoicing will serve as a critical tool for improving compliance, transparency, and reporting accuracy. It will also support the government's vision of creating a smart, paperless economy by eliminating the use of printed invoices and reducing the administrative burden on companies.

E-invoicing offers a wide range of benefits for businesses. It speeds up invoice approval and payment cycles, improves cash flow, and ensures better audit readiness. It helps prevent fraud by creating a traceable and verifiable digital trail, and it enhances financial visibility by allowing companies to access real-time invoicing data. For growing enterprises, adopting e-invoicing early can provide a competitive advantage in managing high volumes of transactions efficiently.

Businesses in the UAE are encouraged to begin preparing for this upcoming transition. Even though it is not yet mandatory, implementing e-invoicing systems now can help companies adapt smoothly when regulations are introduced. Upgrading to accounting software that supports digital invoicing, training staff on new procedures, and working with professional advisors will ensure readiness and compliance. E-invoicing is not just a regulatory requirement in the making—it is a proactive step toward better business efficiency and long-term success in a fast-evolving digital environment.

Shaji C Madathil
shaji@afsauditing.com
The United Arab Emirates

English schemes of arrangement for foreign companies

WHAT IS A SCHEME OF ARRANGEMENT (SOA)?

A SoA is a process regulated under Part 26 of the Companies Act 2006 whereby a company can make an arrangement with its creditors or members to pay back part or all of its debts. This procedure can be used by insolvent or solvent companies.

The scheme must be approved by creditors comprising a majority in number, representing at least 75% of the value and it will be bound on all creditors, even if they vote against it or chose not to vote.

HOW IS THE PROCESS OF A SOA?

1. **Making an application**

The Scheme of Arrangement's procedure begins with an application at Companies Court (CC), which can be promoted by any of the following:

- Any creditor of the company;
- The company itself;
- Any member of the company;
- If the company is in administration, the administrator;
- If the company is being wound up, the liquidator.

2. **CC verifies whether the SoA meets the necessary legal requirements**.

Creditors must act in good faith during the proceedings, and the terms of the agreement (SoA) must be reasonable to an honest and intelligent person.

3. **Deliver a copy of the Soa at the Registrar of Companies.**

If the SOA is sanctioned, the court's order must be then submitted for registration at the Registrar of Companies and once registered, it will be enforceable.

CAN A FOREIGN COMPANY USE AN ENGLISH SOA AFTER BREXIT?

Yes it can, provided it has sufficient connection with England and Wales. The concept of "sufficient connection" has been interpreted in a broad sense by the British courts.

The UK courts have sanctioned SoAs agreed by foreign companies using the following non-exhaustive criteria when:

- A clause of exclusive submission to the British courts has been agreed by the counterparts.
- Credits affected by the SoA are subject to the English Courts.
- The debtor has an establishment within the UK.
- Most creditors are domiciled within the UK.
- The foreign company has assets under English jurisdiction.

WHY FOREIGN COMPANIES CAN BE INTERESTED IN APPLYING TO A SOA UNDER UK JURISDICTION?

- Speediness of English courts.
- The SoA provides flexibility with a high degree of procedural and commercial certainty for all involved, including creditors.
- Once the SoA is approved it will be binding on all creditors.

Laura Gallego
laura.gallego@scornik.com
The United Kingdom
SCORNIK GERSTEIN LLP

EUROPE
Andorra
Austria
Belgium
Bulgaria
Croatia
Cyprus
Czech Republic
Denmark
Finland
France
Germany
Greece
Hungary
Ireland
Italy
Luxembourg
Malta
Montenegro
Norway
Poland
Portugal
Romania
Russia
Serbia
Spain
Sweden
Switzerland
The Netherlands
Ukraine
United Kingdom

AMERICA
Argentina
Bolivia
Brazil
Canada
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Honduras
Mexico
Panama
Paraguay
Peru
Uruguay
USA
Venezuela

MIDDLE EAST AND AFRICA
Algeria
Angola
Egypt
Israel
Jordan
Kenya
Kuwait
Lebanon
Mauritius
Morocco
Nigeria
Saudi Arabia
South Africa
Tunisia
Turkey
UAE
Uganda
Yemen

ASIA-PACIFIC
Australia
Bangladesh
China
India
Indonesia
Japan
Malaysia
New Zealand
Pakistan
Qatar
Singapore
South Korea
Thailand
Vietnam

auren

auren

ntea
Alliance of independent firms

ASSOCIATES

August 2025

auren.com