



BUSINESS WORLD

Doing Business in the Netherlands

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The EU Pay Transparency Directive: Beyond Compliance and Into Culture

Pillar Two: Global Minimum Tax

India: Understanding the New Labour Codes

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News in Brief



Foreword

I write this having now completed our network's first couple of in-person meetings of 2026. In January, the North America and Latin America regions of Russell Bedford met in San José, Costa Rica, where I discovered the term "Pura Vida"; a Spanish phrase from Costa Rica, used as a greeting, farewell, expression of gratitude, or to describe a positive and relaxed lifestyle, embodying the country's peaceful, optimistic spirit of enjoying life's pleasures and being thankful.

Our conferences often feel this way. Well, maybe not so "relaxed" (particularly not for me or my team), but it's certainly a pleasure and a time for being thankful for the ability to engage in productive sessions and enjoyable activities with talented individuals. Much like Costa Rica itself, the conference moved to a different rhythm — one that blended sharp thinking with the easy, melodic flow of *pura vida* (pure life). The positivity and togetherness of our group leads to connectivity and collaboration, that results in doing better business globally, and going further to a better future. That's what our network is all about. There are of course other groups out there, but the culture, ethos and reputation of high quality is how we look to differentiate Russell Bedford.

We talked, we discussed, we shared knowledge, experience, ideas and initiatives, we addressed challenges, uncertainties, and we got excited by the opportunities presented to us; united and working together. I do believe that we also had a lot of fun!

In the second month of the year, our Middle East and Africa region met in Dubai. Shortly after that meeting, events unfolded in the Middle East and many of our colleagues and friends started to experience a period of great uncertainty. This unfortunately continues and I sincerely hope that peace and stability are restored very soon.

We recently released our Global Performance Report where we revealed the network's global revenue had grown by over 10%, surpassing \$1 billion in global fee income for the first time in our history. This milestone reflects the strength of our people, our shared commitment to excellence, the quality of service delivered by our firms, and the trust businesses and individuals place in us worldwide.

As I mentioned in my End of Year video message of 2025, there is a lot of discussion about the developments in the profession and the amount of anxiety around talent resource, succession, Artificial Intelligence and sustainability, all mixed with regulatory changes. Yet, personally, I would say there has never been a more exciting time to be in our profession. With challenges come so many more opportunities. Within a network like Russell Bedford, we are equipped to better face such challenges, looking at ways of working even closer with each other, to generate even greater business development initiatives. This is all the more important in a climate of political instability and global uncertainty.

I therefore look forward to another full calendar of events where I shall get to meet our people from around the world, as they cement relationships with each other. The reason for physical interaction, in an age of digital and remote connection, is because this is how people from different practices, in different parts of the world, from various cultural backgrounds, learn about each other and how to work effectively, based on mutual trust. This is how we help businesses, particularly those looking at expanding and crossing borders, since our firms know each other and can depend on each other; providing the client with the best possible services.

In this edition our experts talk about doing business in the Netherlands, in advance of our 'EMEA with International Tax' conference later this year in Amsterdam. Additionally, we address the EU Pay Transparency Directive, US tariffs and their impact on international business, and touch upon economic diversification in Qatar, new labour laws in India, and the OECD's Pillar Two framework and its introduction of a Global Minimum Effective Tax Rate.

I hope you enjoy these articles and find them useful. Please do reach out to our firms, wherever and whenever you need, as we continue to help businesses in over 100 countries.



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Doing Business in the Netherlands

An overview of the Dutch business environment, including key legal, tax and regulatory considerations for international businesses.

Located in Northwestern Europe, the Netherlands is a founding member of the European Union, NATO, the WTO, the OECD, and the eurozone. It's one of the most open and internationally oriented economies in the world. The country shares borders with Germany and Belgium, and benefits from excellent access to global markets through the Port of Rotterdam (Europe's largest seaport) and Amsterdam Schiphol Airport (Europe's third-busiest airport). Dutch is the official language, though English proficiency is exceptionally high, particularly in business environments. The Netherlands has a population of approximately 18 million people, with major economic centres including Amsterdam, Rotterdam, The Hague, Utrecht and Eindhoven.

Economy

The Netherlands is one of the most prosperous EU member states, with a strong, diversified and innovation-driven economy. Historically known as a trading nation, it has developed into a global hub for logistics, finance, technology and professional services. With many Dutch companies being known all over the globe, key sectors include logistics and distribution, chemicals, energy, agri-food, life sciences, fintech, and high-tech manufacturing. The service sector dominates the economy, but advanced manufacturing and exports remain critical.

Thanks to its strategic location and world-class infrastructure, the Netherlands consistently ranks among Europe's leading exporters.

Personal taxation

Individuals resident in the Netherlands are taxed on their worldwide income. Income tax is levied through a progressive system consisting of two brackets. Employment income is subject to income tax and compulsory social security contributions, which cover pensions, healthcare, unemployment and disability benefits. Social security contributions are partly capped, meaning higher earners pay a lower marginal rate above a certain income threshold. The Netherlands also offers the well-known 30% ruling, which allows qualifying highly skilled foreign employees to receive up to 30% (to be reduced to 27% as of 2027) of their gross salary tax-free for a limited period, significantly reducing employment costs for international employers.

Corporate taxation

Companies resident in the Netherlands are subject to corporate income tax on their worldwide profits. However, profits earned through business operations in other countries, such as branches or permanent establishments, are generally exempt from tax in the Netherlands. Corporate income tax is

levied at two rates, with a lower rate (in 2025: 19%) applying to profits up to a specified threshold (in 2025: € 200,000) and a higher rate (in 2025: 25.8%) for profits above the threshold.

The Dutch corporate income tax system includes a participation exemption, under which dividends and capital gains from qualifying shareholdings are exempt from corporate income tax. To qualify, a Dutch company must generally hold at least 5% of the shares in another company, and the participation must meet certain anti-abuse conditions. In addition, the Netherlands has an extensive network of double taxation treaties. Due to these favourable regulations, the Netherlands is widely used as a location for operating and holding companies in international group structures. Withholding taxes on dividends apply, though exemptions are available under EU directives and tax treaties. Withholding tax on interest and royalties is limited and primarily targeted at payments to low-tax jurisdictions.

Value added tax (VAT)

Dutch VAT legislation follows EU VAT directives. The standard VAT rate is 21%, applied to most goods and services. A reduced rate of 9% applies to essential goods and services such as food, medicines, books and public transport. Certain transactions, including exports outside the EU and intra-community supplies, are zero-rated.

Workforce

The Dutch workforce is highly educated, multilingual, and internationally oriented. English is widely spoken, and many professionals also speak German or French. The education system places strong emphasis on practical skills, technology, and innovation.

Labour laws provide strong employee protections, including rules on dismissal, working hours and collective agreements. While labour costs are relatively high compared to Central and Eastern Europe, productivity levels are also high, and flexible working arrangements are common.

Investing in the Netherlands

The Netherlands is politically stable, has a strong legal framework, and is known for its transparent and predictable regulatory environment. It consistently ranks highly in global competitiveness and ease-of-doing-business indices.

Its strategic location, excellent infrastructure and access to the EU single market make it particularly attractive for European headquarters, logistics centres and technology-driven businesses. Key investment areas include:

- logistics and supply chain management
- technology and software development
- renewable energy and sustainability
- life sciences and healthcare
- agri-food innovation

Setting up a business in the Netherlands

Dutch businesses can operate under several legal forms. The most common structures are:

- Sole ownership – simple structure with full personal liability
- Partnerships – including general and limited partnerships
- Private limited company (B.V.) – the most popular structure for foreign investors
- Public limited company (N.V.) – typically used by larger or listed companies

A **B.V.**, the most commonly used structure due to its flexibility and limited liability, can be established with a minimum share capital of just €0.01 and may have one or more shareholders. The incorporation process is efficient and can usually be completed within a few days through a Dutch civil-law notary.

Banking and digitalisation

The Netherlands has a highly developed banking system, supported by major international banks and strong domestic institutions. Opening a business bank account generally requires physical identification of directors and shareholders, in line with EU anti-money laundering rules.

The country is a leader in digitalisation. Tax filings, payroll reporting and many regulatory obligations are handled electronically. The Dutch tax authority provides efficient online systems, and advanced accounting and ERP solutions are widely used.

Incentives to invest

The Dutch government offers a range of incentives aimed at encouraging innovation and foreign investment, including:

- Research and Development (R&D) tax credits
- Innovation Box regime offering a reduced tax rate (in 2025: 9%) on qualifying profits
- investment allowances
- subsidies for sustainable and green projects

Foreign investors are treated the same as Dutch nationals, with few restrictions on foreign ownership.

The Netherlands as a business destination

The Netherlands combines economic stability, an open international outlook and a highly skilled workforce with excellent infrastructure and strong legal protections. Its favourable tax environment, extensive treaty network, and ease of doing business make it an attractive gateway to Europe. For companies seeking a reliable, innovation-driven, and internationally connected base within the European Union, the Netherlands remains one of the most compelling business destinations.





The Era of Tariffs: Remaining Nimble as a US Importer and Exporter

How shifting US tariff policy is reshaping decision-making for importers and exporters.

A new era of uncertainty in U.S. trade policy

Beginning with his inaugural address on January 20, 2025, United States President Donald J. Trump shared with the world his administration's intention to "tariff and tax foreign countries to enrich our citizens." Since this shot across the bow, the US' tariff policy has become a moving target marked by uncertainty, rapid change and shifting enforcement. Leaving the purely political considerations aside, the constitutionality of President Trump's authority to impose tariffs under the International Emergency Economic Powers Act of 1977 has now been ruled on by the United States Supreme Court, which found that such tariffs require congressional approval. While this decision represents a significant shift, it has not eliminated uncertainty, as alternative tariff measures and new policy approaches continue to be explored. Volumes will inevitably be written about these dynamics; however, the focus of this article will be on the confusion and uncertainty of the United States' tariff policy since February 2025 and the challenges and opportunities it has presented to three clients over the past year. These three sample clients operate in distinct industries: disposable medical devices (an importer), a food wholesaler (an importer), and a

technology equipment reseller (an exporter). Each of these clients has faced different challenges and opportunities, but all have had to pivot and adjust their operational decision-making rapidly to ensure their margins are not destroyed by these policies. Given the countries (trading partners) involved, the products bought and sold, and each business's unique sales velocity, each company's experience has been very different.

Case study: Medical device importer under tariff pressures

The first client is a US subsidiary of a Japanese manufacturer of a high volume, disposable medical device regulated by the United States Food and Drug Administration. Tariff rates on Japanese imports have shifted repeatedly, creating significant planning uncertainty. This client has two primary product lines with one private label line that has thin margins, and one specialty line with wider margins. Fortunately, in this client's case, the product shelf-life granted them an opportunity to "wait and see" initially, before concluding to pass on the tariff cost to purchasers of the private label line, while absorbing most of the tariff expense on the higher margin line.

Case study: Food wholesaler facing perishable import challenges

The second client is located in the northeastern United States and is a perishable and non-perishable food wholesaler. A substantial portion of their dairy products are imported from Canada, which since February 2025 has been a primary focus of US import tariffs: dairy products have been one of the most targeted industries. Given the inherent perishable nature of these goods and the challenge of alternate suppliers at scale on short notice, wholesalers had no choice but to either absorb the tariffs to maintain customer relationships or pass the tariffs onto customers and risk losing accounts. This client has labored to employ a balanced approach, which has led to both a reduction in top-line revenue, and a compression in gross margins. Thankfully, with seasoned operators at the helm, the business should weather the storm well and find a more competitive landscape waiting for them when the new market equilibrium is attained.

Case study: Tech reseller navigating export tariffs

The third client is a recycler and reseller of computer hard drives, chips and peripherals. The business acquires, refurbishes and certifies IT equipment from large corporates before reselling it across developing markets. As an exporter, this company has been affected by reciprocal tariffs imposed on US exporters by countries that have had US import tariffs imposed upon them. However, because of strong demand for its products and a diverse range of sales opportunities, this company has been able to increase both sales and margins.

Market destabilisation across industries

The common thread across these companies has been market destabilisation and the impact it has on sales and profitability. All three companies sell very elastic goods, yet each company's economic position and sales velocity result in markedly different outcomes in the wake of US tariffs. As the renowned economist Milton Friedman suggested, barring intervention, markets move toward a stable centre, and incorrect policy (or any policy change) causes markets to behave erratically. This maxim has

certainly held true within the dynamics of international trade as a result of the United States' current policies as illustrated by these three clients of our firm.

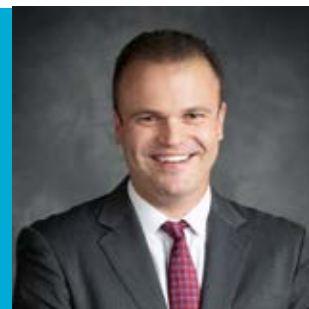
Looking ahead and remaining nimble

At present, uncertainty around the direction and durability of US tariff policy continues to leave many businesses in a holding pattern. Recent legal developments have clarified certain aspects of presidential authority, but have also introduced new questions around how tariffs will be implemented going forward.

Until a more stable framework emerges, importers and exporters will need to remain agile, adjusting their strategies as policy continues to evolve.



"The common thread across these companies has been market destabilisation and the impact on sales and profitability."



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Qatar's Economic Reorientation: A New Strategic Horizon for International Business

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An exploration of Qatar's evolving economic landscape, highlighting its shift from hydrocarbon reliance toward innovation-driven diversification.

For decades, Qatar's economic profile has placed it among the wealthiest countries in the world, buoyed by vast natural gas reserves and the resilience of the hydrocarbon sector. Today, however, the country presents a more complex and commercially relevant proposition for international businesses - one shaped not just by energy markets but by structural diversification, emerging regulatory frameworks, and the changing expectations of global investors. Against a backdrop of rapid economic transformation in the broader Middle East, Qatar is positioning itself as a platform for long-term stability, regional market access, and alignment with global sustainability priorities.

A high-value energy foundation in transition

Its Liquefied Natural Gas (LNG) dominance remains one of the cornerstones of Qatar's economic strength. The North Field expansion projects are among the world's largest LNG developments and are set to significantly expand the country's output over the course of the decade, underlining its critical role in global energy security as European and Asian markets continue to rebalance their supply chains.

Yet, rather than simply resting on hydrocarbon windfalls alone, Qatar has framed this energy boon as a launching point for broader economic modernisation. LNG revenues continue to provide fiscal space to invest in infrastructure and innovation along with human capital, further reinforcing in turn the state's capacity to pursue long-range diversification programmes.

Strategic diversification and investment attraction

It is no longer a peripheral policy objective; the question of economic diversification lies at the very centre of the national agenda in Qatar. In fact, Vision 2030, its long-term development framework, has specified an aspiration to create an advanced, knowledge-based, and globally integrated economy. This has driven targeted investment in advanced manufacturing development, logistics, tourism, financial services, and digital technologies.

This repositioning has also involved a significant focus on Foreign Direct Investment (FDI). The State of Qatar has enacted multiple reforms geared toward improving market access, streamlining

regulatory procedures, and establishing dedicated channels for international investors. It is in this light that the Qatar Financial Centre (QFC) and Qatar Free Zones Authority (QFZA) have become important entry points for international firms with regional headquarters or sector-specific operations. Among other features, such zones offer flexible ownership structures, tax incentives, and modern infrastructure across everything from fintech to aerospace.

State investment has also been sustained in the logistics sector. Both Hamad Port and Hamad International Airport have made Qatar a key regional gateway, boosting its position in global supply chains. For multinationals, this has come to mean new opportunities in regional distribution, warehousing, and re-export activity across the Gulf, Africa, and South Asia.

Technology and innovation as catalysts for growth

In Qatar's diversification drive, significant priority has been given to digital transformation in both the public and private sectors. Recent initiatives encourage smart manufacturing, data-driven business models, and the adoption of artificial intelligence. The country's investments in high-capacity digital infrastructure, including advanced cloud-computing facilities, have supported the growth of technology clusters that attract startups and multinational digital firms.

Meanwhile, Qatar is positioning itself as a regional research and development hub. Education City has a network of international universities and research institutes that offer a talent and knowledge ecosystem tapped into by an increasing number of applied research partnerships with global companies.

The ESG imperative and emerging regulatory frameworks

A key area of focus for international businesses is Qatar's evolving approach to Environmental, Social and Governance (ESG) considerations. While the hydrocarbon sector will continue to play an important role for many years to come, the government has also passed new legislation and regulations with a view to raising the level of sustainability across all sectors. This aligns the country with demand from investors around the world for responsible operations and positions Qatar as a value chain partner.

Sustainability initiatives are now being enshrined within national infrastructure projects, industrial strategies, and energy management frameworks. Examples include carbon intensity in the production of LNG, increasing renewable capacity through large-scale solar projects, and improving environmental reporting standards. In the social sphere, increased emphasis is now given to workforce development programmes and local capacity-building initiatives.

The growing convergence toward international norms on ESG for large multinationals brings clarity and certainty, thereby reducing regulatory risks while supporting long-term investment planning. This also points to opportunities for those companies who have expertise in sustainable technologies, resource efficiency, and specialized consultancy services.

Regional dynamics and geopolitical stability

The Qatari economic outlook cannot be separated from the broader Middle East setting. Other regional economies too, including Saudi Arabia and the United Arab Emirates, pursue diversification strategies - a factor that makes their environment highly competitive but also very dynamic for global business. Key differentiators for Qatar, though, include energy security, fiscal stability, and a strong sovereign wealth position.

The country's diplomatic engagements have further entrenched it as an important regional mediator, adding to the perception of political reliability that appeals to international investors. The renewed cooperation in the Gulf has also opened up avenues of cross-border trade, joint ventures, and participation in regional mega-projects.

Implications for international business

The changing landscape of Qatar has presented international firms with a mix of strategic opportunities and operational considerations.

Opportunities exist in energy, logistics and advanced manufacturing, supported by world-class infrastructure and investment incentives.

Technology-driven sectors benefit from national programmes encouraging

innovation, digital adoption and research partnerships.

Evolving ESG regulations are creating opportunities for sustainability-focused businesses.

Financial and professional services firms can leverage the expanding regulatory ecosystems of the QFC and free zones to establish or scale regional operations.

While entering the market requires a strong understanding of the regulatory environment, cultural dynamics and policy priorities, partnerships with local entities are increasingly important for businesses seeking to align with national development strategies.

A forward-looking view

The economic trend in Qatar therefore suggests a state balancing continuity with transformation: maintaining world leadership in the energy markets while building a more diversified, resilient, and sustainability-conscious economy. To the international business community, the country offers a high-potential market as well as a strategic platform for operations in the Middle East, Africa and Asia.

As Qatar's diversification accelerates and its regulatory framework matures, it is likely to play an increasingly important role in both regional economic integration and innovation-driven growth. Businesses that enter early, align with national priorities and adopt a long-term perspective are best positioned to succeed.



The EU Pay Transparency Directive: Beyond Compliance and Into Culture



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For many organisations, pay transparency has arrived through regulation rather than choice. The EU Pay Transparency Directive has put clear legal obligations on employers, forcing long-delayed conversations about how pay is set, explained and governed. Compliance alone, however, is proving to be only the first hurdle. The more complex challenge begins once transparency meets organisational reality.

As implementation deadlines approach, with national transposition due by 7 June 2026, companies across Europe are discovering that the technical work - reporting, documentation and process design - is demanding, but manageable. The harder question is cultural and behavioural: how to maintain motivation, performance and engagement once pay becomes more visible and comparisons become unavoidable.

Transparency reveals structure and behaviour

Pay transparency is often described as a disclosure exercise. In practice, it is an exposure exercise. It shines a light not only on pay structures, but also on how organisations value contribution, performance and accountability.

When employees gain clearer insight into pay levels within comparable roles, they inevitably start to ask questions. Some of these questions are constructive. Others are more uncomfortable. One of the most common reactions heard in organisations preparing for transparency is not about gender pay gaps, but

about perceived fairness between colleagues. High-performing, committed employees may struggle to accept that their pay sits at the same level as that of peers who contribute less, take on fewer responsibilities or consistently operate at the minimum acceptable standard, even if it means, from a legal perspective, that equal pay for equal work may be defensible. From a motivation perspective, it can feel deeply unsatisfactory.

This tension sits at the heart of the post-transparency challenge.

Compliance does not equal acceptance

The directive rightly focuses on eliminating unjustified pay differences and ensuring equal pay for work of equal value. What it does not - and cannot - solve is the emotional response that transparency can trigger if reward systems are not clearly differentiated beyond base pay.

Many organisations have historically relied on discretion, informal recognition or future promises to address performance differences. Under a transparent regime, these mechanisms lose much of

their credibility. Employees expect to see how effort, results and added value translate into tangible outcomes, not only assurances.

Where pay structures are flat and progression rules are unclear, transparency risks creating a sense of stagnation among the very people organisations most want to retain: engaged, proactive and high-performing colleagues.

The role of job architecture and its limits

A robust job architecture will become essential. Clear role definitions, levels and evaluation criteria provide the foundation for explaining why roles are paid differently. They are indispensable for regulatory compliance and internal consistency.

However, job architecture alone cannot address performance differentiation within the same role. Two individuals can legitimately occupy the same position, with the same evaluated job value, while contributing at very different levels.

This is where many organisations encounter a gap between structural fairness and lived experience. Transparency highlights the need to be explicit about what is rewarded through base pay, what is recognised through variable pay, and how progression is earned over time.

Differentiation must move beyond rhetoric

In a transparent environment, organisations cannot afford ambiguity about performance. If base pay is largely role-based, then other elements of the reward framework must carry the message that contribution matters.

This places renewed importance on:

- credible performance management,
- meaningful variable pay and recognition mechanisms,
- clearly articulated criteria for progression within pay bands,
- and visible consequences for sustained underperformance.

Without these elements, transparency can inadvertently signal that "doing enough" and "doing more" lead to the same outcome. Over time, this perception erodes discretionary effort and undermines the very performance culture businesses seek to build.

Importantly, this is not a call for pay inequality, but for pay clarity. Employees are more likely to accept outcomes they may not like if the rules are clear, consistently applied and visibly linked to contribution.

Managers carry the real weight of transparency

These dynamics play out most visibly at manager level. Once pay becomes more transparent, managers are expected to explain not only how pay bands work, but why individual outcomes differ - or do not differ - within them.

This requires confidence, alignment and courage. Avoiding the conversation or hiding behind policy language quickly damages trust. Conversely, honest, well-framed discussions about performance expectations, development paths and reward trade-offs can strengthen credibility, even in difficult moments.

Organisations that invest in preparing managers for these conversations tend to navigate transparency with far less disruption. Those that do not often find that disengagement appears quietly, long before it shows up in turnover figures.

Transparency as a test of organisational maturity

The EU Pay Transparency Directive does not require organisations to satisfy every expectation or eliminate all dissatisfaction. Its requirement is more precise: pay systems must be fair, consistent and capable of being explained. For the workforce, however, transparency quickly becomes more than a compliance issue. It shapes how people assess their own value, their future with the organisation, and the credibility of leadership decisions.

This is where retention risk enters the equation. As pay information becomes easier to access - both internally and externally - employees will inevitably compare not only their own pay with colleagues', but also with what is available elsewhere in the market. Even where the directive does not explicitly mandate the publication of pay ranges in job advertisements, increased visibility across companies is likely to become the norm rather than the exception.

In that environment, organisations face a new continuity challenge. High-performing employees who perceive limited differentiation, slow progression or weak recognition may not raise concerns internally. Instead, they may quietly test the market, armed with better information than ever before. The result is not only higher turnover, but the loss of institutional knowledge, disruption to teams and increased pressure on already stretched leadership capacity.

Transparency therefore becomes a measure of organisational maturity. It forces difficult but necessary questions such as: Are performance expectations clear and consistently applied? Do progression pathways reward contribution, not just tenure? Are reward decisions aligned with the behaviours the organisation claims to value?

Organisations that address these questions proactively tend to strengthen both retention and engagement. Those that limit their response to minimum compliance may find themselves with a workforce that is well informed - but increasingly mobile, less loyal and more willing to leave when clearer opportunities present themselves elsewhere.

In a transparent labour market, retention is no longer protected by opacity. It is earned through credibility, clarity and the visible connection between effort, impact and reward.

Looking beyond the deadline

In the end, pay transparency is not the destination. It is the context in which reward strategies will now operate. The organisations that succeed will be those that treat transparency as a catalyst to strengthen performance differentiation, leadership capability and trust - not as an administrative burden to be endured.



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Pillar Two: Global Minimum Tax

Global developments, US tensions and the road for 2026.

The year 2025 marked a turning point in the implementation of Pillar Two, the central component of the OECD/G20 Base Erosion and Profit Shifting (BEPS 2.0) project designed to ensure that large multinational enterprise groups pay a minimum effective tax rate of 15% in each jurisdiction where they operate. For businesses, this represents a fundamental shift in how global tax is calculated, managed and forecast. After several years of negotiations and model rules, 2025 was the year in which the global minimum tax framework moved decisively from design to practice. By the end of the year, the key question for governments, tax authorities and businesses was no longer whether Pillar Two would happen, but how to make it work in a technically robust and operationally sustainable way.

In this article we intend to look back at the main developments of 2025 regarding the Global Minimum Tax, focusing on global implementation trends, the political tensions around Section 899 and the “side-by-side” proposal, together with some practical considerations that multinational groups should take into 2026.

A global snapshot at the end of 2025

During 2025, Pillar Two clearly established itself as a central reference point for international corporate taxation. By December 2025, more than 55 jurisdictions had legislation in force and approximately 10 further territories had legislation

in progress (including cases benefiting from a six-year extension). However, at the same time, approximately another 60 territories had not yet made a public announcement. In any case, many of these jurisdictions had signaled their intention to implement the Global Anti-Base Erosion (GloBE) rules, reinforcing the perception that Pillar Two is becoming the default framework for large multinational groups.

Throughout 2025, the OECD/G20 Inclusive Framework continued to refine the architecture of the global minimum tax. Additional Administrative Guidance and an updated template for the GloBE Information Return clarified key issues around deferred taxes, tax credits, transitional rules and the interaction between domestic and GloBE-based minimum taxes. In parallel, the work done on multilateral competent authority agreements and technical specifications prepared the ground for a broader exchange of Pillar Two information from 2026 onwards.

None of this removed the complexity of the rules, but it did give taxpayers and administrations a clearer sense of how the system is expected to operate in practice.

US policy shifts, Section 899 and the “side-by-side” compromise

Within this global picture, developments in the United States played a disproportionate role in

shaping expectations around Pillar Two. Early in 2025, the Trump administration backed a proposal for new Section 899 of the Internal Revenue Code, widely described as a “revenge tax”. The proposed measure would have imposed higher US taxes on certain non-US companies and individuals where their home jurisdictions levied what the US considered “unfair foreign taxes” on US taxpayers, including Pillar Two-style top-up taxes. For many observers, this was a clear signal that the US government was prepared to retaliate against other countries’ use of the UTPR and similar tools.

The tone shifted in late June 2025, when the G7 countries announced that they had reached a political understanding on a path forward for the global minimum tax. As part of that understanding, the US agreed to abandon the proposed Section 899, while the other G7 members signaled support for a solution under which certain US multinationals would not be fully subject to Pillar Two top-up taxes in other jurisdictions, subject to conditions. The cornerstone of this compromise was the exploration of a “side-by-side” system, under which US-headquartered groups would, in broad terms, be able to rely on the interaction of existing US minimum tax rules and the GloBE framework, rather than being fully exposed to the standard Income Inclusion Rule and UTPR in other countries.

Supporters argued that this approach offered a pragmatic way to bring the US more fully into the Pillar Two architecture without redesigning domestic legislation. Critics, however, warned that it risked creating a de facto carve-out for US-headed multinationals and could undermine the level playing field that Pillar Two was meant to establish. By the end of 2025 and into early 2026, these concerns had intensified: more than two dozen countries raised objections in OECD discussions, and China together with several European jurisdictions openly criticised the side-by-side mechanism as granting undue preferences to US entities and constraining their own tax sovereignty.

In our view, this debate is likely to shape the politics of Pillar Two well beyond 2026.

Regional implementation and practical experience

Outside the US debate, 2025 showed that implementation progressed at different speeds across regions. In the European Union it was the first full year of coordinated application following the 2022 EU Directive, with most Member States having enacted local legislation and taxpayers gaining first-hand experience of filing and compliance.

In Asia-Pacific and the Latin Americas, a small group of early adopters moved ahead, while many other countries remained in the assessment or legislative phase, closely watching how pioneers were handling the transition.

In Africa and the Middle East, adoption was gradual but strategically important. Many jurisdictions prioritised administrative capacity and digital infrastructure

before rolling out complex GloBE-style rules, often in parallel with broader tax modernisation agendas. For groups operating in these regions, 2025 was a year of monitoring and scenario planning, rather than immediate implementation.

Technical lessons from 2025 and implications for 2026

Looking back, one of the clearest lessons of 2025 is that Pillar Two is technically demanding in practice. Calculating the GloBE effective tax rate requires groups to harmonise financial and tax data across jurisdictions, adjust for covered and deferred taxes and navigate detailed rules around excluded entities, losses and tax credits. For many groups, this meant that data quality, system integrity and accounting consistency moved from being “nice to have” to being central elements of tax governance.

The interaction between domestic incentives and the global minimum tax also came into sharper focus, as countries redesigned tax incentives or reviewed preferential regimes to understand whether they undermined the minimum tax or simply shifted where the top-up tax would be collected. From a business perspective, this raised questions not only about the effective tax rate but also about the stability and predictability of incentive regimes over time.

Regulatory coordination remained a further challenge. Despite ongoing efforts by the OECD and the Inclusive Framework to provide clarifying guidance, differences persisted between jurisdictions in areas such as definitions, filing requirements and timelines, increasing the risk of inconsistent outcomes or even double taxation in some fact patterns. At the same time, concerns about administrative burden became more concrete, especially in countries with limited capacity and in groups that operate across a large number of jurisdictions.

For multinational groups, therefore, 2025 was less about theoretical policy discussions and more about implementation. Many organisations undertook mapping exercises to identify which entities fall within the scope of the GloBE rules and which jurisdictions have implemented or announced Pillar Two legislation, and began adapting systems and processes accordingly.

For us, the conclusion is clear: 2025 was the year in which Pillar Two became a practical reality, but also the year in which fault lines appeared around the conditions under which that reality will operate. The political debate around the US “side-by-side” approach, together with the criticism it has attracted from China and several European jurisdictions, suggests that the governance of the global minimum tax will remain a live issue. The coming years will determine how efficiently the system can be managed and whether it ultimately delivers on its objectives of greater fairness, stability and transparency in the international tax system.



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India: Understanding the New Labour Codes

Decoding India's new labour era: Simplified rules, broader protections, and fresh obligations for employers.

India's new labour codes represent one of the most significant overhauls of employment regulation in decades, with direct implications for cost structures, workforce models and compliance requirements for businesses operating in the country. For organisations, understanding these changes is essential not only for compliance, but for effective workforce planning and financial management.

The Government of India has consolidated twenty-nine existing labour laws into four new labour codes:

1. The Code on Wages, 2019
2. The Code on Social Security, 2020
3. The Occupational Safety, Health and Working Conditions Code, 2020
4. The Industrial Relations Code, 2020

While the codes have come into effect from 21 November 2025, the final Central and State Rules required to implement certain provisions are still awaited.

Need for labour reforms

Much of India's labour legislation dates back to the pre-Independence and early era (1920s to 1950s), when economic conditions and employment relationships were fundamentally different. Fragmented laws, inconsistent definitions, and complex compliance requirements created challenges for both employers and employees. The labour codes seek to simplify compliance, extend social protection and align labour laws with the realities of today's workforce.

Key changes impacting organisations

New definition of wages and impact on costs

A key change brought about by the labour codes is the uniform definition of "wages". All remuneration payable as per terms of employment is included in wages, except specific excluded components. Importantly, excluded components are limited to fifty percent of total remuneration and any excess must be added back to wages. Statutory benefits such as gratuity, Provident Fund, Employees' State Insurance contributions, leave encashment for workers, overtime payments, and bonus will be calculated based on the expanded wage base. While this brings consistency, this will also increase employer costs. Recent accounting clarifications require organisations to recognise the increased costs, particularly for gratuity and leave encashment, in the financial statements.

Expanded social security coverage

The Code on Social Security extends social security coverage to non-traditional employment arrangements including gig and platform workers. It also provides for fixed term employees to be eligible for gratuity upon completion of one year of service instead of the five-year timeline applicable for regular permanent employees.

Organisations should reassess hiring models to ensure alignment with the evolving social security obligations.

Worker versus employee classification

Several provisions relating to working hours and leave are applicable specifically to workers, a

category narrower than employees. Workers are persons employed who do not perform managerial or administrative roles or supervisory roles with wages exceeding eighteen thousand Indian Rupees. This classification applies across sectors and is not limited to manufacturing. Employers should therefore map job roles and responsibilities to identify workers and ensure compliance with the applicable provisions.

Payroll and wage payment requirements

The Code on Wages mandates payment of monthly wages by the seventh of the following month and requires final settlement within two working days of an employee leaving the organisation. It also specifies permissible deductions and caps total deductions to fifty percent of wages. Organisations may need to revisit payroll systems, settlement processes and internal controls to meet these timelines and limits.

Working hours and leave

Working hours and leave provisions in the Occupational Safety Health and Working Conditions Code apply to workers. For other employees, the existing state-specific Shops and Establishments law will continue to apply. Organisations need to review their working hours and leave policies to ensure compliance with the applicable parallel regulations.

Contract labour and inter-state migrant workers

The labour codes introduce new definitions for contract labour and inter-state migrant workers and increase employers' responsibilities.

Employers are required to pay contractors before the due date for payment of wages by contractor to contract labour (i.e. before the seventh of the subsequent month). This means that organisations will now be required to pay the contractors on a monthly basis.

Furthermore, organisations need to implement mechanisms to identify inter-state migrant workers and ensure compliance with requirements such as payment of annual journey allowance for travel to and from their native place of residence.

Other key areas

The labour codes also introduce provisions relating to appointment letters, minimum wages, hiring practices and employee relations, as well as requirements such as free annual health examinations for specified categories of employees and the formation of certain committees.

The way forward for employers

The labour codes have wide-ranging implications across various aspects of an organisation covering compensation, workforce models, payroll, contracting arrangements, working conditions and employee relations. Compliance will involve both financial and operational aspects together with the need to monitor the evolving rules.

Beyond compliance, the reforms present an opportunity for organisations to rationalise compensation structures, reassess workforce models and strengthen governance around employment practices in India.

News in Brief

Russell Bedford International surpasses \$1 billion in global revenue

In 2025, Russell Bedford's global revenue grew by over 10%, surpassing \$1 billion in global fee income for the first time. This milestone reflects the strength of our collaboration, the quality of service delivered by our firms, and the trust businesses and individuals place in us worldwide.

Russell Bedford International welcomes new firms

Russell Bedford is pleased to welcome additional firms to the network: Bassam Abed Andijani Company in Jeddah, Saudi Arabia; beTax Advisory & Compliance Services S.à r.l. in Luxembourg City, Luxembourg; Almoumen and Partners in Kuwait City, Kuwait; and Al-Dulaijan Professional Consultancy in Al Khobar, Saudi Arabia.

Regional Conferences

Russell Bedford hosted four successful conferences in recent months: the Annual Global Conference 2025 in Madrid, Spain; the Managers & Young Partners Conference 2025 in Hamburg, Germany; the Americas Conference 2026, in San José, Costa Rica; and the Middle East & Africa Conference 2026 in Dubai, United Arab Emirates.

Russell Bedford Centres of Excellence

The network's Centres of Excellence continue to grow, with members coming together to share expertise on Professional Standards and Quality, Financial Advisory, Legal, Marketing and Business Development, People, ESG, Tax, and Technology and Innovation.

Taking you further day 2025

On 3 December 2025, Russell Bedford International marked its seventh annual taking you further day, bringing member firms from across the global network together in a shared celebration of our core values: connectivity, collaboration, positive impact and excellence. Teams worldwide delivered a diverse range of initiatives including community outreach, charity fundraising and team-building activities, showcased during our global virtual celebration.





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