MERCER
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May 2026

International newsletter

Mercer's Global Mobility (GM) team offers integrated solutions to adress the legal aspects of international mobility.



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Immigration

01

We help you manage compliance and risk across borders and jurisdictions, offering clear responses to guide companies in navigating a complex international environment

America

USA

Navigating the E-2 Visa Process for Israeli Investors in 2026

The E-2 Treaty Investor visa offers Israeli investors a route to establish and manage businesses in the United States following the U.S.-Israel treaty effective May 1, 2019. To qualify, investors must make a "substantial" investment in a genuine U.S. enterprise, with funds placed at risk and committed to active business operations. Substantiality is assessed via a proportionality test rather than a fixed amount: lower-cost ventures require a higher percentage of investment. Asset-based investments can count toward the total, and practical techniques such as binding escrow agreements and documented pre-launch expenditures help demonstrate commitment.

Proving the lawful source and clear path of funds has become more scrutinized in 2026; applicants should prepare comprehensive documentation, including tax returns, CPA letters, and bank records, to trace funds from origin to U.S. deployment. The business must not be marginal; a robust five-year business plan with credible financial forecasts and hiring projections is essential to show potential to support employees beyond the investor's family. Israeli tech startups face special issues: U.S. entities must be at least 50% owned by Israeli nationals, and venture funding rounds risk dilution that could threaten E-2 eligibility. Applications can be filed either at a U.S. consulate in Israel or through USCIS for applicants already in lawful U.S. status. Overall, careful planning, detailed documentation, and attention to ownership structure are critical for Israeli investors seeking E-2 status in 2026.

BRAZIL

Brazil Removes Visa Requirements for Eight Countires

Brazil announced a new visa free entry policy for citizens from 8 countries including China France Ireland and Denmark. The initiative forms part of the governments brother "Open Door Strategy2026" aimed at increasing tourism business travel and international mobility under the new policy.

Brazilian authorities believe the measure will help stimulate sectors such as tourism hospitality and commerce by increasing international arrivals. Officials also argue that easier entry requirements will strengthen diplomatic and economic relationships with partner countries. The government sees mobility reforms as an important tool for improving Brazil's global competitiveness.

The policy reflects a broader international trend in which governments are using immigration, and we need the reforms to attract visitors' investment and economic activity analysts expect the initiative to increase tourism flows and encourage more international business engagement. Brazil hopes the measure will reinforce its position as a major destination for international travel and commerce.

CHILE

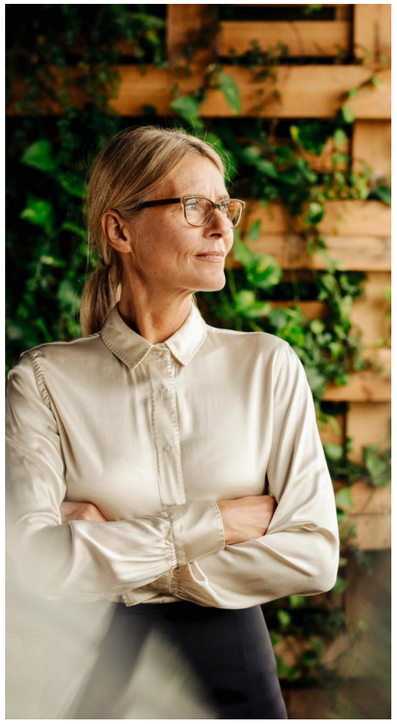
Chile Intensifies Border Controls Against Irregular Migration

Chile's government launched stricter border securities operations along its northern frontier in response to rising levels of irregular immigration. Authorities deployed drones additional police forces and reinforced broader infrastructure to monitor unauthorized crossings more closely.

Officials argue of measures are necessary to strengthen migration management and maintain public order. The policy has sparked debate within Chile with supporters emphasizing security concerns while critics warned about humanitarian consequences for vulnerable immigrant immigrants human rights organizations expressed concern that tougher enforcement measures could praise greater risk during border crossings.

Migration has become an increasingly important political issue in Chile increasing fears. The situation reflects further tensions across South America regarding border control regional migration flows and national security. Analysts note that governments across the region are facing growing political pressure to strengthen migration enforcement. Chili's response demonstrates how migration policy is becoming more central to domestic political debates throughout Latin America.

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Asia - Pacific

SOUTH KOREA

South Korea Expands High-Skilled Migration Strategy

South Korea unveiled a new migration strategy focused on attracting highly skilled foreign workers to address labor shortages in demographic decline. The government plans to expand the eligibility for top tier visas and create additional migration pathways for technical professionals and regional labor needs officials stated that technology engineering and advanced manufacturing to increasingly dependent on international talent.

The reforms form part of South Korea's border strategy to respond to population aging and declining birth rates, which are creating long term economic pressures. Authorities also hope the initiative will encourage foreign professionals to sail in regional areas experiencing labor shortages outside of major cities. Policymakers view immigration as increasingly necessary to maintain economic competitiveness.

Analysts consider the reforms of South Korea one of the most significant shifts towards a more open immigration system in recent years period the policy reflects how demographic challenges are pushing several Asian countries to reconsider traditionally restrictive migration models. South Korea's approach highlights the growing role of skilled immigration in national economic planning.

UAE

UAE Relaxes Re-Entry Rules for Residents Stranded Abroad

The United Arab Emirates introduced temporary migration flexibility measures for residents or not able to return because of conflict related travel disruptions in the Middle East. Following airspace closures and flight cancellations linked to the regional war, many expatriates became stranded abroad builder residency visas approached expiration.

UAE authorities responded by granting a grace period allowing residents with expired visas to reenter without penalties. Officials describe the measure as necessary to protect expatriate workers and maintain labor mobility during the crisis the UAE depends heavily on foreign workers, who represent a significant share of the country's population and workforce. Although it is therefore in to prevent disruptions that could affect business and economic activity.

The policy also highlights how geopolitical conflicts can rapidly affect the immigration systems, international travel, and residency regulations. Expatriate communities across the Gulf have faced uncertainty due to flight cancellations and security concerns Linked to conflict. The UAE response reflects the broader challenge of maintaining labor mobility during periods of regional instability.

AUSTRALIA

Australia Launches Major Visa Processing Overhaul

Australia introduced a nationwide overhaul of its visa processing systems aimed at reducing waiting times for migrants and international students. The reform includes standardized processing timelines and new digital tracking tools, allowing applicants to monitor their visa applications in real time.

Officials stated that they initially designed to improve transparency efficiency and confidence in immigration system. The policy affects several immigration categories, including student visas, work permits, and permanent residency applications. Australian authorities hope the reforms will make the country more attractive to skilled workers, international students, and global talent. Business and universities have welcomed the changes after years of complaints about long processing delays.

The reform reflects Australia's broader effort to modernize its immigration system and improve labor marketing planning period migration remains a central component of Australia's economic growth strategy and workforce development. The relieved faster and more predictable visa procedures will strengthen the country's international competitiveness.

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Europe

PORTUGAL

Portugal Approves Fast-Track Visa Mechanism for Thousands of Migrants

Portugal's new Green Lane visa mechanism has already approved entry for more than 4000 immigrants since its launch earlier this year. Initiative was created to respond to labor shortages affecting sectors such as agriculture, tourism, construction and services. According to Portuguese authorities, agriculture represents the majority of applications processed under their system. The program allows companies to recruit foreign workers through a faster and more simplified administrative process. Applications are currently being processed for migrants from 32 different nationalities through Portuguese consulates worldwide. Officials argue that reducing bureaucracy will help business fill vacancies more efficiently while encouraging legal migration pathways.

The Portuguese government also hopes the policy will reduce irregular immigration by making legal entry channels more accessible. Employers have largely welcomed the initiative, arguing that labor shortages have increasingly affected productivity and economic growth. The reform reflects Portugal's broader strategy of using migration policy to support economic development and the demographics sustainability.

GERMANY

Germany Pushes New Asylum Reforms Aligned with EU Pact

Germany has advanced legislation intended to align its asylum system with the European Union's new migration pact. The reforms would modify asylum procedures, migrant registration systems, and detention and benefits policies. German authorities argue that the changes are necessary to improve migration management and coordination with other EU member states.

The proposed legislation is also intended to accelerate asylum processing times and strengthen border controls. Supporters claim that a more standardized European migration system will reduce administrative pressures and improve efficiency.

However, critics warned that policies could weaken protections for asylum seekers and increase pressures on vulnerable migrant populations. The debate reflects broader tensions across Europe regarding migration governance, border management, and humanitarian obligations. Migration remains one of the most politically sensitive issues in Germany particularly I mean the rising support for anti-immigration parties. The reforms highlight the European Union's continued effort to create a more unified migration and asylum framework.

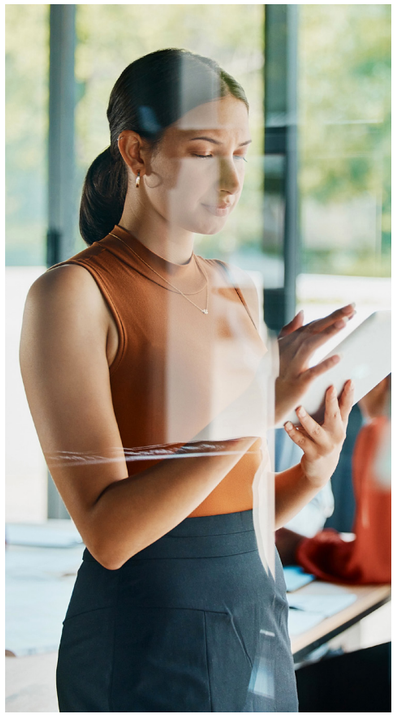
UK

Immigration Health Surcharge (IHS): Who Must Pay, Exemptions, Refunds and Current Rates

The Immigration Health Surcharge (IHS) is a compulsory fee for most migrants who apply to stay in the UK for more than six months, designed to ensure contributors to the National Health Service pay for access to NHS care. Introduced in 2015, the IHS must be paid up front during the online visa application process for those applying from abroad, extending, or switching visas within the UK; each applicant including dependants pays individually, and short-term visas (six months or less) are exempt. Current annual rates are £1,035 for most applicants and a reduced rate of £776 for qualifying categories such as full-time students and their dependants. The online system calculates the required total and issues a unique IHS reference and proof of payment, which applicants should retain.

Certain groups are exempt from the IHS or eligible for waivers, including beneficiaries of the EU Settlement Scheme, health and care workers, diplomats, asylum seekers, victims of trafficking, and children in local authority care. Failure to pay the surcharge can render an application invalid and may lead to refusal if not rectified within given deadlines. Refunds are available under specific circumstances: full refunds where applications are refused or withdrawn, and partial refunds when visas are granted for shorter periods than applied or where some dependants are refused. Automatic refunds are typically processed within around six weeks, though timelines may vary, particularly when appeals are involved. Given the financial and procedural implications, applicants should check eligibility carefully, maintain thorough records of payment and supporting documents, and seek specialist immigration advice when exemptions, refunds, or complex circumstances arise to ensure compliance and minimise disruption.

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Labour

02

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America

USA

Who's the Employer Now? Department of Labor Seeks to Clarify

The U.S. Department of Labor (DOL) seeks to clarify joint employment under the Fair Labor Standards Act (FLSA) after rescinding the 2020 rule. Joint employment can expose multiple entities to liability for minimum wage and overtime violations, including potential double damages. Courts have applied different standards some relying on the Bonnette four-factor test from 1983 creating inconsistent outcomes across jurisdictions and operational uncertainty for businesses.

To address this, the DOL's proposed rule distinguishes between vertical and horizontal joint employment. Vertical joint employment arises when an employee performs work for an employer but also benefits another entity. The DOL proposes four non-exhaustive vertical factors: authority to hire/fire, supervision, wage payment determination, and maintenance of employment records. The rule emphasizes actual control over reserved contractual control. Horizontal joint employment occurs where two or more related employers share responsibility for an employee; the DOL identifies three indicative conditions, including shared employee services, acting in the interest of another employer, or shared control.

The proposed framework aims to provide clearer, workable criteria for businesses to assess potential joint-employer status and manage associated wage-and-hour risks. However, the rule is not final and applies specifically within statutory contexts like the FLSA, FMLA, and MSPA. If adopted, it could reduce litigation uncertainty and guide employers on compliance measures. Employers should monitor developments, review contractual arrangements and operational control, and prepare to adjust practices especially for multi-employer and subcontracting models to mitigate exposure under evolving joint-employment standards.



CANADA

Think You Own Everything Your Employees Create? The Ontario Court of Appeal Says Otherwise

A recent decision by the Ontario Court of Appeal clarifies that employers do not automatically own everything their employees create. The ruling underscores important limits on employer ownership of intellectual property and highlights the need for clear contractual arrangements.

Under Canadian copyright law, employers may own works created by employees only when those works are produced "in the course of employment." The court emphasized that this assessment depends on the specific facts, including the employee's role, duties, and whether the creation was closely connected to their employment responsibilities. Simply being employed by a company, or using workplace knowledge or skills, is not enough to transfer ownership to the employer.

The decision serves as a warning to organizations that assume broad ownership over employee-created content, particularly where creations fall outside normal job duties or are developed independently. To avoid disputes, employers are encouraged to clearly define intellectual property ownership in employment agreements and policies, especially for roles involving creative, technical, or innovative work.

Overall, the case reinforces that intellectual property rights are not presumed in favor of employers and that careful legal structuring is essential to protect business interests while respecting employees' rights.

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Asia

APAC

Asia Pacific in Focus: 2026 Employment Law Shifts Global Employers Can't Ignore

Across the Asia-Pacific region, 2026 marks a year of significant employment law developments that global employers must factor into their workforce strategies. Governments are responding to changing labor markets, demographic pressures, and increased regulatory scrutiny by strengthening worker protections and modernizing employment frameworks.

Key trends include tighter regulation of working time, pay transparency, and employee benefits, alongside expanded protections for non-traditional workers and greater oversight of termination practices. Several jurisdictions are enhancing enforcement mechanisms, increasing penalties for non-compliance, and placing greater emphasis on documentation, reporting, and procedural fairness. At the same time, regulatory attention is growing around technology in the workplace, including data protection, monitoring, and the use of automated decision-making tools.

The article highlights that these reforms are not uniform across the region, requiring employers to navigate a complex patchwork of national rules while maintaining consistent global standards. Proactive compliance planning, regular policy reviews, and close coordination between HR, legal, and compliance teams are essential. For multinational employers, understanding these evolving requirements is critical to managing risk, supporting workforce flexibility, and maintaining trust across diverse Asia-Pacific operations.

Europe

UK

Equality action plans: what employers need to know

The UK government is introducing mandatory equality action plans for employers with 250+ employees alongside existing gender pay gap reporting requirements, with voluntary publication encouraged in 2026/27 and the first compulsory submissions due by April 4, 2028. The initiative aims to reduce the gender pay gap and improve support for employees experiencing menopause. New guidance sets out a six-step process: understand the issues through data analysis and employee consultation; choose actions (including at least two new measures drawn from a government list); provide brief descriptions and a 200-word supporting summary; register and submit the plan via the gender pay gap reporting service; track outcomes using relevant metrics; and review the plan annually once mandatory.

Guidance offers 18 example actions covering recruitment, development, promotion, pay transparency, flexible working, and menopause support. Employers must demonstrate that chosen actions address identified causes of their pay gap, which requires strong data analytics and meaningful employee engagement. The requirement for at least two new actions prevents mere repackaging of existing initiatives and pushes firms toward innovation.

Implementing effective plans raises practical challenges: employers need better data infrastructure, clear governance, and processes for measuring impact. Consulting employees and integrating outcomes into wider diversity, equity, and inclusion strategies are crucial. Employers are advised to start preparing now auditing current practices, improving data collection, engaging staff, and piloting new interventions to ensure compliance and to meaningfully reduce gender disparities in the workplace. Overall, the reforms signal a step-change towards accountability and proactive action on gender equality.

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ITALY

Key measures introduced by the new Italian Labour Decree

Italy has enacted Law Decree No. 62/2026, introducing a set of labor reforms aimed at promoting stable employment, strengthening wage protection, and addressing labor exploitation in the digital economy. The decree places particular emphasis on supporting women, young workers, and employment in Southern Italy through targeted incentives.

Employers hiring long-term unemployed women or workers under 35 on permanent contracts in 2026 may benefit from social security contribution relief for up to 24 months. Similar incentives apply to companies converting certain fixed-term contracts into permanent roles and to small employers hiring in Southern Italy. Instead of introducing a statutory minimum wage, the decree reinforces the concept of a “fair salary,” defined by national collective bargaining agreements signed by the most representative social partners.

The decree also introduces significant measures to regulate digital labor platforms. Employment relationships will be assessed based on how work is actually performed, with a presumption of subordination where control exists, even through algorithms. Platforms must provide greater transparency on automated decision-making, ensure human review, and adopt secure identification systems to prevent account renting. Overall, the reforms combine traditional labor protections with modern safeguards addressing algorithmic management and platform-based work.

Social Security

03

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America

ARGENTINA

Social Security Administration Updates Salary Limits for Employees' Social Security Contributions for May 2026

The Social Security Administration of Argentina (ANSES) has updated the gross monthly minimum and maximum salary limits used to calculate employees' social security contributions for May 2026. The new minimum salary is ARS 132,420.94, and the maximum salary is ARS 4,303,619.01.

These updated thresholds were established by Resolution ANSES No. 110/2026, published in the Official Gazette on May 4, 2026. Employers' social security contributions are calculated based on the total amount of employees' salaries within these limits.

Previously, salary thresholds were updated quarterly under article 9 of Law No. 24,241, as amended by Law No. 26,222, until March 2024. However, Emergency Decree No. 274 of March 22, 2024, changed the update mechanism to monthly adjustments using the consumer price index instead of an ad hoc index based on inflation and average salary increases. This new system has been effective since July 2024, aiming for a more transparent and consistent update process for pensions and workers' contributions.

Asia

TURKIYE

Türkiye Introduces Tax Deductions for Darülaceze and Enhances Social Security Benefits

On May 1, 2026, Türkiye's Grand National Assembly enacted Law No. 7578, introducing tax incentives for donations to Darülaceze and revising social security provisions.

The law allows individual and corporate taxpayers to fully deduct cash and certain in-kind donations (food, cleaning supplies, clothing, fuel) to Darülaceze from taxable income. It also grants a full VAT exemption on deliveries of these goods to the institution, enabling donors to recover input VAT.

Social security amendments include extending the postnatal temporary incapacity allowance for female employees from 8 to 16 weeks and allowing pregnant employees to work until two weeks before delivery with medical approval. Unused prenatal leave can be transferred to postnatal leave.

A new support mechanism covers voluntary insurance premiums for foster parents who are unemployed or work less than 30 days per month, maintaining their social security entitlements.

Employment incentives for individuals raised under state care have been revised: the Treasury will cover both employer and employee social security and unemployment insurance premiums for five years, with the qualifying period increased from two to five years. Applications must be submitted before age 30.

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SINGAPORE

Overview of Social Security Contributions and CPF System in Singapore

In Singapore, employers are required to withhold employees' Central Provident Fund (CPF) contributions from wages of at least SGD 750 per month. Employee contribution rates vary by age, with a 20% rate for those up to 55 years old, decreasing progressively to 5% for those over 70. The contribution rates have gradually increased from 2023 to 2025.

Contributions apply to wages including overtime, allowances, bonuses, and commissions, subject to a monthly ordinary wage ceiling of SGD 8,000 (effective January 1, 2026) and an annual additional wage ceiling of SGD 30,000. Contributions are deductible within statutory limits. Foreigners are not allowed to contribute to CPF.

Self-employed Singapore citizens or permanent residents with net annual trade income over SGD 6,000 must make mandatory Medisave contributions, with rates and caps depending on age and income. They may claim tax relief for mandatory and voluntary Medisave contributions, subject to limits. From 2023, tax relief for cash top-ups to retirement, special, and Medisave accounts includes contributions to family members' Medisave accounts, capped at SGD 16,000 annually.

The Platform Workers Act 2024, effective January 1, 2025, classifies platform workers as a distinct group subject to mandatory CPF contributions phased in through 2029. Platform workers born on or after January 1, 1995, and their operators must contribute on net earnings, with support schemes for lower-income workers.

Additionally, the Supplementary Retirement Scheme (SRS) allows voluntary savings beyond CPF, with contribution caps of 15% of annual income for citizens and PRs, and 35% for expatriates, subject to CPF income ceilings. Tax relief is available for contributions, while non-residents face withholding tax on withdrawals.

Europe

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CYPRUS

Overview of Social Security Contributions in Cyprus

Cyprus' social security system provides benefits for unemployment, sickness, medical care, maternity, paternity (since August 1, 2017), retirement, disability, death, and other events. The system is funded by contributions from employers, insured persons, and the government.

Employees contribute 8.8% of their salary up to a monthly insurable ceiling of EUR 5,742 (increased from EUR 5,551) or an annual ceiling of EUR 68,904 (up from EUR 66,612) to the Social Insurance Fund. No employee contributions are required for the Redundancy Fund or Training Development Fund. Contributions to the Social Insurance Fund are deductible for income tax purposes.

Self-employed individuals must contribute 16.6% to the Social Insurance Fund, calculated on a notional income set by the Ministry of Labour and Social Securities, varying by trade or profession.

Expatriates are treated the same as Cypriot nationals, with tax treatment depending on residency and domicile status. Special provisions apply to individuals becoming residents for the first time.

GREECE

Overview of Social Security Contributions for Employees and Self-Employed in Greece

In Greece, both employers and employees contribute to the Social Insurance Institution EFKA. Employee contributions are withheld by employers and calculated on monthly gross remuneration, including salaries, bonuses, fringe benefits, and profit distributions.

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From January 1, 2025, employee contribution rates are 13.37% for both full-time and part-time white-collar workers, and 16.82% for full-time and part-time blue-collar workers. The monthly maximum remuneration subject to contributions is EUR 7,761.94 for 2026, with an annual ceiling of EUR 108,667.16. Contributions are fully deductible for income tax purposes.

Self-employed professionals, including freelancers and farmers, pay fixed bi-monthly contributions to EFKA, with six contribution categories ranging from EUR 250.77 to EUR 675.87 for freelancers and EUR 149.27 to EUR 404.81 for farmers in 2026. New freelancers pay a reduced annual contribution of EUR 150.46 for their first five years. An additional monthly lump sum of EUR 10 is payable by all insured persons.

Doctors and civil and mechanical engineers pay additional monthly contributions to ancillary and provident funds, with three contribution levels ranging from EUR 46.57 to EUR 66.88 for the ancillary fund and EUR 31.05 to EUR 44.18 for the provident fund.

ITALY

Italy Gazettes Law Decree Granting Social Security Contribution Exemptions to Eligible Employers

Italy has published Law Decree No. 62 of April 30, 2026, introducing temporary social security contribution exemptions for qualifying employers hiring permanent personnel in 2026.

Key measures include:

Employers hiring women on permanent contracts between January 1 and December 31, 2026, may receive a 100% exemption from social security contributions for up to 24 months, capped at EUR 650 per month per employee. The cap increases to EUR 800 for hires within the single special economic zone (ZES unica).

Employers hiring non-managerial staff under 35 on permanent contracts during the same period may benefit from a 100% exemption for up to 24 months, capped at EUR 500 per month per employee. The cap rises to EUR 650 for hires in Southern Italy and designated crisis areas.

Employers converting temporary contracts into permanent contracts between August 1 and December 31, 2026, may receive a 100% exemption for up to 24 months, capped at EUR 500 per month per employee, provided the temporary contracts were with persons under 35 concluded between January 1 and April 30, 2026.

The decree was published in Official Journal No. 99 on April 30, 2026.

EUROPEAN UNION

Member States Endorse Provisional Agreement on Social Security Rules for EU Mobile Workers

On April 29, 2026, the Council of the European Union announced that Member States confirmed a provisional agreement with the European Parliament on revising EU social security coordination rules for mobile workers.

Key provisions include:

Unemployed individuals seeking work in another EU Member State can claim unemployment benefits from their previous country for six months, extendable at the previous country's discretion. Workers employed or self-employed for at least 22 uninterrupted weeks in a Member State other than their residence may receive unemployment benefits from the last country of employment if eligible.

Clarification and coordination of long-term care benefits to support mobile workers needing care and their caregivers, with a review by the European Commission three years after implementation.

Prior notification requirements for home Member States when workers perform activities in other Member States, with exceptions for short-term activities.

Clear distinctions between monetary and other family benefits.

Economically inactive mobile persons are allowed to contribute to sickness coverage schemes.

Additional guidance for individuals working in multiple Member States to determine applicable legislation based on employer location.

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The European Commission praised the approval as a significant step toward fair labor mobility and highlighted strengthened cooperation and fraud definitions in social security coordination. The agreement awaits formal adoption after European Parliament endorsement.

SPAIN

Overview of Social Security Contributions for Employees and Self-Employed in Spain

In Spain, all resident employed and self-employed individuals must pay monthly social security contributions. The system includes a general contribution scheme and special schemes for groups such as agricultural workers, seamen, domestic servants, and self-employed individuals. Contributions are deductible for individual income tax purposes.

For employees under the general regime, social security contributions are based on professional categories with annual minimum and maximum thresholds. In 2026, the maximum monthly contribution base is EUR 5,101.20. Employee contribution rates are: 4.70% for general risks, 1.55% for unemployment insurance (applicable to permanent contracts), 0.10% for professional education and training, totaling 6.35%, plus an additional 0.15% for the Intergenerational Equity Mechanism.

Self-employed individuals contribute under a special regime, with rates applied to a contribution base determined by net income brackets. For 2026, self-employed contribution rates are: 28.3% for general risks, 1.3% for professional contingencies, 0.9% for cessation of activity, 0.1% for professional training, totaling 30.6%, plus 0.9% for the Intergenerational Equity Mechanism. The maximum monthly contribution base is EUR 5,101.20, with minimum bases varying by income.

Tax

04

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Asia-Pacific

AUSTRALIA

Budget 2026-2027 In Depth: Australia Introduces Tax Reforms Supporting Business Innovation and Growth in Budget 2026-2027

Australia's 2026–2027 Federal Budget proposes a suite of tax measures designed to bolster the country's innovation ecosystem, stimulate venture capital deployment and support business growth, with the broader objective of enhancing Australia's competitiveness for globally mobile investment.

A key element is the reintroduction of a corporate loss carry back regime from the 2026–2027 income year. Subject to existing integrity rules, eligible companies would be able to offset current year tax losses against taxable profits of the preceding two income years. In a further cash flow focused measure, from 2028–2029 qualifying early stage businesses would gain access to a refundable tax benefit linked to accumulated tax losses, aimed at easing financing constraints for start ups and high growth businesses.

The Budget also signals an expansion of Australia's venture capital concessions through amendments to the ESVCLP and VCLP regimes. These changes are intended to better reflect modern valuation dynamics and improve access to capital for innovative Australian companies, with additional detail expected following consultation.

Finally, reforms to the R&D tax incentive are proposed to apply from 1 July 2028, including increased support for core R&D spend, a higher refundable turnover threshold of AUD 50 million, and an increased expenditure cap of AUD 200 million, alongside tighter rules for supporting activities

America

USA

The tax treatment of tariff refunds for inventory

After a Supreme Court ruling that invalidated certain tariffs, companies are seeking refunds of duties paid on imported inventory. The tax treatment of these refunds depends on whether the refunded amounts relate to inventory already sold or still on hand when the refund is received. Typically, tariffs paid are capitalised into inventory costs and recovered through cost of goods sold when the goods are sold. If the refund relates to inventory already sold, the company has already received the tax benefit by deducting the tariff through cost of goods sold; under the tax benefit rule, the refund must be included in gross income in the year received. Case law, such as Hillsboro National Bank and Turtle Wax, supports this approach. Conversely, if inventory remains unsold when the refund is received, the refund reduces the inventory's basis and does not need to be recognised as gross income; instead, the company adjusts the inventory cost and future cost of goods sold accordingly.

Companies should track which inventory lots the refunds apply to, document their claims and coordinate tax and accounting treatment to ensure compliance and accurate financial reporting. They must also consider implications related to interest on overpaid tariffs, potential transfer-pricing effects when transactions occur between related parties, and state tax adjustments if tariffs were included in the sales tax base. It is essential to follow the correct refund procedure (for example, via the CAPE system) and to manage the accounting for the refund according to the inventory's status.

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MEXICO

SAT Implements New Substance-Based Tax Audit Plan

Mexico's tax authorities (SAT) have intensified their compliance approach, moving decisively from a form-driven model to a substance-over-form standard that requires taxpayers to demonstrate that transactions are real, business-driven, and effectively performed. This shift aligns with the government's enforcement "Master Plan" and is supported by stronger audit capabilities, expanded digital monitoring tools, and heightened scrutiny of simulated transactions and improper invoicing practices.

In practical terms, a CFDI (digital tax invoice) is no longer viewed as sufficient evidence on its own. During audits, the SAT increasingly treats the CFDI as proof that a document exists—not that the underlying supply or service actually occurred. Taxpayers seeking to sustain income tax deductions or VAT credits are expected to evidence materiality and business purpose through robust supporting files (e.g., purchase orders, correspondence, delivery records, warehouse logs, internal reports, third-party confirmations, and proof of operational capacity).

Mexico's updated CFDI rules introduced in 2026 reinforce this approach by requiring that invoices correspond to genuine transactions or legal acts; non-compliant receipts may be treated as false. The SAT may also conduct rapid, targeted on-site verifications and, where invoices are deemed false, suspend a taxpayer's ability to issue CFDIs—creating immediate operational disruption and potential criminal exposure.

Africa

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EGYPT

Egypt Updates Unified VAT Refund Procedures

Egypt has revised its unified VAT refund framework through a fourth addendum to Executive Instructions No. 90/2021, issued and effective on 5 May 2026 (and made publicly available on 14 May 2026). The addendum applies to all VAT refund units of the Egyptian Tax Authority (ETA) and refines the end to end process for filing, reviewing, verifying and finalizing refund claims.

A key change is the standardization of claim requirements from the outset: refund requests must relate to a defined tax period (or part thereof) and be supported by the prescribed documentation. Where a file is incomplete, the ETA must notify the taxpayer in writing and grant 10 business days to complete it; critically, the statutory processing period starts only once the full file is received. If a claim is rejected for non-completion, a new claim may be submitted within two months, provided complete documentation is supplied.

To reduce delays, the addendum introduces internal response deadlines (generally five business days for inter-departmental requests and replies) and expands electronic verification via integrated data and customs linkages. Additional, detailed rules address exporters' refunds, including production-formula methods, stock-based credit balances, and evidence of export proceeds.

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Europe

UK

What is the FIG Regime?

The Foreign Income and Gains (FIG) Regime, effective from April 6, 2025, replaces the UK's non-domicile framework and creates a residence based tax regime for internationally mobile individuals. Under FIG, individuals who have not been UK residents in any of the previous ten tax years and who become UK residents under the Statutory Residence Test may claim up to four years of full relief on qualifying foreign income and gains. Claims are not automatic: taxpayers must elect annually via self-assessment and may choose to apply relief selectively to specific categories of foreign income or gains. The four year relief period is consecutive; after it ends, worldwide income and gains are taxed on an arising basis.

Claiming FIG relief involves trade-offs: electors forgo the UK personal allowance for income tax and the capital gains tax annual exempt amount during their period of relief, which could be financially significant depending on individual circumstances. Running alongside FIG is the Temporary Repatriation Facility (TRF), a three year window (2025/26–2027/28) allowing former remittance basis users to bring pre 6 April 2025 foreign income or gains into the UK at reduced rates specific rates vary by year and require designation of historical funds.

The regime demands active planning: eligibility must be monitored, elections carefully timed, and the implications for personal allowances and reliefs evaluated. For those considering relocation to the UK, FIG offers potential tax advantages but also requires bespoke advice to balance short term benefits against longer term tax consequences.

PORTUGAL

CJEU clarifies the VAT regime for intra-group transfer pricing adjustments

In its judgment of 13 May 2026 in case C 603/24, the Court of Justice of the European Union (CJEU) held that intra group transfer pricing (TP) adjustments do not, in themselves, constitute taxable supplies of services for VAT purposes where they are merely a posteriori financial corrections aimed at aligning an entity's results with a group's target margin. The case arose from a preliminary reference by the Portuguese Supreme Administrative Court in the context of an extraordinary appeal, underscoring the court's readiness to seek CJEU guidance where EU law interpretation is decisive.

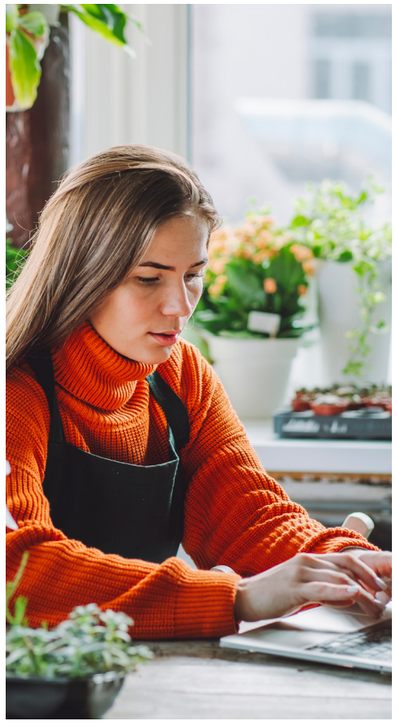
The CJEU reaffirmed that VAT applies only where there is (i) a legal relationship with reciprocal performance and (ii) a direct link between an identifiable service and the consideration received. On the facts, the TP adjustments reflected accounting regularizations and were not connected to any new or additional service rendered to a specific beneficiary; therefore, there was no consideration for an identifiable service and no taxable amount under the VAT Directive.

Practically, the decision enhances legal certainty by helping distinguish genuine intra group services (potentially VATable) from pure TP true ups (non VATable), reducing VAT controversy and compliance risk for multinational groups.

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AUSTRIA

Austria publishes draft EUR 2 Delivery Tax on distance sales

Austria has released a draft Delivery Tax Act that would introduce a new levy on e commerce parcel deliveries. If adopted, the regime would apply to deliveries where the tax arises after September 30, 2026, potentially adding a new cost component for large online retailers active in the Austrian market.

Under the proposal, a flat tax of EUR 2 would be charged per package and would be payable by the distance seller. The levy would apply to parcel deliveries in Austria linked to distance sales, broadly aligned with Austrian VAT and consumer protection concepts. The measure is clearly targeted: it would only capture sellers that exceeded EUR 100 million in Austrian distance sales revenue in the prior fiscal year.

The scope is wide and includes sales concluded outside physical stores, including transactions facilitated via online marketplaces (with revenues attributed to the underlying seller). Delivery is presumed to have occurred unless the seller proves otherwise, and the tax cannot be reversed after delivery, even if goods are later returned.

The tax would be triggered when payment is accepted, with quarterly filings, seven year record retention, and mandatory fiscal representation for non EU/EEA businesses. The draft is under consultation, with comments due by May 26, 2026.

SPAIN

The EU–Mercosur Agreement Enters into Provisional Application

The EU–Mercosur Interim Trade Agreement (covering Argentina, Brazil, Paraguay, and Uruguay) has been provisionally applied since May 1, 2026. This provisional application triggers immediate tariff reductions, creating meaningful opportunities for certain industries.

For European exporters, the agreement is particularly favorable for automotive and parts, machinery, chemicals and pharmaceuticals, and selected agri-food products such as wine, beverages, and olive oil—categories that have traditionally faced high duties in Mercosur markets. Conversely, Mercosur exports to the EU are expected to benefit mainly in agri-food, as well as in fisheries and key commodities (coffee and cocoa) and certain light manufactured goods (textiles, apparel, and footwear), often through tariff-rate quotas.

Companies should take prompt operational steps to capture preferences and manage compliance: EU exporters must use the REX system to issue origin declarations (unregistered exporters are limited to shipments up to €6,000), align invoice and commercial documentation wording with the agreement, and verify product-specific rules of origin while retaining supporting evidence for at least three years. Importers should update customs entries to claim preferences. Businesses should also revisit pre-May 1, 2026, contracts to reflect the new tariff environment and assess goods in transit or storage, as preferential treatment may be claimed within six months (until November 1, 2026) with the required origin and transport documentation.

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Social security and double taxation agreements

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BELGIUM-TURKIYE

Belgium and Türkiye Sign Agreement Amending Administrative Arrangement to Social Security Agreement

On May 14, 2026, Belgium and Türkiye signed an agreement in Ankara amending the administrative arrangement related to the implementation of the Belgium-Türkiye Social Security Agreement (2014). The original administrative arrangement was signed on March 2, 2016. This amendment aims to update and improve the cooperation framework between the two countries regarding social security coordination. Further developments will be reported as they occur.

ARGENTINA-SWITZERLAND

Argentine Senate Approves Social Security Agreement and Administrative Arrangement with Switzerland

On May 14, 2026, the Argentine Senate approved the Argentina-Switzerland Social Security Agreement (2024) along with its administrative arrangement. This agreement aims to coordinate social security rights and contributions between the two countries, facilitating protection and benefits for workers moving between Argentina and Switzerland. Further developments will be reported as they occur.

ISLE OF MAN-UNITED KINGDOM

Isle of Man and United Kingdom Agree on Revision to Social Security Agreement

On May 18, 2026, the Isle of Man and the United Kingdom agreed on a revision to the Isle of Man-United Kingdom Social Security Agreement (1977), which was previously amended by protocols in 1989 and supplemented by an additional agreement in 2016. The revised agreement clarifies where workers and employers should pay their National Insurance contributions, ensuring alignment with the UK's social security agreements with Guernsey, Jersey, and other countries. Further developments will be reported as they occur.

AUSTRIA-KYRGYZSTAN

Austria and Kyrgyzstan Initial Social Security Agreement and Administrative Arrangement

On April 24, 2026, Austria and Kyrgyzstan reached consensus on the draft social security agreement and administrative arrangement following a successful second round of negotiations held in Bishkek from April 21 to 24, 2026. This initial agreement aims to coordinate social security rights and contributions between the two countries, facilitating protection and benefits for workers moving between Austria and Kyrgyzstan. Further developments will be reported as they occur.

The treaty texts will be published in the Treaties collection on IBFD's Tax Research Platform as they become available.

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