Private Wealth Newsletter 2025

Second Edition

TAX FROM EVERY ANGLE

Editors' note

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As we enter the summer we would like to take this opportunity to thank our readers and clients for their support and engagement and provide you with some holiday reading.

Our PWN meets series continues with an interview with Matthew Dening, our Global Chair of Banking & Finance and a member of our Global Management Committee. Matthew draws out the important themes of cybersecurity, that Marnin Michaels explores in our lead article, as well as the demand for succession and governance structures that we continue to see with the great wealth transition.

In this edition, we feature articles from Marnin on what road safety can teach us about cybersecurity and on the impact of AI on living wills and healthcare proxies. These articles explore the benefits and risks of using technology, and how we can safeguard our data and decision-making processes when using technology to help us.

We then move on to consider reforms to carried interest regimes for private equity executives across Europe and the US, considering (among other changes) the recent reforms announced by the Labour Party in the UK and recently rulings in Spain clarifying where their carried interest regime applies.

Continuing with Spain, this edition considers how high net worth individuals relocating to Spain can navigate the Beckham regime. We also consider changes to Spain's real estate taxation system both nationally and in Catalonia.

Our UAE team then considers the new guidance on the tax treatment of family foundations and the conditions that foundations will need to meet to achieve fiscal transparency.

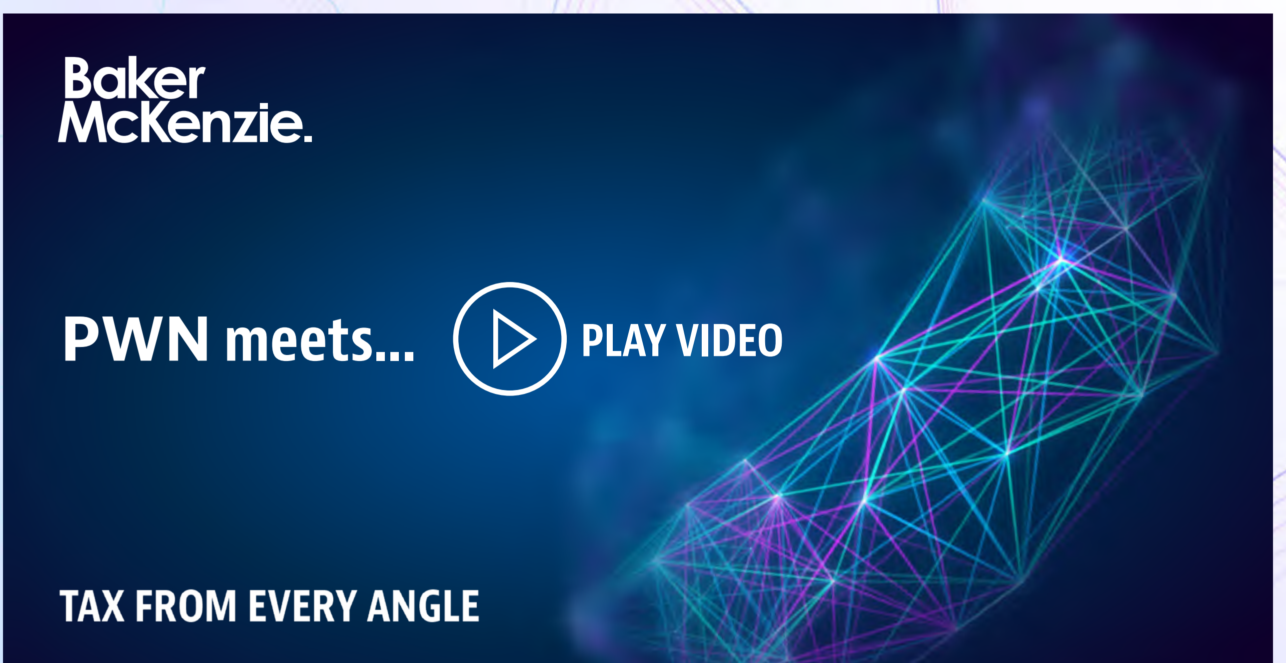
As we go to press, President Trump has successfully taken his One Big Beautiful Bill over the finish line signing it into law on 4 July 2025. The Bill increases and makes permanent the larger estate and gift tax exemption, as well as other measures implemented in President Trump's first term, but does not include the so-called "Revenge Tax". Other measures of interest to our readership will be the changes designed to address unintended consequences of "downward attribution" in the context of Controlled Foreign Corporations and the new "remittance tax" on certain payments by non-US citizens resident in the United States. Our Private Wealth team will be publishing more on this Bill and its implications in the coming weeks, though readers will already find links to some initial client alerts on the bill among other updates from across our offices in the Around the world section.

Contents

PWN meets...

In the latest instalment of our series of interviews, Matthew Dening talks to us about his experience of working at the Firm and involvement in Wealth Management.

Matthew Dening
Partner, Riyadh



Article

What road safety can teach us about cybersecurity

Cybercriminals are fond of entities with a particular asymmetry: assets and data in abundance and defences in deficit. In recent years, security attacks have become increasingly advanced, and commercial entities have achieved fair proficiency in defending their information in the cyberspace. However, private non-commercial entities with the same resources have not taken nearly the same precautions, resulting in underdeveloped cybersecurity protocols compared to the wealth they manage. Therefore, family offices and high-net-worth individuals (HNWIs) have become very attractive targets.

A significant aspect of this discrepancy concerns policy: large companies uphold cybersecurity regulations because they are mandatory. Governments understand that it is in their best interest to impose these regulations, not only because large sums of money flow out of the country when cyberattacks are regularly successful, but also because in times of geopolitical unrest, adversaries will often target critical infrastructure to undermine societies. One such protective measure is the 23 NYCRR Part 500 cybersecurity regulation, which was amended by the New York Department of Financial Services to require New York insurance companies, banks and other financial service institutions to adhere to several cybersecurity criteria. Among other things, these companies are required to conduct regular penetration testing and vulnerability assessments, implement technical and organisational security measures like encryption, MFA and limited access privileges, and they are required to give a 72-hour notice if a cybersecurity incident occurs. (BakerWorld, accessed 2025) In addition to financial services, similar rules are in place for companies that perform critical services, such as companies that operate chemical facilities, sustain wire or radio communications, or provide essential public health services.

Alternatively, family offices and HNWIs operate with less direct oversight and are not subject to the same regulations. The extent to which they protect their devices and accounts is a personal decision, which makes it susceptible to various oversights. For one, family offices hesitate to invest in security until they experience an incident firsthand. This results in 31% of offices not having a cyber incident response plan in place. (Deloitte, 2024) Moreover, cybersecurity protocols that are implemented often do not form one integrated system. These families will have multiple homes with different online security systems for each one, multiple cameras, devices and networks. A particularly lethal cyberattack can take place when the attacker incrementally gathers personal information, without being detected, and waits until a large transaction is due. Therefore, these isolated security features are especially dangerous because if one of these devices is attacked, the others will remain unaware and vulnerable. These weaknesses are transparently known. Deloitte's 2025 Family Office Security Report found that over the last 12 to 24 months, 43% of family offices globally experienced a cyberattack. Among the family offices which experienced a cyberattack, one-third suffered some form of loss or damage as a result. (Deloitte, 2024) These attacks threatened personal wealth, posed disruptions to data security and sowed social mistrust.

However, we cannot ignore the second non-digital side to these breaches. Granted, impaired cybersecurity allows hackers to accumulate the necessary information to deliver a personalised attack, but the decisive factor which makes the attack successful depends on human gullibility. Phishing — contacting someone via fraudulent email or message — makes up 93% of cybersecurity threats, and these messages exploit various human vulnerabilities to push for a financial transaction. (Deloitte, 2024) We know that the most consequential cases of phishing arise when overconfidence is paired with other inhibition-lowering emotions, for example, excitement. Luxury items and collectibles are often very expensive, but also very exciting purchases. The excitement around these purchases can be so great that one ignores things about the purchase that don't seem right. There seems to be a positive correlation between positive emotions and perceived security in judgments involving risk.

A study conducted by Lerner & Keltner in 2001 observed how happy participants expressed optimistic risk estimates, whereas fearful participants expressed risk-averse estimates. (Lerner and Keltner, 2001) In a similar 2007 study, Plassman, O'Doherty and Rangel found that financial risk is more likely to be endured when the product has the potential for pleasure. (Plassmann et al., 2007) In this study, MRI scans showed increased activity in reward centres — and decreased activity in risk-assessment centres — when subjects experienced positive emotions relating to the products that they were considering buying. At the 2025 Bloomberg Family Office summit, Crypto.com chief information security officer Jason Lau insisted that overconfidence was the single biggest cybersecurity threat for family offices. He assured the audience in a pithy aside: "Hackers — they don't really care about how smart you are — all they really care about is how unprepared you are." (Bloomberg Family Office Summit, 2025)

Any weakness in judgment, no matter how small, can be decisive, because hackers play the long game. Hackers will gather whatever information they can, and they will wait until a large purchase is made — a period of time known as the dwell time — so any kind of data leak, any number of years ago is significant. Knowing when and what kind of transaction is being made, they can swoop in with all the right information at the critical moment. The 2020 boom in e-commerce made this swooping very easy, since moving large sums of money online became commonplace. The fastest growing market in e-commerce fraud is collectibles, which experienced a 106% surge in 2024, closely followed by the 104% surge in luxury goods. (CropInk, 2025) These are not surprising epicentres of e-commerce fraud. Luxury goods are especially lucrative targets, and their online presence is growing quickly. About two-fifths of the global luxury goods market is currently generated via online channels, (Statista, 2025) and the DHL report predicts luxury e-commerce sales to reach USD 65 billion by 2025. (DHL Customer Solutions & Innovation, 2024)

Our challenge is delicate: we want cybersecurity systems to be seamlessly operable by citizens, but sternly resistant to their cognitive weaknesses. Thankfully, this is not the first time we have tried to converge human impulses, assumptions and biases with a technological or mechanical interface. A common example is managing traffic in urban areas. Let us briefly assume that both the human and machine fronts of the equation are perfectly optimised. On the human front, our drivers are physically sound — having stellar vision, good reflexes, showing no propensity for seizures or any other uncontrollable bursts of movement — and they are mentally sound — able to exert reasonable judgment on various situations, and not under the influence of drugs or alcohol. On the mechanical front, our car components, like the brakes, wheels and engine, are all sound and responsive. Two interesting questions ensue. How do we combine these two robust systems of human and machine intelligence to form one capable unit? And how do we move this unit quickly and safely from location A to B?

We can liken this integration problem to human users and digital security. How do we model user interface so that a person and their device forms one capable unit? This has been paid enough attention since Donald Norman coined the term user experience design in the early 1990s. More interestingly, assuming that the HNWI is optimally informed and that their accounts are optimally armed against cyberattacks, how do we design the cyberspace so that this unit can perform transactions, share information and communicate with other such units, in a fast and safe manner? Our most persistent cybersecurity gaps cannot be addressed by simply improving data protection code or telling people to be more careful.

The digital face of cybersecurity is already a robust dance. Cryptographers are constantly devising new ways to safely encrypt and decrypt information, and these algorithms are consistently getting bypassed by hackers.

As technology progresses, both parties are in the business of outpacing each other. Additionally, we need to rid ourselves of the illusion that maximally warning people about the presence of hackers will proof the cyberspace the way we hope it might. No amount of repetition will correct the years of evolutionary biology that led us to make decisions the way we do. We survived because these shortcuts persisted; it was the only way to sort through a large number of stimuli without getting overwhelmed. Without them, we would stand frozen — cataloguing, appraising and calibrating — and timely action would be no longer in question. (Cialdini, 2025) We must treat our propensity for making emotion-fuelled decisions as a design gap and integrate it into our cyberspace. This is the only way to close the difference between our judgment of best action and the actual safest action.

Some cities have carefully designed the movement of traffic in urban areas. They have considered the design of road demarcations in their thickness and colour, the shape of junctions, the obstacles in the road and so on. Urban planners did this in the Netherlands by establishing different stylistic categories of roads, according to their different speed limits, an idea which they referred to as self-explaining roads. (Zhou et al., 2021) However, the most compelling insight when it comes to mapping road safety onto digital safety might be this: the greatest strides were made by designing roads to appear **more dangerous** than they actually are. Automobile safety researchers found that when traffic junctions look more complicated, drivers take more caution, and the safety of the junction is improved. (Adams, 2001) Interestingly, a traffic junction which is actually difficult, one in which several close calls occur, will make the surrounding junctions safer, because drivers tend to be more careful having exited that junction. This effect is so significant, that making one dangerous junction safer will increase the safety of that particular junction; however, the accident rate in the area will, over time, return to original levels, because the danger of surrounding junctions will slightly increase. (Adams, 2001)

Omitting pedestrian lights at crossings forces drivers to slow down and look for people looking to cross the road. Similarly counterintuitive, obstacles can be very beneficial — a wide, flat unobstructed road will often tempt drivers to break the speed limit.

If we are successful in designing our roads well, the first instinct of the physically and mentally sound person should generate a productive response in the machine and a safe manoeuvre on the road. If we are successful in designing our cyberspace well, we can create a similar compatibility between sane instinct and productive action. If we cannot get rid of our cognitive shortcuts, we must find a way to make the security landscape intuitive for them, or very, very unintuitive when needed.

This orientation has the potential to vastly aid family offices and HNWIs who are not subject to firmwide digital security training to catch up to their commercial counterparts. More significantly, it has the potential to help the cybersecurity aware individual who is still getting caught off guard in meticulously prepared, stunningly executed phishing attacks. It is an orientation which addresses the fundamental cultural weakness Hannah Arendt established in "Eichmann in Jerusalem: A Report on the Banality of Evil". Everyone thinks that they will recognise evil when they encounter it, but Arendt explained how evil can be ordinary in appearance, and how it can lack the dramatic, villainous traits we expect it to have. Everyone thinks that they will recognise fraud when they encounter it, but in truth it will not be obviously sly or monstrous, it will be mundane and "banal", yet dangerous all the same.

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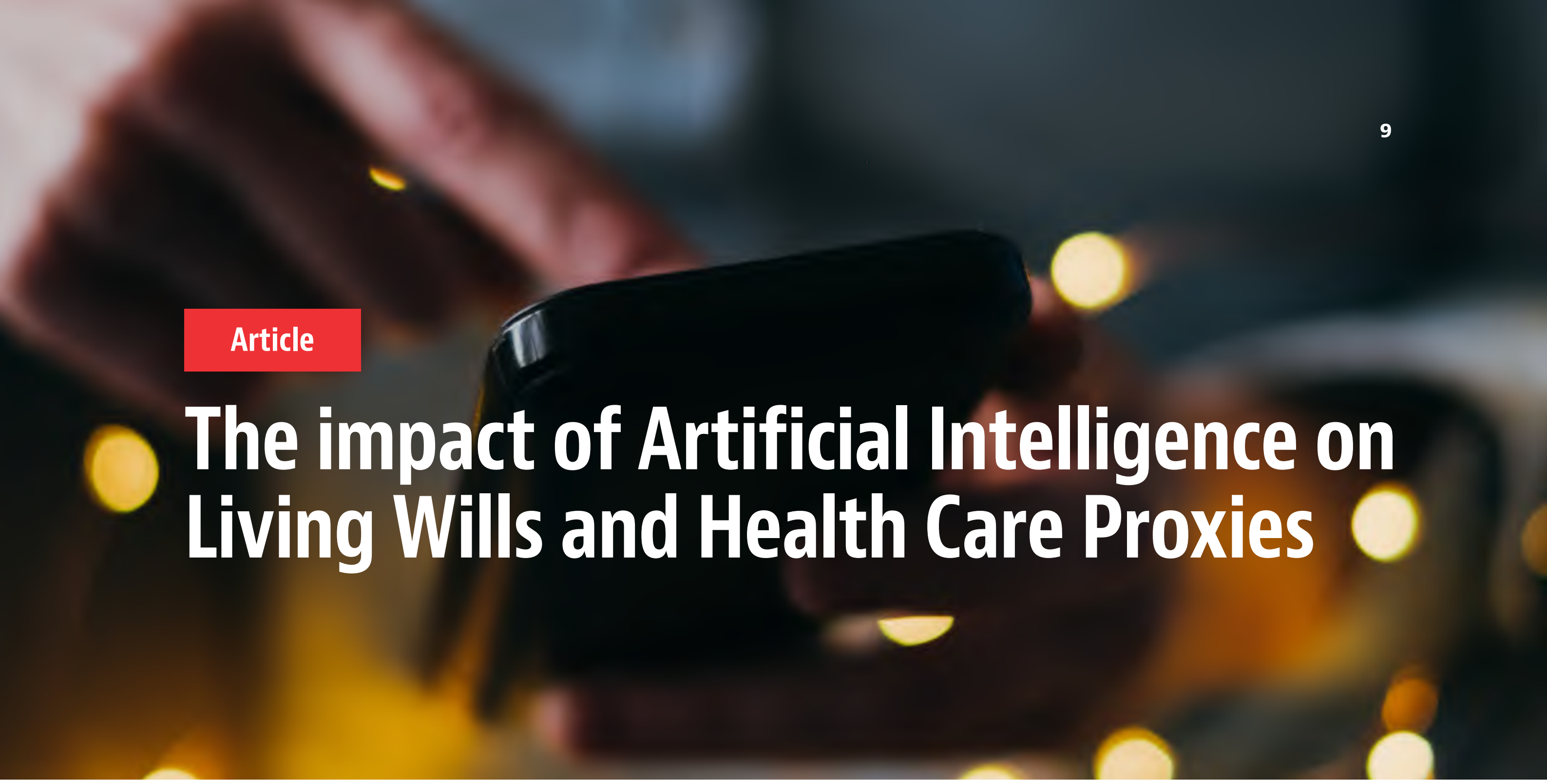

Article

The impact of Artificial Intelligence on Living Wills and Health Care Proxies

Artificial intelligence (AI) is starting to affect everything we do. Sometimes I dictate random thoughts and the AI is able to take the thoughts and turn them into an article. One area I have been playing with is how AI can influence directions given to individuals on their health care decisions delegated to others. Specifically, I have been thinking about how AI intersects with health care directives (living wills), do not resuscitate orders (DNRs) and health care proxies (HCPs).

Living wills, DNRs and HCPs are crucial documents that ensure patients' preferences and decisions are respected when they are unable to voice them themselves, based on known thinking at that time. This article explores the impact that AI will have on the creation and use of these vital documents.

Understanding living wills, DNRs and HCPs

Before delving into the impact of AI, it is essential to have a clear understanding of these documents.

Living wills

A living will is a document that outlines a person's wishes regarding medical treatment in situations where they are no longer able to communicate their decisions. It typically includes preferences about life-sustaining treatments, resuscitation and pain management.

DNRs

DNR orders are medical directives written by individuals to indicate that they do not wish to receive cardiopulmonary resuscitation (CPR) or advanced life-support measures if their heart stops or if they stop breathing. DNR orders are typically discussed with healthcare providers and documented in medical records to guide healthcare professionals during emergencies.

HCPs

A health care proxy, also known as a durable power of attorney for health care, is a document that designates an individual to make medical decisions on behalf of the incapacitated person. In theory, the appointed proxy is responsible for ensuring that the patient's wishes are followed. However, in practice, the appointed proxy usually makes the decisions based on their own judgment.

Artificial intelligence in health care decision-making

One of the advantages of AI in general, and its use in health care in particular, is its ability to process vast amounts of data quickly and accurately. In the context of living wills and health care proxies, AI algorithms can analyze patients' medical histories, treatment preferences and other relevant data to provide healthcare professionals with insight that may otherwise be difficult to ascertain. This enhanced accuracy ensures that medical decisions are made promptly and correctly, reducing the risk of errors and misunderstandings.

Personalized medical decision-making

AI's ability to personalize medical decision-making will have a significant impact on living wills, DNRs and HCPs. By analyzing individual patient data, AI can tailor recommendations to suit the unique needs and preferences of each patient when the patient cannot make the decision themselves. In other words, it can "help read the mind of a person when they cannot speak their mind." The hope is that this level of personalization ensures that the medical treatments and interventions align closely with the patient's values and beliefs, leading to more patient-centered care. The challenge is that any wishes captured are based on peoples' understanding of the science of medicine and the diagnostic abilities at that time.

Let's take the following example: I have a DNR saying no measures should be taken if I am in a permanent vegetative state. However, when I signed that DNR, I didn't know of the new technology that can clone healthy brain cells. How can my wishes from a time when the technology was unknown be fed to AI to make a decision in the present?

Predictive analytics for proactive care

AI-powered analytics can anticipate potential health issues and complications based on patients' medical histories and current conditions in ways that individual medical practitioners cannot. In the context of living wills, DNRs and HCPs, AI can either help or hurt the "correct" decision being made based on then-known care.

As an example, if a health care decision is driven by religious views, and the documents do not explicitly state the thinking behind the decision, the AI algorithm may get the answer very wrong. In contrast, if what is driving the decision is avoiding routing out a family's finances, AI may actually help make the right decision.

Challenges and ethical considerations

The integration of AI in health care decision-making raises significant concerns about data privacy and security. Living wills, DNRs and HCPs may involve sensitive personal information, and safeguarding this data is paramount. Healthcare institutions and AI developers must implement robust security measures to protect patient data from breaches and unauthorized access.

Human-AI collaboration

While AI can significantly enhance health care decision-making, the collaboration between human healthcare providers and AI systems is critical. The role of health care proxies remains indispensable, as they provide the human touch and emotional support that AI cannot replicate. Striking the right balance between AI-driven insights and human judgment ensures comprehensive and compassionate patient care. What I see as most helpful is the predictive analysis AI may contribute.

In palliative care settings, where patients' preferences are of utmost importance, AI has demonstrated its potential to personalize treatment plans. By analyzing patient data, AI systems can recommend pain-management strategies, end-of-life care options, and other interventions that align with patients' living wills and HCPs. This personalized approach enhances patients' comfort and dignity during their final stages of life. This can be quite beneficial where technologies never imagined are available.

Streamlining emergency decision-making

AI's ability to process information rapidly is particularly invaluable in emergency situations. When patients arrive at emergency departments incapacitated, AI can quickly access and analyze their living wills, DNRs and HCPs to guide medical teams in making swift and accurate decisions. This streamlined approach ensures that patients receive appropriate care in critical moments.

Improving communication with health care proxies

AI-driven communication tools can facilitate better interactions between healthcare providers and health care proxies. By providing clear and concise summaries of patients' medical conditions and treatment options, AI can empower proxies to make informed decisions that align with patients' wishes. This improved communication fosters trust and collaboration between all parties involved.

Integration with electronic health records

The integration of AI with electronic health records (EHRs) can streamline the management of living wills, DNRs and HCPs. AI systems can automatically update and retrieve relevant information from EHRs, ensuring that healthcare providers have access to the latest patient data. This seamless integration enhances the efficiency and accuracy of medical decision-making.

Conclusion

The impact of AI on living wills, DNRs and HCPs is revolutionary. AI's ability to process vast amounts of data, provide predictive analytics and personalize care ensures that patients' preferences and wishes are respected, even when they are unable to communicate them. However, the integration of AI in health care also presents challenges related to data privacy, ethical considerations and human-AI collaboration. If used correctly, AI can be a powerful tool to "read your mind" when you cannot speak.

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Article

International carried interest tax reforms: overview for private equity executives - update Q1 2025

In brief

Carried interest, a form of performance-related compensation for private equity managers, has been a contentious point of discussion in tax policy across various jurisdictions. Changing political landscapes and worsening economic climates have put carried interest regimes and private equity under significant pressure. Some governments are seeking to cut back on favourable regimes for carried interest and private equity funds. Thus, governments are increasingly scrutinising these types of regimes, viewing them as overly favourable compared to regular employment income. In response to these pressures, several countries are considering measures to reduce the preferential tax treatment of carried interest. These changes could significantly impact fund managers and private equity executives, potentially reducing their net compensation and altering the attractiveness of private equity as a career.

This updated article delves into specific developments in the US, the UK, France, Spain, Switzerland, Luxembourg and the Netherlands, providing a comparative analysis of how each jurisdiction is addressing the issue. By examining these aspects, the article aims to provide a comprehensive overview of the current state and future direction of carried interest taxation in these key regions.

Key takeaways

With the changing geopolitical and economic climate, some (but not all) governments are looking to scale back on favourable regimes designed to attract talent and investors, aiming to balance fairness through taxation. Private equity as an industry is seen as a source of significant income for governments and is, therefore, often scrutinised in this respect as well.

An emerging trend in various countries shows governments seeking to increase taxation on high-earning individuals. This is done by implementing laws that generally target high-earning or high-net-worth individuals. France, for example, implemented this via its Finance Bill for 2025. Additionally, certain countries are enacting legislation specifically targeting common forms of remuneration in the private equity sector, such as carried interest, by increasing the tax burden. Among other things, this can be done by taxing carried interest at the same rates as employment income, instead of as capital gains. The Dutch, US and UK governments are currently researching the feasibility of these initiatives, whereas Spain has recently undergone such a process already (although a preferential tax treatment may still apply in specific cases there).

We note that the actual implementation of these initiatives may be quite uncertain, as they are often subject to heavy criticism. Among others, this can be due to the effects that any amendments may have on the economic attractiveness of a country, the current political uncertainty in certain jurisdictions, etc. However, despite this uncertainty of implementation, it still pays to be mindful of the current geopolitical and economic climate when planning private equity remuneration. After all, future changes to current legal frameworks may have a significant (fiscal and financial) impact on this remuneration.

These developments highlight the need for coordinated advice to ensure tax-efficient and legally compliant solutions for the US and European private equity markets alike. If there are any substantial legislative changes affecting the taxation of remuneration, we recommend contacting your regular Baker McKenzie adviser to address potential risks. Fund managers and executives

who are internationally mobile may consider relocating to regions with more favourable tax regimes, for example. Furthermore, accelerating or restructuring carried interest payouts may be considered, to "lock in" the current tax treatment before any new legislation takes effect. Additionally, it may be prudent to reconsider future compensation strategies if these legislative changes are adopted, if this is feasible under the applicable laws.

If you have any questions about how these developments may affect your organisation, please feel free to reach out to the Baker McKenzie expert for your country, as listed under the respective country's paragraph.

Tax treatment and developments by country

1. US

Current tax treatment

In the US, "carried interest" refers to a profits interest in a partnership granted to the manager of an investment fund in exchange for services. The manager generally receives a separate management fee as compensation (i.e., ordinary income), but the carried interest is generally taxed as capital gain at a 20% rate, the top rate applicable to long-term capital gains. Long-term capital gains treatment applies only to the carried interest held for more than three years. From 1 January 2018, sales of this carried interest (or the fund's underlying property) before the end of the three years result in tax at ordinary income rates. Until the end of 2025, the top tax rate on ordinary income (e.g., earned income) is 37%, which is scheduled to rise to 39.6% when certain Tax Cuts and Jobs Act (TCJA) provisions expire, although the current administration has indicated that it hopes to extend the current rate. Both short- and long-term capital gains are subject to the net investment income tax of 3.8% as well.

Recent developments

Over the years, members of Congress have drafted numerous bills attempting to ignore the form of the profits interest in order to treat income with respect to carried interest as compensation taxed as ordinary income. As mentioned above, the TCJA extended the minimum holding period for "applicable partnership interests" to receive long-term capital gain treatment to three years by adding a provision to the Internal Revenue Code (Section 1061) that recharacterises gain from sales with shorter holding periods as short-term capital gain (which is taxed at ordinary income rates). The three-year holding period applies to both a sale of the applicable partnership interest and a sale of the underlying partnership assets. The effects of this change are generally limited to carried interest of private equity or hedge funds that hold assets for a short period, and it allows for different tax treatment for managers of funds holding real estate and other longer-term investments. Legislative attempts to extend the holding period to five years have historically failed, but recent statements from President Trump have created doubt about the stability of carried interest treatment moving forward.

Unsatisfied with the tax-rate disparity that remains between many carried interest holders and employees, members of Congress continue to introduce versions of familiar bills that, if enacted, would tax some or all of carried interest as ordinary income or **treat the granting of a carried interest as a subsidised loan**. Congressional Democrats have already reintroduced the Carried Interest Fairness Act of 2025 (S. 445, H.R. 1091), which proposes to add a new section to the Internal Revenue Code that recharacterises as ordinary income any net long-term capital gain allocated with respect to an "investment services partnership interest". Related capital losses would be recharacterised as ordinary losses to offset this ordinary income (but the amount treated as ordinary loss would be limited to the amount of recharacterised gain). In addition, gain upon the disposition of an "investment services partnership interest" or with respect to the distribution of partnership property to a holder of an "investment services partnership interest" would also be recharacterised as ordinary income.

Recently, President Trump has expressed support for ending the preferential treatment of carried interest. The Trump administration and Congressional Republicans are laser focused on passing a budget reconciliation bill that would extend the 2017 TCJA and deliver on some of Trump's campaign promises to individual taxpayers, e.g., no tax on tips, overtime and social security. To do so, the bill must be "paid for" with revenue raising legislation. President Trump has voiced his support for including language similar to that referenced above to partially offset the more than USD 4 trillion bill by approximately USD 100 billion over the 10-year budget window.

2. UK

Current tax treatment

In the UK, carried interest that arises from a long-term investment activity is typically subject to capital gains tax where certain conditions are met, with rates at 18% for basic-rate taxpayers and 28% for higher-rate taxpayers (although if the nature of the underlying return that gives rise to carried interest is income, the effective rate of tax could be as high as 45%). There are separate rules for income-based carried interest, which can attract tax rates of up to 47% (including Class 4 National Insurance contributions). Broadly, carried interest is income-based carried interest if the average holding period for the investment is less than 36 months (and for carried interest with average investment-holding periods between 36 and 40 months, a proportion of the carried interest will be subject to income tax and Class 4 National Insurance contributions). To the extent that carried interest arises for employment-related securities, it is outside the scope of the income-based carried interest rules, and this has been a particularly important exclusion for many private credit funds.

In the UK, it is the capital gains tax treatment of carried interest for fund managers and private equity executives that has recently sparked considerable debate. Before the general election on 4 July 2024, the Labour Party was clear that it was committed to reforming the rules with promises to "close the loophole".

Recent developments

Following the general election, the new Labour government was quick to act on its manifesto promise and published a call for evidence on 29 July 2024. The call for evidence confirmed the government's intention to reform the tax treatment of carried interest and sought input from stakeholders on a number of areas. In response to concern raised in the industry, the government emphasised that it would:

> ... seek to protect the United Kingdom's position as a world-leading asset management hub, recognising that the sector channels vital investment across the UK and will play an important role in this government's mission to boost economic growth.

Following this engagement with stakeholders over the summer of 2024, the chancellor announced a package of reforms to the taxation of carried interest in the autumn budget 2024. First, as an interim measure, the existing capital gains tax rates of 18% and 28% that apply to carried interest were consolidated into a single rate of 32%, effective 6 April 2025. Income-based carried interest will continue to be taxed at the current income tax rates.

This will be followed by further reform pursuant to which the government intends to bring the taxation of carried interest into the income tax framework, with all carried interest treated as trading profits and subject to income tax (which has a top rate of 45% for additional rate taxpayers) and Class 4 National Insurance contributions, from 6 April 2026. A 72.5% multiplier will be applied to "qualifying carried interest" to reduce the amount subject to the marginal income tax rate. Assuming that the individual is a 45% taxpayer, this means that the effective tax rate (including Class 4 National Insurance contributions) will be in the region of 34%. The government is considering introducing further qualifying conditions, in addition to those that already exist within the income-based carried interest legislation, to access the qualifying carried interest regime. These were the subject of a further consultation, which closed on 31 January 2025. Two of these potential conditions are a minimum co-investment threshold and a qualifying holding period for the carried interest.

The government has acknowledged concerns on the proposed changes raised by the industry, including by private credit funds. For example, it has recognised that private credit funds typically have a holding period of less than 40 months, and they have relied on the exclusion from the income-based carried interest rules for employment-related securities. The government acknowledges that the removal of this exclusion could have a disproportionate impact. Encouragingly, it has indicated that it will work with stakeholders to consider suitable amendments to the rules to ensure that they work appropriately for private credit funds, while ensuring the income-based carried interest rules limit qualifying carried interest treatment to funds engaged in long-term investment activity.

A response to the consultation has not yet been published, but the government has said that views expressed by stakeholders will feed into considerations on whether to proceed with introducing new qualifying conditions and the design of any such conditions. The government plans to establish a working group with stakeholders to explore points of technical detail in connection with the proposed reform ahead of publishing draft legislation for technical consultation later in 2025.

3. The Netherlands

Current tax treatment

The Dutch lucrative interest scheme aims to tax the income from carried interest structures, which are commonly used for investment managers. A lucrative interest is defined as shares, receivables or similar entitlements, including debts for which a future waiver can be expected (under certain conditions), if it can reasonably be assumed that one of the purposes of these items is to remunerate the taxpayers' (employment) activities. Indications for this purpose may be the existence of special conditions or (leaver) provisions, or the fact that the return on the interest depends on certain management or shareholder objectives, e.g. IRR, profit or turnover. The legal text of the lucrative interest scheme only focuses on the following:

1. Those classes of shares that are subordinated to other classes of shares, and constitute less than 10% of the total share capital;
2. Those classes of shares with a preference percentage of at least 15%; and
3. Certain loans/receivables and rights similar to the aforementioned shares and loans/receivables

However, the explanatory notes to the lucrative interest scheme are much more elaborate. They clarify that the lucrative interest scheme aims to tax any and all income or gains arising from lucrative interests, which, according to the notes, may cover common management participation plan instruments, including leveraged structures, (cumulative) preference shares and ratchet shares (both ordinary and reverse ratchets).

Based on the lucrative interest scheme, all income and gains derived from lucrative interests (i.e. typically dividends and alienation proceeds) are taxed at the progressive tax rates of "Box 1" (on income from work and the private abode), with a maximum of 49.5% (for 2025). However, if the interests are held through a holding company of which the beneficiary is a substantial interest holder, the Dutch personal income tax may (under conditions) be levied at the lower progressive rates that apply to "Box 2" (on income from substantial shareholdings), i.e. up to 31% (for 2025). To qualify as a substantial interest holder of the holding company, the beneficiary should own, or be entitled to purchase, 5% or more of the capital issued on a class of shares of the holding company.

If a holding company is used, careful structuring may be required to ensure application of the Dutch participation exemption for corporate tax purposes. Without the participation exemption, the combined corporate tax and income tax rate may be less favourable. The personal holding company will have to make a (taxable) distribution of at least 95% of the benefits under the lucrative interest plan to the participants. Please note that any benefit that occurs **when entering into** the lucrative interest structure (e.g. shares acquired for less than the fair market value) may still be taxed at the progressive "Box 1" rates with a maximum of 49.5% (for 2025).

Recent developments

The Dutch lucrative interest regime has remained relatively stable since its introduction in 2009. However, the past few years have seen some movement in this area. In April 2024, for example, the Dutch House of Representatives adopted a motion proposing an important change to the lucrative interest regime. This motion aimed to adjust the regime so that managers in the private equity sector would always be taxed at the progressive "Box 1" rates with a maximum of 49.5% (for 2025), without the tax-mitigating measure via a holding company as explained above. This would significantly increase the tax burden for certain private equity executives making use of this structure. The motion explicitly mentions "carried interest", but seems designed to bring about a broader adjustment of the lucrative interest regime.

In the 2024 Spring Memorandum, the then Secretary of State for Finance indicated that the lucrative interest regime would be investigated further, with findings to be reported to the House of Representatives by the summer of 2024. This investigation was ultimately published in February 2025 and indicated that the current rules and regulations are comparable to those of other countries from a tax-burden perspective. Additionally, the investigation noted that other alternatives are not necessarily easier to implement and to execute administratively. The investigation advised against making significant changes to the lucrative interest regime until the current uncertainty regarding the Dutch "Box 3" tax (on income from savings and investments) has been resolved.

Meanwhile, the Dutch government has opened an online consultation to gather public opinion on two proposed alternatives to the current lucrative interest rules. The first alternative is to classify lucrative interests as either "taxable wages" or "taxable result from other activities" under "Box 1". The second alternative is to classify lucrative interests under "Box 2", under application of a multiplier, leading to a higher specific tax rate in "Box 2" for income from lucrative interests. Please note that it is still uncertain whether these plans will actually be implemented. Still, it is important to stay informed of these developments, since any adjustments to the Dutch lucrative interest regime could make existing private equity-related remuneration instruments (significantly) less attractive.

4. Spain

Current tax treatment

The tax treatment of carried interest in Spain falls under the category of employment income within the scope of the personal income tax (PIT), which is taxed at a progressive tax rate of up to 47%. This rate is higher than the one applicable to other income, such as dividends or capital gains, which is taxed at a progressive rate up to 28% in FY 2024. From FY 2025 onwards, this progressive rate increases up to 30%. This treatment comes from the "start-up" law in force since January 2023. In practice, before January 2023, this characterisation was established in certain tax rulings, depending on the relationship between the payor and the recipient of the carry. Specifically, the PIT does not refer to carried interest but to income ("economic rights") directly or indirectly resulting from the investment in certain entities. The current regime foresees that only 50% of the carried interest should be integrated into the taxable base of the taxpayer, if certain requirements are met, as follows:

1. These economic rights must be obtained from closed-end alternative investment funds (AIF Directive 2011/61/EU) and derived from activities as managers or employees of the managing entity or another entity within the same group.
2. Other investors must obtain a minimum return defined in the entity's bylaws (i.e. a waterfall of returns to the investors is required).
3. Such economic rights should be maintained for a minimum period of five years, unless they are transferred upon death, liquidated early or rendered ineffective due to a change in the management entity.
4. These economic rights cannot originate from an entity resident in a tax haven.

Failure to meet any of the above requirements implies that the entire income (100%) should be integrated into the taxable base of the taxpayer.

Recent developments

Two recent rulings from the Spanish General Directorate of Taxes (DGT), published on 31 July 2023 and 7 November 2024, clarified certain scenarios in which the regime will also apply.

On the one hand, they confirmed that the regime is also applicable to foreign venture capital entities if they meet the characteristics set out in the Spanish Venture Capital Entities Act. This inclusion is significant as it broadens the scope of the carried interest special regime, although it is highly recommended to review each case individually as it might not fit within the scope.

On the other hand, the DGT confirmed that the carried interest regime can also apply to bonuses or incentives received by employees and managers of the managing entity. This income is considered part of the carried interest, if all other requirements for its application are met.

Finally, these rulings determined that administrators, managers or employees of the entities covered by the regime who receive bonuses or incentives linked to carried interest, can also apply the new regime, even if the income is received after they have ceased their activities.

5. Belgium

Current tax treatment

Under the current tax regime, carried interest can be taxed as either capital gains or professional income, depending on the specific circumstances. It is subject to a 30% tax rate (plus communal surcharges at an average of 7%) if treated as taxable capital gains, while it could also be considered to qualify as a non-taxable capital gain. However, if it is considered professional income, the benefit will in principle be subject to a 50% income tax rate (plus communal surcharges at an average of 7%). In practice, we see that in the case of an audit, taxpayers try to enter into a settlement considering the 33% tax rate.

Recent developments

In light of the government formation, it was agreed that a specific tax framework on carried interest will be put in place. To incentivise investments in Belgian funds, this regime will be competitive with what applies in neighbouring countries. In this regard, a flat tax rate of 30% will apply on moveable income. Existing plans will not be impacted.

6. France

The carried interest regime, subject to the fulfilment of specific conditions, allows directors and fund managers investing in these funds to benefit from a single flat rate withholding tax (at the rate of 30%, including income tax at the rate of 12.8% and social security contributions at the rate of 17.2%).

To qualify for capital gains tax treatment, directors or managers working in these companies or funds must receive fair remuneration for their employment contract or corporate mandate, and have subscribed to, or acquired, the units or shares at a price corresponding to their value (which excludes bonus issues). Carried interest units or shares must be identified as such, represent a long-term investment and account for the following:

1. At least 1% of the total amount of subscriptions in the structure (fund or company) that is less than or equal to one EUR 1 billion; or
2. At least 0.5% of the total amount of subscriptions in the structure exceeding EUR 1 billion.

Under certain conditions, this minimum holding percentage is lowered to 0.25% for structures investing in innovative companies or SMEs. In practice, carried interest securities cannot be distributed to beneficiaries before five years have elapsed.

Failure to meet these requirements results in reclassifying income or gains from the carried interest shares as employment income. This income is then subject to a progressive tax rate of up to 45% and a specific employee social security contribution of 30% for the carry holder.

Recent developments

The French Finance Act for 2025 (Law No. 2025-127 of 14 February 2025) does not introduce any new measures specific to the carried interest regime. However, the law provides for a differential contribution applicable to certain taxpayers receiving high income, to establish a minimum taxation rate of 20% on the high income received by taxpayers. If the total amount of income tax and exceptional contribution on high income results in an effective taxation rate below 20% (based on the taxable reference income that is adjusted), the differential contribution will apply to reach this 20% tax threshold. At this stage, the differential contribution is intended to apply only to income received in 2025.

7. Switzerland

Current tax treatment

Switzerland does not have a carried interest regime or preferential tax treatment for carried interest. However, this disadvantage can be mitigated by properly structuring the fund and fund management activities and obtaining a tax ruling from the relevant tax authority.

Swiss income taxation of carried interest depends on the legal form of the Swiss-based fund manager and the structure of the collective investment scheme. Income from fund management will be treated as self-employment income in the hands of a Swiss resident individual, and as taxable profit in the hands of a Swiss resident corporation. However, if Swiss resident fund managers employed by the fund management company hold their own units in the collective investment scheme (if they invest on the same terms as third-party investors) or participations in the fund management company, these units and participations may qualify as private assets. In that case, the capital gains realised upon the sale of these units and participations would qualify as tax-free private capital gains.

In addition, given the very low tax rates in some Swiss cantons and municipalities (with income tax rates in the highest bracket as low as approximately 20.2%, and corporate income tax rates as low as approximately 11.3%), the ordinary tax rules may already provide an attractive tax environment for fund managers and fund management companies.

Recent developments

Switzerland remains a stable and attractive market for private equity investments, with no changes expected for carried interest. The country's robust legal framework, favourable tax environment and strong financial infrastructure continue to make it an appealing destination for investors. Switzerland's commitment to maintaining a stable and predictable investment climate ensures that it remains an attractive choice for private equity firms seeking reliable opportunities.

8. Luxembourg

Current tax treatment

Luxembourg offers an attractive toolbox and significant flexibility for structuring private equity transactions. Carried interest can be structured in many different ways. In practice, various vehicles, such as special limited partnerships and unregulated SOPARFIs, are commonly used for carried interest vehicles or co-investment structures. The tax treatment resulting from that varies significantly depending on how carried interest is structured. In addition, as the beneficiaries may be tax resident in various jurisdictions, the tax treatment of the carried interest should also be assessed in each jurisdiction. Long-term capital gains generally enjoy a better tax treatment in most of the jurisdictions where beneficiaries are tax resident.

For Luxembourg tax resident beneficiaries, the tax treatment for carried interest depends on the nature of the income they derive. Generally, capital gains are not taxed in Luxembourg after a six-month holding period and if the carried interest holder does not hold directly or indirectly more than 10% of the capital of the underlying vehicle. Dividends are taxable at a progressive income tax rate of up to 45.78%, with a 50% exemption available under certain conditions.

In addition, although a specific regime for carried interest for employees of alternative investment fund (AIF) managers or management companies of AIFs was introduced several years ago, the favourable provision was transitional and restrictive in scope, considering the number of conditions to be met.

Recent developments

We expect some developments in the near future that will enhance the remaining provisions of the Luxembourg carried interest special regime to make it more aligned with the AI industry trends.

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Article

Navigating the Beckham Regime in Spain: strategic insights for inpatriates

Spain's inpatriates tax regime — commonly known as the "Beckham Regime" — offers a compelling tax incentive for up to six years for professionals relocating to Spain. However, recent enforcement trends and legal precedents underscore the importance of applying this regime with strategic foresight and full compliance.

1. Eligibility criteria

The following are required to qualify for this regime:

- **i** Applicants must become Spanish tax residents.
- **ii** Applicants must not have been Spanish tax residents in the five years prior to their relocation to Spain.
- **iii** Applicants must relocate to Spain for one of the following reasons:
  - **a** An employment contract with a Spanish entity;
  - **b** An intragroup transfer (where relocation is ordered by the employer and there is a relocation letter issued by the employer);
  - **c** Digital nomad status: remote work for a foreign employer;
  - **d** Appointment as a director of a Spanish entity if, in case of an asset-holding entity, the individual owns less than 25% of it; or
  - **e** Performance of an "entrepreneurial activity" in Spain as an independent professional or as a "highly qualified professional" meeting specific criteria.
- **iv** Except for the cases mentioned in point (e), the applicant must not obtain income that would be classified as obtained through a permanent establishment located in Spain. This means that under the Beckham Regime, the taxpayer cannot engage in professional activities as a self-employed worker (i.e. the applicant cannot provide services on their own).

2. Key tax benefits

The application of this special regime provides a series of tax advantages such as the following:

- **i** A flat 24% tax rate on employment income (i.e. salary) up to EUR 600,000; this will be increased to 47% on the amounts received as employment income in excess of EUR 600,000.
- **ii** Salary income subject to such flat rates will include not only Spanish-sourced salary income but also salaries received from foreign sources.
- **iii** On other types of income (including savings income as interest and dividends, capital gains, etc.) inpatriates will only be subject to tax on Spanish-sourced income at the applicable savings income rates of up to 30% on the amounts exceeding EUR 300,000.

iv Inpatriates will remain subject to wealth tax/solidarity tax on large fortunes only on Spanish located assets.

v Inpatriates are exempted from the obligation to report assets located abroad to the Spanish tax authorities (Form 720).

vi Family benefits: The regime may be extended to other members of the family unit if they meet a series of requirements.

3. Abusive use of the Beckham Regime: red flags for the Spanish tax authorities and recent case law

The Spanish Tax Administration (STA) has intensified scrutiny of Beckham Regime applications. In this regard, the most frequently challenged situations include the following:

- **Artificial corporate structures**: This involves using shell companies or passive entities to simulate an employment agreement with the applicant in Spain.
- **Lack of economic substance**: The employing company must have adequate material and personal resources (i.e. sufficient economic substance) and must operate as a real business. The STA evaluates whether the company has material means (such as office space, equipment and infrastructure) and personal means (qualified staff) to support the employment relationship.
- **Passive income disguised as salary**: This means creating or using family-owned entities to pay the inpatriate a salary while the real income derives from dividends or capital gains. In addition, there are cases where management fees or indirect costs are paid as employment income, even when the underlying activity is minimal or unrelated to actual work performed in Spain.
- **Reclassification of dividends as professional income**: Inpatriates receiving passive income such as dividends from foreign entities in which they are the sole shareholders may be deemed by the STA to be effectively providing professional services. In such cases, the income may be reclassified as economic activity income, resulting in a breach of one of the key eligibility requirements of the Beckham Regime.
- **Absence of causality**: The relocation to Spain must be justified by a genuine employment reason. The employment contract must be the reason for the inpatriate's move to Spain.

In that regard, there are several recent resolutions from the economic-administrative courts upholding the denial of a taxpayer making use of the Beckham Regime. One of the cases is the Resolution dated 29 January 2025 of the Madrid Regional Economic-Administrative Court. In that case, the court upheld the denial of the Beckham Regime to a taxpayer who had used a Spanish company as a vehicle to simulate professional activity. The court concluded the following:

- The taxpayer was the sole effective provider of services, despite the company issuing invoices and appearing to operate as a real estate consultancy.
- The company lacked independent material and personal means. It operated from the taxpayer's personal residence, had no employees and relied entirely on the inpatriate's expertise and activity.
- The STA determined that the company served merely as a conduit to channel income that should have been declared as personal professional income.
- The court found that the taxpayer's relocation to Spain was not causally linked to a genuine employment relationship.
- The use of the company was deemed a simulated arrangement designed to obtain an undue tax advantage.
- As a result, the taxpayer was taxed under the general regime on worldwide income and was also subject to a penalty of up to 150% of the unpaid tax liability.

This case reinforces the STA's "substance over form" approach and highlights the importance of demonstrating genuine economic substance and a legitimate professional rationale for relocation.

4. Strategic considerations

To ensure compliance and avoid setbacks during the application or audit process, the relocation and structuring process must be approached with careful planning from the outset. In particular, we recommend that taxpayers do the following:

- **Document genuine relocation motives**: Examples include employment contracts, job descriptions, job interview process fully documented, emails, etc.
- **Demonstrate economic substance**: The employing company must perform real business operations and must have personnel and infrastructure in Spain.
- **Avoid overlap with personal interests**: The use of family-owned entities or passive asset management vehicles must be avoided to be eligible for the Beckham Regime. In addition, it is important to align professional background with the new role in Spain.
- **Exercise caution when holding roles in foreign companies** where the applicant or their family members are majority or sole shareholders. In such cases, the STA may consider that services are being rendered to the foreign entity from Spain, which could jeopardise eligibility under the Beckham Regime.

Given the complexity and evolving nature of the applicable rules, it is crucial to assess each case holistically and ensure that all legal and tax requirements are met from the beginning.

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Article

Spain's new real estate tax landscape: national and Catalan reforms reshaping the market

A. Spain's proposed 100% property Transfer Tax on non-EU residents

On 22 May 2025, the Spanish Socialist Parliamentary Group formally introduced a bill in Congress to promote affordable housing in Spain. Among other housing-related tax reforms, the bill proposes the introduction of a new "**State Complementary Tax on the Transfer of Real Estate to Non-Residents of the European Union**" (Impuesto Complementario Estatal sobre la Transmisión de Bienes Inmuebles a no Residentes en la Unión Europea). This measure, first announced by Prime Minister Pedro Sánchez in January 2025, is designed as a political response to growing domestic concerns over housing affordability and the impact of foreign investment.

Overview of the proposed tax

- **Scope**: The tax would apply to transactions involving the transfer for consideration of Spanish real estate, as well as the creation or transfer of real rights over such property, when the acquirer is an individual or entity not resident in the EU.
- **Exclusions**: The tax would not apply to transfers of properties subject to and not exempt from value-added tax (VAT) (i.e. most new-build purchases from developers would be excluded).
- **Tax base**: The taxable base would generally be the cadastral reference value set by the Spanish Cadastre, or, if higher, the price declared or agreed by the parties. Only charges that reduce the property's value would be deductible; debts (even if secured by mortgage) would not be deductible.
- **Tax rate**: The tax would be levied at a flat rate of **100%** on the taxable base.
- **Credit for existing Transfer Tax**: Any regional Transfer Tax paid would be deductible from the new complementary tax liability.
- **Tax administration**: The tax would bemanaged and collected by the Spanish state, not the autonomous regions.

Legislative process and current status

This measure is, at present, a mere legislative proposal at the initial stage of Spain's parliamentary process. Given the controversial nature of this proposal, we anticipate significant debate and potential amendments during the parliamentary process.

Legal and constitutional concerns

There are serious doubts regarding the **compatibility of this tax with EU law**, particularly the principle of free movement of capital. The European Court of Justice has repeatedly ruled against Spain and other member states for discriminatory tax measures targeting non-residents, including those from outside the EU.

The proposal also faces potential **challenges under Spanish constitutional law**, as a 100% tax rate, even with a deduction for the existing regional Transfer Tax, could be considered confiscatory and violate constitutional principles of proportionality and non-confiscation.

Conclusions and strategic considerations

Based on our analysis of EU jurisprudence and Spanish constitutional law, we consider this proposal is unlikely to survive legal scrutiny in its current form. The measure raises substantial legal and constitutional concerns and would likely face immediate challenge in both Spanish and European courts if enacted.

We will continue to monitor developments and advise clients as the situation evolves.

B. Catalonia's new real estate tax regime

The government of Catalonia has approved a sweeping reform of real estate framework through Decree Law 5/2025, introducing significant increases to both the Transfer Tax (TT) and stamp duty. These changes, effective from 27 June 2025, are expected to have a substantial impact, reshaping the investment landscape across the region.

Key measures and their impact

1. Progressive TT rates

One of the most notable changes is the introduction of progressive tax brackets for the TT:

- Up to EUR 600,000: 10%
- EUR 600,000 to EUR 900,000: 11%
- EUR 900,000 to EUR 1.5 million: 12%
- Above EUR 1.5 million: 13%

This positions Catalonia well above the national average (7%).

2. 20% TT for large property holders

Entities classified as "large property holders" will face a flat 20% TT rate, regardless of transaction value. This measure is designed to discourage speculative activity and promote housing availability.

Definition of large property holders

An individual or entity qualifies if they meet any of the following:

- Own five or more residential properties located in high-demand areas in Catalonia;
- Own more than 10 residential properties across the region; or
- Hold over 1,500 square meters of residential floor space.

Special considerations for co-ownership and usufruct

While the law is silent on co-ownership situations, interpretative guidance issued by a Barcelona court — while not binding for the Catalan tax authorities — suggest the following:

- Only ownership or usufruct exceeding 50% counts toward the threshold.
- Bare ownership is excluded from the calculation.

3. Entire building purchases also affected

The 20% TT applies to full-building acquisitions except in the following circumstances:

- The buyer is a natural person;
- The building has no more than four units;
- All units are intended as primary residences for the buyer and their family.

4. Elimination of rehabilitation incentives

The 70% TT rebate for real estate companies rehabilitating and reselling within three years has been abolished, removing a key incentive for urban renewal.

5. Stamp duty increase for corporate transactions

Stamp duty on property transfers between companies rises from 2.5% to 3.5% (when VAT exemption is waived), affecting transactions involving hotels, offices and commercial assets.

In contrast, the general stamp duty rate in other regions is typically 1.5%.

Conclusions and strategic considerations

These reforms reflect Catalonia's broader policy goals: curbing speculation, promoting housing access and increasing tax progressivity. However, they also introduce substantial cost implications for institutional investors, developers and corporate acquirers. At Baker McKenzie, we are already advising clients on how to navigate this new landscape.

In conclusion, Spain is entering a new era of real estate taxation shaped by significant legislative initiatives at both the national and regional levels. The proposed state-level tax targeting non-EU investors signals a shift toward protectionist housing policy, while Catalonia's sweeping reforms reflect a clear intent to curb speculation and promote housing access through fiscal pressure.

While these measures align with broader social objectives, they also introduce significant legal uncertainties and financial burdens. Stakeholders should closely monitor the legislative process and prepare for potential legal challenges, especially at the EU level.

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Article

UAE: Tax guidance released to enable full corporate tax transparency for qualifying Family Foundation

In brief

The UAE Federal Tax Authority (FTA) has issued detailed guidance on the tax treatment of family foundations, establishing clear criteria for achieving fiscal transparency under the UAE Corporate Tax Law. Foundations meeting five specific conditions — including a proper beneficiary structure, investment-focused activities and absence of commercial business — can apply for transparent tax treatment, effectively eliminating UAE corporate tax at the foundation level.

Key takeaways

Foundations and similar vehicles that meet certain eligibility requirements can apply to be treated as fiscally transparent "unincorporated partnerships," allowing them to eliminate UAE corporate tax at the foundation level with obligations flowing through to the beneficiaries instead.

To qualify, foundations must: (i) have only identified or identifiable natural persons and/or public benefit entities as beneficiaries; (ii) focus on investment activities rather than commercial business; (iii) not have tax avoidance as their main purpose; and (iv) meet specific distribution requirements for public benefit entity beneficiaries.

Legal entities that are wholly owned and controlled by qualifying foundations (such as special purpose vehicles (SPVs) in a multitiered holding structure) can also obtain transparent treatment, but any minority third-party ownership breaks the qualification chain.

Family foundations must register with the UAE FTA before applying for transparent status as unincorporated partnerships, with applications due before the end of the relevant tax period. Transitional relief is available for applications submitted before 31 December 2025.

In May 2025, the UAE FTA released a Corporate Tax Guide on the Taxation of Family Foundations, providing comprehensive guidance on the qualification requirements, corporate tax treatment and compliance obligations for a qualifying foundation and its beneficiaries.

A Family Foundation is defined for UAE Corporate Tax Law purposes as a foundation or similar entity that meets the following conditions:

- **Beneficiary requirements**: The beneficiaries of the foundation must be identified or identifiable natural persons and/or public benefit entities. Natural persons can be named individuals or members of a defined class (such as children and grandchildren of the founder). A public benefit entity does not need to be a Qualifying Public Benefit Entity (as defined for UAE corporate tax purposes to mean entities that, in addition to pursuing exclusively public benefit activities, are specifically listed in the UAE Ministry of Finance Cabinet Decision No. 37, and subsequent amendments thereto). As such, UAE or foreign nonprofits may be permissible beneficiaries of a Family Foundation even if they are not specifically designated as Qualifying Public Benefit Entities for UAE corporate tax purposes. Permissible beneficiaries also include other Family Foundations that are fiscally transparent for UAE corporate tax purposes. There are no limitations on the minimum or maximum number of beneficiaries, nor is it necessary to have a family tie or other relationship between the beneficiaries.
- **Principal activity**: The foundation's primary purpose must be receiving, holding, investing, disbursing or managing assets or funds associated with savings and investments.

- **No commercial business**: The foundation cannot conduct activities that would constitute a business if undertaken directly by its natural person beneficiaries. Activities that would qualify as "Personal Investment" or "Real Estate Investment (as defined for UAE corporate tax purposes),"[1] if undertaken by individuals, are permitted.
- **No tax avoidance purpose**: The foundation's main or principal purpose cannot be corporate tax avoidance.
- **Distribution requirements**: Where beneficiaries include public benefit entities, such beneficiaries should not receive income from the foundation that would be considered taxable income for UAE corporate tax purposes had they earned such income directly. If this condition is not met, the taxable income must be distributed by the foundation to the public benefit entity within six months from the end of the tax period. For example, if a Family Foundation realizes a gain from the sale of a foreign participation that would not qualify for the participation exemption, such gain would constitute taxable income if derived directly by the public benefit entity, and it must therefore be distributed within six months from the end of the tax period.

The guidance clarifies that legal entities that are wholly owned and controlled by qualifying Family Foundations (such as SPVs in a multi-tiered holding structure) can also apply for fiscal transparency if they meet the same qualifying conditions as the parent foundation and there is an uninterrupted chain of transparent entities. However, the "wholly owned" requirement is applied strictly, as even minority third-party ownership can break the chain and disqualify subsidiaries from transparent treatment.

Family Foundations can include foundations and analogous incorporated wealth planning vehicles (such as trusts established under the UAE Federal Trust Law or Waqfs, irrespective of whether they are formed under domestic (UAE) or foreign laws). Conversely, a purely contractual trust should not be treated as a legal person for UAE corporate tax purposes, and should be treated, by default, as fiscally transparent without the need to submit a separate application with the FTA.

Applications from Family Foundations to request treatment as fiscally transparent unincorporated partnerships must be submitted before the end of the relevant tax period, with transitional relief available for applications made before 31 December 2025. Applications should provide background information, including details of the beneficiaries and confirmation that the Family Foundation meets the relevant conditions. Ongoing compliance includes filing annual confirmations within nine months of the end of each tax period and demonstrating continued satisfaction of the qualifying conditions. Failure to continue to meet the qualifying conditions means that the foundation (as well as any underlying wholly owned entity) will revert to taxable person status from the beginning of the tax period in which such failure occurred.

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1 Broadly, this consists of investment activities that are conducted for one's own account, that do not require a license and that do not constitute a commercial business, as defined for UAE regulatory purposes. Real Estate Investment includes the direct or indirect sale, leasing, subleasing, and renting of land or real estate in situations that do not require a regulatory license for UAE purposes.

Around the world

EMEA

Saudi Arabia - New Ministry of Commerce decision on Ultimate Beneficial Owner (UBO) notification requirements

On the 13/08/1446H (corresponding to 12/02/2025G) the Minister of Commerce of Saudi Arabia issued Decision no. 235, which sets out notification requirements in respect of Ultimate Beneficial Owners (UBOs) of companies. This decision will become effective on 05/10/1446H (corresponding to 03/04/2025G) and will apply to all companies subject to the Saudi Companies Law, except for joint stock companies listed on Tadawul, the Saudi stock exchange.

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France - Penalty for late filing of the annual trust return

The Montreuil Tax Court confirms the application of penalties for the late filing of annual trust returns. Although the case's context is not very precise, this decision could represent a change in the practice of the French tax authorities (FTA), which, until then, had been lenient in case of spontaneous regularization of reporting obligations by a trustee.

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France - Corporate Officer of a French Company: the Tax Court of Appeal of Paris Confirms that the Source of Professional Income is French

The Tax Court of Appeal of Paris confirmed the judgment of the Tax Court of Paris (TA, 12 April 2023, No. 2103312) according to which a taxpayer could not be considered as having exercised his professional activity in the United Kingdom within the meaning of the double tax treaty between France and the United Kingdom since he did not demonstrate that the exercise of his duties necessarily implied that it was exercised outside of France.

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AMERICAS

United States - BEA benchmark survey of US direct investment abroad – Mandatory reporting deadline and extension

Every five years the US Department of Commerce Bureau of Economic Analysis (the "**BEA**") conducts a benchmark survey to gauge US investment abroad through a specific survey (the "**BE-10 Report**").

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United States - One Big Beautiful Bill emerges from the House of Representatives

On June 2, 2025, the US Senate returned to chambers to review H.R. 1, the One Big Beautiful Bill Act ("**H.R. 1**" or "**House Bill**"), beginning the countdown to get the bill on President Trump's deck before his Independence Day deadline. While that deadline may not hold, the reconciliation instructions expire September 30, 2025, and Congress will likely need to increase the debt ceiling before then. Several senators have stated that the text of the Senate's version of the bill could be released as early as June 13, 2025.

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United States - SALT Implications of the One Big, Beautiful Bill Act

On July 4, 2025, President Donald Trump signed the One Big, Beautiful Bill Act (hereinafter, "OBBBA" or "the Act") into law. OBBBA enacts sweeping changes to the Internal Revenue Code ("Code"), many of which will impact taxpayers at the state level, including reforms to the federal state and local tax ("SALT") deduction, Global Intangible Low-Taxed Income ("GILTI"), Foreign-Derived Intangible Income ("FDII"), section 174 research and development expensing, and section 163(j) business interest deduction limitations.

Notably, the Act does not include changes to Public Law 86-272, which had appeared in the House Bill under "Other Matters." See our prior post on Public Law 86-272.

This post summarizes the most material SALT-related provisions in the Act and focuses on the Act's implications for corporations, pass-through entities, and their owners.

READ MORE

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United States - QOZ 2.0 - qualified opportunity zones are now permanent

The One Big Beautiful Bill Act (the "Act") includes substantial changes to the "qualified opportunity zone" ("QOZ") rules. The QOZ regime and tax benefits are now made permanent on a "rolling" basis, allowing taxpayers to: defer capital gains for five years by making a qualifying investment in a "qualified opportunity fund" ("QOF"), receive a 10% basis step-up if a taxpayer holds its qualifying investment in a QOF for five years, and completely eliminate tax on gains from appreciation if the taxpayer held the qualifying QOF investment for more than 10 years. Further, "qualified rural opportunity funds" ("QROFs") were created to encourage investments in rural areas. These permanent QOZ tax benefits could provide tremendous opportunities for communities, developers, sponsors, and investors.

READ MORE

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APAC

Taiwan - MOF has its first-ever guidance on PPLI under CFC rules

On 8 April 2025, Taiwan's Ministry of Finance (MOF) released a significant update to its Q&A on the individual Controlled Foreign Corporation (CFC) regime ("Individual CFC Q&A"), expressly addressing the treatment of Private Placement Life Insurance (PPLI) in the context of CFC rules for the first time.

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